

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or about the contents of this document, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (the “FSMA”) or, if outside the United Kingdom, another appropriately authorised independent financial adviser. If you sell or have sold or otherwise transferred all of your Ordinary Shares (other than ex-entitlements) in certificated form before 5.00 p.m. on 30 November 2010 (the “Ex-entitlement Date”), please send this document, together with any Application Form, if applicable, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States or any of the other Excluded Territories. If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-entitlements) held in uncertificated form before the Ex-entitlement Date, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares (other than ex-entitlements) held in certificated form before the Ex-entitlement Date, you should refer to the instructions regarding split applications in Part 5 (*The Placing and Open Offer*) and in the Application Form.

This document comprises a prospectus and a circular relating to the Placing and Open Offer by Electra Private Equity PLC (the “**Company**”) and Admission (as defined below) of the Bonds prepared in accordance with the Prospectus Rules of the Financial Services Authority (the “**FSA**”) made under section 73A of the FSMA. A copy of this document has been filed with the FSA and has been made available to the public in accordance with Rule 3.2.1 of the Prospectus Rules. This document has been approved by the FSA as a prospectus issued in compliance with the Prospectus Directive 2003/7/EC and relevant implementing measures in the United Kingdom for the purpose of giving information with regards to the issue of Bonds.

Application will be made to the FSA and to the London Stock Exchange respectively for admission of the Bonds: (i) to the Official List; and (ii) to trading on the regulated market of the London Stock Exchange (together “**Admission**”). The regulated market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments. It is expected that Admission will become effective and that unconditional dealings in the Bonds will commence on the London Stock Exchange at 8.00 a.m. (London time) on 29 December 2010.

Prospective investors should read the entire document (together with the documents incorporated by reference herein) and, in particular, the Risk Factors set out on pages 10 to 19, when considering an investment in the Company’s securities. Your attention is drawn to the letter from the Chairman which is set out in Part 1 of this document and which contains a recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

The latest time and date for acceptance and payment in full for the Bonds is expected to be 11.00 a.m. on 21 December 2010. The procedures for acceptance and payment are set out in Part 5 (*The Placing and Open Offer*) and, for Qualifying Non-CREST Shareholders only, also in the Application Form. Qualifying CREST Shareholders should refer to paragraph 4 (*Procedure for application and payment*) of Part 5 (*The Placing and Open Offer*).

Electra Private Equity PLC

(a company incorporated and registered in England and Wales under the Companies Act 1929 with registered number 00303062 and an investment company under section 833 of the Companies Act 2006)

PLACING AND OPEN OFFER OF UP TO £100,000,000 AGGREGATE PRINCIPAL AMOUNT OF SUBORDINATED CONVERTIBLE BONDS AND NOTICE OF GENERAL MEETING

The distribution of this document and/or the Application Forms and/or the transfer of the Company’s securities in certain jurisdictions other than the UK may be restricted by law. No action has been or will be taken to permit a public offering of the Bonds or to permit the possession or distribution of this document (or any other offering or publicity materials related to the Bonds or the Application Form) in any jurisdiction where action for that purpose may be required. Accordingly, neither this document nor any advertisement or any other offering material or the Application Form may be distributed or published in the Excluded Territories or in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Placing and Open Offer and the distribution of this document and/or the Application Form are subject to the restrictions set out in paragraph 6 (*Excluded Territories*) of Part 5 (*The Placing and Open Offer*).

This document has been prepared strictly for the purposes of the Placing and Open Offer and the Admission of the Bonds. The Company has not authorised the use of, and no person may use, the document for any other purpose and/or in connection with any other offer of the Bonds.

Notice of a General Meeting of the Company to be held at 10.00 a.m. on 23 December 2010 at Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB is set out at the end of this document. The Placing and Open Offer described in this document are conditional upon Shareholder approval of the Resolution at the General Meeting. Shareholders are requested to complete and return their Form(s) of Proxy. To be valid, Forms of Proxy for use at the General Meeting must be completed and returned in accordance with the instructions printed thereon to the Registrar, or delivered by hand during office hours only, to Aspect House, Spencer Road, Lancing, West Sussex BN99 6GQ as soon as possible and in any event so as to arrive by not later than 10.00 a.m. on 21 December 2010. CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice of General Meeting in Part 15 (*Notice of General Meeting*). Completion and return of a Form of Proxy or CREST proxy instruction will not preclude you from attending and voting in person at the General Meeting, should you wish.

Notice in connection with the Excluded Territories

Neither this document nor the Application Form constitutes an offer to sell, or the solicitation of an offer to subscribe for or buy, Ordinary Shares, Bonds or Open Offer Entitlements in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution, directly or indirectly, in or into the Excluded Territories. In particular, none of the Ordinary Shares, the Bonds and the Open Offer Entitlements have been or will be registered under the Securities Act, with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of any other Excluded Territories and, subject to certain exceptions, may not be offered or sold, directly or indirectly, through CREST or otherwise, in or into the Excluded Territories, or to or for the account or benefit of US Persons, or any person resident in any other Excluded Territory, or any country or territory where to do so would or might contravene local securities laws or regulations except pursuant to an applicable exemption.

Notice in connection with Member States of the European Economic Area

This document has been prepared on the basis that all offers of Bonds within the European Economic Area ("EEA") (other than in the UK) will be made pursuant to an exemption under the Prospectus Directive 2003/7/EC, as implemented in member states of the EEA, from the requirement to produce a prospectus for such offers. Accordingly, any person making or intending to make any offer within the EEA (other than in the UK) of Bonds should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such offer. The Company has not authorised, nor does it authorise, the making of any offer of Bonds through any financial intermediary, other than offers made by the Company which constitute the Placing and Open Offer of Bonds contemplated in this document.

J.P. Morgan Cazenove is acting for the Company and no one else in connection with the Placing and Open Offer and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Placing and Open Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, or for providing advice in relation to the Placing and Open Offer or any transaction or arrangement referred to in this document. J.P. Morgan Cazenove is not underwriting the Placing and Open Offer.

Apart from the responsibilities and liabilities, if any, which may be imposed on J.P. Morgan Cazenove by the FSMA, J.P. Morgan Cazenove and its representatives accept no responsibility and make no representation or warranty, express or implied, as to the accuracy, completeness or verification of the information set forth in this document and nothing contained in this document is, or shall be relied upon as, a promise or representation in this respect whether as to the past or the future. Subject to applicable law, J.P. Morgan Cazenove accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document.

In connection with the Placing and Open Offer, J.P. Morgan Cazenove and any of its respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase the Bonds and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in the Bonds, any other securities of the Company or other related investments in connection with the Placing and Open Offer. Accordingly, except where the context requires otherwise, references in this document to the Bonds being issued, offered, subscribed, sold, acquired, purchased or otherwise dealt with should be read as including any issue, offer or sale to, or subscription, acquisition, purchase or dealing by, J.P. Morgan Cazenove or of any of its respective affiliates acting as an investor for its or their own account(s). Except as required by applicable law or regulation, J.P. Morgan Cazenove does not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

Neither this document nor any other information supplied in connection with the Placing and Open Offer (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Company or J.P. Morgan Cazenove or the Trustee that any recipient of this document or any other information supplied in connection with the Placing and Open Offer should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company. Neither this document nor any other information supplied in connection with the Placing and Open Offer constitutes an offer or invitation by or on behalf of the Company or J.P. Morgan Cazenove to any person to subscribe for or to purchase any Bonds.

Neither the Company nor J.P. Morgan Cazenove nor the Trustee or any of their respective representatives is making any representation to any offeree or purchaser of the Bonds regarding the legality of an investment in the Bonds by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The Bonds are subject to restrictions on resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Subject to certain exceptions, Qualifying Non-CREST Shareholders have been sent with this document an Application Form. Qualifying CREST Shareholders (who will not receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of any Open Offer Entitlements to which they are entitled which will be enabled for settlement on 1 December 2010. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Ordinary Shares prior to the Ex-entitlement Date. If the Open Offer Entitlements are for any reason not enabled by 8.00 a.m. on 1 December 2010 or such later time and/or date as the Company may decide, an Application Form will be sent to each relevant Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. The Application Form is personal to the relevant Qualifying Shareholder and cannot be transferred, sold or assigned except to satisfy *bona fide* market claims.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Application Form, if and when received, or other document to a jurisdiction outside the United Kingdom should read Part 1 (*Chairman's Letter*) and paragraph 6 (*Excluded Territories*) of Part 5 (*The Placing and Open Offer*).

In the event the Company is required to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, Qualifying Shareholders will, pursuant to section 87Q of FSMA, have a statutory right to withdraw their acceptance to subscribe for Bonds pursuant to the Open Offer before the end of the period of two working days beginning with the first working day after the date on which the supplementary prospectus was published.

Information

Investors should rely only on the information in this document (together with the documents incorporated by reference herein). No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this document nor any subscription or purchase of Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this document.

References to Defined Terms

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined in Part 14 (*Definitions*).

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SUMMARY

An investment in the Company's securities is only suitable for investors: (i) who understand the potential risk of capital loss and the fact that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Company's securities would be of a long-term nature constituting part of a diversified investment portfolio; and (iii) who fully understand and are willing to assume the risks involved in investing in the Company's securities.

This summary must be read as an introduction to this document and any decision to invest in the Bonds should be based on a consideration of this document as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") in each member state of the European Economic Area, no civil liability will attach to the Responsible Persons in any such member state solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this document, including any information incorporated by reference. Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, the plaintiff may, under the national legislation of the member state, be required to bear the costs of translating this document before the legal proceedings are initiated. Words and expressions defined in Part 6 (Terms and Conditions of the Bonds) below or elsewhere in this document have the same meanings in this summary.

1. Introduction

Electra Private Equity PLC (the "**Company**") is proposing a placing and open offer of up to £100 million aggregate principal amount of 5 per cent. subordinated convertible bonds due 2017 at an issue price of 100 per cent. and with an initial conversion price of 2,050 pence. The Placing and Open Offer are subject to the Company obtaining the required approval of the Shareholders at the General Meeting.

2. Information on the Company and the Manager

The Company is an England and Wales incorporated and registered investment trust which has been quoted on the London Stock Exchange since 1976. The Company's assets are managed by the Manager, the legal and commercial name of which is Electra Partners LLP, an independent private equity fund manager.

Investment policy

The information set out below is a summary of the Company's investment policy.

The Company's objective is to achieve a rate of return on equity of between 10 and 15 per cent. per annum over the long-term by investing in a diversified portfolio of private equity assets.

The Manager, on behalf of the Company, aims to achieve this target rate of return by:

- exploiting a track record of successful private equity investment;
- utilising the proven skills of its management team with a strong record of deal flow generation and long-term presence in the private equity market;
- targeting private equity opportunities (including direct investment, fund investments and secondary buyouts of portfolios and funds) so that the perceived risks associated with such investments are justified by expected returns;
- investing in a number of value creating transactions with a balanced risk profile across a broad range of investment sectors through a variety of financial instruments; and
- actively managing the Company's capital position and levels of gearing in light of prevailing economic conditions.

3. Investment Performance

The Company has achieved superior NAV returns¹.

<i>Period to 30 September 2010</i>	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>	<i>7 years</i>	<i>10 years</i>	<i>15 years</i>
	<i>per cent.</i>					
Total Return² (per annum)						
NAV per Ordinary Share	19.2	1.2	12.3	16.0	7.0	11.6
Share Price ³	11.8	(6.1)	4.8	12.1	3.1	10.0
FTSE All-Share Index	12.5	(1.0)	4.5	8.8	2.8	6.8

* Source: Regulatory News Service, DataStream, Electra.

4. Current Trading

Resources and Commitments

As shown in the table below, as at 30 September 2010, the Company had Liquid Resources of £212 million and had drawn down £164 million pursuant to the terms of the Facility. The ZDP Liability as at 30 September 2010 was £50 million.

	<i>£ million</i>
Liquid Resources	212
Bank Borrowings under the Facility	(164)
Net Liquid Resources	48
Accrued liability pursuant to the ZDP Shares due 2016	(50)
Net Gearing (long term)	(2)

The Company therefore had Net Liquid Resources of £48 million whilst being net geared on a long term basis (i.e. including the ZDP Liability as debt). In addition, commitments to third party funds, which may be drawn down over the next five years, amounted to £72 million as at 30 September 2010.

The Company entered into the Facility of £185 million on 17 July 2009. The Facility will be available until early 2013. The Company entered into the ZDP Loan on 29 July 2009. The ZDP Loan is repayable three business days prior to the ZDP Repayment Date.

Net Asset Value per Ordinary Share

The Investment Portfolio, which comprises direct investments and investments through third party private equity funds and excludes Adjusted Net Liquid Resources, was valued at £730 million as at 30 September 2010 and has not been revalued. The audited NAV per Ordinary Share as at 30 September 2010 was 2,050 pence.

Investments and Realisations

The Company invested a total of £183 million⁴ in the 12 months to 30 September 2010, of which £22 million was drawn down under commitments to third party funds. Realisation proceeds received by the Company were £125 million for the 12 months to 30 September 2010.

1 The Company's NAV Total Return per Ordinary Share is 11.6 per cent. per annum (over 15 years to 30 September 2010) compared to the FTSE All Share Index Total Return of 6.8 per cent. per annum over the same period.

2 Total Return includes dividends where paid.

3 As at 30 September 2010, the price of an Ordinary Share was 1,368 pence. (As at 30 September 2009, the price of an Ordinary Share was 1,224 pence.)

4 Total investments of £183 million included £56 million with respect to BDR Thermea which represented the value attributable to the Company's reinvestment of its interests in Baxi into BDR Thermea, which was formed through the combination of De Dietrich Remeha and Baxi.

5. Reasons for the Placing and Open Offer and Use of Proceeds

As a consequence of the events in global capital markets in September 2008, the private equity market dynamics started to, and are continuing to, adjust to a number of medium term developments. In particular, the Board, following discussions with the Manager, believes that:

- distressed sellers exist across the capital structure;
- corporate and leveraged loan overhang requires significant de-gearing, resulting in a need for replacement equity;
- competition for deals is reduced as the shake-out of private equity managers continues;
- in the mid-market there is a shortage of flexible capital to pursue opportunities; and
- as a consequence of the above dynamics investment opportunities are becoming more attractive.

These developments, together with the Company's flexible investment mandate, will enable the Manager to target a number of opportunities, including:

- bolt-on acquisitions to existing investments;
- capital for restructuring, including buyouts;
- private equity into public companies;
- secondary investments, including debt; and
- development capital.

With a proven track record of actively managing its capital structure over the cycle, the Company believes it will be well positioned, following the Placing and Open Offer, to benefit from these opportunities.

The Board, following discussions with the Manager and the Company's advisers, has decided to increase the capital available to the Company through the Placing and Open Offer in order to provide further funds for investment purposes because whilst the Company had Net Liquid Resources of £48 million, when the ZDP Liability is also considered, the Company is already geared (£2 million) on a long term basis as at 30 September 2010.

The Placing and Open Offer will diversify the Company's sources of funding and the maturity of that funding and enhance the operational flexibility of its debt facilities.

The net proceeds of the Placing and Open Offer will be managed in accordance with the Company's investment policy for further investments and general corporate purposes.

6. Description of the Placing and Open Offer of the Bonds

The Placing and Open Offer

J.P. Morgan Cazenove, as sole bookrunner for the Company, is making arrangements to conditionally place the Bonds (being in aggregate £100 million) with institutional investors at the Issue Price, subject to clawback in respect of valid applications made by Qualifying Shareholders under the Open Offer.

The Open Offer is an opportunity for all Qualifying Shareholders to subscribe for Bonds *pro rata* to their current holdings at the Issue Price.

The Placing and Open Offer are not being underwritten by J.P. Morgan Cazenove or by any other person.

The Placing and Open Offer are conditional upon, *inter alia*, approval of the Resolution.

The Bonds

The initial Conversion Price upon issue of the Bonds is 2,050 pence. This represents a premium of approximately 27.7 per cent. to the closing price of 1,605 pence per Ordinary Share on 29 November 2010, the last Business Day prior to the date of this document.

The Bonds to be issued pursuant to the Placing and Open Offer will bear interest from (and including) the Closing Date at the rate of 5 per cent. per annum payable semi-annually in arrear on 29 December and 29 June of each year. Each Bond will, subject to certain conditions described herein, be convertible into Ordinary Shares, at the option of the holder, during the Conversion Period.

The Company has the option to convert the Bonds into Ordinary Shares (a) on or after 29 December 2015 if the Parity Value of the Bonds for a period of 20 dealing days in any period of 30 consecutive dealing days shall have exceeded 130 per cent. of the principal amount of the Bonds, or (b) at any time if Conversion Rights shall have been exercised and/or purchases and/or redemptions shall have been effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued.

The Bonds constitute direct, unsecured, subordinated, and unconditional obligations of the Company which will at all times rank *pari passu* among themselves. The claims of the Bondholders against the Company in respect of payments pursuant to the Bonds will be subordinated in right of payment in the manner provided in the Subordination Agreement entered into between the Company, The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”), Barclays Bank PLC (the “**Facility Agent**”) and Electra Private Equity Investments PLC (the “**ZDP Company**”) to the claims of all Priority Creditors of the Company. Furthermore, for so long as any Priority Debt remains outstanding, the rights of enforcement of the Bondholders will be restricted significantly.

The Bonds shall be issued in registered certificated definitive form and registered uncertificated form (respectively the “**Certificated Bonds**” and the “**Uncertificated Bonds**”). Uncertificated Bonds will be settled through CREST, the relevant system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 operated by Euroclear UK.

Application will be made to the FSA and to the London Stock Exchange respectively for admission of the Bonds to the Official List and to trading on the regulated market of the London Stock Exchange.

The Ordinary Shares to be issued on conversion of the Bonds will, on the Delivery Date, rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the Delivery Date of the relevant Ordinary Shares).

7. General Meeting

A General Meeting of the Company has been scheduled for 23 December 2010 to approve the Resolution.

8. Risk Factors

Investors should consider carefully risks which could have a material adverse effect on the Company and/or an investment in the Ordinary Shares or the Bonds described under the section headed “*Risk Factors*” beginning on page 10:

- normal market fluctuations and events such as the global economic crisis may impact the business, operating results or financial condition of the Company;
- the Company’s financial performance depends on the success of its investment strategy and the skill and judgment of the Manager;
- the reported values of the investments may not be realised;
- the Company may face a highly competitive market for investment opportunities in the future;
- financial results may be adversely affected by movements in foreign exchange rates;

- the Company is subject to concentration risk in its Investment Portfolio;
- a material fall in the value of the assets in the Investment Portfolio may lead to the winding up of the Company;
- although the Manager actively monitors the performance of each investment, it relies on the management skills of each portfolio company;
- the Company's borrowings may involve significant risks;
- the Company may in the future be affected by the implementation of the Alternative Investment Fund Manager's Directive;
- the Company's Investment Portfolio may be illiquid;
- the Company's Liquid Resources are exposed to credit risk;
- market values of publicly traded securities that are held as investments may be volatile;
- the companies in which the Company invests may not provide perfect information for due diligence;
- the Company's ability to control an investment may be dependent on co-investors;
- the Company's financial performance is dependent on the Manager and the Manager's ability to retain key personnel;
- the Manager is able to pursue other business activities and provide services to third parties;
- changes in the Company's tax status or tax legislation or practice could adversely affect the Company, the Shareholders and the Bondholders;
- future share issues, share buybacks or raising new debt facilities in the longer term could dilute the interests of the Shareholders and lower the price of the Ordinary Shares;
- the issue of the Ordinary Shares upon exercise of the Conversion Rights could dilute the NAV per ordinary share;
- the Bonds may not be a suitable investment for all investors;
- the secondary market for convertible bonds in the UK can be illiquid and there is no guarantee that the Bonds will have an active market;
- Bondholders will bear the risk of fluctuation in the price of the Ordinary Shares;
- the Bonds are subordinated;
- there are risks attached to the exercise of Conversion Rights;
- there is a limited period for, and may be costs associated with, the conversion of the Bonds;
- the Bonds are subject to exchange rate risks and exchange controls;
- the Bonds are subject to interest rate risks;
- the Bonds may be mandatorily converted into Ordinary Shares;
- the Conditions of the Bonds are based on current English law;
- Bondholders may not receive certain interest payments on the Bonds;
- Meetings provisions permit defined majorities to bind all the Bondholders;
- Bondholders have limited anti-dilution protection;
- holders of Uncertificated Bonds will have to rely on the Operator's procedures for payment and transfer; and
- payments under the Bonds may be subject to certain provision of information requirements or a transitional withholding tax.

RISK FACTORS

In addition to all other information set out in this document, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company's securities. The risks set out below are those which are considered to be material but are not the only risks relating to the Company and an investment in its securities. There may be additional risks that the Company does not currently consider to be material or of which the Company is not aware.

An investment in the Company's securities is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in the Company's securities should constitute part of a diversified investment portfolio. Typical investors are expected to be institutional investors, investment funds, private client fund managers and private client brokers. Prospective investors should carefully review and evaluate the risks and the other information contained in this document, as well as their own personal circumstances and consult their financial adviser before making their own decision to invest in the Company's securities.

1. Risks Relating to the Company's business

The effects of both normal market fluctuations and events such as the recent economic crisis may impact the business, operating results or financial condition of the Company

The Company and its Investment Portfolio are materially affected by conditions in the global financial markets and economic conditions throughout the world, including, but not limited to, rising interest rates or inflation, economic uncertainty, availability of credit, currency fluctuations and exchange controls, changes in laws, trade barriers, commodity prices, terrorism or political uncertainty. These factors are outside the Company's control and may affect the level and volatility of securities prices, the amount of distributions received from investments in the Company's portfolio and the liquidity and the value of investments, and the Company may not be able to or may choose not to manage its exposure to these conditions and any efforts to manage its exposure may or may not be effective. Global financial markets have experienced considerable volatility in the valuations of securities, an acute contraction in the availability of credit and the failure of a number of leading financial institutions in recent years. As a result, certain government bodies and central banks worldwide have undertaken intervention programmes, the effects of which still remain uncertain. These macroeconomic developments could negatively affect the business, operating results or financial condition of the Company and its Investment Portfolio.

The Company's financial performance will depend on the success of its investment strategy and the Company will be reliant on the skill and judgment of the Manager in effecting its investment strategy

There is no guarantee that the Company's investment objective will be achieved, that the investment strategy adopted by the Company will provide the returns sought by the Company or that substantial losses may not occur.

The ability of the Company to generate attractive returns for investors is significantly dependent upon the expertise of the Manager generally (which has discretion on the evaluation, selection and monitoring of investments and the implementation of the Company's current investment objective and policy) and, more specifically, the Manager's ability to make a correct assessment as to future values that can be realised in connection with the Company's investments. The assessment of any future investment will involve an evaluation by the Manager of the strengths and weaknesses of the underlying business of a potential portfolio company. Such assessments involve subjective judgments and forward-looking determinations by the Manager. In the event that the Manager misjudges an investment, the actual returns on the investment may be less than anticipated at the time of acquisition, and it may prove difficult for the Company to dispose of the investment at a price similar to that of the original acquisition price and it may lose all its investment.

The value of investments that the Company reports from time to time may not in fact be realised

A substantial portion of the Company's Investment Portfolio is, and it is anticipated that the majority of the investments that will continue to be made by the Company in the future will be, in the form of investments

for which market quotations are not readily available. The Manager is required to make good faith determinations as to the fair value of these investments on a semi-annual basis in accordance with IAS 39 in connection with the preparation of the Company's financial statements. Valuation methodologies involve a significant degree of management judgment. Valuations, particularly valuations of investments for which market quotations are not readily available, which are inherently uncertain, may fluctuate over short periods of time and may be based on estimates. As a consequence, determinations of fair value may differ materially from values that would have resulted if a ready market had existed. Even where market quotations are available for the Company's investments, such quotations may not reflect the value that would actually be realised because of various factors, including the possible illiquidity associated with a large ownership position, subsequent illiquidity on the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions and the market's view of overall company and management performance. The Company's asset value could be adversely affected if the values of investments recorded are materially higher than the values that are ultimately realised upon the disposal of the investments and changes in values attributed to investments from reporting date to reporting date may result in volatility in the net asset values. The Company cannot make any assurance that the investing values that are recorded from time to time or appearing in this document will ultimately be realised even where a disposal occurs shortly after the relevant valuation date.

The Company may face a highly competitive market for investment opportunities in the future

The Company competes with other private equity funds, corporations, commercial and investment banks and other institutions making investments that are similar to those that the Company targets. During periods of heightened competitiveness the Company may find it difficult to invest, as it is the Company's policy to be selective as to new business and to seek to maintain its investment discipline. Some of the Company's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Company. The competitive pressures faced by the Company may prevent the Manager from identifying and making investments on behalf of the Company. The Company may lose investment opportunities in the future if it does not match investment prices, structures and terms offered by competitors. Alternatively, the Company may experience decreased rates of return and increased risks of loss if it matches investment prices, structures and terms offered by its competitors. The Company can offer no assurance that competitive pressures will not have a material adverse effect on its profitability and NAV.

The Company's financial results may be adversely affected by movements in foreign exchange rates

Whilst the Ordinary Shares and the Bonds will be quoted in sterling, some of the Company's portfolio investments will not be. This may have a material effect, unfavourable as well as favourable, on the Company's NAV.

The Company is subject to concentration risk in its Investment Portfolio

Although the Investment Portfolio comprises a number of direct quoted, fund and direct unquoted investments, the Company will own a relatively limited number of investments at any one time. While the Company will seek to diversify its portfolio across various markets and businesses, it may be the case that a concentration of portfolio investments within specific markets, businesses and geographies may occur.

A material fall in the value of the assets in the Investment Portfolio may lead to the winding-up of the Company

If there is a material fall in the value of the assets in the Investment Portfolio, the Company may find that in the medium to long term its asset base is so small that it is impracticable for the Company to continue in existence. For instance, this may occur if the Company's operating costs significantly exceed its income and no prospect of recovery in asset values can be expected within a reasonable period. In this event, the Directors may resolve that the Company should be wound up voluntarily and will then convene a general meeting for that purpose. In that event, the Directors may instruct the Manager to commence an orderly realisation of the investments of the Company and to distribute the proceeds of such realisations to creditors and holders of Ordinary Shares as they become available. It is envisaged that any such orderly realisation

process could take in excess of 12 months following its commencement. This may potentially result in an event of default under the Conditions and/or a failure to pay amounts of principal or interest to the Bondholders when due.

The Company's borrowings may involve significant risks

The use of gearing in the form of the Company's bank borrowings, the ZDP Liability and the Bonds increases the volatility in the Company's NAV when compared to an ungeared position. Under certain circumstances (for example, if the Company is in default under its bank facilities), the Company's borrowing facilities may become repayable in whole or in part prior to their term. Under such circumstances the Company would lose some or all of the benefit of gearing provided by such borrowing facilities and potentially be subject to the cost or benefit of terminating hedging arrangements prior to their maturity. In the event that the Company is required to secure additional borrowing facilities in order to repay in whole or part its existing borrowing facilities, the Company may potentially incur additional costs in securing such additional borrowing facilities or in extreme circumstances might be forced to make disposals at suboptimal valuations.

The Company may in the future be affected by the implementation of the Alternative Investment Fund Manager's Directive

The draft Alternative Investment Fund Managers Directive (the "**AIFM Directive**") seeks to impose a pan-European regulatory framework for alternative investment fund managers, such as private equity and hedge fund managers. The AIFM Directive, which is nearing the final stages of the European legislative process, is likely to come into force early in 2011 and Member States of the European Union are likely to have until 2013 to implement the AIFM Directive into domestic legislation. In the period before 2013, much of the detail missing from the framework AIFM Directive will be set out in secondary legislation.

The current (near final) draft of the AIFM Directive indicates that it may have significant consequences for the Manager. It may also have consequences for the Company (and all similar investment companies). The extent of these consequences will become apparent once the detail of the new regime is established (including the scope of any grandfathering or transitional provisions). In any event, it is likely that the new regime will give rise to increased compliance and regulatory costs. The Company and its advisers will continue to monitor the progress and likely implications of the AIFM Directive.

2. Risks Relating to the Company's investments

Unquoted Investments

Although the Manager actively manages the performance of each investment, it relies upon the management of each portfolio company to operate the same on a day-to-day basis and consequently the Company may not always be able to protect its interests fully on a day-to-day basis. Investee companies are significantly financed through third party borrowings, which may lead to an increase in the investment risk and/or the exposure to interest rate fluctuations and consequently the value of the Company's investments may be adversely affected.

Some of the portfolio companies in which the Company invests may also be affected by changes in the market for their products or services and may encounter significant competition and/or difficulty in financing growth. Certain of the companies in which the Company invests may allocate greater than usual resources to research and product development and the Company may be required to provide additional funding from time to time to protect the value of its equity position. In addition, companies in which the Company invests could be adversely affected by the lack of commercial acceptance of a new product or process or by technological changes and obsolescence.

Portfolio companies may have limited product lines, services, markets or financial resources. In each case, the value of an investment in the Company may be adversely affected should any of these factors become a problem for investee companies because this tends to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns.

Portfolio companies may also be dependent on the management talents of a small number of key individuals and as a result, the death, disability, resignation or termination of employment of one or more of those persons could have a material adverse impact on their business and prospects and the investments made. Companies in which private equity investments are made may have limited financial resources, may be unable to meet their obligations to their debt providers, may be unable to renew existing credit facilities and/or may not be able to procure or maintain credit insurance, which may be accompanied by deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt.

Generally little public information exists about companies in which private equity investments are made and the Company must rely on the ability of the Manager to obtain adequate information for the purposes of evaluating potential returns and making a fully informed investment decision.

The Company's Liquid Resources are exposed to credit risk

Credit risk arises from the Company's investments in floating rate notes, liquidity funds and cash deposits.

The Company's Investment Portfolio may be illiquid

Investments in investee companies or funds that are not listed on a recognised stock exchange may be difficult or even impossible to realise (and value) at any particular point in time. Even successful investments made by the Company may be illiquid for prolonged periods of time and in general it may be several years before they are ready for sale. In the event that the Company makes a revenue loss or claims priority profit share and finance costs to its capital account in excess of any retained revenues, it may need to liquidate some of its investments to pay these costs.

Market values of publicly traded securities that are held as investments may be volatile

The Company's debt and equity investments may include investments in publicly traded securities such as listed equity or senior debt. The Company's equity investments may also include investments in portfolio companies whose securities are offered to the public in connection with the process of exiting an investment. The market prices and values of publicly traded securities of companies in which the Company has invested may be volatile and are likely to fluctuate due to a number of factors beyond the Company's control, including: actual or anticipated fluctuations in the quarterly, interim and annual results of the companies in which investments are made and other companies in the industries in which they operate; market perceptions concerning the availability of additional securities for sale; general economic, social or political developments; changes in industry conditions; changes in government regulation; changes in the general economic environment; shortfalls in operating results from levels forecast by securities analysts; the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and dispositions. Changes in the values of these investments may adversely affect the Company's NAV and cause the market price of the Ordinary Shares or Bonds to fluctuate.

The companies in which the Company invests may not provide perfect information for due diligence

The Manager may only have had the opportunity to carry out a limited due diligence exercise prior to making an investment in a portfolio company. There can be no assurance as to the adequacy or accuracy of information provided during any due diligence exercise or that such information will remain accurate in the period from conclusion of the due diligence exercise until the making of the investment. The ability of the Company or Manager to rely on any due diligence report will be limited by the scope of the report and any applicable contractual limitations on liability.

Where the Company makes an investment as part of a syndication process, the due diligence reports prepared for the original transaction may not be addressed to, and hence would not be able to be relied upon by, the Company and may not have been updated prior to the Company's participation.

Actual or uncertain potential risks or liabilities which may have become apparent during due diligence (for example tax, environmental, capital expenditure or other risks or costs) may not have been reflected, fully or at all, in the purchase price of the relevant investment, or protected against through contractual arrangements, and the value of the investment in the Company's portfolio may be reduced. Similarly, the Manager may have made decisions about the materiality of contingent or actual risks or liabilities identified during due diligence that may not in practice turn out to have been accurate.

The agreements which the Company enters into in making investments in portfolio companies may contain only limited representations and warranties from the relevant vendors in favour of the Company. Such vendor's liability may be limited in, for example, time and amount, and the agreements may contain limited or no other contractual protection. In addition, there can be no assurance as to the ability of the relevant vendor to satisfy any claims which may be made under any such agreement.

A portfolio company's failure to meet its operating projections may (if the company is rated) cause the rating agencies to downgrade the investment, which may affect the overall rating of the Company and affect the Company's ability to raise or draw upon its own credit facilities. A portfolio company's failure to meet its operating projections could also lead that company to default on its obligations to creditors which could, in turn, result in a diminution in value (or loss) of the Company's investment and so have a material adverse effect on the Company's income and the ability of the Company to service its own debt and satisfy its contractual obligations.

The Company's ability to control an investment may be dependent on co-investors

The Company may effectively jointly control certain of its underlying investments solely due to the coinvestment by other investment funds also managed by the Manager or as part of a syndicate of funds or institutions. There can be no guarantee that such effective joint control situations will continue as the Company does not direct, or have any influence over or involvement in, the investment policy or decisions of the other coinvesting funds or institutions who may wish to realise their investment without any regard to the Company's position.

3. Risks Relating to the Manager

The Company's financial performance is dependent on the Manager and the Manager's ability to retain key personnel

The Manager has the right to resign its appointment and terminate the Management Agreement in accordance with the notice provisions described in paragraph 13 (*Material Contracts*) of Part 13 (*Additional Information*). If the Manager resigns its appointment, the Company is subject to the risk that no suitable replacement will be found.

In addition, the Company believes that its success depends to a significant extent upon the skills and experience of the members of the Manager's team. There can be no guarantee that key individuals will remain with the Manager or that the Manager will be able to attract and retain suitable staff. In common with most managers, the compensation of the Manager's personnel may contain significant performance related elements, and poor performance by the Company may make it difficult for them to retain key personnel. The departure of any key personnel from the Manager may have an adverse effect on the performance of the Company.

The Manager is able to pursue other business activities and provide services to third parties

The Manager is not required to commit its full time to the Company's affairs, and is able to pursue other business activities and provide services to third parties.

Insofar as the Manager devotes time and attention to its responsibilities to other individual business interests, its ability to devote time and attention to the Company's affairs will be limited. This could adversely affect the Company's ability to achieve its investment strategy and corporate objectives, which could have a material adverse effect on the Company's profitability and NAV.

4. Risks Relating to Taxation

Changes in taxation legislation may adversely affect the Company, the Shareholders and the Bondholders

Any change in the Company's tax status, or in taxation legislation or practice in the United Kingdom or elsewhere, could affect the value of the investments in the Company's Investment Portfolio and the Company's ability to achieve its investment objective and could also affect the tax treatment of an investment in or holding of the Ordinary Shares and the Bonds.

5. Risks relating to the Company's Shares

Future share issues, share buy backs or raising in the longer term new debt facilities could dilute the interests of the Shareholders and lower the price of the Ordinary Shares

The Company may issue additional shares in future public offerings or private placements, or make market purchases of its Ordinary Shares or raise in the longer term new debt facilities, which may dilute the existing investors' interests in the Company. In addition, the issue of additional shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline. Furthermore, such additional shares may be of a class ranking in priority to the Ordinary Shares in respect of distribution or other rights which may change the risk reward characteristics and reduce the value of the Ordinary Shares.

The Company is a closed-ended vehicle. Accordingly, Shareholders have no right to have their Ordinary Shares repurchased by the Company at any time. Shareholders wishing to realise their investments in the Company will therefore be required to dispose of their Ordinary Shares on the stockmarket.

There can be no guarantee that a liquid market in the Ordinary Shares will be maintained. Accordingly, Shareholders may be unable to realise their Ordinary Shares at the quoted market price (or at the prevailing NAV per Ordinary Share) or at all.

The issue of the Ordinary Shares upon exercise of the Conversion Rights could dilute the NAV per Ordinary Share

If the NAV per Ordinary Share at the time of exercise of the Conversion Rights exceeds the applicable Conversion Price, the issue of the Ordinary Shares upon such exercise will also have a dilutive effect on the NAV per Ordinary Share. The extent of such dilution will depend on the number of Bonds in respect of which the Conversion Rights are exercised on each occasion and the difference between the applicable Conversion Price and the NAV per Ordinary Share prevailing at the time the new Ordinary Shares are issued.

6. Risks relating to the Bonds

The Bonds may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this document 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.

The secondary market for convertible bonds in the UK may be illiquid and there is no guarantee that the Bonds will have an active market

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market.

Although applications have been made for the Bonds to be admitted to listing on the Official List and to trading on the regulated market of the London Stock Exchange, there is no assurance that an active trading market will develop and, if such a market were to develop, that it will be sustained throughout the life of the Bonds and none of the Company, the Manager and J.P. Morgan Cazenove is under any obligation to maintain

such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Company or the Group and other factors that generally influence the market prices of securities. This may mean that the Bonds trade at a discount to their initial offering price.

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

The market price of the Bonds may 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 Company, its Investment Portfolio and the Group, their results of operations and political, economic, financial and other factors. Any decline in the price of the Ordinary Shares may have an adverse effect on the market price of the Bonds.

Future issues or sales of the Ordinary Shares may significantly affect the trading price of the Bonds or the Ordinary Shares. The future issue of Ordinary Shares by the Company or the disposal of Ordinary Shares by any of the major shareholders of the Company or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Ordinary Shares. There can be no assurance that the Company will not issue Ordinary Shares or that any such substantial shareholder will not dispose of, encumber, or pledge its Ordinary Shares or related securities.

The Bonds are subordinated

The terms of the Bonds are subject in their entirety to the terms of the Subordination Agreement which is entered into between, amongst others, the Company, the Priority Creditors and the Trustee and to which each Bondholder is a deemed party.

Any failure to pay any amount under or in respect of the Bonds to the Trustee or any Bondholder as a result of the provisions of the Subordination Agreement shall not give rise to an event of default under or a breach of the Conditions. Any amount which is not so paid due to the provisions of the Subordination Agreement shall remain a debt owing to the Trustee or the relevant Bondholder, as the case may be, by the Company until it is paid and shall be payable on the first day on which the relevant provisions of the Subordination Agreement no longer apply (whether or not such a date is otherwise a payment date pursuant to the Conditions), but no interest shall accrue on any amount under or in respect of the Bonds which is not paid solely as a result of the relevant provisions of the Subordination Agreement.

So long as any Priority Debt remains outstanding, the Subordination Agreement provides, *inter alia*, for the priority position of the Priority Debt over the Subordinated Debt as follows:

- (i) the subordination of the Subordinated Debt to the Priority Debt in the event of insolvency of the Company, and in respect of the order of distribution of any proceeds derived from, or resulting out of, the winding up of the Company;
- (ii) prevention of payments to the Bondholders and the Trustee of any other amounts payable in accordance with the terms of the Subordinated Debt including, *inter alia*:
 - (a) scheduled payments of interest; and
 - (b) payment of accrued interest on a Mandatory Conversionin each case, following an event of default under the terms of the Senior Debt;
- (iii) prevention of the Trustee and each Bondholder requiring the Company to repay principal due at the maturity of the Bonds to the extent that any Original Senior Debt remains outstanding;
- (iv) prevention of the Trustee and each Bondholder requiring the Company to repay principal and accrued interest on the exercise of an optional right of redemption by a Bondholder following a Relevant Event, until any Finance Party requiring pre-payment under the Credit Agreement has been so prepaid (or has foregone such right of prepayment) in accordance with the terms of the Credit Agreement in such an event;

- (v) prevention of the Trustee and each Bondholder requiring the Company to repay principal and accrued interest on an event of default under the Bonds, to the extent that any Priority Debt remains outstanding at the time of any such event of default;
- (vi) requiring each Bondholder to indemnify the facility agent under the Credit Agreement in respect of any loss or liability incurred by it in connection with the exercise of its rights under the Subordination Agreement, unless such loss or liability arises as a result of the facility agent's gross negligence, wilful misconduct or breach of the Subordination Agreement; and
- (vii) requiring each Bondholder to pay default interest on a failure by such Bondholder to "turnover" any excess or non-permitted payments required to be paid by it to the Priority Creditors in accordance with the provisions of the Subordination Agreement.

It is uncertain whether the provisions of the Subordination Agreement expressed to be binding upon the Bondholders are binding on the Bondholders and no legal opinion in respect of the Bonds opines thereon. Accordingly some or all of the provisions of the Subordination Agreement may not be enforceable against the Bondholders.

Risks attached to the exercise of Conversion Rights

Depending on the performance of the Ordinary Shares, the value of Ordinary Shares on any Conversion Date may be substantially lower than at the time the Bonds were initially purchased by investors. In addition, the value of the Ordinary Shares to be delivered upon conversion of Bonds may vary substantially between the date on which the Conversion Rights are exercised under the Bonds and the date on which such Ordinary Shares are delivered.

There is a limited period for, and may be costs associated with, the conversion of the Bonds

A Bondholder will, subject as more fully described herein under Part 6 (*Terms and Conditions of the Bonds*), have the right to convert its Bonds for Ordinary Shares. Conversion Rights may only be exercised, subject as provided herein, during the Conversion Period. If the Conversion Rights are not exercised by Bondholders during the Conversion Period, the Bonds will be redeemed at their principal amount, together with accrued but unpaid interest to such date on 29 December 2017 unless the Bonds are previously purchased and cancelled, redeemed or converted in accordance with the Conditions including any conversion pursuant to the Trustee's exercise of its discretion to convert pursuant to Condition 9 (*Trustee's Discretion to Convert Before Redemption*). A Bondholder exercising Conversion Rights must pay any taxes and duties arising on conversion and imposed or arising by reference to any deemed disposal or any interest therein in connection with the exercise of a Conversion Right.

The Bonds are subject to exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in sterling. This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of the 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 the sterling would decrease (a) the Investor's Currency-equivalent yield on the Bonds, (b) the Investor's Currency-equivalent value of the principal payable on the Bonds and (c) 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.

The Bonds are subject to interest rate risks

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

The Bonds may be mandatorily converted into Ordinary Shares

In the event that:

- (a) at any time after 29 December 2015, the Parity Value of the Bonds on each of at least 20 dealing days in a consecutive 30 dealing day period exceeds 130 per cent. of the principal amount of the Bonds, or
- (b) at any time, less than fifteen per cent. of the original principal amount of the Bonds remain outstanding (notwithstanding the value of the Ordinary Shares underlying the Bonds at this time),

then the Bonds may at the option of the Company be mandatorily converted into Ordinary Shares. Prospective investors must, therefore, be aware that, should the Bonds be mandatorily converted when the value of the Ordinary Shares underlying the Bonds is in excess of 130 per cent. of the principal amount of the Bonds, investors will be prevented by the Company from continuing to benefit from the yield generated from their holding of the Bonds.

If the Bonds are mandatorily converted in circumstances in which there remains fifteen per cent. or less of the original principal amount of the Bonds outstanding, there is a risk that holders of such Bonds will receive Ordinary Shares of a value that is less than the principal amount of their Bonds at that time, if the value of the Ordinary Shares underlying their Bonds at the relevant time is below the effective Conversion Price of the Bonds.

Investors should also be aware that, to the extent that a Certificated Bondholder fails, on Mandatory Conversion, to deliver the Bond Certificate within the timeframe prescribed by the terms of the Bonds, the holders of such Bonds will be mandatorily converted and the Ordinary Shares underlying their Bonds will be delivered to the Trustee to be sold by or on behalf of the Trustee as soon as practicable, subject only to there existing, in the opinion of an Independent Financial Adviser, an orderly market for the sale and purchase of Ordinary Shares – holders of such Bonds may, therefore, receive substantially less than the market price of the Ordinary Shares underlying their Bonds in such circumstances.

