

Registered No. 4636301

**The Companies Act 1985 (as Amended)**  
**A PRIVATE COMPANY LIMITED BY SHARES**

**MEMORANDUM OF ASSOCIATION**

**of**

**Eagle 2 Limited**

1. The company's name is "TRUSHELFCO (NO. 2932) LIMITED".<sup>1</sup>
2. The company's registered office is to be situated in England and Wales.
3. The objects for which the company is established are:-
  - 3.1 To carry on business as a general commercial company and to carry on any trade or business whatsoever.
  - 3.2 To acquire any estate or interest in and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act as a holding company.
  - 3.3 To provide services of all descriptions.
  - 3.4 To lend money, and grant or provide credit and financial accommodation to any person and to deposit money with any person.
  - 3.5 To invest money of the company in any investments and to hold, sell or otherwise deal with investments or currencies or other financial assets.

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<sup>1</sup> The Company was incorporated on 14th January 2003 under the name "Trushelfco (No. 2932) Limited" and its name was subsequently changed to "Eagle 2 Limited" pursuant to a Special Resolution passed on 25th February 2003.

- 3.6 To enter into any arrangements with any government or authority or person and to obtain from any government or authority or person any legislation, orders, rights, privileges, franchises and concessions.
- 3.7 To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company or by the creation and issue of securities.
- 3.8 To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of and any premiums, interest, dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is at the relevant time a subsidiary or a holding company of the company or another subsidiary of a holding company of the company or otherwise associated with the company.
- 3.9 To amalgamate or enter into partnership or any profit-sharing arrangement with, or to co-operate or participate in any way with, or to take over or assume any obligation of, or to assist or subsidise any person.
- 3.10 To sell, exchange, mortgage, charge, let, grant licences, easements, options and other rights over, and in any other manner deal with, or dispose of, all or any part of the undertaking, property and assets (present and future) of the company for any or for no consideration and in particular (without prejudice to the generality of the foregoing) for any securities or for a share of profit or a royalty or other periodical or deferred payment.
- 3.11 To issue and allot securities of the company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the company or any services rendered to the company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose, and to give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any securities of the company or in or about the formation of the company or the conduct or course of its business.
- 3.12 To establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to act as director of and as secretary, manager, registrar or transfer agent for any other company and to act as trustee of any kind and to undertake and execute any trust and any trust business (including the



business of acting as trustee under wills and settlements and as executor and administrator).

- 3.13 To pay all the costs, charges and expenses preliminary or incidental to the promotion, formation, establishment and incorporation of the company, and to procure the registration or incorporation of the company in or under the laws of any place outside England.
- 3.14 To the extent permitted by law, to give financial assistance for the purpose of the acquisition of shares of the company or any company which is at the relevant time the company's holding company or subsidiary or another subsidiary of any such holding company or for the purpose of reducing or discharging a liability incurred for the purpose of such an acquisition.
- 3.15 To grant or procure the grant of donations, gratuities, pensions, annuities, allowances or other benefits, including benefits on death, to, or purchase and maintain any type of insurance for or for the benefit of, any directors, officers or employees or former directors, officers or employees of the company or any company which at any time is or was a subsidiary or a holding company of the company or another subsidiary of a holding company of the company or otherwise associated with the company or of any predecessor in business of any of them, and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the company or whom the board of directors of the company considers have any moral claim on the company or to their relations, connections or dependants, and to establish or support any funds, trusts, insurances or schemes or any associations, institutions, clubs or schools, or to do any other thing likely to benefit any such persons or otherwise to advance the interests of such persons or the company or its members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly, to further the interests of such persons or the company or its members or for any national, charitable, benevolent, educational, social, public, political, general or useful object.
- 3.16 To cease carrying on or to wind up any business or activity of the company, and to cancel any registration of and to wind up or procure the dissolution of the company in any state or territory.
- 3.17 To distribute any of the property of the company among its creditors and members or any class of either in cash, specie or kind.
- 3.18 To do all or any of the above things or matters in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.
- 3.19 To carry on any other activity and do anything of any nature which in the opinion of the board of directors of the company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value

of or render more profitable all or any part of the company's undertaking property or assets or otherwise to advance the interests of the company or of its members.

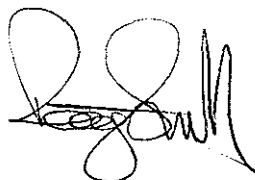
- 3.20 To do any other thing which in the opinion of the board of directors of the company is or may be incidental or conducive to the attainment of the above objects or any of them.
- 3.21 In this clause "company", except where used in reference to this company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "person" shall include any company as well as any other legal or natural person, "securities" shall include any fully, partly or nil paid or no par value share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "and" and "or" shall mean "and/or" where the context so permits, "other" and "otherwise" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this clause shall not, except where the context expressly requires, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the company or the nature of any trade or business carried on by the company, or by the fact that at any time the company is not carrying on any trade or business but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of those paragraphs defined the objects of a separate distinct and independent company.
4. The liability of the members is limited.
5. The company's share capital is £100, divided into 100 shares of £1 each, and the company shall have the power from time to time to divide the original or any increased capital into classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.

We, the subscribers to this memorandum of association, wish to be formed into a company pursuant to this memorandum, and we agree to take the number of shares shown opposite our respective names.

Names and addresses of subscribers	Number of shares taken by each subscriber
1. For and on behalf of TRUCIDATOR NOMINEES LIMITED, 2 Lambs Passage London EC1Y 8BB	One
L.J. STOKER  Authorised Signatory	
2. For and on behalf of TREXCO LIMITED, 2 Lambs Passage London EC1Y 8BB	One
E.J. ZUERCHER  Authorised Signatory	
Total shares taken	Two

Dated 19 December 2002

Witness to the above signatures:-



R.H. SMITH  
 2 Lambs Passage  
 London EC1Y 8BB

Registered No. 4636301

## ARTICLES OF ASSOCIATION

of

### EAGLE 2 LIMITED<sup>1</sup>

#### 1. Adoption of Table A

In these articles "Table A" means Table A scheduled to the Companies (Tables A to F) Regulations 1985 as amended prior to the date of incorporation of the company. The regulations contained in Table A shall, except where they are excluded or modified by these articles, apply to the company and, together with these articles, shall constitute the articles of the company. No other regulations set out in any statute concerning companies, or in any statutory instrument or other subordinate legislation made under any statute, shall apply as the regulations or articles of the company.

#### 2. Interpretation

Words and expressions which bear particular meanings in Table A shall bear the same meanings in these articles. In these articles, "address" in relation to electronic communications includes any number or address used for the purposes of such communications. References in these articles to writing include references to any method of representing or reproducing words in a legible and non-transitory form including by way of electronic communications where specifically provided in a particular article or where permitted by the directors in their absolute discretion. Headings are for convenience only and shall not affect construction. If, and for so long as, the company has only one member, these articles shall (in the absence of any express provision to the contrary) apply with such modification as may be necessary in relation to such a company.

#### 3. Rights Attached to Shares

Subject to the provisions of the Act and to any rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the directors may decide. Regulation 2 of Table A shall not apply.

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<sup>1</sup> The Company was incorporated on 14 January 2003 under the name "Trushelfco (No. 2932) Limited" and its name was subsequently changed to "Eagle 2 Limited" pursuant to a Special Resolution passed on 25 February 2003.

#### **4. Unissued Shares**

Subject to the provisions of the Act and to these articles, any unissued shares of the company (whether forming part of the original or any increased capital) shall be at the disposal of the directors who may offer, allot, grant options over or otherwise dispose of them to such persons at such times and for such consideration and upon such terms and conditions as they may determine.

#### **5. Initial Authority to Issue Relevant Securities**

Subject to any direction to the contrary which may be given by the company in general meeting, the directors are unconditionally authorised to exercise all powers of the company to allot relevant securities. The maximum nominal amount of relevant securities that may be allotted under this authority shall be the nominal amount of the unissued share capital at the date of incorporation of the company or such other amount as may from time to time be authorised by the company in general meeting. The authority conferred on the directors by this article shall remain in force for a period of five years from the date of incorporation of the company but may be revoked varied or renewed from time to time by the company in general meeting in accordance with the Act.

#### **6. Exclusion of Rights to Offers on a Pre-emptive Basis**

Section 89(1) of the Act shall not apply to the allotment by the company of any equity security.

#### **7. Transfer and Transmission of Shares**

The instrument of transfer of a subscriber's share which is not fully paid need not be executed by or on behalf of the transferee. Regulation 23 of Table A shall be modified accordingly.

7.1 The directors may, in their absolute discretion and without giving any reason for so doing, decline to register any transfer of any share, whether or not it is a fully paid share. Regulation 24 of Table A shall be modified accordingly.

7.2 A person who becomes entitled to a share by reason of any event (other than death or bankruptcy) giving rise to its transmission by operation of law shall have the same rights of election and other rights as a person entitled by transmission to a share as a consequence of death or bankruptcy. Regulations 30 and 31 of Table A shall be modified accordingly.

#### **8. Notice of General Meetings**

Notice of every general meeting shall be given to all members other than any who, under the provisions of these articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the company, and also to the auditors or, if

more than one, each of them. The last sentence of regulation 38 of Table A shall not apply.

#### **9. Proceedings at General Meetings**

For all purposes of these articles apart from when the company has only one member, a general meeting of the company or of the holders of any class of its shares shall be valid and effective for all purposes if one person being a duly authorised representative of two or more corporations each of which is a member entitled to vote upon the business to be transacted is present. If, and for so long as, the company has only one member, that member or the proxy for that member or, where that member is a corporation, its duly authorised representative shall be a quorum at any general meeting of the company or of the holders of any class of shares. Regulation 40 of Table A shall be modified accordingly.

#### **10. Votes of Members**

At a general meeting, but subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and every proxy for any member (regardless of the number or the holdings of the members for whom he is a proxy) shall have one vote, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. Regulation 54 of Table A shall not apply.

#### **11. Members May Vote When Money Payable by Them**

Regulation 57 of Table A shall not apply.

#### **12. Receipt of Proxies**

The appointment of a proxy must:

- (i) in the case of an appointment which is not contained in an electronic communication, be received at the office (or at such other place or by such person as may be specified or agreed by the directors) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote together with (if required by the directors) any authority under which it is made or a copy of the authority, certified notarially or in some other manner approved by the directors;
- (ii) in the case of an appointment contained in an electronic communication, where an address has been specified or agreed by the directors for the purpose of receiving electronic communications, be received at such address before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. Any authority pursuant to which an appointment contained in an electronic communication is made or a



copy of the authority, certified notarially or in some other manner approved by the directors, must, if required by the directors, be received at the office (or at such other place or by such person as may be specified or agreed by the directors) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote; or

- (iii) in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, be received as aforesaid before the time appointed for the taking of the poll,

and an appointment of a proxy which is not received in a manner so permitted shall be invalid.

Regulation 62 of Table A shall not apply.

### **13. Alternate Directors**

Any director (other than an alternate director) may appoint any other director, or any other person who is willing to act, to be an alternate director and may remove from office an alternate director so appointed by him. Regulation 65 of Table A shall not apply.

### **14. Power to Provide for Employees**

The directors may by resolution exercise any power conferred by the Act to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

### **15. Power to Receive Uncalled Moneys**

The directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and remaining unpaid on any shares held by him.

### **16. Delegation of Directors' Powers**

The directors may delegate any of their powers (with power to sub-delegate) to committees consisting of such person or persons (whether directors or not) as they think fit. Regulation 72 of Table A shall be modified accordingly and references in Table A to a committee of directors or to a director as a member of such a committee shall include a committee established under this article or such person or persons.

### **17. Appointment and Removal of Directors by Majority Shareholders**

Any member holding, or any members holding in aggregate, a majority in nominal value of such of the issued share capital of the company at the relevant time as carries the

right of attending and voting at general meetings of the company may by memorandum in writing signed by or on behalf of him or them and delivered to the office or tendered at a meeting of the directors or at a general meeting of the company at any time and from time to time appoint any person to be a director (either to fill a vacancy or as an additional director) or remove any director from office (no matter how he was appointed). In this article references to in writing include the use of electronic communications.

**18. Appointment of Directors by Board**

Without prejudice to the powers conferred by any other article, any person may be appointed a director by the directors, either to fill a vacancy or as an additional director.

**19. No Age Limit or Share Qualification**

No director shall be required to retire or vacate his office, and no person shall be ineligible for appointment as a director, by reason of his having attained any particular age. No shareholding qualification for directors shall be required.

**20. Exclusion of Rotation Requirements and Other Provisions**

Regulations 73 to 80 (inclusive) and the last sentence of regulation 84 of Table A shall not apply.

**21. Disqualification and Removal of Directors**

The office of a director shall be vacated not only upon the happening of any of the events mentioned in regulation 81 of Table A but also if he is removed from office pursuant to these articles. Regulation 81 of Table A shall be modified accordingly.

**22. Directors' Gratuities and Pensions**

The directors may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, connections or dependants of any director or former director who holds or has held any executive office or employment with the company or with any body corporate which is or has been a subsidiary of the company or with a predecessor in business of the company or of any such body corporate and may contribute to any fund and pay premiums for the purchase or provision of any such benefit. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company. Regulation 87 of Table A shall not apply.

**23. Notice of Board Meetings**

Notice of a meeting of the directors shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose, or by any other means authorised in writing by the director concerned. Notice shall be given in this manner to all directors including any director who is absent from the United Kingdom at the relevant time. A director may waive notice of any meeting either prospectively or retrospectively. In this article references to in writing include the use of electronic communications subject to such terms and conditions as the directors may decide. Regulation 88 of Table A shall be modified accordingly.

**24. Participation in Board Meetings by Telephone**

All or any of the members of the board may participate in a meeting of the board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

**25. Resolution in Writing**

A resolution in writing signed by all the directors who are at the relevant time entitled to receive notice of a meeting of the board (if that number is sufficient to constitute a quorum) shall be as valid and effectual as a resolution passed at a meeting of the board properly called and constituted. The resolution may be contained in one document or in several documents in like form each signed by one or more of the directors concerned. A resolution signed by an alternate director need not also be signed by his appointor and, if it is signed by a director who has appointed an alternate director, it need not be signed by the alternate director in that capacity. In this article references to in writing include the use of electronic communications subject to such terms and conditions as the directors may decide. Regulation 93 of Table A shall not apply.

**26. Directors May Vote When Interested**

A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company shall declare the nature of his interest at a meeting of the directors in accordance with the Act. Subject where applicable to such disclosure, a director shall be entitled to vote in respect of any contract or proposed contract in which he is interested and if he shall do so his vote shall be counted and he shall be taken into account in ascertaining whether a quorum is present. A reference in this article to a contract includes any transaction or arrangement (whether or not constituting a contract). Regulations 94 and 95 of Table A shall not apply.

**27. Official Seal**

The company may exercise all the powers conferred by the Act with regard to having any official seal and such powers shall be vested in the directors. Subject to the provisions of the Act, any instrument to which an official seal is affixed shall be signed by such persons, if any, as the directors may from time to time determine.

**28. Notices**

Any notice or other document may be served on or sent or delivered to any member by the company either personally, or by sending it by post addressed to the member at his registered address, or by leaving it at that address addressed to the member, or, where appropriate, by using electronic communications to an address notified by the member concerned to the company for that purpose, or by publication on a web site in accordance with the Act, or by any other means authorised in writing by the member concerned. In the case of joint holders of a share service, sending or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or sending or delivery to all the joint holders. Regulation 112 of Table A shall not apply.

**29. Time of Service**

Any notice or other document, if sent by the company by post, shall be deemed to have been served or delivered twenty four hours after posting and, in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post. Any notice or other document left by the company at a registered address otherwise than by post, or sent by electronic communications shall be deemed to have been served or delivered when it was so left or sent. Regulation 115 of Table A shall not apply.

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NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS

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For and on behalf of  
TRUCIDATOR NOMINEES LIMITED,  
2 Lambs Passage  
London EC1Y 8BB

E J Zuercher



Authorised Signatory

For and on behalf of  
TREXCO LIMITED,  
2 Lambs Passage  
London EC1Y 8BB

L J Stoker



Authorised Signatory

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DATED the 1<sup>st</sup> day of December 2002

WITNESS to the above signatures:-



R H SMITH  
2 Lambs Passage  
London EC1Y 8BB

## SUMMARY

### STRUCTURE

The Company is established as a designated closed-ended investment company, with variable capital, incorporated with limited liability under the laws of Ireland.

### INVESTMENT OBJECTIVE OF THE COMPANY

The investment objective of the Company is to achieve medium term capital growth with capital protection over an investment period of 5½ years and subject to equity market performance to provide Shareholders with 100% of the positive performance of the FTSE 100 Index (the **Index**), subject to an overall maximum return to investors of an amount equal to 155% of their capital investment in the Company.

