

OFFERING CIRCULAR

NEXT

NEXT plc

(incorporated with limited liability in England under the Companies Acts 1985 to 1989)

£300,000,000 5.25 per cent. Bonds due 2013

Issue price: 99.317 per cent.

The £300,000,000 5.25 per cent. Bonds due 2013 (the **Bonds**) are issued by NEXT plc (the **Issuer**).

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority** and the **FSMA** respectively) for the Bonds to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for the Bonds to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange.

Interest on the Bonds is payable annually in arrear on 30th September in each year except that the first payment will be made in respect of the period from and including 6th June, 2003 to but excluding 30th September, 2003. Payment on the Bonds will be made without deduction for or on account of taxes in the United Kingdom to the extent described under "*Terms and Conditions of the Bonds – Taxation*".

The Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at par plus accrued interest, in the event of certain tax changes as described under "*Terms and Conditions of the Bonds – Redemption for Taxation Reasons*". The Bonds mature on 30th September, 2013, subject as set out in "*Terms and Conditions of the Bonds – Redemption at the Option of the Holders*".

The Bonds are expected to be assigned a rating on issue of Baa2 by Moody's Investors Service Limited and BBB by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

The Bonds will initially be represented by a temporary global bond (the **Temporary Global Bond**), without interest coupons, which will be deposited on or about 6th June, 2003 (the **Closing Date**) with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the **Permanent Global Bond** and, together with the Temporary Global Bond, the **Global Bonds**), without interest coupons, on or after a date which is expected to be 16th July, 2003 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Bond will be exchangeable for definitive Bonds in bearer form in denominations of £1,000, £10,000 and £100,000, with interest coupons attached, only in certain limited circumstances – see "*Summary of Provisions relating to the Bonds while represented by the Global Bonds*".

Barclays Capital
HSBC

The Royal Bank of Scotland
UBS Warburg

The date of this Offering Circular is 30th May, 2003

This Offering Circular comprises listing particulars approved by the UK Listing Authority as required by the FSMA prepared for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries (together the **Group**) and the Bonds. A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with section 83 of the FSMA.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information which is material in the context of the issue of the Bonds, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Managers (as defined under “*Subscription and Sale*” below). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change or any event reasonably likely to involve any change in the affairs of the Issuer or the Group since the date hereof. This Offering Circular does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or the Managers to subscribe for, or purchase, any of the Bonds. This Offering Circular does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

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

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

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Bonds and on distribution of this Offering Circular, see “*Subscription and Sale*” below.

IN CONNECTION WITH THE ISSUE OF THE BONDS, THE ROYAL BANK OF SCOTLAND PLC OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE ROYAL BANK OF SCOTLAND PLC OR ANY AGENT OF IT TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

All references in this document to **Sterling** and **£** refer to the currency of the United Kingdom.

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TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds which (subject to modification) will be endorsed on each Bond in definitive form (if issued):

The £300,000,000 5.25 per cent. Bonds due 2013 (the **Bonds**, which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 16 and forming a single series with the Bonds) of NEXT plc (the **Issuer**) are constituted by a Trust Deed dated 6th June, 2003 (the **Trust Deed**) made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the **Bondholders**) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons** respectively).

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 6th June, 2003 (the **Agency Agreement**) made between the Issuer, HSBC Bank plc (the **Principal Paying Agent**, which expression shall include any successor) and the other initial Paying Agents named therein (the **Paying Agents**, which expression shall include any successor(s) and, unless the context otherwise requires, the Principal Paying Agent) and the Trustee are available for inspection during normal business hours by the Bondholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Bonds at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. The Bondholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are in bearer form, serially numbered, in the denominations of £1,000, £10,000 and £100,000 each with Coupons attached on issue. Bonds of one denomination may not be exchanged for Bonds of another denomination.