The Conditions of the Bonds are based on current English law

The Conditions of the Bonds are based on English law in effect as at the date of this document. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after such date.

Bondholders may not receive certain interest payments on the Bonds

If a Bondholder elects to exercise the Conversion Right attaching to any Bond:

- (i) if the Conversion Date falls on an Interest Payment Date, the Bondholder will not be entitled to receive the payment of interest otherwise due on such Interest Payment Date; and
- (ii) in any other case, the Bondholder will cease to be entitled to any interest accrued on the relevant Bond since the Interest Payment Date immediately preceding such Conversion Date (or, if such Conversion Date falls on or before the first Interest Payment Date, since the Closing Date),

and, in either case, no payment or adjustment will be made on conversion for any such interest accrued since the Interest Payment Date immediately preceding such Conversion Date (or, if such Conversion Date falls on or before the first Interest Payment Date, since the Closing Date).

Meetings, modification and waivers

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

Subject to the Subordination Agreement, the Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds.

Bondholders have limited anti-dilution protection

The Bonds are convertible into Ordinary Shares. The Conversion Price at which the Bonds may be converted into Ordinary Shares will be adjusted in the event that there is a consolidation, reclassification or subdivision, capitalisation of profits, dividends, distribution, discounted rights issue or grant of other subscription rights or other adjustment, including a spin-off event which affects the Ordinary Shares, but only in the situations and only to the extent provided under Condition 8 (*Adjustment of Conversion 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.

Holders of Uncertificated Bonds will have to rely on the Operator's procedures for payment and transfer

The Company will discharge its payment obligations under the Uncertificated Bonds by procuring that payments are made to the cash memorandum account of the relevant Bondholder (or its nominee) as shown in the records of the Operator. All transactions in relation to Uncertificated Bonds (including transfers) must be effected through an account at the Operator. The Bondholder (or its nominee) must rely on the procedures of the Operator to receive payments under and effect transactions in relation to the Uncertificated Bonds.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid 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 that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium previously applied a withholding system but has replaced this with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries (including Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories of certain Member States (including Jersey, Guernsey and the Isle of Man among others) have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain types of limited 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.

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the EU Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above.

FORWARD LOOKING STATEMENTS

Some of the statements under Summary, Risk Factors, Part 2 (*Information on the Company*), Part 10 (*Selected Financial Information*), Part 11 (*Financial Information and Documents Incorporated by Reference*) and elsewhere in this document include forward-looking statements which reflect the Group's or, as appropriate, the Company's or the Manager's current views with respect to the Company's financial performance and business strategy as well as plans and objectives of management for future operations. These statements include forward-looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "*Risk Factors*", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity.

These forward-looking statements speak only as of the date of this prospectus. Subject to any obligations under the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, the Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

STATISTICS RELATING TO THE PLACING AND OPEN OFFER

The following illustrative financial statistics are based on, and should be read in conjunction with, the Assumptions set out in Part 12 (*Principal Bases and Assumptions*). Prospective investors should note that actual outcomes can be expected to differ from these illustrations. The illustrations are not guarantees of future performance and involve certain risks and uncertainties that are hard to predict. Investors should therefore not rely on the illustrations. The attention of prospective investors is also drawn to the risk factors set out on pages 10 to 19 of this document.

Bond:	Issue Price:	100 per cent.
	Conversion Price:	2,050 pence
	Conversion Premium:	27.7 per cent. to the closing price of 1,605 pence per Ordinary Share on 29 November 2010
	Gross Proceeds (Target):	£100 million
	Estimated expenses of the Placing and Open Offer:	£4.6 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates is indicative only and subject to change. References to a time of day are to London time. Any changes to the timetable will be notified by publication of a notice through a RIS.

Record Date for entitlement under the Open Offer	5.00 p.m. on Friday 26 November 2010
Announcement of the Placing and Open Offer and publication of this document and Application Forms	Tuesday 30 November 2010
Ex-entitlement Date for the Open Offer	8.00 a.m. on Tuesday 30 November 2010
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	By 8.00 a.m. on Wednesday 1 December 2010
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	4.30 p.m. on Tuesday 14 December 2010
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on Thursday 16 December 2010
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on Friday 17 December 2010
Latest time and date for receipt of Forms of Proxy/CREST proxy instructions	10.00 a.m. on Tuesday 21 December 2010
Latest time and date for receipt of completed Application Forms and payment in full or settlement of relevant CREST instructions under the Open Offer (as appropriate)	11.00 a.m. on Tuesday 21 December 2010
General Meeting	10.00 a.m. on Thursday 23 December 2010
Closing Date	Wednesday 29 December 2010
Creation and issue of the Bonds	By 7.00 a.m. on Wednesday 29 December 2010
CREST accounts expected to be credited with the Uncertificated Bonds	By 7.00 a.m. on Wednesday 29 December 2010
Admission and dealings in the Bonds to commence on the London Stock Exchange	8.00 a.m. on Wednesday 29 December 2010
Certificates dispatched for the Certificated Bonds	By 5.00 p.m. on Thursday 6 January 2011

If you have any questions on the procedure for acceptance and payment, please telephone the Shareholder Helpline on 0871 384 2887 from within the UK or on +44 121 415 0260 if calling from outside the UK. Calls to the helpline on 0871 384 2887 cost 8 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Shareholder Helpline is only able to provide you with information contained in this document and information relating to the

Company's register of members and is unable to give advice on the merits of the Placing and Open Offer or provide legal, financial, tax or investment advice.

DEALING CODES

The dealing codes for the Bonds will be as follows:

ISIN: GB00B5B0NW64

SEDOL: B5B0NW6

Ticker: ELTC

DIRECTORS, MANAGER, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Board of Directors	Dr. Colette Bowe (<i>Chairman</i>) Mr. Ronald Armstrong Ms. Kate Barker Mr. Roger Perkin Mr. Michael Walton Ms. Lucinda Webber Mr. Peter Williams
Manager	Electra Partners LLP Paternoster House 65 St. Paul's Churchyard London EC4M 8AB +44 (0)20 7214 4200
Company Secretary	Frostrow Capital LLP 25 Southampton Buildings London WC2A 1AL
Registered Office and telephone number	Paternoster House 65 St. Paul's Churchyard London EC4M 8AB +44 (0)20 7306 3883
Sole Global Coordinator and Bookrunner	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ
Legal Advisers to the Company as to English law	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ
Legal Advisers to the Sole Global Coordinator and Bookrunner as to English law	Allen & Overy LLP One Bishops Square London E1 6AD
Auditors to the Company	PricewaterhouseCoopers LLP Hays Galleria 1 Hays Lane London SE1 2RD
Registrar, Receiving Agent and Principal Paying, Conversion and Transfer Agent	Equiniti Limited Aspect House Spencer Road, Lancing West Sussex BN99 6DA
Trustee	The Law Debenture Trust Corporation p.l.c. Fifth Floor 100 Wood Street London EC2V 7EX

PART 1

CHAIRMAN'S LETTER

ELECTRA PRIVATE EQUITY PLC

(Incorporated in England and Wales under the Companies Act 1929 with company number 00303062 and registered as an investment company under section 833 of the Companies Act 2006)

Directors:

Dr. Colette Bowe (*Chairman*)
Mr. Ronald Armstrong
Ms. Kate Barker
Mr. Roger Perkin
Mr. Michael Walton
Ms. Lucinda Webber
Mr. Peter Williams

Registered Office:

Paternoster House
65 St. Paul's Churchyard
London EC4M 8AB

30 November 2010

Dear Shareholder,

**Proposed Placing and Open Offer of up to £100 million 5 per cent. Subordinated
Convertible Bonds due 2017 (the “Bonds”)**

Introduction

The Company announced today proposals for a placing and open offer of Bonds (the “**Placing and Open Offer**”). I am now writing to give you details of the Placing and Open Offer and the related General Meeting to be held at 10.00 a.m. on 23 December 2010, at which Shareholders will be asked to approve the Resolution which is required to implement the proposals.

The Board believes that recent macroeconomic and market events provide significant private equity investment opportunities with attractive potential investment returns over the current business cycle. As such, it believes that it is an opportune time to expand the capital base of the Company.

These opportunities principally stem from both a lack of flexible capital⁵ following a severe economic recession and credit crisis, and a recovery in corporate profitability.

The credit crisis that started in late 2007, and spread throughout the financial system during 2008 and 2009, undermined confidence in both debt and equity capital markets, leading to a severe economic recession. UK gross domestic product contracted at the fastest rate since 1980, and the world fell into a recession from which Western economies are still emerging.

During the last three years we have seen significant stock market volatility, the collapse of the bank leverage loan market and significant reductions in European M&A and private equity transaction volumes. While there is evidence of a return to growth in some of these markets, the financial crisis has changed, and continues to change, the financial environment; both increasing the cost and decreasing the availability of debt finance. This is due to increased regulatory capital requirements for banks, a reduced number of market participants, and underperforming loan books. The Board agrees with the Manager (based both on its experience in the early 1990's recession and its current experience) that, despite a cautious outlook for the general economy there will be a need for flexible equity capital to help mid-market businesses grow and profit from opportunities in their respective markets, resulting in increased investment opportunity.

⁵ Flexible capital: private equity capital not restricted to one particular type of investment either by sector, deal type, geography or position in the capital structure. For example, the Company can invest in buy-outs, minority investments and development capital as well as mezzanine, preferred and ordinary equity. In addition it can also acquire secondary portfolios and invest in funds. Many private equity investors are restricted in their investment policy e.g. majority buy-outs only.

The Manager is well-positioned to deliver strong returns from fresh capital as it has a long track record of exploiting investment opportunities in the European mid-market across business cycles, and has materially increased its investment rate as opportunities have been found in the current market. During the year to 30 September 2010, £183 million⁶ of capital has been invested, a material increase on the previous year.

The Board believes the Bond is attractive to investors offering both participation in the potential future growth of NAV and the share price, whilst being protected on the downside by a significant NAV cover and cash yield.

The Board therefore believes that the Placing and Open Offer will have the key benefit of enlarging the Company's capital for investment at the appropriate time, whilst also broadening the investor base and improving the liquidity in its Ordinary Shares.

Reasons for the Placing and Open Offer and Use of Proceeds

As a consequence of the events in global capital markets described above, the private equity market dynamics started to, and are continuing to, adjust to a number of medium term developments. In particular, the Board, following discussions with the Manager, believes that:

- distressed sellers exist across the capital structure;
- the corporate and leveraged loan overhang requires significant de-gearing, resulting in a need for replacement equity;
- competition for deals is reduced as the shake-out of private equity managers continues;
- in the mid-market there is a shortage of flexible capital to pursue opportunities; and
- as a consequence of the above dynamics investment opportunities are becoming more attractive.

These developments, together with the Company's flexible investment mandate, will enable the Manager to target a number of opportunities, including:

- bolt-on acquisitions to existing investments;
- capital for restructuring, including buyouts;
- private equity into public companies;
- secondary investments, including debt; and
- development capital.

With a proven track record of actively managing its capital structure over the cycle, the Company believes it will be well positioned, following the Placing and Open Offer, to benefit from these opportunities.

The Board, following discussions with the Manager and the Company's advisers, has decided to increase the capital available to the Company through the Placing and Open Offer in order to provide further funds for investment purposes because whilst the Company had Net Liquid Resources of £48 million, when the ZDP Liability is also considered, the Company is already geared (£2 million) on a long term basis as at 30 September 2010.

The Placing and Open Offer will diversify the Company's sources of funding and the maturity of that funding and enhance the operational flexibility of its debt facilities.

The net proceeds of the Placing and Open Offer will be managed in accordance with the Company's investment policy for further investments and general corporate purposes.

6 Total investments of £183 million included £56 million with respect to BDR Thermea which represented the value attributable to the Company's reinvestment of its interests in Baxi into BDR Thermea, which was formed through the combination of De Dietrich Remeha and Baxi.

The Placing and Open Offer of Bonds

The Company is proposing to raise up to £100 million (before expenses) by the issue of the Bonds pursuant to a Placing and Open Offer.

The Open Offer is an opportunity for all Qualifying Shareholders to subscribe for Bonds (being in aggregate up to £100 million principal amount of Bonds) *pro rata* to their current holdings of Ordinary Shares at the Issue Price, in accordance with the terms of the Open Offer. J.P. Morgan Cazenove, as sole bookrunner for the Company, is making arrangements to conditionally place the Bonds with institutional investors at the Issue Price, subject to clawback in respect of valid applications made by Qualifying Shareholders under the Open Offer.

The initial Conversion Price upon issue of the Bonds is 2,050 pence. This represents a premium of approximately 27.7 per cent. to the closing price of 1,605 pence per Ordinary Share on 29 November 2010, the last Business Day prior to the date of this document. The Board considers the initial Conversion Price to be appropriate as it is equal to the NAV per Ordinary Share as at 30 September 2010.

The Bonds are being offered to Qualifying Shareholders, subject to the Conditions, on the following basis:

1 Bond (with a denomination of £1,000) for every 354 Ordinary Shares

registered in the name of each Qualifying Shareholder at the close of business on the Record Date, and so in proportion for any other number of Ordinary Shares then registered. Entitlements of Qualifying Shareholders will be rounded down to the nearest £1,000 aggregate principal amount of Bonds and any resulting fractional entitlements of Qualifying Shareholders arising under the Open Offer will be aggregated and placed for the benefit of the Company. Qualifying Shareholders holding fewer than 354 Ordinary Shares will have no entitlement to subscribe for Bonds under the Open Offer.

The Placing and Open Offer are conditional on the approval of the Resolution and the Placing Agreement becoming unconditional in all respects. A summary of the terms and conditions of the Placing Agreement is set out in paragraph 13 (*Material Contracts*) of Part 13 (*Additional Information*). If the conditions to the Placing Agreement are not fulfilled, the Placing and Open Offer will not proceed and application monies in relation to the Open Offer will be returned to applicants without interest as soon as possible thereafter.

The Placing and Open Offer are not being underwritten by J.P. Morgan Cazenove or by any other person.

Qualifying Shareholders may apply for any principal amount of Bonds up to their maximum entitlement which, in the case of Qualifying Non-CREST Shareholders, is equal to the principal amount of Open Offer Entitlements as shown in their Application Form, or, in the case of Qualifying CREST Shareholders, is equal to the principal amount of Open Offer Entitlements standing to the credit of their stock account in CREST.

No application in excess of a Qualifying Shareholder's *pro rata* entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for his or her maximum entitlement. Qualifying Shareholders with holdings of existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating entitlements under the Open Offer. Valid applications up to Qualifying Shareholders' *pro rata* entitlements will be satisfied in full.

The Ordinary Shares to be issued on conversion of the Bonds will, on the Delivery Date, rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the Delivery Date of the relevant Ordinary Shares).

If valid applications are not received for all of the Bonds, the aggregate principal amount of Bonds not so applied for are expected to be subscribed at the Issue Price by institutional placees procured by J.P. Morgan Cazenove, as sole bookrunner for the Company, pursuant to the terms of the Placing Agreement.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. Bonds not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and those Qualifying Shareholders who do not apply to take up Bonds will have no rights under the Open Offer.

To be valid, completed Application Forms and payment in full must be received by the Receiving Agent no later than 11.00 a.m. on 21 December 2010 or, for Shareholders who have their Ordinary Shares held in uncertificated form, a valid USE instruction must settle on or before 11.00 a.m. on 21 December 2010.

Shareholders who have any questions on the procedure for acceptance and payment under the Open Offer should telephone the Shareholder Helpline on 0871 384 2887 from within the UK or on +44 121 415 0260 if calling from outside the UK. Calls to the helpline on 0871 384 2887 cost 8 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Shareholder Helpline is only able to provide Shareholders with information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Placing and Open Offer or provide legal, financial, tax or investment advice.

Further information on the Open Offer, including the procedure for application and payment, is set out in Part 5 (*The Placing and Open Offer*) and in the Application Form.

Admission and Dealings of the Bonds

The Bonds will be in registered form and may be issued either in certificated or uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of the Bonds in certificated form will be certified against the Register. All documents or remittances sent by or to Shareholders or Bondholders will be sent through the post at the risk of the Shareholders or Bondholders.

Applications will be made for the Bonds to be admitted to the Official List and to trading on the regulated market of the London Stock Exchange. It is expected that Admission will occur, and that dealings will commence, at 8.00 a.m. on 29 December 2010.

Overseas Shareholders

Bonds

The Bonds are not being made available in whole or in part to the public except under the terms of the Open Offer. The Open Offer is not being made, subject to certain exemptions, to Overseas Shareholders and, accordingly, Application Forms are not being sent to and Open Offer Entitlements are not being credited to such Overseas Shareholders. However, the Company reserves the right to accept an Application Form received from an Overseas Shareholder (or an acceptance by submission of a USE instruction by an Overseas Shareholder holding his Ordinary Shares in uncertificated form) where it has received proof satisfactory to it that the Overseas Shareholder is able to accept the invitation by the Company free of any requirement which it (in its sole and absolute discretion) regards as unduly burdensome.

Overseas Shareholders who believe that they are entitled to take up Bonds under the Open Offer should contact the Company as soon as possible to discuss the matter.

Any Shareholder who is in any doubt as to his position should consult an appropriate independent professional adviser without delay.

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 9 (*United Kingdom Taxation*) of Part 13 (*Additional Information*).

Shareholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should immediately consult a suitable professional adviser.

Costs of the Placing and Open Offer

The Company's expenses in connection with the Placing and Open Offer are estimated to amount to approximately £4.6 million (inclusive of VAT). These expenses will be borne by the Company.

Net Proceeds from Bonds

If the Placing and Open Offer proceeds, the Company will raise net proceeds of approximately £95.4 million, assuming the Bonds are subscribed in full.

Impact on NAV per Ordinary Share

The Conversion Price of the Bonds on issue will be equal to the NAV per Ordinary Share as at 30 September 2010.

If the NAV per Ordinary Share at the time of exercise of the Conversion Rights exceeds the applicable Conversion Price, the issue of the Ordinary Shares upon such exercise will have a dilutive effect on the NAV per Ordinary Share. The extent of such dilution will depend on the number of Bonds in respect of which the Conversion Rights are exercised on each occasion and the difference between the applicable Conversion Price and the NAV per Ordinary Share prevailing at the time the new Ordinary Shares are issued.

General Meeting

Implementation of the Placing and Open Offer requires Shareholders to approve the Resolution to be proposed at the General Meeting. If passed, the Resolution will:

- (a) authorise the grant of the rights to convert into Ordinary Shares conferred by the terms and conditions of the Bonds up to a maximum nominal amount of £1,219,600 for the purposes of the Placing and Open Offer. This authorisation is in addition to any existing authority and will expire at the conclusion of the Company's Annual General Meeting to be held in 2011; and
- (b) waive statutory pre-emption rights in relation to the grant of the rights to convert into Ordinary Shares conferred by the Bonds up to a maximum nominal amount of £1,219,600 for the purposes of the Placing and Open Offer. This authorisation is in addition to any existing authority and will expire at the conclusion of the Company's Annual General Meeting to be held in 2011.

The number of new Ordinary Shares in relation to which the authority to allot and disapplication of pre-emption rights are being sought represents approximately 13.8 per cent. of the issued ordinary share capital of the Company as at the date of the document.

As at the date of this document, the Company does not hold any shares in treasury.

The Board is recommending that Shareholders vote in favour of the Resolution. In order to be passed, the Resolution requires at least 75 per cent. of the votes cast to be in favour.

A General Meeting of the Company has been convened for 10.00 a.m. on 23 December 2010 at Paternoster House, 65 St. Paul's Churchyard, London EC4M 9AB at which the Resolution will be proposed.

All Shareholders are entitled to attend and vote at the General Meeting. In order to ensure that a quorum is present at the General Meeting, it is necessary for three Shareholders entitled to vote to be present, whether in person or by proxy (or, if a corporation, by a representative).

The formal notice convening the General Meeting is set out on page 175 of this document.

Action to be Taken

Shareholders are requested to complete and return the accompanying Form of Proxy for use at the General Meeting, whether or not they wish to attend the General Meeting.

Shareholders are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6GQ, or deliver them by hand during office hours to the same address so as to be received as soon as possible and by no later than 10.00 a.m. on 21 December 2010.

If a Shareholder holds shares in CREST, the Shareholder may appoint a proxy by completing and transmitting a CREST proxy instruction to Equiniti Limited (CREST participant RA19) so that it is received by no later than 10.00 a.m. on 21 December 2010.

The completion and return of a Form of Proxy or CREST proxy instruction will not preclude a Shareholder from attending the General Meeting and voting in person, if the Shareholder so wishes.

Qualifying Non-CREST Shareholders (i.e. holders of Ordinary Shares who hold their Ordinary Shares in certificated form)

If you are a Qualifying Non-CREST Shareholder with any Open Offer Entitlements you will receive with this document an Application Form which gives details of your entitlement under the Open Offer (as shown by the number of Open Offer Entitlements set out in Box 2 thereof). If you wish to apply for Bonds under the Open Offer, you should complete the Application Form in accordance with the procedure for application set out in paragraph 4 (*Procedure for application and payment*) of Part 5 (*The Placing and Open Offer*) and on the Application Form itself.

Completed Application Forms, accompanied by full payment in accordance with the instructions in paragraph 4 (*Procedure for application and payment*) of Part 5 (*The Placing and Open Offer*), should be posted using the accompanying pre-paid envelope (if posted from the UK) or returned by post to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by hand (during normal business hours only) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in either case, as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 21 December 2010. If you do not wish to apply for any Bonds under the Open Offer, you should not complete or return the Application Form.

Qualifying CREST Shareholders

If you are a Qualifying CREST Shareholder you will not be sent an Application Form. If you have any Open Offer Entitlements, you will receive a credit to your appropriate stock account in CREST in respect of such Open Offer Entitlements. You should refer to the procedure for application set out in paragraph 4 (*Procedure for application and payment*) of Part 5 (*The Placing and Open Offer*).

The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4 (*Procedure for application and payment*) of Part 5 (*The Placing and Open Offer*) by no later than 11.00 a.m. on 21 December 2010.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

You should carefully review and evaluate the risks contained in the Risk Factors section on pages 10 to 19 and the other information contained in this document. If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

Recommendation

The Board considers that the passing of the Resolution is in the best interests of the Company and its Shareholders as a whole. **Accordingly, the Board unanimously recommends that Shareholders vote in**

favour of the Resolution to be proposed at the General Meeting. Those Directors who hold Ordinary Shares intend to vote in favour of the Resolution in respect of their holdings of Ordinary Shares amounting to 76,239 Ordinary Shares in aggregate (representing approximately 0.22 per cent. of the issued ordinary share capital of the Company as at the date of this document).

Yours faithfully,

A handwritten signature in black ink, reading "Colette Bowe". The signature is written in a cursive, flowing style.

Dr. Colette Bowe
(Chairman)

PART 2

INFORMATION ON THE COMPANY

The following information should be read in conjunction with the more detailed information appearing or incorporated by reference elsewhere in this document, including the financial and other information in Part 10 (Selected Financial Information) and Part 11 (Financial Information and Documents Incorporated by Reference). The financial information included in this Part 2 has been extracted without material adjustment from the Group's accounting records.

1. Information on the Company

The Company is incorporated and registered in England and Wales and has been quoted on the main market of the London Stock Exchange (LSE:ELTA.L) since 1976. The Company is managed as an HM Revenue and Customs approved investment trust, and primarily invests in the private equity mid-market⁷. The business and affairs of the Company are managed on an exclusive and fully discretionary basis by the Manager, an independent private equity fund manager, described in more detail below.

As at 30 September 2010, the Company's NAV was £725 million, comprising direct unquoted, fund investments and quoted investments plus Liquid Resources less bank debt due by 17 January 2013 and the ZDP Liability due by 5 August 2016.

2. The Company's Investment Policy

The Company's objective is to achieve a rate of return on equity of between 10 and 15 per cent. per annum over the long-term by investing in a portfolio of private equity assets.

The Manager, on behalf of the Company, aims to achieve this target rate of return by:

- exploiting a track record of successful private equity investment;
- utilising the proven skills of its management team with a strong record of deal flow generation and long-term presence in the private equity market;
- targeting private equity opportunities (including direct investment, fund investments and secondary buyouts of portfolios and funds) so that the perceived risks associated with such investments are justified by expected returns;
- investing in a number of value creating transactions with a balanced risk profile across a broad range of investment sectors through a variety of financial instruments; and
- actively managing the Company's capital position and levels of gearing in light of prevailing economic conditions.

The investment focus is principally on Western Europe, with the majority of investments made in the United Kingdom where the Manager has historically been most active. There is an emphasis on areas where the Manager has specific knowledge and expertise. In circumstances where the Manager feels that there is merit in gaining exposure to countries and sectors outside its network and expertise, consideration is given to investing in specific funds managed by third parties or co-investing with private equity managers with whom it has developed a relationship.

In implementing the Company's investment strategy, the Manager typically targets investments at a cost of £20 million to £75 million in companies with an enterprise value of £50 million to £200 million.

The Manager attempts to mitigate risk through portfolio diversification. Investments will therefore be made across a broad range of sectors and industries and not more than 15 per cent. of the Company's NAV, at the time of investment, will be invested in any single investment. If the Company acquires a portfolio of

⁷ The British Private Equity and Venture Capital Association defines mid-market as equity investments under £100 million.

companies in a single transaction, this limitation shall be applied individually to each of the underlying companies purchased and not to the portfolio as a whole.

The Company has a policy to maintain total gearing, including the Bonds and the ZDP Shares, below 40 per cent. of its total assets.

The Company has existing authority to implement an on-market share buyback programme to generate shareholder value. The Board considers that purchases will be less likely in the medium term than in previous years. However, the Board will continue to seek shareholder authority on an annual basis to enable the Company to purchase shares when it is considered to be in the best interests of Shareholders.

The portion of the Company's total assets that is not otherwise invested in the Investment Portfolio is allocated to enhanced cash resources (referred to as Liquid Resources elsewhere in this document). These investments will be made in a wide variety of investment types and vehicles including, but not limited to, fixed income instruments, short dated government bonds, money market instruments, bank deposits, bank loans and other financial instruments.

Unless required to do so to maintain the Company's investment trust status, it is the policy of the Directors not to pay dividends.

3. The Manager

The Company's assets are managed on an exclusive and discretionary basis by the Manager, the legal and commercial name of which is Electra Partners LLP, an independent private equity fund manager. Over the last 20 years the Senior Partners of the Manager have invested in excess of £3 billion in private equity investments, accumulating considerable expertise and building a strong track record.

The majority of the Senior Partners have worked together for 20 years. The Senior Partners are supported by a further eight investment professionals and the deal team averages over 17 years' experience in private equity. They are backed by a 24-strong team skilled in finance, compliance, investor relations and marketing.

The Manager was incorporated and registered in England and Wales on 14 June 2006 as a limited liability partnership (registered number OC320352) under the Limited Liability Partnerships Act 2000. The registered office of the Manager is the same as that of the Company, set out in the "*Directors, Manager, Company Secretary, Registered Office and Advisers*" section of this document and the telephone number of the Manager is +44(0) 20 7214 4200. The Manager is domiciled in the UK and is authorised by the FSA.

The Manager on 18 May 2009 in accordance with the Management Agreement entered into a discretionary management agreement with the Company to appoint EQM Capital LLP, which is authorised and regulated by the FSA to undertake the discretionary management of the Company's money market investments. For the purposes of the foregoing, money market investments are gilts, floating rate notes, money market and other investments from time to time directly and indirectly owned by the Company which are not Venture Capital Investments (as defined for the purposes of the FSA Rules). The partners of EQM are Hugh Mumford, Stephen Ozin and Philip Dyke.

EQM was incorporated and registered in England and Wales on 11 April 2008 as a limited liability partnership (registered number OC336456) under the Limited Liability Partnerships Act 2000. The registered office of the EQM is the same as that of the Company, set out in the "*Directors, Manager, Company Secretary, Registered Office and Advisers*" section of this document and the telephone number of EQM is +44(0) 20 7214 4200. EQM is domiciled in the UK and is authorised by the FSA.

4. The Company's Investment Performance

Over one, five, seven, 10 and 15 years to 30 September 2010, the Company has achieved significant growth (per annum) in NAV Total Return per Ordinary Share and has consistently outperformed the FTSE All-Share Index over the time periods in the table below, which illustrates the NAV Total Return per Ordinary Share over the various periods to 30 September 2010:

<i>Period to 30 September 2010</i>	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>	<i>7 years</i> <i>per cent.</i>	<i>10 years</i>	<i>15 years</i>
Total Return (per annum)						
NAV per Ordinary Share	19.2	1.2	12.3	16.0	7.0	11.6
Share Price ⁸	11.8	(6.1)	4.8	12.1	3.1	10.0
FTSE All-Share Index	12.5	(1.0)	4.5	8.8	2.8	6.8

* Source: Regulatory News Service, DataStream, Electra.

In the five years to 30 September 2010, the Company's NAV Total Return per Ordinary Share is 12.3 per cent. per annum. This is in the context of the FTSE All Share Index⁹ rising by 4.5 per cent. per annum over the same period. This has been a highly challenging investment period, following the collapse of Northern Rock plc and Lehman Brothers Holdings, Inc.

5. Investment Highlights

The Company is positioned in the private equity mid-market, and seeks portfolio diversity by geography, sector, type of investment and financial instruments used within each investment.

The Manager's resources, sector expertise and network of experienced business leaders support the Company's private equity investment strategy and underpins its long track record of achieving successful realisations. This track record is also evidence of the Manager's experience of navigating through periods of economic and market dislocation.

The Company believes that the following factors provide the Company with the right tools to compete effectively in the current market:

- a strong and experienced investment manager – with many senior members of the team having managed the business through previous economic cycles;
- broad access to investment opportunities – the Company's heritage and brand provide access to private equity transactions across Western Europe;
- a robust track record of investment realisations – between 1 April 1999 and 30 September 2010, the Company sold investments realising a total of £2.8 billion, made further investments of £1.4 billion and returned a total of £1.2 billion in cash to shareholders through tender offers and on-market share buy-backs; and
- having conserved Net Liquid Resources, the Company now sees the potential of current investment opportunities. Additional finance provided by the proceeds of the Placing and Open Offer will enhance the Company's investment flexibility and capacity.

The Company has made net investments of £58 million since 1 October 2009, thus an amount in excess of the proceeds of the ZDP Placing has been invested and the Company is seeking further finance because of the potential of current investment opportunities.

6. Investment Approach and Process

6.1 Origination

The Manager has an extensive network of deal flow sources, including industry executives, managers with whom it has previously worked, service providers and intermediaries. The Manager uses this network to originate investment opportunities, and in particular to generate a unique or preferred perspective on situations where possible. The Manager will generally participate in auction processes only where it believes that it has an "angle" that positions it well to win the auction at an attractive valuation.

8 As at 30 September 2010, the Company's share price was 1,368 pence. (As at 30 September 2009, the Company's share price was 1,224 pence.)

9 On a total return basis.

The Manager believes that this approach to origination is enhanced by a positive perception of the Company's brand and recognition of the Manager's investment team's extensive experience of backing management teams to build successful businesses.

6.2 ***Decision-making***

The Manager has a rigorous investment process managed by the Investment Progress Committee ("IPC") and the Investment Commitments Committee ("ICC").

The IPC, which comprises Mr. Mumford, Mr. Syder, Mr. Symondson and Ms Davies, meets weekly to discuss deal flow and work in progress and will also meet *ad hoc* as required. The IPC allocates resources and approves cost budgets in respect of transactions. It also reviews and approves any offers made in respect of transactions. Having satisfied itself as to the merits of an investment opportunity, it recommends the investment to the ICC.

The ICC, which comprises the IPC, Mr. Ozin and Mr. Dyke, meets *ad hoc* as required to consider the IPC's recommendations, to determine whether these recommendations are suitable and appropriate for the Company, and to decide whether to proceed with a recommendation. The ICC's approval is required before the Manager makes a commitment in respect of funds under its management.

Every investment opportunity is presented on a preliminary basis to the IPC before significant time or other resource is expended. A deal team consisting of one member of the IPC as sponsor and one or two other members of the Manager's investment team is normally allocated to each opportunity which the IPC decides to pursue. The deal team gives regular updates to the IPC as it progresses the transaction, including a written proposal whenever cost exposure is to be incurred or a written offer is to be made. A final investment paper is presented to the IPC and then to the ICC before the final decision is made on each investment opportunity.

6.3 ***Investment management***

Once an investment has been made, the Manager generally appoints up to two of the investment team as non-executive directors of the portfolio company and would expect to oversee the appointment of an independent non-executive Chairman. In some circumstances it may be appropriate to appoint additional non-executive directors from the Manager's broad base of contacts.

The Manager typically requires direct portfolio companies to adopt common reporting procedures, including:

- regular board meetings supported by board papers, including management reports and comprehensive financial and management information;
- a rolling agenda of special topics to ensure that the board and management address key areas systematically; and
- strategy discussions oriented around the key strategic issues, including exit, which each company faces.

7. **Current Borrowings, Restrictions, Liquid Resources and Obligations**

Borrowings

As part of its investment policy, the Company may borrow to provide gearing to the equity shareholders. The Company also borrows for short-term or temporary purposes as is necessary for settlement of transactions and to facilitate the longer term hedging of Euro or Dollar investments or to meet ongoing expenses. As at 30 September 2010, the Company had moved to a net geared position of £2 million when the ZDP Liability due in 2016 was deducted from Net Liquid Resources. The Company is indirectly exposed to borrowings to the extent that subsidiaries and underlying funds in its portfolio are themselves leveraged.

The Company entered into the Facility of £185 million on 17 July 2009. This is a club facility arranged with four major European banks and is available for three and a half years from July 2009. The Company entered into the ZDP Loan on 29 July 2009 pursuant to which the ZDP Company lent to the Company the net proceeds of the ZDP Placing. The ZDP Loan is repayable three business days prior to the ZDP Repayment Date.

The Facility is unsecured but the Company's obligations to the ZDP Company under the ZDP Loan Agreement are subordinated to the Facility pursuant to the ZDP Subordination Agreement. The claims of the Bondholders against the Company in respect of payments pursuant to the Bonds will, in the event of the winding-up of the Company, be subordinated in right of payment in the manner provided in the Subordination Agreement to the claims of all Priority Creditors of the Company. Furthermore, for so long as any Priority Debt remains outstanding, the rights of enforcement of the Bondholders will be restricted significantly.

Further details of the Credit Agreement, including details of the financial covenants to which it is subject, and the ZDP Subordination Agreement and ZDP Loan Agreement are set out in paragraph 13 (*Material Contracts*) of Part 13 (*Additional Information*).

Gearing Policy and Restrictions

The Company has an internal policy to maintain total gearing, including the Bonds, the ZDP Shares and any bank debt, below 40 per cent. of its total assets. Pursuant to the ZDP Undertaking, the Company has undertaken to the ZDP Company that, until the payment of the Final Capital Entitlement, the Company will not incur additional Bank Borrowings if its Bank Borrowings would thereby exceed 50 per cent. of the Company's gross investments plus cash or cash equivalents, as determined by the then most recently published audited accounts, or as the case may be, unaudited half-yearly accounts. A similar undertaking is being given under the Conditions.

Liquid Resources

As shown in the table below, as at 30 September 2010, the Company had Liquid Resources of £212 million and had drawn down £164 million pursuant to the terms of the Facility and the ZDP Liability as at 30 September 2010 was £50 million.

	<i>£ million</i>
Liquid Resources	212
Bank Borrowings under the Facility	(164)
Net Liquid Resources	48
Accrued liability pursuant to the ZDP Shares due 2016	(50)
Net Gearing (long term)	(2)

The Company therefore had Net Liquid Resources of £48 million whilst being net geared on a long term basis (i.e. including the ZDP Liability as debt).

Third Party Obligations

The Company had outstanding obligations to third party fund managers of approximately £72 million as at 30 September 2010. These obligations expire within five years but are expected to be drawn down, at least in part, during this period. The Company expects to meet these obligations through existing Liquid Resources, any new realisations over this period and, if required, utilising external borrowings in accordance with the Company's borrowing policies in force from time to time.

8. Dividends, Distributions and Dividend Policy

The Ordinary Shares resulting from the exercise of the Conversion Rights will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the allotment of the relevant Ordinary Shares).

Subject to the provisions of the Acts, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Directors. The Directors may pay dividends whenever the financial position of the Company, in the opinion of the Directors, justifies such payment. It is the Directors' policy only to pay dividends when required to do so to maintain investment trust status.

The dividend paid on each Ordinary Share in respect of financial year 2008 was 25 pence. No dividend was paid for financial year 2009 and no dividend will be paid for financial year 2010.

Pursuant to the ZDP Undertaking, the Company has undertaken to the ZDP Company that, until payment of the Final Capital Entitlement, the Company will not make any distribution of capital or income, provided that any such distribution will be permitted where (i) it is required to maintain the Company's status as an investment trust; or (ii) the Directors determine that the ZDP Shares would have a cover of not less than 1.5 times.

Further details of the ZDP Undertaking are set out in paragraph 13 (*Material Contracts*) of Part 13 (*Additional Information*).

9. Additional Company Information

9.1 *Investment Restrictions*

The Company manages its investments in a manner which is consistent with its published investment policy, Chapter 15 of the Listing Rules and Chapter 4 of Part 24 of the Corporation Tax Act 2010. Accordingly:

- distributable income will be principally derived from investments;
- not more than 15 per cent. of the income the Company derives from shares and securities in each financial year will be retained by the Company; and
- not more than 15 per cent. of the Company's gross assets, at the time the investment is made, will be lent to, or invested in, the securities of any one company or group.

In the event of a breach of any of the above restrictions, the Company will announce the actions which will be taken to remedy that breach.

9.2 *Operating Costs and Expenses*

Annual Operational Expenses

The Company incurs annual operational expenses and such expenses are charged to the Company's income statement. These expenses include the following:

9.2.1 *Annual Operating Expenses*

The Manager receives an annual payment known as the "priority profit share" equal to 1.5 per cent. on the gross value of the Company's Investment Portfolio, including cash (but excluding any amounts committed to funds established and managed by the Manager). The priority profit share is payable quarterly and is calculated on the valuation of investments at the quarter end.

The priority profit share amounted to £14.7 million for the financial year ended 30 September 2010, £11.9 million for the financial year ended 30 September 2009 and £13.4 million for the financial year ended 30 September 2008. The Manager will also be paid such further fees as are required to carry out duties which are in addition to managing and administering the Company's assets.

The Manager is entitled to retain monitoring fees and directors' fees which may be generated on the Company's investments. All transaction fees must first be applied to repay abort costs on uncompleted transactions from the current financial year and abort costs in excess of transaction fees from the prior financial year (if any). Any transaction fees in excess of such abort costs will be divided equally between the Company and the Manager.

9.2.2 *Company Secretary and Board Adviser*

Frostrow Capital LLP undertakes the role of company secretary and board adviser for an annual fee of £269,000.

9.2.3 *Directors*

Each Director is paid an annual remuneration.

9.2.4 *Other Operational Expenses*

Other ongoing operational expenses of the Company are borne by the Company, including printing, audit and legal fees.

9.3 *Custody Arrangements*

The Manager, which is authorised and regulated by the FSA in relation to its regulated activities, including providing custody services, was appointed as the custodian of the Company under the Management Agreement.

The Manager on 18 May 2009 in accordance with the Management Agreement entered into a discretionary investment management agreement with the Company to appoint EQM, which is authorised and regulated by the FSA to undertake the discretionary management of the Company's money market investments. For the purposes of the foregoing, money market investments are gilts, floating rate notes, money market and other investments from time to time directly or indirectly owned by the Company which are not Venture Capital Investments (as defined for the purposes of the FSA Rules). This discretionary investment management agreement also provides EQM with the authority to appoint other authorised persons to act as custodian for the Company's investments.

The Company (acting through EQM, its money market investments manager) entered into a custody agreement with RBC Dexia Investor Services Trust on 19 October 2009 for custody of certain of its listed investments.

Electra Private Equity Partners 1995 (acting through the Manager) entered into a custody agreement with RBC Dexia Investor Services Trust on 10 February 2010 for custody of certain of its listed investments.

Electra Partners Mauritius Limited (a subsidiary of Electra Far East LP in Mauritius) entered into a custody agreement with Deutsche Bank AG (Mumbai) on 12 August 1999 for custody of certain of its Indian investments and a custody agreement with Central Depository (PTE) Ltd on 25 July 2004 for custody of certain of its listed Singaporean investments.

9.4 *Third Party Benefits*

The Manager is a service provider to the Company and benefits from this relationship by virtue of its position as manager of the assets of the Club. The Club is a limited liability partnership with commitments of £100 million from a group of investors, most of whom have a track record of investing with the Company.

The Club and the Company will invest in Qualifying Investments, which will be offered to the Club and the Company in the ratio 1:2. Unless the Company has a pre-existing investment, the Company and the Club will invest on the same terms. Certain other arrangements are in place between the Manager, the Company and the Club so as to agree the proportion of any Qualifying Investment available to the relevant party where one of the parties has reached their maximum permissible investment.

The Manager benefits from its relationship with the Club, which is related to its relationship with the Company, through receipt of priority profit share and incentive arrangements on the commitments and assets of the Club. The Company benefits from the Manager's relationship with the Club because it enables the Company, in conjunction with the Club, to invest in control positions in companies (which may otherwise cause the Company to breach the rules regarding its investment company status) so broadening the scope of investment opportunities available to the Company.

PART 3

INFORMATION ON THE INVESTMENT PORTFOLIO

1. Basis of Preparation

The information in this Part 3 is based on the latest audited valuation of the Company's Investment Portfolio as at 30 September 2010.

Investments in new unquoted securities are included at cost pending the next full valuation of the Investment Portfolio as at 30 September 2010. Part 9 (*Valuation Policy and Methodology*) sets out the Company's valuation policy and methodology in full.

Subject to the disposal of the minority interest in Rio Trens Corporation (as disclosed below), there has been no material change in the Investment Portfolio information from 30 September 2010 to the date of this document.

2. Investment Portfolio Summary

The following tables represent an analysis of the Company's assets by (i) asset class, (ii) valuation basis, (iii) age profile by last financing and date of original purchase, and (iv) a breakdown and description of the majority of the Investment Portfolio¹ holdings:

	<i>30 September 2010</i>	<i>30 September 2010 Value⁴</i>	<i>30 September 2009</i>	<i>30 September 2009 Value⁴</i>
	<i>per cent.</i>	<i>(£million)</i>	<i>per cent.</i>	<i>(£million)</i>
Net Assets by Asset Class				
Direct Unquoted Investments	65	476.5	52	292.0
Quoted Investments	16	116.4	21	115.2
Funds	12	90.6	13	72.3
Secondaries ²	7	46.9	14	76.0
Investment Portfolio	100	730.4	100	555.5
Adjusted Net Liquid Resources ³	N/A	(5.9)	N/A	52.5
Total	N/A	724.5	N/A	608.0

1 Geographically, as at 30 September 2010, 48 per cent. of the Investment Portfolio was situated in the UK, 33 per cent. in continental Europe, 5 per cent. was based in the USA and 14 per cent. in Asia and elsewhere.

2 Secondaries refer to the purchase of interests in a limited partnership which in turn owns securities in a portfolio of underlying businesses. Examples include Steadfast Capital Fund 1 GmbH and TCR Industrial Partners FCPR.

