

OFFERING CIRCULAR

# *The EMI Group*

## EMI Group plc

*A public limited company incorporated in England and Wales  
under the Companies Acts 1985 and 1989 with Registered no. 229231*

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**£250,000,000 8.25 per cent. Bonds due 2008**

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**Issue Price: 99.294 per cent.**

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BARCLAYS CAPITAL

JPMORGAN

SCHRODER SALOMON  
SMITH BARNEY

BNP PARIBAS

THE ROYAL BANK OF SCOTLAND

13 May, 2002



A copy of this Offering Circular, which comprises listing particulars relating to the issue of the £250,000,000 8.25 per cent. Bonds due 2008 (the "Bonds") by EMI Group plc (the "Issuer") approved by the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") under section 72 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England for registration as required by section 83 of that Act.

Application has been made to the UK Listing Authority for the Bonds to be admitted to the official list of the UK Listing Authority (the "Official List"). Application has also been made to London Stock Exchange plc (the "London Stock Exchange") for the Bonds to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on such market constitutes admission to official listing on the London Stock Exchange.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular does not constitute an offer of or an invitation by or on behalf of the Issuer or the Managers (as defined in the section headed "Subscription and Sale" below) to subscribe or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by applicable law. Persons in receipt of this Offering Circular are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. The Bonds have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and are subject to US tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to US persons, as defined in Regulation S under the Securities Act. For a description of certain further restrictions on the offering and sale of the Bonds and the distribution of this Offering Circular see the section headed "Subscription and Sale" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular, and any information or representation not so contained must not be relied upon as having been expressly or implicitly authorised by or on behalf of the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to the date of this Offering Circular.

The Managers and the Trustee have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Trustee or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Bonds or their distribution.

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

The Bonds will be represented initially by a temporary global bond (the "Temporary Global Bond") in bearer form, without interest coupons, which will be deposited with a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear system, ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Temporary Global Bond will be exchangeable on or after 1 July, 2002 for a permanent global bond (the "Permanent Global Bond" and, together with the Temporary Global Bond, the "Global Bond") in bearer form, without interest coupons upon certification as to non-US beneficial ownership in the form set out in the Temporary Global Bond. The Permanent Global Bond will be exchangeable for definitive Bonds with Coupons attached only in the limited circumstances specified therein.

In connection with the issue of the Bonds, Barclays Capital or any person acting for it may from time to time over-allot or effect transactions with a view to supporting the market price of the Bonds at a level

higher than that which might not otherwise prevail for a limited period after the issue date. However, there may be no obligation on Barclays Capital or any agent of his to do this. Such stabilising action, if commenced, may be discontinued at any time, and will be carried out in accordance with all applicable laws and regulations.

In this Offering Circular, references to "Sterling" and "£" are to pounds sterling, references to "Dollars" and "\$" are to United States dollars and references to "euro" and "€" are to the currency introduced at the start of the Third Stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to minor amendment, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of the Bonds in definitive form (if issued).*

The issue of the £250,000,000 8.25 per cent. Bonds due 2008 (the "Bonds", which expression shall, except where otherwise indicated, include any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of EMI Group plc (the "Issuer") was authorised by a resolution of a committee of the Board of Directors of the Issuer (duly constituted by a resolution of the Board of Directors of the Issuer passed on 15 March, 2002) passed on 8 May, 2002.

The Bonds are constituted by a trust deed dated 20 May, 2002 (the "Trust Deed") between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include all persons who for the time being are trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds (the "Bondholders"). The statements set out in these Terms and Conditions (these "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds and the interest coupons appertaining to the Bonds (the "Coupons"). The Bondholders and the holders of the Coupons (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those applicable to them of the Paying Agency Agreement dated 20 May, 2002 (the "Agency Agreement") relating to the Bonds between the Issuer, the Trustee, HSBC Bank plc (the "Principal Paying Agent", which expression shall include any successor, successors, assign or assigns as principal paying agent under the Agency Agreement) and the other initial paying agent (such person, together with the Principal Paying Agent, unless the context otherwise requires, being referred to below as the "Paying Agents", which expression shall include any additional paying agents or successor, successors, assign or assigns as paying agents under the Agency Agreement).

Copies 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 date of issue of the Bonds at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents.

### 1. Form, Denomination and Title

The Bonds are in bearer form, serially numbered, in denominations of £1,000, £10,000 and £100,000 each with Coupons attached, and title thereto and to the Coupons will pass by delivery. Bonds of one denomination may not be exchanged for Bonds of another denomination.

The holder of any Bond or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

### 2. Status of the Bonds

The Bonds and the Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### 3. Negative Pledge

So long as any of the Bonds remain outstanding (as defined in the Trust Deed), the Issuer will not, and will procure, as far as it can by the proper exercise of voting and other rights or powers of control exercisable by it in relation to Subsidiaries, that no Principal Subsidiary shall:

- (a) create or permit to subsist any mortgage, charge, lien, pledge or other equivalent or similar security interest (each a "Security Interest") upon any of its assets to secure payment of any present or future Indebtedness of any person or to secure any guarantee given by the Issuer or any Principal Subsidiary of any Indebtedness of any person, without at the same time according to the Bonds, the Coupons and all amounts payable under the Trust Deed, to the satisfaction of the Trustee, either the same Security Interest as is created or subsisting to secure such Indebtedness or guarantee or such other Security Interest or other arrangement (whether or not involving the creation of a Security Interest) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders; or
- (b) conduct any Securitisations,

save that the Issuer or any Principal Subsidiary may create or permit to subsist a Permitted Security Interest (without the obligation to accord as aforesaid) or conduct a Permitted Securitisation.

In these Conditions:

"EBITDA" means, in relation to a member of the Group for a period, its operating profit for that period (a) adding back any amount attributable to depreciation or amortisation; and (b) for the avoidance of doubt, before adding or, as the case may be, deducting any amount attributable to any of the following: (i) any share in the operating profits or losses of joint ventures and associates; (ii) operating and non-operating exceptional items; (iii) finance charges, including interest and other finance costs, charges and expenses, payable or received by any member of the Group or any joint ventures or associates; (iv) taxation; (v) extraordinary items; and (vi) minority interests, all as calculated in accordance with the principles applied in connection with the preparation of the audited consolidated financial statements of the Issuer for the year ended 31 March, 2001, and subject to that, in accordance with accounting principles and practices generally accepted in the UK. If there is a dispute as to the amount of EBITDA at any time, a report of the auditors of the Issuer (whether or not addressed to the Trustee) will be, in the absence of manifest error, conclusive.

"Group" means the Issuer and the Subsidiaries.

"Indebtedness" means any indebtedness (whether being principal, premium or interest) for or in respect of (i) any notes, bonds, debenture stock, loan stock or other securities; or (ii) any borrowed money; or (iii) any liability under or in respect of any acceptance or acceptance credit; or (iv) any leasing or hire purchase agreement which is in the nature of borrowed money.

"Permitted Securitisation" means any Securitisation where (i) the relevant asset or assets were acquired by the relevant member of the Group after 20 May, 2002 or (ii) the aggregate net proceeds from all Securitisations (including the relevant Securitisation but excluding any Securitisation permitted under paragraph (i) above) do not exceed £25,000,000 at any one time outstanding.

"Permitted Security Interest" means:

- (a) any Security Interest existing on 31 March, 2002;
- (b) liens arising by operation of law (or by contract having an equivalent effect) or in the ordinary course of business of music publishing or recorded music or business ancillary thereto;
- (c) any Security Interest on assets of a company acquired by a member of the Group after 13 May, 2002, provided that (i) such Security Interest was existing or agreed to be created at or before the time the relevant company became a member of the Group, (ii) such Security Interest was not created in contemplation of such acquisition, (iii) the principal amount then secured is not exceeded or increased and (iv) the then repayment date of the amount secured is not extended;
- (d) any Security Interest over the following properties in Japan: 2-2-17 Akasaka Minato-KU, Tokyo; 2-1-26 Nagatacho Chiyoda-KU, Tokyo; 985 Hodosawa, Gotemba City, Shizuoka Prefecture; and 48 Jinba, Gotemba City, Shizuoka Prefecture, provided that the principal amount of Indebtedness secured by all such Security Interests does not exceed £70,000,000 or its equivalent at any one time;

- (e) any Security Interest granted in relation to a Permitted Securitisation;
- (f) any Security Interest securing Indebtedness incurred to refinance other indebtedness itself secured by a Security Interest included in paragraphs (a) to (e) above, but only if the principal amount of the Indebtedness is not increased and only the same assets are secured as were secured by the prior Security Interest; or
- (g) any other Security Interest, but only if the aggregate Indebtedness secured by such Security Interests permitted under this sub-paragraph (g) does not at any time exceed £25,000,000 or its equivalent.