1.2 Title

Title to the Bonds and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bond or Coupon as the absolute owner for all purposes (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond or Coupon or any notice of previous loss or theft of the Bond or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS

The Bonds and the Coupons are direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. NEGATIVE PLEDGE

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Issuer will not, and will procure that none of its Subsidiaries (as defined below) shall,

- (a) create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of the present or future business, undertaking, assets (as defined in the Trust Deed) or revenues (including any uncalled capital) of the Issuer or any of its Subsidiaries to secure payment of any Relevant Indebtedness unless the Issuer or the Subsidiary, as the case may be, in the case of the creation of the Security Interest, before or at the same time, and, in any other case, promptly, takes any and all action necessary to ensure that:

- (i) all amounts payable by it under the Bonds, the Coupons and the Trust Deed are secured by the same Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
 - (ii) such other Security Interest or guarantee or other arrangement (whether or not it involves the giving of a Security Interest) is provided either as the Trustee in its absolute discretion deems to be not materially less beneficial to the interests of the Bondholders or as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders; or
- (b) conduct any Securitisation other than a Permitted Securitisation.

For the purposes of these Terms and Conditions:

Group means the Issuer and the Subsidiaries;

Permitted Securitisation means any Securitisation where (i) the aggregate principal amount of all Securitisations (including the relevant Securitisation but excluding any Securitisation which is permitted under paragraph (ii) below) does not exceed £100,000,000 at any time outstanding or (ii) the Security Interest securing that Securitisation is a Permitted Security Interest;

Permitted Security Interest means (i) any Security Interest over or affecting the whole or part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of any company which becomes a Subsidiary after 30th May, 2003, where such Security Interest was created prior to the date on which such a company becomes a Subsidiary, but only if (A) such Security Interest was not created in contemplation of such company becoming a Subsidiary and (B) the amount thereby secured has not been increased in contemplation of, or since the date of, such company becoming a Subsidiary; and (ii) any Security Interest (the **Replacement Security Interest**) created in whole or in part to replace or renew or in substitution for any Security Interest created by a company referred to in (i) of this paragraph (the **Old Security Interest**) upon a refinancing or similar transaction where the Replacement Security Interest is created in respect of the same business, undertaking, assets or revenues as the Old Security Interest and where the amount secured by the Replacement Security Interest is equal to or less than the amount secured by the Old Security Interest;

Relevant Indebtedness means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market; and (ii) any guarantee or indemnity in respect of any such indebtedness;

Security Interest means any mortgage, pledge, lien, charge, assignment, hypothecation or other security interest or any other agreement or arrangement having a similar effect;

Securitisation means any securitisation, asset-backed financing or like arrangement, payments under or in respect of the indebtedness incurred in relation to which are secured principally by a Security Interest over or in connection with the asset or assets the subject of the securitisation, asset-backed financing or like arrangement owned by a member of the Group, or which were owned by a member of the Group immediately prior to the securitisation, asset-backed financing or like arrangement; and

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

4. INTEREST

4.1 Interest Rate and Interest Payment Dates

The Bonds bear interest on their outstanding principal amount from and including 6th June, 2003 at the rate of 5.25 per cent. per annum, payable annually in arrear on 30th September (each an **Interest Payment Date**), except that the first payment, which will be made on 30th September, 2003, will be in respect of the period from and including 6th June, 2003 to but excluding 30th September, 2003 and will amount to £16.68 per £1,000 principal amount of Bonds.

4.2 Interest Accrual

The Bonds will cease to bear interest from and including their due date for redemption unless (i) upon due presentation, payment of the principal in respect of any Bond is improperly withheld or refused, in which event interest shall accrue on that principal amount payment of which has been so withheld or refused (both before and after any judgment or other order of a court of competent

jurisdiction) at the rate aforesaid (or, if higher, the rate of interest on judgment debts for the time being provided by English law) from and including the date of such withholding or refusal up to and including the date on which, upon further presentation of the relevant Bond, payment of the full amount (including interest as aforesaid) in pounds sterling payable in respect of such Bond is made or (if earlier) the seventh day after notice is given to the relevant Bondholder (either individually or in accordance with Condition 12) that the full amount (including interest as aforesaid) in pounds sterling payable in respect of such Bond is available for payment, provided that, upon further presentation thereof being duly made, such payment is made, or (ii) default is otherwise made in respect of payment, in which event interest shall continue to accrue on the principal amount of the Bonds (both before and after any judgment or other order of a court of competent jurisdiction) at the rate aforesaid (or, if higher, the rate of interest on judgment debts for the time being provided by English law) up to and including the date which the Trustee determines to be the date on and after which payment is to be made to the Bondholders in respect thereof as stated in a notice given to the Bondholders in accordance with Condition 12 (such date to be not later than 30 days after the day on which the whole of such principal amount, together with an amount equal to the interest which has accrued and is to accrue pursuant to this sub-paragraph (ii) up to and including that date, has been received by the Trustee or the Principal Paying Agent).