3 Net current liabilities and the ZDP Liability have been deducted from Net Liquid Resources.

4 Value is stated inclusive of accrued income and after deduction of incentive provisions.

30 September
2010
per cent.¹

Valuation Basis of Investment Portfolio

Direct Unquoted

Earnings Basis	41
Yield Basis	8
Loan Value	4
Imminent Realisation Value	7
Other ²	6
Quoted Investments	16
Third Party Funds	12
Third Party Secondaries	6
Total Investment Portfolio	100

1 As a percentage of Investment Portfolio value.

2 Other valuation basis includes balance sheet based and industry specific methodologies.

As at 30 September 2010 the weighted average net debt/EBITDA¹⁰ of buy-out investments¹¹ was below 3.0x.

The following table provides summary details of the Company's top 20 investments¹² as at 30 September 2010.

Company	Business Description	Investment Instrument	Location of HQ	Valuation Basis	Year of Investment	Cost as at 30 September 2010 (£m)	Valuation as at 30 September 2010 (£m)*
1. Allflex	Animal tagging	Equity	France	Earnings	2007*	40.5	71.9
2. BDR Thermea	Heating systems	Equity & Debt	The Netherlands	Earnings	2009*	55.8†	62.5
3. Rio Trens Corporation	Commuter Railroad Operator	Equity	Brazil	Imminent Realisation Value	2010*	34.4	52.6
4. Promontoria	Property holding company	Equity	Germany	Yield	2008*	16.5	36.3
5. esure	Motor and home insurance	Equity	UK	Earnings	2010	29.7	35.4
6. London & Stamford	Property holding company	(Listed) Equity	UK	Market value	2009*	30.2	33.6
7. Premier Asset Management	Investment Management	Equity	UK	Earnings	2010*	55.8	31.8
8. Zensar Technologies	Software services	(Listed) Equity	India	Market value	1997	4.2	24.0
9. Lil-lets Group	Feminine hygiene	Equity	UK	Earnings	2006	21.4	21.2
10. Nuaire	Ventilation systems	Equity	UK	Earnings	2007	23.1	20.1
11. Capital Safety Group	Specialist safety equipment	Equity & Debt	UK	Earnings	2007*	17.6	17.9
12. Vent-Axia	Ventilation systems	Debt	UK	Earnings	2006	15.8	15.8
13. Labco	Medical diagnostics	Equity	France	Earnings	2008	24.0	15.4
14. PINE	Nursery school finance	Equity	UK	Yield	2005	14.2	15.0
15. CPA	Patent management	Equity & Debt	Jersey	Earnings	2010	13.9	13.9
16. CH Pharma†	Contract Pharmaceuticals	Equity	France	Earnings	2006	5.3	13.9
17. Amtico	Luxury flooring	Equity & Debt	UK	Earnings	2006*	22.3	12.4
18. Dinamia	Holding company	(Listed) Equity	Spain	Market value	2002	15.0	12.2
19. SAV Credit	Credit card operator	Equity	UK	Other††	2007*	24.2	12.0
20. Kalle	Food casings	Equity	Germany	Earnings	2010	9.0	11.1
Total						472.9	529.0

* Date of last material financing.

** The valuations above exclude accrued income.

† Secondary purchase.

†† The original cost of the Baxi investment (which became an investment in BDR Thermea on the combination with De Dietrich Remeha) was £32.1 million.

††† Other valuation basis includes balance sheet based and other industry specific methodologies.

10 Net Debt / EBITDA is on a Last Twelve Months basis to September 2010.

11 This is the top 20 investments, excluding (i) the two property investments Promontoria and PINE, valued on a yield basis; (ii) the quoted investments London & Stamford, Zensar Technologies, Dinamia and Moser Baer; (iii) the unquoted esure investment which is not debt financed; and (iv) Premier Asset Management and BDR Thermea, both of which have undergone corporate actions and whose acquisition based pro forma results distort their organic growth trend.

12 In determining the top 20 investments, floating rate notes, funds and liquidity funds have been excluded.

The following table provides a breakdown and description of the Company's top 10¹³ investments as at 30 September 2010:

Allflex

Equity ownership	33 per cent.
Valuation	£71,924,000
Cost	£40,482,000

Location: International

In 1998 the Company invested in the \$160 million buy-out of Allflex. Allflex is one of the world's leading manufacturers and distributors of plastic and electronic animal identification tags with factories in France, Brazil and China. In August 2007, despite difficult credit market conditions, the business was successfully recapitalised, with the Company retaining a significant ongoing holding in the business.

BDR Thermea

Equity ownership	11.3 per cent.
Valuation	£62,500,000
Accrued Income	£574,000
Cost	£55,847,000

Location: International

The Company's involvement with BDR Thermea began in 1997 when it provided finance to support the buyout of Newmond from Williams Holdings. It has continued to support the business through the acquisition of Baxi in 2000 and the secondary buyout by BC Partners in 2004 when the Company realised the majority of its investment, but reinvested £14.9 million. In October 2009 Baxi combined with De Dietrich Remeha, a Dutch business with complementary activities, to form BDR Thermea.

BDR Thermea is a leading manufacturer and distributor of heating and hot water systems and services, operating in more than 70 countries worldwide and employing over 6,400 people. The combined company is the third largest heating products business in Europe.

Rio Trens Corporation

Equity ownership	22.4 per cent.
Valuation	£52,600,000
Cost	£34,362,000

Location: Brazil

In October 1998, the Company invested a minority interest in Rio Trens Corporation ("RTC") at its founding. RTC is a holding company with an interest in a transportation company based in Rio de Janeiro, and carries approximately 126 million passengers a year on a 225 kilometre network which comprises 89 stations.

In October 2009, it was announced that Rio de Janeiro would host the Olympics in 2016 and the Brazilian government renewed its focus on improving infrastructure across the city.

In June 2010, the Company invested a further £17.3 million in RTC through a rights issue to aid RTC's ongoing investment programme to improve its network and capacity.

Since 30 September 2010, the Company's minority interest in RTC has been sold for £54 million.

13 In determining the top 10 investments, floating rate notes, funds and liquidity funds have been ignored. Stated valuations exclude accrued income.

Promontoria

Equity ownership	10.7 per cent.
Valuation	£36,304,000
Accrued Income	£3,539,000
Cost	£16,479,000

Location: Germany and Austria

Promontoria is a property company formed to undertake the sale and leaseback of 110 retail properties operated by Deutsche Woolworth. The freehold and long leasehold properties are situated throughout the major towns and cities in Germany and Austria.

The Company's partner in Promontoria is Cerberus Capital Management, a leading US private investment firm.

esure

Equity ownership	7 per cent.
Valuation	£35,376,000
Cost	£29,733,000

Location: UK

In February 2010 the Company invested £30 million in the management buyout of esure from Lloyds Banking Group, led by Peter Wood, founder and CEO of esure. The transaction was unleveraged and the total value was in excess of £185 million.

Founded in 2000 as a joint venture between the then Halifax plc and Peter Wood (who previously founded Direct Line at RBS), esure which also owns the Sheila's Wheels brand, offers car, home, pet and travel insurance over the internet and by phone. esure is one of the UK's leading motor insurers with circa. 1.3 million motor and circa 0.4 million home insurance policyholders.

London & Stamford

Equity ownership	7.0 per cent.
Valuation	£33,561,000
Accrued Income	£653,000
Cost	£30,195,000

Location: UK

London & Stamford is a property company formed to take advantage of the collapse in property valuations. In November 2007 the Company was a leading provider of equity capital to London & Stamford on its admission to AIM. In July 2009 the Company participated in London & Stamford's rights issue. During 2010 London & Stamford completed its conversion to a real estate investment trust and its shares were admitted to the London Stock Exchange's main market for listed securities.

The Company previously successfully backed the London & Stamford management team in Arlington Securities and Pillar Property.

Premier Asset Management

Equity ownership	73.7 per cent.
Valuation	£31,823,000
Cost	£55,785,000

Location: UK

In 2007 the Company provided equity finance for the public to private acquisition of Premier Asset Management. In 2009 the Company made a further investment in Premier Asset Management to facilitate the acquisition of the management contracts for two OEIC Fund umbrellas. Premier Asset Management is a retail fund manager distributing through IFAs as well as other discretionary and advisory channels.

Zensar Technologies

Equity ownership	22.1 per cent.
Valuation	£23,971,000
Cost	£4,211,000

Location: India

In 1997 the Company invested \$8.9 million in International Computers (India) Limited (now Zensar Technologies).

Zensar is listed in India and provides software writing services to large corporates both at their premises (on site) and remotely from India (offshore).

Lil-lets Group

Equity ownership	61.7 per cent.
Valuation	£21,149,000
Accrued Income	£15,197,000
Cost	£21,412,000

Location: UK and South Africa

In 2006 the Company invested in the management buy-out of Lil-lets from Accantia. Lil-lets markets branded feminine hygiene products and is the second largest tampon brand in the UK and the clear market leader in South Africa. The group also sells a range of complementary feminine hygiene products.

Nuaire

Equity ownership	38.8 per cent.
Valuation	£20,146,000
Cost	£23,138,000

Location: UK and France

In 2007 the Company invested in the £83 million management buy-out of Nuaire. Nuaire is a leading UK based manufacturer and distributor of ventilation equipment for commercial and residential applications, with factories in Caerphilly, South Wales and St. Brisson-sur-Loire, France.

PART 4

DIRECTORS, SENIOR PARTNERS OF THE MANAGER AND CORPORATE GOVERNANCE

1. Directors

1.1 The Directors of the Company are:

<i>Name</i>	<i>Age</i>	<i>Date appointed</i>
Dr. Colette Bowe (<i>Chairman</i>)	64	1 March 2007
Mr. Ronald Armstrong	66	1 March 1994
Ms. Kate Barker	53	1 November 2010
Mr. Roger Perkin	62	24 November 2009
Mr. Michael Walton	67	12 July 2000
Ms. Lucinda Webber	50	1 March 2007
Mr. Peter Williams	68	1 March 1994

The management expertise and experience of each of the Directors is set out below:

Dr. Colette Bowe (*Chairman*)

An economist by profession, Dr. Bowe has worked in Whitehall, City regulation and the fund management industry. She is currently a director of Morgan Stanley International, London and Continental Railways, Chairman of the Ofcom board, a board member of the UK Statistics Authority and a member of the supervisory board of Axa Investment Managers Deutschland GmbH.

Dr. Bowe was appointed as a Director in 2007 and succeeded Sir Brian Williamson as Chairman in May 2010.

Dr. Bowe is also a director of Electra Private Equity Investments plc.

Mr. Ronald Armstrong

Most of Mr. Armstrong's career has been spent in companies in which the application of technology is critical to success and he has considerable experience of this process across a wide range of industries and countries.

He is a founder director of E-Synergy, which specialises in venture funding for early-stage technology companies, and a director of other private companies. Previously, he was CEO of Pera Group and a director of J.P. Morgan Fleming Worldwide Income Investment Trust and several other quoted Fleming investment trusts between 1991 and 2005.

Mr. Armstrong was appointed as a Director in 1994.¹²

Mr. Armstrong is also a director of Electra Private Equity Investments plc.

Ms. Kate Barker

Ms. Barker was, until May 2010, a member of the Monetary Policy Committee of the Bank of England, on which she served for three terms.

Ms. Barker is a senior adviser to Credit Suisse, and a non executive director of the Yorkshire Building Society. She has held a range of other senior positions, including chief economic adviser to the Confederation of British Industry from 1994 to 2001 and Chairman of Anglia Ruskin University.

¹² Mr. Armstrong, who has been a Director of the Company since 1994, will be retiring at the forthcoming Annual General Meeting and will not be seeking re-election as a Director.

Ms. Barker's appointment to the board was effective as of 1 November 2010. Ms. Barker is a member of the Valuations Committee.

Mr. Roger Perkin

Mr. Perkin is a former senior partner at Ernst & Young with extensive global accounting experience and financial services expertise. He spent 40 years at Ernst & Young and its predecessor firms, including over 30 years as a Partner, working with a wide range of clients before specialising in financial services. He is a director of Nationwide Building Society and The Evolution Group Plc.

Mr. Perkin was appointed as a Director on 24 November 2009. Mr. Perkin is Chairman of the Audit Committee and a member of the Valuations Committee.

Mr. Perkin is also a director of Electra Private Equity Investments plc.

Mr. Michael Walton

Mr. Walton has over 35 years of experience in the private equity industry, having joined the Electra House Group in 1972, with responsibility for unlisted investments. He was a director of the Company from 1981 to 1986. Subsequently, Mr. Walton was managing director of Gartmore Private Capital and a director of NatWest Ventures and Bridgepoint Capital. He has served on the Council of the British Venture Capital Association. He is Chairman of the Valuations Committee.

Mr. Walton was most recently appointed as a Director in 2000.

Ms. Lucinda Webber

Ms. Webber has over 25 years of experience in the private equity industry, having joined Barclays Development Capital Limited from Barclays Merchant Bank in 1984. She became a director of Barclays Development Capital Limited (now Barclays Private Equity) and Barclays Capital Développement in 1990. In 1997 she moved to working part-time as a director for Barclays Private Equity and Barclays Capital Développement and, since 1999, she has worked as a consultant in private equity.

Ms. Webber was appointed a Director in 2007 and is a member of the Valuations Committee.

Mr. Peter Williams

Mr. Williams is a director of several private companies. He was formerly Chairman of RPC Group plc, Chief Executive of D S Smith plc and a director of Xenos Group, a software company listed on the Toronto Stock Exchange. He is Chairman of the Remuneration and Nomination Committee and has been nominated the Senior Independent Director under the Combined Code on Corporate Governance.

Mr. Williams was appointed as a Director in 1994.¹³

Mr. Williams is also a director of Electra Private Equity Investments plc.

The business address of each of the Directors is Paternoster House, 65 St. Paul's Churchyard, London, EC4M 8AB.

¹³ Mr. Williams, who has been a Director of the Company since 1994, will be retiring at the forthcoming Annual General Meeting and will not be seeking re-election as a Director.

2. Senior Partners of the Manager

The following are Senior Partners of the Manager:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Mr. Hugh Mumford	65	Managing Partner
Mr. Tim Syder	52	Deputy Managing Partner
Mr. David Symondson	55	Deputy Managing Partner
Ms. Rhian Davies	45	Partner
Mr. Philip Dyke	64	Partner, Compliance
Mr. Stephen Ozin	47	Partner, Finance

Mr. Hugh Mumford

Prior to establishing the Manager, Mr. Mumford worked for the Manager's predecessor, EPL, from 1981 (and as Chief Executive from 1991), having worked for the previous thirteen years with KPMG in London. As Chairman of the investment committees of EPL and the Manager since 1989, he has been responsible for overseeing all of the Company's investment activities. Mr. Mumford now chairs the IPC and ICC.

Mr. Mumford is a Chartered Accountant with degrees in Natural Sciences and Law from Cambridge University.

Mr. Tim Syder

Prior to establishing the Manager, Mr. Syder worked for EPL from 1989, having previously gained 5 years' private equity experience at County Bank, where he was a founder member of the team that established NatWest Ventures. Mr. Syder sits on the IPC and ICC. He has been responsible for a number of the Manager's buyout investments, including The Cheese Company, Peverel, SLD Holdings, The Stationery Office, William Cook and Nuaire, as well as the secondary acquisitions of the TCR and Steadfast funds and the Aegis, Gower, Credit Opportunities and esure transactions. Mr. Syder represents the Manager on the boards of Nuaire and Premier Asset Management.

Mr. Syder is a Chartered Accountant, having qualified with KPMG.

Mr. David Symondson

Prior to establishing the Manager, Mr. Symondson worked for EPL from 1983, after six years with KPMG. Mr. Symondson sits on the IPC and ICC. He has been responsible for a number of the Manager's buyout investments, including Ashbourne Homes, TM Group, Vendcrown (Premium Credit), Aspen Healthcare, Bezier Holdings, Agricola, Capital Safety Group and Allflex, as well as other investments, including Blenheim Group, Nimex (Monument Oil & Gas), Ascot Holdings, Pillar Property and London & Stamford Property. Mr. Symondson represents the Manager on the boards of Allflex and SAV Credit.

Mr. Symondson is a Chartered Accountant with a degree in Agriculture from Reading University.

Ms. Rhian Davies

Prior to establishing the Manager, Ms. Davies worked for EPL from 1992, having worked previously in the Corporate Reconstruction and Insolvency department of Price Waterhouse. Ms. Davies sits on the IPC and ICC. She has been responsible for a number of the Manager's buyout investments, including Capital Safety Group and Allflex transactions alongside David Symondson, The Cheese Company, SLD Holdings, The Stationery Office and the Credit Opportunities transactions alongside Tim Syder and the Lil-lets transaction. Ms. Davies represents the Manager on the board of Lil-lets and led the Kalle and CPA investments.

Ms. Davies is a Chartered Accountant and has a degree in Mathematics from Bristol University.

Mr. Philip Dyke

Mr. Dyke is responsible for group compliance and company secretarial functions at the Manager. A chartered secretary, Mr. Dyke originally joined Globe Investment Trust in 1970 before transferring to the Electra group of companies in 1987 and establishing the Manager in 2006. Mr. Dyke sits on the ICC.

Mr. Stephen Ozin

Prior to establishing the Manager, Mr. Ozin worked for EPL from 1990, having previously worked for Coopers & Lybrand Deloitte. Mr. Ozin sits on the ICC and is the Manager's Chief Financial Officer.

Mr. Ozin is a Chartered Accountant, has an Economics degree from the London School of Economics and a Masters in Finance from the London Business School.

The business address of each of the Senior Partners is Paternoster House, 65 St. Paul's Churchyard, London, EC4M 8AB.

3. Corporate Governance

The Board's role is to ensure good corporate governance. It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. The Board has agreed a schedule of matters reserved for its specific approval, which includes a regular review of the Company's management agreements with the Manager, together with the monitoring of the performance thereunder. The management agreements set out the matters over which the Manager has authority in accordance with the policies and directions of the Board. The Board, in consultation with the Manager, reviews, sets a strategy for and monitors the Company's total capital position and gearing. The Board also considers, as appropriate, such matters as overall strategy, investment performance, share price performance, share price discount, and communication with shareholders.

The Company has complied with the recommendations of the AIC Code of Corporate Governance and the relevant provisions of Section 1 of the Combined Code for the last financial year except in relation to the formal performance appraisal of the Directors.

The Board has established a Remuneration and Nomination Committee, an Audit Committee and a Valuations Committee with formally delegated duties and responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Accordingly, no individual or group of individuals dominates the Board's decision-making.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is chaired by Mr. Williams and comprises all of the Directors, the majority of whom will always be independent. The Committee meets as required during the year.

The Committee's duties in relation to remuneration include determining and agreeing with the Board the policy for their remuneration. The Committee's duties in relation to nomination include identifying and nominating for the approval of the Board candidates to fill Director vacancies to maintain a balanced composition of the Board.

Mr. Armstrong, Mr. Walton and Mr. Williams have served as Directors for more than nine years. The Board has carefully considered the independence of each director under the provisions of the AIC Code of Corporate Governance and has concluded that each director is wholly independent.

The Audit Committee

The Audit Committee has Mr. Perkin as its chairman and comprises all of the Directors, apart from the Chairman of the Board. The Committee's responsibilities include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;
- making recommendations to the Board in relation to the appointment of the external auditors and approving their remuneration and the terms of their engagement;
- developing and implementing the Company's policy on the provision of non-audit services by the external auditors;
- reviewing the arrangements in place within the Manager whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company; and
- considering annually whether there is a need for the Company to have its own internal audit function.

The Audit Committee meets as required during the year.

The Valuations Committee

The Valuations Committee is chaired by Mr. Walton and comprises Mr. Perkin, Ms. Barker and Ms. Webber. The Committee adds a further level of oversight to the valuation process carried out by the Manager under its contractual arrangements with the Company.

The Valuations Committee meets as required during the year.

PART 5

THE PLACING AND OPEN OFFER

The Bonds are only suitable for investors: (i) who understand the potential risk of capital loss and the fact that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Bonds would be of a long-term nature constituting part of a diversified investment portfolio; and (iii) who fully understand and are willing to assume the risks involved in investing in the Bonds.

1. Introduction

The Company is proposing to raise up to £100 million (before expenses), subject, *inter alia*, to approval of the Resolution, by the issue of the Bonds pursuant to the Placing and Open Offer.

The Placing and Open Offer are not being underwritten by J.P. Morgan Cazenove or by any other person.

The Placing and Open Offer are conditional on the Placing Agreement becoming unconditional in all respects. A summary of the terms and conditions of the Placing Agreement is set out in paragraph 13 (*Material Contracts*) of Part 13 (*Additional Information*). If the conditions to the Placing Agreement are not fulfilled, the Placing and Open Offer will not proceed and application monies in relation to the Open Offer will be returned to applicants without interest as soon as possible thereafter.

Applications will be made for the Bonds to be admitted to the Official List and to trading on the London Stock Exchange's regulated market. It is expected that Admission will become effective at 8.00 a.m. on 29 December 2010 and that dealings for normal settlement in the Bonds will commence on the London Stock Exchange at 8.00 a.m. on the same day.

2. The Open Offer

J.P. Morgan Cazenove, as sole bookrunner for the Company, is making arrangements to conditionally place the Bonds with institutional investors at the Issue Price, subject to clawback in respect of valid applications made by Qualifying Shareholders under the Open Offer.

This Part 5, together with the Application Form in the case of relevant Qualifying Non-CREST Shareholders only, contains the formal terms and conditions of the Open Offer.

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity to apply to subscribe for any number of Bonds (being in aggregate up to £100 million principal amount of Bonds) *pro rata* to their current holdings at the Issue Price and with an initial Conversion Price of 2,050 pence, up to a maximum of their *pro rata* entitlement which shall be calculated on the basis of:

1 Bond (with a denomination of £1,000) for every 354 Ordinary Shares

registered in the name of each Qualifying Shareholder at the close of business on the Record Date, and so in proportion for any other number of Ordinary Shares then registered. Entitlements of Qualifying Shareholders will be rounded down to the nearest £1,000 principal amount of Bond and any resulting fractional entitlements of Qualifying Shareholders arising under the Open Offer will be aggregated and placed for the benefit of the Company. Shareholders holding fewer than 354 Ordinary Shares will have no entitlement to subscribe for Bonds under the Open Offer.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder with an Application Form, the Application Form shows the number of Ordinary Shares registered in your name on the Record Date and also shows the maximum aggregate principal amount of Bonds for which you are entitled to apply under the Open Offer.

Qualifying CREST Shareholders with Open Offer Entitlements will have such Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 of this Part 5 and also to the CREST manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply for an aggregate principal amount number of Bonds up to and including their maximum entitlement. No application for Bonds in excess of this maximum *pro rata* entitlement will be met and any Qualifying Shareholder so applying, and whose application is otherwise valid in all respects, will be deemed to have applied for his/her maximum entitlement. Any monies paid in excess of the amount due will be returned without interest by crossed cheque in favour of the applicant at its risk.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear UK's Claims Processing Unit. Bonds not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and those Qualifying Shareholders who do not apply to take up Bonds will have no rights under the Open Offer. Any Bonds which are not applied for under the Open Offer will be issued to Placees (to the extent procured) subject to the terms and conditions of the Placing Agreement, with the proceeds retained for the benefit of the Company.

Application has been made for the Bonds and the Open Offer Entitlements to be admitted to CREST. The conditions for such admission having already been met, the Bonds and the Open Offer Entitlements are expected to be admitted to CREST with effect from 29 December 2010 and 1 December 2010, respectively.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Ordinary Shares into which the Bonds convert. All such shares, upon conversion of the Bonds and when issued and fully paid, may be held and transferred by means of CREST.

3. Conditions and further terms of the Open Offer

The Placing and Open Offer are not being underwritten by J.P. Morgan Cazenove or by any other person. The Placing and Open Offer are conditional upon the passing of the Resolution and the Placing Agreement otherwise becoming unconditional in all respects and not having been terminated in accordance with its terms prior to the Closing Date.

The Placing Agreement is subject to certain customary conditions being satisfied or requirements not being breached prior to the Closing Date and may also be terminated by J.P. Morgan Cazenove prior to the Closing Date upon the occurrence of certain specified events, in which case the Placing and Open Offer may not proceed and any applications made by Qualifying Shareholders will be rejected. In such cases, application monies will be returned, without payment of interest, as soon as reasonably practicable thereafter by crossed cheque in favour of the applicant at its risk. Details of the Placing Agreement are set out in paragraph 13 (*Material Contracts*) of Part 13 (*Additional Information*).

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, bond certificates in respect of the Bonds validly applied for are expected to be despatched by post by 6 January 2011. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the Register. In respect of those Qualifying Shareholders who have validly elected to hold their Bonds in uncertificated form, the Uncertificated Bonds are expected to be credited to their stock accounts maintained in CREST by 29 December 2010.

Applications will be made for the Bonds to be listed on the Official List and to trading on the London Stock Exchange's regulated market. Admission is expected to occur at 8.00 a.m. on 29 December 2010, when dealings in the Bonds are expected to begin.

All monies received by the Receiving Agent in respect of the Bonds will be placed on deposit by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a RIS giving details of the revised dates.

4. Procedure for application and payment

The action to be taken by Qualifying Shareholders who wish to participate in the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has an Application Form in respect of his or its entitlement under the Open Offer or is a Qualifying CREST Shareholder.

Subject to the provisions of paragraph 4.1 of this Part 5, Qualifying Shareholders who hold their Ordinary Shares in certificated form will be allotted Certificated Bonds to the extent that their entitlement to the Bonds arises as a result of holding Ordinary Shares in certificated form. Qualifying Shareholders who hold their Ordinary Shares in uncertificated form will be allotted Uncertificated Bonds to the extent that their entitlement to the Bonds arises as a result of holding Ordinary Shares in uncertificated form. However, it will be possible to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal is set out in paragraph 4.2 of this Part 5.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If you do not wish to apply to acquire Bonds, you should not complete and return the Application Form or submit a USE instruction (as applicable).

4.1 *If you have an Application Form in respect of your entitlement under the Open Offer*

(a) *General*

Subject as provided in paragraph 6 of this Part 5 in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form with this document. The Application Form shows the number of Ordinary Shares registered in their name at the close of business on the Record Date. It also shows the aggregate principal amount of Bonds for which they are entitled to apply under the Open Offer, as shown by the total number of Open Offer Entitlements allocated to them. Qualifying Non-CREST Shareholders may apply for less than their maximum entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form part of the terms of the Open Offer.

(b) *Market claims*

Applications to acquire Bonds may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 17 December 2010. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Bonds under the Open Offer may be a benefit which may be claimed by the transferee from his counterparty. Qualifying

Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 6 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, subject to certain limited exceptions, be forwarded to or transmitted in or into any Excluded Territory. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4.2 of this Part 5.

(c) *Application procedures*

Qualifying Non-CREST Shareholders who receive an Application Form and who wish to apply to acquire all or any of the Bonds to which they are entitled to subscribe for should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be posted in the accompanying reply-paid envelope (for use only in the UK) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by hand only (during normal office hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (who will act as Receiving Agents in relation to the Open Offer) so as to be received by Equiniti Limited (at the address detailed above) no later than 11.00 a.m. on 21 December 2010, after which time Application Forms will not be valid. Once submitted, applications are irrevocable. If an Application Form is being sent by post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery.

Completed Application Forms should be returned with a cheque or banker's draft drawn in sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies. Such cheques or banker's drafts must bear the appropriate sort code and must be for the full amount payable on application. Cheques must be drawn on a personal account in respect of which the Qualifying Shareholder has sole or joint title to the funds and should be made payable to "Equiniti Limited: re Electra Private Equity PLC Open Offer" and crossed "A/C Payee Only". Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) may not be accepted.

It is a condition of application that cheques will be honoured on first presentation and the Company may in its absolute discretion elect not to treat as valid any application in respect of which a cheque is not so honoured. The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 21 December 2010; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 21 December 2010 from authorised persons (as defined in FSMA) specifying the Bonds applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days. Multiple applications will not be accepted.

Cheques and banker's drafts are liable to be presented for payment upon receipt. Post-dated cheques will not be accepted. If they are presented before the conditions to the Open Offer are fulfilled, the application monies will be kept in a separate bank account until the conditions are fully met. If the conditions to the Open Offer are not fulfilled on or before 8.00 a.m. on 29 December 2010, or such other time and/or date as may be agreed between the Company and J.P. Morgan Cazenove, the Open Offer will lapse and all application monies in relation to the Open Offer will be returned without interest by crossed cheque in favour of the first named

applicant through the post at the risk of the applicant(s) as soon as is practicable after that date.

(d) *Effect of application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise its rights, and perform its obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Bonds or acting on behalf of any such person on a non-discretionary basis;
- (ii) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Group (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company;
- (iii) agrees that all applications under the Open Offer and contracts resulting therefrom shall be governed by and construed in accordance with the laws of England;
- (iv) confirms that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);
- (v) represents and warrants that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) represents and warrants that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) requests that the Bonds to which he will become entitled be issued to him on the terms set out in this document and the Application Form as the case may be subject to the Memorandum of Association and Articles of Association of the Company;
- (viii) represents and warrants that he is not, nor is he applying on behalf of any Shareholder that is, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, of any Excluded Territory and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Bonds which are the subject of his application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Bonds under the Open Offer; and

- (ix) represents and warrants that he is not, and nor is he applying as nominee or agent for, person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Shareholder Helpline (Telephone 0871 384 2887, or if calling from overseas +44 121 415 0260). Calls to the helpline on 0871 384 2887 are charged at 8 pence per minute from a BT landline. Other network providers' costs may vary. Please note the Shareholder Helpline cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements.

Qualifying Shareholders who do not wish to apply for the Bonds under the Open Offer should take no action and should not complete or return the Application Form.

4.2 ***If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in paragraph 6 (*Excluded Territories*) of this Part 5 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the maximum aggregate principal amount of Bonds for which he is entitled to apply to acquire under the Open Offer.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated. If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts for Qualifying CREST Shareholders cannot be credited by, 8.00 a.m. or such later time as the Company may decide, on 1 December 2010, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Shareholder Helpline on telephone number 0871 384 2887 or, if calling from overseas, +44 121 415 0260. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Bonds as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *USE instructions*

CREST members who wish to apply for Bonds in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear UK which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Registrar under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Bonds applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Registrar in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Bonds referred to in (i) above.

(d) *Content of USE instruction*

The USE instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Bonds for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent;
- (ii) the ISIN of the Open Offer Entitlement. This is GB00B5B5XV01;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Equiniti Limited in its capacity as a CREST receiving agent. This is 6RA43;
- (vi) the member account ID of Equiniti Limited in its capacity as a CREST receiving agent. This is RA024001;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the aggregate principal amount of Bonds referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 21 December 2010; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 21 December 2010.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction: (i) a contact name and telephone number (in the free format shared note field); and (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 21 December 2010 in order to be valid is 11.00 a.m. on that day.

If the conditions to the Open Offer are not fulfilled at or before 8.00 a.m. on 29 December 2010 or such other time and/or date as may be agreed between the Company and J.P. Morgan Cazenove, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment without interest within 14 days thereafter.

(e) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 21 December 2010.

In particular, having regard to normal processing times in CREST and on the part of Equiniti Limited, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 16 December 2010 and the recommended latest time for receipt by Euroclear UK of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 14 December 2010 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 21 December 2010.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of any Excluded Territory and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(f) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 21 December 2010 will constitute a valid application under the Open Offer.

(g) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear UK does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation

to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 21 December 2010. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question without interest;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser aggregate principal amount of Bonds as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question without interest; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Bonds referred to in the USE instruction, refunding any unutilised sum to the CREST member in question without interest.

(i) *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise its rights, and perform its obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Bonds or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information contained in this document (including information incorporated by reference);
- (v) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Group (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company;

- (vi) represents and warrants that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
 - (vii) requests that the Bonds to which he will become entitled be issued to him on the terms set out in this document, subject to the memorandum and articles of association of the Company;
 - (viii) represents and warrants that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
 - (ix) represents and warrants that he is not, and nor is he applying on behalf of any Shareholder that is, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, of any Excluded Territory and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Bonds which are the subject of his application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Bonds under the Open Offer; and
 - (x) represents and warrants that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.
- (j) *Company's discretion as to the rejection and validity of applications*
The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this letter;
 - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear UK of any of the matters specified in Regulation 35(5)(a) of the Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
 - (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member

or CREST sponsored member is unable validly to apply for Bonds by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Euroclear UK in connection with CREST.

5. Money laundering regulations

5.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations 2007 (as amended and supplemented (the “**Money Laundering Regulations**”)), the Registrar may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “**applicant**”), including any person who appears to the Registrar to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Bonds as is referred to therein (for the purposes of this paragraph 5, the “**relevant Bonds**”) shall thereby be deemed to agree to provide the Registrar with such information and other evidence as the Registrar may require to satisfy the verification of identity requirements.

If the Registrar determines that the verification of identity requirements apply to any applicant or application, the relevant Bonds (notwithstanding any other term of the Open Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Registrar is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither the Registrar nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of bond certificates. If, within a reasonable time following a request for verification of identity, the Registrar has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the applicant’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Registrar from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or
- (b) if the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (c) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or

- (d) if the aggregate subscription price for the Bonds is less than €15,000 (approximately £12,500).

In other cases, the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to "Equiniti Limited re: Electra Private Equity PLC Open Offer" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. However, third party cheques may be subject to the Money Laundering Regulations which would delay Qualifying Shareholders receiving their Bonds. The account name should be the same as that shown on the Application Form; or
- (b) if the Application Form is lodged with payment by an agent which is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the applicant should contact the Shareholder Helpline on 0871 384 2887 (from inside the United Kingdom) or +44 121 415 0260 (from outside the United Kingdom). Calls to the helpline on 0871 384 2887 are charged at 8 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the helpline on +44 121 415 0260 from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

If the Application Form(s) is/are in respect of Bonds with an aggregate subscription price of €15,000 (approximately £12,500) or more and is/are lodged by hand by the applicant in person, or if the Application Form(s) in respect of Bonds is/are lodged by hand by the applicant and the accompanying payment is not the applicant's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, the Registrar has not received evidence satisfactory to it as aforesaid, the Registrar may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

5.2 *Open Offer Entitlements in CREST*

If you hold your Open Offer Entitlements in CREST and apply for Bonds in respect of all or some of your Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Registrar before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Bonds concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Bonds represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. **Excluded Territories**

The distribution of this document and making of the Open Offer to persons who are resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodian trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions.

Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement to enable them to take up the Bonds under the Open Offer. Except as otherwise provided herein, no person receiving a copy of this document and/or an Application Form in a territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use any such Application Form unless, in the relevant territory such an offer or invitation can lawfully be made to him on the Application Form without contravention of any legislation or other local regulatory requirements. In circumstances where an invitation or offer would contravene legislation or other local regulatory requirements, this document and/or the Application Form is for information only.

It is the responsibility of any person receiving a copy of this document and/or an Application Form outside the United Kingdom wishing to apply for Bonds to satisfy himself/herself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required, observing any other formalities needing to be observed in such territory and paying any issue, transfer or other taxes in such territory. Persons (including, without limitation, nominees and trustees) receiving a copy of this document and/or an Application Form in connection with the Open Offer must not distribute or send either of those documents in or into any Excluded Territory. If a copy of this document and/or an Application Form is received by a person in any Excluded Territory or by his/her agent or nominee of such a person, he/she must not seek to take up the Bonds under the Open Offer. Any person who does forward a copy of this document and/or an Application Form into any prohibited territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 5 and specifically the contents of this paragraph.

The Company reserves the right to reject Application Forms received from Overseas Shareholders (or acceptances by submission of USE instructions by Overseas Shareholders holding their Ordinary Shares in uncertificated form) or from persons it believes are acquiring Bonds for resale in any Excluded Territory or whose application under the Open Offer may, in the Company's opinion, violate applicable legal or regulatory requirements. A Shareholder who is in any doubt as to his/her position should consult an appropriate professional adviser without delay.

The Company reserves the right to accept an Application Form received from an Overseas Shareholder (or an acceptance by submission of a USE instruction by an Overseas Shareholder holding his Ordinary Shares in uncertificated form) where it has received proof satisfactory to it that the Overseas Shareholder is able to accept the invitation by the Company free of any requirement which it (in its sole and absolute discretion) regards as unduly burdensome.

In particular, Shareholders should note and are deemed to accept and agree to the following:

(a) ***United States***

None of the Bonds, the Open Offer Entitlements nor the Ordinary Shares have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the offer and sale of the Bonds and the Open Offer Entitlements are not being made, directly or indirectly, in or into the United States, or to or for the account or benefit of US Persons. Applications from any US Person and Application Forms mailed from the United States and Application Forms which do not include a warranty that the applicant is not a US Person will be deemed to be invalid. Neither this document nor any Application Form will be sent to and no Open Offer Entitlements will be credited to a stock account in CREST of any Shareholder whose registered address is in the United States. If any Application Form is received from a Shareholder whose registered address is outside the United States but who is in fact a US Person, he/she should not apply under the Open Offer.

(b) ***Canada***

The relevant exemptions are not being obtained from the appropriate provincial authorities in Canada. Accordingly, the Bonds are not being offered for purchase by persons resident in Canada or any territory or possessions thereof. Applications from any Canadian person who appears to be or whom the Company has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. Neither this document nor any Application Form will be sent to and no Open Offer Entitlements will be credited to a stock account in CREST of any Shareholder whose registered address is in Canada. If any Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a Canadian person or the agent of a Canadian person so resident, he/she should not apply under the Open Offer.

(c) ***Australia***

Neither this document nor an Application Form in relation to the Bonds has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not: (i) directly or indirectly offer for subscription or purchase or issue an invitation to subscribe for or buy or sell, the Bonds; or (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale, in Australia or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia). Accordingly, neither this document nor any Application Form will be sent to and no Open Offer Entitlements will be credited to a stock account in CREST of Shareholders with registered addresses in, or to residents of, Australia.

(d) ***New Zealand***

Neither this document nor an Application Form in relation to the Bonds has been or will be registered under the New Zealand Securities Act 1978. A person may not: (i) directly or indirectly offer for sale or transfer, the Bonds; or (ii) distribute, publish, deliver or disseminate this document, in New Zealand to any member of the public in New Zealand. Accordingly, neither this document nor any Application Form will be sent to and no Open Offer Entitlements will be credited to a stock account in CREST of Shareholders with registered addresses in, or to residents of, New Zealand.

(e) ***Japan***

No document in relation to the Bonds has been or will be lodged with or registered by the Kanto Local Finance Bureau of Japan and no steps have been taken to enable the Bonds to be offered, sold, accepted or otherwise delivered in Japan in compliance with applicable laws of Japan. The Bonds may not, therefore, be offered, sold, accepted or otherwise delivered, directly or indirectly within Japan. The Open Offer is not being made in Japan. Neither this document nor any Application Form will be sent to and no Open Offer Entitlements will be credited to stock accounts in CREST of Shareholders with registered addresses in, or to residents of, Japan.

(f) ***Public Offer Selling Restrictions under the Prospectus Directive***

The Bonds are not being offered to the public in a member state of the EEA which has implemented the Prospectus Directive (other than the United Kingdom) and no offer may be made of the Bonds in such member state except under the following exemptions under the Prospectus Directive (provided they have been implemented in that member state):

- (i) to persons who are qualified investors (within the meaning set out in Article 2(1)(e) of the Prospectus Directive); or
- (ii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

Provided That no such offer of Bonds has resulted in or will result in a requirement for the publication by the Company of a prospectus pursuant to the Prospectus Directive.

(g) ***Other overseas territories***

No action has been or will be taken in any jurisdiction (other than the United Kingdom) by the Company or J.P. Morgan Cazenove that would, or is intended to, permit a public offering of the Bonds or the Ordinary Shares, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this document, or any other offering material relating to the Bonds or the Ordinary Shares comes are required by the Company and J.P. Morgan Cazenove to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver, or any other offering material relating to the Bonds or the Ordinary Shares, or have in their possession, distribute or publish this document or any other offering material relating to the Bonds or Ordinary Shares in all cases at their own expense. Shareholders resident in overseas territories are required to consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Bonds under the Open Offer.

7. Withdrawal rights

Persons wishing to exercise statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member. The notice must be sent by post to Equiniti Limited, the Registrar. Notice of withdrawal given by any other means or which is deposited with Equiniti Limited, the Registrar after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder for the Bonds applied for in full and the allotment of such Bonds to such Shareholder becoming unconditional. In such event, Shareholders are advised to seek independent legal advice. Any notice of exercise of such withdrawal rights will be deemed to have been given at the time the relevant notice is posted by the Shareholder, and not at the point in time of receipt by Equiniti Limited, the Registrar.

8. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 22 December 2010 via the Regulatory News Service. Applications will be made for the Bonds to be admitted to the Official List and to trading on the London Stock Exchange's regulated market. Subject to the Placing Agreement becoming unconditional in all respects and not being terminated in accordance with its terms, it is expected that Admission will become effective and that dealings in the Bonds, fully paid, will commence at 8.00 a.m. on 29 December 2010.

Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 21 December 2010 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Bonds will be issued in uncertificated form to those persons who submitted a valid application for Uncertificated Bonds by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 29 December 2010). On this day, the Registrar will instruct Euroclear UK to credit the appropriate stock accounts of such persons with such persons' entitlements to Bonds with effect from the Closing Date. The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements, and to allot and/or issue any Certificated Bonds. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Euroclear UK in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, bond certificates in respect of the Bonds validly applied for are expected to be despatched by post by 6 January 2011. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the Register. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 above and the Application Form.

Following the issue of the Bonds, a notice will be published by or on behalf of the Company notifying Bondholders of the procedures for exercising Conversion Rights in respect of Uncertificated Bonds.

9. Times and dates

The Company shall be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the UKLA, and make an announcement on a RIS approved by the UKLA and, if appropriate, by Shareholders **but Qualifying Shareholders may not receive any further written communication.**

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10. Taxation

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

11. Further information

Your attention is drawn to the further information set out in this document.

12. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Entitlements in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 6

TERMS AND CONDITIONS OF THE BONDS

The following, save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds substantially as they appear in the Trust Deed constituting the Bonds.

The issue of up to £100,000,000 5 per cent. subordinated convertible bonds due 2017 (the “**Bonds**” which expression shall, unless otherwise indicated, include any further Bonds issued pursuant to Condition 20 (*Further Issues*) and consolidated and forming a single series therewith (“**Further Bonds**”)) was (save in respect of any such Further Bonds) authorised by a resolution of the Board of Directors of Electra Private Equity PLC (the “**Company**”) passed on 23 November 2010 and a resolution of a duly authorised committee of the Board of Directors of the Company passed on 29 November 2010.

The Bonds are constituted by a trust deed dated 29 December 2010 (the “**Trust Deed**”) between the Company and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The statements set out in these terms and conditions (the “**Conditions**”) are summaries of, and are subject to, the detailed provisions of the Trust Deed and the Subordination Agreement, which includes the forms of the Certificated Bonds (as defined below).

The Bondholders are entitled to the benefit of, agree to and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Subordination Agreement (as defined below) and those provisions applicable to them which are contained in the Paying, Conversion and Transfer Agency Agreement dated 29 December 2010 (the “**Agency Agreement**”) relating to the Bonds between the Company, the Trustee and Equiniti Limited as registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and principal paying, conversion and transfer agent (the “**Principal Paying, Conversion and Transfer Agent**”, which expression shall include any successor principal paying, conversion and transfer agent appointed from time to time in connection with the Bonds, and together with any other or successor paying, conversion and transfer agent appointed from time to time in connection with the Bonds, the “**Paying, Conversion and Transfer Agents**”).