"Principal Subsidiary" means, at any time, a Subsidiary of the Issuer, the EBITDA or turnover of which, or the EBITDA or turnover of a direct or indirect Subsidiary of which, then equals or exceeds five per cent. of the consolidated EBITDA or turnover of the Group. For this purpose: (a) the EBITDA or turnover of a Subsidiary of the Issuer will be determined from its financial information (unconsolidated if it has Subsidiaries) upon which the latest audited financial statements of the Group have been based; (b) if a Subsidiary of the Issuer becomes a member of the Group after the date on which the latest audited financial statements of the Group have been prepared, the EBITDA and turnover of that Subsidiary will be determined from its latest financial statements; (c) the EBITDA and turnover of the Group will be determined from its latest audited financial statements, adjusted (where appropriate) to reflect the EBITDA and turnover of any company or business subsequently acquired or disposed of; and (d) if a Principal Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the Issuer, it will immediately cease to be a Principal Subsidiary and the other Subsidiary (if it is not already) will immediately become a Principal Subsidiary; the subsequent financial statements of those Subsidiaries and the Group will be used to determine whether those Subsidiaries are Principal Subsidiaries or not. If there is a dispute as to whether or not a company is a Principal Subsidiary, a report of the auditors of the Issuer (whether or not addressed to the Trustee) will be, in the absence of manifest error, conclusive.

"Securitisation" means any securitisation, asset-backed financing or like arrangement, payments under or in respect of which are secured by a Security Interest over or in connection with an asset or assets owned by any member of the Group, or which were owned by any member of the Group immediately prior to that transaction.

"Subsidiary" means any company which is for the time being a subsidiary (within the meaning of Section 736 of the Companies Act 1985).

#### 4. Interest

- (a) Subject to (c) below, the Bonds bear interest from (and including) 20 May, 2002 at the rate of 8.25 per cent. per annum payable annually in arrear on 20 May in each year (each an "Interest Payment Date").
- (b) The Bonds will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest on such principal amount shall continue to accrue as provided in the Trust Deed. If interest is to be calculated for a period of less than a full year, it shall be calculated on the basis of the actual number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, 20 May, 2002) to (but excluding) the relevant payment date divided by the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, 20 May, 2002) to (but excluding) the next (or first) scheduled Interest Payment Date.
- (c) The rate of interest referred to above may be increased, or following such an increase may be decreased, depending upon the ratings assigned to the Bonds as set out below:
  - (i) if the rating (whether confirmed, under review, on credit watch or otherwise) assigned to the Bonds by both Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc. ("S&P") remains at a level at or above "Baa3" or

equivalent in the case of Moody's and a level at or above "BBB-" or equivalent in the case of S&P then the interest rate will be 8.25 per cent. per annum;

- (ii) if the rating (whether confirmed, under review, on credit watch or otherwise) assigned to the Bonds by either Moody's or S&P (or, where applicable, a Substitute Rating Agency (as defined below)) decreases to a level below "Baa3" or equivalent in the case of Moody's or a level below "BBB-" or equivalent in the case of S&P (or, where applicable, a level below the rating designation by the Substitute Rating Agency determined in accordance with this Condition 4(c)) or if at any relevant time the Bonds shall not be rated by either Moody's, S&P or a Substitute Rating Agency (each a "Rating Decrease Event") then the interest rate will be 9.75 per cent. per annum; and
- (iii) if after a Rating Decrease Event, the rating (whether confirmed, under review, on credit watch or otherwise) assigned to the Bonds by both Moody's and S&P (and, where applicable, the Substitute Rating Agency) returns to a level at or above "Baa3" or equivalent in the case of Moody's and a level at or above "BBB-" or equivalent in the case of S&P (and, where applicable, a level at or above the rating designation by the Substitute Rating Agency as determined in accordance with this Condition 4(c)) then the interest rate will return to 8.25 per cent. per annum.

All interest rate adjustments, as set out in paragraphs (i) to (iii) above, shall apply on and from the next Interest Payment Date and will be applicable to the Interest Period commencing on that Interest Payment Date and the following Interest Periods unless and until there is a further interest rate adjustment.

So long as any of the Bonds remains outstanding, the Issuer shall use all reasonable endeavours to procure a rating in respect of the Bonds from each of Moody's and S&P. In the event that, and for such time as, the Issuer is unable to procure a rating from either Moody's or S&P or both of them, it shall use all reasonable endeavours to procure a rating from a rating organisation recognised in the financial markets and approved in writing by the Trustee (a "Substitute Rating Agency"). The Issuer may, in the event that either Moody's or S&P (or, as the case may be, any relevant Substitute Rating Agency) ceases business or ceases to provide ratings, with the prior written approval of the Trustee, replace such rating agency for the purpose of this Condition 4(c) with a Substitute Rating Agency.

If the rating designations employed by either Moody's or S&P are changed from those which are described in this Condition 4(c), or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee, the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most nearly equivalent to the prior rating designations of Moody's and S&P and, accordingly, the applicable rate of interest which would apply to the Bonds in respect of each such rating.

The Trustee is under no obligation to ascertain whether a change in the rating assigned to the Bonds by Moody's or S&P or any Substitute Rating Agency or a change in the applicable rate of interest has occurred and until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary the Trustee may assume that no such change in the rating assigned to the Bonds or in the applicable rate of interest has occurred.

There shall be no limit on the number of times that interest rate adjustments may be made during the term of the Bonds, provided always that at no time during the term of the Bonds will the rate of interest applicable to the Bonds be less than 8.25 per cent. per annum.

The Issuer shall procure the notification of any change in the rate of interest, any appointment of a Substitute Rating Agency and/or any change in rating designations to the Trustee, any relevant Paying Agent, the Bondholders in accordance with Condition 13 and as required by any applicable rules of any stock exchange on which the Bonds are for the time being listed as soon as reasonably practicable after such change or appointment becomes effective.



## 5. Payments

Payments in respect of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of a part payment only, endorsement) of Bonds or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents. Payment of interest due in respect of any Bond other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond.

Each such payment will be made by sterling cheque drawn on, or at the option of the relevant Bondholder by transfer to a sterling denominated account specified by the payee with a bank in London, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

If any date for payment is not a Business Day in the place where the relevant Bond or Coupon is presented for payment and in London, such payment shall not be made until, subject to Condition 8, the immediately following day which is such a Business Day, and a holder shall not, except as provided in Condition 4, be entitled to any further interest or other payment in respect of any such delay.

"Business Day" means a day on which commercial banks and foreign exchange markets settle payments.

## 6. Redemption and Purchase

### *(a) Redemption at maturity*

Unless previously redeemed or purchased and in each case cancelled as specified below, the Issuer will redeem the Bonds on 20 May, 2008 at their principal amount.

### *(b) Redemption for tax reasons*

The Bonds (other than any Bonds which have been called for redemption pursuant to paragraph (d) below) may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 45 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 13, the Bondholders (which notice shall be irrevocable), if:

- (i) the Issuer satisfies the Trustee that the Issuer has or will on the occasion of the next payment due of principal or interest in respect of the Bonds, become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, or any change in the application or official interpretation of the laws or regulations of the United Kingdom, which change or amendment becomes effective after 13 May, 2002; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Prior to the giving of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee an opinion reasonably satisfactory to the Trustee of independent legal counsel (of recognised standing) to the Issuer stating that the Issuer is entitled to effect such redemption, together with a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above will apply on the occasion on which the next payment of principal or interest is due in respect of the Bonds and cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept such opinion certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and Couponholders.

Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their principal amount together with interest accrued to (but excluding) the date of such redemption.

**(c) Purchases**

The Issuer or any Subsidiary of the Issuer may at any time purchase Bonds (provided that all unmatured Coupons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may, at the option of the Issuer, be held, resold, redeemed or surrendered for cancellation.

**(d) Purchase at the option of the Issuer**

On giving not less than 21 nor more than 30 days' notice to Bondholders in accordance with Condition 13, the Issuer may purchase (or procure the purchase of) all (but not some only) of the Bonds for the time being outstanding at any time at a price (the "Redemption Price") which shall be the higher of the following, together with interest accrued to (but excluding) the date of purchase (the "Redemption Date"):

- (i) their principal amount; and
- (ii) that price (as reported in writing to the Issuer and the Trustee by a financial adviser (the "Financial Adviser") approved by the Trustee) at which the Gross Redemption Yield on the Bonds on the Calculation Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on that date of 9.00 per cent. Treasury Stock due 2008 (or, where the Financial Adviser advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate, such other government stock as the Trustee, with the advice of the Financial Adviser, may agree to be appropriate). For such purposes, "Calculation Date" means the date which is two Business Days in London prior to the Redemption Date and "Gross Redemption Yield" means a yield calculated in accordance with generally accepted market practice at such time, as reported to the Issuer and the Trustee by the Financial Adviser.

The notice given by the Issuer pursuant to this paragraph shall be irrevocable and shall specify the Redemption Date.

References in these Conditions to "principal" and "principal amount" shall, unless the context otherwise requires, be deemed to include references to the Redemption Price.

Upon the expiry of any such notice, the Issuer shall be bound to purchase (or procure the purchase of) the Bonds so called for purchase at the applicable Redemption Price together with accrued interest as aforesaid unless previously redeemed or purchased and cancelled.