### INVESTMENT POLICY OF THE COMPANY

By entering into option transactions and by investing in **Sterling Instruments** comprising Sterling denominated coupon bearing and or non coupon bearing medium term notes (which may be equity linked), commercial paper and certificates of deposit, the Company will endeavour to ensure that, following the expiration of the investment period of 5½ years (the **Investment Period**), Shareholders can expect to receive a return (the **Capital Protection Amount**) equal to 100% of their capital investment in the Company, together with an equity return (the **Equity Index Amount**) representing 100% of any positive performance of the Index, calculated over the Investment Period in accordance with the formula set out in Appendix I, subject to an overall maximum return to Shareholders of an amount equal to 155% of their capital investment in the Company.

The determination of the **Initial Index Level** of the Index will be based on the arithmetic average of the levels of the Index at close of business on the Exchange (the **Valuation Time**) on 30 day of each month which is an **Exchange Business Day** or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2003 to 30 October 2003 inclusive.

The determination of the **Final Index Level** of the Index will be based on the arithmetic average of the levels of the Index at close of business at the Valuation Time on 30 day of each month which is an Exchange Business Day or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2008 to 30 October 2008 inclusive.

The determination of the Initial Index Level and the Final Index Level will be adjusted to take account of any **Market Disruption Event** or any adjustment of the Index in accordance with the procedures set out in Appendix I.

The capital raised pursuant to the **Offer** will be applied in accordance with the investment policy of the Company.

### TAXATION

For so long as no Irish Person holds Shares in the Company the Company will not be liable to Irish tax on any income and capital gains arising and distributions by the Company will not be liable to any Irish withholding tax. Shareholders who are not Irish Persons will not have a liability to Irish tax on any income or capital gains arising and should have no liability to Irish tax on gifts or inheritances of Shares. No Irish taxes are payable on subscription, transfer, or repurchase of Shares by or from Shareholders who are not Irish Persons. Further details are contained in the section entitled **Taxation** on pages 32 to 35 below. United Kingdom taxation is also discussed in this section.

## **LISTING**

Application has been made to have the Shares admitted to the Official List of the Irish Stock Exchange.

## **SUBSCRIPTION**

Commencing at 10.00 am on 17 March 2003 the Shares will be offered to investors at the **Subscription Price** of £1 per Share. The Offer is conditional, inter alia, on the Company receiving valid applications for Shares amounting to £5 million by 12.00 noon on 25 April 2003 or such earlier or later date as the Directors may agree and notify to the Central Bank. This Offer is limited to between 50 to 75 million Shares. The directors however have a discretion to increase the number of Shares issued pursuant to the Offer. An announcement in relation to the number of Shares issued will be made immediately following the closing of the Offer Period.

No further Shares will be issued following the expiration of the Offer Period. In addition, no preliminary charge will be levied on the issue of Shares.

## **INVESTOR RESTRICTIONS**

No Shares may be purchased or held by **Irish Persons** or US Persons (unless permitted under certain exceptions under the laws of the United States).

## **INDIVIDUAL SAVINGS ACCOUNTS**

The Shares (being shares of a company listed on a recognised stock exchange) are qualifying investments for the stocks and shares component of an Individual Savings Account (ISA) and the Directors will use their best endeavours to manage the affairs of the Company so as to enable this status to be maintained. Under the UK Inland Revenue Regulations for ISAs (which may be subject to change from time to time), for a qualifying individual, the whole of the annual subscription limit of £7,000 for a maxi-account or the whole of the annual subscription limit of £3,000 for a mini-account can be invested in the Shares for the UK tax years 2002/2003 and 2003/2004. The attraction of an ISA is that the returns from Shares held within it are free of UK income tax and UK capital gains tax, so long as the individual satisfies the requirements of the UK Inland Revenue Regulations for ISAs. Further details are contained on page 21.

## **PERSONAL EQUITY PLANS**

The Shares (being shares of a company listed on a recognised stock exchange) are **qualifying investments** for the purposes of UK Personal Equity Plans (**PEPs**). New PEPs can no longer be opened, but all PEPs that are held will continue to enjoy the same tax advantages as ISAs (including exemption from tax on income and capital gains arising from investments held in the account) and the value of any PEP holdings will not affect the amount that may be subscribed to an ISA.

## **INVESTMENT RISKS**

A description of certain Investment Risks relevant to investors in the Shares is set out on pages 26 to 28.

## **DISTRIBUTION POLICY**

No income or capital gains will be distributed by way of dividend. All such income and capital gains will be accumulated and reinvested in accordance with the investment policy of the Company.

**EARLY ENCASHMENT**

A Shareholder may sell their shareholding on the open market or through the Company's Market Maker at any time during the 5½ year investment period. However, the market value of such Shares will depend on market conditions at the time.

The Directors do not anticipate that a liquid market will develop in the Shares. See Investment Risks - Liquidity and Terms of the Offer – Market for Shares.

**FEES AND EXPENSES**

The Company will incur and pay establishment costs and professional fees. The Company will also incur and pay investment management, administration and custodial fees and other expenses, details of which are contained on pages 28 and 29.



## DEFINITIONS

In this Prospectus the following words and phrases shall have the meanings indicated below:

<b>A</b>	high grade securities possessing a strong degree of safety in relation to the timely payment of obligations as classified by Standard & Poor's Credit Rating Agency;
<b>A2</b>	securities having a senior ability for repayment of senior long term debt obligations as classified by Moody's Credit Rating Agency;
<b>Account Manager</b>	an Account Manager of an ISA within the meaning of the Individual Savings Account Regulations, 1998;
<b>Act</b>	Part XIII of the Companies Act, 1990 as the same may be amended, supplemented or re-enacted from time to time including, without limitation, any regulations made thereunder by the Minister for Enterprise and Employment and any conditions that may, from time to time, be imposed thereunder by the Central Bank whether by notice or otherwise.
<b>Administration Agreement</b>	the agreement dated 4 March 2003 between the Company and the Administrator, as amended, supplemented or otherwise modified from time to time in accordance with the Central Bank Notices;
<b>Administrator</b>	HSBC Fund Administration (Ireland) Limited or such other person or persons from time to time appointed by the Company as administrator of the Company in accordance with the Central Bank Notices;
<b>Approved Financial Institution</b>	<p>a financial institution, selected by the Investment Manager, that has a rating of at least A or A2, (at the time of credit selection by the Company) as determined by Standard &amp; Poor's and/or Moody's Investor Services Inc., and that is one of the following:-</p> <ul style="list-style-type: none"><li>(a) an EU Credit institution;</li><li>(b) a bank authorised in a member state of the European Economic Area (Norway, Iceland and Liechtenstein); and</li><li>(c) a bank authorised by a signatory state (other than an EU Member State or a member state of the European Economic Area); to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan and the US);</li></ul>
<b>Articles of Association</b>	the articles of association of the Company;
<b>Business Day</b>	a day (excluding Saturday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;
<b>Calculation Agent</b>	the Counterparty;

<b>Capital Protection Amount</b>	an amount which will be equal to 100% of a Shareholder's capital investment in the Company.
<b>Central Bank</b>	the Central Bank of Ireland and includes any successor regulatory authority of mutual funds;
<b>Central Bank Notices</b>	the notices and guidance notes issued by the Central Bank from time to time;
<b>Collateral</b>	the collateral provided by the Counterparty in the form set out in Appendix II and which will be held in the name of the Custodian on behalf of the Company;
<b>Companies Acts</b>	the Companies Acts, 1963 to 2001;
<b>Company</b>	Legal & General UK Growth II plc, a closed-ended investment company with variable capital, incorporated in Ireland pursuant to the Companies Acts;
<b>Counterparty</b>	the Counterparty or Counterparties to the Option Transaction selected in accordance with the criteria set out in Appendix III;
<b>Custodian</b>	HSBC Global Investor Services (Ireland) Limited or such other person from time to time appointed by the Company as custodian of the Company with the prior approval of the Central Bank;
<b>Custodian Agreement</b>	the agreement dated 4 March 2003 between the Company and the Custodian as amended, supplemented or otherwise modified from time to time in accordance with the Central Bank Notices;
<b>Directors</b>	the directors of the Company for the time being and any duly constituted committee thereof;
<b>Equity Index Amount</b>	the amount equal to 100% of the positive performance of the Index determined in accordance with the formula set out in Appendix I and subject to an overall return of 155% of a Shareholder's capital investment in the Company;
<b>EU</b>	the European Union;
<b>EU Member State</b>	a member state of the EU;
<b>Euro or €</b>	the European currency unit, a lawful currency of Ireland;
<b>Exchange</b>	The London Stock Exchange Limited and includes any successor exchange;
<b>Exchange Business Day</b>	any day that is (or, but for the occurrence or existence of a Market Disruption Event, would have been) a trading day on the Exchange and Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

<b>Final Index Level or FIL</b>	the arithmetic average of the levels of the Index at the Valuation Time on 30 day of each month which is an Exchange Business Day or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2008 to 30 October 2008 inclusive, subject to the adjustment on the occurrence of a Market Disruption Event or any adjustment of the Index in accordance with the procedures set out in Appendix I;
<b>Final Valuation Date</b>	30 October 2008 or if such date is not an Exchange Business Day, the next following Exchange Business Day. The Final Valuation Date shall be subject to adjustment upon the occurrence of a Market Disruption Event in accordance with the procedures set out in Appendix I;
<b>Foreign Person</b>	a person who is neither resident nor ordinarily resident in Ireland for tax purposes who has provided the Company with the appropriate declaration under schedule 2B of the TCA and the Company is not in possession of any information that would reasonably suggest that the declaration is incorrect or has at any time been incorrect;
<b>FSA</b>	the Financial Services Authority including any successor authority thereto;
<b>FTSE International</b>	means FTSE International Limited, a UK incorporated company, which calculates and announces the FTSE 100, and which is owned jointly by the London Stock Exchange and the Financial Times;
<b>FTSE 100</b>	means the Financial Times Stock Exchange 100 Share Index, as calculated and announced by FTSE International and includes any successor index to the FTSE 100;
<b>GBP-LIBOR-BBA</b>	the three months London Inter Bank Offered Rate for deposits of Sterling appearing on the Telerate Page 3750 as at 11.00 am London time two Business Days prior to the applicable quarterly period and calculated on an actual 365 day basis;
<b>Gross Proceeds of the Offer</b>	the total of all subscription monies accepted by the Company;
<b>Index</b>	the FTSE 100 Index and includes any successor index;
<b>Index Sponsor</b>	FTSE International Limited or any successor sponsor;
<b>Initial Index Level or IIL</b>	the arithmetic average of the levels of the Index at the Valuation Time on 30 day of each month which is an Exchange Business Day or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2003 to 30 October 2003 inclusive;
<b>Initial Valuation Date</b>	30 April 2003 or, if such date is not an Exchange Business Day, the next following Exchange Business Day. The Initial Valuation Date should be subject to adjustment upon the occurrence of a Market Disruption Event in accordance with the procedures set out in Appendix I;

<b>Intermediary</b>	<p>a person who</p> <ul style="list-style-type: none"> <li>(a) carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons, or</li> <li>(b) holds units in an investment undertaking on behalf of other persons.</li> </ul>
<b>Investment Date</b>	the Initial Valuation date or any Exchange Business Day, as selected by the Directors, occurring on or before Friday in the week immediately following the expiration of the Offer Period;
<b>Investment Management Agreement</b>	the agreement dated 4 March 2003 between the Company and the Investment Manager as amended, supplemented or otherwise modified from time to time in accordance with the Central Bank Notices;
<b>Investment Manager</b>	Legal & General Investment Management Limited or such other person or persons from time to time appointed by the Company as Investment Manager of the Company in accordance with the requirements of the Central Bank Notices;
<b>Investment Period</b>	subject to the Investment Risks set out on pages 26 to 28, the period of approximately 5½ years from and including the Investment Date up to and including the Termination Date;
<b>Investor Return</b>	an amount equal to the sum of the Capital Protection Amount and the Equity Index Amount appropriate to a Shareholder's capital investment in the Company;
<b>Irish Paying Agent</b>	HSBC Fund Administration (Ireland) Limited or such other person from time to time appointed as Irish paying agent;
<b>Irish Person</b>	<p>any person, other than</p> <ul style="list-style-type: none"> <li>(a) a Foreign Person;</li> <li>(b) an intermediary (including a nominee) for a Foreign Person ;</li> <li>(c) the Administrator for so long as the Administrator is a qualifying management company within the meaning of section 734 of the TCA;</li> <li>(d) a specified company within the meaning of section 734 of the TCA;</li> <li>(e) an investment undertaking within the meaning of section 739(B) of the TCA;</li> <li>(f) an exempt approved scheme or a retirement annuity contract or trust scheme within the provisions of sections 774, 784 or section 785 of the TCA;</li> <li>(g) a company carrying on life business within the meaning of section 706 of the TCA;</li> </ul>

- (h) a special investment scheme within the meaning of section 737 of the TCA;
- (i) a unit trust to which section 731(5)(a) of the TCA applies;
- (j) a charity entitled to an exemption from income tax under section 207(1)(b) of the TCA;
- (k) a person entitled to exemption from income, tax and capital gains tax under section 784A(2) or section 7871 of the TCA and the units held are assets of an approved retirement fund, an approved minimum retirement fund or a special savings incentive account or a Personal Savings Retirement Account (as defined in section 787A of the TCA);
- (l) any other person as may be approved by the directors from time to time providing the holding of Shares by such person does not result in a potential liability to tax arising to the Company in respect of that Shareholder under section 739 of the TCA;

in respect of each of which the appropriate declaration set out in schedule 2B of the TCA evidencing such status is in the possession of the Company.

#### **Irish Ordinary Residence**

- (a) In the case of an individual, means an individual who is ordinarily resident in Ireland for tax purposes.
- (b) In the case of a trust, means a trust that is ordinarily resident in Ireland for tax purposes.

The term ordinary residence as distinct from residence, relates to a person's normal pattern of life and denotes residence in a place with some degree of continuity.

An individual who has been resident in Ireland for three consecutive years becomes ordinarily resident with effect from the commencement of the fourth tax year. An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive year in which s/he is not resident. Thus, an individual who is resident and ordinarily resident in Ireland in 1999/2000 and departs from Ireland in that year will remain ordinarily resident up to the end of the tax year 2002/2003.

The concept of a trust's ordinary resident is somewhat obscure and is linked to its tax residence.

#### **Irish Residence**

- (a) in the case of an individual, means an individual who is resident in Ireland for tax purposes.
- (b) in the case of a trust, means a trust that is resident in Ireland for tax purposes.

- (c) in the case of a company, means a company that is resident in Ireland for tax purposes.

An individual will be regarded as being resident in Ireland for a tax year if s/he:

- (i) spends 183 days or more in Ireland in that tax year;

or

- (ii) has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that tax year together with the number of days spent in Ireland in the preceding year.

Presence in a tax year by an individual of not more than 30 days in Ireland will not be reckoned for the purposes of applying the two year test. Presence in Ireland for a day means the personal presence of an individual at the end of the day (midnight).

A trust will generally be Irish resident where all of the trustees are resident in Ireland.

A company which has its central management and control in Ireland is resident in Ireland irrespective of where it is incorporated. A company which does not have its central management and control in Ireland but which is incorporated in Ireland is resident in Ireland except where:-

- (a) The company or a related company carries on a trade in Ireland, and either the company is ultimately controlled by persons resident in EU Member States or, in countries with which Ireland has a double taxation treaty, or the company or a related company are quoted companies on a recognised Stock Exchange in the EU or in a taxation treaty country.

or

- (b) The company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country.