Copies of each of the Trust Deed and the Agency Agreement 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 Fifth Floor, 100 Wood Street, London, EC2V 7EX), and at the Specified Offices of the Paying, Conversion and Transfer Agents.

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

These Conditions are subject in their entirety to the terms of the Subordination Agreement. In the event of inconsistency between the terms of these Conditions and the provisions of the Subordination Agreement, the provisions of the Subordination Agreement will prevail. The Bondholders agree to and are bound by, and are deemed to have notice of, all the provisions of the Subordination Agreement.

1. Form, Denomination and Title

(a) *Form and Denomination*

The Bonds are in (1) registered certificated definitive form (the “**Certificated Bonds**”) or (2) registered uncertificated form (the “**Uncertificated Bonds**”). The Bonds have a denomination of £1,000 each (the “**Authorised Denomination**”).

(b) *Title*

(i) Certificated Bonds

The Registrar will maintain a register (the “**Register**”) of holders of the Certificated Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the person in

whose name a Certificated Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) shall be treated as the absolute owner of such Certificated Bond for all purposes and no person shall be liable for so treating such holder. A certificate (each, a “**Bond Certificate**”) will be issued to each holder of a Certificated Bond in respect of its registered holding. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(ii) Uncertificated Bonds

The Uncertificated Bonds are issued in uncertificated registered form in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the “**Regulations**”). The Uncertificated Bonds are participating securities for the purposes of the Regulations. Title to the Uncertificated Bonds is recorded on the relevant Operator register of corporate securities (as defined below).

The Registrar on behalf of the Company shall maintain a record of uncertificated corporate securities (the “**Record**”) in relation to the Uncertificated Bonds and shall procure that the Record is regularly updated to reflect the Operator register of corporate securities in accordance with the rules of the Operator. Subject to this requirement, (I) each person who is for the time being shown in the Record as the holder of a particular number of Uncertificated Bonds shall be treated as the absolute owner of such number of Uncertificated Bonds for all purposes, and (II) neither the Company nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Record which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to the Uncertificated Bonds.

(c) *Transfers etc.*

(i) Certificated Bonds

Subject to Conditions 1(c)(iii) (*Transfers in Authorised Denomination*), 1(d) (*No charge*), and 1(e) (*Regulations concerning transfers and registration of Certificated Bonds*) below, a Certificated Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Paying, Conversion and Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Paying, Conversion and Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Certificated Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Certificated Bonds will be issued to the transferor.

Within five business days of the surrender of a Bond Certificate in accordance with the paragraph above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Certificated Bonds transferred to each relevant Bondholder or (as the case may be) the Specified Office of any Paying, Conversion and Transfer Agent or (at the request and risk of any such relevant Bondholder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Bondholder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Paying, Conversion and Transfer Agent has its Specified Office.

(ii) Uncertificated Bonds

Title to Uncertificated Bonds will pass upon registration of the transfer in the Operator register of corporate securities. All transactions in relation to Uncertificated Bonds (including transfers, conversions and redemptions of Uncertificated Bonds) in the open market or otherwise must be

effected through an account at the Operator subject to and in accordance with the rules and procedures for the time being of the Operator. No provisions of these Conditions shall (notwithstanding anything contained therein) apply or have effect to the extent (and only to the extent) that it is inconsistent with (I) the holding of title to Uncertificated Bonds in uncertificated form, (II) the transfer of title to Uncertificated Bonds by means of a relevant system or (III) the Regulations. Without prejudice to the generality of the preceding sentence and notwithstanding anything contained in these Conditions, so long as the Uncertificated Bonds are participating securities, (A) the Operator register of corporate securities relating to the Uncertificated Bonds shall be maintained at all times in the United Kingdom, (B) the Uncertificated Bonds may be issued in uncertificated form in accordance with and subject as provided in the Regulations, and (C) for the avoidance of doubt, the Conditions in relation to any Uncertificated Bonds shall remain applicable notwithstanding that they are not endorsed on any certificate for such Uncertificated Bond.

As used herein each of “**Operator register of corporate securities**”, “**participating securities**”, “**record of uncertificated corporate securities**” and “**relevant system**” is as defined in the Regulations and the relevant Operator (as such term is used in the Regulations) is Euroclear UK & Ireland Limited (formerly named CRESTCo Ltd.), the operator of CREST (“**Euroclear UK**”) or any additional or alternative operator from time to time approved by the Company and the Registrar in relation to the Uncertificated Bonds and in accordance with the Regulations.

Any reference herein to the “**Operator**” shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator from time to time and notified to the holders of the Uncertificated Bonds in accordance with Condition 19 (*Notices*).

(iii) **Transfers in Authorised Denomination**

A Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of the Bonds not transferred are in integral multiples of the Authorised Denomination.

(d) ***No charge***

The transfer of a Bond will be effected without charge by or on behalf of the Company, the Registrar or any Paying, Conversion and Transfer Agent, subject to the person making such application for transfer paying or procuring the payment of any taxes and other governmental charges in connection therewith.

(e) ***Regulations concerning transfers and registration of Certificated Bonds***

All transfers of Certificated Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Certificated Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

2. Status and Subordination

(a) ***Status***

The Bonds constitute direct, unsecured, subordinated, and unconditional obligations of the Company which will at all times rank *pari passu* among themselves.

(b) ***Subordination***

(i) The terms of the Bonds are subject in their entirety to the terms of the Subordination Agreement. In the event of inconsistency between the terms of the Bonds and the provisions of the Subordination Agreement, the provisions of the Subordination Agreement will prevail. **The**

Bondholders agree to and are bound by, and are deemed to have notice of, all the provisions of the Subordination Agreement.

- (ii) Any failure to pay any amount under or in respect of the Bonds to the Trustee or any Bondholder as a result of the provisions of the Subordination Agreement shall not give rise to an event of default under Condition 13(a) (Events of Default) or a breach of any other Condition. Notwithstanding the above, any amount which is not so paid due to the provisions of the Subordination Agreement shall remain a debt owing to the Trustee or the relevant Bondholder, as the case may be, by the Company until it is paid and shall be payable on the first day on which the relevant provisions of the Subordination Agreement no longer apply (whether or not such a date is otherwise a payment date pursuant to the Conditions). No interest shall accrue on any amount under or in respect of the Bonds which is not paid solely as a result of the relevant provisions of the Subordination Agreement.

The Subordination Agreement is entered into between, amongst others, the Company, the Priority Creditors and the Trustee. In addition, each Bondholder is a deemed party thereto. So long as any Priority Debt remains outstanding, the Subordination Agreement provides, inter alia, for the priority position of the Priority Debt over the Subordinated Debt as follows:

- (i) *the subordination of the Subordinated Debt to the Priority Debt in the event of insolvency of the Company, and in respect of the order of distribution of any proceeds derived from, or resulting out of, the winding up of the Company;*
- (ii) *prevention of payments to the Bondholders and the Trustee of any other amounts payable in accordance with the terms of the Subordinated Debt including, inter alia:*
 - (A) *scheduled payments of interest; and*
 - (B) *payment of accrued interest on a Mandatory Conversion**in each case, following an event of default under the terms of the Senior Debt;*
- (iii) *prevention of the Trustee and each Bondholder requiring the Company to repay principal due at the maturity of the Bonds to the extent that any Original Senior Debt remains outstanding;*
- (iv) *prevention of the Trustee and each Bondholder requiring the Company to repay principal and accrued interest on the exercise of an optional right of redemption by a Bondholder following a Relevant Event, until any Finance Party (as defined in the Subordination Agreement) requiring pre-payment under the Credit Agreement has been so prepaid (or has foregone such right of prepayment) in accordance with the terms of the Credit Agreement in such an event;*
- (v) *prevention of the Trustee and each Bondholder requiring the Company to repay principal and accrued interest on an event of default under the Bonds, to the extent that any Priority Debt remains outstanding at the time of any such event of default;*
- (vi) *requiring each Bondholder to indemnify the facility agent under the Credit Agreement in respect of any loss or liability incurred by it in connection with the exercise of its rights under the Subordination Agreement, unless such loss or liability arises as a result of the facility agent's gross negligence, wilful misconduct or breach of the Subordination Agreement; and*
- (vii) *requiring each Bondholder to pay default interest on a failure by such Bondholder to "turnover" any excess or non-permitted payments required to be paid by it to the Priority Creditors in accordance with the provisions of the Subordination Agreement.*

For the purposes of the foregoing:

"Junior Creditor" means ZDP Company or any other member of the Group acceding to the Subordination Agreement in that capacity in accordance therewith.

“Junior Debt” means all Liabilities payable or owing by the Company to a Junior Creditor under or in connection with any Junior Finance Document.

“Junior Finance Document” means:

- (i) the Intragroup Loan; and
- (ii) any intercompany loan agreement between a Junior Creditor and the Company under which that Junior Creditor lends to the Company an amount equal to the amount of any Additional ZDP Proceeds (as defined in the Subordination Agreement), and which has been designated as a Junior Finance Document in accordance with the Subordination Agreement.

“Original Senior Debt” means all amounts outstanding under the Credit Agreement and the Finance Documents defined therein and (excluding any finance document as defined in any Replacement Credit Agreement (as defined in the Subordination Agreement)).

“Priority Creditors” means the creditors of the Company in respect of the Priority Debt.

“Priority Debt” means the Senior Debt and the Junior Debt.

“Senior Debt” means all Liabilities payable or owing by the Company to a Finance Party (as defined in the Subordination Agreement) under or in connection with the Credit Agreement or any Replacement Credit Agreement.

“Subordinated Creditors” means each Bondholder and the Trustee.

“Subordinated Debt” means all Liabilities payable or owing by the Company to the Subordinated Creditors under or in connection with the Bonds or the Trust Deed (but excluding any Trustee fees and expenses).

3. Definitions

In these Conditions:

“Additional Ordinary Shares” has the meaning provided in Condition 8(m) (Retroactive Adjustments).

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

“Bank Borrowings” means any monies borrowed by the Group from a financial lending institution (and which, for the avoidance of doubt, excludes the net proceeds from the ZDP Shares (including any monies on-lent to the Company under the Intragroup Loan) and the net proceeds from the issuance of the Bonds).

“Bond Certificate” has the meaning provided in Condition 1(b)(i) (*Certificated Bonds*).

“Bondholder” and ***“holder”*** means the person whose name appears on the Register (in the case of Certificated Bonds) or (subject to Condition 1(b)(ii) (*Uncertificated Bonds*) on the Operator register (in the case of Uncertificated Bonds).

“business day” means, save as otherwise specified herein, 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 such place.

“Cash or Cash Equivalents” means cash or cash equivalents as set out and/or identified in the financial statements of the Company and, to the extent not already set out and/or identified as such, shall include the following: cash in the hand or cash on deposit, certificates of deposit, any investment in marketable obligations issued or guaranteed by the government of the United States of America, a Participating Member State or the United Kingdom, any floating rate notes, open market commercial paper, any investment in money market funds, and sterling bills of exchange.

“**Capital Distribution**” has the meaning provided in Condition 8(c) (*Dividends*).

“**Certificated Bonds**” has the meaning provided in Condition 1(a) (*Form and Denomination*).

“**Change of Control Conversion Price**” has the meaning provided in Condition 8(j) (*Change of Control*).

“**Closing Date**” means 29 December 2010.

“**Conversion Date**” means (as the case may be) the Optional Conversion Date, the Mandatory Conversion Date or, in the case of an election by the Trustee pursuant to Condition 9 (*Trustee’s Discretion to Convert Before Redemption*), the date originally fixed for redemption of the Unconverted Bonds.

“**Conversion Notice**” shall mean (in the case of Certificated Bonds) a duly completed and signed notice of conversion in the form appearing on the reverse of the relevant Bond Certificate and (in the case of Uncertificated Bonds) a duly completed electronic instruction delivered through CREST.

“**Conversion Period**” means the period from and including 7 February 2011 up to and including the date falling seven London business days prior to the Maturity Date unless repayment of principal and/or accrued interest in respect of the Bonds on the Maturity Date is improperly withheld or refused by the Company, in which event the Conversion Period shall re-open and extend up to and including the date on which the full amount of principal and/or accrued interest becomes available for payment to the Bondholders and notice of such availability has been duly given in accordance with these Conditions.

“**Conversion Period Commencement Date**” means 7 February 2011.

“**Conversion Price**” means 2,050 pence, subject to adjustment as referred to in Condition 8 (*Adjustment of Conversion Price*).

“**Conversion Right**” means, in respect of any Bond, the right of the Bondholder (or, in the circumstances described in Condition 9 (*Trustee’s Discretion to Convert Before Redemption*), the Trustee) to convert the Bond into Ordinary Shares in accordance with these Conditions.

“**Credit Agreement**” means the facility agreement for an amount up to £185 million dated 17 July 2009 between (among others) the Company and the lenders under such agreement, as the same may be amended, restated, novated, replaced or substituted from time to time (including, for the avoidance of doubt but without limitation, any amendment, restatement, novation, replacement or substitution to increase the principal amount outstanding).

“**CREST**” means the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the Regulations operated by Euroclear UK.

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

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

Shares shall have been based on a price ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement) (excluding any associated tax credit and excluding the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom),

and **provided further that** if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares 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 purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement (excluding any associated tax credit and excluding the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom),

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

“dealing day” means a day on which the Relevant Stock Exchange or other relevant stock exchange or securities market is open for business and on which Ordinary Shares, Securities or Spin-Off Securities (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or other relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

“Delivery Date” means in relation to the Ordinary Shares to be delivered to a Bondholder following the exercise of Conversion Rights or upon a Mandatory Conversion, the date on which such Bondholder is registered on the register of Shareholders in respect of such Ordinary Shares.

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

- (a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a cash dividend of the greater of (i) such cash amount and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, Fair Market Value of such other property or assets (as at the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or transferred and delivered is determined);
- (b) any issue of Ordinary Shares falling within Condition 8(b) (*Bonus Issue*) shall be disregarded;
- (c) a purchase or redemption or buy back of Ordinary Shares by the Company or any of its Subsidiaries shall not constitute a Dividend unless, the weighted average price paid per Ordinary Share (before expenses) on any one day (a **“Specified Share Day”**) in respect of such purchases or redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the five dealing days immediately preceding the Specified Share Day (or, where an

announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement), in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency 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 Company or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;

- (d) if the Company or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser;
- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Company 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 another person or person other than (or in addition to) the Company, 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 Company, and the foregoing provisions of this definition, and the provisions of these Conditions, including references to the Company paying or making any Dividend, shall be construed accordingly; and
- (f) a dividend or distribution that is a Spin-Off shall be deemed to be a Dividend paid or made by the Company.

“**Euroclear UK**” has the meaning provided in Condition 1(c) (*Transfers etc.*).

“**Exempt Newco Scheme**” means a Newco Scheme where immediately after completion of the relevant Scheme of Arrangement, the ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares of Newco, are (a) admitted to trading on the Relevant Stock Exchange or (b) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Company or Newco may determine.

“**Fair Market Value**” means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser **provided that**:

- (a) the Fair Market Value of a cash dividend shall be the amount of such cash dividend;
- (b) the Fair Market Value of any other cash amount shall be the amount of such cash;
- (c) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an Independent Financial Adviser), the Fair Market Value
 - (i) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and
 - (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights,

in the case of both (i) and (ii) during the period of five dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Spin-Off Securities, options, warrants or other rights are publicly traded; and

- (d) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid) or if the fair market value of such publicly traded securities cannot be determined as provided in (c) after a period of 15 calendar days following the relevant date, the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Such amounts shall in the case of (a), be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (a) and (b), any withholding or deduction required to be made on account of tax and any associated tax credit shall be disregarded.

“Group” means the Company and its Subsidiaries.

“Independent Financial Adviser” means, subject to Condition 8(r) (*Selection of Independent Financial Adviser*), an independent investment bank of international repute selected and appointed by the Company, at its own expense, and approved in writing by the Trustee.

“Interest Payment Date” has the meaning provided in Condition 4(a) (*Interest Rate*).

“Interest Period” has the meaning provided in Condition 4(a) (*Interest Rate*).

“Intragroup Loan” means the loan facility agreement dated 29 July 2009 and entered into by the Company as borrower and ZDP Company as lender.

“Investment” means an investment by or of any member of the Group (including an investment by or through any limited partnership) in each case by way of either directly or indirectly:

- (a) the granting of a loan or any other financial accommodation by that person to any other person;
- (b) the giving of a guarantee or any other undertaking by that person in respect of any obligation of another person;
- (c) an investment by that person in securities and investments of any kind (including without limitation shares, stock, debentures, units, depository receipts, bonds, notes (including, without limitation, floating rate notes), commercial paper and certificates of deposit);
- (d) an interest of that person in warrants, options or other rights to subscribe for, purchase or otherwise acquire securities and investments;
- (e) all rights of that person relating to securities and investments which are deposited with, or registered in the name of, any depository, custodian, nominee, clearing house or system, investment manager, chargee or other similar person or their nominee, in each case whether or not on a fungible basis (including rights against any such person); and
- (f) all other rights of that person attaching or relating to securities or investments and all cash or other securities or investments in the future deriving from Investments or such rights,

and including:

- (a) any succeeding arrangements for that Investment; and
- (b) if the person in whom the Investment is made is succeeded by another person (by way of merger, demerger, amalgamation or reconstruction or otherwise), the Investment in that succeeding person

but excluding in all cases any investment in Cash or Cash Equivalents.

“Liability” means any present or future liability (actual or contingent), together with:

- (a) any permitted novation, deferral or extension of that liability;
- (b) any further advance which may be made under any agreement expressed to be supplemental to any document in respect of that liability, together with all related interest, fees and costs;
- (c) any claim for damages or restitution in the event of rescission of that liability or otherwise;
- (d) any claim flowing from any recovery by a payment or discharge in respect of that liability on grounds of preference or otherwise; and
- (e) any amount (such as post-insolvency interest) which would be included in any of the above but for its discharge, non-provability, unenforceability or non-allowability in any insolvency or other proceedings.

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

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

“Mandatory Conversion” has the meaning provided in Condition 5(c) (*Conversion at the Option of the Company*).

“Mandatory Conversion Date” has the meaning provided in Condition 5(c) (*Conversion at the Option of the Company*).

“Mandatory Conversion Notice” has the meaning provided in Condition 5(c) (*Conversion at the Option of the Company*).

“Mandatory Conversion Option” has the meaning provided in Condition 5(c) (*Conversion at the Option of the Company*).

“Maturity Date” means 29 December 2017.

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

“Newco Scheme” means a scheme of arrangement or analogous proceeding (**“Scheme of Arrangement”**) which effects the interposition of a limited liability company (**“Newco”**) between the Shareholders of the Company immediately prior to the Scheme of Arrangement (the **“Existing Shareholders”**) and the Company, **provided that:**

- (a) only ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares of Newco are issued to Existing Shareholders;
- (b) immediately after completion of the Scheme of Arrangement the only shareholders of ordinary shares of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco, are Existing Shareholders in the same proportions as such Existing Shareholders held Ordinary Shares immediately prior to the Scheme of Arrangement;
- (c) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only ordinary shareholder (or shareholders) of the Company;
- (d) all Subsidiaries of the Company immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Company) are Subsidiaries of the Company (or of Newco) immediately after completion of the Scheme of Arrangement; and

- (e) immediately after completion of the Scheme of Arrangement the Company (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 Company immediately prior to the Scheme of Arrangement.

“**Newco Scheme Modification**” has the meaning provided in Condition 17(a) (*Meetings of Bondholders*).

“**Operator**” means Euroclear UK.

“**Optional Conversion Date**” has the meaning provided in Condition 6(a) (*Procedure for Exercise of Conversion Right*).

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

“**Original Group Accounts**” means the audited consolidated accounts of the Group for the financial year ended 30 September 2010.

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

$$PV = N \times VWAP$$

where

PV = the Parity Value

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

VWAP = the Volume Weighted Average Price of an Ordinary Share on such dealing day (provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement, the Volume Weighted Average Price of a Ordinary Share on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (or, if that is not a dealing day, the immediately preceding dealing day) translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such dealing day).

“**Participating Member State**” means a member state of the European Union that adopts the euro as its currency in accordance with the Treaty establishing the European Union, as amended.

“**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 determined by reference to the Relevant Page, the rate determined in such manner as an Independent Financial Advisor in good faith shall prescribe.

“**Record**” has the meaning provided in Condition 1(b)(ii) (*Uncertificated Bonds*)

“**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 1(b)(i) (*Certificated Bonds*).

“**Regulations**” has the meaning provided in Condition 1(b)(ii) (*Uncertificated Bonds*).

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

“Relevant Date” means, in respect of any Bond, whichever is the later of (a) the date on which payment in respect of it first becomes due and (b) if the full amount payable has not been received by the Principal Paying, Conversion and Transfer Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders.

“Relevant Event” has the meaning provided in Condition 8(j) (*Change of Control*).

“Relevant Event Notice” has the meaning provided in Condition 8(o) (*Relevant Event*).

“Relevant Event Period” has the meaning provided in Condition 8(j) (*Change of Control*).

“Relevant Event Put Date” has the meaning provided in Condition 10(b) (*Redemption at the Option of Bondholders upon a Relevant Event*).

“Relevant Event Put Exercise Notice” has the meaning provided in Condition 10(b) (*Redemption at the Option of Bondholders upon a Relevant Event*).

“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 8(m) (*Retroactive Adjustments*).

“Securities” means any securities and includes, without limitation, ordinary shares in the capital of the Company or options, warrants or other rights to subscribe for or purchase ordinary shares in the capital of the Company.

“Shareholders” has the meaning provided in Condition 8(b) (*Bonus Issue*).

“Specified Office” has the meaning given in the Agency Agreement.

“Spin-Off” means:

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

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

“Subordination Agreement” means the amended and restated subordination agreement entered into between, *inter alios*, the Company, ZDP Company, Barclays Bank PLC and the Trustee.

“Subsidiary” means:

- (a) a subsidiary within the meaning of Section 1159 of the Companies Act 2006; and
- (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of Section 1162 of the Companies Act 2006,

provided that any Subsidiary the shares of which are held (directly or indirectly) by the Company as an Investment and the value of whose shares is, or would, if the audited accounts of the Group had been prepared using accounting principles, standards and practices consistent with those applied in the preparation

of the Original Group Accounts, have been shown as an investment in the Group's audited accounts shall be excluded from this definition.

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

"Uncertificated Bonds" has the meaning provided in Condition 1(a) (*Form and Denomination*).

"Unconverted Bonds" has the meaning provided in Condition 9(b) (*Unconverted Bonds*).

"Volume Weighted Average Price" means, in respect of an Ordinary Share, other Security or, as the case may be, a Spin-off Security on any dealing day, the order book volume-weighted average price of such Ordinary Share, Security or Spin-off Security appearing on or derived (in the case of an Ordinary Share) from Bloomberg page VAP (or any relevant successor page), 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 an Independent Financial Adviser 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, other 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 an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

"ZDP Company" means Electra Private Equity Investments PLC, a wholly-owned subsidiary of the Company incorporated for the purpose of issuing the ZDP Shares.

"ZDP Shares" means the zero dividend preference shares of 0.01 pence each in the capital of ZDP Company.

References in these Conditions to the principal amount of any Bond shall be to the face value (being £1,000) of that Bond.

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

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

References in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UKLA and admission to trading on the EEA Regulated Market of the London Stock Exchange and references to **"EEA Regulated Market"** means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

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

For the purposes of Conditions 5(b) (*Conversion at the Option of a Bondholder*), 5(c) (*Conversion at the Option of the Company*), 8 (*Adjustment of Conversion Price*) and 14 (*Undertakings*) only, (a) references to the **"issue"** of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Company

or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Company or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Company or any of its Subsidiaries (and which, in the case of Conditions 8(d) (*Shares, Rights and Share-Related Securities Issued to Shareholders*) and 8(f) (*Issue of Shares at Below Current Market Price*), 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 any Dividend, right or entitlement.

4. Interest

(a) Interest Rate

The Bonds bear interest from and including the Closing Date at the rate of 5 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in equal instalments in arrear on 29 June and 29 December in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 29 June 2011. The amount of interest payable in respect of a Bond in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date and the number of Interest Periods normally ending in any year.

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

(b) Accrual of Interest

Without prejudice to Condition 4(c) (*Interest of Mandatory Conversion*), each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date, (ii) from the due date for redemption thereof, unless, upon due presentation thereof (where applicable), payment of principal in respect of the Bond is improperly withheld or refused in which event interest will continue to accrue at the rate specified in Condition 4(a) (*Interest Rate*) (both before and after judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (B) the day seven days after the Trustee or the Principal Paying, Conversion and Transfer Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(c) Interest on Mandatory Conversion

Upon Mandatory Conversion of any Bond, the Bondholder shall be entitled to receive the payment of interest accrued up to (but excluding) the Mandatory Conversion Date. Any such interest shall be paid no later than 14 days after the Mandatory Conversion Date in accordance with Condition 11 (*Payments*).

5. Conversion

(a) Conversion Price and Number of Ordinary Shares

- (i) The Conversion Price in effect immediately upon issue of the Bonds is 2,050 pence. The Conversion Price is subject to adjustment in the circumstances described in Condition 8 (*Adjustment of Conversion Price*) and the expression “**Conversion Price**” shall be construed accordingly.

- (ii) The number of Ordinary Shares to be issued or transferred and delivered on exercise of a Conversion Right (including any election by the Trustee pursuant to Condition 9 (*Trustee's Discretion to Convert Before Redemption*)) or upon a Mandatory Conversion shall be determined by dividing the principal amount of the Bonds to be converted by the Conversion Price in effect on the relevant Conversion Date.

(b) ***Conversion at the Option of a Bondholder***

Subject to and as provided in these Conditions, a Bondholder shall have the option at any time during the Conversion Period (save where a Change of Control has occurred, in which event the Conversion Right may be exercised prior to the Conversion Period Commencement Date) to convert its Bonds into new and/or existing Ordinary Shares, as determined by the Company, credited as fully-paid.

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering a Conversion Notice and Bond Certificate (in the case of Certificated Bonds only) in accordance with Condition 6(a) (*Procedure for Exercise of Conversion Right*) and making any payment required to be made as provided in Condition 6(a) (*Procedure for Exercise of Conversion Right*), whereupon the Company shall procure the delivery to or as directed by the relevant Bondholder of Ordinary Shares as provided in Condition 7 (*Settlement and Rights Arising on Conversion*).

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 13(a) (*Events of Default*) or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Company to redeem that Bond pursuant to Condition 10(b) (*Redemption at the Option of Bondholders upon a Relevant Event*).

(c) ***Conversion at the Option of the Company***

Subject to and as provided in these Conditions, the Company shall have the option (a “**Mandatory Conversion Option**”) to convert all but not some only of the Bonds into new and/or existing Ordinary Shares, as determined by the Company, credited as fully-paid:

- (i) at any time on or after 29 December 2015, if the Parity Value on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Mandatory Conversion Notice (as defined below), shall have exceeded 130 per cent. of the principal amount of a Bond; or
- (ii) at any time if prior to the date the relevant Mandatory Conversion Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions shall have been 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),

any such conversion pursuant to (i) or (ii) above, a “**Mandatory Conversion**”.

The Company may exercise the Mandatory Conversion Option by giving not less than 30 nor more than 60 days’ notice (a “**Mandatory Conversion Notice**”) to the Trustee and the Bondholders in accordance with Condition 19 (*Notices*), which notice shall be irrevocable and shall oblige the Company to convert the Bonds on the date of conversion specified in such notice (the “**Mandatory Conversion Date**”), whereupon the Company shall procure the delivery to the relevant Bondholder of Ordinary Shares credited as paid-up in full and payments of any cash amounts in accordance with Condition 7(a) (*Ordinary Shares*) and Condition 4(c) (*Interest on Mandatory Conversion*). Delivery and payment to a Bondholder as aforesaid shall be treated for all purposes as discharging the Company’s obligations in respect of the relevant Bondholder.

A Mandatory Conversion Option may not be exercised by the Company (i) following the giving of notice by the Trustee pursuant to Condition 13(a) (*Events of Default*) or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Company to redeem that Bond pursuant to Condition 10(b) (*Redemption at the Option of Bondholders upon a Relevant Event*).

(d) ***Fractions of a Share***

Fractions of an Ordinary Share will not be issued on conversion and no cash payment will be made in lieu thereof. However, if more than one Bond is to be converted at any one time by the same Bondholder such that the Ordinary Shares to be issued upon conversion thereof are to be registered in the same name, the number of Ordinary Shares which shall be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Bonds so to be converted.

6. Procedure for Conversion

(a) ***Procedure for Exercise of Conversion Right***

Subject to and as provided in these Conditions, a Conversion Right may be exercised by a Bondholder during the Conversion Period (save where a Change of Control has occurred, in which event the Conversion Right may be exercised prior to the Conversion Period Commencement Date) by delivering a duly completed Conversion Notice, accompanied (in the case of Certificated Bonds only) by the relevant Bond Certificate, to the Specified Office of any Paying, Conversion and Transfer Agent, during its usual business hours.

If the delivery of the relevant Bond Certificate (if applicable) and Conversion Notice as described in the foregoing paragraph 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, Conversion and Transfer Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following business day in such place.

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, Conversion and Transfer Agent to whom the relevant Conversion Notice is delivered is located.

A Conversion Right may be exercised only in respect of the whole of the principal amount of a Bond. Where not all the Bonds represented by a surrendered Bond Certificate are the subject of the exercise of Conversion Rights, a new Bond Certificate in respect of the balance of the Bonds will be issued to the Bondholder.

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

The conversion date in respect of the exercise of a Conversion Right (the “**Optional Conversion Date**”) shall be the London business day immediately following the date of delivery of the duly completed Conversion Notice and relevant Bond Certificate (if applicable) as provided in this Condition 6(a).

(b) ***Taxes***

A Bondholder (or, solely when exercising the Trustee’s discretion to convert before redemption pursuant to Condition 9 (*Trustee’s Discretion to Convert Before Redemption*), the Trustee) must pay directly to the relevant authorities any taxes and capital, stamp, issue, registration and transfer taxes and duties arising on a conversion pursuant to exercise by a Bondholder (or the Trustee, as the case may be) of Conversion Rights or on a Mandatory Conversion (other than any capital, stamp, issue, registration and transfer taxes and duties payable in the United Kingdom, or in any other jurisdiction in which the Company may be domiciled or resident or to whose taxing jurisdiction it may be generally subject, in respect of the allotment, issue or transfer and delivery of any Ordinary Shares in respect of such conversion (including any Additional Ordinary Shares), which shall be paid by the Company). Such Bondholder (or the Trustee, as the case may be) must also pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with such conversion. If the Company shall fail to pay any capital, stamp, issue, registration or 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 Company 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 Ordinary Shares to be issued or transferred and delivered on exercise of Conversion Rights or Mandatory Conversion (including any Additional Ordinary Shares) will not be available for issue or transfer and delivery (a) 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 (b) to a person, or nominee or agent for a person, whose business is or includes issuing depositary 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.

7. Settlement and Rights Arising on Conversion

(a) Ordinary Shares

- (i) Ordinary Shares to be issued or transferred and delivered on exercise of Conversion Rights (including any Additional Ordinary Shares) or upon a Mandatory Conversion will be issued or transferred and delivered in certificated form (in relation to Certificated Bonds) or in uncertificated form through the dematerialised securities trading system operated by Euroclear UK, known as CREST (in relation to Uncertificated Bonds), 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 issued or transferred and delivered to the account of the relevant Bondholder within 10 London business days following the relevant Conversion Date or, as the case may be, the relevant 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 10 London business days following the relevant Conversion Date or, as the case may be, the relevant Reference Date.
- (ii) Ordinary Shares (including any Additional Ordinary Shares) issued or transferred and delivered upon exercise of Conversion Rights or upon a Mandatory Conversion will, when issued, be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Delivery 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 the record date or other due date for the establishment of entitlement for which falls prior to the relevant Delivery Date.

(b) Purchase or Redemption by the Company of its Own Shares

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

8. Adjustment of Conversion Price

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

(a) Consolidation or Subdivision

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

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

where:

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

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

(b) ***Bonus Issue***

If and whenever the Company shall issue any Ordinary Shares credited as fully paid to the holders of Ordinary Shares (the “**Shareholders**”) by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) any such Ordinary Shares issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive or (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

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

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

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

(c) ***Dividends***

If and whenever the Company shall pay or make any Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value of the 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 Company or any Subsidiary of the Company, 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 is capable of being determined as provided herein.

“**Effective Date**” means, in respect of this Condition 8(c), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or,

in the case of a Spin-Off, the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off on the Relevant Stock Exchange.

(d) ***Shares, Rights and Share-Related Securities Issued to Shareholders***

If and whenever the Company shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the 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; and
- C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Condition 8(d), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

(e) ***Issue of Other Securities to Shareholders***

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

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Condition 8(e), 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.

(f) ***Issue of Shares at Below Current Market Price***

If and whenever the Company shall issue (otherwise than as mentioned in Condition 8(d) (*Shares, Rights and Share-Related Securities Issued to Shareholders*) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on conversion of the Bonds or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in Condition 8(d) (*Shares, Rights and Share-Related Securities Issued to Shareholders*) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Bonds, which term shall, for this purpose, include any Further Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant (or, if that is not a dealing day, the immediately preceding dealing day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be issued pursuant to such issue of such additional Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Condition 8(f), the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

(g) ***Share-Related Securities Issued Other than to Shareholders***

If and whenever the Company or any Subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary of the Company) any other company, person or entity (otherwise than as mentioned in Conditions 8(d) (*Shares, Rights and Share-Related Securities Issued to Shareholders*), 8(e) (*Issue of Other Securities to Shareholders*) or 8(f) (*Issue of Shares at Below Current Market Price*) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds, which term shall for this purpose exclude any Further Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant) (or, if that is not a dealing day, the immediately preceding dealing day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

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

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription or purchase or acquisition for Ordinary Shares which have been issued, purchased or acquired by the Company or any Subsidiary of the Company (or at the direction or request or pursuant to any arrangement with the company or any Subsidiary of the Company) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this Condition 8(g), the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided) then for the purposes of this Condition 8(g), “**C**” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this Condition 8(g), the date of issue of such Securities or, as the case may be, the grant of such rights.

(h) ***Amendment of Terms of Rights or Share-Related Securities***

If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Bonds and any Further Bonds) as are mentioned in Condition 8(g) (Share-Related Securities Issued Other than to Shareholders) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification (or, if that is not a dealing day, the immediately preceding dealing day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for or

purchase or acquisition of Ordinary Shares which have been issued, purchased or acquired by the Company or any Subsidiary of the Company (or at the direction or request or pursuant to any arrangement with the company or any Subsidiary of the Company) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);

- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price of such Securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall, acting as an expert, consider appropriate for any previous adjustment under this Condition 8(h) or Condition 8(g) (*Share-Related Securities Issued Other than to Shareholders*) above, **provided that** if at the time of such modification (as used in this Condition 8(h), the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this Condition 8(h), “**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 Condition 8(h), the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

(i) ***Demerger***

If and whenever the Company or any Subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary of the Company) any other company, person or entity shall offer any Securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 8(b) (*Bonus Issue*), 8(c) (*Dividends*), 8(d) (*Shares, Rights and Share-Related Securities Issued to Shareholders*), 8(f) (*Issue of Shares at Below Current Market Price*) or 8(g) (*Share-Related Securities Issued Other than to Shareholders*) above or 8(j) (*Change of Control*) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under Condition 8(e) (*Issue of Other Securities to Shareholders*) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this Condition 8(i), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

(j) ***Change of Control***

If an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate (as defined in Section 988(1) of the Companies Act 2006) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Company or if any person proposes a scheme of arrangement (pursuant to Part 26 of the Companies Act 2006) or analogous proceeding with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme having become or been declared unconditional in all respects or effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become unconditionally vested in such offeror, such person, and/or any associate of such offeror or person as aforesaid (a “**Relevant Event**”), the Conversion Price shall in each such case be adjusted as set out below (but in each case adjusted, if appropriate, proportionately on each adjustment to the Conversion Price under the foregoing provisions of this Condition 8 (*Adjustment of Conversion Price*) and Condition 8(k) (*Other Events; Contemporaneous Events*) below) (such adjusted Conversion Price, the “**Change of Control Conversion Price**”), **provided that** the Change of Control Conversion Price shall only apply to Bonds in respect of which Conversion Rights are duly exercised and the Conversion Date falls within the period (the “**Relevant Event Period**”) commencing on the date the Relevant Event occurs and ending on the date falling 60 London business days following the occurrence of the Relevant Event or, if later, the date falling 60 London business days following the date on which notice of such Relevant Event is given to Bondholders by or on behalf of the Company pursuant to Condition 8(o) (*Relevant Event*):

$$COCEP = OEP / (1 + (P \times c/t))$$

where:

COCEP is the Change of Control Conversion Price;

OEP is the Conversion Price in effect on the relevant Conversion Date;

P is 27.7 per cent.;

c is the number of days from and including the date the Relevant Event occurs to but excluding the Maturity Date; and

t is the number of days from and including the Closing Date to but excluding the Maturity Date.

(k) ***Other Events; Contemporaneous Events***

If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in Conditions 8(a) (*Consolidation or Subdivision*) to 8(i) (*Demerger*) above (even if the relevant circumstance is specifically excluded from the operation of Condition 8(a) (*Consolidation or Subdivision*) to 8(i) (*Demerger*) above), the Company shall, at its own expense and acting reasonably, request an Independent Financial Adviser, acting as an expert, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, **provided that** an adjustment shall only be made pursuant to this Condition 8(k) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions, where the circumstances giving rise to any adjustment pursuant to this Condition 8 (*Adjustment of Conversion Price*) have already resulted or will result in

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

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

(l) ***Aggregate Consideration and Consideration per Share***

For the purpose of any calculation of the consideration receivable or price pursuant to Conditions 8(d) (*Shares, Rights and Share-Related Securities Issued to Shareholders*), 8(f) (*Issue of Shares at Below Current Market Price*), 8(g) (*Share-Related Securities Issued Other than to Shareholders*) and 8(h) (*Amendment of Terms of Rights or Share-Related Securities*), the following provisions shall apply:

- (i) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (ii) (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 Company 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 date of the first public announcement of the terms of issue of such Securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (iii) if the consideration or price determined pursuant to (i) or (ii) above (or any component thereof) shall be or 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;
- (iv) in determining consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or otherwise in connection therewith; and

- (v) the consideration or price shall be determined as provided above on the basis of the consideration or price received or receivable, paid or payable regardless of whether all or part thereof is received or receivable, paid or payable by or on to the Company or another entity.

(m) ***Retroactive Adjustments***

If the Delivery Date in relation to the conversion of any Bond shall be after the record date in respect of any consolidation or sub-division as is mentioned in Condition 8(a) (*Consolidation or Subdivision*) 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 Conditions 8(b) (*Bonus Issue*), 8(c) (*Dividends*), 8(d) (*Shares, Rights and Share-Related Securities Issued to Shareholders*), 8(e) (*Issue of Other Securities to Shareholders*) or 8(i) (*Demerger*) above, or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in Conditions 8(f) (*Issue of Shares at Below Current Market Price*) and 8(g) (*Share-Related Securities Issued Other than to Shareholders*) above or of the terms of any such modification as is mentioned in Condition 8(h) (*Amendment of Terms of Rights or Share-Related Securities*) above, in any case where the relevant Conversion Date falls before the relevant adjustment to the Conversion Price becomes effective under the relevant Condition above (such adjustment, a “**Retroactive Adjustment**”), then the Company shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or transferred and delivered to the converting 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 conversion of the relevant Bonds (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 conversion if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date. In calculating the number of any such additional Ordinary Shares, the provisions of Condition 5(d) (*Fractions of a Share*) shall apply *mutatis mutandis*. If the record date or other due date for the establishment of the relevant entitlement for the payment of any cash dividend falls on or after the Conversion Date but before the Delivery Date (or any other date from which the relevant Bondholder is treated as entitled to all rights and entitlement to, such Ordinary Shares) and in respect of which no adjustment to the Conversion Price falls to be made pursuant to this Condition 8 (including this Condition 8(m)), with the effect that the relevant Bondholder is not entitled to such cash dividend, the Company will (unless it is able to confer on or deliver to the relevant Bondholder an entitlement to receive such cash dividend) pay, or procure the payment to, the converting Bondholder in lieu of such cash dividend, an amount equal thereto (the “**Equivalent Amount**”). The Company will pay the Equivalent Amount, or procure that it is paid, to the relevant Bondholder by no later than 10 London business days after payment is made of the cash dividend.

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

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Company and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest error.

(o) ***Relevant Event***

Within 14 calendar days following the occurrence of a Relevant Event, the Company shall give notice in writing thereof to the Trustee and to the Bondholders in accordance with Condition 19 (*Notices*) (a “**Relevant Event Notice**”). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 10(b) (*Redemption at the Option of Bondholders upon a Relevant Event*).

The Relevant Event Notice shall also specify:

- (i) all information material to Bondholders concerning the Relevant Event;

- (ii) the Conversion Price immediately prior to the occurrence of the Relevant Event and the Conversion Price which is applicable pursuant to Condition 8(j) (*Change of Control*) during the Relevant Event Period on the basis of the Conversion Price in effect immediately prior to the occurrence of the Relevant Event;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Relevant Event Notice;
- (iv) the last day of the Relevant Event Period; and
- (v) the Relevant Event Put Date.

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

(p) ***Employees' Share Schemes***

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Company 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 employees' share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme.

(q) ***Rounding Down and Adjustments***

On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.01, shall be rounded down to the nearest whole multiple of £0.01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made and/or, as the case may be, the relevant rounding down had not been made at the relevant time. Notice of any adjustments shall be given to Bondholders in accordance with Condition 19 (*Notices*) promptly after the determination thereof. The Conversion Price shall not in any event be reduced to below the nominal value of the Ordinary Shares.

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

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

9. Trustee's Discretion to Convert Before Redemption

(a) ***Parity exceeds redemption moneys***

If, after the end of the Conversion Period but prior to the date fixed for redemption of the Bond, the Trustee is satisfied that it has been determined in good faith by an Independent Financial Adviser that the net proceeds of an immediate sale of the Ordinary Shares arising from conversion at the Conversion Price applicable at such redemption date of any Unconverted Bonds would be likely to exceed by 5 per cent. or more the amount of redemption moneys and interest which would otherwise

be payable in respect of such Bonds, then the Trustee may elect to convert all (but not some only) of such Unconverted Bonds as of such redemption date.

(b) ***Unconverted Bonds***

In these Conditions, an “**Unconverted Bond**” means a Bond in respect of which the Conversion Right has not been exercised by the relevant Bondholder, and for which the Bond Certificate (if applicable) has not been duly presented for redemption by the relevant Bondholder, before the date of any such election by the Trustee described in Condition 9(a) (*Parity exceeds redemption moneys*).

(c) ***Taxes, etc***

In making the comparison described in Condition 9(a) (*Parity exceeds redemption moneys*), the Trustee may disregard any liability (other than a liability of the Trustee) to taxation or the payment of any capital, stamp, issue or registration and transfer taxes and duties consequent upon any such conversion.

(d) ***Trustee’s Discretion***

Any such election described in Condition 9(a) (*Parity exceeds redemption moneys*) may be made by the Trustee in its absolute discretion (and without any responsibility for any loss occasioned thereby) but must be made by notice in writing to the Company within the period commencing on the date six London business days before, and ending at the close of business on the London business day before, the relevant redemption date, provided that such period is after the last day of the relevant Conversion Period.