4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following (or first) Interest Payment Date.

5. PAYMENTS

5.1 Payments in respect of Bonds

Payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to an account in pounds sterling maintained by the payee with, or, at the option of the payee, by a cheque in pounds sterling drawn on, a bank in London.

5.3 Missing Unmatured Coupons

Each Bond should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 8) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

5.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations thereto applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Bond or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a pounds sterling account as referred to above, is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

5.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Terms and Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain:

- (a) a Principal Paying Agent;
- (b) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council Meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, a Paying Agent having a specified office in a Member State that will not be obliged to withhold or deduct tax pursuant to any such Directive;
- (c) a Paying Agent having a specified office in London or such other place as the UK Listing Authority may approve; and
- (d) a Paying Agent having a specified office in continental Europe.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 12.

6. REDEMPTION AND PURCHASE

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their principal amount on 30th September, 2013. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

6.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 7), or any change in the application or official interpretation of the laws or regulations of the Relevant Jurisdiction, which change or amendment becomes effective after 30th May, 2003, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that

the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders and the Couponholders.

6.3 Redemption at the Option of the Holders

- (a) A **Put Event** will be deemed to occur if:
- (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 736 of the Companies Act 1985 as amended) whose shareholders are substantially similar to the pre-existing shareholders of the Issuer, shall become interested (within the meaning of Part VI of the Companies Act 1985) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (b) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer (each, a **Change of Control**); and
 - (ii) at the time of the occurrence of a Change of Control, the Bonds carry from any of Moody's Investors Service Limited (**Moody's**) or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P**) or any of their respective successors, or any Substitute Rating Agency as defined in the Trust Deed, (each, a **rating agency**):
 - (A) *an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any rating agency is within 120 days of such time either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 120 day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such rating agency; or*
 - (B) *a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse), and such rating from any rating agency is within 120 days of such time downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 120 day period subsequently upgraded to its earlier credit rating or better by such rating agency; or*
 - (C) *no credit rating, and no rating agency assigns within 90 days of such time an investment grade credit rating to the Bonds (unless the Issuer is unable to obtain such a rating within such period having used all reasonable endeavours to do so),*
Provided that if at the time of the occurrence of the Change of Control the Bonds carry a credit rating from more than one rating agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and
 - (iii) in making the relevant decision(s) referred to above, the relevant rating agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.
- (b) If a Put Event occurs, each Bondholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond at its principal amount together with interest accrued to but excluding the date of redemption or purchase. Such option shall operate as set out below.
- (c) If a Put Event occurs then, within 21 days of the end of the 120 day period referred to in Condition 6.3(a)(ii)(A) or 6.3(a)(ii)(B) above or, as the case may be, the 90 day period referred to in Condition 6.3(a)(ii)(C) above, the Issuer shall, and upon the Trustee becoming so aware (the Issuer having failed so to do) the Trustee may, and, if so requested by the holders of at least one-quarter in principal amount of the Bonds then outstanding, shall, give notice (a **Put Event Notice**) to the Bondholders in accordance with Condition 12 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 6.3.
- (d) To exercise the option to require the redemption or purchase of a Bond under this Condition 6.3 the Bondholder must deliver such Bond, on any Business Day (as defined in the Trust

Deed) falling within the period (the **Put Period**) of 30 days after a Put Event Notice is given, at the specified office of any Paying Agent accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Put Notice**). The Bond must be delivered to the Paying Agent together with all Coupons appertaining thereto maturing after the date (the **Put Date**) seven days after the expiration of the Put Period, failing which the provisions of Condition 5.3 shall apply. The Paying Agent to which such Bond and Put Notice are delivered will issue to the Bondholder concerned a non-transferable receipt in respect of the Bond so delivered. The Issuer shall at its option redeem or purchase (or procure the purchase of) the relevant Bond on the Put Date unless previously redeemed or purchased and cancelled. Payment in respect of any Bond so delivered will be made, if the holder duly specified in the Put Notice a bank account to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable.