It should be noted that the determination of a company's residence for tax purposes can be complex in certain cases and declarants are referred to the specific legislative provisions which are contained in section 23A of the TCA

<b>Irish Stock Exchange</b>	The Irish Stock Exchange Limited and any successor thereto;
<b>ISA</b>	an Individual Savings Account within the meaning of the United Kingdom Statutory Instrument SI 1998/1870 (as amended);
<b>Legal &amp; General or Legal &amp; General Group</b>	Legal & General Group plc its subsidiaries and affiliates;
<b>LIFFE</b>	means The London International Financial Futures Exchange and any successor thereto;
<b>London Exchange Business Day</b>	any day that is an Exchange Business Day in London;
<b>Market Disruption Event</b>	shall have the meaning given to this term in Appendix I;
<b>Market Exposure Term</b>	the period from and including the Initial Valuation Date up to and including the Final Valuation Date;
<b>Market Maker</b>	Barclays Capital Securities Limited or such person or persons from time to time appointed by the Directors to act as market maker to maintain a market for the Shares;
<b>Master Agreements</b>	the master agreement or agreements to be entered into between the Company and the Counterparty, in the form of the International Swap and Derivatives Association, Inc's cross border master swap and option agreements, under which the Option Transaction will be generated;
<b>Memorandum of Association</b>	the memorandum of association of the Company;
<b>Minimum Subscription Level</b>	receipt by the Company of valid applications for Shares amounting to £5 million (or such lesser amount as the Directors may agree) prior to the expiration of the Offer Period;
<b>Month</b>	a calendar month;
<b>Net Asset Value per Share and Net Asset Value of the Company</b>	in respect of the Shares and the assets of the Company, the respective amounts determined in accordance with the principles set out in Appendix III;
<b>Offer</b>	the offering of Shares for subscription as described in this document;

<b>Offer Period</b>	the period commencing on 17 March 2003 and terminating on 25 April 2003 or such earlier or later dates as the Directors may agree and notify to the Central Bank;
<b>Option Transactions</b>	the option transactions to be entered into between the Company and the Counterparty or Counterparties under the Master Agreements which may have a swap transaction embedded;
<b>PEP</b>	a Personal Equity Plan within the meaning of the United Kingdom Statutory Instrument SI 1989/469 (as amended);
<b>Plan Manager</b>	a Plan Manager of a PEP within the meaning of Section 333 of the United Kingdom Income and Corporation Taxes Act, 1988;
<b>Related Companies</b>	has the meaning assigned thereto in Section 140(5) of the 1990 Act. In general this states that companies are related where 50% of the paid up share capital of or 50% of the voting rights in one company are owned directly or indirectly by another company;
<b>Related Exchange</b>	means LIFFE or such successor or related exchange or exchanges as the parties may agree from time to time;
<b>Shareholder</b>	a holder of Shares;
<b>Shares</b>	ordinary shares in the capital of the Company;
<b>Sponsor</b>	Legal & General (Portfolio Management Services) Limited;
<b>Stock Exchanges and Markets</b>	<p>any of the following:</p> <ul style="list-style-type: none"> <li>(i) any stock exchange which is-located in any Member State; or located in any of the following countries:- <ul style="list-style-type: none"> <li>Australia</li> <li>Canada</li> <li>Japan</li> <li>Hong Kong</li> <li>New Zealand</li> <li>Switzerland</li> <li>United States of America; or</li> </ul> </li> <li>(ii) any of the following: <ul style="list-style-type: none"> <li>the market organised by the International Securities Market Association;</li> <li>the market formerly conducted by the listed money market institutions, as described in the Financial Services Authority publication The Regulation of Wholesale Cash &amp; OTC Derivatives Markets : The Grey Paper;</li> <li>the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;</li> </ul> </li> </ul>



	the over-the-counter market in the United States regulated by the United States National Association of Securities Dealers Inc.; and the United States National Association of Securities Dealers Automatic Quotations;
	without prejudice to the Company's ability to invest in unlisted securities or in shares of open-ended collective investment schemes pursuant to the Act, investment will be restricted to the stock exchanges and markets listed above and which are also listed in the Company's Articles of Association;
<b>£, Sterling or GBP</b>	pounds sterling, the lawful currency of the United Kingdom and includes any successor currency;
<b>Sterling Instruments</b>	sterling denominated coupon bearing and/or non coupon bearing medium term notes (which may or may not be equity linked), commercial paper and certificates of deposit with a maturity of not more than 5½ years issued by Approved Financial Institutions;
<b>Subscription Price</b>	£1, the price at which Shares are offered for subscription during the Offer Period;
<b>TCA</b>	the Taxes Consolidation Act, 1997 as amended;
<b>Termination Date</b>	the first Exchange Business Day occurring 5½ years immediately following the Investment Date;
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>United States or US</b>	the United States of America (including the States and the District of Columbia and the Commonwealth of Puerto Rico), its territories, possessions and all other areas subject to its jurisdiction;
<b>US Person</b>	unless otherwise determined by the Directors, a person resident in the US, a corporation, partnership or other entity created or organised in or under the laws of the US or any person falling within the definition of the terms <b>US Person</b> under Regulation S promulgated under the US Securities Act of 1933, as amended;
<b>Valuation Date</b>	an Exchange Business Day used for calculating and determining the level of the Index adjusted to take account of any Market Disruption Events in accordance with Appendix I;
<b>Valuation Point</b>	for the purpose of the calculation of the Net Asset Value per Share or the Net Asset Value of the Company, the Valuation Time on the Exchange Business Day preceding the second Tuesday of each Month commencing 12 May 2003 provided that if such day is not an Exchange Business Day then the Valuation Point shall be the Valuation Time on the preceding Exchange Business Day; and
<b>Valuation Time</b>	close of trading on the Exchange.

## INTRODUCTION

The Company is a closed-ended variable capital investment company organised under the laws of Ireland as a public limited company pursuant to the Companies Acts, 1963 to 2001. It was incorporated on 6 January 2003 under registration number 365770. Its sole object, as set out in Clause 2 of the Memorandum of Association, is the collective investment of its funds in property with the aim of spreading investment risk and affording Shareholders the benefit of the results of the management of its funds.

## TERMS OF THE OFFER

### THE OFFER

The Shares will be offered at a Subscription Price of £1 per Share. The Offer will commence at 10.00 am on 17 March 2003 and close at 12.00 noon on 25 April 2003 or such earlier or later date as the Directors may agree and notify to the Central Bank. The estimated proceeds of the Offer are £50 million. The initial application for Shares must be for a minimum of 10,000 Shares. Subsequent applications may be for any amount. This Offer is limited to between 50 to 75 million Shares. The directors however have a discretion to increase the number of Shares issued pursuant to the Offer. An announcement in relation to the number of Shares issued will be made immediately following the closing of the Offer Period.

#### The Offer is conditional upon:

- the Minimum Subscription Level being received prior to the expiration of the Offer Period;
- the Company receiving the approval of the Irish Stock Exchange to be admitted to the Official List of the Irish Stock Exchange; and
- the Investment Manager being able to secure (at normal commercial rates) Option Transactions and Sterling Instruments (for which please refer to **Investment Policy** below) at the close of the Offer Period which would enable payment of the **Investor Return** (see definition on page 14) to Shareholders following the **Termination Date**.

The allocation of the Shares is expected to be announced at 5.00 pm on 25 April 2003. Admission to listing on the Irish Stock Exchange and commencement of dealings in the Shares is expected to take place on 25 April 2003 (or on the day the Offer closes). Written confirmation of ownership is expected to be dispatched as soon as possible but not later than 25 May 2003 or within 30 days of the closing of the Offer.

In the event that any of the above conditions are not satisfied, no Shares will be allotted, all subscription monies will be returned to applicants (without interest) within 14 Business Days of the close of the Offer Period and the Company will apply for revocation of its authorisation by the Central Bank.

### APPLICATION PROCEDURE

The terms and conditions applying to the application for Shares together with details of the application procedure are contained in Appendix IV.

## **MARKET FOR SHARES**

The Directors do not anticipate that an active secondary market will develop in the Shares. Consequently (and whilst the Company is not obliged to do so), it is the intention of the Directors to assist in the creation of liquidity for Shareholders by appointing Barclays Capital Securities Limited as market maker to maintain a market for the Shares. Following the expiration of the Offer Period, Shares may be purchased from and sold through the market maker. Any change in market maker will be notified to Shareholders in the annual and semi-annual reports of the Company. Investors should be aware that the market maker may not be prepared to make a market in the Shares more than once per month. Shareholders may place instructions via the Sponsor, or via another company authorised by the FSA acceptable to the market maker. The Company does not guarantee the price at which a market will be made as this will be dependent on prevailing market conditions.

In maintaining a market for Shares, the market maker may realise profits or sustain losses in the amount of any differences between the prices at which it buys Shares and the prices at which it sells such Shares. Any profit made by the market maker may be retained by it for its absolute use and it shall not be liable to account to the Company in respect of such profits.

## **INDIVIDUAL SAVINGS ACCOUNTS**

The Shares are **qualifying investments** for the stocks and shares component of an Individual Savings Account (**ISA**) and the Directors will use their best endeavours to manage the affairs of the Company so as to enable that status to be maintained. Under the **UK ISA Regulations** (which may be subject to change from time to time), for a qualifying individual, the whole of the annual subscription limit of £7,000 for a maxi-account, or the whole of the annual subscription limit of £3,000 for a mini-account, can be invested in the Shares for the UK tax years 2002/2003 and 2003/2004. In addition, where a qualifying individual has subscribed to an ISA in a prior UK tax year, any stocks and shares component of that ISA may be wholly or partly invested in Shares, subject to the terms and conditions of the ISA concerned and, to the extent necessary, to the sale by the ISA account manager of sufficient other qualifying investments held within the ISA to provide cash with which to acquire the Shares.

The attraction of an ISA is that the returns from Shares held within it are free of UK income tax and UK capital gains tax, so long as the individual satisfies the requirements of the ISA regulations.

Shares may be included in the stocks and shares component of an ISA by purchase by the account manager of the ISA with the cash which a qualifying individual has subscribed to that ISA or which derives from the sale by the account manager of other qualifying investments held within the ISA.

## **PERSONAL EQUITY PLANS**

The Shares are a **qualifying investment** for the purposes of the UK PEP regulations and the Directors will use their best endeavours to manage the affairs of the Company so as to enable this status to be maintained.

The attraction of a PEP is that the returns from Shares held within it are free of UK income tax and UK capital gains tax, so long as the investor satisfies the requirements of the PEP regulations.

It is not now possible to subscribe for a new PEP, or to make further contributions to existing PEPs. All PEPs that are currently held will continue to enjoy the same tax advantages as ISAs (including exemption from tax on income and capital gains arising from investments held in the account) and the value of any PEP holdings will not affect the amount that may be subscribed to an ISA. Shares may be included in a PEP by purchase by the Plan Manager with the cash which has been subscribed to that PEP or which derives from the sale by the Plan Manager of other qualifying investments held within the PEP.

## INVESTMENT OBJECTIVES AND POLICIES OF THE COMPANY

### INVESTMENT OBJECTIVE

The investment objective of the Company is to achieve medium term capital growth with capital protection over an investment period of 5½ years and subject to the Investment Risks, set out on pages 26 to 28, and equity market performance to return to Shareholders 100% of their capital investment in the Company at the end of the **Investment Period** together with an amount equal to 100% of the positive performance of the FTSE 100 Index (the **Index**) subject to an overall maximum return to Investors of an amount equal to 155% of their capital investment in the Company.

By entering into Option Transactions and by investing in **Sterling Instruments**, comprising Sterling denominated coupon bearing and or non coupon bearing medium term notes (which may or may not be equity linked), commercial paper and certificates of deposit, the Company will endeavour to ensure that, following the expiration of the Investment Period, Shareholders can expect to receive a return (the **Capital Protection Amount**) equal to 100% of their capital investment in the Company, together with an equity return (the **Equity Index Amount**) representing 100% of any positive performance of the Index calculated in accordance with the formula set out in Appendix I subject to an overall return to Shareholders of 155% of their capital investment in the Company.

The determination of the **Initial Index Level** of the Index will be based on the arithmetic average of the levels of the Index at close of business on the Exchange (the **Valuation Time**) on 30 day of each month which is an **Exchange Business Day** or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2003 to 30 October 2003 inclusive.

The determination of the **Final Index Level** of the Index will be based on the arithmetic average of the levels of the Index at close of business at the Valuation Time on 30 day of each month which is an Exchange Business Day or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2008 to 30 October 2008 inclusive.

The determination of the Initial Index Level and the Final Index Level will be adjusted to take account of any Market Disruption Event or any adjustment of the Index in accordance with the procedures set out in Appendix I.

### INVESTMENT POLICY

In order to achieve its investment objective, the Company will invest approximately 78% of the Gross Proceeds of the Offer in Sterling Instruments comprising sterling denominated non coupon bearing medium term notes (which may or may not be equity linked), commercial paper and certificates of deposit issued by Approved Financial Institutions having a rating of at least A or A2 or an equivalent rating by a comparable rating agency. The ratings of A or A2 are deemed to apply at the date of acquisition. If the securities are subsequently down-graded, the Investment Manager will review the position and take whatever action it believes to be in the best interest of the Shareholders having regard to market conditions prevailing at that time. The Company will also enter into an **Option Transaction** with the **Counterparty** being an entity which satisfies the criteria set out in Appendix II. The cost to the Company in entering into the Option Transaction will equal approximately 15% of the Gross Proceeds of the Offer. In return for such payment and subject to the Investment Risks outlined on pages 26 to 28, the Company will receive, on maturity of the Option Transaction, a sum which, together with amounts invested in Sterling Instruments will equal 100% of the capital raised pursuant to the Offer together with an Equity Index Amount representing 100% of any positive performance of the Index calculated in accordance with the formula set out in Appendix I subject to an overall return to Shareholders of 155% of their capital investment in the Company. Approximately 7% of the Gross Proceeds of the Offer will be used by the Company to discharge initial and ongoing expenses (see pages 28 to 29 for further details).

Alternatively and subject to prevailing market conditions, up to 100% of the Gross Proceeds of the Offer may be invested in Sterling Instruments comprising coupon bearing medium term notes issued by Approved Financial Institutions with a rating of at least A or A2. In such circumstances, the Company's payment obligations in relation to the Option Transaction (which has a swap transaction embedded) will be financed by the coupon on the medium term notes which will be paid to the Counterparty. In return for paying the coupon on the medium term notes to the Counterparty the Company will receive from the Counterparty an upfront payment of approximately 7% of the Gross Proceeds which will be used by the Company to discharge initial and ongoing expenses (see pages 28 to 29 for further details). The Company will also receive from the Counterparty upon the maturity of the Option Transaction a final sum which will enable the company to pay to Shareholders, following the Termination Date, 100% of any positive performance of the Index and calculated in accordance with the provisions set out in Appendix I subject to a maximum overall return to investors of an amount equal to 155% of the capital investment in the Company.

The determination of the mix of the Sterling Instruments and the Option Transaction to be entered into will be made by the Investment Manager at the time of the investment of the net proceeds of the Offer, having regard to prevailing market conditions and the cost to the Company of purchasing such assets and entering into such transactions, details of which will be contained in the interim reports and accounts of the Company made up to 5 August.

Subject to the Investment Risks outlined on pages 26 to 28, the expected return on the Option Transaction, together with the realisation of the Sterling Instruments, should enable the Company to pay the Investor Return to Shareholders following the Termination Date.

It is a feature of the Sterling Instruments and the Option Transaction that, subject to the Investment Risks outlined on pages 26 to 28, Shareholders who do not seek to realise their investment until the Termination Date can expect to receive the Investor Return. Shareholders seeking to dispose of their Shares prior to the Termination Date have no assurance of the return of their capital investment.

In the event that any surplus assets remain in the Company following payment of the Investor Return, such assets shall be paid to Shareholders pro rata to their holding of Shares.

In order to maintain liquidity for Shareholders, the Company will appoint a market maker, further details of which are contained on page 21. However, while it is anticipated that the market price of the Shares may be close to the Net Asset Value per Share and therefore may reflect any increases in the value of the Option Transaction there can be no guarantee that this will be the case.

The Company will invest in those markets listed in the Prospectus. The Central Bank does not issue a list of approved markets.

In the absence of unforeseen circumstances, the investment objective and policies of the Company will be adhered to for at least three years following the admission of the Shares to the Official List of the Irish Stock Exchange. Any change in the investment objective of the Company and any material change in the investment policies of the Company may only be made with the approval of the Shareholders by way of special resolution. Any other changes in the investment policies of the Company may only be made with the approval of the majority of the Shareholders.

#### **REALISATION OF INVESTMENT**

At close of business on the Termination Date the Company will cease to carry on business and the register of members will be closed and the Directors will arrange for the Company to be dissolved in accordance with the winding up provisions set out on page 42 and 43 below.

In order to reduce the costs of dissolution, the Directors may decide to exercise their powers to effect a deemed repurchase of all Shares immediately following the Termination Date. In the event that the Directors so determine, the repurchase price for the Shares will be the Net Asset Value per Share, determined in accordance with the provisions of Appendix III, after the deduction of any applicable sales charges and expenses following which an application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act. Subject, inter alia, to the Investment Risks, Shareholders realising their investment in this manner may receive the Investor Return within 15 Business Days following the Termination Date. Shareholders should note that a repurchase in such circumstances is at the sole discretion of the Directors exercising such discretion. Accordingly, Shareholders should have no expectation the Directors will exercise their discretion.

If the Directors decide not to exercise their discretion to effect a deemed repurchase request, the Directors will arrange for the Company to be wound up in accordance with the winding up provisions set out on page 42 and 43 below. Prior to the dissolution of the Company an application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act. The Directors will endeavour to ensure that Shareholders will receive the Investor Return within the period stated above. In no circumstances will the Investment Period be exceeded in any manner.

### **INVESTMENT RESTRICTIONS**

Save as provided below, the Company's investments will be restricted to the **Stock Exchanges and Markets** listed on page 18 above.