**(e) Redemption on the occurrence of a Put Event**

A "Put Event" will be deemed to occur if:

- (i) either:
  - (A) any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers), or any persons acting on behalf of such persons, is/are or becomes interested in (within the meaning of Part VI of the Companies Act 1985) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or such number of shares in the capital of the Issuer as carry more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer or any person or persons succeeds in having a sufficient number of its nominees elected to the Board of Directors of the Issuer such that such nominees, when added to any existing director or directors remaining on the Board of Directors of the Issuer after such election who were nominees of or affiliates of such person or persons, will constitute a majority of the Board of Directors of the Issuer; or
  - (B) within any period of 24 calendar months any member or members of the Group disposes of a Subsidiary, Subsidiaries or assets (excluding assets disposed of in the ordinary course of day-to-day business and trading) to a third party or parties (excluding, for the avoidance of doubt,

any other member of the Group) where the aggregate EBITDA of such Subsidiaries and EBITDA attributable to such assets disposed of in such period is greater than 20 per cent. of the consolidated EBITDA of the Group (all as shown in the accounts used for preparing the Group consolidation of the most recent annual consolidated financial statements of the Group (or, in the case of such Subsidiary, the most recent annual consolidated financial statements of the Group within which such Subsidiary is consolidated) and as calculated in accordance with the principles applied in connection with the preparation of the audited consolidated financial statements of the Issuer for the year ended 31 March, 2001, and subject to that, in accordance with accounting principles and practices generally accepted in the UK), provided that in any such 24 month period no account shall be taken of disposals which occurred prior to 20 May, 2002; and

- (ii) at the time of the occurrence of (i) above, the Bonds carried from either of S&P or Moody's, any of their successors or, where applicable, a Substitute Rating Agency (as defined in Condition 4(c)) (each a "rating agency") either:
  - (A) *an investment grade credit rating (BBB-/Baa3 or better)*, and such rating from either rating agency is within 180 days either downgraded to a non-investment grade credit rating (BB+/Ba1 or worse) or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such rating agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any rating agency; or
  - (B) *a non-investment grade credit rating (BB+/Ba1 or worse)*, and such rating from either rating agency is within 180 days downgraded by one or more notches and is not subsequently within such 180-day period upgraded to its earlier rating (for illustration, Ba1 to Ba2 being one notch); or
  - (C) *no credit rating*, and no rating agency assigns within 90 days an investment grade credit rating to the Bonds (unless the Issuer is unable to obtain such a rating within such period having made all reasonable endeavours so to do); and
- (iii) in making the relevant decision(s) referred to above, the relevant rating agency announces publicly or confirms to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of (i) above, or attributes it in whole or in part thereto.

If a Put Event occurs, the holder of each Bond shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond at its principal amount plus accrued interest. Such option shall operate as set out below.

The Issuer shall (and the Trustee at its absolute discretion may, and if so required in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of Bondholders shall, subject in each case to being indemnified to its satisfaction) within 21 days of becoming aware of the occurrence of a Put Event, give notice thereof to the Bondholders (in accordance with Condition 13) specifying the nature of the Put Event, appointing a date falling not less than 21 nor more than 30 days after the date of the notice as the "Put Date", and setting out the procedure for exercising the option described herein, all as more fully described in the Agency Agreement. To exercise its option in respect of a Bond, a Bondholder shall deliver the Bond and all unmatured Coupons appertaining thereto to the specified office of any Paying Agent on or before the Put Date, as more fully provided in the Agency Agreement and in the notice. On the Put Date, the Issuer shall redeem or, at the Issuer's option, purchase (or procure the purchase of) all Bonds so delivered at their principal amount, together with interest accrued to (but excluding) such date, again as more fully provided in the Agency Agreement and in the notice.

The Trustee shall not be responsible for ascertaining whether or not a Put Event or any of the events mentioned in (i) to (iii) above has occurred and, unless and until it has actual knowledge to the contrary, shall be entitled to assume that no such event has occurred.

**(f) Cancellation**

All Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons attached thereto or surrendered therewith at the time of redemption) and may not be reissued or resold.

**7. Taxation**

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer will be made without withholding or deduction 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 the United Kingdom or any political subdivision thereof or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Bondholders and the Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Bonds or the Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Bond or Coupon presented for payment:

- (i) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Bond or Coupon; or
- (ii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Business Day in the place where the relevant Bond or Coupon is presented and in London; or
- (iii) where such withholding or deduction is imposed on a payment to or on behalf of an individual and is required to be made pursuant to any European Union Directive (the "Directive") on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, the Directive; or
- (iv) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a member state of the EU.

As used in these Conditions, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Bondholders by the Issuer in accordance with Condition 13.

Any reference in these Conditions to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

**8. Prescription**

The Bonds and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

**9. Events of Default**

At any time after the happening of any of the following events, the Trustee at its absolute discretion may, and if so required in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall, (subject in each case to being indemnified to its satisfaction) give notice to the Issuer declaring the Bonds to be

immediately due and repayable, so long as at the time of such notice such event or (as the case may be) all such events shall not have been waived by, or remedied to the reasonable satisfaction of, the Trustee:

- (i) default being made in the payment of any principal or interest in respect of any of the Bonds and such payment being outstanding for a period of more than 7 days (in the case of principal) and 14 days (in the case of interest); or
- (ii) default being made by the Issuer in the performance or observance of any other covenant, undertaking, condition or provision contained in the Trust Deed or in the Bonds and (except where the Trustee shall have certified in writing to the Issuer that it considers such default to be incapable of remedy when no such notice as is hereinafter mentioned shall be required) such default continues for a period of 30 days or more immediately following the service by the Trustee on the Issuer of a notice requiring the same to be remedied; or
- (iii) the repayment of any Indebtedness (as defined in Condition 3) of the Issuer and/or any Principal Subsidiary being accelerated by reason of a default or event of default (howsoever described); or the Issuer and/or any Principal Subsidiary defaulting (after any applicable grace period as originally provided) in any payment of principal, premium or interest in respect of any Indebtedness; or the security for any Indebtedness or any guarantee of any Indebtedness becoming enforceable; or default being made by the Issuer and/or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person; provided that the aggregate amount of relevant Indebtedness in respect of which any one or more of the events mentioned above in this sub-paragraph (iii) has or have occurred is not less than £30,000,000 (or its equivalent in any other currency);
- (iv) an order being made or an effective resolution being passed for the winding-up or dissolution of the Issuer or any Principal Subsidiary (except, in the case of a Principal Subsidiary, for a winding-up for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Bondholders or a voluntary solvent winding-up or dissolution in connection with the transfer of all or the major part of the business, undertaking and assets of such Principal Subsidiary to the Issuer, another Principal Subsidiary or any Subsidiary which becomes a Principal Subsidiary as a result of such transfer); or
- (v) the Issuer or any Principal Subsidiary stopping or announcing an intention to stop payment in respect of any binding obligations or ceasing to carry on all or substantially all of its business (except a cessation (1) in the circumstances referred to in the parentheses of paragraph (iv) above or (2) consequent upon a sale by a Principal Subsidiary of all or any part of its business, either to another member of the Group, or on arm's length terms and for fair market value (to be conclusively evidenced to the Trustee by a certificate from two Directors of the Issuer), or
- (vi) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an encumbrancer taking possession of, or an administrative or other receiver, an administrator or any similar official being appointed in relation to, the Issuer or any Principal Subsidiary or in relation to the whole or a material part of the undertaking, property, assets or revenues of the Issuer or any Principal Subsidiary or an administrative or other receiver, an administrator or any distress or execution or other legal process being levied or enforced upon or sued out against the whole or any material part of the chattels or property of the Issuer or any Principal Subsidiary in respect of an aggregate principal amount of at least £30,000,000 (or its equivalent in any other currency), which, in any such case (other than the appointment of an administrator), is not discharged within 28 days; or
- (vii) the Issuer or any Principal Subsidiary being unable to pay its debts within the meaning of Section 123 (1) (b), (c) or (d) of the Insolvency Act 1986; or
- (viii) the Issuer or any Principal Subsidiary consenting to proceedings relating to itself under any applicable bankruptcy, insolvency, composition or other similar laws (except, in the case of a Principal Subsidiary, for a winding-up for the purpose of a reconstruction or amalgamation the

terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Bondholders or a voluntary solvent winding-up or dissolution in connection with the transfer of all or the major part of the business, undertaking and assets of such Principal Subsidiary to the Issuer, another Principal Subsidiary or any Subsidiary which becomes a Principal Subsidiary as a result of such transfer) or making a conveyance or assignment for the benefit of, or entering into any composition with, its creditors generally, or being adjudicated or found bankrupt or insolvent by any competent court; or

- (ix) any event occurring which under the laws of the relevant jurisdiction has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (iv) to (viii) above; or
- (x) the guarantee (the "Guarantee") from Capitol Records, Inc. (the "Guarantor") dated 20 May, 2002 ceasing to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect other than in accordance with its terms; or
- (xi) the Guarantor ceasing to be a Subsidiary;

and, in the case of the happening of any of the events referred to above except those set out in paragraph (i), the same having been certified in writing by the Trustee to be in its opinion materially prejudicial to the interests of the Bondholders.

Upon any such declaration being made as aforesaid, the outstanding Bonds shall become immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed.

#### **10. Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer, or, until the Guarantee terminates in accordance with its terms, the Guarantor, as it may think fit to enforce the provisions of the Trust Deed, the Bonds, the Coupons and the Guarantee, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Bonds, the Coupons or the Guarantee unless it shall have been so required in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or so directed by an Extraordinary Resolution of the Bondholders and in each case indemnified to its satisfaction.

No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing.

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

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

#### **12. Agents**

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled (with the prior written approval of the Trustee) to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be a Principal Paying Agent;

- (ii) so long as the Bonds are listed on any stock exchange, there will at all times be a Paying Agent (which may be the Principal Paying Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (iii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe; and
- (iv) if the conclusions of the ECOFIN Council meeting of 26-27 November 2000 are implemented, the Issuer will use its best endeavours to maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to the Directive (as defined in Condition 7).