(e) ***Sale of Shares***

The Trustee shall arrange for the sale, on behalf of the holders of the Unconverted Bonds of the Ordinary Shares issued on a conversion pursuant to this Condition 9 as soon as practicable and, subject to:

- (i) any necessary consents being obtained;
- (ii) the deduction by the Trustee of any amount which it determines to be payable in respect of its liability to taxation or the payment of any capital, stamp, issue or registration duties (if any); and
- (iii) the deduction by the Trustee of any costs incurred by or on behalf of the Trustee and/or the Principal Paying, Conversion and Transfer Agent (if any) in connection with such conversion and sale,

the net proceeds of sale shall be held by or on behalf of the Trustee and distributed rateably to the holders of such Unconverted Bonds in a manner of payment described in Condition 11 (*Payments*) or in such other manner as the Trustee may determine. The amount of such net proceeds of sale shall be treated for all purposes as the full amount due from the Company in respect of such Unconverted Bonds.

(f) ***Application of Conditions***

These Conditions shall apply to any exercise by the Trustee of the Conversion Right attaching to any Unconverted Bond pursuant to this Condition 9 as though the Trustee were the relevant Bondholder, subject as otherwise provided in this Condition 9.

(g) ***Payments***

The provisions of Condition 11 (*Payments*) shall apply to any payment of the net proceeds of sale pursuant to this Condition 9 as though such payment were a payment of principal.

(h) ***Fractions of a Share***

For the purposes of Condition 5(d) (*Fractions of a Share*), the Trustee electing to convert Unconverted Bonds shall be deemed to be one Bondholder in respect of all such Unconverted Bonds.

(i) ***Trustee's liability***

The Trustee shall have no liability in respect of the exercise or non-exercise of its discretion pursuant to this Condition 9 or the timing of such exercise or, where relevant, in respect of any such sale of any Ordinary Shares, whether for the timing of any such sale or the price at which any Ordinary Shares are sold or the inability to sell any Ordinary Shares or otherwise. In exercising its powers under this Condition 9, the Trustee shall have regard to the economic interests of the holders of the Unconverted Bonds as a class and to no other considerations.

10. Redemption and Purchase

(a) ***Final Redemption***

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed on the Maturity Date at their principal amount, together with unpaid accrued interest up to but excluding the Maturity Date.

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

Following the occurrence of a Relevant Event, the holder of each Bond will have the right to require the Company to redeem that Bond on the Relevant Event Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver a duly completed and signed notice of exercise in the form for the time being current obtainable from the Specified Office of any Paying, Conversion and Transfer Agent (a “**Relevant Event Put Exercise Notice**”) together with (in the case of Certificated Bonds only) the relevant Bond Certificate to the Specified Office of any Paying, Conversion and Transfer Agent, at any time during the Relevant Event Period. The “**Relevant Event Put Date**” shall be the 10th calendar day after the expiry of the Relevant Event Period.

Payment in respect of any such Bond shall be made in accordance with Condition 11 (*Payments*).

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

(c) ***Purchase***

Subject to the requirements (if any) of the UKLA or the London Stock Exchange or any other stock exchange on which the Bonds may be listed at the relevant time, the Company or any Subsidiary of the Company may at any time purchase Bonds in the open market or otherwise at any price. Such Bonds may be held, resold or reissued, or, at the option of the Company, surrendered to any Paying, Conversion and Transfer Agent or the Registrar for cancellation. The Bonds so purchased, while held by or on behalf of the Company or any Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purpose of calculating quorums at meetings of Bondholders for the purposes of Condition 17(a) (*Meetings of Bondholders*).

(d) ***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 Company or any of its Subsidiaries may be surrendered for cancellation or may be held, reissued or re-sold.

11. Payments

(a) *Method of Payment*

(i) Certificated Bonds

Payment of the principal amount of the Certificated Bonds will be made by cheque posted to the registered address of the first-named holder on the Register (or such other replacement method of payment as may be determined by the Company and approved by the Trustee), at the risk of the Bondholder and (in the case of redemption) will be made against surrender (or in the case of partial payment only, endorsement) of the relevant Bond Certificates at the Specified Office of any Paying, Conversion and Transfer Agent.

Payment of interest will be made by transfer to a sterling account (or other account to which sterling may be credited) maintained by the payee with a bank in the City of London where previously addressed to the Registrar, or by cheque posted to the address of the first-named holder on the Register (or such other replacement method of payment as may be determined by the Company and approved by the Trustee), and (in the case of interest payable on redemption) will be made against surrender (or in the case of partial payment only, endorsement) of the relevant Bond Certificates at the Specified Office of any of the Paying, Conversion and Transfer Agents.

(ii) Uncertificated Bonds

The Company shall pay or cause to be paid payments of principal in respect of Uncertificated Bonds to the relevant holders' cash memorandum account (as shown in the records of the Operator), such payment to be made in accordance with the rules of the Operator.

Payments of interest (if any) in respect of Uncertificated Bonds will be made by transfer to a sterling account (or other account to which sterling may be credited) maintained by the payee with a bank in the City of London where previously addressed to the Registrar, or by cheque posted to the address of the first-named holder on the Operator register of corporate securities relating to Uncertificated Bonds (or such other replacement method of payment as may be determined by the Company and approved by the Trustee).

(b) *Payments subject to fiscal laws*

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

(c) *Non-business days*

Where payment is to be made by transfer to an account, payment instructions (for value the due date or, if the due date is not a London business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and (in the case of Certificated Bonds only) the day on which the relevant Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying, Conversion and Transfer Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for payment not being a London business day.

(d) *Record Date*

Each payment in respect of a Bond will be made to the person shown as the holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

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

The Company reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee (which approval shall not be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying, Conversion and Transfer Agent and appoint additional or other Paying, Conversion and Transfer Agents, **provided that** it will maintain (i) a Principal Paying, Conversion and Transfer Agent and, for the Certificated Bonds, a Registrar and (ii) a Paying, Conversion and Transfer 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 law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in the Paying, Conversion and Transfer Agents or their Specified Offices will promptly be given to the Trustee in writing and to the Bondholders in accordance with Condition 19 (*Notices*).

(f) ***Fractions***

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

12. Taxation

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

13. Events of Default and Enforcement

(a) ***Events of Default***

Subject to the Subordination Agreement as a whole, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events mentioned in Conditions 13(a)(iii) to 13(a)(vi) inclusive below (other than the making of any order or an effective resolution being passed for the winding up or the appointment of an administrative or other receiver of the whole or any material part of the undertaking or assets of the Company) only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice to the Company that the Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount (together with interest accrued to the date upon which, the principal amount of the Bonds having been received by the Principal Paying, Conversion and Transfer Agent or the Trustee, notice is duly given to the Bondholders in accordance with Condition 19 (*Notices*)) if any of the following events shall occur and be continuing:

- (i) default is made for a period of seven days or more in the payment of any principal due on the Bonds or any of them or 21 days or more in the payment of any interest due on the Bonds or any of them; or
- (ii) an order is made or an effective resolution passed for winding up the Company (except, for the purposes of or pursuant to an Exempt Newco Scheme) or an administration order is made in relation to the Company; or
- (iii) if the Company ceases to carry on the whole or substantially the whole of its business (except where (1) such cessation is for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders; or (2) where such cessation is in connection with the transfer

of the whole or substantially the whole of the business of the Company to a Subsidiary or a sale of assets of the Company at fair market value where the proceeds of such sale are reinvested in the business of the Company; or (3) for the purposes of or pursuant to a Newco Scheme); or

- (iv) an encumbrancer takes possession or an administrative or other receiver is appointed of the whole or any in the opinion of the Trustee material part of the undertaking or assets of the Company or a distress or execution is levied or enforced upon or sued out against all or any in the opinion of the Trustee material part of the assets of the Company and is not removed, discharged or paid out within 30 days; or
- (v) the Company stops or threatens to stop making payments of its debts generally or is deemed to be unable to pay its debts within the meaning of Section 123(1)(e) and Section 123(2) of the Insolvency Act 1986 of Great Britain; or
- (vi) default is made by the Company in the performance or observance of any obligation, condition or provision expressed to be binding on it under the Bonds or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Bonds) notwithstanding that such obligation, condition or provision may by reason of any rule or applicable law be not binding on it and, except where such default is incapable of remedy, such default continues for 30 days after written notice thereof by the Trustee to the Company requiring the same to be remedied has been given.

(b) ***Rights of Bondholders***

The Trustee shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

14. Undertakings

Whilst any Conversion Right remains exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (a) issue, allot and deliver Ordinary Shares on exercise of Conversion Rights and at all times keep available for issue free from pre-emptive or other similar rights out of its authorised but unissued share capital such number of Ordinary Shares as would enable the Conversion Rights and all other rights of subscription and exchange for and conversion into Ordinary Shares to be satisfied in full;
- (b) other than in connection with a Newco Scheme, not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (i) by the issue of fully paid Ordinary Shares or other Securities to the Shareholders and other holders of shares in the capital of the Company which by their terms entitle the holders thereof to receive Ordinary Shares or other Securities on a capitalisation of profits or reserves; or
 - (ii) by the issue of Ordinary Shares paid up in full out of profits or reserves (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or
 - (iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of ordinary shares in the capital of the Company which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares) on a capitalisation of profits or reserves; or

- (iv) 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 Company 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 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 Condition 8(q) (*Rounding Down and Adjustments*) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion 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;

- (c) not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than such rights attaching to the Ordinary Shares but so that nothing in this Condition 14(c) shall prevent:
 - (i) 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 Company or any of the Company's subsidiaries or associated companies by virtue of their office or employment pursuant to any scheme or plan approved by the Company in general meeting or which is established pursuant to such a scheme or plan which is or has been so approved; or
 - (ii) any consolidation or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa; or
 - (iii) any modification of such rights which is not, in the opinion of an Independent Financial Adviser acting as an expert, materially prejudicial to the interests of the Bondholders; or
 - (iv) any alteration to the articles of association of the Company made in connection with the matters described in this Condition 14 or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures); or
 - (v) any issue of equity share capital where the issue of such equity share capital results (or would, but for the provisions of Condition 8(q) (*Rounding Down and Adjustments*) relating to rounding or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefor is at least 95 per cent. of the Current Market Price per Ordinary Share on the relevant date, otherwise result) in an adjustment of the Conversion Price; or
 - (vi) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Company shall have instructed an Independent Financial Adviser, to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment to the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);
 - (vii) without prejudice to the foregoing provisions of these Conditions, the amendment of the articles of association of the Company following a Change of Control to ensure that any Bondholder exercising its Conversion Right after the occurrence of a Change of Control will receive the same consideration for the Ordinary Shares arising on conversion as it would have

received had it exercised its Conversion Right at the time of the occurrence of the Change of Control; or

- (viii) without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act 2006 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 Company 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 Company made in connection with the matters described in this Condition 14(c) 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);
- (d) procure that no Securities (whether issued by the Company or any Subsidiary or procured by the Company or any Subsidiary to be issued or issued by any other person pursuant to any arrangement with the Company or any Subsidiary) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 8(q) (*Rounding Down and Adjustments*) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;
- (e) not reduce its issued share capital, share premium account or capital redemption reserve or any uncalled liability in respect thereof except:
 - (i) pursuant to the terms of issue of the relevant share capital; or
 - (ii) by means of a purchase or redemption of share capital of the Company; or
 - (iii) as permitted by Section 610(2) and (3) of the Companies Act 2006; or
 - (iv) where the reduction does not involve any distribution of assets; or
 - (v) 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 Condition 8(q) (*Rounding Down and Adjustments*) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion 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; or
 - (vi) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or
 - (vii) pursuant to a Newco Scheme; or
 - (viii) 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 to Shareholders, either directly or indirectly, of an amount standing to the credit of the share premium account of the Company in respect of which the Company 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 Company as a result of such reduction; or

- (ix) to create distributable reserves (to which, in respect of any such creation of distributable reserves by the Company, 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
 - (x) by way of transfer to reserves as permitted under applicable law;
 - (xi) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser acting as an expert and in good faith, that the interests of the Bondholders will not be materially prejudiced by such reduction; or
- (f) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associates (as defined in Section 988(1) of the Companies Act 2006 or any modification or re-enactment thereof) of the offeror) to acquire all or a majority of the issued ordinary share capital of the Company, or if a scheme (other than a Newco Scheme) is proposed with regard to such acquisition (other than a Newco Scheme), give notice in writing of such offer or scheme to the Trustee and the Bondholders in accordance with Condition 19 (*Notices*) at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the Specified Offices of the Paying, Conversion and Transfer Agents;
- (g) use all reasonable endeavours to ensure that the Ordinary Shares issued upon conversion of the Bonds will as soon as practicable be admitted to listing and trading on the Relevant Stock Exchange and will be listed, quoted or accepted for dealing as soon as practicable on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or accepted for dealing;
- (h) in the event of a Newco Scheme, take (or procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately after completion of the Scheme of Arrangement, at its option, either
- (i) Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Company (with the Company providing a guarantee) subject to and as provided in the Trust Deed; or
 - (ii) Newco becomes a guarantor under the Bonds and the Trust Deed;
- and, in either case, that:
- (i) such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the Bonds may be converted into or exchanged for ordinary shares in Newco (or depositary or other receipts or certificates representing ordinary shares of Newco) *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed, with such modification as an Independent Financial Adviser shall consider to be appropriate, determined by reference to the value of the ordinary shares of Newco;
 - (ii) 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 Newco Scheme as they provided to the Trustee and the Bondholders prior to the implementation of the Newco Scheme, *mutatis mutandis*; and
 - (iii) the ordinary shares of Newco (or depositary or other receipts or certificates representing ordinary shares of Newco) are (A) admitted to listing and admitted to trading on the Relevant Stock Exchange or (B) admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market (and provided always that such ordinary shares of Newco are listed on a recognised stock exchange for the purposes of section 1005 of the Income Tax Act 2007);

- (i) not incur additional Bank Borrowings if its Bank Borrowings would thereby exceed 50 per cent. of the Company's gross Investments plus Cash or Cash Equivalents, as determined by reference to the then most recently published audited accounts, or as the case may be, unaudited half-yearly accounts; and
- (j) procure that it shall not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than the United Kingdom) unless it would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such jurisdiction or any political subdivision thereof or therein having power to tax in respect of any payment on or in respect of the Bonds.

As used in these Conditions, "**ordinary share capital**" has the meaning given to it in Section 1119 of the Corporation Tax Act 2010 and "**equity share capital**" has the meaning given to it in Section 548 of the Companies Act 2006.

15. Prescription

Claims in respect of the Bonds will become void unless made (in the case of principal) within a period of 10 years and (in the case of interest) within a period of five years from the appropriate Relevant Date. 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.

16. Replacement of Certificated Bonds

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar 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 Company may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

17. Meetings of Bondholders, Modification and Waiver

(a) *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount, or interest on, the Bonds, (iii) to increase the Conversion Price other than in accordance with these Conditions or pursuant to a Newco Scheme Modification (as defined below), (iv) to change the currency of any payment in respect of the Bonds, (v) to modify or vary the Conversion Rights in respect of the Bonds, other than pursuant to or as a result of any amendments to these Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 14(h) ("**Newco Scheme Modification**"), or (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-half, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

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 Subordination Agreement or the Bonds which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest or proven (to the satisfaction of the Trustee) error or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Subordination Agreement or the Bonds (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 Subordination Agreement or the Bonds which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders promptly in accordance with Condition 19 (*Notices*).

(c) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require but without the consent of the Bondholders, to the substitution of certain other entities of the Company or Newco in place of the Company or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds subject to: the Bonds (i) continuing to be convertible or exchangeable into Ordinary Shares mutatis mutandis as provided in these Conditions, with such modifications as an Independent Financial Adviser shall consider to be appropriate, determined by reference to the value of the ordinary shares of Newco, (ii) being unconditionally and irrevocably guaranteed by the Company to the satisfaction of the Trustee, (iii) in the case of a substitution of Newco pursuant to a Newco Scheme the provisions of Condition 14(h) having been satisfied in full to the satisfaction of the Trustee and (iv) certain other conditions as to substitution described in the Trust Deed having been satisfied in full to the satisfaction of the Trustee.

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 promptly to the Bondholders in accordance with Condition 19 (*Notices*).

(d) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 17) the Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except in relation to a substitution pursuant to Condition 17(c) (*Substitution*).

18. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Company and

any entity related to the Company without accounting for any profit. The Trustee may rely without liability to Bondholders or any other person on a report, confirmation or certificate of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and entitled to rely on any such report, confirmation or certificate where the Company procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be binding on the Company, the Trustee and the Bondholders in the absence of manifest or proven (to the satisfaction of the Trustee) error.

19. Notices

All notices regarding the Bonds will be deemed to be validly given (i) if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register (in the case of Certificated Bonds) or the Record (in the case of Uncertificated Bonds), (ii) if published through the electronic communications system of Bloomberg or (iii) for so long as the Bonds are admitted to trading on the London Stock Exchange, if published through the regulatory news service of the London Stock Exchange. Any such notice will be deemed to have been given on the fourth day after mailing or on the date of publication (as the case may be). In addition, for so long as any Bonds are listed by or on a competent authority or stock exchange and the rules of that competent authority or stock exchange so require, such notice will be published in a daily newspaper of general circulation in the places or places required by that competent authority or stock exchange. If the giving of notice 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.

20. Further Issues

The Company may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Company 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.

21. 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.

22. Governing Law

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

PART 7

FORM OF THE BONDS

Certificated Bonds

The Certificated Bonds will be represented by a definitive bond in fully registered form without receipts, interest coupons or talons attached.

Payments of principal, interest or any other amount in respect of the Certificated Bonds will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 11 (*Payments*)) as the registered holder of the Certificated Bonds, immediately preceding the due date for payment in the manner provided in that Condition. None of the Company, the Trustee, the Principal Paying, Conversion and Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Certificated Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Uncertificated Bonds

Uncertificated Bonds will be in uncertificated registered form comprising Bonds which are uncertificated units of a security in accordance with the Regulations. Uncertificated Bonds will be credited to the subscribers' accounts with Euroclear UK on the Closing Date thereof upon certification as to non-U.S. beneficial ownership. Title to Uncertificated Bonds is recorded on the relevant Operator register of corporate securities.

Each person who is for the time being shown in the Record (as defined under Part 6 (*Terms and Conditions of the Bonds*)) as the holder of a particular number of Uncertificated Bonds shall be treated by the Company, the Registrar and the Trustee as the holder of such number of Uncertificated Bonds for all purposes (and the expressions "Bondholder" and "holder of Uncertificated Bonds" and related expressions shall be construed accordingly).

Further Tranches

Pursuant to the Paying, Conversion and Transfer Agency Agreement, the Principal Paying, Conversion and Transfer Agent or the Registrar (as the case may be) shall arrange that, where a further tranche of Bonds is issued which is intended to form a single series with an existing tranche of Bonds, the Bonds of such further tranche shall be assigned a common code (except in the case of Uncertificated Bonds) and ISIN number which are different from the common code and ISIN assigned to Bonds of any other tranche of the same series until at least the expiry of the distribution compliance period applicable to the Bonds of such tranche.

Clearing Systems

The Uncertificated Bonds are participating securities for the purposes of the Regulations. The Operator is in charge of maintaining the Operator register of corporate securities. Title to the Uncertificated Bonds is recorded and will pass on registration in the Operator register of corporate securities. As at the date of this document, the relevant Operator for the purposes of the Regulations is Euroclear UK. The address of Euroclear UK is 33 Cannon Street, London EC4M 5SB, United Kingdom.

PART 8

FORM OF THE SUBORDINATION AGREEMENT

The following is the form of the Subordination Agreement excluding the notices provision, signature pages and schedules.

BACKGROUND:

- (A) The Company and the Original Junior Creditor originally entered into this Agreement in connection with the Credit Agreement (as defined below).
- (B) It is a condition to the consent of the Facility Agent to the Bond Issue that this Agreement be amended and restated pursuant to the Amendment Agreement to provide, inter alia, for the accession of the Bond Trustee and the subordination of the rights of the Bondholders against the Company.
- (C) It is intended that this document takes effect as a deed notwithstanding the fact that a party may only execute this document under hand.

1. Interpretation

1.1 Definitions

In this Agreement:

Accession Deed means a deed of accession, substantially in the form in Schedule 1 (Form of Accession Agreement) with such amendment as the Agent may approve.

Additional Junior Creditor means a member of the Group acceding to this Agreement in that capacity in accordance with Clause 27 (Additional Junior Debt).

Additional ZDP Proceeds means the proceeds (less costs and expenses) received by a Junior Creditor from an issue by it of ZDPs referred to in paragraph (b) of the definition thereof.

Agent means the Facility Agent or the Additional Senior Agent, as the case may be.

Amendment Agreement means the amendment and restatement agreement dated 29 November 2010 relating to this Agreement.

Appointed Junior Creditor means:

- (a) if the Original Junior Creditor is the only Junior Creditor, the Original Junior Creditor; or
- (b) if there is more than one Junior Creditor, the Original Junior Creditor or such other Junior Creditor as each Junior Creditor has confirmed in writing to the Company, the Bond Trustee and the Agent has been appointed by it to act as Appointed Junior Creditor for the purposes of this Agreement.

Bond Summary Terms means the summary of all material payments which may be required to be made by the Company under the Subordinated Finance Documents, as set out in Schedule 2 (Bond Summary Terms) to this Agreement.

Bondholder means any holder of Bonds, from time to time.

Bond Issue means the issue of the Bonds.

Bonds mean the 5 per cent. subordinated convertible bonds in an aggregate principal amount of up to £125,000,000, issued by the Company and constituted by the Trust Deed.

Conditions means the terms and conditions of the Bonds as set out in Schedule 2 to the Trust Deed, as the same may be modified pursuant to the provisions of the Trust Deed in a manner not prohibited by this Agreement.

Credit Agreement means the £185,000,000 credit agreement dated 17 July 2009 and made between (among others) the Company and the Facility Agent.

Creditor means each Finance Party, each Junior Creditor and each Subordinated Creditor.

Finance Documents means the “Finance Documents” as defined in:

- (a) the Credit Agreement; and
- (b) any Replacement Credit Agreement.

Finance Party means an Arranger, a Lender or the Facility Agent or in the event that a Replacement Credit Agreement is entered into, the parties referred to therein as an arranger, a lender, the Additional Senior Agent or any other party who is a “Finance Party” under a Replacement Credit Agreement.

Insolvency Event, in relation to the Company, means that the Company:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors as a result of financial difficulty;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
 - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks in writing or becomes subject to the appointment of an examiner, an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (g) (inclusive).

Junior Creditor means the Original Junior Creditor or an Additional Junior Creditor

Junior Debt means all Liabilities payable or owing by the Company to a Junior Creditor under or in connection with any Junior Finance Document.

Junior Debt Discharge Date means the date on which all the Junior Debt has been unconditionally and irrevocably paid and discharged in full.

Junior Finance Document means:

- (a) the intercompany loan agreement dated 17 July 2009 between the Original Junior Creditor and the Company under which the Original Junior Creditor lends to the Company an amount equal to the amount of the ZDP Proceeds; and
- (b) any intercompany loan agreement between a Junior Creditor and the Company under which that Junior Creditor lends to the Company an amount equal to the amount of any Additional ZDP Proceeds, and which has been designated as a Junior Finance Document in accordance with Clause 27 (Additional Junior Debt).

Liability means any present or future liability (actual or contingent), together with:

- (a) any permitted novation, deferral or extension of that liability;
- (b) any further advance which may be made under any agreement expressed to be supplemental to any document in respect of that liability, together with all related interest, fees and costs;
- (c) any claim for damages or restitution in the event of rescission of that liability or otherwise;
- (d) any claim flowing from any recovery by a payment or discharge in respect of that liability on grounds of preference or otherwise; and
- (e) any amount (such as post-insolvency interest) which would be included in any of the above but for its discharge, non-provability, unenforceability or non-allowability in any insolvency or other proceedings.

Original Senior Debt means all amounts outstanding under the Credit Agreement and the Finance Documents defined therein (and excluding any Finance Document as defined in any Replacement Credit Agreement).

Party means a party to this Agreement.

Permitted Subordinated Payment has the meaning given to it in Clause 3.2(b) (Undertakings of the Company to the Priority Creditors).

Permitted Conversion means a conversion of the Bonds into ordinary shares of the Company in accordance with the Conditions and the Trust Deed.

Priority Party means:

- (a) until (and including) the Senior Debt Discharge Date, the Agent; and
- (b) after the Senior Debt Discharge Date, the Appointed Junior Creditor.

Priority Creditor means each Finance Party and each Junior Creditor.

Priority Debt means the Senior Debt and the Junior Debt.

Priority Debt Discharge Date means the date on which all the Priority Debt has been unconditionally and irrevocably paid and discharged in full.

Priority Finance Document means any Finance Document or any Junior Finance Document.

Priority Subordination Period means the period beginning on the date of this Agreement and ending on the Priority Debt Discharge Date.

Replacement Credit Agreement means any agreement evidencing Financial Indebtedness which the Company notifies the Appointed Junior Creditor and the Bond Trustee is being incurred to refinance or replace the Original Senior Debt in full (and which may, for the avoidance of doubt, be for an amount in excess of £185,000,000), provided that no such agreement shall constitute a Replacement Credit Agreement until the date on which the Facility Agent confirms in writing to the Bond Trustee, the Appointed Junior Creditor and the Company that all the Original Senior Debt has been unconditionally and irrevocably repaid in full.

Senior Debt means all Liabilities payable or owing by the Company to a Finance Party under or in connection with the Finance Documents.

Senior Debt Discharge Date means the date on which all the Senior Debt has been unconditionally and irrevocably paid and discharged in full.

Senior Subordination Period means the period beginning on the date of this Agreement and ending on the Senior Debt Discharge Date.

Stub Period means the period from the Senior Debt Discharge Date until the Junior Debt Discharge Date.

Subordinated Creditor means:

- (a) each Bondholder; and
- (b) the Bond Trustee.

Subordinated Debt means all Liabilities payable or owing by the Company to the Subordinated Creditor under or in connection with any Subordinated Finance Document, but excluding the Trustee Fees and Expenses.

Subordinated Finance Document means:

- (a) the Trust Deed; and
- (b) each Bond.

Trust Deed means the trust deed between the Company and the Bond Trustee in relation to the Bonds, incorporating the Conditions, in the form approved by the Facility Agent.

Trustee Fees and Expenses means:

- (a) the normal remuneration of the Bond Trustee accrued under Clause 11.1.1 of the Trust Deed (not exceeding in respect of such normal remuneration for acting as Bond Trustee £20,000 per annum);
- (b) any extra remuneration and all costs, charges, liabilities and expenses incurred by the Bond Trustee, pursuant to Clause 11.1 of the Trust Deed;
- (c) any stamp duties, registration taxes, capital duties and other similar duties or taxes (if any), pursuant to Clause 11.2 of the Trust Deed; and
- (d) any exchange rate indemnity amount, pursuant to Clause 11.4 of the Trust Deed,
if and to the extent (in relation to sub-paragraphs (b) and (c) above) that such payment is made to the Trustee for its own account only (and not for the account of any Bondholder).

ZDP means:

- (a) the ZDPs as defined in the Credit Agreement (the **Original ZDPs**); and
- (b) any other zero-dividend preference shares issued by a member of the Group on similar terms to the Original ZDPs (other than as to dates or amounts) or as otherwise approved by the Priority Party.

ZDP Proceeds means the proceeds (less associated costs and expenses) received by the Junior Creditor from the issue of the ZDPs.

1.2 Construction

- (a) Capitalised terms defined in the Credit Agreement have, unless expressly defined in this Agreement, the same meaning in this Agreement.
- (b) The provisions of clause 1.2 (Construction) of the Credit Agreement apply to this Agreement as though they were set out in full in this Agreement except that references to the Credit Agreement are to be construed as references to this Agreement.
- (c) Any covenant of the Company, a Junior Creditor or a Subordinated Creditor under this Agreement remains in force during the Senior Subordination Period or the Priority Subordination Period, as the case may be.
- (d) The undertakings of the Junior Creditors in this Agreement are given only in favour of the Agent (for the benefit of the Finance Parties), and no rights in respect of such undertakings arise in favour of any Subordinated Creditor.
- (e) If the Priority Party considers (acting in good faith) that an amount paid to a Priority Creditor under a Priority Finance Document is capable of being avoided or otherwise set aside on the liquidation or administration of the payer or otherwise, then that amount will not be considered to have been unconditionally and irrevocably paid for the purposes of this Agreement.

1.3 Third Party Rights

- (a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Right of Third Parties) Act 1999 (the **Third Parties Act**) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Subject (in the case of the Bond Trustee) to the terms of the Trust Deed and notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

2. Ranking and Priority

Each of the Parties agrees that the Liabilities owed by the Company to the Creditors shall rank in right and priority of payment in the following order and are (in the case of the Junior Debt and the Subordinated Debt) postponed and subordinated to any prior ranking Liabilities as follows:

- (a) **first**, the Senior Debt and the Trustee Fees and Expenses, *pari passu* as between themselves;
- (b) **second**, the Junior Debt; and
- (c) **third**, the Subordinated Debt,

in each case on and subject to the terms of this Agreement.

3. Undertakings

3.1 *Undertakings of the Company to the Finance Parties*

- (a) During the Senior Subordination Period and except as provided below, the Company undertakes to the Finance Parties that it must not:
 - (i) pay or repay, make or receive any distribution in respect of, any Junior Debt, whether in cash or kind from any source;
 - (ii) allow any of its Subsidiaries to purchase or acquire any of the Junior Debt;
 - (iii) allow any Junior Debt to be discharged;
 - (iv) exercise any set-off in relation to any Junior Debt;
 - (v) allow to exist or receive the benefit of any Security Interest, guarantee, indemnity or other assurance against loss in respect of any Junior Debt;
 - (vi) convert any Junior Debt into shares of the Company;
 - (vii) allow any Junior Debt to be evidenced by a negotiable instrument;
 - (viii) allow any Junior Debt to be subordinated to any person other than in accordance with this Agreement; or
 - (ix) take or omit to take any action which could reasonably be expected to impair the priority or subordination achieved or intended to be achieved by this Agreement.
- (b) Notwithstanding paragraph (a) above, the Company may:
 - (i) do anything prohibited by paragraph (a) above if the Agent agrees; and
 - (ii) make such payments to any Junior Creditor as are required to permit that Junior Creditor to discharge its reasonable administration costs.

3.2 *Undertakings of the Company to the Priority Creditors*

- (a) During the Priority Subordination Period and except as provided below, the Company undertakes to the Priority Creditors that it must not:
 - (i) pay or repay, make or receive any distribution in respect of, any Subordinated Debt, whether in cash or kind from any source;
 - (ii) allow any of its Subsidiaries to acquire any of the Subordinated Debt;
 - (iii) allow any Subordinated Debt to be discharged;
 - (iv) exercise any set-off in relation to any Subordinated Debt;
 - (v) allow to exist or receive the benefit of any Security Interest, guarantee, indemnity or other assurance against loss in respect of any Subordinated Debt;
 - (vi) convert any Subordinated Debt into shares of the Company;
 - (vii) allow any Subordinated Debt to be subordinated to any person other than in accordance with this Agreement; or
 - (viii) take or omit to take any action which could reasonably be expected to impair the priority or subordination achieved or intended to be achieved by this Agreement.

- (b) Notwithstanding paragraph (a) above, the Company may:
 - (i) do anything prohibited by paragraph (a) above if the Priority Party agrees;
 - (ii) provided that the Original Senior Debt has been unconditionally and irrevocably repaid in full, make any repayment or prepayment in respect of the principal amount of the Bonds on the maturity date of the Bonds;
 - (iii) redeem the Bonds on the occurrence of a Relevant Event (as that term is defined in the Conditions), pursuant to Condition 10(b) of the Bonds, provided that:
 - (A) no amendment is made to Condition 10(b) or to the definition of Relevant Event or to any related provision after the date of this Agreement without the prior written consent of the Agent; and
 - (B) before that redemption, any Finance Party requiring prepayment under the Credit Agreement in accordance with the terms thereof as a result of the Relevant Event has been so prepaid;
 - (iv) a Permitted Conversion; and
 - (v) provided that no Event of Default is outstanding, make any other payment in respect of the Bonds, if such payment is required to be made under the Trust Deed or the Conditions, on the due date therefor;

(any payment permitted by sub-paragraphs (i), (ii), (iii) or (v) above, a **Permitted Subordinated Payment**).

3.3 *Undertakings of Junior Creditors to the Finance Parties*

- (a) During the Senior Subordination Period and except as provided below, each Junior Creditor undertakes to the Finance Parties that it must not:
 - (i) demand or receive payment of, or any distribution in respect or on account of, any Junior Debt, whether in cash or in kind;
 - (ii) allow any Junior Debt to be discharged;
 - (iii) exercise any set-off in relation to any Junior Debt;
 - (iv) allow to exist or receive the benefit of any Security Interest, guarantee, indemnity or other assurance against loss in respect of any Junior Debt;
 - (v) convert any Junior Debt into shares of the Company;
 - (vi) allow any Junior Debt to be evidenced by a negotiable instrument;
 - (vii) allow any Junior Debt to be subordinated to any other person otherwise than in accordance with this Agreement; or
 - (viii) take or omit to take any action which could reasonably be expected to impair the priority or subordination achieved or intended to be achieved by this Agreement.
- (b) Notwithstanding paragraph (a) above, any Junior Creditor may:
 - (i) do anything prohibited by paragraph (a) above if the Agent agrees; and
 - (ii) receive any payment from the Company which is required to permit that Junior Creditor to discharge its reasonable administration costs.

3.4 Undertakings of Subordinated Creditors to the Priority Creditors

- (a) During the Priority Subordination Period and except as provided below, each Subordinated Creditor undertakes to the Priority Creditors that it must not:
 - (i) demand or receive payment of, or any distribution in respect or on account of, any Subordinated Debt, whether in cash or in kind;
 - (ii) in the case of a Bondholder, allow any Subordinated Debt owed to it to be discharged;
 - (iii) exercise any set-off in relation to any Subordinated Debt;
 - (iv) receive the benefit of any Security Interest, guarantee, indemnity or other assurance against loss in respect of any Subordinated Debt;
 - (v) convert any Subordinated Debt into shares of the Company;
 - (vi) take any step that results in any Subordinated Debt to be subordinated to any other person otherwise than in accordance with this Agreement; or
 - (vii) take or omit to take any action which could reasonably be expected to impair the priority or subordination achieved or intended to be achieved by this Agreement.
- (b) Notwithstanding paragraph (a) above, any Subordinated Creditor may:
 - (i) do anything prohibited by paragraph (a) above if the Priority Party agrees;
 - (ii) receive any Permitted Subordinated Payment; and
 - (iii) participate in a Permitted Conversion.

3.5 Terms of ZDPs

Prior to the Senior Debt Discharge Date, no Junior Creditor may vary, waive or amend any term of (or right attracting to) the ZDPs, except for an amendment which:

- (a) is an administrative or other similar change; or
- (b) does not, in the reasonable opinion of the Majority Lenders, prejudice the interests of the Lenders under the Finance Documents,

provided that in any case no Junior Creditor may, without the consent of the Agent, vary, waive or amend the terms of any ZDPs so that:

- (i) any payment from that Junior Creditor to the holders of any ZDPs issued by it; or
- (ii) any payment from the Company to that Junior Creditor (other than to discharge the reasonable administrative costs of that Junior Creditor),

falls due, other than:

- (A) in relation to the Original ZDPs such payments as are expressly set out in the term sheet relating to the Original ZDPs provided by the Company to the Agent under paragraph 12 of Part 1 of Schedule 2 (Conditions precedent documents) of the Credit Agreement (the **ZDP Term Sheet**);
- (B) in relation to any other ZDP issued prior to the Senior Debt Discharge Date, such payments as are expressly set out in a term sheet to be provided to the Agent prior to the issue of such ZDPs, and being on similar terms (other than as to dates and amounts) to those set out in relation to the Original ZDPs in the ZDP Term Sheet; or
- (C) any other payment approved in writing by the Priority Party.

4. Amendments to the Junior Finance Documents

During the Senior Subordination Period, neither the Company nor any Junior Creditor may amend, waive or release any term of any Junior Finance Document, except for an amendment which:

- (a) does not prejudice any Senior Debt, any Finance Party or impair the subordination achieved or intended to be achieved by this Agreement; and
- (b) has been consented to by the Agent.

5. Amendments to the Subordinated Finance Documents

During the Priority Subordination Period, neither the Company nor any Subordinated Creditor may amend, waive or release any term of any Subordinated Finance Document without the prior written consent of the Priority Party (such consent not to be unreasonably withheld), except for an amendment which:

- (a) is minor or technical or to correct a manifest error; or
- (b) does not prejudice any Priority Debt, any Priority Creditor or impair the subordination achieved or intended to be achieved by this Agreement (as to which the determination of the Priority Party shall be conclusive).

6. Turnover to the Finance Parties of Non-Permitted Recoveries by Junior Creditors

6.1 *Non-permitted payment*

If during the Senior Subordination Period:

- (a) any Junior Creditor receives a payment or distribution in respect of any of the Junior Debt from the Company other than as allowed under this Agreement; or
- (b) any Junior Creditor receives the proceeds of any enforcement of any Security Interest or any guarantee or other assurance against financial loss for any Junior Debt,

that Junior Creditor must hold the amount received by it (up to a maximum of an amount equal to the Senior Debt) on trust for the Finance Parties and immediately pay that amount (up to that maximum) to the Agent for application against the Senior Debt.

6.2 *Non-permitted discharge*

If, during the Priority Subordination Period, for any reason, any of the Junior Debt is discharged in any manner other than as allowed under this Agreement, the Junior Creditor in respect of that Junior Debt must immediately pay an amount equal to the amount discharged to the Agent for application against the Senior Debt.

7. Turnover to the Priority Creditors of Non-Permitted Recoveries by the Subordinated Creditors

7.1 *Non-permitted payment*

If:

- (a) any Subordinated Creditor receives a payment or distribution in respect of any of the Subordinated Debt from the Company other than as allowed under this Agreement; or
- (b) any Subordinated Creditor receives the proceeds of any enforcement of any Security Interest or any guarantee or other assurance against financial loss for any Subordinated Debt,

the Subordinated Creditor must hold the amount received by it (up to a maximum of an amount equal to the Priority Debt) on trust for the Priority Creditors and:

- (i) immediately pay that amount, less any third party costs and expenses (if any) incurred by it in recovering that amount, to the Agent for application against the Senior Debt;

- (ii) if the amount received by the Agent is more than the Senior Debt, the Agent must promptly pay the excess amount to the Appointed Junior Creditor for application against the Junior Debt; and
- (iii) if the amount received by the Appointed Junior Creditor is more than the Junior Debt, the Appointed Junior Creditor must promptly pay the excess amount to the Bond Trustee for application against the Subordinated Debt,

provided that the Bond Trustee shall only be obliged under this Clause to pay to the Agent amounts actually received by it in its capacity as Bond Trustee and held on trust in such capacity.

7.2 *Non-permitted discharge*

If, for any reason, any of the Subordinated Debt is discharged by a Subordinated Creditor in any manner other than as allowed under this Agreement, that Subordinated Creditor must immediately pay an amount (in the case of the Bond Trustee, up to the amount then held on trust by it in its capacity as Bond Trustee), equal to the amount discharged, less any third party costs and expenses (if any) incurred by it in recovering that amount, to the Priority Party for application against the Senior Debt (or, following the Senior Debt Discharge Date, the Junior Debt) in the manner set out in subparagraphs (i), (ii) and (iii) of Clause 7.1 (Non-permitted payment) above, as if such amount had been received in the circumstances set out in paragraphs (a) or (b) of that Clause.

8. Subordination of the Junior Debt to the Senior Debt on Insolvency

8.1 *Subordination events*

If any Insolvency Event occurs in respect of the Company, the Junior Debt will be subordinate in right of payment to the Senior Debt.

8.2 *Consequences of insolvency*

If an Insolvency Event occurs in respect of the Company:

- (a) the Agent may:
 - (i) claim, enforce and prove for any Junior Debt;
 - (ii) file claims and proofs, give receipts and take any proceedings as the Agent considers reasonably necessary to recover that Junior Debt;
 - (iii) do anything which the Agent sees fit to recover that Junior Debt; and
 - (iv) receive all distributions on that Junior Debt (up to a maximum of an amount equal to the Senior Debt) for application against the Senior Debt;
- (b) if and to the extent that the Agent is not entitled to do anything mentioned in paragraph (a) above or does not wish to do so, each Junior Creditor must so far as is permitted by law (at the expense of the Finance Parties) do so in good time and as requested by the Agent;
- (c) each Junior Creditor irrevocably authorises the Agent to take any action referred to in paragraph (a) above;
- (d) each Junior Creditor must:
 - (i) hold all payments and distributions in cash or in kind received or receivable by it in respect of any Junior Debt from the Company or from any other source (up to a maximum of an amount equal to the Senior Debt) on trust for the Finance Parties;
 - (ii) promptly pay and transfer any such payment or distribution to the Agent for application against the Senior Debt; and

- (iii) direct the trustee in bankruptcy, liquidator, assignee or other person distributing the assets of the Company or their proceeds to pay all payments and distributions on the Junior Debt (up to a maximum of an amount equal to the Senior Debt) direct to the Agent.

8.3 Further assurance

Each Junior Creditor must, at its own expense, take whatever action the Agent may require to give effect to this Clause.

9. Subordination of the Subordinated Debt to the Priority Debt on Insolvency

9.1 Subordination events

If any Insolvency Event occurs in respect of the Company, the Subordinated Debt will be subordinate in right of payment to the Priority Debt.

9.2 Consequences of insolvency

If an event referred to in Clause 9.1 (Subordination events) applies:

- (a) the Priority Party may:
 - (i) claim, enforce and prove for any Subordinated Debt;
 - (ii) file claims and proofs, give receipts and take any proceedings as the Priority Party considers reasonably necessary to recover that Subordinated Debt;
 - (iii) do anything which the Priority Party sees fit to recover that Subordinated Debt (but may not waive or (unless such discharge arises as a result of other steps taken under this Clause) discharge the Subordinated Debt without the consent of the Bond Trustee); and
 - (iv) receive all distributions on that Subordinated Debt (up to a maximum of an amount equal to the Priority Debt) for application against the Priority Debt;
- (b) if and to the extent that the Priority Party is not entitled to do anything mentioned in paragraph (a) above or does not wish to do so, each Subordinated Creditor must so far as is permitted by law (at the expense of the Priority Creditors) do so in good time and as requested by the Priority Party subject, in the case of the Bond Trustee, to it being indemnified and/or secured and/or prefunded to its satisfaction;
- (c) each Subordinated Creditor irrevocably authorises the Priority Party to take any action referred to in paragraph (a) above;
- (d) the Bond Trustee must, upon becoming aware of the occurrence of any Insolvency Event and at the Company's expense:
 - (i) hold all payments and distributions in cash or in kind received or receivable by it in respect of any Subordinated Debt from the Company or from any other source (up to a maximum of an amount equal to the Priority Debt) on trust for the Priority Creditors;
 - (ii) promptly pay and transfer any such payment or distribution it actually receives in its capacity as Bond Trustee to the Priority Party for application first against the Priority Debt; and
 - (iii) direct the trustee in bankruptcy, liquidator, assignee or other person distributing the assets of the Company or their proceeds to pay all payments and distributions on the Subordinated Debt (up to a maximum of an amount equal to the Priority Debt) direct to the Priority Party.