The investment restrictions applying to the Company are derived from the notices issued by the Central Bank pursuant to the Act and are as follows:

1. The Company may invest not more than 5% of its net assets in debt securities of entities, other than banks, with a credit rating of less than A or A2.
2. The Company may invest not more than 30% of its net assets in Sterling Instruments issued by any one Approved Financial Institution.
3. The Company may not invest in deposits or securities, with a maturity at the date of acquisition, of greater than 5½ years from the Investment Date.
4. Subject to paragraphs 2 above and 7, 8 and 9 below, the Company may not invest more than 10% of its net assets in securities issued by the same issuer.
5. The Company shall not acquire any securities carrying voting rights of any issuer which would allow it to exercise a significant influence over the management of such issuer.
6. The Company shall not make short sales of securities, trade securities not owned by the Company or otherwise maintain a short position.
7. The Company may invest up to 100% of its net assets in investment grade transferable securities issued by or guaranteed by any EU Member State, Australia, Canada, Japan, New Zealand, Norway, Switzerland, United States or any of their constituent states or local authorities or by the Asian Development Bank, Euratom, the European Coal and Steel Community, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-America Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, and the International Monetary Fund.
8. No more than 10% of the net assets of the Company may be kept on deposit with any one institution. This figure is increased to 30% of net assets in respect of deposits with or securities evidencing deposits issued by the following:

- (a) an Approved Financial Institution;
  - (b) the Custodian; and
  - (c) HSBC Bank International Limited.
9. Subject as set out in this paragraph 9, the value of any Option Transactions with any Counterparty shall not exceed 10% of the Net Asset Value of the Company or 30% where the Counterparty is an Approved Financial Institution. To the extent that such limits are exceeded the relevant Counterparty shall deliver to the Custodian collateral in the form set out in Appendix II having a value at least equal to the amount by which the limits set out in this paragraph 9 have been exceeded.
10. Related Companies are regarded as being a single issuer for the purposes of the investment restrictions set out in paragraphs 2, 4, 8 and 9 above.
11. The Company may not invest more than 10% of its net assets in securities which are not listed/traded in or dealt on a market which is provided for in this Prospectus.
12. The Company may not hold more than 10% of any class of security issued by any single issuer.
13. The foregoing limits are deemed to apply at the time of purchase of the investments. If such limits are subsequently exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, the Company will adopt as a priority objective the remedying of that situation, taking due account of the interests of its Shareholders.
14. The foregoing credit ratings are deemed to apply at the time of purchase of investments. If such credit ratings are subsequently downgraded, the Investment Manager will review the position and take whatever action it considers to be in the best interests of the Shareholders having regard to market conditions prevailing at that time.
15. The markets and/or exchanges in which the Company may invest are set out in this Prospectus and the Articles of Association. The Central Bank does not issue a list of approved markets or exchanges.
16. It is intended that, in accordance with the requirements of the Central Bank Notices, the Company should have the power to avail itself of any change in the law or regulations which would permit investment in assets and securities on a wider basis.
17. The Company will adhere to the restrictions of the Irish Stock Exchange for so long as its Shares are listed including a prohibition on the taking of legal or management control of the issuers of its underlying investments and the general principle of risk diversification for so long as its Shares are listed on the Irish Stock Exchange. In addition, no change will be made to the Investment Restrictions set out in this Prospectus except in accordance with the requirements of the Central Bank Notices.

### **BORROWING POWERS**

Although it is not the current intention of the Directors so to do, the Company may borrow up to 10% of its net assets for temporary purposes.

Without prejudice to the powers of the Company to invest in transferable securities, the Company may not lend, or act as guarantor on behalf of third parties. In addition, the Company will not engage in any leveraging.

## **INVESTMENT RISKS**

### **- Medium term Investment**

Investors should be aware that investment in Shares should be viewed as a 5½ year investment and while Shareholders may be able to dispose of their Shares prior to the Termination Date, the market price of such Shares may not reflect the underlying value of the Shares.

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The value of investments and the income from them and therefore the value of the Shares can fall as well as rise and investors may not realise the full amount of their investment in the Shares.

### **- Liquidity Risk**

Although the Company will appoint a Market Maker to provide liquidity for Shareholders, investors should be aware that such liquidity may be of a limited nature.

### **- Credit Risk**

Investors should be aware that as the Option Transaction approach maturity they may increase in value to reflect the amounts payable to the Company under the Master Agreements and consequently could represent an increased portion of the Net Asset Value of the Company. Accordingly, the insolvency of any Counterparty would adversely affect the ability of such Counterparty to meet its payment obligations to the Company.

### **- Counterparty Credit Risk**

Investors should be aware that there may only be one Counterparty to the Option Transaction and the insolvency of the Counterparty would adversely affect the ability of the Counterparty to meet its payment obligations to the Company. In addition, as the Option Transaction approach their maturity they may increase in value to reflect the amounts payable to the Company under the Option Transaction and consequently could represent an increased portion of the Net Asset Value of the Company. Accordingly, the insolvency of the Counterparty would adversely affect the ability of the Company to pay the Investor Return.

### **- Counterparty Conflict**

The Counterparty will be required to provide Monthly valuations of the Option Transaction which may involve a potential conflict of interest, see page 36 for further details. However, the Directors will procure that the Investment Manager, acting as an independent expert, will provide Monthly valuations of the Option Transaction.

### **- Investment Risk**

The default in payment by an issuer of any investments held by the Company may affect the Company's ability to meet its payment obligations under the Option Transaction. No guarantee is given express or implied that Shareholders will receive back the amount of their investment in Shares.

### **- Liability Risk**

In the event of a successful claim by a third party, the Company and its assets as a whole will be liable.



- **Launch Risk**

Although the Directors believe that the terms for the Shares as set out in this Prospectus are achievable at the date of publication of this Prospectus, there is no guarantee that these terms will be achievable at the date on which the Shares are admitted to listing on the Irish Stock Exchange or subsequently. The investments which the Company intends to make are subject to normal market fluctuations and other risks inherent in investing in securities. In the event that, at the time of investment in the portfolio of assets, the terms on which the Company can invest in such assets so as to enable the Company to generate the returns intended for each class of Shares, the Directors will, in consultation with the Sponsor and the Investment Manager, invest in a portfolio of assets with terms as close as is reasonably practicable to generate the returns intended for each class of Shares.

- **Limited Offer for Shares**

As the Offer for Shares is limited to between 50 to 75 million Shares (subject to the overall discretion given to the Directors to increase the number of Shares issued pursuant to the Offer), it may be necessary to scale back applications for Shares received from investors under the Offer. Scaling back arrangements will be put in place to ensure equality of treatment for applicants for Shares who fulfil the criteria set out in Appendix IV under the heading **Terms and Conditions of Application**. The Company therefore reserves the right, in its absolute discretion, to decline in whole or in part an application for Shares under the Offer. Accordingly, applicants for Shares under the Offer may, in certain circumstances, not be allotted the number of Shares for which they have applied.

- **Index Risk**

Investors should be aware that the Index Sponsor gives no assurance whatsoever and is under no obligation regarding:

- the continuity of the Index;
- the continuity in the methodology used in calculating the Index as at the date of this Prospectus;
- the continuity in the calculation, publication and dissemination of the Index;
- the precision, integrity or lack of errors in the composition or calculation of the Index; and
- the accuracy and use of the Index made by the Company.

All information used in this Prospectus relating to the Index, including, without limitation, its composition, method of calculation and changes in its components is derived from publicly available information prepared by the Exchange and the Company has not independently verified any such information.

- **Tax Risk**

Any imposition of withholding tax on payments under the Master Agreements relating to the Option Transaction could result in a no default termination with a consequent depreciation in the value of the investments, the subject of such Option Transaction. The degree of loss to the Company in such circumstances, would depend on when such events occurred and the value of the Option Transaction on the occurrence of such events e.g. shortly after the Initial Valuation Date or immediately prior to the Termination Date.

Any imposition of withholding tax payable on the realisation proceeds of the Sterling Instruments could affect the Company's ability to pay the full amount of the Investor Return to Shareholders following the Termination Date.

Any imposition of withholding tax payable on the dividends of the Company may adversely affect the value of those dividends for certain Shareholders.

Any change in the Company's tax status or in taxation legislation could affect the value of the investments held by the Company and affect the Company's ability to provide the Investor Return.

- ***Merger of Approved Financial Institutions***

Investors should be aware that, in the event of a merger of any of the Approved Financial Institutions who are issuers of the securities contained in the Sterling Instruments, such a merger may cause the Company to be inadvertently in breach of its investment restrictions and accordingly it may be necessary to restructure the Sterling Instruments. Such a restructuring could mean that the Company would be unable to return to investors 100 per cent of their capital investment in the Company following the Termination Date.

- ***General***

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The value of investments and the income from them and therefore the value of the Shares can fall as well as rise and investors may not realise the full amount of their capital investment in the Shares.

In relation to the Prospectus of the Company, the Directors will aim to achieve the target returns by complying with the Investment Objectives and Investment Policy but investor's attention is drawn to the Investment Risks set out in the Prospectus.

All information used in this Prospectus relating to the Index, including, without limitation, its composition method of calculation and changes in its components is derived from publicly available information and the Company has not independently verified any such information.

## ***FEES AND EXPENSES***

- ***Investment Management, Administration and Custodial Fees***

An annual charge in respect of all investment management, administration and custodial fees and any Market Maker fees which may arise, will be levied against the Company by the Investment Manager. This annual charge will amount to not more than 0.5% of the gross proceeds of the Offer and will be payable quarterly in arrears.

- ***Reasonable Expenses***

The Investment Manager and the Administrator are entitled to be reimbursed by the Company in relation to all reasonable disbursements and out of pocket expenses incurred by them in the performance of their respective duties under the Investment Management Agreement and the Administration Agreement.

The Custodian is entitled to be reimbursed by the Company in relation to all transaction charges, safekeeping fees, fees and charges for sub-custodians (which shall be at normal commercial rates) appointed by it and for all other reasonable disbursements and out of pocket expenses incurred in the performance of its duties under the Custodian Agreement.

- ***Directors' Fees***

Under the Articles of Association the Directors are entitled to remuneration for their services as directors. The Directors will be entitled to be reimbursed for their reasonable out of pocket expenses incurred in discharging their duties as directors. The aggregate remuneration payable to the Directors shall not exceed €4,444.08 in any one calendar year.

#### **General Expenses**

The costs, charges and expenses which may be charged to the Company include: all taxes which may be due on the assets and the income of the Company; usual banking and brokerage fees due on transactions involving securities of the Company, administration costs and expenses, insurance, postage, telephone and telex; remuneration (and out of pocket expenses) of the Directors, the Investment Manager, the Administrator and the Custodian, the fees (which shall be at normal commercial rates) of any Market Maker, distributor, any paying agent or representatives appointed in any jurisdiction where the Shares are offered for sale, and of all other agents employed on behalf of the Company; formation expenses, the costs and expenses of the initial issue of Shares; sales, marketing and promotional expenses; the cost of printing certificates and proxies; the cost of preparing and filing of the Memorandum and the Articles of Association and all other documents concerning the Company including registration statements and offering circulars with all authorities (including local securities dealers' associations) having jurisdiction over the Company or the Offer; the cost of qualifying the Company for the sale of Shares in any jurisdiction or a listing on any stock exchange; the cost of preparing, printing and publishing the Prospectus and other material contracts and distributing annual and semi-annual reports and such other reports or documents as may be desirable or required under all applicable laws or regulations; the cost of accounting and book keeping, the cost of calculating the Net Asset Value of the Company, the cost of preparing, printing, publishing and distributing public notices and other communications to the Shareholders, legal and auditing fees; registrar's fees; and all similar charges and expenses.

Administrative and other expenses of a regular or recurring nature may be calculated on an estimated basis for yearly or other periods in advance, and the same may be accrued in equal proportion over any such period.

The initial expenses, including sales, marketing, advertising, printing, distribution expenses and commissions, the cost of listing on the Irish Stock Exchange and the preparation of all documents relating to the establishment and launch of the Company, which are payable by the Investment Manager from its commission of 6% of the gross proceeds of the Offer and which will be written off immediately. Therefore, assuming aggregate subscriptions of £50 million, the net proceeds of the Offer, following the deduction of such expenses which are estimated at £3 million, will be £47 million. Assuming aggregate subscriptions of £75 million, the net proceeds of the Offer, following the deduction of such expenses which are estimated at £4.5 million, will be £70.5 million.

### **MANAGEMENT AND ADMINISTRATION**

#### **THE DIRECTORS**

**The Directors of the Company are:**

**Andrew Stuart McKinnon** (British). Mr. McKinnon is Finance Director of Legal & General Retail Investments. Mr. McKinnon joined Legal & General in October 2000 as Finance Director for corporate business. Prior to this he worked for JP Morgan (1997-2000) and Swiss Re (1994-1997). He is an associate of the Institute of Chartered Accountants in England and Wales and holds a Bachelor of Engineering Degree.

**Ann Marie McLoughlin** (Irish). Ms. McLoughlin is the Director of Operations of HSBC Fund Administration (Ireland) Limited (**HFAI**). She is also a Director of HFAI, a position she had held since April, 1999. Ms. McLoughlin joined HFAI in June, 1996 and was appointed Head of Fund Administration in April, 1997. Prior to this she worked for Scottish Amicable International Assurance Limited (1994-1996) and Eagle Star Life Assurance (1987-1994). Ms. McLoughlin holds a Bachelor of Science Degree.

**Peter Blessing** (Irish). Mr. Blessing is an executive director of Corporate Finance Ireland Limited, an independent corporate finance boutique, which he joined in 1996. He is also a director of and consultant to a number of International Financial Services Centres (**IFSC**) companies. Mr. Blessing was Managing Director of Credit Lyonnais Financial Services Limited, Dublin (**CLYFS**) since its establishment in 1991 until 1995. CLYFS is Credit Lyonnais' IFSC subsidiary and is engaged in a wide variety of financial activities including asset finance, corporate treasury management and securities trading. Before joining CLYFS, Mr. Blessing worked with Allied Irish Banks p.l.c. as director of its IFSC subsidiary from 1988 to 1991 and as a senior executive in its Corporate Finance division from 1982 to 1988.

No Director has:

- (a) any unspent convictions in relation to indictable offences; or
- (b) been bankrupt or the subject of a voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
- (c) been a director of any company which, while he was a Director with an executive function or within 12 Months after he ceased to be a Director with an executive function, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or Company voluntary arrangements, or made any composition or arrangements with its creditors generally or with any class of its creditors; or
- (d) been a partner of any partnership, which while he was a partner or within 12 Months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset;
- (e) had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- (f) been disqualified by a court from acting as a Director or from acting in the management or conduct of affairs of any Company.

For the purposes of this Prospectus, the address of all the Directors is the registered office of the Company.

As the day to day management and running of the Company has been delegated to the Administrator, all of the Directors of the Company are non-executive.

#### **THE INVESTMENT MANAGER**

The Company has delegated the powers of determining investment policy and investment management of the Company to Legal & General Investment Management Limited pursuant to the Investment Management Agreement (further details of which are contained under **Material Contracts** on page 38 and 39 below). The Investment Manager was incorporated under the laws of England and Wales on 21 January, 1987, and is ultimately a wholly owned subsidiary of Legal & General Group plc. The Investment Manager is regulated by FSA and as at 30 June 2002 had over £115 billion funds under discretionary management.

#### **THE CUSTODIAN**

HSBC Global Investor Services (Ireland) Limited has been appointed as custodian of all the assets of the Company pursuant to the Custodian Agreement (further details of which are contained under **Material Contracts** on page 38 and 39 below). The Custodian is a private limited company, incorporated in Ireland on 5 October, 1995 and is ultimately a wholly owned subsidiary of HSBC Holdings plc. The Custodian, which is regulated by the Central Bank, is engaged in the provision of custody and trustee services.

The Custodian is responsible for the safe-keeping of all the assets of the Company. The Custodian may, however, appoint any person or persons to be the sub-custodian of some or all of the assets of the Company but the liability of the Custodian shall not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Custodian must exercise care and diligence in choosing and appointing a sub-custodian and to ensure that such sub-custodian has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned.

The Custodian must maintain an appropriate level of supervision over the sub-custodian and make the appropriate enquiries from time to time to confirm that the obligations of the sub-custodian continue to be competently discharged.

The Custodian is also obliged to ensure that the issue of Shares and the application of income are all carried out in accordance with the Act and the Memorandum and Articles of Association of the Company.

#### **THE ADMINISTRATOR AND IRISH PAYING AGENT**

HSBC Fund Administration (Ireland) Limited has been appointed to carry on the general administration of the Company and to act as Irish Paying Agent pursuant to the Administration Agreement (further details of which are contained under **Material Contracts** on page 38 and 39 below). The Administrator is a private limited company incorporated in Ireland on 6 March, 1990 and is ultimately a wholly owned subsidiary of HSBC Holdings. The Administrator, which is regulated by the Central Bank, has an issued and paid up share capital of €1,031,250 at the date hereof.