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 21 nor more than 45 days' prior notice thereof shall have been given to the Bondholders in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

### 13. Notices

All notices regarding the Bonds will be deemed to be validly given if approved by the Trustee and published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition 13.

### 14. Meetings of Bondholders, Modifications, Substitution and Waiver

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Coupons or any of the provisions of the Trust Deed or the Guarantee. Such a meeting may be convened by the Issuer or the Trustee or by Bondholders holding not less than five per cent. in principal amount of the Bonds for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing at least one-quarter in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree, without the consent of the Bondholders or Couponholders, to:

- (i) any modification of the Bonds, the Coupons, the Trust Deed or the Guarantee which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders; or
- (ii) any modification of the Bonds, the Coupons, the Trust Deed or the Guarantee which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of applicable law; or
- (iii) the substitution of any Subsidiary or Holding Company (as defined in the Trust Deed) of the Issuer as the principal debtor in place of the Issuer subject to the Trustee being satisfied that the interests

of the Bondholders will not be materially prejudiced by such substitution and certain other provisions of the Trust Deed being complied with.

The Trustee may also agree, without the consent of the Bondholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Conditions or any of the provisions of the Trust Deed or the Guarantee or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders.

Any such modification, substitution, waiver, authorisation or determination as aforesaid shall be binding on the Bondholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Bondholders by the Issuer in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution) the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer or the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to the extent provided for in Condition 7 and clause 5 of the Guarantee and/or any undertaking given in addition to, or in substitution for, Condition 7 or clause 5 of the Guarantee pursuant to the Trust Deed or the Guarantee.

#### **15. Indemnification of the Trustee and its Contracting with the Issuer**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia* (i) to enter into business transactions with the Issuer or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligation and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **16. Further Issues**

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



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

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Bonds, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**18. Governing Law**

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

**SUMMARY OF PROVISIONS RELATING TO BONDS  
WHILE REPRESENTED BY THE GLOBAL BONDS**

*The Bonds will be represented initially by a single temporary global bond (the "Temporary Global Bond"), in bearer form, without interest coupons, which will be deposited with a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear system, ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Temporary Global Bond will be exchangeable on or after 1 July, 2002 for a permanent global bond (the "Permanent Global Bond" and, together with the Temporary Global Bond, the "Global Bonds"), in bearer form, without interest coupons, upon certification as to non-US beneficial ownership in the form set out in the Temporary Global Bond. The Permanent Global Bond will be exchangeable for definitive Bonds with Coupons attached only in the limited circumstances specified therein.*

*Bonds and Coupons will bear the following legend; "Any United States person (as defined in the United States Internal Revenue Code) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".*

*The Temporary Global Bond and the Permanent Global Bond contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions as they will apply to each of the Bonds.*

**1. Exchange**

The Permanent Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for definitive Bonds in bearer form, only (i) upon the happening of any of the events defined in the Trust Deed as "Events of Default"; (ii) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and, in any such case, no alternative clearing system satisfactory to the Trustee is available; or (iii) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. Thereupon (in the case of (i) and (ii) above) the holder of the Permanent Global Bond, acting on the instructions of (an) Accountholder(s) (as defined below) or the Trustee, may give notice to the Issuer, and (in the case of (iii) above), the Issuer may give notice to the Trustee and the Bondholders, of its intention to exchange the Permanent Global Bond for definitive Bonds on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Bond may or, in the case of (iii) above, shall surrender the Permanent Global Bond to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Bond, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Bonds in bearer form (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Bond), security printed in accordance with any applicable legal, listing authority or stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Bond, the Issuer will procure that it is cancelled.

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

## 2. Payments

On and after 1 July, 2002, no payment will be made on the Temporary Global Bond unless exchange for an interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal, premium (if any) and interest in respect of Bonds represented by a Global Bond will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, surrender of such Global Bond to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders for such purposes. A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Bond by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Bonds. Payments of interest on the Temporary Global Bond will be made only upon certification of non-U.S. beneficial ownership unless such certification has already been made.

## 3. Notices

So long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders (as defined below) rather than by publication as required by Condition 13 provided that, so long as the Bonds are listed by the UK Listing Authority, such authority so agrees. Any such notice shall be deemed to have been given to the Bondholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

## 4. Accountholders

So long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (each an "Accountholder") (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any such person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of Bondholders) other than with respect to the payment of principal, premium (if any) and interest on such Bonds, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Bond.

## 5. Prescription

Claims against the Issuer in respect of principal, premium (if any) and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal and premium (if any)) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

## 6. Cancellation

Cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Bond on the relevant schedule thereto.

## **7. Put Option**

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Bondholders provided for in Condition 6(e) may be exercised by the Accountholders giving a notice of exercise in relation to the principal amount of the Bonds in respect of which such option is exercised within the time limits set forth in that Condition and/or as required by the relevant clearing system and at the same time presenting or procuring the presentation of the Global Bond(s) to the Principal Paying Agent for notation accordingly. Whilst all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices of exercise shall be given in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on the instruction of the relevant Accountholder by the relevant clearing system or any common depository therefor to the Principal Paying Agent by electronic means) in a form acceptable to the relevant clearing system from time to time.

## **8. Euroclear and Clearstream, Luxembourg**

References herein to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

## DESCRIPTION OF THE ISSUER

### Introduction

EMI Group plc ("EMI") was incorporated in England in 1928 and adopted its present name on 19 August, 1996. It is the holding company of a number of undertakings in 45 countries around the world (together, the "Group"), and its business is carried on by members of the Group. EMI's subsidiary undertakings are held via intermediate holding companies and include EMI Records Ltd, Virgin Records Ltd, EMI Music Publishing Ltd, Capitol Records, Inc., Virgin Records America, Inc. and Toshiba-EMI Ltd (55% owned).

EMI is one of the largest music companies in the world, employing approximately 8,800 people world-wide. The Group is composed of two principal businesses: **recorded music** (dealing with the exploitation of rights in recordings) and **music publishing** (dealing with the exploitation of rights in compositions). In addition, EMI has a 42.65 per cent. (39.9 per cent. fully diluted) equity interest in HMV Group plc ("HMV Group"), one of the world's leading retailers of music and video and the leading retailer of books in the UK and Ireland. On 11 April, 2002, HMV Group announced its intention to proceed with an initial public offering of shares and a listing on the London Stock Exchange.

### Recorded music

EMI estimates, based on both internal sales reports and third party wholesale sales figures of the whole recorded music industry, that in the year ended March 2002 it had approximately a 13.2 per cent. share of wholesale record sales world-wide (excluding sales for which EMI did not have significant control over A&R (Artists & Repertoire) or marketing and promotion).

EMI's recorded music business operates via a network of 65 operating companies located in 45 countries, and via licence, distribution and other arrangements covering a further 26 countries.

EMI currently has seven CD manufacturing operations, six of which are wholly owned and one that is a joint venture. In March 2002, EMI announced that it had embarked upon a consultation process that could lead to the eventual closure of its manufacturing facility in Swindon, UK, with production being transferred to its key European facility in Uden, The Netherlands. Other key manufacturing is located in Jacksonville, Illinois, US and Gotemba, Japan. Smaller CD manufacturing facilities are located in Canada, South Africa and Australia (a joint venture facility).

EMI Recorded Music concentrates on finding, attracting, retaining and successfully establishing and developing recording artists through its A&R teams in each country of operation and on turning local artists into national and international successes. EMI works to develop long-term relationships with the artists on its roster to help them build successful, long-lasting careers. EMI's labels include EMI, Virgin, Capitol, Parlophone, Chrysalis, Blue Note and EMI Classics.

The following table lists EMI artists with million selling albums in the last three financial years, or with sales of other albums exceeding one million units in a year in aggregate:

The Beach Boys	Dreams Come True	Legião Urbana	Chihiro Onitsuka	Smashing Pumpkins
Beastie Boys	Duran Duran	John Lennon	A Perfect Circle	Snoop Dogg
The Beatles	Enigma	Helmut Lotti	Pet Shop Boys	Alain Souchon
Blur	Everclear	Lene Marlin	Pink Floyd	Spice Girls
Sarah Brightman	Genesis	Dean Martin	Placebo	St Germain
Garth Brooks	Geri Halliwell	Massive Attack	Queen	Thalia
Manu Chao	Ben Harper	Master P	Radiohead	Tru
The Chemical Brothers	Hevia	Yumi Matsutoya	The Rolling Stones	Los Tucanes de Tijuana
Joe Cocker	Tomoyasu Hotei	Paul McCartney	Roxette	Tina Turner
Coldplay	Ice Cube	Megadeth	Bob Seger & the Silver Bullet Band	UB40
Nat King Cole	Intocable	Melanie C	Selena	Hikaru Utada
Phil Collins	Iron Maiden	George Michael	Emma Shaplin	Vengaboys
Daft Punk	Janet Jackson	Marisa Monte	Ringo Sheena	The Verve
D'Angelo	Lenny Kravitz	Van Morrison	Frank Sinatra	Robbie Williams
Jarabe de Palo	Kuroyume	Anne Murray	Skunk Anansie	

In addition, EMI Recorded Music owned or participated in several branded multi-artist compilation series, individual editions of which sold more than one million units in the last three financial years. These included NOW – That's What I Call Music! 1 and 2 in the US, NOW – That's What I Call Music! 39 to 47 in the UK, Bravo Hits 22, Hit Mac 2000, McDonald's Latin and The Most Relaxing Feeling, as well as the soundtracks for Hope Floats, Romeo Must Die, Cruel Intentions and Next Friday.