9.3 Further assurance

- (a) Subject to paragraph (b) below, each Subordinated Creditor must, at the Company's expense, take whatever action the Priority Party may require to give effect to this Clause.
- (b) The Parties acknowledge and agree that no provision of this Agreement shall require the Bond Trustee to do anything which could reasonably be expected (i) to be illegal or contrary to applicable law or regulation; or (ii) to cause it to expend or risk its own funds or (but without prejudice to its obligation to comply with the express provisions of this Agreement, so long as it may do so without expending or risking its own funds) otherwise incur any liability in the performance of any of its duties or in the exercise of any of its rights, powers or discretions hereunder.

10. Enforcement by Junior Creditors

During the Senior Subordination Period no Junior Creditor may:

- (a) accelerate any of the Junior Debt or otherwise declare any of the Junior Debt prematurely due and payable;
- (b) enforce any Junior Debt by execution or otherwise;
- (c) initiate or support or take any steps with a view to:
 - (i) any insolvency, liquidation, reorganisation, administration or dissolution proceedings; or
 - (ii) any voluntary arrangement or assignment for the benefit of creditors; or
 - (iii) any similar proceedings,involving the Company, whether by petition, convening a meeting, voting for a resolution or otherwise;
- (d) bring or support any legal proceedings against the Company (or any of its subsidiaries) in relation to the Junior Debt; or
- (e) otherwise exercise any remedy for the recovery of the Junior Debt,

provided that nothing in this Clause 10 shall prevent any Junior Creditor from claiming in the insolvency of the Company for any Junior Debt if a failure to make such claim would result in no subsequent claim being permitted by law in respect of that Junior Debt and that Junior Creditor:

- (i) takes no other action; and
- (ii) applies any proceeds arising from such claim in accordance with Clause 6.1 (Non-permitted payment).

11. Enforcement by the Subordinated Creditors

During the Priority Subordination Period no Subordinated Creditor may:

- (a) accelerate any of the Subordinated Debt or otherwise declare any of the Subordinated Debt prematurely due and payable;
- (b) enforce the Subordinated Debt by execution or otherwise;
- (c) initiate or support or take any steps with a view to:
 - (i) any insolvency, liquidation, reorganisation, administration or dissolution proceedings; or

- (ii) any voluntary arrangement or assignment for the benefit of creditors; or
 - (iii) any similar proceedings,
- involving the Company, whether by petition, convening a meeting, voting for a resolution or otherwise;
- (d) bring or support any legal proceedings against the Company (or any of its subsidiaries) in relation to the Subordinated Debt; or
 - (e) otherwise exercise any remedy for the recovery of the Subordinated Debt,

provided that nothing in this Clause 11 shall prevent any Subordinated Creditor from claiming in the insolvency of the Company for any Subordinated Debt if a failure to make such claim would result in no subsequent claim being permitted by law in respect of that Subordinated Debt and that Subordinated Creditor:

- (i) takes no other action; and
- (ii) applies any proceeds arising from such claim in accordance with Clause 7.1 (Non-permitted payment).

12. Consents

- (a) No Junior Creditor will have any remedy against the Company or any Finance Party by reason of any transaction entered into between a Finance Party and the Company (including any Finance Document) which may conflict with or constitute a default under any Junior Finance Document.
- (b) Any waiver or consent granted by or on behalf of any Finance Party in respect of any Finance Document will also be deemed to have been given by each Junior Creditor, if any transaction or circumstances would, in the absence of that waiver or consent by that Junior Creditor, conflict with a term of or constitute a default under that Junior Finance Document.
- (c) No Subordinated Creditor will have any remedy against the Company or any Priority Creditor by reason of any transaction entered into between a Priority Creditor and the Company (including any Priority Finance Document) which may conflict with or constitute a default under any Subordinated Finance Document.
- (d) Any waiver or consent granted by or on behalf of any Priority Creditor in respect of any Priority Finance Document will also be deemed to have been given by each Subordinated Creditor, if any transaction or circumstances would, in the absence of that waiver or consent by that Subordinated Creditor, conflict with a term of or constitute a default under any Subordinated Finance Document.

13. Representations and Warranties of the Junior Creditors

13.1 Representations and warranties

The representations and warranties set out in this Clause are made by each Junior Creditor to each Finance Party.

13.2 Status

It is a limited liability company, duly incorporated and validly existing under the laws of England and Wales.

13.3 Powers and authorities

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, this Agreement and the Junior Finance Documents to which it is party and the transactions contemplated by this Agreement and the Junior Finance Documents to which it is party.

13.4 Legal validity

Subject to Legal Reservations, each of this Agreement and each Junior Finance Document to which it is party constitutes its legally valid, binding and enforceable obligation.

13.5 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, this Agreement and the Junior Finance Documents to which it is party do not and will not conflict with:

- (a) any law or regulation applicable to it; or
- (b) its constitutional documents; or
- (c) any document which is binding upon it or any of its assets.

13.6 Authorisations

All authorisations required by it in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Agreement and the Junior Finance Documents to which it is party have been obtained or effected (as appropriate) and are in full force and effect.

13.7 Junior Debt

It is the sole legal and beneficial owner of the Junior Debt arising under the Junior Finance Documents to which it is party free from any Security Interest or subordination in favour of any person other than the Finance Parties.

13.8 Times for making representations and warranties

- (a) The representations and warranties set out in this Clause are made by each Junior Creditor on:
 - (i) the date of this Agreement;
 - (ii) the date of the Amendment Agreement; and
 - (iii) in the case of an Additional Junior Creditor on the date it becomes a party to this Agreement.
- (b) Each representation and warranty is deemed to be repeated on each date during the Senior Subordination Period on which the representations are repeated under paragraph (b) of clause 17.18 (Times for making representations and warranties) of the Credit Agreement.
- (c) When a representation and warranty is repeated, it is applied to the circumstances existing at the time of repetition.

14. Representation and Warranty of the Company

The Company represents and warrants to each Priority Creditor that the Bond Summary Terms set out a complete and accurate list of all material payments that may be required to be made by the Company under any Subordinated Finance Document.

15. Protection of Subordination of Junior Debt to Senior Debt

15.1 Continuing subordination

The subordination provisions in this Agreement in respect of the Junior Debt constitute a continuing subordination and will benefit the ultimate balance of all of the Senior Debt, regardless of any intermediate payment or discharge in whole or in part.

15.2 Waiver of defences

The subordination of Junior Debt in this Agreement and the obligations of each Junior Creditor under this Agreement will not be affected by any act, omission, matter or thing (whether or not known to any Junior Creditor or any Finance Party) which, but for this provision, would reduce, release or prejudice the subordination or any of those obligations. This includes:

- (a) any time or waiver granted to, or composition with, any person;
- (b) any release of any person under the terms of any composition or arrangement;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any person;
- (d) any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (e) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (f) any amendment of a Finance Document (however fundamental) or any other document or security, and including any amendment of a Finance Document that provides for or has the effect of creating any increase (of whatever amount) in the amount of the Senior Debt;
- (g) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (h) any insolvency or similar proceedings.

15.3 Immediate recourse

Each Junior Creditor waives any right it may have of first requiring any Finance Party (or any trustee or other agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming the benefit of this Agreement.

15.4 Appropriations

Until the Senior Debt Discharge Date, the Agent may:

- (a)
 - (i) refrain from applying or enforcing any other moneys, security or right held or received by a Finance Party (or any trustee or agent on its behalf) in respect of those amounts; or
 - (ii) apply and enforce them in such manner and order as it sees fit (whether against those amounts or otherwise),without affecting the liability of any Junior Creditor under this Clause; and
- (b) hold in an interest-bearing suspense account any moneys or distributions received from any Junior Creditor under this Agreement.

15.5 *Non-competition*

Until the earlier of:

- (a) the Senior Debt Discharge Date; or
- (b) the Agent otherwise directs,

no Junior Creditor will under any circumstance:

- (i) be subrogated to any rights, security or moneys held, received or receivable by any Finance Party (or any trustee or other agent on its behalf) or be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of that Junior Creditor's liability under this Agreement; or
- (ii) claim, rank, prove or vote as a creditor of any person or estate in competition with any Finance Party (or any trustee or other agent on its behalf); or
- (iii) receive, claim or have the benefit of any payment, distribution or security from or on account of any person.

15.6 *Subrogation by Junior Creditors*

If any Senior Debt is paid out of any proceeds received in respect of or on account of any Junior Debt in accordance with this Agreement, the relevant Junior Creditor will, to that extent, be subrogated to the Senior Debt so paid (and all securities and guarantees for that Senior Debt) but not before the Senior Debt Discharge Date.

16. Protection of Subordination of Subordinated Debt to Priority Debt

16.1 *Continuing subordination*

The subordination provisions in this Agreement in respect of Subordinated Debt constitute a continuing subordination and will benefit the ultimate balance of all of the Priority Debt, regardless of any intermediate payment or discharge in whole or in part.

16.2 *Waiver of defences*

The subordination of Subordinated Debt in this Agreement and the obligations of the Subordinated Creditors under this Agreement will not be affected by any act, omission, matter or thing (whether or not known to the Subordinated Creditors or any Priority Creditor) which, but for this provision, would reduce, release or prejudice the subordination or any of those obligations. This includes:

- (a) any time or waiver granted to, or composition with, any person;
- (b) any release of any person under the terms of any composition or arrangement;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any person;
- (d) any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (e) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (f) any amendment of a Priority Finance Document or any other document or security;
- (g) any unenforceability, illegality or invalidity of any obligation of any person under any Priority Finance Document or any other document or security; or
- (h) any insolvency or similar proceedings.

16.3 Immediate recourse

Each Subordinated Creditor waives any right it may have of first requiring any Priority Creditor (or any trustee or other agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming the benefit of this Agreement.

16.4 Appropriations

Until the Priority Debt Discharge Date, the Priority Party may:

- (a) (i) refrain from applying or enforcing any other moneys, security or right held or received by a Priority Creditor (or any trustee or agent on its behalf) in respect of those amounts; or
- (ii) apply and enforce them in such manner and order as it sees fit (whether against those amounts or otherwise),

without affecting the liability of any Subordinated Creditor under this Clause; and

- (b) hold in an interest-bearing suspense account any moneys or distributions received from any Subordinated Creditor under this Agreement.

16.5 Non-competition

Until the earlier of:

- (a) the Priority Debt Discharge Date; or
- (b) the Priority Party otherwise directs,

no Subordinated Creditor will under any circumstance:

- (i) be subrogated to any rights, security or moneys held, received or receivable by any Priority Creditor (or any trustee or other agent on its behalf) or be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of the Subordinated Creditor's liability under this Agreement; or
- (ii) claim, rank, prove or vote as a creditor of any person or estate in competition with any Priority Creditor (or any trustee or other agent on its behalf); or
- (iii) receive, claim or have the benefit of any payment, distribution or security from or on account of any person.

16.6 Subrogation by the Subordinated Creditors

If any Priority Debt is paid out of any proceeds received in respect of or on account of the Subordinated Debt in accordance with this Agreement, the Subordinated Creditors will, to that extent, be subrogated to the Priority Debt so paid (and all securities and guarantees for that Priority Debt) but not before the Priority Debt Discharge Date.

17. Information by Junior Creditors

17.1 Defaults

Prior to the Senior Debt Discharge Date, each Junior Creditor must notify the Agent of the occurrence of any event of default or potential event of default under the Junior Finance Document promptly upon becoming aware of it.

17.2 Amount of Junior Debt

Each Junior Creditor and the Company must on request by the Agent notify it of details of the amount of the Junior Debt.

18. Information by Subordinated Creditors

18.1 Defaults

Prior to the Priority Debt Discharge Date, a Subordinated Creditor must notify the Agent and/or the Appointed Junior Creditor (as the case may be) of the occurrence of any event of default or potential event of default under the Bonds promptly upon becoming aware of it.

18.2 Amount of Subordinated Debt

The Bond Trustee must on request by the Agent or the Appointed Junior Creditor notify both the Agent and the Appointed Junior Creditor of details of the principal outstanding amount of the Subordinated Debt.

19. Preservation of Junior Debt

Notwithstanding any term of this Agreement postponing, subordinating or preventing the payment of any of the Junior Debt:

- (a) that Junior Debt will, solely as between the Company and the relevant Junior Creditor, remain owing or due and payable in accordance with the terms of the relevant Junior Finance Document; and
- (b) interest and default interest will accrue on missed payments accordingly.

20. Preservation of Subordinated Debt

Notwithstanding any term of this Agreement postponing, subordinating or preventing the payment of any of the Subordinated Debt:

- (a) that Subordinated Debt will, solely as between the Company and each Subordinated Creditor, remain owing or due and payable in accordance with the terms of the relevant Subordinated Finance Documents; and
- (b) interest and default interest will accrue on missed payments accordingly.

21. Responsibility of the Agent

21.1 Rights and responsibility of the Agent

The Agent will not be liable to any Junior Creditor or Subordinated Creditor for the manner of exercise of or for any non-exercise of or for any non-exercise of its powers under this Agreement or failure to collect or preserve any Junior Debt or Subordinated Debt.

21.2 Indemnity

Each of the Bondholders, the Junior Creditors and the Company must jointly and severally indemnify the Agent and every attorney appointed by it in respect of any loss or liability incurred by it in connection with the exercise by it of any of its rights, powers and discretions under this Agreement, unless that liability arises as a result of the Agent's gross negligence or wilful misconduct or breach of this Agreement.

21.3 Non-derogation

Nothing contained in this Agreement in any manner affects the rights or remedies of any Finance Party under the Finance Documents.

22. Treatment of Distribution in respect of the Junior Debt

22.1 Non-cash distributions

If any Finance Party receives any distribution otherwise than in cash in respect of any Junior Debt from the Company or from any other source, the Senior Debt will not be deemed reduced by the distribution until and except to the extent that the realisation proceeds are applied towards the Senior Debt.

22.2 Transfer of distributions

Each Junior Creditor and the Company must do anything which the Agent may reasonably require as being necessary or desirable to transfer to the Agent all payments and distributions which must be made to or held in trust for the Finance Parties, including endorsements and execution of formal transfers.

22.3 Currencies

- (a) All moneys received or held by the Agent under this Agreement at any time on or after the enforcement of this Agreement in a currency other than a currency in which the Senior Debt is denominated may be sold for any one or more of the currencies in which the Senior Debt is denominated and which the Agent considers necessary or desirable.
- (b) The Company must indemnify the Agent against any loss or liability incurred in relation to any sale. The Agent will have no liability to any Party in respect of any loss resulting from any fluctuation in exchange rates after any such sale.

23. Treatment of Distribution in respect of the Subordinated Debt

23.1 Non-cash distributions

If any Priority Creditor receives any distribution otherwise than in cash in respect of the Subordinated Debt from the Company or from any other source, the Priority Debt will not be deemed reduced by the distribution until and except to the extent that the realisation proceeds are applied towards the Priority Debt.

23.2 Transfer of distributions

The Bond Trustee (at the Company's expense) and the Company must do anything which the Priority Party may reasonably require as being necessary or desirable to transfer to the Agent (until the Senior Debt Discharge Date) or the Appointed Junior Creditor (during the Stub Period) all payments and distributions which must be made to or held in trust for the Priority Creditors pursuant to this Agreement, including endorsements and execution of formal transfers.

23.3 Currencies

- (a) All moneys received or held by a Priority Creditor under this Agreement at any time on or after the enforcement of this Agreement in a currency other than a currency in which the Priority Debt is denominated may be sold for any one or more of the currencies in which the Priority Debt is denominated and which the Agent (until the Senior Debt Discharge Date) or the Appointed Junior Creditor (during the Stub Period) considers necessary or desirable.
- (b) The Company must indemnify the Priority Creditors against any loss or liability incurred in relation to any sale. The Priority Creditors will have no liability to any Party in respect of any loss resulting from any fluctuation in exchange rates after any such sale.

24. Voting in respect of the Junior Debt

During the Senior Subordination Period:

- (a) the Agent may (and is irrevocably authorised to) exercise all powers of convening meetings, voting and representation in respect of the Junior Debt;
- (b) each Junior Creditor must provide all forms of proxy and of representation required for this purpose; and
- (c) if and to the extent that the Agent is not entitled to exercise a power conferred by the above, each Junior Creditor must:
 - (i) exercise the power as the Agent directs; and
 - (ii) not exercise it so as to impair in any respect the subordination created by this Agreement.

25. Changes to the Parties

25.1 The Company and the Junior Creditors

During the Senior Subordination Period, neither the Company nor any Junior Creditor may assign or transfer any of its rights or obligations under this Agreement, the Junior Finance Document or with respect to any Junior Debt without the prior consent of the Agent.

25.2 The Finance Parties

References to the Agent in this Agreement include any successor Agent appointed under the relevant Finance Documents.

26. Refinancing of Senior Debt

- (a) If any Replacement Credit Agreement is entered into by the Company, an agent of the creditors thereunder (an **Additional Senior Agent**) shall accede to this Agreement by execution and delivery to the Company (with a copy to the Bond Trustee and the Appointed Junior Creditor) of an Accession Deed.
- (b) On the later of:
 - (i) date of delivery of that Accession Deed to the Company; and
 - (ii) the date on which all of the Original Senior Debt is unconditionally repaid in full,the Additional Senior Agent shall have all of the rights and obligations of a Agent under this Agreement (on behalf of the creditors party to the Replacement Credit Agreement), and the Senior Debt under the Finance Documents (as defined in the Replacement Credit Agreement) shall have all of the rights and benefits enjoyed by the Senior Debt under this Agreement.
- (c) Each other party to this Agreement authorises the Additional Senior Agent to execute any Accession Deed on its behalf.
- (d) On the unconditional and irrevocable repayment in full of all the Original Senior Debt, the Agent will, as soon as reasonably practicable following a written request by the Company, confirm the same in writing to the Bond Trustee, the Appointed Junior Creditor and the Company.

27. Additional Junior Debt

- (a) Without prejudice to any provision of any Finance Document, if the Company wishes a member of the Group to become a Party to this Agreement as an Additional Junior Creditor, then, prior to the Senior Debt Discharge Date, it must give not less than 10 Business Days' notice to the Agent and deliver to the Agent (with a copy to the Appointed Junior Creditor and the Bond Trustee) a duly executed Accession Deed with a copy of any document to be designated as a Junior Finance Document.
- (b) Prior to the Senior Debt Discharge Date, no such document will be designated as a Junior Finance Document unless the Agent is satisfied that the Company has received any requisite consents of the Finance Parties. No consent (whether before or after the Senior Debt Discharge Date) is required from any Subordinated Creditor in order for (i) a document to be designated as a Junior Finance Document in accordance with this clause or (ii) an Additional Junior Creditor to become a party to this Agreement.
- (c) The Additional Junior Creditor will become a Party to this Agreement, and the relevant document will be designated as a Junior Finance Document, on the date of receipt and counter-signature by the Priority Party of an Accession Deed, duly executed by the Additional Junior Creditor.
- (d) Delivery of an Accession Deed, duly executed by the Additional Junior Creditor and the Company, constitutes confirmation by the Additional Junior Creditor that the representations and warranties contained in Clause 13 (Representations and Warranties of the Junior Creditors) are correct as at the date of accession.
- (e) By the execution of the Additional Junior Creditor and the Priority Party of the Accession Deed, the Additional Junior Debt shall have all the rights, benefits and obligations enjoyed by the Junior Debt under this Agreement.
- (f) Each other party to this Agreement authorises the Agent to execute any Accession Deed on its behalf.

28. Miscellaneous

28.1 Perpetuity

The perpetuity period for the trusts in this Agreement is 80 years.

28.2 Trust in respect of the Junior Debt

Each of the Junior Creditors and the Company acknowledge with respect to the Junior Debt that:

- (a) the undertakings given by them and contained in this Agreement;
- (b) the other rights, title and interests constituted by this Agreement; and
- (c) all other moneys and assets paid to, held by or received or recovered by the Agent under or in connection with this Agreement,

are held by the Agent on trust for the Finance Parties.

28.3 Power of attorney for the obligations of the Junior Creditors

Each Junior Creditor and the Company, by way of security for the obligations of that Junior Creditor and the Company under this Agreement, irrevocably and severally appoint the Agent and any of its delegates or sub-delegates to be their attorney to take any action which that Junior Creditor or the Company is obliged to take under this Agreement but has failed to take within 10 Business Days of a written request (unless an Event of Default is outstanding, in which case no such notice shall be required). Each Junior Creditor and the Company ratify and confirm whatever any attorney does or purports to do under its appointment under this Clause.

28.4 *Power of attorney for the obligations of the Subordinated Creditors*

Each Subordinated Creditor, by way of security for the obligations of that Subordinated Creditor under this Agreement, irrevocably and severally appoints the Priority Party and any of its delegates or sub-delegates to be its attorney to take any action which that Subordinated Creditor is obliged to take under this Agreement but has failed to take within 10 Business Days of a written request (unless an Event of Default is outstanding, in which case no such notice shall be required) provided that such attorney shall not be entitled to take any action that imposes new or additional obligations on, releases the rights or protections of, or alters the rights, obligations or protections of, the Bond Trustee. Each Subordinated Creditor ratifies and confirms whatever any attorney does or purports to do under its appointment under this Clause.

28.5 *Default interest payable by a Junior Creditor*

- (a) If a Junior Creditor fails to pay any amount payable by it under this Agreement to a Finance Party, it must, on demand by the Agent, pay interest on the overdue amount from the due date up to the date of actual payment, as well after as before judgement.
- (b) Interest on an overdue amount is payable at an annual rate equal to the aggregate of:
 - (i) 3 per cent.;
 - (ii) the rate quoted by the Agent to leading banks in the London interbank market on the relevant rate fixing day for the offering of deposits in the currency of the overdue amount during the period of non-payment; and
 - (iii) the cost of compliance with the requirements of the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any successor authority) in relation to the overdue amount, as certified by the Agent.
- (c) For the purpose of determining the relevant rate under subparagraph (b)(ii) above, the Agent may (acting reasonably):
 - (i) select successive periods of any duration of up to three months; and
 - (ii) determine the appropriate rate fixing day for that period.
- (d) Interest (if unpaid) on an overdue amount will be compounded at the end of each period selected by the Agent under paragraph (c) above but will remain immediately due and payable.
- (e) Any interest accruing under this Subclause accrues from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 or 365 days or otherwise, depending on what the Agent determines is market practice.

28.6 *Default interest payable by the Subordinated Creditors*

- (a) If a Subordinated Creditor (other than the Bond Trustee) fails to pay any amount payable by it under this Agreement to a Priority Creditor, it must, on demand by the Priority Party, pay interest on the overdue amount from the due date up to the date of actual payment, as well after as before judgement.
- (b) Interest on an overdue amount is payable at an annual rate equal to the aggregate of:
 - (i) 3 per cent.;
 - (ii) the average of the rate quoted by any three leading banks to other leading banks in the London interbank market on the relevant rate fixing day for the offering of deposits in the currency of the overdue amount during the period of non-payment; and

- (iii) the cost of compliance with the requirements of the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any successor authority) in relation to the overdue amount, as certified by the Priority Party.
- (c) For the purpose of determining the relevant rate under subparagraph (b)(ii) above, the Priority Party may (acting reasonably):
 - (i) select successive periods of any duration of up to three months; and
 - (ii) determine the appropriate rate fixing day for that period.
- (d) Interest (if unpaid) on an overdue amount will be compounded at the end of each period selected by the Priority Party under paragraph (c) above but will remain immediately due and payable.

Any interest accruing under this Subclause accrues from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 or 365 days or otherwise, depending on what the Priority Party determines is market practice.

28.7 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under this Agreement will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

30. Language

Any notice given in connection with this Agreement must be in English.

31. Severability

If a term of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that will not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Agreement; or
- (b) the legality, validity or enforceability in any other jurisdiction of that or any other term of this Agreement.

32. Waivers and Remedies Cumulative

The rights of each Priority Creditor under this Agreement:

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of its rights under the general law; and
- (c) may be waived only in writing and specifically.

Delay in exercise or non-exercise of any right is not a waiver of that right.

33. Counterparts

This Agreement may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

34. Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

35. Enforcement

35.1 Jurisdiction

- (a) The English courts have exclusive jurisdiction to settle any dispute including a dispute relating to non-contractual obligations arising out of or in connection with this Agreement.
- (b) The English courts are the most appropriate and convenient courts to settle any such dispute and the Bond Trustee, each Junior Creditor and the Company waive objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with this Agreement.
- (c) This Clause is for the benefit of the Finance Parties only. To the extent allowed by law, a Finance Party may take:
 - (i) proceedings in any other court; and
 - (ii) concurrent proceedings in any number of jurisdictions.

This Agreement has been entered into as a deed on the date stated at the beginning of this Agreement.

PART 9

VALUATION POLICY AND METHODOLOGY

1. Valuation reporting policy

The NAV per Ordinary Share is calculated by the Manager and published in the audited annual accounts and unaudited half year accounts, with the relevant valuation points being 30 September and 31 March respectively.

An estimated NAV, which updates the audited NAV for movements in foreign exchange, quoted market prices, investments and realisations, impairments and provisions, is calculated and published twice a year, with the relevant valuation points being 30 June and 31 December. The estimated NAV does not update the valuation of the unquoted investments. The estimated NAV is published in the relevant interim management statements.

2. Principles of valuation of investments

2.1 *General*

In valuing investments, the Manager values investments at fair value at the reporting date, in accordance with IAS 39.

Fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In estimating fair value, the Manager uses a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from one period to another except where a change results in a more accurate estimate of fair value.

2.2 *Unlisted Investments*

The principal methodologies applied in valuing unlisted investments include the following:

- earnings multiple;
- price of recent investment;
- net assets;
- discounted cash flows; and
- industry valuation benchmarks.

In assessing whether a methodology is appropriate the Manager will be biased towards those methodologies that draw heavily on market based measures of risk and return, favouring those that rely on observable market data rather than assumptions.

Typically an earnings multiple basis will be used. In applying the earnings multiple methodology, the Manager applies a market based multiple that is appropriate and reasonable to the maintainable earnings of the portfolio company. In the majority of cases the enterprise value of the underlying business is derived by the use of an earnings multiple applied to the current year's earnings where these can be forecast with a reasonable degree of certainty and are deemed to represent the best estimate of maintainable earnings. Where this is not the case, historic earnings will generally be used in their place.

- The enterprise value of the underlying business will be calculated using the earnings multiple or other appropriate basis (as above);
- The enterprise value of the underlying business will then be adjusted for surplus assets or excess liabilities to arrive at an enterprise value for the portfolio company; and

- The valuation of the Company's investment will be calculated from the enterprise value for the portfolio company after deduction of prior ranking debt and other financial instruments.

The Manager will normally derive the earnings multiple by reference to current market based multiples reflected in the valuations of quoted comparable companies or the price at which comparable companies have changed ownership. Differences between the comparator multiple and the unquoted company being valued are reflected by adjusting the multiple for points of difference. The reasons why such adjustments may be necessary include the following:

- size and diversity of the entities;
- rate of growth of earnings;
- reliance on a small number of key employees;
- diversity of product ranges;
- diversity and quality of customer base;
- level of borrowing;
- any other reason the quality of earnings may differ; and
- risks arising from the lack of marketability of the shares.

Where a recent investment has been made, either by the Company or by a third party in one of the Company's investments, after considering the background of the underlying investment, this price will generally be used as the estimate of fair value, subject to consideration of changes in market conditions and company specific factors. Other methodologies, as detailed above, may be used at any time if this is deemed to provide a more accurate assessment of the fair value of the investment. The indicators that the price of recent investment may no longer be appropriate include:

- significant under/over achievement of budgeted earnings;
- concerns with respect to debt covenants or refinancing;
- significant movements in the market sector of the investment; and
- regulatory changes in the industry.

The Company's valuation model for debt instruments is the net present value of estimated future cash flows based on a discounted cash flow model. The discount rate used by the Company is based on the risk-free rate of the economic environment in which portfolio companies operate and is adjusted in relation to other factors such as liquidity, credit and market risk. Similar to the earnings multiple model the cash flows used in the discounted cash flow model are based on projected cash flow or earnings of the portfolio companies.

2.3 ***Listed Investments***

Listed investments that are traded on active markets are stated at the market bid price on the balance sheet date without discount. Where the market for the listed investment is not considered to be active, the investment is treated as unlisted for valuation purposes. Markets will be considered active if transactions are occurring regularly enough to provide reliable pricing information. Markets will be considered inactive if the market price is not current, there is little publicly available information or there are few transactions for the investment.

2.4 ***Limited Partnership Funds***

Limited partnership funds are those set up by a third party where the Company does not hold a majority share and are at fair value, typically using the third party manager's valuation after adjustment for purchase and sales between the date of the valuation and relevant financial year end.

2.5 ***Floating Rate Notes and Liquidity Funds***

Floating rate notes and liquidity funds are held at the current fair value of the note.

In the event that valuations are suspended, the Company will announce through a Regulatory News Service the circumstances of this and the action to be taken.

PART 10

SELECTED FINANCIAL INFORMATION

The following is a discussion of the Group's results of operations and financial condition for the financial years ended 30 September 2008, 30 September 2009 and 30 September 2010. Prospective investors should read this Part 10, together with the whole of this document, including the Risk Factors set out on pages 10 to 19, and the Group's historical consolidated financial statements and should not just rely on the key or summarised information contained in this Part 10. The financial information in this Part 10 has been extracted without material adjustment from the Group's accounting records.

This Part 10 contains "forward-looking statements". Those statements are subject to risks, uncertainties and other factors that could cause the Company's future results of operations or cash flows to differ materially from the results of operations or cash flows expressed or implied in such forward-looking statements.

1. Selected Financial Information

The table below sets out the key financial information that has been extracted without material adjustment from the Group's audited annual accounts in respect of the three financial years ended 30 September 2008, 30 September 2009 and 30 September 2010, each of which is incorporated in this document by reference. The Company believes that this information summarises the financial condition and results of operations of the Group over the relevant period.

Selected financial information

	<i>12 months to 30 September</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
		<i>£m</i>	
Opening Portfolio ⁺	620	505	547
Investments in Period	114	88	183
Realisations in Period	(192)	(27)	(125)
Net Capital Movement	(37)	(19)	129
Closing Portfolio ⁺	505	547	734
Net Liquid Resources	159	96	48
Investment Portfolio & Net Liquid Resources	664	643	782
NAV	641	608	725
Ordinary Shares in issue (millions)	35.6	35.3	35.3
NAV per share (pence)	1,800.64	1,720.36	2,050.25
Increase/(Decrease) in NAV per Ordinary Share (per cent.)	(10.0)	(4.5)	19.2
Increase/(Decrease) in FTSE All-Share Index (per cent.)*	(25.1)	6.1	8.8

+ Excludes accrued income.

* Source: Regulatory News Service, DataStream.

The Company invested a total of £183 million in the year to 30 September 2010, of which £56 million related to BDR Thermea,²⁶ £30 million related to esure, £24 million related to Premier Asset Management and £17 million related to Rio Trens Corporation. A further £22 million was drawn down under commitments to third party funds. In the year to 30 September 2009, the Company invested £88 million.

26 Total investments of £183 million included £56 million with respect to BDR Thermea which represented the value attributable to the Company's reinvestment of its interest in Baxi into BDR Thermea, which was formed through the combination of De Dietrich Remeha and Baxi.

2. Accounting Policies

Accounts have been prepared in accordance with the Act, the Companies Act 1985 and International Financial Reporting Standards (“**IFRS**”). IFRS comprises standards and interpretations approved by the International Accounting Standards Board (“**IASB**”) and the International Financial Reporting Interpretations Committee (“**IFRIC**”) as adopted in the European Union as at each relevant accounting period.

In order to reflect the activities of an investment company, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In analysing total income between capital and revenue returns, the Directors have followed the guidance contained in the Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in December 2005 (the “**SORP**”). The recommendations of the SORP, the application of new standards, new standards and interpretations not applied and other accounting policies are incorporated in this document by reference to pages 44 to 48 of the annual report and audited accounts for the financial year ended 30 September 2008, pages 44 to 48 of the annual report and audited accounts for the financial year ended 30 September 2009 and page 42 of the 2010 Accounts.

In accordance with the Company’s status as a UK investment company under section 833 of the Act, net capital return may not be distributed by way of dividend.

PART 11

FINANCIAL INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE

1. Financial Information for the Financial Years 2008, 2009 and 2010

1.1 Financial information on the Group for the financial years ended 30 September 2008, 30 September 2009 and 30 September 2010 is incorporated in this document by reference to the respective published annual reports (where applicable) and audited accounts of the Group and the unqualified audit reports thereon. Each of these financial statements has been prepared in accordance with IFRS.

1.2 The following list is intended to enable potential investors to identify easily specific items of information about the Company which have been incorporated by reference into this document:

1.2.1 *Financial information for the financial year ended 30 September 2010*

The information is contained in the 2010 Accounts at the following pages:

- Chairman's statement – pages 3 to 4*
- The portfolio, analysis and review – pages 7 to 12*
- Large private equity investments – pages 13 to 16*
- Remuneration report – page 26
- Consolidated income statement – page 36
- Consolidated statement of changes in equity – page 37
- Consolidated balance sheet – page 38
- Consolidated cash flow statement – page 40
- Segmental Analysis – page 48
- Notes to the accounts – pages 48 to 75
- Basis of accounting – pages 42 to 47
- Report of the independent auditors for the financial year ended 30 September 2010 – pages 34 to 35

1.2.2 *Financial information for the financial year ended 30 September 2009*

The information is contained in the annual report and audited accounts for the financial year ended 30 September 2009 at the following pages:

- Chairman's statement – pages 5 to 7*
- The portfolio, analysis and review – pages 11 to 15*
- Large private equity investments – pages 16 to 19*
- Remuneration report – pages 29 to 30
- Consolidated income statement – page 38
- Consolidated statement of changes in equity – page 39
- Consolidated balance sheet – page 40
- Consolidated cash flow statement – page 42
- Segmental analysis – page 49

* Unaudited.

- Notes to the accounts – pages 49 to 69
- Basis of accounting – pages 44 to 48
- Report of the independent auditors for the financial year ended 30 September 2009 – pages 36 to 37

1.2.3 *Financial information for the financial year ended 30 September 2008*

The information is contained in the annual report and audited accounts for the financial year ended 30 September 2008 at the following pages:

- Chairman's statement – pages 5 to 7*
- The portfolio, analysis and review – pages 11 to 15*
- Large private equity investments – pages 16 to 19*
- Remuneration report – pages 29 to 30
- Consolidated income statement – page 38
- Consolidated statement of changes in equity – page 39
- Consolidated balance sheet – page 40
- Consolidated cash flow statement – page 42
- Segmental analysis – page 49
- Notes to the accounts – pages 49 to 69
- Basis of accounting – pages 44 to 48
- Report of the independent auditors for the financial year ended 30 September 2008 – pages 36 to 37

1.3 Investors should note that statements regarding current circumstances and forward-looking statements made in each of the annual reports and audited accounts referred to above speak as at the date of the relevant document and therefore such statements do not necessarily remain up to the date as the date of this document. Information included in this document, to the extent applicable, automatically updates and supersedes information included in the documents incorporated in this document by reference and referred to above.

1.4 No information incorporated by reference into the above documents is incorporated into or forms part of this document. All of the information incorporated by reference into this document has been previously published and approved by the FSA or filed with it and is available for inspection in accordance with paragraph 17 (*Documents for Inspection*) of Part 13 (*Additional Information*) and is also available on the Company's website at www.electraequity.com/convertible. No other information included on such website is incorporated by reference or is otherwise part of this document.

* Unaudited.

PART 12

PRINCIPAL BASES AND ASSUMPTIONS

Set out below are the principal bases and assumptions used in calculating the illustrative financial statistics contained in *Summary, Risk Factors, Statistics Relating to the Placing and Open Offer* and Part 2 (*Information on the Company*) of this document in relation to the Bonds.

There can be no guarantee that the Assumptions set out below will be realised. In particular, the amounts raised by the Placing and Open Offer may differ from the assumed amounts; market gains or losses between 30 September 2010 and the Closing Date will affect the amount of the Company's assets at the Closing Date; costs will be incurred in investing the net proceeds of the Placing and Open Offer; and exchange rate differences may prove material. Accordingly, no reliance should be placed on the illustrative financial statistics derived from the Assumptions set out below. The attention of prospective investors is also drawn to the risk factors set out in pages 10 to 19 of this document. The Assumptions used are:

- | | | |
|----|--|---|
| 1. | Share Price | 1,605 pence |
| 2. | NAV per Ordinary Share as at 30 September 2010 | 2,050 pence |
| 3. | Conversion price | 2,050 pence |
| 4. | Bond gross proceeds | £100 million |
| 5. | Bond yield | 5 per cent. |
| 6. | Bond term | 7 years |
| 7. | Conversion premium | 27.7 per cent. to the closing price of 1,605 pence per Ordinary Share on 29 November 2010 |
| 8. | Total Estimated Transaction expenses calculated on the basis of gross proceeds of £100 million | £4.6 million |

PART 13

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Company accepts responsibility for the information contained in this document. To the best of the knowledge of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. Information on the Company

- 2.1 The Company was incorporated in England and Wales on 15 July 1935 with registered number 00303062 under the Companies Act 1929 as a company limited by shares with the name Cables Investment Trust Limited.
- 2.2 The Company carries on business as an investment company within the meaning of section 833 of the Act. The Company is not authorised by the FSA.
- 2.3 The Company changed its name from Cables Investment Trust Limited to Electra Investment Trust Limited on 8 July 1975 and from Electra Investment Trust PLC to Electra Private Equity PLC on 10 February 2006.
- 2.4 The Company was re-registered from an old public company to a public limited company on 6 November 1981.
- 2.5 The principal legislation under which the Company operates is the Acts.
- 2.6 The Company is domiciled in England. The registered office of the Company is at Paternoster House, 65 St. Paul's Churchyard, London EC4M 8AB (Tel. No. +44 (0) 20 7306 3883).

3. Share Capital of the Company

- 3.1 The issued and fully paid share capital of the Company as at 30 September 2010 was as follows:

	<i>Nominal Value</i>	<i>Number</i>	<i>Amount (£)</i>
Ordinary Shares	25 pence each	35,338,687	8,834,671.75

- 3.2 The issued and fully paid share capital of the Company immediately following the Closing Date is expected to be as follows:

	<i>Nominal Value</i>	<i>Number</i>	<i>Amount (£)</i>
Ordinary Shares	25 pence each	35,338,687	8,834,671.75

- 3.3 As at 1 October 2006, the authorised share capital of the Company was £50,000,000 divided into 200,000,000 ordinary shares of 25p each, of which 38,722,687 had been issued fully paid or credited as fully paid. Since then there have been the following changes in the authorised and issued share capital of the Company:

- 3.2.1 on 18 December 2006, the Company purchased 1,000,000 of its own Ordinary Shares at a price of 1,466 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,722,687 Ordinary Shares.
- 3.2.2 on 19 December 2006, the Company purchased 120,000 of its own Ordinary Shares at a price of 1,466 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,602,687 Ordinary Shares.

- 3.2.3 on 15 January 2007, the Company purchased 100,000 of its own Ordinary Shares at a price of 1,500 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,502,687 Ordinary Shares.
- 3.2.4 on 21 June 2007, the Company purchased 160,000 of its own Ordinary Shares at a price of 1,700 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,342,687 Ordinary Shares.
- 3.2.5 on 18 September 2007, the Company purchased 40,000 of its own Ordinary Shares at a price of 1,659 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,302,687 Ordinary Shares.
- 3.2.6 on 19 September 2007, the Company purchased 50,000 of its own Ordinary Shares at a price of 1,691 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,252,687 Ordinary Shares.
- 3.2.7 on 23 November 2007, the Company purchased 50,000 of its own Ordinary Shares at a price of 1,638 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,202,687 Ordinary Shares.
- 3.2.8 on 27 November 2007, the Company purchased 160,000 of its own Ordinary Shares at a price of 1,608 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 37,042,687 Ordinary Shares.
- 3.2.9 on 5 December 2007, the Company purchased 200,000 of its own Ordinary Shares at a price of 1,640 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 36,842,687 Ordinary Shares.
- 3.2.10 on 6 December 2007, the Company purchased 92,000 of its own Ordinary Shares at a price of 1,640 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 36,750,687 Ordinary Shares.
- 3.2.11 on 14 December 2007, the Company purchased 55,000 of its own Ordinary Shares at a price of 1,595 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 36,695,687 Ordinary Shares.
- 3.2.12 on 22 January 2008, the Company purchased 100,000 of its own Ordinary Shares at a price of 1,550 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 36,595,687 Ordinary Shares.
- 3.2.13 on 17 March 2008, the Company purchased 1,000,000 of its own Ordinary Shares at a price of 1,570 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 35,595,687 Ordinary Shares.
- 3.2.14 on 26 November 2008, the Company purchased 7,000 of its own Ordinary Shares at a price of 851 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 35,588,687 Ordinary Shares.
- 3.2.15 on 2 December 2008, the Company purchased 250,000 of its own Ordinary Shares at a price of 808 pence each. Following such transaction, the Company's issued and fully paid share capital comprised 35,338,687 Ordinary Shares.

There have been no changes to the Company's issued share capital since 2 December 2008. Pursuant to a special resolution passed on 2 February 2010, the Company adopted the current Articles of Association which provide no restriction on the amount of authorised share capital of the Company.

- 3.4 As at 30 September 2010, no member of the Group had any capital which was under option or agreed conditionally or unconditionally to be put under option.

3.5 At the General Meeting Shareholders will be asked to pass the Resolution, which contains the following operative provisions, some of which will, if the Resolution is passed, affect the Company's share capital:

- (a) authorise the grant of rights to convert into Ordinary Shares conferred by the terms and conditions of the Bonds up to a maximum nominal amount of £1,219,600 for the purposes of the Placing and Open Offer. This authorisation is an addition to any existing authority and will expire at the conclusion of the Company's Annual General Meeting to be held in 2011; and
- (b) waive statutory pre-emption rights in relation to the grant of the rights to convert into Ordinary Shares conferred by the Bonds up to a maximum nominal amount of £1,219,600 for the purposes of the Placing and Open Offer. This authorisation is in addition to any existing authority and will expire at the conclusion of the Company's Annual General Meeting to be held in 2011.

The number of new Ordinary Shares in relation to which the authority to allot and disapplication of pre-emption rights are being sought represents approximately 13.8 per cent. of the issued ordinary share capital of the Company as at the date of the document.

3.6 The Company remains subject to the continuing obligations of the Listing Rules published by the FSA, including those obligations with regard to the issue of securities for cash, and the provisions of section 561 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities) apply to the unissued share capital of the Company which is not the subject of disapplication.

3.7 The Ordinary Shares are listed on the Official List of the FSA and trade on the London Stock Exchange under the symbol "ELTA". The ISIN for the Ordinary Shares is GB0003085445. Information about the past and future performance of the Ordinary Shares and its volatility can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

4. Current Memorandum and Articles of Association of the Company

4.1 *Objects*

Pursuant to a special resolution passed at the Company's last Annual General Meeting, the Company's objects are now unrestricted.

The current Articles of Association were adopted on 2 February 2010 and contain provisions to the following effect:

4.2 *Rights Attaching to Shares*

4.2.1 *Voting rights of members*

On a show of hands every member who is present in person has one vote for every complete 25p in nominal amount of the shares of which he is the holder and on a poll every member present in person or by duly appointed proxy or corporate representative has one vote for every share of which he is the holder or in respect of which his appointment as proxy or corporate representative has been made.

In the case of joint holders the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members.