The administration duties and functions of the Administrator will include, inter alia, the calculation and publication of the Net Asset Value per Share (see page 38 below for publication details), the provision of facilities for the certification and registration of Shares, the keeping of all relevant records and accounts of the Company and assisting the auditor in relation to the audit of the financial statements of the Company.

The Administrator will also act as secretary and registrar of the Company.

## **TAXATION**

The following statements are by way of a general guide to potential investors and Shareholders only and do not constitute tax advice. Shareholders and potential investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

Potential investors and Shareholders should note that the following statements on taxation are based on advice received by the Directors regarding the law and practice in force in the relevant jurisdiction at the date of this Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Company will endure.

### **IRELAND**

#### ***Tax On Income And Capital Gains***

##### ***The Company***

The Directors have been advised that the Company will only be subject to tax on chargeable events in respect of Shareholders who are Irish Persons (generally persons who are resident or ordinarily resident in Ireland for tax purposes – see definition section for more details).

A chargeable event occurs on:

- (a) a payment of any kind to a Shareholder by the Company; and
- (b) a transfer of Shares.

but does not include any transaction in relation to Shares held in a clearing system recognised by the Irish Revenue Commissioners, an exchange of Shares in one sub-fund of the Company for Shares in another sub-fund of the Company, certain transfers arising as a result of an amalgamation or reconstruction of certain fund vehicles and certain transfers between spouses or former spouses.

If a Shareholder is not an Irish Person at the time a chargeable event arises no Irish tax will be payable on that chargeable event in respect of that Shareholder.

Where tax is payable on a chargeable event it is a liability of the Company which is recoverable by deduction or, in the case of a transfer, by cancellation or appropriation of Shares from the relevant Shareholders.

In the absence of the appropriate declaration being received by the Company that a Shareholder is not an Irish Person or if the Company has information that would reasonably suggest that a declaration is incorrect, the Company will be obliged to pay tax on the occasion of a chargeable event. Where the chargeable event is an income distribution, tax will be payable at the standard rate of income tax (20% for the year commencing April 2001) on the amount of the distribution. Where the chargeable event occurs on any other payment to a Shareholder or on a transfer of Shares, tax will be payable at the standard rate of income tax plus 3% (which will total 23% for the year commencing 6 April, 2001) on the increase in value of the Shares since their acquisition.

Where a Shareholder holds Shares in a nominee capacity a declaration is required from the Shareholder that to the best of its knowledge and belief the beneficial owner is neither resident nor ordinarily resident in Ireland if a tax liability is not to arise on a Chargeable Event.

Other than in the circumstances described above the Company will have no liability to Irish taxation tax on income or chargeable gains.

### **Shareholders**

Shareholders who are neither resident nor ordinarily resident in Ireland in respect of whom the appropriate declarations have been made will not be subject to tax on any distributions from the Company or any gain arising on redemption, repurchase or transfer of their Shares provided the Shares are not held through a branch or agency in Ireland. No tax will be deducted from any payments made by the Company to those Shareholders who are not Irish Persons.

Shareholders who are Irish resident or ordinarily resident or who hold their Shares through a branch or agency in Ireland may have a liability under the self-assessment system to pay tax or further tax on any distribution or gain arising from their holdings of Shares.

Refunds of tax where a relevant declaration could be made but was not in place at the time of a chargeable event are generally not available except in the case of corporate Shareholders within the charge to Irish corporation tax.

### **Stamp Duty**

No Irish stamp duty will be payable on the subscription transfer or redemption of Shares provided that no application for Shares or repurchase or redemption of Shares is satisfied by an in specie transfer of any Irish situated property.

### **Capital acquisitions tax**

No Irish gift tax or inheritance tax (capital acquisitions tax) liability will arise on a gift or inheritance of Shares provided that

- (a) at the date of the disposition the transferor is neither domiciled nor ordinarily resident in Ireland and at the date of the gift or inheritance the transferee of the Shares is neither domiciled nor ordinarily resident in Ireland; and
- (b) the Shares are comprised in the disposition at the date of the gift or inheritance and the valuation date.

### **Other Irish Tax Matters**

The income and/or gains of a Company from its securities and assets may suffer withholding tax in the countries where such income and/or gains arise. The Company may not be able to benefit from reduced rates of withholding tax in double taxation agreements between Ireland and such countries. If this position changes in the future and the application of a lower rate results in repayment to the Company, the Net Asset Value of the Company will not be restated and the benefit will be allocated to the existing Shareholders rateably at the time of repayment.

The Irish tax year is being changed to a calendar year basis with effect from 1 January, 2002. A consequence of this change is that the preceding tax year is shorter and covers the period from 6 April, 2001 to 31 December, 2001. This impacts upon the number of days stated in the definition of Irish Residence contained in the Application Form as follows:

- (i) 183 days is reduced to 135 days for the shorter tax year only;
- (ii) 280 days is reduced to 244 days in respect of the combined tax years, commencing on 6 April, 2000 and 6 April, 2001 and those commencing on 6 April, 2001 and 1 January, 2002.
- (iii) 30 days is reduced to 22 days for the shorter tax year only.

The change in the tax year to a calendar basis, will also have an impact of the definition of Irish Ordinary Residence contained in the Application Form. An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from commencement of the fourth tax year.

For example, an individual who is resident in Ireland for the tax year (i) 6 April, 2000 to 5 April, 2001, (ii) 6 April, 2001 to 31 December, 2001 and (iii) 1 January, 2002 to 31 December, 2002 will become ordinarily resident with effect from 1 January, 2003. Similarly an individual who is resident and ordinarily resident in Ireland in 2000/2001 and departs from Ireland in that year will remain ordinarily resident up to the end of the tax year 1 January, 2003 to 31 December, 2003.

### **UNITED KINGDOM**

The Directors intend to manage the affairs of the Company so that it does not become resident in the United Kingdom for UK taxation purposes or otherwise become liable to UK tax by reason of carrying on a trade in the United Kingdom.

#### ***Individual Investors who acquire their investment in Shares through an Individual Savings Account***

UK resident investors who acquire their investment in Shares through an ISA and who satisfy the requirements for tax exemption in the UK ISA regulations will not be subject to either UK income tax or UK capital gains tax on income and gains realised from their investment and any losses on their investment will be disregarded for the purposes of UK capital gains tax.

#### ***Individual Investors who acquire their investment in Shares through a Personal Equity Plan***

UK resident investors who acquire their investment in Shares through an existing PEP and who satisfy the requirements for tax exemption in the UK PEP Regulations will not be subject to either UK income tax or UK capital gains tax on income and gains realised from their investment and any losses on their investment will be disregarded for the purposes of UK capital gains tax.

It is not now possible to subscribe for a new PEP, or to make further contributions to existing PEPs. All PEPs that are currently held will continue to enjoy the same tax advantages as ISAs (including exemption from tax on income and capital gains arising from investments held in the account) and the value of any PEP holdings will not affect the amount that may be subscribed to an ISA.

#### ***Other UK Resident Individual Investors***

The Directors have been advised that the Company, as a closed-ended investment company, is not at the date of this Prospectus an offshore fund for the purposes of the offshore funds legislation contained in the UK Income and Corporation Taxes Act 1988 (the **1988 Act**) and therefore it is not appropriate to have the Company certified by the Board of Inland Revenue as a distributing fund. Gains realised by Shareholders on the sale or other disposal of Shares should normally be capital gains for UK tax purposes.

UK resident or ordinary resident individual Shareholders may be liable to capital gains tax (**CGT**) on gains arising from the sale or other disposal of Shares (including amounts received from the liquidator in connection with the winding up of the Company). This will depend on the tax laws in force at the time when the gain is realised and on the Shareholder's own circumstances at that time.

The principal factors that will determine the extent to which such a gain will be subject to CGT are the level of the annual allowance of tax-free gains in the tax year in which the disposal takes place (the **annual exemption**), the extent to which the Shareholder realises any other capital gains in that year, the level of available taper relief (if any) and the extent to which the Shareholder has incurred capital losses in that or any earlier tax year.



The annual exemption is to be £7,700 for the 2002/2003 tax year and, under current legislation, this exemption is increased annually in line with the rate of increase in the retail prices index. Investors should be aware that the UK Parliament is entitled to withdraw this link between the level of the annual exemption and the retail prices index or even to reduce the level of the annual exemption for future tax years below its current level.

Taper relief will reduce the proportion of any gain realised on a disposal of Shares that is brought into the charge to CGT if the Shares are held by the Shareholder for at least three years. If, for example, Shares have been held for a period of five years prior to the date of their disposal, the effect of taper relief will be that only 85% of any gain realised on that disposal will be chargeable to CGT.

For the purposes of illustration only, the various reliefs and allowances mentioned above could interact in respect of a Shareholder who realises a gain (the **relevant gain**) on a disposal of Shares in a particular tax year (the **year of disposal**) as follows:

- (a) If the Shareholder has incurred no capital losses in the year of disposal and has no unrelieved capital losses from any previous tax year, he will be subject to CGT if and to the extent that the relevant gain (reduced, where appropriate, by taper relief) plus any other capital gains realised by him in the year of disposal (reduced, where appropriate, by taper relief) exceed the annual exemption for that year.
- (b) If the shareholder has incurred capital losses in the year of disposal but has no unrelieved capital losses from any previous tax year, those losses can be set off against the relevant gain and against any other capital gains realised by him in the year of disposal (with losses being set off against gains that qualify for a nil or lower level of taper relief before gains that qualify for a higher level of taper relief). To the extent that those losses are insufficient to relieve the whole of the relevant gain and any other gains realised by the Shareholder in the year of disposal, taper relief will be applied (where appropriate) to each gain comprised in the net gains remaining and CGT will be payable by the Shareholder if and to the extent that the tapered net gains exceed the annual exemption for that year.
- (c) Where either the Shareholder has incurred no capital losses in the year of disposal or any capital losses so incurred are insufficient to relieve the whole of the relevant gain and any other gains realised by the Shareholder in the year of disposal, but the Shareholder has incurred unrelieved capital losses in some previous tax year(s), those losses can be set off against the net gains realised by the Shareholder in the year of disposal to the extent that it is necessary to reduce those net gains to the level of the annual exemption for that year (and therefore to the level where no CGT will be payable by the Shareholder for that tax year). If the unrelieved capital losses from the previous tax year(s) are insufficient to reduce the Shareholder's net gains for the year of disposal to the level of the annual exemption for that year, taper relief may then be applied (where appropriate) to each gain comprised in those net gains and CGT will be payable by the Shareholder if and to the extent that the tapered net gains exceed the annual exemption for the year of disposal.

The attention of individuals who are ordinarily resident in the United Kingdom is drawn to the provisions of sections 739 and 740 of the 1988 Act, under which individuals can be charged to income tax in the UK on income arising from assets which have been transferred abroad.

Investors should note that the above statements are based on current legislation, regulations and practice, all of which may be subject to change.

## **GENERAL**

### **CONFLICTS OF INTEREST**

The Directors, the Investment Manager, the Custodian, the Administrator, the Sponsor, any Shareholder, any Market Maker and any of their respective subsidiaries, affiliates, associates, agents or delegates (**Connected Persons** and each a **Connected Person**) may:

- (a) contract or enter into any financial, banking or other transactions with one another or with the Company including, without limitation, investment by the Company in securities of a Shareholder or investment by any Connected Persons in any company or body any of whose investments form part of the assets of the Company or be interested in any such contracts or transactions; and
- (b) invest in and deal with Shares or any property of the kind included in the property of the Company for their respective individual accounts or for the account of a third party provided that no such transactions or dealings shall result in Shares being acquired for or on behalf of an Irish Person.

Any Connected Person may also deal as agent or principal in the sale or purchase of securities and other investments to or from the Company through or with the Investment Manager or the Custodian or any subsidiary, affiliate, associate, agent or delegate thereof. There will be no obligation on the part of any Connected Person to account to Shareholders for any benefits so arising and any such benefits may be retained by the relevant party, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length, are in the best interests of Shareholders and:

- (a) a certified valuation of such transaction by a person approved by the Custodian as independent and competent has been obtained, or
- (b) such transaction has been executed on best terms on an organised investment exchange under its rules, or
- (c) where (a) and (b) above are not practicable, such transaction has been executed on terms which the Custodian is satisfied conform with the principle that it be carried out as if effected on normal commercial terms negotiated at arms length.

Subject to the provisions of the Central Bank Acts 1942 to 1997 any cash of the Company may be deposited with any Connected Person or invested in certificates of deposit or banking investments issued by any Connected Person. Banking or similar transactions may also be undertaken with or through a Connected Person.

The Investment Manager, in the course of its business, may have potential conflicts of interest with the Company. In such circumstances, the Investment Manager will have regard to its obligations under the Investment Management Agreement and, in particular, to its obligations to act in the best interests of the Company and the Shareholders so far as practicable, having regard to the obligations to other clients when undertaking any investments where conflicts of interest may arise. In the event that such conflicts do arise, the Investment Manager will use its best efforts to resolve such conflicts fairly.

### **SHAREHOLDER'S MEETINGS AND REPORTS AND ACCOUNTS**

The Directors intend that the annual general meeting of Shareholders will be held in Dublin in June of each year; the first such meeting will be held in June 2004.

The financial year of the Company ends on 5 February in each year; the first period will end on 5 February 2004.

The annual report of the Company incorporating audited financial statements will be published within 4 months after the end of the financial year. The financial statements of the Company will be maintained in Sterling. The first annual report published will be in respect of the year ended 5 February 2004 and every 5 February thereafter.

The Company will publish a semi-annual unaudited financial report, containing a list of the Company's holdings and their market values, within 2 months of the date to which it is made up. The first semi-annual reporting date is 5 August 2003 and every 5 August thereafter.

The annual and semi-annual reports will be sent to Shareholders and to the Companies Announcements Office of the Irish Stock Exchange, following publication.

### **AUDITORS**

PricewaterhouseCoopers have been appointed Auditors to the Company. This appointment is subject to Shareholders' approval at each annual general meeting.

### **DISTRIBUTION POLICY**

No income or capital gains will be distributed by way of dividend. All such income and capital gains will be accumulated and reinvested in accordance with the investment policy of the Company. Insofar as any dividend is paid, it will be paid in accordance with the Articles of Association and the rules of the Irish Stock Exchange.

### **FORM OF SHARES, CONFIRMATIONS OF OWNERSHIP AND TRANSFER OF SHARES**

Shares will be evidenced by an entry in the register of members maintained by the Company. A written confirmation of ownership will be issued in respect of each holding of Shares. No share certificate will be issued.

Shares will be transferable by instrument in writing signed by (or, in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor. In the case of the death of one of joint Shareholders, the survivor or survivors will be the only person or persons recognised by the Company as having any title to or interest in the Shares registered in the names of such joint Shareholders.

Shares may not be transferred to an Irish Person or to a US Person.

### **NO RIGHT OF REPURCHASE OF SHARES**

As the Company is closed-ended Shareholders have no right whatsoever to request the Company to repurchase their Shares. However, the Directors may in their sole and absolute discretion facilitate a deemed repurchase request from the Shareholders on the Termination Date. In the event that the Directors so determine, the repurchase price of the Shares will be the Net Asset Value per Share, determined in accordance with the provisions of Appendix III, after the deduction of any applicable sales charges and expenses following which an application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act.

### **COMPULSORY TRANSFER OF SHARES**

Shares acquired directly or indirectly by an Irish Person, US Person (except pursuant to an exemption under the 1933 Act), persons in breach of any law or requirement of any country or persons who directly or indirectly may result in the Company incurring any liability to taxation or pecuniary disadvantage, are subject to compulsory transfer by the Company.

### **PUBLICATION OF PRICES**

Details of the most recent Net Asset Value per Share may be obtained from the Company and will be notified without delay to the Irish Stock Exchange, following calculation. Details will also be published monthly in the Financial Times. Details of the quoted market prices of the Shares will be published weekly in the Financial Times.

### **DURATION OF THE COMPANY**

The Company has a life of approximately 5½ years from the Investment Date. Following the Termination Date and the payment of the Investor Return to the Shareholders, the Directors will arrange for the Company to be wound up in accordance with the winding up provisions set out on page 42 and 43. In order to reduce the costs of dissolution of the Company following the Termination Date, the Directors may exercise their discretion to permit a deemed repurchase request by Shareholders of their Shares in the Company on the Termination Date, further details of which are contained under **Realisation of Investment** on page 23 above. Prior to the dissolution of the Company an application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act.