- (e) If 80 per cent. or more in principal amount of the Bonds then outstanding have been redeemed or purchased pursuant to the provisions of this Condition 6.3, the Issuer may, on not less than 30 or more than 60 days' notice to the Bondholders given within 30 days after the Put Date, redeem, at its option, the remaining Bonds as a whole at a redemption price of the principal amount thereof plus interest accrued to but excluding the date of such redemption.
- (f) If the rating designations employed by any of Moody's or S&P are changed from those which are described in Condition 6.3(a)(ii) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P and Condition 6.3(a)(ii) shall be read accordingly.

6.4 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Bonds (provided that all unmatured Coupons appertaining to the Bonds are purchased with the Bonds) in the open market or otherwise and at any price.

6.5 Cancellations

All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Bonds or surrendered with the Bonds, and accordingly may not be held, re-issued or resold.

6.6 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 or 6.3 above the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such paragraph.

7. TAXATION

7.1 Payment without Withholding

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Bond or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or Coupon; or
- (b) presented for payment in the United Kingdom; or

- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date.

7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 12; and
- (b) **Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds and Coupons.

7.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8. PRESCRIPTION

Bonds and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Bonds or, as the case may be, the Coupons, subject to the provisions of Condition 5.

9. EVENTS OF DEFAULT

9.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) if default is made in the payment of any principal or purchase price upon due redemption or purchase pursuant to Condition 6.3 or of any interest due in respect of the Bonds or any of them and the default continues for a period of 5 days in the case of principal or purchase price or 10 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Terms and Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of

default (however described); or (ii) the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period); or (iii) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person provided that no event described in this Condition 9.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relevant liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iii) above, amounts to at least £15,000,000 (or its equivalent in any other currency); or

- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of (i) reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders; or (ii) in the case of a Principal Subsidiary a voluntary solvent winding up or dissolution in connection with the transfer of all or a major part of the business, undertaking and assets of such Principal Subsidiary to the Issuer, another Principal Subsidiary or any Subsidiary which becomes a Principal Subsidiary as a result of such transfer; or
- (e) if the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of (i) reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders; or (ii) in the case of a Principal Subsidiary a voluntary solvent winding up or dissolution in connection with the transfer of all or a major part of the business, undertaking and assets of such Principal Subsidiary to the Issuer, another Principal Subsidiary or any Subsidiary which becomes a Principal Subsidiary as a result of such transfer, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 30 days, and (iii) is not for the purposes of (a) a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, a voluntary solvent winding up or dissolution in connection with the transfer of all or a major part of the business, undertaking and assets of such Principal Subsidiary to the Issuer, another Principal Subsidiary or any Subsidiary which becomes a Principal Subsidiary as a result of such transfer; or
- (g) if the Issuer or any of its Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save for the purposes of (a) a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, a voluntary solvent winding up or dissolution in connection with the transfer of all or a major part of the business, undertaking

and assets of such Principal Subsidiary to the Issuer, another Principal Subsidiary or any Subsidiary which becomes a Principal Subsidiary as a result of such transfer; or

- (h) if any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

PROVIDED that, in the case of any Event of Default other than those described in sub-paragraphs (a) and (in the case of a winding up or dissolution of the Issuer) (d) above, the Trustee has certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Bondholders.

9.2 Interpretation

For the purposes of this Condition:

- (a) a **Principal Subsidiary** of the Issuer at any time means a Subsidiary of the Issuer:
- (i) whose turnover attributable to the Issuer (unconsolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (unconsolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 5 per cent. of the consolidated turnover or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated by reference to the then latest audited accounts of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or
 - (ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Principal Subsidiary of the Issuer,
- all as more particularly defined in the Trust Deed; and
- (b) **Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing.

9.3 Certificate

A certificate signed by any two Authorised Signatories (as defined in the Trust Deed) of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary of the Issuer may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest or proven error, be conclusive and binding on all parties.

10. ENFORCEMENT

10.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Bonds and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Bonds or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding and (b) it has been indemnified to its satisfaction.