4.2.2 *Dividends*

The Company may by ordinary resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital) no dividend shall be payable in excess of the amount recommended by the directors.

4.3 *Transfer of Shares*

The instrument of transfer of a share in certificated form may be in any usual form or in any other form which the directors approve and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee.

Where any class of shares is, for the time being, a participating security, title to shares of that class which are recorded on an operator register of members as being held in uncertificated form may be transferred by means of the relevant system concerned. The transfer may not be in favour of more than four transferees.

The Directors may, in their absolute discretion, refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List such refusal does not prevent dealings in the shares from taking place on an open and proper basis. They may also refuse to register a transfer of a share in certificated form (whether fully paid or not) unless the instrument of transfer:

- (a) is lodged, duly stamped, at the Office or at such other place as the directors may appoint and (except in the case of a transfer by a financial institution where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;
- (b) is in respect of only one class of share; and
- (c) is in favour of not more than four transferees.

The Directors may refuse to register a transfer of a share in uncertificated form to a person who is to hold it thereafter in certificated form in any case where the Company is entitled to refuse (or is excepted from the requirement) under the Regulations to register the transfer.

If the Directors refuse to register a transfer of a share, they shall as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company (in the case of a transfer of a share in certificated form) or the date on which the operator-instruction was received by the Company (in the case of a transfer of a share in uncertificated form to a person who is to hold it thereafter in certificated form) send to the transferee notice of the refusal together with reasons for the refusal. The Directors shall send such further information about the reasons for the refusal to the transferee as the transferee may reasonably request.

No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the directors refuse to register shall (except in the case of fraud) be returned to the person lodging it when notice of the refusal is given.

Nothing in the Articles shall preclude the directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

4.4 *Alteration of Capital*

The Articles do not grant the authority to allot to Directors, such authority being granted by the Company by ordinary resolution. However, the Articles provide that the Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) sub-divide its shares, or any of them, into shares of smaller amount than its existing shares; and

- (c) determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others,

and where any difficulty arises in regard to any consolidation or division, the Directors may settle such difficulty as they see fit.

4.5 ***Variation of Rights***

If at any time the capital of the Company is divided into different classes of shares, then the rights attached to any class of shares may, subject to the provisions of the Acts, be varied or abrogated, either in such manner (if any) as may be provided by those rights, or with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate general meeting all the provisions of the articles relating to general meetings of the Company, shall apply, except that the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class (excluding any shares of that class held as treasury shares) and at an adjourned meeting, two persons holding shares of the class in question (other than treasury shares) or his proxy. Unless otherwise expressly provided by the rights attached to any class of shares, those rights shall be deemed to be varied by the purchase by the Company of any of its own shares or the holding of such shares as treasury shares.

4.6 ***Forfeiture***

Subject to the terms of allotment, the Directors may make calls upon the members in respect of any amounts unpaid on their shares (whether in respect of nominal value or premium) and each member shall (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made) pay to the Company as required by the notice the amount called on his shares. A call may be required to be paid by instalments. A call may, before receipt by the Company of an amount due under it, be revoked in whole or in part and payment of a call may be postponed in whole or part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

If a call or an instalment of a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than seven clear days' notice requiring payment of the amount unpaid together with any interest and expenses which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited. If the notice is not complied with, any shares in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the directors and the forfeiture shall include all dividends and other amounts payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine either to the person who was before the forfeiture the holder or to any other person and, at any time before the disposition, the forfeiture may be cancelled on such terms as the directors determine.

A person whose shares have been forfeited shall cease to be a member in respect of the shares forfeited and shall surrender to the Company for cancellation any certificate for the shares forfeited. However, such person shall remain liable to the Company for all amounts which at the date of forfeiture were presently payable by him to the Company in respect of those shares with interest at the rate at which interest was payable on those amounts before the forfeiture or, if no interest was so payable, at the appropriate rate (as defined in the Act) from the date of forfeiture until payment. The directors may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

A statutory declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary, in the case of a share in certificated form) constitute good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings relating to the forfeiture or disposal of the share.

The Company has a lien over every share which is partly paid for all amounts (whether presently payable or not) payable at a fixed time or called in respect of that share. The directors may waive any lien which has arisen and declare any share to be wholly or in part exempt from the provisions of this article. The Company's lien over a share takes priority over any third party's interest in that share, and extends to any dividend or other money payable by the Company in respect of that share (and, if the lien is enforced and the share is sold by the Company, the proceeds of sale of that share).

The Company may sell, in such manner as the Directors determine, any share on which the Company has a lien if an amount in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been given to the holder of the share, or the person entitled to it in consequence of the death or bankruptcy of the holder or otherwise, demanding payment and stating that if the notice is not complied with the shares may be sold.

The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the amount for which the lien exists as is presently payable. Any residue shall (upon surrender to the Company for cancellation of the certificate for the share sold, in the case of a share in certificated form, and subject to a like lien for any amount not presently payable as existed upon the share before the sale) be paid to the person entitled to the share at the date of the sale.

4.7 General Meetings

The Directors may call general meetings. If there are not sufficient directors to form a quorum in order to call a general meeting, any director may call a general meeting. If there is no director, any member of the Company may call a general meeting.

An annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed or permitted under the Act. The notice shall specify the place, the date and the time of meeting and the general nature of the business to be transacted, and in the case of an annual general meeting shall specify the meeting as such. Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting. Subject to the provisions of the articles and to any rights or restrictions attached to any shares, notices shall be given to all members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors of the Company.

Subject to the Act, the accidental omission to give notice of a meeting to, or the failure to give notice due to circumstances beyond the Company's control to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Ordinary business shall mean and include only business transacted at an annual general meeting of the following classes, that is to say: (i) declaring dividends; (ii) considering the accounts, the reports of the directors and auditors and other documents required to be attached or annexed to the accounts; (iii) appointing auditors and fixing the remuneration of the auditors or determining the manner in which such remuneration is to be fixed; (iv) appointing or re-appointing directors to fill vacancies arising at the meeting on retirement by rotation or otherwise and fixing the remuneration of, or voting extra remuneration to, the directors or any of them.

No business shall be transacted at any meeting unless a quorum is present. Three persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly

authorised representative of a corporation which is a member (including for this purpose three persons who are proxies or corporate representatives of the same member), shall be a quorum.

If a quorum is not present within half an hour after the time appointed for holding the meeting, or if during a meeting a quorum ceases to be present, the meeting shall stand adjourned.

The chairman (if any) of the board of directors, or in his absence the deputy-chairman, or in the absence of both of them some other director nominated prior to the meeting by the directors, shall preside as chairman of the meeting. If neither the chairman nor the deputy-chairman nor such other director (if any) is present within 5 minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number present and willing to act to be chairman of the meeting, and if there is only one director present he shall be chairman of the meeting.

Directors may attend and speak at general meetings and at any separate meeting of the holders of any class of shares, whether or not they are members. The chairman of the meeting may permit other persons who are not members of the Company or otherwise entitled to exercise the rights of members in relation to general meetings to attend and, at the chairman of the meeting's discretion, speak at a general meeting or at any separate class meeting.

In the case of any general meeting, the directors may, notwithstanding the specification in the notice convening the general meeting of the place at which the chairman of the meeting shall preside (the "**Principal Place**"), make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting (including the use of satellite meeting places). The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues.

The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the places at which persons are participating via electronic means are able to:

- (a) participate in the business for which the meeting has been convened; and
- (b) see and hear all persons who speak (whether through the use of microphones, loud speakers, audiovisual communication equipment or otherwise) in the Principal Place (and any other place at which persons are participating via electronic means).

For the purposes of all other provisions of the articles (unless the context requires otherwise), the members shall be treated as meeting at the Principal Place.

Without prejudice to any other power of adjournment he may have under the Articles or at common law:

- (a) the chairman of the meeting may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place; and
- (b) the chairman of the meeting may, without the consent of the meeting, adjourn the meeting before or after it has commenced, to another date, time or place which the chairman of the meeting may decide, if the chairman of the meeting considers that:
 - (i) there is not enough room for the number of members and proxies who wish to attend the meeting;

- (ii) the behaviour of anyone present prevents, or is likely to prevent, the orderly conduct of the business of the meeting;
- (iii) an adjournment is necessary to protect the safety of any person attending the meeting; or
- (iv) an adjournment is otherwise necessary in order for the business of the meeting to be properly carried out.

Subject to the provisions of the Acts, it shall not be necessary to give notice of an adjourned meeting except that when a meeting is adjourned for 30 days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. No business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place.

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is validly demanded. A poll on a resolution may be demanded either before a vote on a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

A poll on a resolution may be demanded by:

- (a) the chairman of the meeting;
- (b) a majority of the directors present at the meeting;
- (c) not less than five members having the right to vote at the meeting;
- (d) a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting (excluding any voting rights attached to any shares in the Company held as treasury shares); or
- (e) a member or members holding shares conferring a right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding any shares in the Company conferring a right to vote at the meeting which are held as treasury shares).

Unless a poll is duly demanded and the demand is not subsequently withdrawn, a declaration by the chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry in respect of such declaration in the minutes of the meeting, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman of the meeting, and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

Polls at general meetings shall, subject to the articles, be taken when, where and in such manner as the chairman of the meeting directs. The chairman of the meeting may appoint scrutineers (who need not be members) and decide how and when the result of the poll is to be declared. The result of a poll shall be the decision of the meeting in respect of the resolution on which the poll was demanded.

A poll on the election of the chairman of the meeting or on a question of adjournment must be taken immediately. Any other polls must be taken either during the meeting or within 30 days of the poll being demanded. A demand for a poll does not prevent a general meeting from continuing, except as regards the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

No notice need be given of a poll not taken during the meeting if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case, at least seven clear days' notice must be given specifying the time and place at which the poll is to be taken.

4.8 *Notices*

Any notice to be given to or by any person pursuant to the Articles shall be in writing other than a notice calling a meeting of the directors which need not be in writing.

- (1) Any notice, document or information may be sent or supplied by the Company to any member either:
 - (i) personally; or
 - (ii) by sending it by post in a prepaid envelope addressed to the member at his registered address or postal address, or by leaving it at that address; or
 - (iii) by sending it in electronic form to a person who has agreed (generally or specifically) that the notice, document or information may be sent or supplied in that form (and has not revoked that agreement); or
 - (iv) by making it available on a website, provided that the requirements set out in the Articles and the provisions of the Acts are satisfied.

In the case of joint holders of a share:

- (i) it shall be sufficient for all notices, documents and other information to be sent or supplied to the joint holder whose name stands first in the register of members in respect of the joint holding (the “**first named holder**”) only; and
- (v) the agreement of the first named holder that notices, documents and information may be sent or supplied in electronic form or by being made available on a website shall be binding on all the joint holders.

A member whose registered address is not within the United Kingdom shall not be entitled to receive any notice, document or information from the Company unless he gives to the Company an address (not being an electronic address) within the United Kingdom at which notices, documents or information may be sent or supplied to him.

The Company may at any time and at its sole discretion choose to send or supply notices, documents and information only in hard copy form to some or all members.

A member present either in person or by proxy at any meeting of the Company or of the holders of any class of shares shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

Any notice to be given to a member may be given by reference to the register of members as it stands at any time within the period of 21 days before the notice is given; and no change in the register after that time shall invalidate the giving of the notice.

Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been given to the person from whom he derives his title; but this paragraph does not apply to a notice given under section 793 of the Act.

Where, by reason of any suspension or curtailment of postal services, the Company is unable effectively to give notice of a general meeting, the board may decide that the only persons to whom notice of the affected general meeting must be sent are: the directors; the Company’s auditors; those members to whom notice to convene the general meeting can validly be sent by electronic means and those members to whom notification as to the availability of the notice of meeting on a website can validly be sent by electronic means. In any such case the Company shall also:

- (a) advertise the general meeting in at least two national daily newspapers published in the United Kingdom; and

- (b) send or supply a confirmatory copy of the notice to members in the same manner as it sends or supplies notices if at least seven clear days before the meeting the posting of notices again becomes practicable.

Any notice, document or information sent or supplied by the Company to the members or any of them:

- (a) by post, shall be deemed to have been received 24 hours after the time at which the envelope containing the notice, document or information was posted unless it was sent by second class post, or there is only one class of post, or it was sent by air mail to an address outside the United Kingdom, in which case it shall be deemed to have been received 48 hours after it was posted. Proof that the envelope was properly addressed, prepaid and posted shall be conclusive evidence that the notice, document or information was sent;
- (b) by being left at a member's registered address or postal address, shall be deemed to have been received on the day it was left;
- (c) by electronic means, shall be deemed to have been received 24 hours after it was sent. Proof that a notice, document or information in electronic form was addressed to the electronic address provided by the member for the purpose of receiving communications from the Company shall be conclusive evidence that the notice, document or information was sent;
- (d) by making it available on a website, shall be deemed to have been received on the date on which notification of availability on the website is deemed to have been received or, if later, the date on which it is first made available on the website;
- (e) by means of a relevant system shall be deemed to have been received 24 hours after the Company or any sponsoring system-participant acting on the Company's behalf, sends the issuer-instruction relating to the notice, document or information;
- (f) by advertisement, shall be deemed to have been received on the day on which the advertisement appears.

Any notice, document or information may be sent or supplied by the Company to the person entitled to a share in consequence of the death or bankruptcy of a member by sending or supplying it in any manner authorised by the articles for the sending or supply of notice to a member addressed to that person by name, or by the title of representative of the deceased or trustee of the bankrupt or by any like description, at the address, if any, within the United Kingdom supplied for that purpose by the person claiming to be so entitled. Until such an address has been supplied, a notice may be sent or supplied in any manner in which it might have been given if the death or bankruptcy had not occurred.

Where a document is required to be signed by a member or any other person, if the document is in electronic form, then in order to be valid the document must either:

- (a) incorporate the electronic signature, or personal identification details (which may be details previously allocated by the Company), of that member or other person, in such form as the directors may approve; or
- (b) be accompanied by such other evidence as the directors may require in order to be satisfied that the document is genuine.

The Company may designate mechanisms for validating any such document and a document not validated by the use of any such mechanisms shall be deemed as having not been received by the Company. In the case of any document or information relating to a meeting, an instrument of proxy or invitation to appoint a proxy, any validation requirements shall be specified in the relevant notice of meeting.

5. Other Directorships

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

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
Dr. Bowe	Morgan Stanley International Morgan Stanley and Co International plc London & Continental Railways Limited Ofcom	Thames Water Utilities Limited Yorkshire Building Society Goldfish Bank AXA Framlington Group Limited Morgan Stanley Bank International Ltd The National Institute of Economic and Social Research (Incorporated)
Mr. Armstrong	E-Synergy Limited Netstrike Limited E-Synergy NI General Partner Limited Anti-Gravity Systems Limited E-Synergy Early Growth Fund Limited East Midlands Early Growth Fund Limited Sustainable Technology Partnership Founder Partner LLP	JPMorgan Fleming Worldwide Income Investment Trust PLC Offshield Limited Montpellier SPA Road (Management Company) Limited PRISM Risk Management Limited Infection Control Enterprise Limited
Ms. Barker	The National Institute of Economic and Social Research (Incorporated) Yorkshire Building Society	None
Mr. Perkin	Evolution Group Plc Nationwide Building Society Bower Bequest Trustee Company Limited	None
Mr. Walton	Criminal Justice Alliance Firstpoint Healthcare Limited Saddle Skedaddle Limited	Bridgepoint Capital Managerial Company Limited Bridgepoint Private Equity Growth Fund Limited Bridgepoint Capital Limited Bridgepoint Private Equity Limited Bridgeport Capital (Doolittle) Limited Superblend Limited The Fund for Inclusion Gartmore 1990 Limited Gartmore 1990 Trustee Limited Gartmore Indosuez UK Recovery Fund (GP) Limited Match Group Limited Match Holdings Limited Pulse Healthcare Limited Pulse Staffing Limited Robnor Resins Limited Solor Care Holdings Limited

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
Mr. Walton (continued)		WT Foods (Holdings) Limited Harbury Group Limited Shared Interest Foundation
Ms. Webber	None	None
Mr. Williams	Very Mobile Group Limited Mobile Interactive Group Limited Esendex Limited	RPC Group Plc Xenos Group Inc.

- 5.2 None of the Directors has any potential conflicts of interest between their duties to the Company and their private interests or other duties.

6. Directors' and Other Interests

- 6.1 The table below sets out the interests of the Directors in the share capital of the Company as at 29 November 2010 (being the latest practicable date prior to publication of this document):

<i>Name</i>	<i>Number of Ordinary Shares held</i>	<i>per cent. of voting rights</i>
Dr. Bowe	5,000	0.01
Mr. Armstrong	23,723	0.07
Ms. Barker	nil	—
Mr. Perkin	nil	—
Mr. Walton	16,016	0.05
Ms. Webber	1,500	0.00
Mr. Williams	30,000	0.08

- 6.2 As at 29 November 2010 (which is the most recent practicable date prior to publication of this document), no options over the Company's shares were outstanding or had been granted to the Directors.
- 6.3 Each of Michael Walton, Peter Williams, and Lucinda Webber intends to take up his/her full *pro rata* Open Offer Entitlements. In addition, Roger Perkin intends to participate in the Placing up to a maximum amount of £50,000.
- 6.4 Save as set out in this Part 13, following the Placing and Open Offer no Director will have any interest in the share capital of the Company, or any of its subsidiaries.
- 6.5 So far as is known to the Company by virtue of the notifications made to it pursuant to the Acts and/or the Disclosure and Transparency Rules, as at 29 November 2010 (being the latest practicable date prior to publication of this document) the following persons (other than the Directors) held directly or indirectly three per cent. or more of the Company's voting rights:

<i>Name</i>	<i>Number of voting rights held</i>	<i>per cent. of voting rights</i>
Prudential plc group of companies	2,580,081	7.30
The Cooperative Asset Management	2,027,730	5.74
Rensburg Sheppards Investment Management Limited	1,850,616	5.24
Asset Value Investors Limited (as discretionary fund manager)	1,741,132	4.93
HBOS plc	1,700,532	4.81
Bear, Stearns International Trading Limited	1,441,394	4.08
Legal & General Group Plc	1,409,952	3.99

Save as set out in this Part 13, the Company is not aware of any person who holds as shareholder (within the meaning of the Disclosure Rules and Transparency Rules published by the FSA), directly or indirectly, three per cent. or more of the voting rights of the Company.

- 6.6 None of the shareholders referred to in paragraph 6.5 above has different voting rights from any other holder of shares in respect of any shares held by them.
- 6.7 Save as set out in this Part 13, the Company is not aware of any person who directly or indirectly, jointly or severally, owns or could exercise control over the Company.

7. Letters of Appointment

None of the Directors has a service contract with the Company.

The Directors were appointed by letters of appointment entered into with the Company. These letters of appointment state that any termination of appointment shall be subject to one month's notice by either party (or otherwise subject to the Articles). The Directors' appointment can be terminated in accordance with the Articles and without compensation.

8. Organisational Structure and Subsidiaries

- 8.1 The Company is the holding company of the Group, the principal activities of which are to invest in the private equity market.
- 8.2 The Company has the following significant undertakings, each of which is (save where otherwise stated) incorporated in England and Wales and is wholly-owned, either directly or indirectly, by the Company and consolidated into the annual financial statements of the Company:

<i>Name</i>	<i>Principal Activity</i>
Albion (Electra) Limited (Bahamas)	Trading partnership member
Electra Investments Limited	Investment holding company
Kingsway Equity Partners LP (Scotland)	Investment limited partnership
Electra Private Equity Partners 1995	Investment limited partnership
Electra Quoted Partners 1995	Investment limited partnership
EF Private Equity Partners (Americas)	Investment limited partnership
Electra Far East LP	Investment limited partnership
Electra Private Equity Partners (Scotland) (Scotland)	Investment limited partnership
Electra Private Equity Partners 2001–2006 Scottish LP (Scotland)	Investment limited partnership
Electra Private Equity Partners 2006 Scottish LP (Scotland)	Investment limited partnership
Electra Private Equity Investments PLC	ZDP Share issuing company

9. United Kingdom Taxation

9.1 Introduction

The following summary only covers the principal UK tax consequences for the absolute beneficial owners of Bonds, and unless otherwise stated assumes that individual Bondholders are domiciled and ordinarily resident in the UK. In addition, unless otherwise stated, the following summary does not address Bondholders:

- (i) who hold the Bonds in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Bondholder, through a permanent establishment or otherwise);
- (ii) who have (or are deemed to have) acquired their Bonds by virtue of an office or employment;
- (iii) who hold Bonds as part of a hedging transaction; or
- (iv) that are insurance companies, dealers in securities, broker-dealers or persons connected with the Company.

Subject to the above, the following is a non-exhaustive summary of the expected UK tax treatment of holding, transferring or otherwise disposing of Bonds based upon current law and practice (which, in either case, may change, possibly with retrospective effect).

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any prospective Bondholders. Prospective Bondholders should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and HM Revenue & Customs (“HMRC”) practice, of the acquisition, ownership and disposition of Bonds in their own particular circumstances by consulting their own tax advisors.

Bondholders who are in any doubt about their taxation position or who are not resident for tax purposes solely in the UK should consult their own professional advisors.

9.2 *The Company*

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following the issue of the Bonds. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way.

9.3 *Taxation of Dividends*

The Bonds carry no right to receive dividends. Accordingly, the UK rules on the taxation of dividends should not be relevant to a holding of Bonds.

However, under the terms of the Bonds, a Bondholder will have the right to convert his Bonds into Ordinary Shares. The following paragraphs in this section therefore describe the position with respect to dividends received from the Company in respect of Ordinary Shares.

UK Tax Resident Shareholders

An individual Ordinary Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Ordinary Shareholder’s total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the “**gross dividend**”), which is also equal to one-ninth of the cash dividend received.

The rate of income tax applied to dividends received by a individual Ordinary Shareholder who is resident in the UK for tax purposes and liable to income tax at the higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Ordinary Shareholder’s income, fall above the threshold for higher rate income tax. In the case of such Ordinary Shareholder’s liability, the tax credit will be set against, but will not fully match, his tax liability on the gross dividend.

With effect from 6 April 2010, a new rate of 50 per cent. applies to taxable income above £150,000. To the extent that the gross dividend received by an Ordinary Shareholder resident in the UK for tax purposes falls above the threshold for income tax at the new 50 per cent. rate, that individual will be subject to tax on the gross dividend at the rate of 42.5 per cent. That individual would be able to set the tax credit off against part of this liability.

There will be no repayment of all or part of the tax credit to an individual Ordinary Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit.

Corporate Ordinary Shareholders who are resident in the UK for tax purposes will generally not be subject to corporation tax on dividends paid by the Company but will not be able to claim repayment of the tax credit attaching to the dividends.

Non-UK Tax Resident Shareholders

Ordinary Shareholders who are not resident in the UK for tax purposes will generally not be able to claim repayment of the tax credit attaching to the dividends paid on the Ordinary Shares. An Ordinary Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law.

Optional Treatment of Dividends as Interest Distributions

Whilst the Company remains an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 in respect of an accounting period, it may designate certain dividends paid as “interest distributions”. Dividends which are so designated will be taxed in the hands of a UK resident recipient broadly as if they were amounts of interest. Where paid to a person other than a company, they are also generally payable under deduction of UK income tax at the basic rate (currently 20 per cent.).

9.4 *Payments of Interest on the Bonds*

The Bonds should constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be “listed on a recognised stock exchange” for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Bonds will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom Official List and admitted to trading on the regulated market of the London Stock Exchange.

If the Bonds cease to be so listed at any time, interest may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other exemption which may apply. Where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Company 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).

9.5 *Taxation of Returns on the Bonds*

UK Tax Resident Bondholders

As regards Bondholders who are UK tax resident individuals, such Bondholders will be subject to UK income tax on interest payments at their applicable marginal rate. From 6 April 2010, UK tax resident individuals who receive income in excess of £150,000 in a tax year are liable to income tax at the rate of 50 per cent. on any income (other than dividends) received above the £150,000 threshold in that tax year.

The UK taxation treatment of a Bondholder that is within the charge to UK corporation tax will depend on, among other things, the accounting treatment of the Bonds in the Bondholder’s hands, including, in particular, whether or not the Bonds are bifurcated into a host contract and an “embedded derivative” as an accounting matter. The accounting treatment will also affect the tax treatment of a disposal of the Bonds (including a disposal occurring on redemption or conversion).

Bondholders should consult their own professional advisors with respect to the acquisition and disposal of Bonds.

9.6 ***Conversion of the Bonds***

The receipt of Ordinary Shares arising from the conversion of the Bonds should not be treated as constituting a disposal of the Bonds for the purposes of UK capital gains tax and corporation tax on chargeable gains.

Instead, the Ordinary Shares received pursuant to the conversion of the Bonds should be treated as the same asset as the Bonds in respect of which the right to convert is exercised. The base cost of each such Ordinary Share should be the (*pro-rata*) deemed base cost of the Bond that it replaces, plus the applicable conversion price.

9.7 ***HMRC Information Powers***

Bondholders should note that where any interest on the Bonds is paid or credited to them (or any person acting on their behalf) by any person in the UK acting on behalf of the Company (a “**Paying Agent**”) or is received by any person in the UK acting on behalf of the relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a “**Collecting Agent**”) then the Paying Agent or the Collecting Agent (as the case may be) may, in certain circumstances, be required to supply to HMRC details of the payment and certain details relating to the Bondholder (including the Bondholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Bondholder is resident in the UK for UK tax purposes. Where the Bondholder is not resident, the details provided to HMRC may, in certain circumstances, be passed by HMRC to the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

9.8 ***EU Savings Directive***

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid 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 that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium previously applied a withholding system but has replaced this with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries (including Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories of certain Member States (including Jersey, Guernsey and the Isle of Man among others) have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain types of limited 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.

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission’s advice on the need for changes to the EU Savings Directive. On 13 November 2008 the European Commission

published a more detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above.

9.9 ***Stamp Duty and Stamp Duty Reserve Tax***

Issue of the Bonds

No stamp duty or stamp duty reserve tax (“**SDRT**”) should arise on the issue of Bonds.

Issue of Ordinary Shares

No stamp duty or SDRT should arise on the issue of Ordinary Shares upon conversion of the Bonds.

Subsequent Transfer of Bonds or Ordinary Shares

A conveyance or transfer on sale of Bonds or Ordinary Shares by means of an instrument of transfer, will generally attract *ad valorem* UK stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer, rounded up if necessary to the nearest multiple of £5. Stamp duty should not be chargeable where the amount or value of the consideration for the transfer or sale is £1,000 or less and the instrument of transfer is appropriately certified.

An unconditional agreement to transfer Bonds or Ordinary Shares will generally give rise to a SDRT charge at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer. Under the CREST system for paperless transfers, paperless transfers of Bonds or Ordinary Shares within CREST will generally be liable to SDRT rather than stamp duty. CREST is obliged to collect SDRT on relevant transactions within the CREST system. If within six years of the date of the agreement, or, if the agreement was conditional, the date the agreement became unconditional, an instrument of transfer is executed pursuant to the agreement and is duly stamped or is not chargeable with stamp duty or otherwise required to be stamped, then the charge to SDRT will be cancelled or, where the SDRT charge has been paid, the SDRT will, provided that a claim for repayment is made within the six-year period, be repaid, and where the tax repaid is not less than £25 it shall be repaid with interest on it at the relevant prevailing rate from the date on which the payment was made until the order for repayment is issued.

Special rules apply to market intermediaries and to some sale and repurchase and stock borrowing arrangements.

10. **Securities Laws**

The distribution of this document and the offer of the Bonds in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

10.1 ***United States***

None of the Ordinary Shares, the Bonds nor the Open Offer Entitlements have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and accordingly may not be offered or sold within the United States, or to or for the account or benefit of US Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares, the Bonds and the Open Offer Entitlements are being offered only outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S.

10.2 *Canada*

None of the Ordinary Shares, the Bonds and the Open Offer Entitlements have been or will be qualified by a prospectus in accordance with the prospectus requirements under applicable securities law in any Canadian jurisdiction and therefore none of the Ordinary Shares, the Bonds and the Open Offer Entitlements may be offered or sold, directly or indirectly, in Canada except in compliance with applicable Canadian securities laws.

10.3 *Australia*

This document does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia and will not be lodged with the Australian Securities and Investments Commission. A person may not: (i) directly or indirectly offer for subscription or purchase or issue an invitation to subscribe for or buy or sell, the Bonds; or (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale, in Australia or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia). Accordingly, none of the Ordinary Shares, the Bonds and the Open Offer Entitlements may be offered or sold, directly or indirectly in Australia or to a resident in Australia except in compliance with applicable Australian securities laws.

10.4 *New Zealand*

Neither this document nor an Application Form in relation to the Bonds has been or will be registered under the New Zealand Securities Act 1978. A person may not: (i) directly or indirectly offer for sale or transfer, the Bonds; or (ii) distribute, publish, deliver or disseminate this document, in New Zealand, to any member of the public in New Zealand. Accordingly, none of the Ordinary Shares, the Bonds and the Open Offer Entitlements may be offered or sold, directly or indirectly in New Zealand or to a resident in New Zealand except in compliance with applicable New Zealand securities laws.

10.5 *Japan*

None of the Ordinary Shares, the Bonds and the Open Offer Entitlements have been or will be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended) (the “**Securities and Exchange Law**”), and therefore none of the Ordinary Shares, the Bonds and the Open Offer Entitlements may be offered or sold, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

10.6 *European Economic Area*

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each a “**relevant member state**”), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the “**relevant implementation date**”), none of the Ordinary Shares, the Bonds and the Open Offer Entitlements have been or will be offered to the public in that relevant member state prior to the publication of a prospectus in relation to them which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except (with effect from and including the relevant implementation date):

10.6.1 to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

10.6.2 to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual consolidated accounts;

10.6.3 to fewer than 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) subject to obtaining the prior written consent of J.P. Morgan Cazenove; or

10.6.4 in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of the Ordinary Shares, the Bonds or Open Offer Entitlements shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospective Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any Ordinary Shares, the Bonds or Open Offer Entitlements or to whom any offer is made under the Placing and Open Offer will be deemed to have represented, acknowledged and agreed that it is a “**qualified investor**” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Ordinary Shares, the Bonds or Open Offer Entitlements to the public**” in relation to any Ordinary Shares, the Bonds or Open Offer Entitlements in any relevant member state means the communication in any form and by any means of sufficient information on the terms of any Ordinary Shares, the Bonds or Open Offer Entitlements to be offered so as to enable an investor to decide to purchase or subscribe for Ordinary Shares, the Bonds or the Open Offer Entitlements, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

10.7 *General*

No action has been or will be taken in any jurisdiction, other than the United Kingdom, that would permit a public offering of the Ordinary Shares, the Bonds or the Open Offer Entitlements, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, none of the Ordinary Shares, the Bonds and the Open Offer Entitlements may be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with Ordinary Shares, Bonds or Open Offer Entitlements may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and any offer of Ordinary Shares, Bonds or Open Offer Entitlements, including those in the paragraphs above. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Ordinary Shares, the Bonds or the Open Offer Entitlements to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

11. **Significant Change**

Save in relation to the disposal of the minority interest in Rio Trens Corporation described in Part 3 of this document, there has been no significant change in the financial or trading position and no material adverse change in the prospects of the Group since 30 September 2010.

12. **Litigation**

The Company was notified in June 2009 that a claim may be made against the Company in relation to an investment which it sold some years ago. If made, the claim would be for an amount in the region of £12 million. Based on the limited information available to the Directors, including discussions with the Manager, the Directors consider the claim to be without merit, and if the claim is made the Company would defend it vigorously. However, the Company has not received any further communication in relation to the potential claim since August 2009.

Save as disclosed in this paragraph, neither the Company nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had a significant effect on the financial position or profitability of the Group.

13. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this document:

13.1 Credit Agreement

On 17 July 2009, the Company entered into a £185,000,000 credit facility agreement (the “**Credit Agreement**”) with Barclays Capital and The Royal Bank of Scotland plc, as mandated lead arrangers, Barclays Bank PLC, Lloyds TSB Bank plc, The Royal Bank of Scotland plc (acting as agent for National Westminster Bank plc) and Allied Irish Banks plc as original banks and Barclays Bank PLC as agent. The Facility is a committed unsecured multicurrency revolving credit facility. The Facility can be used for general corporate purposes. The Facility is repayable on the date falling 42 months after the date of the Credit Agreement. Under the Credit Agreement, the Company is required to ensure that the ratio of portfolio values plus cash and cash equivalents to total borrowed funds shall not at any time be less than 3.00 to 1 and that the ratio of portfolio values to total borrowed funds less cash and cash equivalents shall not at any time be less than 4.00 to 1. Under the Credit Agreement and ancillary fee letters, the Company is liable to pay: (i) interest at LIBOR rates (or in the case of loans in Euro, EURIBOR rates), plus mandatory costs (if any), plus a margin of 3.0 per cent. per annum, (ii) commitment fees computed at the rate of 1.50 per cent. per annum on the daily undrawn, uncanceled amount of a Lender’s (as defined in the Credit Agreement) commitment, (iii) an arrangement fee and (iv) an annual agent’s fee. The Company is subject to a negative pledge (in respect of both itself and its subsidiaries) and must not create or allow security interests to exist over any of its assets except with the prior consent of the agent (acting on the instructions of the majority banks). There are, however, some agreed exceptions to the negative pledge, including security interests already in existence and disclosed to the agent and security interests securing indebtedness the amount of which (when aggregated with the amount of any other indebtedness that has the benefit of a security interest not otherwise allowed) does not exceed £10,000,000 or its equivalent. The Credit Agreement also contains restrictions on disposals of assets (other than, among other exceptions, on commercial terms for fair and reasonable value in the ordinary course of trading or, on commercial terms for fair and reasonable value, between subsidiaries or between the Company and its subsidiaries); amalgamations, demergers, mergers or reconstructions; acquisitions; security interests being created over the Company’s or any of its subsidiaries’ assets; material changes to the nature or scope of the Company’s and the Group’s business; the incurrence of financial indebtedness; and subsidiary borrowings, all subject to agreed exceptions, including making investments (as defined in the Credit Agreement). The Company may not terminate or amend in any material respect the arrangements put in place with its investment manager as detailed in the circular sent to shareholders on or about 19 September 2006 without the prior written consent of the agent (acting on the instructions of the majority lenders). The Company may commit to advance further monies in or towards any investment fund or venture capital fund up to an aggregate amount of £50,000,000 during the term of the Credit Agreement and may modify this with the consent of the majority lenders, such consent not to be unreasonably withheld or delayed.

Certain subsidiaries of the Company may accede as borrowers under the Credit Agreement subject to satisfying certain conditions precedent and “know your client” requirements. The obligations of such subsidiaries under the Credit Agreement are guaranteed by the Company.

13.2 *Management Agreement*

The Manager acts as the exclusive discretionary investment manager of the Company pursuant to the Management Agreement. The Company and the Manager, amongst others, entered into a deed dated 29 September 2010 in respect of certain termination rights set out in the Management Agreement.

13.2.1 *Termination*

The Management Agreement is terminable in the circumstances listed below. New investments will cease upon service of a termination notice save in respect of investments where commitments may be drawn down after the date of notice.

- (a) *No Fault*: the Company may terminate the Management Agreement on 12 months' notice.

The Manager may also terminate the Management Agreement on 12 months' notice. If the Manager terminates the Management Agreement at any time after 12 October 2009, the Company may pay compensation in lieu of any part of the notice period but the Manager is not entitled to any additional compensation.

- (b) *For Cause*: Either the Company or the Manager may terminate the Management Agreement immediately if the other is grossly negligent or guilty of wilful misconduct, is declared insolvent or fails properly to perform any material obligation. Additionally, the Company may terminate the Management Agreement immediately if the Manager ceases to be FSA authorised. The Manager is entitled to 12 months' compensation where the Management Agreement is terminated by the Manager due to the default of the Company in the circumstances referred to in this paragraph 13.2.1 or if there is a fundamental change in the investment strategy or policy of the Company which is not mutually agreed between the Company and the Manager.
- (c) *Keyman Event*: the Company may terminate the Management Agreement if at any time any two of Hugh Mumford, Timothy Syder or David Symondson leave the Manager or do not commit sufficient time to the Company's business. There is a three month period (such period may be extended by an additional three months with the consent of the Company) within which alternative executives can be found and during this interim period all new investments by the Company may be suspended. If alternative candidates are not found and the Management Agreement is terminated, the Managers will be entitled to compensation equivalent to 50 per cent. of 12 months priority profit share.

13.2.2 *Liability and Indemnity*

The Manager will not be liable for any loss, costs or damages resulting from its performance or non-performance of its duties and obligations under the Management Agreement unless resulting from the gross negligence, wilful default or breach of trust of the Manager or any breach by the Manager of any duties owed to customers under FSMA or any rules or regulations made under it.

Except in respect of costs and expenses which, pursuant to other provisions of the Management Agreement, are to be met by the Manager, the Company indemnifies the Manager and its officers, servants and agents from and against any costs, expense, loss, damage or liability which the Manager, its officers, servants or agents may incur in the course of or as a consequence of the performance of its duties under the Management Agreement, except to the extent that such expense, loss, damage or liability is the result of any wilful default, bad faith, material breach of obligation, gross negligence or breach of any obligations of the Manager to customers under FSMA or any rules or regulations made under it or obligations of the Manager under the Acts, or any person to whom the Manager may have delegated any or all of its discretions and powers under the Management Agreement, or any of their respective officers, servants or agents.

13.3 *Transaction Fees Side Letter*

The Company and the Manager entered into a side letter to the Management Agreement on 12 October 2006 (the “**Transaction Fees Side Letter**”). Pursuant to the Transaction Fees Side Letter, all transaction fees relating to the Investment Portfolio must first be applied to repay abort costs on uncompleted transactions from the current financial year and abort costs in excess of transaction fees from the prior financial year (if any). Any transaction fees in excess of such abort costs will be divided equally between the Company and the Manager.

13.4 *Limited Partnerships*

13.4.1 *Introduction*

The Company holds its unquoted investments directly and indirectly through a limited partnership structure. As a limited partner in a limited partnership, the Company’s liability for the debts of any particular partnership through which it invests are limited to the amount of its commitment. Overall responsibility for each limited partnership falls to the general partner and the day to day operation and discretionary investment management of the limited partnership is carried out by a manager. The Company is the principal investing limited partner in these structures, the other limited partners being vehicles controlled by the members of the Manager and former executives of EPL which participate in the limited partnership arrangements in order to receive any payments in respect of incentive schemes. To the extent new or follow-on investments are to be made through a limited partnership, the Company’s commitment is drawn down by way of new capital and/or loan contributions. On realisation of investments, the proceeds of realisation are first used to meet any unpaid priority profit share of the general partner, second to reimburse the Company for the acquisition costs of the investment and finally paid to the Company and the other limited partners in the proportions as provided by the current incentive schemes.

The Company’s investments are held either by the Company itself or its wholly-owned subsidiaries, or in one of the following limited partnerships (the “**Limited Partnerships**”) which are investment vehicles dedicated to investment by the Company:

- (a) Kingsway Equity Partners LP (“**Kingsway**”);
- (b) Electra Private Equity Partners 1995 (“**EPEP**”), which invests in unquoted securities;
- (c) Electra Quoted Partners 1995, which invests in UK quoted securities;
- (d) Electra Far East LP (“**EFLP**”), which invests in Far East securities;
- (e) EF Private Equity Partners (Americas) (“**Americas LP**”), which invests in North and South American investments;
- (f) Electra Private Equity Partners (Scotland) (“**Scottish LP**”), which invests in unquoted securities;
- (g) Electra Private Equity Partners 2001–2006 Scottish LP, which invests in unquoted securities (“**2001–2006 Scottish LP**”); and
- (h) Electra Private Equity Partners 2006 Scottish LP, which invests in unquoted securities (“**2006 Scottish LP**”).

13.4.2 *The Super Partnership*

Kingsway (the “**Super Partnership**”) is an overarching limited partnership structure which provides a single vehicle through which the Company holds its beneficial interest in underlying investments through the Limited Partnerships and the members of the Manager and former executives of EPL participate in the current incentive schemes. A description of the limited partnership agreement relating to the Super Partnership (the “**Super Partnership Agreement**”) and a description of the limited partnership agreements (the “**Limited**

Partnership Agreements”) for each of EPEP, EFLP, Americas LP, Scottish LP, 2001-2006 Scottish LP and 2006 Scottish LP is given in paragraphs 13.4.6 to 13.4.11 below.

The Super Partnership is the general partner of the other Limited Partnerships. The partners in the Super Partnership are the Company, Kingsway Jersey GP Limited (“**Kingsway Jersey GP**”), and other vehicles established by the executives of the Manager to participate in the current management incentive arrangements. The Manager has overall responsibility for the management of the Super Partnership. Kingsway Jersey GP is independently owned. The profits of the Super Partnership are allocated to the Company after the application of a formula to reflect the management incentive arrangements. The Company is entitled to remove Kingsway Jersey GP as the general partner of the Super Partnership upon giving it one years’ written notice. In addition, in certain specified circumstances (for example, material breach of obligations and insolvency), Kingsway Jersey GP is capable of being removed forthwith. As a limited partner, the Company’s liability for the debts of the Super Partnership is limited to the amounts of its commitment thereto. A management agreement has been entered into between Kingsway Jersey GP and the Manager pursuant to which Kingsway Jersey GP appointed the Manager to perform all duties and responsibilities in relation to the Super Partnership whose activities are subject to FSMA. The termination provisions of this management agreement replicate those of the Management Agreement.

13.4.3 *Priority Profit Share*

The Manager receives an annual payment known as the “priority profit share” (“**PPS**”) equal to 1.5 per cent. of the gross value of the Company’s investment portfolio including cash (but excluding any amounts committed to funds established and managed by the Manager). The PPS is payable quarterly and is calculated based on the valuation of investments at the quarter end.

13.4.4 *Carried Interest Arrangements*

In respect of investments made after 1 April 2006, for each specific investment pool, cash distributions on that investment pool (after the deduction of the PPS of 1.5 per cent.) will be made in the following order of priority:

- (a) *first*, 100 per cent. of distributions will be made to the Company until it has received an amount equal in value to the amounts advanced to finance investments;
- (b) *second*, 100 per cent. of distributions will be made to the Company until it has received a return of 8 per cent. per annum (compounded annually) on the amounts advanced to finance investments (including any related PPS) and outstanding from time to time (the “**Preferred Return**”);
- (c) *third*, with respect to direct investments (meaning private equity investments in companies and other entities, other than fund investments (as defined below), whose securities are not listed or traded on an investment exchange), members of the Managers will receive 100 per cent. of distributions until it has received amounts equal to 18 per cent. divided by 82 per cent. of the amounts distributed as Preferred Return to the Company; with respect to fund investments (meaning investments in funds managed by parties other than the Manager) members of the Manager will receive 100 per cent. of distributions until it has received amounts equal to 9 per cent. divided by 91 per cent. of the amounts distributed as Preferred Return.
- (d) thereafter, all distributions with respect to direct investments will be made 82 per cent. to the Company and 18 per cent. to members of the Manager and all distributions with respect to fund investments will be made 91 per cent. to the Company and 9 per cent. to the Manager.