The net sales and operating income of the Group's recorded music division, like other participants in the recorded music industry, are dependent on its release schedule. EMI reports results of operations semi-annually and its results of operations in any reporting period may be materially affected by the timing of releases.

#### *Catalogue*

While new records released by artists are usually the main focus of the music industry, records may continue to sell many years after release, generating an ongoing revenue stream for the artist and the record company. Sales can be increased by re-releasing or re-mastering recordings and through marketing and promotional initiatives. Additional revenue streams can be generated through the compilation of "Greatest Hits" albums and through multi-artist or themed compilations.

#### *Recorded music formats*

Over the last decade, there has been a shift in the primary format of recorded music sold to the public with the majority of records now being sold in CD format. The number of vinyl records sold has declined dramatically to become almost negligible and, since 1990, audio cassette sales have also declined. World-wide sales of CDs accounted for over 70 per cent. of all units sold in 2000. Formats based on new digital technologies are not currently providing significant sales for record companies, but in the future they are likely to bring CD-quality music to consumers through streaming and downloading onto personal computers, hand held devices, mobile telephones and other portable technologies.

#### *Music publishing*

Music publishing is the business of acquiring, administering, exploiting and protecting rights in musical compositions. It is a business based on the songs themselves as distinct from the records, films, commercials or other media in which they are used. Music publishers earn their revenue from licensing the right to use their songs. In many cases the performer is also the songwriter. More recently the writer/producer has become a significant force in music.

EMI is the world's premier music publisher in terms of copyrights owned, controlled or administered, with rights to more than one million musical compositions. EMI's diverse repertoire includes numerous pop music hits, American standards, country songs, classical works, motion picture and theatrical compositions. The catalogue includes songs by Sting, matchbox twenty, Carole King, Aerosmith, TLC, Texas, Enrique Iglesias, Queen and Alicia Keys, as well as standards such as "Over The Rainbow", "New York, New York", the "James Bond Theme" and, through Jobete, Motown classics such as "My Girl" and "I Heard It Through The Grapevine".

EMI's publishing catalogue includes SBK (CBS Songs, MGM and United Artists), Filmtrax (Columbia Pictures and Television), Screen Gems, Virgin, Jobete (Motown) as well as a substantial part of the Windswept Pacific catalogue.

EMI Music Publishing has offices in 31 countries and a presence in 14 more through licensees and sub-publishers.

#### *Authors' contracts and copyright royalties*

Copyright conveys to authors (or to their estates) the exclusive legal right to be compensated for the commercial exploitation of their compositions. Every time a musical composition is used commercially a licence should be entered into and a royalty paid.

To ensure that the number of these licences and resulting royalties are maximised, authors often enter into agreements with the music publishers for the exploitation of their copyrights. Agreements with music publishers take several forms. The publisher can acquire a direct ownership interest in the copyright as well as providing administration services, or can just provide administration services. The duration of these agreements ranges from the life of copyright, which is common when an ownership interest has been taken, to several years when no ownership interest is involved.

The principal sources of copyright owners' and administrators' revenues are:

- licensing of *performing rights* (i.e., the right to perform a composition, for instance on radio or television, in cinemas or in nightclubs);
- licensing of *mechanical rights* (i.e., the right to replicate the performance of a composition, such as in a record);
- licensing of *synchronisation rights* (i.e., the right to create a master recording of a musical composition in time to a series of visual images, such as in television advertisements); and
- licensing of *other rights* (including print rights, background library, merchandising and stage rights).

#### New Media

The music industry worldwide is at a time of fundamental change. Although the proportion of all music sold via the Internet is currently relatively small, this is likely to change significantly over the next few years. Even today, the Internet promises to transform the music industry and the way music is promoted and delivered to consumers, increasing globalisation and creating new opportunities, new risks and new models for doing business.

New technologies are expected to increase consumer demand for music. In particular, the emergence of broadband services through a variety of domestic devices, including mobile telephones, personal computers and televisions, is expected to accelerate the ability of consumers to access and select music which will be streamed directly to them at home as well as a variety of other locations. New technologies will facilitate personalisation of consumer choice which is expected to provide further stimulation to consumer demand.

EMI expects that the anticipated growth in on-line music sales and of other on-line applications, such as on-line radio stations and the streaming and downloading of both audio recordings and music videos, may also have a positive impact on EMI's publishing revenues.

#### Piracy and copyright protection

##### Piracy

The recorded music business continues to be adversely affected by counterfeiting and piracy. The amount of revenue lost by the music industry through circumvention of copyrights is difficult to quantify. However, the International Federation of the Phonographic Industry ("IFPI") estimate that the pirate market in 2000 was worth in excess of \$4.2 billion compared to \$37.0 billion for the legitimate retail market and that, globally, one in every three sound carrier units was a pirate copy.

Traditionally, piracy has included the counterfeiting of both audio cassettes and CDs, and the home recording of music on audio cassettes. The biggest risk for the industry until recently has stemmed from unauthorised recordings undertaken on a large scale with a view to commercial exploitation. The advent of recordable CD technology has increased the scope for unauthorised copying and organised piracy. IFPI, the US based National Music Publishers' Association, the Recording Industry Association of America ("RIAA"), and other industry bodies have been lobbying governments for adequate legislation and effective enforcement of intellectual property rights, and instigate criminal and civil investigations against organised piracy.

More recently, the internet has created an extra dimension to piracy. The use of the internet as an outlet for legitimate sales has been hampered by the extent of piracy and the rapid pace of technological change which has made it difficult to develop secure digital downloading. This has resulted in the unauthorised copying of music, as high quality digital reproductions can be downloaded from the internet without payment to the owner of the rights using applications and technologies such as Napster. These downloaded files can then be stored and played through computers or portable music devices, or recorded onto CDs.

Litigation brought against Napster and MP3.com by RIAA has brought favourable interim rulings from the Courts. Settlement has been reached with MP3.com resulting in future payments for usage of musical repertoire and Napster litigation is ongoing.

The recorded music industry is seeking to achieve secure digital music delivery and substantial efforts are being made to curb the threat of piracy through new media.

### *Copyright protection*

The creation and protection of copyright in musical compositions is the legal foundation of the music publishing business. In most cases, copyright law is derived from legislation on a country by country basis. The period of copyright protection in musical compositions in the European Union (the "EU") is, in general, being harmonised to a period equal to the life of the author plus 70 years. Similarly, in the US, for musical works written on or after 1 January, 1978, this period is now the life of the author plus 70 years. US musical works written prior to this date generally enjoy a copyright life of 95 years.

Record companies are largely dependent on legislation in each territory (and on the effectiveness of the authorities in enforcement) to protect their rights against unauthorised reproduction, distribution, public performance or rental of sound recordings. In all territories where EMI operates, its sound recordings receive some degree of copyright protection, although the period of protection varies widely, from 95 years from first publication of the sound recording in the US to 50 years from first publication of the sound recording in Japan and in EU countries. In a number of developing countries, the protection of copyright remains inadequate.

The growth of new delivery technologies, such as digital broadcasting and the internet, has focused attention on the need to introduce new legislation that will adequately protect the rights in musical compositions and recordings. EMI actively lobbies in favour of industry efforts to increase copyright protection and supports the efforts of organisations such as WIPO (World Intellectual Property Organisation).

In December 1996, two global copyright treaties, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, were signed, securing the basic legal framework for the international music industry to trade and invest in on-line music businesses. A major step towards this goal was made with the passage of implementing legislation in the US through the enactment of the Digital Millennium Copyright Act in October 1998. The WIPO Treaties have now been ratified by the requisite number of countries. The EU has implemented the Treaties in the Copyright Directive 2001 and member states are scheduled to introduce local legislation by the end of 2002.

The E-Commerce Directive is also relevant to the music industry as it deals with online liability issues. It was adopted by the EU in May 2000 and is being implemented throughout the member states. The Directives address key issues affecting the industry, such as the newly created "making available" right and legal protection against the circumvention of technical measures designed to protect copyright and legal protection against the removal or alteration of electronic rights management information.

### *Competition*

Competition in the music publishing business is intense. EMI competes with every other music publishing company in acquiring musical compositions. EMI's major international competitors in the music



publishing business include Warner/Chappell, SONY/ATV, Universal Music Publishing and Bertelsmann Music Publishing.

The recorded music business is also highly competitive. EMI's major competitors in the international music arena include Warner Music Group, Universal Music Group, Sony Music and Bertelsmann Music Group. EMI also competes with independent record labels that differ from country to country, including Zomba, one of the largest worldwide independent labels. The revenues of a music recording company depend upon demand for the company's recording artists and music. Although EMI is a large and established record company, its competitive position is in part dependent on its continuing ability to attract and develop talent able to achieve a high degree of public acceptance.

#### **Other factors affecting financial results**

The Group's financial results are generally affected by the demand for its recorded music repertoire and the strength of its music publishing catalogue. The Group's financial results may also be affected by the existence or absence of superstar releases during a particular financial period. Factors that may affect the Group's financial results include, but are not limited to (i) over the medium term, the rate of overall growth in the music market, (ii) economic conditions in geographic markets in which the Group operates, (iii) the number and type of releases in a particular year, (iv) the existence of fewer superstar acts or a lessening of their long-term staying power compared to prior years, and (v) an increased fragmentation of customer tastes.