10.2 Enforcement by the Bondholders

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

11. REPLACEMENT OF BONDS AND COUPONS

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may

reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

12. NOTICES

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

13. SUBSTITUTION

The Trustee may, without the consent of the Bondholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons and the Trust Deed of a Subsidiary of the Issuer, subject to:

- (a) the Bonds being unconditionally and irrevocably guaranteed by the Issuer;
- (b) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and
- (c) certain other conditions set out in the Trust Deed being complied with.

14. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

14.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Bonds held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Terms and Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders will be binding on all Bondholders, whether or not they are present at the meeting, and on all Couponholders.

14.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest or proven error.

14.3 Trustee to have Regard to Interests of Bondholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class

but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

14.4 Notification to the Bondholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Bondholders and the Couponholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 12.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

15.1 Indemnification of the Trustee

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

15.2 Trustee Contracting with the Issuer

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

16. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders or Couponholders to create and issue further bonds or notes (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding bonds or notes of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further bonds or notes which are to form a single series with the outstanding bonds or notes of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed shall, and any other further bonds or notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds or notes of other series in certain circumstances where the Trustee so decides.

17. GOVERNING LAW

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

18. RIGHTS OF THIRD PARTIES

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

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

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Bonds and in the Global Bonds which will apply to, and in some cases modify, the Terms and Conditions of the Bonds while the Bonds are represented by the Global Bonds.

1. Exchange

The Permanent Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for definitive Bonds only:

- (a) upon the happening of any of the events defined in the Trust Deed as Events of Default;
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two Authorised Signatories of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Bond (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Bondholders, of its intention to exchange the Permanent Global Bond for definitive Bonds on or after the Exchange Date (as defined below).

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

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 16th July, 2003, no payment will be made on the Temporary Global Bond unless exchange for an interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal and interest in respect of Bonds represented by a Global Bond will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, surrender of such Global Bond to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Bond by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Bonds. Payments of interest on the Temporary Global Bond (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 12. Any such notice shall be deemed to have been given to the Bondholders on the second day

after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Bonds held by a Bondholder are represented by a Global Bond, notices to be given by such Bondholder may be given by such Bondholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. Accountholders

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders and giving notice to the Issuer) other than with respect to the payment of principal and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Bond.

5. Prescription

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

6. Cancellation

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

7. Put Option

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Bondholders provided for in Condition 6.3 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means) of the principal amount of the Bonds in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Bond to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

8. Euroclear and Clearstream, Luxembourg

References in the Global Bonds and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, amounting to approximately £296,751,000, will be applied by the Issuer for its general corporate purposes, including the refinancing of existing debt, funding ongoing trading operations and possible future share repurchases.

DESCRIPTION OF THE ISSUER

Introduction

NEXT plc (the **Issuer**) is the parent company of the NEXT Group (the **Group** or **NEXT**) and is headquartered in Enderby, near Leicester in the United Kingdom. Its shares are listed on the London Stock Exchange. As at 22nd May, 2003, the market capitalisation of the Issuer was in excess of £2.7 billion. The Issuer is a member of the FTSE-100.

Background

The Group can trace its history back to 1864 when J Hepworth & Son (**Hepworths**) established a Gentlemen's Tailors in Leeds. In 1981, Hepworths bought a small chain of shops and transformed these into stores trading womenswear under the NEXT name, opening the first in February 1982. By August of that year, 70 shops had been reformatted. In August 1984, NEXT launched its Menswear range and by the end of that year, it was available in 52 shops. That year also saw the launch of the first NEXT mini department store situated in Edinburgh comprising womenswear, menswear, shoes and a café. During 1985, NEXT Interiors was launched, including soft furnishings for the home, and the first store containing all product groups opened in Regent Street, London.

By 1986 the Hepworth facia had disappeared as all existing stores had been converted to the NEXT Brand, and the parent company also changed its name to NEXT plc.

NEXT extended its product range into Childrenswear during 1987 and in 1988 launched the ground-breaking NEXT Directory with 350 pages. By comparison, the latest larger format book for Spring/Summer 2003 has 833 pages.

In 1991, NEXT announced its intention to simplify its brand strategy, move to larger stores and bring together common ranges across both the retail and home shopping formats. This strategy has been developed consistently over the past decade and lies at the heart of the group's philosophy for the NEXT Brand.