### **DIRECTORS' INTERESTS**

- (a) There are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed.
- (b) At the date of this Prospectus, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or issued to, the Company and no Director is materially interested in any contract or arrangement subsisting at the date hereof which is unusual in its nature and conditions or significant in relation to the business of the Company.
- (c) At the date of this Prospectus neither the Directors nor their spouses nor their infant children, nor any connected party to the Directors have any interest in the share capital of the Company or any options in respect of such capital.
- (d) Ann Marie McLoughlin, who is a Director of the Company is also a director of the Administrator. Their respective biographical details are set out on page 29 and 30.

### **MATERIAL CONTRACTS**

The following contracts have been entered into otherwise than in the ordinary course of the business intended to be carried on by the Company and are or may be material:

- (a) the Investment Management Agreement; this agreement provides that the appointment of the Investment Manager will continue unless and until terminated by either party giving to the other not less than 90 days' written notice although in certain circumstances the agreement may be terminated forthwith by notice in writing by either party to the other; the agreement also contains certain indemnities in favour of the Investment Manager which are restricted to exclude matters arising by reason of the fraud, bad faith, negligence or wilful default of the Investment Manager in the performance of its duties.

- (b) the Administration Agreement; this agreement provides that the appointment of the Administrator and Irish Paying Agent will continue in force unless and until terminated by either party giving to the other not less than 90 days' written notice although in certain circumstances the Agreement may be terminated forthwith by notice in writing by either party to the other; the agreement contains certain indemnities in favour of the Administrator which are restricted to exclude matters arising by reasons of the fraud, bad faith, negligence, wilful default or recklessness of the Administrator in the performance of its duties; and
- (c) the Custodian Agreement; this agreement provides that the appointment of the Custodian will continue unless and until terminated by either party giving to the other not less than 90 days' written notice although in certain circumstances the agreement may be terminated forthwith by notice in writing by either party to the other; the agreement contains certain indemnities in favour of the Custodian which are restricted to exclude matters arising by reason of the fraud, bad faith, negligence, wilful default or recklessness of the Custodian in the performance of its duties.

### **INCORPORATION AND SHARE CAPITAL**

The Company was incorporated under the laws of Ireland on 6 January 2003 as a closed-ended variable capital company, with registered number 365770 and is authorised under the Act. The liability of members of the Company is limited.

At the date hereof:

- (a) the authorised share capital of the Company is (and was at the date of incorporation) 500,000,000 shares of no par value initially designated as unclassified shares and available for issue as ordinary shares; and
- (b) the issued share capital of the Company is (and was at the date of incorporation) €2, represented by 2 shares (initially designated as **subscriber shares** and issued for the purposes of the incorporation of the Company at an issue price of €1 each), which are beneficially owned by the Administrator. Such subscriber shares will be available for transfer to applicants who apply for Shares during the Offer Period and prior to the expiration of the Offer Period the subscriber shares will be redesignated as Shares. The subscriber shares shall have the same rights as the Shares.

Subject to the exceptions set out on page 42 regarding **Transfer of Shares**, the Shares issued by the Company are freely transferable and entitled to participate equally in the profits of the Company and in its assets upon liquidation.

The Shares, which are of no par value and which must be fully paid upon issue, carry no preferential or pre-emptive rights and are entitled to one vote each at all meetings of the relevant class of Shareholders. All Shares will rank *pari passu*.

Shares in the Company will be issued in non certificated form and will be evidenced by the issue of a confirmation of ownership and entry in the register of members maintained by the Company. No share certificates will be issued. See page 37 for further details.

### **MEMORANDUM AND ARTICLES OF ASSOCIATION**

Clause 2 of the Memorandum of Association provides that the sole object of the Company is the collective investment of its funds in property with the aim of spreading investment risk and giving members of the Company the benefit of the results of the management of the funds of the Company.

The Articles of Association contain provisions to the following effect:

- (a) **Directors' Authority to Allot Shares.** The Directors are generally and unconditionally authorised to allot shares (including fractions thereof) up to an amount equal to the authorised but as yet unissued share capital of the Company.
- (b) **Variation of rights.** The rights attached to any class may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. The quorum at any such separate general meeting other than an adjourned meeting, shall be two persons holding or representing by proxy at least one third of the issued shares of the class in question. The quorum at an adjourned meeting shall be one person holding shares of the class in question or his proxy.
- (c) **Voting Rights.** Subject to disenfranchisement in the event of non-compliance with any notice requiring disclosure of the beneficial ownership of Shares and subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands at a general meeting of the Company, every member holding Shares who is present in person or by proxy shall have one vote and on a poll every member shall have one vote in respect of each share of which he is the holder. Members who hold a fraction of a share may not exercise any voting rights, whether on a show of hands or on a poll, in respect of such share.
- (d) **Change in Share Capital.** The Company may from time to time by ordinary resolution increase the share capital by such amount as the resolution may prescribe. The Company may also by ordinary resolution, consolidate and divide its share capital into Shares of larger amount, subdivide its Shares into Shares of smaller amount or cancel any Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and reduce the amount of its authorised share capital by the amount of the Shares so cancelled.
- (e) **Directors' Interests.** Provided that the nature of his interest shall be disclosed as set out below, no Director or intending Director shall be disqualified by his office from contracting with the Company nor shall any such contract or arrangement entered into by or on behalf of any other company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profits realised by any such contract or arrangement by reason of such a Director holding that office or of the fiduciary relationship thereby established.

The nature of a Director's interest must be declared by him at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration or if the Director was not at the date of that meeting interested in the proposed contract or arrangement at the next meeting of the Directors held after he became so interested.

A Director shall not vote at a meeting of the Directors or a committee of the Directors on any resolution concerning a matter in which he has, directly or indirectly an interest which is material (other than an interest arising by virtue of his interest in shares or debentures or other securities or otherwise in or through the Company) or a duty which conflicts or may conflict with the interest of the Company.

A Director shall be entitled (in the absence of some other material interest than is indicated above) to vote and be counted in the quorum in respect of any resolutions concerning the following matters:

- (i) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries or associated companies;

- (ii) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries or associated companies for which he himself has assumed responsibility;
  - (iii) any contract or arrangement by a Director to underwrite shares or debentures of the Company or any of its subsidiaries or associated companies;
  - (iv) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer, shareholder or otherwise provided he is not the holder of or beneficially interested in 1% or more of the issued shares of any class of such company or of the voting rights available to members of such company (or of any third company through which his interest is derived), any such interest being deemed for the purposes of the Articles of Association to be a material interest in all circumstances.
  - (v) The Company may by ordinary resolution suspend or relax the provisions described above to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.
- (f) **Borrowing Powers.** The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and assets (both present and future) and uncalled capital or any part thereof, as collateral security for any debt liability or obligation of the Company.
- (g) **Committees.** The Directors may establish committees and may delegate any of their powers to any committee consisting of one or more Directors together with such other persons (if any) as may be appointed to such committee by the Directors provided that a majority of the members of each committee appointed by the Directors shall at all times consist of Directors and that no resolution of any such committee shall be effective unless a majority of the members of the committee present at the meeting at which it was passed are Directors.
- (h) **Retirement of Directors.** The Directors shall not be required to retire by rotation or by virtue of their attaining a certain age.
- (i) **Directors' Remuneration.** Unless and until otherwise determined, from time to time, by ordinary resolution of the Company, each Director shall be entitled to such ordinary remuneration for his services as the Directors shall, from time to time, resolve. Such remuneration shall be divisible (unless such resolution of the Company shall provide otherwise), among the Directors as they may agree or failing agreement equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of the remuneration related to the period during which he held office. Any Director who holds any executive office (including Chairman or Deputy Chairman) or who serves on any committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or committees of the Directors or general meetings or separate meetings of the holders of any class or of debentures of the Company or otherwise in connection with the discharge of their duties.

- (j) **Transfer of Shares.** Subject as set out below, the Shares of any member may be transferred by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors in their absolute discretion and without assigning any reason therefor may decline to register any transfer to an Irish Person, a US Person, any person who, by holding Shares, would be in breach of any law or requirement of any country or cause adverse fiscal, regulatory or pecuniary disadvantage to the Company and any transfer to or by a minor or a person of unsound mind. The Directors may also decline to recognise any instrument of transfer unless it is accompanied by the share certificate to which it relates (provided a certificate has been issued), is in respect of one class of share only, is not in favour of more than four transferees and is lodged at the registered office or such other place as the Directors may appoint.

- (k) **No Right of Repurchase.** Shareholders have no right whatsoever to request the Company to repurchase their Shares. However, the Directors may exercise their discretion to permit the deemed repurchase of Shares by the Company upon such terms and conditions as the Directors may in their sole and absolute discretion determine. Shareholders should have no expectation that the Directors will exercise their discretion.

In the event that the Directors so determine, the repurchase price of the Shares will be the Net Asset Value per Share, determined in accordance with the provisions of Appendix III, after the deduction of any applicable sales charges and expenses following which an application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act.

- (l) **Dividends.** The Articles of Association permit the Company by ordinary resolution to declare dividends in accordance with the respective rights of the members but no dividend shall exceed the amount recommended by the Directors. The Directors may declare and pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. The Company may, in general meeting, and upon the recommendation of the Directors, direct that any dividend payable to holders of shares be satisfied wholly or partly by the distribution to them in specie of any assets of the Company. If the Directors so resolve, any dividend which has remained unclaimed for six years from the date of its declaration shall be forfeited and cease to remain owing by the Company. Unclaimed dividends paid out during the life of the Company and which remained unclaimed will revert to the Company.

- (m) **Duration.** The Company has a life of approximately 5½ years from the Investment Date. Following the Termination Date and the payment of the Investor Return to Shareholders, the Directors will arrange for the Company to be dissolved in accordance with the winding up provisions set out below. Prior to the dissolution of the Company, application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act.

In order to reduce the costs of dissolution, the Directors may decide to exercise their discretion to permit a deemed repurchase request by the Shareholders of their Shares immediately following the Termination Date at the Net Asset Value per Share, determined in accordance with the provisions of Appendix III, after the deduction of any applicable sales charges and expenses following which application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act. Subject inter alia, to the Investment Risks, Shareholders realising their investment in this manner may receive the Investor Return within 15 Business Days following the Termination Date. Shareholders should note that a repurchase of Shares in such circumstances is at the sole discretion of the Directors. Accordingly, Shareholders should have no expectation that the Directors will exercise their discretion.



If the Directors decide not to exercise their discretion to effect a deemed repurchase request, the Directors will arrange for the Company to be dissolved in accordance with the winding up provisions set out below. Prior to the dissolution of the Company an application will be made to the Central Bank for revocation of the Company's authorisation as a designated closed-ended investment company pursuant to the Act.

- (n) **Winding up.** Subject to the provisions of the Companies Acts, if the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

Following the deduction of the estimated expenses of the liquidation, the assets available for distribution among the holders of Shares shall then be applied in the following priority:

- (i) **First**, in the payment to the holders of the Shares of a sum in the currency in which the Shares are designated or in any other currency selected by the liquidator as nearly as possible equal (at a rate of exchange determined by the liquidator) to the aggregate Net Asset Value per Share of the Shares held by such holders respectively as at the date of commencement to wind up provided that there are sufficient assets available to enable such payment to be made.
- (ii) **Secondly**, in the payment to the holders of the Shares of any balance then remaining such payment being made in proportion to the number of Shares held.

If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Acts divide among the members in specie the whole or any part of the assets of the Company, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the holders of different classes of shares. Where a distribution in specie is being made a Shareholder may elect to have such assets sold at the sole expense of the Shareholder and to have the net proceeds of such sale remitted to him. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of holders as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no holder shall be compelled to accept any assets in respect of which there is liability.

- (o) **Share Qualification.** There is no share qualification for Directors.

#### **LITIGATION AND ARBITRATION**

The Company is not involved in any litigation or arbitration nor are the Directors aware of any pending or threatened litigation or arbitration at the date hereof.

#### **DIRECTORS' CONFIRMATION - COMMENCEMENT OF BUSINESS**

The Directors confirm that the Company was incorporated on 6 January 2003 and at the date of this Prospectus has not commenced business. Accordingly, no accounts have been made up for presentation to its members and no dividends have been declared or paid. The Company does not have any subsidiaries at the date hereof.

## **MISCELLANEOUS**

Save as disclosed under **Incorporation and Share Capital** on page 39 above no share or loan capital of the Company has been issued or agreed to be issued, under option or otherwise. As of the date of this Prospectus, the Company does not have any loan capital (including term loans) outstanding or created but unissued or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other contingent liabilities.

Save as disclosed under the heading, **Directors' Interests** on page 40 above, no Director has any interest in the promotion of or in any property acquired or proposed to be acquired by the Company.

Save as may result from the entry by the Company into the agreements listed under **Material Contracts** on page 38 and 39 above or any other fees, commissions or expenses discharged, no amount or benefit has been paid or given or is intended to be paid or given to any promoter of the Company. No commissions, discounts, brokerages or other special terms have been paid or granted or are payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or loan capital of the Company.

For so long as the Shares in the Company are listed on the Irish Stock Exchange and, insofar as it is known to them, the Directors will furnish the Irish Stock Exchange with the names and other relevant details of persons who, directly or indirectly, are interested in 10% or more of the issued share capital of the Company. In addition, as of the date hereof, the Directors are not aware of any persons who, following the expiration of the Offer Period, will be interested, directly or indirectly in 10% or more of the issued share capital of the Company other than Legal & General (Portfolio Management Services) Limited, which is regulated by the FSA.

## **SUPPLY AND INSPECTION OF DOCUMENTS**

Copies of the following documents may be inspected at the registered office of the Company at 20-22, Lower Hatch Street, Dublin 2 during usual business hours on weekdays, except Saturdays and public holidays:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the material contracts referred to above;
- (c) the Act;
- (d) the non-UCITS series of notices issued by the Central Bank; and
- (e) the list of current and past directorships and/or partnerships for each of the Directors of the Company over the last five years.

Copies of the Memorandum and Articles of Association of the Company (and, after publication thereof, the periodic reports and accounts) may be obtained from the Administrator upon payment of such fee as the Directors and the Administrator agree from time to time.

## APPENDIX I

### CALCULATION OF EQUITY INDEX AMOUNT AND INFORMATION ON THE INDEX

#### EQUITY INDEX AMOUNT

The Equity Index Amount will be calculated and determined by the Investment Manager, in accordance with the formula set out below. In the event that the Final Index Level (**FIL**) is less than the Initial Index Level (**IIL**) the Equity Index Amount shall be zero.

The Equity Index Amount equals the number of issued Shares multiplied by the Subscription Price multiplied by 100% of the positive performance of the Index. The Equity Index Amount is capped at 55% of a Shareholder's capital investment in the Company.

#### *Equity Index Amount equals:-*

<b>Number of issued Shares</b>	<b>X</b>	<b>Subscription Price per Share</b>	<b>X</b>	<b>100% of the positive performance of the Index</b>
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The percentage change in the Index is calculated in accordance with the following formula:

$$100 \times \left[ \frac{\text{FIL} - \text{IIL}}{\text{IIL}} \right]$$

The determination of the Initial Index Level of the Index will be based on the arithmetic average of the levels of the Index at the Valuation Time on 30 day of each month which is an Exchange Business Day or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2003 to 30 October 2003 inclusive.

The determination of the Final Index Level of the Index will be based on the arithmetic average of the levels of the Index at close of business at the Valuation Time on 30 day of each month which is an Exchange Business Day or if such date is not an Exchange Business Day the next following Exchange Business Day during the period 30 April 2008 to 30 October 2008 inclusive.

The determination of the Initial Index Level and Final Index Level will be adjusted to take account of any days which are Exchange Business Days in the UK but not in other relevant markets, any Market Disruption Event or any adjustment of the Index in accordance with the procedures set out in Appendix I.

#### *Information on the index*

##### **FTSE 100**

The FTSE 100 is a stock index calculated by FTSE International and is designed to measure the composite price performance of the shares of selected leading UK companies listed on the London Stock Exchange. The companies included in the FTSE 100 are generally the largest 100 UK registered companies whose shares are listed on the London Stock Exchange, determined on the basis of market capitalisation (the total number of shares issued multiplied by the current market share price).

The FTSE 100, which is calculated on a minute by minute basis, during market hours, is a weighted arithmetic index. This means that a change in the price of any share is weighted by the total market capitalisation of the company rather than its price per share. Accordingly, a 5% price movement in the stock of the smallest company (in terms of market capitalisation) included in the FTSE 100 has less effect on the level of the FTSE 100 than a 5% price movement in the stock of the largest company.

### ***Monitoring the Index***

The Company has agreed, under the Master Agreements and the Option Transaction, that the Calculation Agent appointed thereunder, will be responsible, inter alia, for the following:

1. determining the Initial Index Level and Final Index Level of the Index or of any alternative Index;
2. monitoring the closing level of the Index or any alternative index;
3. calculating the value of the Index in the event of the Index being interrupted, discontinued or adjusted; and
4. providing appropriate certificates to the Company and the Investment Manager following such calculations.