#### **HMV Group – Proposed Initial Public Offering**

On 11 April, 2002, HMV Group announced its intention to proceed with an initial public offering (the "IPO") of shares and a listing on the London Stock Exchange. The Offer Price was set on 9 May, 2002 at 192p per HMV Group ordinary share. EMI has sold part of its holding in ordinary shares of HMV Group and has also granted UBS Warburg an over-allotment option at the Offer Price. As a result of the flotation the net cash to be received by EMI will be £69 million representing (1) the deferred and contingent consideration payable to EMI by HMV Group on its listing under the terms of the 1998 sale agreement between EMI and HMV Group and (2) the redemption of the senior preferred shares and £73 million in respect of ordinary shares in HMV Group to be offered by EMI in the IPO. EMI may also receive a further sum of up to £40 million if the over-allotment option is exercised. Depending on the level of the over-allotment option, EMI will retain a residual shareholding in HMV Group of between 9.2% and 14.5%. EMI will use the net proceeds from the IPO to reduce its debt level.

#### **Latest trading results**

On 23 January, 2002 EMI's subsidiary, Virgin Records America, and Mariah Carey announced the amicable termination of their multi-album recording contract. The settlement involved the payment by Virgin Records America to Ms Carey of \$28 million (£19.6 million). This cost, together with £18.5 million in respect of the balance sheet and other write-offs associated with Ms Carey's recording contract with Virgin Records America, will be treated as exceptional in the Group's accounts for the year ending 31 March, 2002.

On 20 March, 2002 EMI announced a number of measures that were expected to improve the Group's profitability, including £98.5 million annualised fixed cost savings at a one-off exceptional cash cost of £110 million, with the greater part of the savings being achieved by 31 March, 2003. EMI also announced additional exceptional charges of £130 million, relating primarily to asset write-offs, the write-down of loss making businesses and to the agreed termination of Mariah Carey's recording contract.

On 10 May, 2002, EMI announced the acquisition of Mute Records Limited ("Mute"), one of Europe's leading independent record companies. EMI will pay £23 million for Mute, plus up to £19 million of potential performance related payments, over a period of 4 years.

## Contingent liabilities

Certain Group companies, along with other recorded music distributors, are subject to civil lawsuits in the United States alleging violations of antitrust, unfair trade practices and consumer protection laws. These actions include (i) lawsuits brought by retailers, which are currently pending in federal court in California, alleging that the major record companies violated federal antitrust laws in setting wholesale prices of CDs, (ii) 10 identical class action lawsuits filed in various state courts on behalf of consumers in those states containing allegations similar to those in the California federal case, (iii) actions in federal court in Maine brought on behalf of consumers of 50 states by respective state attorneys general and by private attorneys, alleging violations of antitrust, unfair trade practices and consumer protection statutes in connection with the retail pricing of CDs, including, in particular, so-called minimum advertised price policies, and (iv) numerous class action lawsuits, filed in various state courts, on behalf of consumers of those states, containing allegations similar to those in the Maine federal case. EMI management believes the Group has legal and factual defences to these claims. Adverse verdicts in these matters, however, could result in material losses to EMI.

Virgin Holdings, Inc., a wholly owned subsidiary of the Group, is subject to several class action lawsuits in the US alleging that, as a result of allegedly false and misleading statements concerning the licensing agreement between Virgin Holdings, Inc. and musicmaker.com, Inc. ("musicmaker"), the price of musicmaker's stock was artificially high. A number of similar actions have subsequently been filed and they are all being handled in a consolidated proceeding. EMI Group plc, EMI Recorded Music and EMI Recorded Music North America have also been named in these proceedings. On the basis of information presently available, management believes that these claims, which are being defended vigorously, are unlikely to result in material loss to the Group. However, adverse verdicts could result in material loss to the Group.

The Group is also involved in various other legal proceedings, principally in the US and UK, arising out of the normal course of business. The Directors believe that the outcome of these other proceedings will not have a material effect on the Group's financial position.

Guarantees and other contingent liabilities (other than those relating to HMV and HMV Group plc – see below) totalled £14.7 million at 31 March, 2001 for the Group, of which £8.8 million related to certain contracts entered into by former Group companies.

Arising as part of the sale in 1998 of the companies and assets comprising HMV to HMV Group, the Group also entered into a deed of secured counter-indemnity with HMV Group relating, among other things, to guarantees given by the Group of approximately 99 leases. Under the deed, HMV Group agreed to indemnify the Group against any payments made under those and certain other guarantees and indemnities. HMV Group has undertaken to use reasonable efforts to arrange for the release of these guarantees. The aggregate annual rental payments under guaranteed leases are approximately £27.5 million, although they are subject to adjustment both up and down under certain circumstances. The guaranteed leases have terms which expire in one to 25 years, and many of the leases expire in years beyond 2011.

## Directors

The Directors of EMI and their respective principal activities are set out below. The business address of each of the Directors is 4 Tenterden Street, London W1A 2AY.

Eric Nicoli

*Chairman.* Appointed to the Board in 1993 as a Non-executive Director, becoming executive Chairman in July 1999. Until 30 April 1999, he was Group Chief Executive of United Biscuits plc, which he joined from Rowntree Mackintosh in 1980. He was appointed to the United Biscuits Board in 1989 as Chief Executive, European Operations and became Chief Executive of United Biscuits in 1991.

Mr. Nicoli is Chairman of The PerCent Club, Chairman of HMV Group, Chairman of The Tussauds Group Limited and Deputy Chairman of Business in the Community. He is also a Director of Caldicott Trust Limited, Charity Projects and Comic Relief Limited.

Alain Levy

*Chief Executive Officer, EMI Recorded Music.* Joined EMI and appointed to the Board in October 2001. He is a graduate of the Ecole des Mines and of the Wharton Business School.

He joined CBS International (now Sony Music) in New York in 1972 and in 1984 moved to PolyGram as CEO of its French operations where he built the business into France's largest record company with a market share of over 33%. In 1988 he moved to London to become executive vice president of PolyGram in charge of its worldwide pop and music publishing activities. In January 1991 he became president and CEO of PolyGram and in the same year became a member of the group management committee of Philips NV, PolyGram's majority shareholder. He remained in this position until 1998 when the company was sold to Seagram.

After leaving PolyGram in 1998, Mr. Levy acted as a consultant and made seed investments in a number of different media companies.

He also sits on the advisory board of Schroders Ventures in the US and on the European advisory board of Wharton Business School.

Martin Bandier

*Chief Executive Officer, EMI Music Publishing.* Appointed to the Board in 1998. He joined EMI Music Publishing as its Vice Chairman in 1989 upon the acquisition of SBK Entertainment World Inc., in which he was a founding partner. He was appointed CEO of EMI Music Publishing in 1991.

Mr. Bandier entered the music publishing business in 1975 as a founding partner of the Entertainment Music Company and the Entertainment Television Company and, together with his partners, created SBK in 1986.

Mr. Bandier is a Director of the National Music Publishers' Association, the BMI Foundation, the Songwriters' Hall of Fame, the Rock and Roll Hall of Fame and the Syracuse University Board of Trustees. He is also a member of the Friars Foundation and the National Academy of Recording Arts and Sciences.

Roger Faxon

*Group Chief Financial Officer.* Appointed to the Board in February 2002, Mr. Faxon had been CFO of EMI Music Publishing in New York since 1999. During that time he has worked closely with Martin Bandier, Chairman and CEO of EMI Music Publishing, to extend EMI's position as the world's leading music publishing company and grow operating profit by 20%. In addition to overseeing the publishing division's financial affairs, he has also been responsible for strategy, planning, administration, IT and Human Resources and for all of its Latin American and Asian publishing operations.

Mr. Faxon joined EMI Music in 1994 as Senior Vice President, Worldwide Business Development and Strategy. Prior to that, he enjoyed a career in finance, operations and general management positions including 10 years in the motion picture industry and 6 years on the US Congress staff.

Sir Dominic Cadbury	<i>Deputy Chairman and senior independent Non-executive Director.</i> Chairman of The Economist Group and The Wellcome Trust, and a Director of Misys plc. Formerly Chairman of Cadbury Schweppes plc.
Dr Harald Einsmann	<i>Non-executive Director.</i> Director of Tesco plc and British American Tobacco plc, and a member of the boards of Findus AB (Sweden) and Stora-Enso OY (Finland). Formerly Executive Vice President and a member of Proctor & Gamble's main board and executive committee.
Michael Jackson	<i>Non-executive Director.</i> Chairman and Chief Executive Officer, USA Entertainment. Formerly held the following posts at the BBC: Head of Music & Arts, Television; Controller BBC2; Director of Television; Controller, BBC1. Also latterly Chief Executive of Channel Four Television.
Hugh Jenkins CBE	<i>Non-executive Director.</i> Chairman of Development Securities PLC. Director of Johnson Matthey plc, Gartmore European Investment Trust plc and SmithKline Beecham Pension Fund Trustees Limited. Formerly Chairman and Chief Executive of Prudential Portfolio Managers and a Director of Prudential Corporation.
Kathleen O'Donovan	<i>Non-executive Director.</i> Finance Director of Invensys plc, and a member of the Court of the Bank of England.