Today NEXT trades from 350 stores in the UK and Eire and has over 60 franchise stores overseas. Over the past three years several larger format stores have opened in the UK, including eight over 25,000 square feet in major locations such as Cardiff, Liverpool, Belfast, Bluewater Park and Thurrock Lakeside. NEXT opened its largest store at 46,000 square feet in Cardiff in July 2002.

Operations

NEXT Brand. Over 90% of the group's turnover and operating profits are generated by the retail and home shopping divisions.

The NEXT Retail and NEXT Directory operations combine to form the NEXT Brand, which in the financial year to 1st February, 2003 reported turnover of £2,051 million and profit before tax of £279 million.

NEXT's strategy is to continue to develop and expand its product ranges. During the past three years, new developments have included Lingerie, Maternity, Bodycare, Gifts, Kitchen, Bathroom, Skiwear and Fresh Flowers. This has been made possible by increasing the average size of retail stores and additional pages in the Directory.

The most important objective in NEXT Retail is to profitably expand selling space, thereby enabling customers a greater choice of product in a more comfortable shopping environment. The main objectives for NEXT Directory are to increase the number of people using the Directory by growing the customer base whilst, at the same time, increasing the breadth of offering available to order from home through increasing the number of pages.

During the year to 1st February, 2003, the retail and home shopping services have been integrated further so that customers can shop at NEXT in the way that suits them best. Home shopping customers can have their purchases delivered to a convenient NEXT store for collection.

NEXT Franchise, which reported turnover of £22.7 million and profit before tax of £4.4 million in the year to 1st February, 2003, represents the Group's overseas franchise operation, comprising 60 stores.

Ventura focuses on the provision of call centre services and customer account management to companies that recognise the opportunities from outsourcing these business activities. In the year to 1st February, 2003, Ventura reported operating profits of £11.2 million on turnover of £97.4 million.

Other Activities includes, *inter alia*, NEXT Asia and NEXT Near East. These companies are responsible for product sourcing from the Far East, Turkey, Romania and Sri Lanka. It also includes the Property Management division (which owns and operates the Group's freehold and long leasehold assets) and Choice (an associated company which operates a chain of twelve discount stores). In the year to 1st February, 2003, Other Activities reported operating profits before tax of £6.9 million on turnover of £31.1 million.

Share Buybacks

In 2000, the Board of Directors decided to embark on a programme to enhance earnings per share through share buybacks. To date, the issued share capital of the Company has been reduced by 25 per cent. from 374 million shares to 277.5 million.

At the heart of this programme is the ability of the Group to generate strong free cash flows after allowing for significant investment in new stores. The Board has set two important limitations on the use of debt to buy back shares, namely:

- the primary use of capital will continue to be investment in the development of the Group's core businesses. Share buybacks are not seen as an alternative to capital investment; and
- there is a strong intention to maintain the Company's investment grade credit rating.

Board of Directors

Title	Name	Significant outside interests
Chairman	David Jones CBE	–
Chief Executive	Simon Wolfson	–
Group Product Director	Christos Angelides	–
Group Finance Director	David Keens	–
Group Property Director	Andrew Varley	–
Senior independent non-executive director	Alistair Mitchell-Innes	Chairman of NEXT Pension Trustees Limited and Anglo & Overseas Trust Plc. A trustee of the British Heart Foundation
Non-executive director	Ann Burdus CBE	Non-executive director of Prudential Plc and a special trustee of the St. Bartholomew's and The Royal London Charitable Foundation
Non-executive director	Derek Netherton	Chairman of Greggs Plc and non-executive director of Hisco Plc, St. James's Place Capital Plc and Plantation & General Investments Plc
Non-executive director	John Barton	Chairman of Wellington Underwriting Plc and non-executive director of Hammerson Plc and WH Smith Plc

The Company Secretary is WR Barnes. The business address of each of the above persons is Desford Road, Enderby, Leicester LE19 4AT.

Five year summary of key statistics

The financial information set out below has been extracted without material adjustment from the audited consolidated financial statements of the Previous Holding Company (as defined on page 25) in respect of each of the financial years ending January 1999, 2000, 2001 and 2002 and of the Issuer in respect of the financial year ending January 2003.