All determinations and calculations of the Index or any alternative Index by the Counterparty shall be subject to the agreement of the Investment Manager, acting as an independent expert. If unable to agree, each party shall agree to be bound by the determination of an independent leading dealer in equity options on the Index or any alternative Index (the **Substitute Calculation Agent**) selected by mutual agreement between the parties, (subject to the approval of the Custodian), any fees and expenses of which shall be met equally by the parties. Subject to the foregoing, all determinations and calculations by the Counterparty will be carried out in good faith and will be binding and conclusive in the absence of manifest error.

If any error or omission is detected in the calculations of the Counterparty or the Investment Manager, the relevant party or parties will correct such error as soon as practicable but in any event within three Exchange Business Days of such error or omission coming to its attention. The Shareholders shall have no right of action against the Counterparty, the Investment Manager, the Company or the Custodian in the event of the Counterparty making any error, omission or incorrect statement regarding the determinations and calculations to be made hereunder. Shareholders will only have a right of action against the Investment Manager in respect of any error, omission or incorrect statement arising as a result of the negligence or wilful default on the part of the Investment Manager or its agents.

If the Counterparty or the Investment Manager are unable or unwilling, for whatever reason, to perform any of the foregoing functions, the Company will (subject to the approval of the Custodian) appoint a new entity, not more than 10 Business Days following receipt of notification of the relevant party's inability or unwillingness to act. Any entity appointed to determine the performance of the Index and other relevant calculations pursuant to this paragraph shall require the prior consent of the existing Counterparty which consent shall not be unreasonably withheld. Any replacement of the Investment Manager will be made in accordance with the requirements of the Central Bank Notices. Any such replacement of the Investment Manager shall require the prior approval of the Counterparty, which approval shall not be unreasonably withheld.

### ***Market Disruption Event***

A Market Disruption Event means the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Exchange or otherwise) in (i) on the Exchange in securities that comprise 20% or more of the capitalisation of the Index or (ii) any options contracts or futures contracts on to the Index on any Related Exchange if, in any such case, that suspension or limitation is, in the determination of the Counterparty, to be material.

For the purposes of determining whether a Market Disruption Event exists at any time, if trading in a security included in the Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that security relative to (ii) the overall level of the Index, in each case, immediately before that suspension or limitation.

### ***Market Disruption Procedures***

If a Market Distribution Event exists or occurs on any Exchange Business Day which was originally scheduled as a Valuation Date for the purposes of determining the Initial Index Level, then the first succeeding Exchange Business Day on which there is no Market Disruption Event shall be a Valuation Date for the aforesaid purposes.

If a Market Disruption Event exists or occurs on any Exchange Business Day which was originally scheduled as a Valuation Date for the purposes of determining the Final Index Level, then such Exchange Business Day shall not be a Valuation Date and the number of Exchange Business Days to be used in determining the Final Index Level will be reduced accordingly.

The Company will procure that each Counterparty is required, as soon as reasonably practical, to notify the Company and the Investment Manager of the existence or occurrence of a Market Disruption Event on any Exchange Business Day that but for the occurrence or existence of a Market Disruption Event would have been a Valuation Date used to determine the Initial Index Level or the Final Index Level, as the case may be.

If, on any Valuation Point, there is a Market Disruption Event the value of the Index on the first succeeding Exchange Business Day on which there is no Market Disruption Event shall be taken (in accordance with the Modified Business Day Convention) unless the Market Disruption Event only prevents the calculation of the Index at the Valuation Time on that Valuation Point and the Index Sponsor fails to calculate and announce the Index in which case the Counterparty or Counterparties will determine the level of the Index, on such Valuation Point as of the Valuation Time, in accordance with the formula for and method of calculating that Index last in effect prior to the commencement of such Market Disruption Event and using the Exchange traded price (or, if trading in the relevant security has been materially suspended or materially limited, its\their good faith estimate of the Exchange traded price that would have prevailed but for such suspension or limitation) as of the Valuation Point on that Exchange Business Day of each security comprised in the Index.

## **APPENDIX II**

### **PART A: CRITERIA FOR SELECTION OF COUNTERPARTY**

The Counterparty has shareholders' funds in excess of €125 million or its foreign currency equivalent; and

The Investment Manager is satisfied that the Counterparty (a) has agreed to value the transaction at least monthly, and (b) will close out the transaction at the request of the Investment Manager at a fair value.

### **PART B: COLLATERAL**

Collateral obtained from a Counterparty in accordance with the Investment Restrictions contained on pages 24 to 25 must be denominated in Sterling and in the form of one or more of the following:-

- cash;
- government or other public securities;
- certificates of deposit;
- letters of credit which are unconditional and irrevocable and which have a credit rating of A1/P1 or better;
- certificates issued by securities exchange clearing systems.

Such collateral:

- cannot be sold or pledged;
- must equal in value, at all times the amount by which the limits set out in paragraph 9 on page 25 have been exceeded;
- must be marked to market monthly; and
- must be deposited with and transferred into the name of the Custodian or its nominee.

### **APPENDIX III**

#### **VALUATION OF ASSETS AND TEMPORARY SUSPENSION OF DETERMINATION OF NET ASSET VALUE**

The Net Asset Value of the Company and Net Asset Value per Share are calculated at each Valuation Point. The Net Asset Value of the Company is the value of the assets of the Company less its liabilities at each Valuation Point. The Net Asset Value per Share is calculated by dividing the value of the assets of the Company less its liabilities by the total number of Shares in issue at each Valuation Point.

The Articles of Association provide for the method of valuation of the assets and liabilities of the Company and the Shares. In particular, the Articles of Association provide that where any investment owned or contracted for by the Company is listed or dealt in on a Stock Exchange and Market, the value thereof shall be based on the middle market price, if calculable, being the mean price between bid and offer prices for such security last available to the Directors as at the Valuation Point. Where such investment is listed or dealt in on more than one Stock Exchanges and Market the Directors shall select the Stock Exchanges and Markets which, in their opinion, provides the fairest criteria for valuing such investment.

Notwithstanding any of the foregoing, the Directors may with the approval of the Custodian adjust the value of any investment or other property which is listed or dealt in on a Stock Exchange and Market if, having regard to currency, applicable rate of interest, anticipated rate of dividend, maturity, marketability, liquidity and/or such other considerations as they may deem relevant, they consider that such adjustment is required to reflect the fair value thereof as at any Valuation Point.

The value of any investment which is not listed or dealt in on a Stock Exchange and Market or of any investment which is normally listed or dealt in on a Stock Exchange and Market but in respect of which no price is currently available shall be the probable realisation value thereof estimated with care and in good faith by a competent person appointed by the Directors and approved, for such purpose, by the Custodian. In determining the probable realisation value of any such investment, a certified valuation thereof provided by a competent third person, approved by the Directors and approved for such purpose by the Custodian, shall be sufficient.

The value of any cash in hand or on deposit, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received as at a Valuation Point shall be deemed to be the face value thereof unless in any case the Directors are of the opinion that the same is unlikely to be paid or received in full in which case the value thereof shall be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof as at any Valuation Point.

The value of any demand notes, promissory notes and accounts receivable shall be deemed to be the face value or full amount thereof after making such discount as the Directors may consider appropriate to reflect the true current value thereof as at any Valuation Point.

Certificates of deposit, treasury bills, bank acceptances, trade bills and other negotiable instruments shall each be marked to market as at each Valuation Point.

Forward foreign exchange contracts shall be valued by reference to the price as at the Valuation Point at which a new forward contract of the same size and maturity could be undertaken.

The value of any futures contracts, share price index futures contracts and options which are dealt in on a Stock Exchange and Market shall be the settlement price as determined by the Stock Exchanges and Markets in question as at a Valuation Point, provided that where it is not the practice for the relevant Stock Exchanges and Market to quote a settlement price or such settlement price is not available for any reason as at a Valuation Point, such value shall be the probable realisation value estimated with care and in good faith by the Directors or other competent person provided that the Directors or such other competent person have been approved for such purpose by the Custodian.

The value of units or shares or other similar participation in any collective investment scheme which provides for the units or shares or other similar participation therein to be redeemed at the option of the Shareholder out of the assets of that undertaking shall be valued at the last available net asset value per unit or share or other similar participation as at a Valuation Point or if bid and offer prices are published the price midway between the last available bid and offer prices.

If in any case a particular value is not ascertainable as above provided or if the Directors shall consider that some other method of valuation better reflects the fair value of the relevant investment then in such case the method of valuation of the relevant investment shall be such as the Directors in their absolute discretion shall determine, such method of valuation to be approved by the Custodian.

Any over the counter Option Transaction entered into by the Company will be valued monthly by the relevant counterparty to the Option Transaction on the basis of the following criteria: the exercise price, the value of the Company's underlying investments (determined in accordance with the foregoing provisions), the performance of the Index, the degree of volatility, the remaining maturity, the interest receivable and the expected yield of the underlying investments and prevailing interest rates. In order for the valuation of such Option Transaction to reflect a fair value at prevailing market conditions, having regard to the position held, the Directors will have the Option Transaction valued Monthly by a party independent of the parties to the Option Transaction and who is approved for such purpose by the Custodian. In the event of any material differences in the valuations obtained from the counterparties and the independent party, the Option Transaction will be valued at the arithmetic mean of the valuations obtained.

Notwithstanding the foregoing, where at any Valuation Point any asset of the Company has been realised or contracted to be realised there shall be included in the assets of the Company in place of such asset the net amount receivable by the Company in respect thereof provided that if such amount is not then known exactly then its value shall be the net amount estimated by the Directors as receivable by the Company **PROVIDED THAT** if the net amount receivable is not payable until some future time after the time of any Valuation Point in question the Directors shall make such allowance as they consider appropriate to reflect the true current value thereof as at the relevant Valuation Point.

The Directors may at any time (with the approval of the Custodian) temporarily suspend the calculation of the Net Asset Value of the Company and the issue or repurchase of Shares during (i) any period when any of the principal markets on which a substantial part of the investments of the Company are quoted is closed, otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended; (ii) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Directors, disposal or valuation of a substantial part of the investments of the Company is not reasonably practicable without this being seriously detrimental to the interests of the Company or if in the opinion of the Directors the Net Asset Value cannot be fairly calculated; (iii) any breakdown in the means of communication normally employed in determining a substantial portion of any of the investments of the Company or when for any other reason the current prices on any market of a substantial part of the investments of the Company cannot be promptly and accurately ascertained; or (iv) any period during which any transfer of funds involved in the realisation or acquisition of investments cannot, in the opinion of the Directors, be effected at normal prices or rates of exchange; or (v) any period when the Directors consider it to be in the best interests of the Company.

Any such suspension of the determination of the Net Asset Value shall be notified to the Central Bank and the Irish Stock Exchange without delay and within the same Business Day on which such suspension occurred. If the shares are listed in the official list of the Irish Stock Exchange any such suspension shall be notified to the Irish Stock Exchange within the time frame specified above and will be published in a newspaper circulating in the European Union if, in the opinion of the Directors, it is likely to exceed 14 days. The Company will notify investors applying for the issue of shares of such suspension at the time of application and will notify all Shareholders if, in the opinion of the Directors, such suspension is likely to exceed 14 days. Any application for shares which is not withdrawn shall, subject to Part II of the Articles of Association, be dealt with on the first Dealing Day after the suspension is lifted. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.



## APPENDIX IV

### TERMS AND CONDITIONS OF APPLICATION

1. The Company reserves the right to present all cheques and bankers drafts for payment on receipt and to retain all certificates in relation to Shares and surplus application monies pending clearance of the successful applicants' cheques.
2. By completing and delivering an Application Form you (as applicant(s)):
  - (a) offer to subscribe for the number of Shares specified in your Application Form (or any smaller number for which the application is accepted) at £1 per Share subject to the Prospectus these Terms and Conditions and the Memorandum and Articles of Association of the Company;
  - (b) acknowledge that no fractions of Shares will be issued;
  - (c) authorise the Company or its appointees to send a confirmation of ownership and in respect of any applications for Shares not accepted by the Company a crossed cheque for any monies returnable, by post to your address (or that of the first-named applicant) as set out in your Application Form and to procure that your name (together with the name(s) of any joint applicant(s)) is placed on the register of members of the Company in respect of such Shares;
  - (d) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a confirmation of ownership or if so requested a share certificate for the Shares applied for or to enjoy or receive any rights or distributions in respect of such Shares unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Company (which acceptance shall be in the Company's sole and absolute discretion and shall be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such Shares the Company may (without prejudice to any other rights it may have) treat the agreement to allot such Shares as void and may allot such Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Shares (other than the return of such late payment);
  - (e) agree that any confirmation of ownership and, if requested by you any monies returnable to you may be retained pending clearance of your remittance and that such monies will not bear interest for your account;
  - (f) agree that, in relation to all applications, acceptances of applications and contracts resulting from this Application Form, nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
  - (g) warrant that, if you sign the Application Form on behalf of another party or on behalf of a corporation, you have due authority to do so and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank where required by the instructions relating to the Application Form.
  - (h) agree that, in respect of those Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by notification of acceptance thereof by the Company or its appointees;

- (i) agree that all documents in connection with the offer and any returned monies will be sent at your risk and may be sent by post to you at your address (or, in the case of joint applicants, the address of the first-named applicant) as set out in the Application Form;
  - (j) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information, statements of opinion and representations concerning the Company contained therein;
  - (k) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information, statement of opinion or representation;
  - (l) confirm that you have reviewed the restrictions contained in paragraphs 3 and 4 below and warrant as provided therein;
  - (m) warrant that you are not under the age of 18;
  - (n) agree that this Application Form is addressed to the Company;
  - (o) agree to provide the Company with any information which it may request in connection with your application including without limitation evidence of identity to comply with applicable money laundering regulations and agree that in case of delay or failure to provide satisfactory information, the Company and its appointees may take such action as they see fit including declining this Application Form;
  - (p) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company or its appointees acting in breach of the regulatory or legal requirements of any territory in connection with the offer for Shares in the Company or your application;
  - (q) warrant that, if you are applying in your capacity as trustee, that you have the requisite authority to make such application and that you are acting pursuant to and in accordance with the powers conferred upon you as trustee under the relevant trust deed;
  - (r) agree that your application for Shares is irrevocable and will remain valid regardless of whether or not all or part of such Shares are validly transferred into a PEP or ISA; and
  - (s) that this Offer is limited to between 50 to 75 million Shares. The directors however have a discretion to increase the number of Shares issued pursuant to the Offer. An announcement in relation to the number of Shares issued will be made immediately following the closing of the Offer Period.
3. No person receiving a copy of the Prospectus or an Application Form in any territory may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless the same could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

4. The Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state or other political sub-division of the United States and, subject to any applicable exemptions, may not be offered, sold, renounced, transferred or delivered directly or indirectly, in the United States or as a result of a purchase order known to originate in the United States. In addition, the Company is not and will not be registered under the United States Investment Company Act of 1940 as amended. Persons subscribing for Shares shall be deemed to represent and warrant that they are not resident in the United States and will not, as principal or agent, offer, sell, transfer or deliver directly or indirectly, as part of the distribution of the Shares any Shares or otherwise assist in any such Shares being purchased by any person in the United States or as a result of a purchase order known to originate in the United States.
5. For taxation purposes, Irish Persons cannot hold Shares and persons subscribing for Shares shall be deemed to represent and warrant that they are not so resident and will not, as principal or agent, offer, sell, transfer or deliver directly or indirectly, as part of the distribution of the Shares, any Shares or otherwise assist in any such Shares being purchased by any person resident in the Republic of Ireland or as a result of a purchase order known to originate in the Republic of Ireland.
6. The basis of allocation will be determined by the Company in its sole and absolute discretion. However, subject to receipt of correct purchase documentation and compliance with the criteria contained in the Prospectus and your Application Form, allocation will generally be on a first come first served basis. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or to scale down any application. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying your Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by the completion of an Application Form where the applicant has agreed in some manner to apply in accordance with these Terms and Conditions and application accompanied by payment made net of any commission due to the applicant(s) from the Company has been made.
7. Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in these Terms and Conditions and in the Application Form.

8. **AVAILABILITY OF PROSPECTUS**

Copies of the Prospectus, including the Application Forms, can be obtained during normal business hours from the following:

**LEGAL & GENERAL (PORTFOLIO MANAGEMENT SERVICES) LIMITED**

**Bucklersbury House  
3 Queen Victoria Street  
London EC4N 8NH  
England**

**Telephone No: 44 207 489 1888**

**LEGAL & GENERAL UK GROWTH II PLC**

**20-22 Lower Hatch Street  
Dublin 2  
Ireland**

**Telephone No: 353 1 6318 310**

**4 March 2003**

## PROCEDURE FOR APPLICATION

### ALL APPLICANTS SHOULD READ NOTES 1-6

1. Fill in (in block capitals) the full name and address of the person applying for Shares. If this application is being made jointly with other persons, please read Note 6 before completing Box 1.
2. Fill in (in figures) the number of Shares for which you wish to apply. Initial applications must be for a minimum of 10,000 Shares. Additional applications may be for any amount.
3. Fill in (in figures) the amount you are paying for the Shares applied for in Box 2.