## CAPITALISATION AND INDEBTEDNESS

The table below sets out the consolidated capitalisation and indebtedness of the Group as at 28 February, 2002, as extracted from the unaudited management accounts and preliminary results of the Group for such date:

	<u>£millions</u>
<i>Authorised share capital</i>	
1,134,206,498 Ordinary shares of 14p each	158.8
419,054,387 B shares of 114.5p each	479.8
3,500,000,000,000 Deferred shares of 0.0005p each	17.5
<i>Issued share capital</i>	
788,597,933 Ordinary shares of 14p each	110.4
nil B shares of 114.5p each	-
nil Deferred shares of 0.0005p each	-
<i>Borrowings</i>	
\$500m 8% Guaranteed Notes due 2009	353.2
Bank borrowings	848.2
Finance Leases	3.0
Gross Borrowings	<u>1,204.4</u>

*Notes:*

1. No ordinary shares of the Issuer have been issued since 28 February, 2002.
2. With the exception of the finance leases, all of the Group's borrowings are unsecured. None of the Group's indebtedness is guaranteed by a non-Group third party.
3. The material contingent liabilities of the Group are described on pages 25 and 26 of this Offering Circular. Since 28 February, 2002 there have been no material additional contingent liabilities of the Group.
4. Save as disclosed above and on pages 25 and 26 of this Offering Circular, at 28 February, 2002 there were no material outstanding commitments, contingent liabilities or guarantees, capitalisation and indebtedness, including loan capital issued or created but unissued, term loans, bank overdrafts and liabilities under acceptances or acceptance credits or any mortgages, charges, hire purchase commitments or guarantees of the Group, and there have been no material changes since that date.

## FINANCIAL INFORMATION

The financial information set out below has been extracted without material adjustment from the Issuer's audited consolidated annual accounts for the year ended 31 March, 2001 and from the Issuer's half yearly unaudited accounts for the period ended 30 September, 2001.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT (£m)

	Year to 31 March 2001	Year to 31 March 2000	Six months to 30 Sept 2001 (unaudited)	Six months to 30 Sept 2000 (unaudited)
Turnover:				
Total (including joint venture)	3,335.3	2,965.0	1,357.2	1,417.5
Less: joint venture turnover	(662.6)	(578.5)	(290.2)	(273.4)
Group turnover	2,672.7	2,386.5	1,067.0	1,144.1
Cost of sales <sup>(2)</sup>	(1,739.2)	(1,549.8)	n/a	n/a
Gross profit	933.5	836.7	n/a	n/a
Distribution costs	(136.9)	(124.7)	n/a	n/a
Administration expenses <sup>(3)</sup>	(608.5)	(532.0)	n/a	n/a
Other operating income, net	49.4	72.0	n/a	n/a
Group operating profit	237.5	252.0	1.7	42.1
Share of operating (losses)/profit in joint venture	34.4	27.7	(6.5)	1.3
Share of operating (losses)/profits in associated undertakings	(5.5)	0.8	(8.8)	(2.5)
Total operating profit/(loss)	266.4	280.5	(13.6)	40.9
Non-operating exceptional items	-	42.5	-	-
Profit/(loss) before finance charges	266.4	323.0	(13.6)	40.9
Finance charges:				
Group (including associated undertakings)	(74.3)	(50.3)	(31.4)	(35.2)
Joint venture	(29.3)	(23.4)	(11.6)	(15.4)
Total finance charges	(103.6)	(73.7)	(43.0)	(50.6)
Profit/(loss) on ordinary activities before taxation	162.8	249.3	(56.6)	(9.7)
Taxation on (loss)/profit on ordinary activities	(65.8)	(73.0)	4.5	(17.8)
Profit/(loss) on ordinary activities after taxation	97.0	176.3	(52.1)	(27.5)
Minority interests (equity)	(15.0)	(17.9)	(2.3)	(3.8)
Profit/(loss) attributable to members of Holding Company	82.0	158.4	(54.4)	(31.3)
Dividends (equity)	(125.2)	(125.1)	(32.8)	(32.8)
Transfer (from) to profit and loss reserve	(43.2)	33.3	(87.2)	(64.1)

#### Notes:

- EMI has a 42.65% equity investment in HMV Group plc.
- The £42.6 million exceptional items and amortisation included in cost of sales for the year to 31 March, 2001 consist mainly of music copyright amortisation.
- The £52.4 million exceptional items and amortisation included in administration expenses for the year to 31 March, 2001 consist mainly of advisory fees arising from the proposed (but not completed) merger with Warner Music Group, and goodwill amortisation.

GROUP BALANCE SHEET (£m)

	31 March 2001	31 March 2000	30 Sept 2001 (unaudited)	30 Sept 2000 (unaudited)
Fixed assets				
Music copyrights	546.8	521.0	518.0	541.9
Goodwill	61.1	26.7	62.4	59.8
Tangible fixed assets	306.8	337.2	298.9	317.6
Investments: associated undertakings	26.0	18.0	20.8	17.8
Other fixed asset investments	22.6	20.0	21.9	22.2
Investments: own shares	14.4	18.4	14.0	20.2
	977.7	941.3	936.0	979.5
Current assets				
Stock	46.1	39.9	51.2	47.0
Debtors	984.3	915.2	956.0	1,037.9
Investments: liquid funds	0.7	1.3	0.9	2.0
Cash at bank and in hand and cash deposits	136.9	266.6	92.9	171.7
	1,168.0	1,223.0	1,101.0	1,258.6
Total assets	2,145.7	2,164.3	2,037.0	2,238.1
Creditors: amounts falling due within one year				
Borrowings	662.9	808.2	927.9	838.5
Other creditors	1,334.1	1,202.0	1,152.3	1,197.6
	1,997.0	2,010.2	2,080.2	2,036.1
Creditors: amounts falling due after more than one year				
Borrowings	467.5	380.9	362.1	467.0
Other creditors	28.9	37.6	27.2	71.4
	496.4	418.5	389.3	538.4
Provisions for liabilities and charges				
Deferred taxation	27.6	27.8	27.5	27.5
Other provisions	116.7	130.2	97.1	119.3
Investments: joint venture (HMV Group plc)	168.3	169.0	182.1	186.3
	312.6	327.0	306.7	333.1
Capital and reserves				
Called-up share capital	110.4	110.4	110.4	110.4
Share premium account	445.6	444.6	445.8	445.5
Capital redemption reserve	495.8	495.8	495.8	495.8
Other reserves	256.0	256.0	256.0	256.0
Profit and loss reserve (including goodwill previously written-off)	(2,096.2)	(2,034.4)	(2,175.5)	(2,108.3)
Equity shareholders' funds	(788.4)	(727.6)	(867.5)	(800.6)
Minority interests (equity)	128.1	136.2	128.3	131.1
	2,145.7	2,164.3	2,037.0	2,238.1

CONSOLIDATED CASH FLOW (£m)

	Year to 31 March 2001	Year to 31 March 2000	Six months to 30 Sept 2001 (unaudited)	Six months to 30 Sept 2000 (unaudited)
<b>Group operating profit</b>	237.5	252.0	1.7	42.1
Depreciation charge	57.0	57.8	25.9	28.3
Amortisation charge:				
Music copyrights	42.6	33.5	21.4	20.6
Goodwill	9.5	1.1	4.9	5.3
Fixed asset write back	–	(3.5)	–	–
Amounts provided	14.1	19.2	3.8	4.0
Provisions utilised:				
Disposals and fundamental reorganisations	(7.4)	(1.5)	–	(5.0)
Other	(23.6)	(24.5)	(12.0)	(11.1)
(Increase) decrease in working capital				
Stock	(4.6)	5.1	(5.7)	(6.1)
Debtors	(104.6)	(75.0)	(6.1)	(161.9)
Creditors	94.3	(17.7)	(148.4)	1.9
	77.3	(5.5)	(116.2)	(124.0)
<b>Net cash inflow/(outflow) from operating activities</b>	314.8	246.5	(114.5)	(81.9)
Dividends received from associated undertakings	0.3	0.4	0.4	–
<b>Returns on investments and servicing of finance</b>				
Net Interest (paid)/received	(75.6)	(47.4)	(30.8)	(36.4)
Dividends paid to minorities	(25.2)	(10.0)	(1.1)	(15.1)
	(100.8)	(57.4)	(31.9)	(51.5)
<b>Tax paid</b>	(48.5)	(100.5)	(26.3)	(27.2)
<b>Capital expenditure and financial investment</b>				
Purchase of music copyrights	(6.4)	(15.7)	(8.2)	(2.3)
Purchase of tangible fixed assets	(42.8)	(37.8)	(20.6)	(17.3)
Sale of tangible fixed assets	17.8	3.0	0.5	17.1
Purchase of investments: own shares	(1.2)	(0.2)	(0.4)	(1.2)
Purchase of other fixed asset investments	(1.2)	(1.7)	–	(1.3)
Sale of other fixed asset investments	0.4	81.0	–	0.2
	(33.4)	28.6	(28.7)	(4.8)
<b>Acquisitions and disposals</b>				
Purchase of associated undertakings	(0.8)	(9.6)	(0.2)	(0.1)
Loans made to associated undertakings	(11.2)	(4.2)	(4.5)	(1.9)
Disposal of associated undertakings	–	1.0	–	–
Purchase of businesses net of cash acquired	(10.8)	(149.1)	(18.8)	(5.6)
Deferred consideration paid	(3.9)	(4.6)	–	–
Disposal of businesses	–	(3.7)	–	–
	(26.7)	(170.2)	(18.5)	(7.6)
<b>Equity dividends paid</b>	(125.2)	(158.1)	–	–
<b>Net cash outflow before management of liquid resources and financing</b>	(19.5)	(210.7)	(219.5)	(173.0)
Issue of Ordinary Share capital	1.0	3.6	0.2	0.9
Management of liquid resources	38.9	(24.7)	5.3	40.4
<b>Financing:</b>				
New loans	240.1	834.0	280.5	330.0
Loans repaid	(312.5)	(516.3)	(154.8)	(260.5)
Capital element of finance leases repaid	(1.2)	(0.5)	–	–
<b>Net cash (outflow) inflow from management of liquid resources and financing</b>	(33.7)	296.1	131.2	110.8
<b>(Decrease) increase in cash</b>	(53.2)	85.4	(88.3)	(62.2)