Year ending January	2003	2002	2001	2000	1999
Turnover (£m)	2,202	1,872	1,588	1,425	1,239
Profit before tax (£m)					
– ordinary activities	301	266	217	196	164
– exceptional items	–	–	1	(1)	3
Taxation (£m).....	(91)	(76)	(61)	(55)	(43)
Profit after tax (£m).....	210	190	157	140	124
Shareholders Funds (£m).....	275	547	500	607	543
Shares purchased for cancellation					
– millions	43.9	6.4	37.4	–	–
– £'million.....	391.8	53.8	191.8	–	–
Dividends per share	31.0p	27.5p	24.0p	21.0p	19.1p
Earnings per share	68.7p	58.1p	46.8p	38.4p	33.9p

CAPITALISATION

The following table sets out the audited consolidated capital and reserves and consolidated indebtedness of the Issuer as at 1st February, 2003, as extracted from the audited consolidated financial statements of the Issuer for the 53 weeks ended 1st February, 2003.

	Notes	1st February, 2003 (audited) <hr/> £million
CAPITAL AND RESERVES		
Ordinary shares of 10p each, fully paid.....	1, 2	28.7
Capital redemption reserve	3	1.2
Revaluation reserve	4	14.8
Other reserves.....	5	(1,448.9)
Profit and loss account		1,679.3
		<hr/>
Total shareholders funds.....		275.1
		<hr/>
INDEBTEDNESS		
Borrowings falling due within one year		
Bank overdrafts		11.4
Bank loans.....		210.0
		<hr/>
Total indebtedness	6,7	221.4
		<hr/>

Notes

1. The authorised share capital is £40.1 million, comprising 400,499,980 ordinary shares of 10p each.
2. In the period from 2nd February, 2003 to 23rd May, 2003, the Issuer has bought back in the market for cancellation 9,627,627 ordinary shares of 10p each at a total cost of £78 million. In addition, the Issuer has issued 65,891 ordinary shares of 10p each under the provisions of its long term incentive plan for its directors and senior executives of the Group.
3. The capital redemption reserve arose from the redemption by the Issuer of 49,998 £1 preference shares issued as part of the Scheme of Arrangement under Section 425 of the Companies Act 1985 in November 2002 (the **capital restructure**) and the purchase by the Issuer in the market for cancellation of 11,355,365 ordinary shares of 10p each.
4. Revaluation reserves related primarily to freehold and long leasehold properties of subsidiaries of the Issuer.
5. Other reserves represent the reserve of £1,448.2 million created on the capital restructure and £0.7 million in respect of the accumulated amount of goodwill arising on acquisition after taking into account subsequent disposals.
6. On 23rd May, 2003, bank overdrafts were £27.2m and bank loans were £319m.
7. Save for £13.9 million of guarantees of overseas subsidiary overdraft facilities, none of the Group's indebtedness is secured or guaranteed. In addition, the Group has given indemnities of £28 million in respect of bonds given to Customs & Excise by various surety companies.
8. The table does not include indebtedness in respect of the Bonds now being issued.
9. Save as disclosed above, there has been no material change in the consolidated capitalisation, consolidated indebtedness, contingent liabilities or guarantees of the Issuer since 1st February, 2003.

TAXATION

The following applies only to persons who are the beneficial owners of Bonds and Coupons and are comments of a general nature based on the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Bondholders or Couponholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

A. United Kingdom Tax

1. Payment of interest on the Bonds

The Bonds will constitute “quoted Eurobonds” within the terms of section 349(4) of the Income and Corporation Taxes Act 1988 (the **Act**) as long as they are and continue to be listed on a “recognised stock exchange”, as defined in section 841 of the Act. The London Stock Exchange is a recognised stock exchange. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. There is no requirement to withhold or deduct for or on account of United Kingdom tax in relation to interest payments made (or in the case of collecting agents, received) in respect of quoted Eurobonds. Accordingly, provided, therefore, that the Bonds remain so listed at the time of payment of interest, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid to a person who belongs in the United Kingdom and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that either:

- (a) the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) the payment is made to one of the other classes of exempt bodies or persons set out in section 349B of the Act,

provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that none of the conditions specified in section 349B of the Act will be satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the lower rate (currently 20%), subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provision of any applicable double taxation treaty.

Bondholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

2. Proposed EU Directive on the Taxation of Savings Income

On 21st January, 2003, the European Council of Economics and Finance Ministers (ECOFIN) provisionally agreed on proposals under which, with effect from 1st January, 2004, Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Additionally, it was agreed by ECOFIN that the adoption of the proposals by the European Union would require certain other non-Member State countries to adopt a similar withholding system in relation to such payments.

3. *Further United Kingdom Income Tax Issues*

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

Where interest has been received under deduction of United Kingdom income tax, a Bondholder who is not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Bondholders should note that the provisions relating to additional amounts referred to in Condition 7 of the Bonds (Taxation) above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax on income. However, exemptions from, or reduction of, such United Kingdom tax liability may be available under an applicable double taxation treaty.

B. United Kingdom Corporation Tax Payers

4. *General Provisions in relation to Corporation Tax*

In general, Bondholders who are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

C. Other United Kingdom Tax Payers

5. *Taxation of Chargeable Gains*

The Bonds will constitute “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

6. *Accrued Income Scheme*

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Chapter II of Part XVII of the Act, if that Bondholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable and is not subject to United Kingdom corporation tax.

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

7. No United Kingdom stamp duty or SDRT is payable on a transfer by delivery of the Bonds.

SUBSCRIPTION AND SALE

Barclays Bank PLC, The Royal Bank of Scotland plc, HSBC Bank plc and UBS Limited (the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 30th May, 2003, jointly and severally agreed to subscribe for the Bonds at the issue price of 99.317 per cent. of the principal amount of Bonds, less a combined management and underwriting commission of 0.40 per cent. of the principal amount of the Bonds. The Issuer has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds (a) as part of their distribution at any time or (the **distribution compliance period**) (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

United Kingdom

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

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

General

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Bonds in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Bonds or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Bonds by it will be made on the same terms.

GENERAL INFORMATION

Capital Reconstruction

1. The Issuer (formerly known as Next Group plc) became the holding company of the Group as a result of a capital reconstruction completed in November 2002. Prior thereto the parent company of the Group was Next Group Plc (formerly known as Next plc and referred to as the **Previous Holding Company**) the ordinary shares of which were admitted to the Official List of the UK Listing Authority. The capital reconstruction was effected under a scheme of arrangement (the **Scheme**) whereby shareholders in the Previous Holding Company received one new share in the Issuer for each existing share in the Previous Holding Company. Following the Scheme becoming effective on 22nd November, 2002, the Previous Holding Company was delisted from the Official List and renamed Next Group Plc while the Issuer was renamed Next plc and was admitted to the Official List on 25th November, 2002.

Authorisation

2. The issue of the Bonds was duly authorised by a resolution of a duly established Committee of the Board of Directors of the Issuer dated 15th May and 29th May, 2003.

Listing

3. The listing of the Bonds on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that official listing will be granted on or about 6th June, 2003 subject only to the issue of the Temporary Global Bond. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

Clearing Systems

4. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0169287124 and the Common Code is 016928712.

No significant change

5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or the Group since 1st February, 2003 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 1st February, 2003.

Litigation

6. Neither the Issuer nor any other member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer or the Group.

Accounts

7. The auditors of the Previous Holding Company and the Issuer are Ernst & Young LLP, Registered Auditor, who have audited the Previous Holding Company's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended 27th January, 2001 and 26th January, 2002 and the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended 1st February, 2003.

U.S. tax

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

Documents

9. Copies of the following documents will be available from the specified office of the Principal Paying Agent in London for 14 days from the date hereof:
 - (a) the Memorandum and Articles of Association of the Issuer;

- (b) the consolidated audited financial statements of the Previous Holding Company in respect of the financial year ended 26th January, 2002 and the Issuer in respect of the financial year ended 1st February, 2003, including all notes, reports or information required by the Companies Acts of 1985 to 1989. The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis; and
- (c) the Subscription Agreement and drafts of the Trust Deed and the Agency Agreement.

REGISTERED OFFICE OF THE ISSUER

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PAYING AGENT

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NEXT