In respect of direct unlisted investments made by the Company prior to 1 April 2006 (the “**Existing Portfolio**”) cash distributions on this investment pool (after the deduction of the related PPS of 1.5 per cent.) will be made in the following order of priority:

- (a) *first*, 100 per cent. of distributions will be made to the Company until it has received aggregate distributions in cash equal in value to the opening value of the Existing Portfolio plus the acquisition cost of any follow-on investments of the Existing Portfolio;
- (b) *second*, 100 per cent. of distributions will be made to the Company until it has received a return of 15 per cent. per annum (compounded annually) on the amount of the opening value of the Existing Portfolio (and any related priority profit share) taking into account the acquisition cost of any follow-on investments and any income and realisation proceeds received (net of payments under the co-investment scheme) from time to time (the “**Existing Portfolio Preferred Return**”);
- (c) *third*, members of the Manager will receive 100 per cent. of distributions until it has in aggregate received amounts equal to 10 per cent. divided by 90 per cent. of the sum of amounts distributed as Existing Portfolio Preferred Return to the Company; and
- (d) thereafter, all distributions will be made 90 per cent. to the Company and 10 per cent. to the members of the Manager.

In addition to the above arrangements for the Existing Portfolio there are co-investment arrangements whereby members of the Manager and former executives of EPL are entitled to 8 per cent. of profits realised on a deal by deal basis.

13.4.5 *Vesting of the Carried Interest on Termination*

- (a) *Termination by the Company:* If the Company terminates the Management Agreement for either no fault or on a keyman event (as described in paragraph 13.2.1 read with paragraph 13.4.2 above), the current investment pool will be closed and carried interest for all investment pools will vest at 80 per cent. The carried interest will be paid on the realisation of investments when it becomes due in the ordinary course and will be subject to the same performance hurdle outlined in paragraph 13.2.1 read with paragraph 13.4.2 above. If the Manager’s appointment as manager is terminated for gross negligence, fraud or wilful material breach of the Management Agreement resulting in a 10 per cent. or greater diminution in value of the net assets of the Company (as determined by a UK court) no further carried interest will vest and all future entitlements to carried interest will be forfeited by members of the Manager. If the Manager’s appointment as manager is terminated for cause and this results in less than a 10 per cent. diminution in value of the net assets of the Company, the current investment pool will be closed and carried interest for all investment pools will vest at 80 per cent.
- (b) *Termination by the Manager:* If the Manager terminates the Management Agreement for no fault (as described in paragraph 13.2.1 read with paragraph 13.4.2 above) or if there is a fundamental change in the investment strategy or policy of Electra (as referred to in paragraph 13.2.1 read with paragraph 13.4.2 above), the current investment pool will be closed and carried interest for all investment pools will vest at 80 per cent. The carried interest will be paid on the realisation of investments when it becomes due in the ordinary course and will be subject to the same performance hurdle outlined in paragraph 13.4.5(a) above. Where the Management Agreement is terminated by the Managers for cause (as described in paragraph 13.2.1 read with paragraph 13.4.2 above) the carried interest for all investment pools will vest at 100 per cent.
- (c) *Change of Control:* If there is a no fault termination of the Management Agreement by the Company within 24 months of a change of effective control of the Company,

100 per cent. of the carried interest which has accrued as at the date of termination will be payable to the members of the Manager over three years and any future additional carry on existing investments will vest at 80 per cent. and will be paid on the realisation of investments when it becomes due in the ordinary course and will be subject to the same performance hurdle as outlined in paragraph 13.4.5(a) above. If the Management Agreement is terminated during such 24 month period by the Company for cause (where there has not been a diminution in the value of the net assets of the Company by more than 10 per cent.), the amount of accrued carried interest payable will be reduced from 100 per cent. to 80 per cent. and no additional carry on existing investments will vest.

13.4.6 EPEP Limited Partnership Agreement

The Limited Partnership Agreement dated 11 June 2001 (as amended) between Kingsway and Brookshot II Limited (“**Brookshot**”), pursuant to which EPEP holds and may make investments in unquoted securities. The Manager has overall responsibility for the management of EPEP. Profits are allocated in accordance with a formula to reflect the above management incentive arrangements. EPEP is registered as a limited partnership in England and Wales. Kingsway is the general partner of EPEP, but all management duties have been delegated to and are the responsibility of the Manager pursuant to a management agreement. The general partner of EPEP can be removed by unanimous consent. EPEP may be terminated upon the bankruptcy, insolvency, dissolution, administration, administrative receivership, receivership or liquidation of the general partner, by partners’ consent, or by the resignation or removal of the general partner. The general partner and its officers may be indemnified out of the partnership assets against liabilities, costs or expenses incurred by reason of being the general partner or its officer in the absence of negligence, wilful misconduct, bad faith or reckless disregard.

13.4.7 EFLP Limited Partnership Agreement

The Limited Partnership Agreement dated 11 June 2001 between Kingsway and Loadstone Holdings Limited (“**Loadstone**”), pursuant to which EFLP holds and may make investments in unquoted and certain quoted securities in the Asia-Pacific Region. Management of EFLP is delegated to the Electra Partners Cayman Limited pursuant to a management agreement. Profits are allocated in accordance with a formula to reflect the above management incentive arrangements. EFLP is registered as a limited partnership in England and Wales. Kingsway, as the general partner of EFLP, can be removed by unanimous consent. EFLP may be terminated upon the bankruptcy, insolvency, dissolution, administration, administrative receivership, receivership or liquidation of the general partner, by partners’ consent, or by the resignation or removal of the general partner. The general partner and its officers may be indemnified out of the partnership assets against liabilities, costs or expenses incurred by reason of being the general partner or its officer in the absence of negligence, wilful misconduct, bad faith or reckless disregard.

13.4.8 Americas Limited Partnership Agreement

The Limited Partnership Agreement dated 11 June 2001 between Kingsway, the Company Founders, LLC and Brookshot, pursuant to which Americas LP holds and may make investments in equity-related investments in North, Central and South America. The Manager has overall responsibility for the management of Americas LP pursuant to a management agreement. Profits are allocated in accordance with a formula to reflect the above management incentive arrangements. Kingsway, as the general partner of Americas LP, can be removed by unanimous consent.

Americas LP may be terminated upon the bankruptcy, insolvency, dissolution, administration, administrative receivership, receivership or liquidation of the general partner, by partners’ consent, or by the resignation or removal of the general partner. The general partner and its officers may be indemnified out of the partnership assets against liabilities, costs or expenses

incurred by reason of being the general partner or its officer in the absence of negligence, wilful misconduct, bad faith or reckless disregard.

13.4.9 *Scottish Limited Partnership Agreement*

The Limited Partnership Agreement dated 11 June 2001 between Kingsway and the Electra GP (Scotland) Limited (“GP (Scotland)”), pursuant to which Scottish LP holds and may make investments in unquoted securities. The Manager has overall responsibility for the management of Scottish LP pursuant to a management agreement. Kingsway, as the general partner of Scottish LP, can be removed by unanimous consent. Scottish LP may be terminated upon the bankruptcy, insolvency, dissolution, administration, administrative receivership, receivership or liquidation of the general partner, by partners’ consent, or by the resignation or removal of the general partner. The general partner and its officers may be indemnified out of the partnership assets against liabilities, costs or expenses incurred by reason of being the general partner or its officer in the absence of negligence, wilful misconduct, bad faith or reckless disregard.

13.4.10 *2001–2006 Scottish LP Agreement*

The Limited Partnership Agreement dated 12 October 2006 between Kingsway and Brookshot IV, pursuant to which the 2001–2006 Scottish LP will hold some of the Company’s investments and may make investments in unquoted securities. The Manager has overall responsibility for the management of 2001–2006 Scottish LP pursuant to a management agreement. Kingsway, as the general partner of 2001–2006 Scottish LP, can be removed by unanimous consent. 2001–2006 Scottish LP may be terminated upon the bankruptcy, insolvency, dissolution, administration, administrative receivership, receivership or liquidation of the general partner, by partners’ consent, or by the resignation or removal of the general partner. The general partner and its officers may be indemnified out of the partnership assets against liabilities, costs or expenses incurred by reason of being the general partner or its officer in the absence of negligence, wilful misconduct, bad faith or reckless disregard for its obligations and duties in relation to the partnership.

13.4.11 *2006 Scottish LP Agreement*

The Limited Partnership Agreement dated 12 October 2006 between Kingsway and Brookshot, pursuant to which 2006 Scottish LP holds and may make investments in unquoted securities. The Manager has overall responsibility for the management of 2006 Scottish LP pursuant to a management agreement. Kingsway, as the general partner of 2006 Scottish LP, can be removed by unanimous consent. 2006 Scottish LP may be terminated upon the bankruptcy, insolvency, dissolution, administration, administrative receivership, receivership or liquidation of the general partner, by partners’ consent, or by the resignation or removal of the general partner. The general partner and its officers may be indemnified out of the partnership assets against liabilities, costs or expenses incurred by reason of being the general partner or its officer in the absence of negligence, wilful misconduct, bad faith or reckless disregard for its obligations and duties in relation to the partnership.

13.5 *Placing Agreement*

Pursuant to the Placing Agreement, J.P. Morgan Cazenove has agreed, as sole bookrunner for the Company, to use its best efforts to procure subscribers for the Bonds subject to clawback under the Open Offer, at the Issue Price. The Company has agreed to pay to J.P. Morgan Cazenove: (a) commission at the rate of 1.75 per cent. of the aggregate value at the Issue Price of the Bonds issued pursuant to the Placing and Open Offer for its services under the Placing Agreement; and (b) commission at the rate of up to 1.75 per cent. of the aggregate value at the Issue Price of the Bonds issued pursuant to the Placing and Open Offer, which shall be payable by J.P. Morgan Cazenove on behalf of the Company to the Placees, comprising: (i) a commission of 0.5 per cent. of the aggregate value at the Issue Price of such of the Bonds subscribed for by Placees; and (ii) a commission of 1.25 per cent. of the aggregate value at the Issue Price of such of the Bonds in respect of which a valid

application is received under the Open Offer. In addition, the Company has agreed to reimburse J.P. Morgan Cazenove for its reasonable out-of-pocket expenses, including legal costs, in connection with the Placing and Open Offer.

The Placing Agreement is conditional, amongst other things, on a prospectus relating to the Placing and Open Offer being approved by the FSA and being made available to the public in accordance with the Placing Agreement, and Admission occurring by no later than 8.00 a.m. on 29 December 2010 (or such later date as the Company and J.P. Morgan Cazenove may agree).

The Placing Agreement confers on J.P. Morgan Cazenove the right to terminate its obligations prior to the Closing Date if, amongst other things:

- (a) there is a breach of any of the representations or warranties given under the Placing Agreement which, in the opinion of J.P. Morgan Cazenove (acting in good faith), is material in the context of the Placing and Open Offer; or
- (b) the Company or the Manager fails, in any respect which is material in the context of the Placing and Open Offer or Admission of the Bonds, in the opinion of J.P. Morgan Cazenove (acting in good faith), to comply with any of their respective obligations under the Placing Agreement; or
- (c) in the opinion of J.P. Morgan Cazenove (acting in good faith) a material adverse change occurs with respect to the Company; or
- (d) there has been a change in stock market conditions (primary or secondary) or an incident of terrorism or outbreak of hostilities or a suspension or material limitation in trading of securities generally on any stock exchange or a disruption of settlement systems or a material disruption or general moratorium in commercial banking as would, in the opinion of J.P. Morgan Cazenove (acting in good faith) be likely to materially prejudice the success of the Placing and Open Offer or make it impracticable or inadvisable to proceed with the Placing and Open Offer.

The Placing Agreement also contains:

- (a) certain customary warranties given by the Company and the Manager;
- (b) customary indemnities given by the Company and the Manager in favour of J.P. Morgan Cazenove; and
- (c) certain undertakings from the Company relating, amongst other things, to consultation with, and the provision of information to, J.P. Morgan Cazenove.

13.6 ***ZDP Loan Agreement***

In relation to the ZDP Placing, the Company and the ZDP Company entered into the ZDP Loan Agreement on 29 July 2009. Pursuant to the ZDP Loan Agreement, the ZDP Company lent to the Company the net proceeds of the ZDP Placing (the “**Advance**”), which the Company applied towards its general corporate and working capital purposes.

Interest accrues on the Advance at three per cent. per annum above LIBOR. The ZDP Loan Agreement provides for interest periods of six months and at the end of each interest period, the amount of accrued interest is added to the amount of the Advance outstanding. The Advance (together with interest accrued) shall be repayable by the Company on the date falling three business days before the ZDP Repayment Date, provided that the Advance (together with interest accrued on the Advance) shall become repayable by the Company immediately upon the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Company.

13.7 *ZDP Subordination Agreement*

On 17 July 2009 the Company entered into, in relation to the ZDP Placing, a subordination agreement (the “**ZDP Subordination Agreement**”) with the ZDP Company as junior creditor and Barclays Bank PLC as facility agent. The ZDP Subordination Agreement was entered into pursuant to the requirements of the Credit Agreement. The Credit Agreement is a committed unsecured multicurrency revolving credit facility which is permitted to be used for general corporate purposes. The Company and the ZDP Company entered into the ZDP Loan Agreement pursuant to which the ZDP Company lent to the Company an amount equal to the net proceeds of the ZDP Placing. The ZDP Subordination Agreement prevents the Company and the ZDP Company from paying or repaying, making or receiving any distribution in respect of any liabilities under the ZDP Loan Agreement (the “**Junior Debt**”); allowing any Junior Debt to be discharged; exercising any set-off in relation to any Junior Debt; allowing to exist or receive the benefit of any security interest, guarantee, indemnity or other assurance against loss in respect of any Junior Debt; converting any Junior Debt into shares of the Company; allowing any Junior Debt to be evidenced by a negotiable instrument; allowing any Junior Debt to be subordinated to any person other than in accordance with the ZDP Subordination Agreement; taking or omitting to take any action which could reasonably be expected to impair the priority or subordination achieved or intended to be achieved by the ZDP Subordination Agreement; and in the case of the Company only, allowing any of its subsidiaries to purchase or acquire any Junior Debt. Any payments received by the ZDP Company which are not permitted by the ZDP Subordination Agreement must be held on trust for the finance parties under the Credit Agreement and paid to the facility agent thereunder. During the effective period of the ZDP Subordination Agreement, the ZDP Company may not accelerate or enforce the Junior Debt, take any steps with a view to insolvency or similar proceedings in relation to the Company, bring any legal proceedings against the Company or any of its subsidiaries in relation to the Junior Debt or otherwise exercise any remedy in relation to the Junior Debt.

13.8 *ZDP Undertaking*

In relation to the ZDP Placing, the Company and the ZDP Company entered into the ZDP Undertaking on 29 July 2009. Pursuant to the ZDP Undertaking, to the extent the Final Capital Entitlement multiplied by the number of outstanding ZDP Shares as at the ZDP Repayment Date exceeds the proceeds due from the Company to the ZDP Company pursuant to the ZDP Loan Agreement as at the ZDP Repayment Date (the “**Additional Funding Requirement**”), the Company shall subscribe an amount equal to or greater than the Additional Funding Requirement for shares in the ZDP Company (the “**Additional Shares**”) on the third business day prior to the ZDP Repayment Date. The Additional Shares shall be ordinary shares or such other class of shares in the ZDP Company as agreed between the Company and the ZDP Company, provided that such Additional Shares rank behind the ZDP Shares. The Additional Shares shall be issued on the third business day prior to the ZDP Repayment Date fully paid up at par.

Pursuant to the ZDP Undertaking, the Company has undertaken to the ZDP Company that, until the payment of the Final Capital Entitlement, the Company will not:

- (a) incur additional Bank Borrowings if its Bank Borrowings would thereby exceed 50 per cent. of the Company’s gross investments plus cash or cash equivalents, as determined by the then most recently published audited accounts, or as the case may be, unaudited half-yearly accounts; and
- (b) make any distribution of capital or income, provided that any such distribution will be permitted where (i) it is required to maintain the Company’s status as an investment trust; or (ii) the Directors determine that the ZDP Shares would have a cover of not less than 1.5 times.

14. **Conflicts of Interest**

The Manager is a significant service provider to the Company and therefore has potential conflict of interest issues with the Company typical of a private equity fund manager. These potential conflicts include the following:

14.1 *Conflicts between Partners and Client*

Partners of the Manager could potentially cherry pick investments into particular clients of the Manager to directly benefit themselves. Partners of the Manager act as directors of Electra Investments Limited, a significant subsidiary of the Company, and therefore have a potential conflict between their directorial responsibilities to Electra Investments Limited and their role as partners of the Manager.

14.2 *Conflicts between Clients*

Clients of the Manager could be in conflict with each other through competing for investment opportunities and executives' time. When more than one client has invested in a particular investee company and the structuring of the investments made for the clients is through different equity and debt instruments, it may be possible for the Manager to enhance the position of one of its clients by exercising rights inherent in the debt instruments to the detriment of its other client. The offer to avail of co-investment opportunities between the existing limited partners in clients currently managed by the Manager could be varied in an unfair way to the disadvantage of certain of the limited partners.

14.3 *Conflicts with other firms*

Several partners of the Manager act as investment managers of EQM, a firm authorised and regulated by the FSA which acts as the manager of the money market instruments portfolio of the Company. Therefore, there is a potential conflict relating to how executives devote their time amongst the firms.

14.4 *Conflicts with the investee companies of the clients of Electra Partners LLP*

When the Manager's partners serve as non-executive directors on the boards of the investee companies belonging to the clients there are issues inherent in this, such as conflicts in the split of time devoted to the investee company and to the regulated firm, monitoring fees being paid to the firm and not to the client and the conflicts that could arise between the needs of an investee company in financial difficulty requiring a capital injection and the need of the client to make only profitable investments. In addition, as a director of the investee company, the Manager's partner has a duty to adhere to company law provisions regarding conflicts of interest which apply to him as a director of a private company.

- 14.5 There are organisational and administrative arrangements in place to prevent conflicts of interest from giving rise to a material risk of damage to the interests of the clients of the Manager:

14.5.1 *Limited Number of Clients currently actively investing*

Whilst the Manager currently has three clients (the Company, the Club, and Electra Partners Allflex Club LP), only two of these clients, the Company and the Club, are currently actively investing. In addition there are well defined arrangements in place as to when and in what ratios these clients will share investment opportunities.

14.5.2 *Arrangements Governing Structuring of Investments*

The Manager is committed to an arrangement with the Club whereby if the Company invests in a security, for example a mezzanine note issued by the company in which the Club is already invested, but for which the Club does not also subscribe, then the Company will not take either a lead role or a majority position in respect of such a security. In such situations, the Manager would not commit the Club to the investment in question without first having received the consent of the Club's limited partners.

14.5.3 *Co-Investment Arrangements*

The Manager is committed to an arrangement where, in the event of an investment opportunity arising which is suitable for both the Company and the Club, but the size of which exceeds the investment limits of the Club, the Manager will offer the excess to the Club's limited partners. If the limited partners of the Club fail to take up all or any of the

excess over the investment limits of the Club, the Manager may offer such excess to the Company or such other investors as the Manager considers appropriate. If there is excess demand amongst the limited partners of the Club for the co-investment opportunity, the Manager will carefully consider this conflict. The resolution of this conflict will in large part depend on the particular circumstances that will apply at that moment in time and the management committee of the Manager will seek to achieve a solution which treats its customers fairly.

14.5.4 *Incentive Arrangements*

For all new investments made since October 2006, all the partners of the Manager are co-investment holders and are collectively obliged to provide between 1 per cent. and 1.67 per cent. (depending on the nature of the investment) of the total investment for eligible investments alongside their clients. This arrangement aligns the partners' interests with those of their client and with the objective of maximising the shareholder value of the Company. The incentive arrangements for investments made prior to October 2006 now only relate to one client and its legacy portfolio constitutes a diminishing part of the Company's total portfolio.

14.5.5 *Role as Directors of Electra Investments Limited*

Certain partners of the Manager act as directors of Electra Investments Limited, a major subsidiary of the Company which presents a potential conflict of interest. However, as the Manager has complete authority and discretion to execute the investment policy of the Company through its investment management contract, it is considered unlikely that this potential conflict would be realised. No directors fees are paid to Electra Investments Limited's directors.

14.5.6 *Time Commitments to another regulated firm*

Whilst certain partners of the Manager act as partners/investment managers of EQM, the investment policy of this firm is not in conflict with those of the Manager and the time commitment of any one individual to this firm is not considered to be detrimental to their duties to the Manager.

14.5.7 *Role with investee companies*

There are inherent conflicts between the roles certain partners of the Manager have in their position at the Manager and their non-executive positions at investee companies. However, it is considered that the partners in such roles are sufficiently experienced to normally manage this inherent conflict.

14.5.8 *Policy to refer potential conflicts of interest to the Compliance Officer and Management Committee of Electra Partners LLP*

The Manager's team are experienced in terms of their longevity in the private equity industry and consider that they can recognise a potential conflict of interest situation. It is policy to refer potential conflict of interest situations to the Manager's compliance officer in the first instance to consider the potential conflict and, if necessary, the Manager's management committee.

14.5.9 *Policy to refer conflicts of interest to clients of the Manager*

In the event that an actual conflict of interest arises which it is not possible to resolve via other means, it is policy to clearly explain the issue in writing to the client or clients impacted with a number of possible solutions. The client or clients must endorse a suitable solution to the issue in question prior to action being taken.

14.5.10 *Policy to decline investment transactions*

In an extreme case where the conflict of interest cannot be resolved, it is the policy of the Manager to decline involvement with the transaction in question.

15. Consents

J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which it appears.

16. General

The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of section 434(3) of the Act. Full individual accounts of the Company and each of its subsidiary undertakings for each financial year to which the financial information relates and on which the auditors gave unqualified reports have been delivered to the Registrar of Companies. The consolidated financial statements of the Company in respect of the three years ended 30 September 2010 were reported on by PricewaterhouseCoopers LLP of Hays Galleria, 1 Hays Lane, London SE1 2RD, a member of the Institute of Chartered Accountants for England and Wales, the auditors of the Company within the meaning of section 495 of the Act.

17. Documents for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the registered office of the Company, at Paternoster House, 65 St. Paul's Churchyard, London EC4M 8AB, and the specified office of the Principal Paying, Conversion and Transfer Agent at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA and (in the case of documents listed in (a) to (c) below, on the website of the Company at www.electraequity.com/convertible), for 12 months from the date of this document (save in the case of the documents listed in (d) and (f), which will be available for 12 months from the Closing Date):

- (a) the current Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Group for the three financial years ended 30 September 2010;
- (c) this document;
- (d) the Trust Deed;
- (e) the Subordination Agreement; and
- (f) the Agency Agreement.

PART 14

DEFINITIONS

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

“2001–2006 Scottish LP”	Electra Private Equity Partners 2001–2006 Scottish LP.
“2006 Scottish LP”	Electra Private Equity Partners 2006 Scottish LP.
“2010 Accounts”	the audited accounts of the Company for the financial year ended 30 September 2010.
“Act”	the Companies Act 2006.
“Acts”	the Act and the Companies Act 1985 (as amended).
“Additional Funding Requirements”	as described in paragraph 13.8 (<i>Material Contracts – ZDP Undertaking</i>) of Part 13 (<i>Additional Information</i>).
“Additional Shares”	as described in paragraph 13.8 (<i>Material Contracts – ZDP Undertaking</i>) of Part 13 (<i>Additional Information</i>).
“Adjusted Net Liquid Resources”	Net Liquid Resources after deduction of net current liabilities and the ZDP Liability.
“Admission”	Admission to Listing and Admission to Trading and a reference to Admission becoming “effective” is to be construed in accordance with the Listing Rules or the Standards (as applicable).
“Admission to Listing”	the admission to listing of the Bonds on the Official List.
“Admission to Trading”	the admission to trading of the Bonds on the regulated market of the London Stock Exchange.
“Advance”	the net proceeds of the ZDP Placing, as described in paragraph 13.6 (<i>Material Contracts – ZDP Loan Agreement</i>) of Part 13 (<i>Additional Information</i>).
“AIC Code of Corporate Governance”	the principles of good governance and code of best practice issued by the Association of Investment Companies.
“AIFM Directive”	Alternative Investment Fund Managers Directive.
“Americas LP”	EF Private Equity Partners (Americas).
“Application Form”	the personalised application form on which Qualifying Non-CREST Shareholders may apply for Bonds under the Open Offer.
“Articles of Association” or “Articles”	the articles of association of the Company as amended from time to time.
“Assumptions”	the assumptions set out in Part 12 (<i>Principal Bases and Assumptions</i>).
“Bank Borrowings”	any monies borrowed by the Group from a financial lending institution (and which, for the avoidance of doubt, excludes the net proceeds of the ZDP Placing and the Placing and Open Offer).
“Board”	the board of directors of the Company.

“Bond Debt”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Bondholders”	holders of Bonds.
“Bonds”	the 5 per cent. convertible bonds due 29 December 2017.
“Brookshot”	Brookshot II Limited.
“Business Day”	any day on which banks are generally open in London for the transaction of normal business other than a Saturday or Sunday or public holiday in England and Wales.
“Certificated Bonds”	Bonds held in certificated registered definitive form.
“Closing Date”	the date of issue of the Bonds, expected to be 29 December 2010.
“Club”	Electra Partners Club 2007 LP.
“Collecting Agent”	a person in the UK acting on behalf of a Bondholder and who receives interest on the Bonds, as described in paragraph 9 (<i>United Kingdom Taxation</i>) of Part 13 (<i>Additional Information</i>).
“Combined Code”	the principles of good governance and code of best practice appended to the Listing Rules.
“Company”	Electra Private Equity PLC.
“Conditions”	the terms and conditions of the Bonds, as set out in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Conversion Period”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Conversion Price”	2,050 pence (subject to adjustment in accordance with the Conditions).
“Conversion Right”	in respect of any Bond, the right of the holder (or, in the circumstances described in Condition 9 (<i>Trustee’s Discretion to Convert Before Redemption</i>), the Trustee) to convert the Bond into Ordinary Shares in accordance with the Conditions.
“Credit Agreement”	The facility agreement for an amount up to £185 million dated 17 July 2009 between (among others) the Company and the original lenders under such agreement, as the same may be amended, restated, novated, replaced or substituted from time to time (including, for the avoidance of doubt but without limitation, any amendment, restatement, novation, replacement or substitution to increase the principal amount outstanding).
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the Regulations operated by Euroclear UK.
“CREST Manual”	the rules governing the operation of CREST.
“Delivery Date”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).

“Directors”	the directors of the Company whose names are set out in Part 4 (<i>Directors, Senior Partners of the Manager and Corporate Governance</i>).
“Disclosure and Transparency Rules”	the disclosure and transparency rules made under Part VI of FSMA (as set out in the FSA Handbook) (as amended).
“EBITDA”	earnings before taxation, net financing costs, depreciation and amortisation.
“EEA”	the European Economic Area.
“EFLP”	Electra Far East LP.
“EPEP”	Electra Private Equity Partners 1995.
“EPL”	Electra Partners Limited, the predecessor to the Manager.
“EQM”	EQM Capital LLP.
“Euroclear UK”	means Euroclear UK & Ireland Limited (formerly named CRESTCo Ltd.), the operator of CREST.
“EU Savings Directive”	EC Council Directive 2003/48/EC.
“Excluded Territories”	the United States, Canada, Australia, New Zealand and Japan, and any other jurisdiction where the extension or availability of the Open Offer (and any other transaction contemplated thereby) would breach any applicable laws.
“Ex-entitlement Date”	30 November 2010.
“Existing Ordinary Shares”	the Ordinary Shares in issue on the Record Date.
“Existing Portfolio”	direct unlisted investments made by the Company prior to 1 April 2006, as described in paragraph 13.4 (<i>Material Contracts – Limited Partnerships</i>) of Part 13 (<i>Additional Information</i>).
“Existing Portfolio Preferred Return”	a return of 15 per cent. per annum on the amount of opening value of the Existing Portfolio, as described in paragraph 13.4 (<i>Material Contracts – Limited Partnerships</i>) of Part 13 (<i>Additional Information</i>).
“Facility”	the £185 million multi-currency revolving credit facility under the Credit Agreement.
“Facility Agent”	Barclays Bank PLC.
“Final Capital Entitlement”	the final capital entitlement per ZDP Share, being 155.41 pence per ZDP Share.
“Finance Party”	has the meaning given in the Subordination Agreement.
“Form of Proxy”	the form of proxy to be used in connection with the General Meeting.
“FSA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of FSMA.
“FSMA”	the Financial Services and Markets Act 2000 (as amended).

“General Meeting”	the general meeting of the Company to consider the Resolution, convened for 23 December 2010 at 10.00 a.m. or any adjournment thereof.
“Group”	the Company and its subsidiaries and subsidiary undertakings, from time to time.
“HMRC”	HM Revenue & Customs.
“IAS”	International Accounting Standards.
“IASB”	International Accounting Standards Board.
“ICC”	Investment Commitments Committee.
“IFRS”	International Financial Reporting Standards.
“Independent Financial Adviser”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Investment Portfolio”	the portfolio of direct investment in investee companies and private equity fund interests owned by the Company from time to time.
“Investor’s Currency”	has the meaning given in the <i>Risk Factors</i> section of this document.
“IPC”	Investment Progress Committee.
“ISA”	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time).
“ISIN”	international securities identification number.
“Issue Price”	100 per cent.
“J.P. Morgan Cazenove”	J.P. Morgan Securities Ltd., which conducts its investment banking activities as J.P. Morgan Cazenove.
“Junior Debt”	liabilities under the ZDP Loan Agreement, as described in paragraph 13.7 (<i>Material Contracts – ZDP Subordination Agreement</i>) of Part 13 (<i>Additional Information</i>).
“Kingsway”	Kingways Equity Partners LP.
“Kingsway Jersey GP”	Kingsway Jersey GP Limited.
“Limited Partnership”	the limited partnerships listed in paragraph 13.4 (<i>Material Contracts – Limited Partnerships</i>) of Part 13 (<i>Additional Information</i>).
“Limited Partnership Agreements”	the limited partnership agreements for each of EPEP, EFLP, Americas LP, Scottish LP, 2001-2006 Scottish LP and 2006 Scottish LP as described in paragraph 13.4.2 and paragraphs 13.4.6 to 13.4.11 of Part 13 (<i>Additional Information</i>).
“Liquid Resources”	comprises cash at bank, short term deposits with a maturity of less than three months, money market funds and floating rate notes.
“Listing Rules”	the rules and regulations made by the FSA under Part VI of FSMA.
“Loadstone”	Loadstone Holdings Limited.
“London Stock Exchange”	London Stock Exchange plc.

“Management Agreement”	the management and investment guideline agreement between the Manager and the Company dated 12 October 2006 pursuant to which the Manager manages the Company, as amended and supplemented from time to time.
“Manager”	Electra Partners LLP, being the investment manager of the Company.
“Mandatory Conversion”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Meeting”	the General Meeting.
“Memorandum of Association”	the memorandum of association of the Company.
“Money Laundering Regulations”	the Money Laundering Regulations 2007 (as amended and supplemented).
“NAV”	net asset value.
“Net Liquid Resources”	Liquid Resources less bank borrowings (but excluding the ZDP Liability).
“Official List”	the Official List of the FSA.
“Open Offer”	the invitation by the Company to certain Qualifying Shareholders to apply for Bonds on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Application Form.
“Open Offer Entitlements”	entitlements to apply to subscribe for Bonds allocated to a Qualifying Shareholder pursuant to the Open Offer.
“Operator”	Euroclear UK.
“Ordinary Shares”	the ordinary shares of 25 pence each in the capital of the Company.
“Original Senior Debt”	has the meaning given in the Subordination Agreement.
“Overseas Shareholders”	shareholders with registered addresses outside the EEA or who are citizens of, incorporated in, registered in or otherwise resident in, or located in, countries outside the EEA.
“Parity Value”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Paying Agent”	a person in the UK acting on behalf of the Company and who pays interest on the Bonds, as described in paragraph 9 (<i>United Kingdom Taxation</i>) of Part 13 (<i>Additional Information</i>).
“Paying, Conversion and Transfer Agency Agreement”	the paying, conversion and transfer agency agreement entered into between the Company, the Manager, the Registrar, the Trustee and the Principal Paying and Conversion Agent, as described in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Placees”	the persons with whom the Bonds are placed pursuant to the Placing.
“Placing”	the placing of up to £100 million in aggregate principal amount of Bonds to Placees, as described in Part 5 (<i>The Placing and Open Offer</i>).

“Placing Agreement”	the placing agreement entered into between the Company, J.P. Morgan Cazenove and the Manager in relation to the Placing and Open Offer, as described in paragraph 13.5 <i>Material Contracts – Placing Agreement</i>) of Part 13 (<i>Additional Information</i>).
“PPS”	priority profit share.
“Preferred Return”	a return of 8 per cent. per annum on the amounts advanced to finance investments and outstanding from time to time, as described in paragraph 13.4 (<i>Material Contracts – Limited Partnerships</i>) of Part 13 (<i>Additional Information</i>).
“Principal Paying, Conversion and Transfer Agent”	Equiniti Limited.
“Principal Place”	the place at which the chairman of the general meeting shall preside, as described in paragraph 4.7 (<i>Current Memorandum and Articles of Association of the Company – General Meeting</i>) of Part 13 (<i>Additional Information</i>).
“Priority Creditor”	has the meaning given in the Subordination Agreement.
“Priority Debt”	has the meaning given in the Subordination Agreement.
“Prospectus Directive”	Directive 2003/7/EC.
“Prospectus Rules”	rules published by the FSA under section 73A FSMA.
“Qualifying CREST Shareholder”	Qualifying Shareholders holding Ordinary Shares in uncertificated form.
“Qualifying Investments”	transactions where the combined investment of the Club and the Company would constitute an investment in more than 50 per cent. of the issued share capital of the relevant company.
“Qualifying Non-CREST Shareholder”	Qualifying Shareholders holding Ordinary Shares in certificated form.
“Qualifying Shareholders”	Shareholders whose names are entered on the Register at the close of business on the Record Date.
“Receiving Agent”	Equiniti Limited.
“Record”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Record Date”	the date on which Qualifying Shareholders’ entitlements to the Open Offer will be assessed against the Shareholder Register, expected to be 5.00 p.m. on 26 November 2010.
“Register”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Registrar”	Equiniti Limited.
“Regulation S”	Regulation S under the Securities Act.
“Regulations”	Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force.

“Relevant Event”	has the meaning given in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Relevant Securities”	the shares in the Company and rights to subscribe for or to convert any security into shares of the Company as described in Part 15 (<i>Notice of General Meeting</i>).
“Resolution”	the special resolution to be proposed at the General Meeting relating to the Placing and Open Offer.
“Responsible Persons”	the Company.
“RIS”	Regulatory Information Service.
“RTC”	Rio Trens Corporation.
“Scottish LP”	Electra Private Equity Partners (Scotland).
“SDRT”	stamp duty reserve tax.
“Securities Act”	the United States Securities Act of 1933 (as amended).
“Securities and Exchange Law”	the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended).
“Senior Debt”	has the meaning given in the Subordination Agreement.
“Senior Partners”	the senior partners of the Manager whose names are set out in Part 4 (<i>Directors, Senior Partners of the Manager and Corporate Governance</i>).
“Shareholder Register”	the register of Shareholders of the Company.
“Shareholders”	holders of Ordinary Shares.
“SORP”	Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in December 2005.
“specified office”	in relation to any person, its office as specified in the Paying, Conversion and Transfer Agency Agreement.
“Specified Time”	6.00 p.m. on 21 December 2010.
“Standards”	the “Admission and Disclosure Standards” of the London Stock Exchange.
“Subordinated Debt”	has the meaning given in the Subordination Agreement.
“Subordination Agreement”	the amended and restated subordination agreement entered into between, <i>inter alios</i> , the Company, the Trustee, the Facility Agent and the ZDP Company, as described in Part 6 (<i>Terms and Conditions of the Bonds</i>) and the form of which is substantially as set forth in Part 8 (<i>Form of the Subordination Agreement</i>).
“Super Partnership”	Kingsway.
“Super Partnership Agreement”	the limited partnership agreement relating to the Super Partnership, as described in paragraph 13.4 (<i>Material Contracts – Limited Partnerships</i>) of Part 13 (<i>Additional Information</i>).
“Total Return”	capital gains and distributed dividends in the relevant period.

“Transaction Fees Side Letter”	the side letter to the Management Agreement between the Company and the Manager, as described in paragraph 13.3 (<i>Material Contracts – Transaction Fees Side Letter</i>) of Part 13 (<i>Additional Information</i>).
“Trust Deed”	the trust deed entered into between the Company and the Trustee, as described in Part 6 (<i>Terms and Conditions of the Bonds</i>).
“Trustee”	The Law Debenture Trust Corporation p.l.c.
“Uncertificated Bonds”	Bonds held in uncertificated registered dematerialised form.
“UK or United Kingdom”	the United Kingdom of Great Britain and Northern Ireland.
“UKLA”	UK Listing Authority.
“US” or “United States”	United States of America, its territories and possessions, any state of the United States and the District of Columbia.
“US Person”	has the meaning given to it in Regulation S.
“ZDP Company”	Electra Private Equity Investments PLC, a wholly-owned subsidiary of the Company incorporated for the purpose of issuing the ZDP Shares pursuant to the ZDP Placing.
“ZDP Liability”	the accrued liability pursuant to the ZDP Shares.
“ZDP Loan”	the loan from the ZDP Company to the Company of the net proceeds of the ZDP Placing.
“ZDP Loan Agreement”	the intercompany loan agreement entered into between the ZDP Company and the Company documenting the ZDP Loan, as described in paragraph 13.6 (<i>Material Contracts – ZDP Loan Agreement</i>) of Part 13 (<i>Additional Information</i>).
“ZDP Placing”	the offer of ZDP Shares to institutional and certain other investors.
“ZDP Repayment Date”	the repayment date for the ZDP Shares, being 5 August 2016.
“ZDP Shares”	the zero dividend preference shares of 0.01 pence each in the capital of the ZDP Company.
“ZDP Subordination Agreement”	the subordination agreement entered into in relation to the ZDP Placing between the Company, the ZDP Company and the finance parties under the Facility, as described in paragraph 13.7 (<i>Material Contracts – ZDP Subordination Agreement</i>) of Part 13 (<i>Additional Information</i>).
“ZDP Undertaking”	the undertaking entered into in relation to the ZDP Placing between the Company and the ZDP Company pursuant to which the Company has undertaken to subscribe for shares in the ZDP Company by no later than the ZDP Repayment Date, as described in paragraph 13.8 (<i>Material Contracts – ZDP Undertaking</i>) of Part 13 (<i>Additional Information</i>).

In this document words denoting any gender include both genders (unless the context otherwise requires).

PART 15

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting (the “**Meeting**”) of Electra Private Equity PLC (the “**Company**”) will be held at 10.00 a.m. on 23 December 2010 at Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT subject to and conditional upon the placing agreement dated 30 November 2010 between the Company, Electra Partners LLP and J.P. Morgan Securities Ltd becoming unconditional in all respects (save for any condition relating to the admission to the Official List by the UK Listing Authority and to trading on the London Stock Exchange’s market for listed securities of up to £100,000,000 5 per cent. subordinated convertible bonds due 29 December 2017 (the “**Bonds**”) to be issued by the Company pursuant to or in connection with the placing and open offer of such Bonds as described in the circular (the “**Circular**”) to shareholders dated 30 November 2010 (the “**Placing and Open Offer**”)):

- (A) in addition to any existing authority granted to the directors of the Company (the “**Directors**”), the Directors be and are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “**Act**”) to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares of the Company (such shares and rights together being “**Relevant Securities**”) in connection with and for the purpose of the grant of the right to convert into ordinary shares in the capital of the Company (the “**Ordinary Shares**”) conferred by the terms and conditions of the Bonds described in the Circular up to a maximum aggregate nominal amount of £1,219,600 for the purposes of the Placing and Open Offer, provided that such authorisation shall expire at the conclusion of the Company’s Annual General Meeting to be held in 2011, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require Relevant Securities to be granted or allotted after such expiry and the Directors may grant or allot such Relevant Securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired; and
- (B) in addition to any existing power and authority granted to the Directors, the Directors be and are empowered in accordance with sections 570 and 571 of the Act to grant and allot Relevant Securities for cash, pursuant to the authority conferred by sub-paragraph (A) of this Resolution, as if section 561(1) of the Act did not apply to any such grant of rights or allotment, provided that this power (x) shall be limited to the grant or allotment of Relevant Securities up to a maximum nominal amount of £1,219,600 and (y) shall expire at the conclusion of the Company’s Annual General Meeting to be held in 2011, save that the Company may, before the expiry of such period make any offer or agreement which would or might require such Relevant Securities to be granted or allotted after such expiry and the Directors may grant or allot such Relevant Securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board of Directors

Frostrow Capital LLP
Company Secretary
30 November 2010

Registered Office:
Paternoster House
65 St. Paul’s Churchyard
London EC4M 8AB

Notes:

1. Members of the Company who are entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote at the Meeting. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
2. A Form of Proxy which may be used to make a proxy appointment is enclosed. To be valid, the Form of Proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or other authority) must be received by the Company's Registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6GQ, by 10.00 a.m. on 21 December 2010 or, if the Meeting is adjourned, not less than 48 hours before the time of the adjourned meeting. Completion and return of the Form of Proxy or any CREST Proxy Instruction (as described in note 8 below) will not prevent a member from attending and voting in person at the Meeting. Replacement Forms of Proxy may be obtained from the Company's Registrars.
3. The right to appoint a proxy referred to in notes 1 and 2 above does not apply to any person to whom this notice is sent who is a person nominated to enjoy information rights in accordance with section 146 of the Act (a "**Nominated Person**"). However, a Nominated Person may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. Only those holders of Ordinary Shares entered on the Register of Members of the Company as at 6.00 p.m. on 21 December 2010 (the "**Specified Time**") shall be entitled to attend and vote at the Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the Specified Time applicable to the original Meeting, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled, members must be entered on the Company's register of members by 6.00 p.m. on the date which is two days prior to the date fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
5. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction as described in the CREST Manual (available at www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 10.00 a.m. on 21 December 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (available at www.euroclear.com/CREST).
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. Any member attending the Meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information or (b) the answer has already been given on a

website in the form of an answer to a question or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

12. A copy of this notice, and other information required by section 311A of the Act, is published on the Company's website, www.electraequity.com.
13. Members may not use any electronic address provided either in this notice or in any related documents to communicate with the Company for any purposes other than those expressly stated.
14. As at 29 November 2010 (which is the last business day before the publication of this notice) the Company's issued share capital comprises 35,338,687 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 29 November 2010 are 35,338,687.

**REGISTERED OFFICE OF THE
COMPANY**

Electra Private Equity PLC
Paternoster House
65 St. Paul's Churchyard
London EC4M 8AB

**REGISTERED OFFICE OF THE
MANAGER**

Electra Partners LLP
Paternoster House
65 St. Paul's Churchyard
London EC4M 8AB

**PRINCIPAL PAYING, CONVERSION
AND TRANSFER AGENT**

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

REGISTRAR

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

RECEIVING AGENT

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London
EC2V 7EX

LEGAL ADVISERS

To the Company as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

*To the Sole Global Coordinator and
Bookrunner and the Trustee as to English law:*

Allen & Overy LLP
One Bishops Square
London E1 6AD

AUDITORS TO THE COMPANY

PricewaterhouseCoopers LLP
Hays Galleria
1 Hays Lane
London SE1 2RD

If you have any questions on the procedure for acceptance and payment under the Open Offer, please telephone the Shareholder Helpline on 0871 384 2887 from within the UK or on +44 121 415 0260 if calling from outside the UK. Calls to the helpline on 0871 384 2887 cost 8 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Shareholder Helpline is only able to provide you with information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Placing and Open Offer or provide legal, financial, tax or investment advice.