## TAXATION

*The comments below are of a general nature based on the Issuer's understanding of current United Kingdom ("UK") law and practice and do not purport to be a complete analysis of all tax considerations relating to the Bonds. They relate only to the position of persons who are the absolute beneficial owners of their Bonds and Coupons and may not apply to certain classes of persons (such as dealers or persons connected with the Issuer). Prospective Bondholders who may be subject to tax in a jurisdiction other than the UK or who are in doubt as to their personal tax position should consult their own professional advisers.*

### **Withholding tax on interest payments**

The Bonds will constitute "quoted Eurobonds" within the meaning of section 349 of the Income and Corporation Taxes Act 1988 (the "Act"), so long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Act. In the case of Bonds to be traded on the London Stock Exchange (which is a recognised stock exchange) this condition will be satisfied if the Bonds are admitted to listing in the Official List of the UK Listing Authority and to trading on the London Stock Exchange. Provided therefore that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of UK tax.

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

In all other cases, an amount must be withheld from payments of interest on the Bonds on account of UK income tax at a lower rate (currently 20%), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty and to any entitlement to pay gross to Bondholders within the charge to corporation tax.

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

Depending on the correct legal analysis of payments made by the Guarantor as a matter of UK tax law, it is possible that payments by the Guarantor would be subject to withholding on account of UK tax, subject to any claim which could be made under applicable double tax treaties.

### **Proposed EU Savings Directive**

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be 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 on behalf of an individual resident in that other Member State, subject to the right of certain individual Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment and/or clarification. The attention of the Bondholders is drawn to Condition 7 of the Conditions of the Bonds.

### **Further UK Income Tax issues for Non-UK resident Bondholders**

Interest on the Bonds constitutes UK-source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, interest with a UK source

received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the UK unless that Bondholder carries on a trade, profession or vocation in the UK through a UK branch or agency in connection with which the interest is received or to which the Bonds are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

#### **Tax on disposal or redemption of Bonds**

##### **(a) UK Corporate Tax payers**

The holding of a Bond will constitute a "loan relationship" within the meaning of the Finance Act 1996. Accordingly, for Bondholders within the charge to UK corporation tax, generally all relevant profits, interest income and gains and losses arising to them in respect of the Bonds will be brought into account in computing their taxable income for corporation tax purposes. Such profits, income, gains and losses will generally be computed in a manner which reflects the treatment in the holder's statutory accounts, if it is an authorised method of accounting for tax purposes.

##### **(b) Other UK tax payers**

*Taxation of Chargeable Gains:* It is expected that the Bonds will be treated by the Inland Revenue as "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

*Accrued Income Scheme:* On a disposal of Bonds by a Bondholder, the Bondholder is deemed to receive an amount equal to the accrued interest since the last interest payment date, and may be chargeable to tax as income on such deemed amount under the rules of the Accrued Income Scheme as set out in Part XVII of the Act, if that Bondholder is resident or ordinarily resident in the UK or carries on a trade in the UK through a branch or agency to which the Bonds are attributable. For further information in this regard, Bondholders should seek their own professional advice.

*Relevant Discounted Securities:* The Bonds are not expected to be treated by the Inland Revenue as relevant discounted securities for the purposes of the Finance Act 1996. However, if the Bonds are treated as relevant discounted securities for the purposes of the Finance Act 1996, individual Bondholders who are within the scope of United Kingdom income tax will be liable to United Kingdom income tax on any gain made on the sale or other disposal (including redemption) of the Bonds and, where this is the case, the Accrued Income Scheme as described above will not apply.

#### **Stamp duty and stamp duty reserve tax**

No stamp duty or stamp duty reserve tax will be payable on the issue, transfer by delivery or redemption of the Bonds.

## SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement in relation to the Bonds dated 13 May, 2002 (the "Subscription Agreement"), Barclays Bank PLC, J.P. Morgan Securities Ltd., Salomon Brothers International Limited, BNP Paribas and The Royal Bank of Scotland plc (the "Managers") have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Bonds at the issue price of 99.294 per cent. of their principal amount. The Issuer will pay to the Managers a combined management, underwriting and selling commission of 0.45 per cent. of the principal amount of the Bonds. The Managers are entitled to terminate and to be released and discharged from their obligations under the Subscription Agreements in certain circumstances prior to the issue of the Bonds.

### United States of America

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

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

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, US persons.

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

### United Kingdom

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any Bonds to persons in the United Kingdom prior to admission of the Bonds to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "FSMA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or Capitol Records, Inc.

## Italy

The offering of the Bonds has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

- (i) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended; or
- (iii) to an Italian resident who submits an unsolicited offer to purchase the Bonds.

Any offer, sale or delivery of the Bonds or distribution of copies of the Offering Circular or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the "Banking Act"); and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics.

## The Netherlands

Each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Bonds other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments or large enterprises).

## General

Save for having obtained approval of this Offering Circular by the UK Listing Authority pursuant to listing rules made under Part VI of the FSMA and for having delivered copies thereof to the Registrar of Companies, no action has been or will be taken by the Issuer or the Managers that would permit a public offering of the Bonds or possession or distribution of this Offering Circular or other offering material relating to the Bonds in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This Offering Circular does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Neither the Issuer nor the Managers represents that the Bonds may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration or other requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

## GENERAL INFORMATION

- (1) The Bonds will be unconditionally and irrevocably guaranteed by Capitol Records, Inc. (the "Guarantor") by deed poll (the "Guarantee"). In this Offering Circular, no separate financial information is given in respect of the Guarantor, since it is consolidated within the Issuer's consolidated financial statements and within its capitalisation and indebtedness statement, and its accounts, if presented on a stand-alone basis, would not provide any significant additional information. The Guarantee is subject to applicable laws relating to fraudulent conveyance and fraudulent transfer or similar laws affecting the rights of creditors generally. Copies of the Guarantee are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the date of issue of the Bonds at Fifth Floor, 100 Wood Street, London EC2V 7EX).
- (2) The net proceeds of the issue, which are estimated to amount to approximately £247,110,000, will be used by the Issuer to repay existing bank debt advanced under the Issuer's £1,300,000,000 Multicurrency Revolving Credit and US Dollar Swingline Facility Agreement dated 18 March, 2002 arranged by Barclays Capital (the investment banking division of Barclays Bank PLC), BNP Paribas, J.P. Morgan plc, The Royal Bank of Scotland PLC and Salomon Brothers International Limited.
- (3) The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 014755926. The ISIN Code is XS0147559263.
- (4) It is expected that the application for the Bonds to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange will be granted on or about 15 May, 2002 (subject only to issue) and that such admission will become effective, and that trading in the Bonds on the London Stock Exchange will commence, on 20 May, 2002.
- (5) Ernst & Young, Registered Auditor, audited the Issuer's annual accounts and reported on them without qualification for each of the three financial years ended 31 March, 2001.
- (6) The financial information included herein does not constitute statutory accounts of the Issuer within the meaning of section 240 of the Companies Act 1985 (the "Companies Act"). Statutory consolidated accounts relating to each financial year to which such financial information relates have been delivered to the Register of Companies in England and Wales. The Issuer's auditors have made reports under Section 235 of the Companies Act on such statutory accounts. No qualification has been made with respect to any such report nor has any statement been made under Section 273(2) or (3) of the Companies Act.
- (7) The Trust Deed will provide that the Trustee may rely on certificates or reports from the Auditors or other experts in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other experts in connection therewith contains any monetary or other limit on the liability of the Auditors or such other party.
- (8) Save as disclosed in "Description of the Issuer – Latest trading results" and in the notes to "Capitalisation and Indebtedness" above, there has been no significant change in the financial or trading position of the Group, nor any material adverse change in the financial position or prospects of the Group, since 30 September, 2001.
- (9) Save as disclosed on pages 25 and 26 of this Offering Circular, there are no, nor have there been any, legal or arbitration proceedings involving the Group (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the period of 12 months prior to the date of this Offering Circular, a significant effect on the financial position of the Group.

(10) Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS for 14 days from the date of this Offering Circular:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the annual report and accounts of the Issuer for the two financial years ended 31 March, 2001;
- (c) the Subscription Agreement;
- (d) a draft of the Guarantee;
- (e) draft (subject to modification) of the Trust Deed which will constitute the Bonds; and
- (f) draft (subject to modification) of the Agency Agreement relating to the Bonds.

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