This should be for the number of Shares applied for multiplied by £1 (i.e. for 10,000 Shares pay £10,000).

4. The applicant named in Box 1 must date and sign Box 4 where indicated.

The Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or bank) must be enclosed for inspection.

A corporation should sign under the hand of a duly authorised official, whose representative capacity must be stated. The Company reserves the right in its sole and absolute discretion, to seek such further evidence of such representative capacity if it deems it appropriate so to do.

5. Attach a cheque or banker's draft for the exact amount shown in Box 3 to your completed Application Form. Your cheque or banker's draft must be made payable to Legal & General UK Growth II plc and crossed **A/C Payee Only**.

Your payment must relate solely to this application. No receipt will be issued.

Your cheque or banker's draft must be drawn in Sterling on an account at a bank branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number in the top right hand corner. If you do not have a cheque account, you can obtain a cheque from your building society or bank branch.

An application may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys returned will be sent by cheque crossed **A/C Payee Only** in favour of the first-named applicant.

6. **If you intend including the Shares applied for in an ISA, do not apply with a joint applicant.**

You may apply jointly with up to three other persons. Boxes 1 and 4 must be completed by one applicant. All other persons who wish to join in the application must complete Box 5 and sign.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or bank) must be enclosed for inspection.

Definitive certificates, cheques and other correspondence will be sent to the address in Box 1.

### INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS

Completed Application Forms should be sent by post or delivered by hand to Legal & General (Portfolio Management Services) Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8NH, England or Legal & General UK Growth II plc, 20-22 Lower Hatch Street, Dublin 2, Ireland **so as to be received by not later than 12.00 noon on 25 April 2003**. If you post your Application Form, you are recommended to use first-class post and to allow at least two days for delivery.

**PHOTOCOPIES OF APPLICATION FORMS WILL ONLY BE ACCEPTED IN CIRCUMSTANCES WHERE THEY BEAR AN ORIGINAL SIGNATURE(S).**

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**APPLICATION FORM  
TO APPLY FOR SHARES IN**

**LEGAL & GENERAL UK GROWTH II PLC**

(Incorporated in Ireland under the Companies Acts 1963 to 2001 with registered number 365770)

This application is for Shares in Legal & General UK Growth II plc only.

**Applications and cheques or banker's drafts must be received by 12.00 noon on 25 April 2003.**

**This completed form must be posted to or delivered by hand to Legal & General (Portfolio Management Services) Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8NH, England or to Legal & General UK Growth II plc, 20-22 Lower Hatch Street, Dublin 2, Ireland so as to be received by not later than 12.00 noon on 25 April 2003.**

**TO APPLY FOR SHARES IN THE COMPANY.**

**1. REGISTRATION DETAILS (Box 1) BLOCK CAPITALS PLEASE**

Title: Mr/Mrs/Miss/Ms/Other

\_\_\_\_\_

Full Forenames

\_\_\_\_\_

Surname

\_\_\_\_\_

Permanent Address

\_\_\_\_\_

Postcode

\_\_\_\_\_

**2. SUBSCRIPTION (Box 2)**

I/We offer to subscribe for Shares at the price of £1 per Share in the Company on the Terms and Conditions of Application set out in the Prospectus dated 4 March 2003.

**3. AMOUNT TO BE SUBSCRIBED (Box 3)**

I/We enclose cheque or banker's draft made payable to Legal & General UK Growth II plc and crossed **A/C Payee Only** for £[      ].

[    ]                      Attach your cheque or banker's draft here.

**4. SIGNATURE (Box 4)**

Signature	Dated	2003
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## 5. JOINT APPLICANTS (Box 5)

For joint applications please complete the following:-

### SECOND JOINT HOLDER

### THIRD JOINT HOLDER

### FOURTH JOINT HOLDER

Title: Mr/Mrs/Miss/Ms/Other Full Forenames Surname Permanent Address:	Title: Mr/Mrs/Miss/Ms/Other Full Forenames Surname Permanent Address:	Title: Mr/Mrs/Miss/Ms/Other Full Forenames Surname Permanent Address:
Postcode	Postcode	Postcode
Signature	Signature	Signature

### DECLARATION OF RESIDENCE INSIDE OR OUTSIDE THE REPUBLIC OF IRELAND.

Applicants resident outside the Republic of Ireland are required by the Irish Revenue Commissioners to make the following declaration which is in a format authorised by them, in order to receive payment without deduction of tax. It is important to note that this declaration, if it is then still correct, shall apply in respect of any subsequent acquisitions of shares/units. Terms used in this declaration are defined in the Prospectus.

#### 1. DECLARATION ON OWN BEHALF/ON BEHALF OF A COMPANY

I/We declare that I am/we are applying for the Shares on my/our own behalf/on behalf of a company\* and that I am/we are/ the company\* is entitled to the Shares in respect of which this declaration is made and that:

- I am/we are/the company\* is not currently resident or ordinarily resident in the Republic of Ireland; and
- should I/we/the company\* become resident in the Republic of Ireland, I/we will inform you in writing, accordingly.

\*(Delete as appropriate)

#### 2. DECLARATION AS INTERMEDIARY

I declare that I am applying for the Shares on behalf of other persons who are beneficially entitled to the Shares and I declare that:-

- to the best of my knowledge and belief, none of the beneficiaries are resident or ordinarily resident in the Republic of Ireland; and
- I will inform you accordingly, in writing, if I become aware that this declaration is no longer correct.

Authorised Signatory: \_\_\_\_\_ (Declarant)

Capacity in which declaration is made: \_\_\_\_\_ Date: \_\_\_\_\_

Note 1: This application must be received by the Administrator.

Note 2: To be valid, application forms must be signed by each applicant. If the application is on behalf of a company, it must be signed by the company secretary or another authorised officer.

Note 3: If this application form is signed under power of attorney, a copy of the power of attorney must accompany this application form.

Note 4: Non-residence declarations are subject to inspection by the Irish Revenue Commissioners and it is a criminal offence to make a false declaration.

Persons who are resident or ordinarily resident in the Republic of Ireland and who are seeking to apply for Shares should contact the Administrator for an application form which does not include the above declaration. Those Irish residents who are entitled to payment without deduction of tax, for example, pension funds, charities, etc, should also request the appropriate alternative declaration form from the Administrator.

Note 5: If this form is not fully completed to the satisfaction of the Administrator, the application/transfer may not be accepted.

### ***Irish Residence and Ordinary Residence***

#### ***Residence – Company***

A company which has its central management and control in the Republic of Ireland (the State) is resident in the State irrespective of where it is incorporated. A company which does not have its central management and control in the Republic of Ireland but which is incorporated in the State is resident in the State except where:-

- the company or a related company carries on a trade in the State, and either the company is ultimately controlled by persons resident in EU Member States or, in countries with which the Republic of Ireland has a double taxation treaty, or the company or a related company are quoted companies on a recognised Stock Exchange in the EU or in a taxation treaty country

or

- the company is regarded as not resident in the State under a double taxation treaty between the Republic of Ireland and another country.

It should be noted that the determination of a company's residence for tax purposes can be complex in certain cases and declarants are referred to the specific legislative provisions which are contained in section 23A Taxes Consolidation Act, 1997.

#### ***Residence – Individual***

An individual will be regarded as being resident in the Republic of Ireland for a tax year if s/he:

- 1) spends 183 days or more in the State in that tax year;

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- or
- 2) has a combined presence of 280 days in the State, taking into account the number of days spent in the State in that tax year together with the number of days spent in the State in the preceding year.

Presence in a tax year by an individual of not more than 30 days in the State will not be reckoned for the purpose of applying the two year test. Presence in the State for a day means the personal presence of an individual at the end of the day (midnight).

The Irish tax year is being changed to a calendar year basis with effect from 1 January 2002. A consequence of this change is that the preceding tax year is shorter and covers the period from 6 April 2001 to 31 December 2001. This impacts upon the number of days stated in the definition of residence contained in the declaration/prospectus as follows:-

- 183 days is reduced to 135 days for the shorter tax year only;
- 280 days is reduced to 244 days in respect of the combined tax years, commencing on 6 April 2000 and 6 April 2001, and those commencing on 6 April 2001 and 1 January 2002;
- 30 days is reduced to 22 days for the shorter tax year only.

### **Ordinary Residence – Individual**

The term ordinary residence as distinct from residence, relates to a person's normal pattern of life and denotes residence in a place with some degree of continuity.

An individual who has been resident in the State for three consecutive tax years becomes ordinarily residence with effect from the commencement of the fourth tax year.

An individual who has been ordinarily resident in the State ceases to be ordinarily resident at the end of the third consecutive tax year in which s/he is not resident. Thus, an individual who is resident and ordinarily resident in the State in 1999/2000 and departs from the State in that tax year will remain ordinarily resident up to the end of the tax year 2002/2003.

It should be noted that the change in the tax year to a calendar year basis, will also have an impact on the rules governing ordinary residence.

An individual who has been resident in the State for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year.

For example, an individual who is resident in the State for the tax years:

- 6 April 2000 to 5 April 2001,
- 6 April 2001 to 31 December 2001, and
- 1 January 2002 to 31 December 2002,

will become ordinarily resident with effect from 1 January 2003.

Similarly, an individual who is resident and ordinarily resident in the State in 2000/2001 and departs from the State in that year will remain ordinarily resident up to the end of the tax year 1 January 2003 to 31 December 2003.

### **Intermediary**

This means a person who:

- (a) carries on a business which consists of, or includes, the receipt of payments, from an investment undertaking resident in the State, on behalf of other persons; or
- (b) holds units in an investment undertaking on behalf of other persons.

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**THIS DOCUMENT IS IMPORTANT, IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, AN ADVISOR OF THE LEGAL & GENERAL MARKETING GROUP OR AN INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE UK FINANCIAL SERVICES AND MARKETS ACT, 2000.**

*Certain terms used in this Prospectus are defined on pages 11 to 19 of this document.*

It should be appreciated that the value of the Shares may go down as well as up. Details of certain investment risks for an investor are set out on pages 26 to 28 of this document.

**The Company is an investment company with variable capital incorporated on 6 January 2003 under the laws of Ireland and authorised under Part XIII of the Companies Act, 1990 as a designated closed-ended investment company pursuant to Section 256 of that Act. Such authorisation is not an endorsement or guarantee of the Company by the Central Bank nor is the Central Bank responsible for the contents of this Prospectus. In addition, the Central Bank shall not be liable by virtue of its authorisation of the Company or by reason of the exercise of the functions conferred on it by legislation in relation to the Company for any default of the Company. Authorisation of the Company does not constitute a warranty by the Central Bank as to the creditworthiness or financial standing of the various parties connected with the Company.**

**Neither the admission of the Shares to the Official List of the Irish Stock Exchange nor the approval of this document which constitutes listing particulars pursuant to the listing requirements of the Irish Stock Exchange shall constitute a warranty or representation by the Irish Stock Exchange as to the competence of the service providers or any other party connected with the Company, the adequacy of any information contained in this document or the suitability of the Company for investment purposes.**

The distribution of this Prospectus and the offer or purchase of Shares may be restricted in certain jurisdictions. No persons receiving a copy of this Prospectus or the accompanying application form in any such jurisdiction may treat this Prospectus or such application form as constituting an invitation to them to subscribe for Shares, nor should they in any event use such application form unless, in the relevant jurisdiction, such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirement. Accordingly, this Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for Shares, pursuant to this Prospectus or the accompanying application form, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

Distribution of this Prospectus is not authorised in any jurisdiction after publication of the first annual report and audited accounts of the Company for the period up to 5 February 2004 unless accompanied by a copy of such report and audited accounts or the then latest published annual report and audited accounts of the Company and, if published after such report or annual report, a copy of the latest semi-annual report and unaudited accounts. Such reports and this Prospectus together form the prospectus for the issue of Shares in the Company.

For taxation purposes, Shares may not be offered or sold, directly or indirectly, to or for the account of Irish Persons. Any Shareholder intending to become an Irish Person is required to transfer his Shares prior to becoming such a resident.

The Shares have not been and will not be registered under the US Securities Act of 1933, as amended and none of the Shares may be offered or sold, directly or indirectly in the United States or to any US Person. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended.

The Articles of Association of the Company give powers to the Directors to impose restrictions on the holding of Shares by or the transfer of Shares to any Irish Person or US Person (unless permitted under certain exceptions under the laws of the United States) or by any person who by virtue of his holding might, in the opinion of the Directors, cause or be likely to cause the Company some pecuniary or tax disadvantage.

Shareholders in the UK shall not have the right (provided under Section 6.7 of the Annex to the Conduct of Business Sourcebook Instrument 2001 made by the FSA, as may be amended from time to time) to cancel the investment agreement constituted upon the acceptance by or on behalf of the Company of an application for Shares.

Shares are offered only on the basis of the information contained in this Prospectus. Any further information or representation given or made by any dealer, salesman or other person should be disregarded and accordingly should not be relied upon. Neither the delivery of this Prospectus nor the offer, issue or sale of Shares shall, under any circumstances, constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date of this Prospectus. Statements made in this Prospectus are based on the law and practice currently in force in Ireland and are subject to changes therein.

This Prospectus should be read in its entirety before making any application for Shares.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Memorandum and Articles of Association of the Company.

The Offer, which is not underwritten, is conditional on the Company receiving valid applications for Shares amounting to £5 million by 12.00 noon on 25 April 2003 or such earlier or later date as the Directors may agree and notify to the Central Bank. The Offer is also subject to the satisfaction of certain other conditions specified under **The Offer** on page 20 below.

## **LEGAL & GENERAL UK GROWTH II PLC**

### ***DIRECTORS***

Andrew Stuart McKinnon  
Ann Marie McLoughlin  
Peter Blessing  
all of 20-22  
Lower Hatch Street  
Dublin 2  
Ireland

### ***REGISTERED OFFICE***

20-22 Lower Hatch Street  
Dublin 2  
Ireland

### ***ADMINISTRATOR, SECRETARY, REGISTRAR AND IRISH PAYING AGENT***

HSBC Fund Administration  
(Ireland) Limited  
20-22 Lower Hatch Street  
Dublin 2  
Ireland

### ***INVESTMENT MANAGER***

Legal & General Investment  
Management Limited  
Temple Court  
11 Queen Victoria Street  
London EC4N 4TP  
England

### ***CUSTODIAN***

HSBC Global Investor Services  
(Ireland) Limited  
20-22 Lower Hatch Street  
Dublin 2  
Ireland

### ***IRISH LEGAL ADVISERS***

A & L Goodbody  
International Financial Services Centre,  
North Wall Quay,  
Dublin 1,  
Ireland.

### ***SPONSOR***

Legal & General (Portfolio  
Management Services) Limited  
Temple Court  
11 Queen Victoria Street  
London EC4N 4TP  
England

### ***MARKET MAKER***

Barclays Capital Securities Limited  
54 Lombard Street  
London EC3P 3AH  
England

### ***SPONSORING BROKER***

Davy Stockbrokers  
49 Dawson Street  
Dublin 2  
Ireland

### ***AUDITORS***

PricewaterhouseCoopers,  
Chartered Accountants  
Gardner House  
Wilton Place  
Dublin 2  
Ireland

### ***UK TAX ADVISERS***

Slaughter and May  
1 Bunhill Row  
London, EC1Y 8YY  
England

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A copy of this document (together with the relevant contracts specified herein) which comprises listing particulars in accordance with the European Communities (Stock Exchange) Regulations, 1984 has been delivered for registration to the Registrar of Companies in Dublin pursuant to section 47 of the Companies Act, 1963.

A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of the Public Offers of Securities Regulations, 1995. This document has been drawn up in accordance with those Regulations.

Application has been made to the Irish Stock Exchange for all of the Shares issued and to be issued by Legal & General UK Growth II plc to be admitted to listing on the Irish Stock Exchange. It is expected that the Shares will be admitted to the Official List and dealings will commence on 25 April 2003.

The Directors of the Company whose names appear on page 4 accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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**LEGAL & GENERAL UK GROWTH II PLC**

(a closed-ended investment company, with variable capital,  
incorporated with limited liability in Ireland, with  
registered number 365770)

**Offer for Shares**

**at a price of £1 each payable in full on application**

**Applications must be for a minimum of 10000 Shares  
There is no limit on the amount of additional applications**

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**SPONSOR**

**LEGAL & GENERAL (PORTFOLIO MANAGEMENT SERVICES) LIMITED**

**INVESTMENT MANAGER**

**LEGAL & GENERAL INVESTMENT MANAGEMENT LIMITED**

Dated 4 March 2003