



**LEGAL & GENERAL FINANCE PLC**  
(registered no. 02338444)

**LEGAL & GENERAL FINANCE EUROPE B.V.**

**U.S. \$2,000,000,000**

**EURO MEDIUM-TERM NOTE PROGRAMME**

Unconditionally and irrevocably guaranteed by

**LEGAL & GENERAL GROUP Plc**  
(registered no. 1417162)

Legal & General Finance PLC ("Finance") and Legal & General Finance Europe B.V. ("Finance Europe") (collectively, the "Issuers") have established a programme under which they may from time to time issue, in one or more Series (as defined below), medium-term notes (the "Notes") outside the United States denominated in U.S. dollars or, subject to certain conditions and as provided in "Description of the Notes — Form, Denomination and Title" herein, in other currencies. Each Note will have endorsed thereon the unconditional and irrevocable guarantee (each a "Guarantee") of Legal & General Group Plc, as guarantor thereunder ("Legal & General" or the "Guarantor"), as to all amounts of principal and premium and interest, if any, thereof and thereon due. The maximum principal amount of Notes outstanding may not exceed U.S. \$2,000,000,000 (or the equivalent in other currencies calculated as described herein); provided that the Issuers and the Guarantor reserve the right to increase such amount.

The Notes, which may be issued at their principal amount or at a premium or discount to their principal amount, may bear interest on a fixed or floating rate basis or be issued on a fully discounted basis and not bear interest.

All Notes denominated in the same currency, having the same maturity date, bearing interest, if any, on the same basis and at the same rate and the terms of which (but for the denomination, the issue date, issue price and date from which interest accrues) are otherwise identical will constitute a Series (a "Series" or the "Notes of a Series"). Notes of a Series may be issued in either bearer or registered form, but not in both registered and bearer form, and if in bearer form will initially be represented by a temporary global Note which will be deposited on or about the issue date thereof 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") as further described in "Description of the Notes — Form, Denomination and Title" herein. Notes in bearer form will not be exchangeable for Notes in registered form and Notes in registered form will not be exchangeable for Notes in bearer form.

6.1.28 Application has been made to the UK Listing Authority (the "UKLA") for the Notes to be issued under this U.S. \$2,000,000,000 Euro  
6.1.01 medium term note programme (the "Programme"), during the period of twelve months from the date of this Information Memorandum, to be admitted to the Official List of the UKLA. If any Notes of a Series are so admitted, all Notes of such series will be so admitted upon issue. Application has also been made to the London Stock Exchange Plc (the "London Stock Exchange") for the Notes to be issued under the Programme to be admitted to trading on the London Stock Exchange. Notice of the aggregate principal amount of, interest, if any, payable in respect of, the issue price of and any other terms and conditions not contained herein which are applicable to any Series of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be admitted to the Official List, will be delivered to the UKLA on or before the issue of such Series. All terms and conditions of each Note will be set out in the relevant Note itself. The terms set forth in the applicable Pricing Supplement will reflect certain terms of such Note. The Pricing Supplement will be created for disclosure purposes only and will not be incorporated by reference into, or form a part of, the Note itself. Copies of this document, which comprises listing particulars approved by the UKLA as required by the Financial Services Act 1986, have been delivered for registration to the Registrar of Companies in England and Wales.

6.1.03 The Programme has been rated Aa3 by Moody's Investors Service, Inc. ("Moody's"), and AA by Standard & Poor's Rating Services ("S & P"). Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigned rating agency.

An Issuer may agree with the Dealers (as defined herein) that Notes may be issued in a form not contemplated by the "Description of the Notes" herein, in which case further listing particulars or supplementary listing particulars will be published which will describe the effect of the agreement reached in relation to such Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and include Notes in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

The Notes may be offered and sold from time to time by the Issuers through the Dealers named elsewhere herein. Notes may be sold to the Dealers as principals at negotiated discounts. The Issuers reserve the right to appoint other dealers in addition to the Dealers and to sell Notes from time to time through securities firms other than the Dealers. No termination date for the offering of the Notes has been established. There can be no assurance that all or any Notes will be sold or that there will be a secondary market in the Notes. The Issuers or the Dealers may reject any offer to purchase Notes as a whole or in part. See "Subscription and Sale" herein.

Arranger

**LEHMAN BROTHERS**

Dealers

**BARCLAYS CAPITAL**  
**GOLDMAN SACHS INTERNATIONAL**  
**LEHMAN BROTHERS**

**CREDIT SUISSE FIRST BOSTON**  
**JPMORGAN**  
**THE ROYAL BANK OF SCOTLAND**

**UBS WARBURG**

This document is dated 29th November, 2001 and replaces the Information Memorandum dated 29th June, 2001.

## INTRODUCTION

In this document references to the “Group” are to Legal & General Group Plc and its subsidiaries (which include the Issuers).

6.H.03 The Issuers and Legal & General each accept responsibility for all the information contained in this document. To the best of their knowledge and belief (having 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.

The Dealers have not independently 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 Dealers as to the accuracy or completeness at any time of this Information Memorandum or any supplement hereto.

No dealer, salesman or other person is authorized to give any information or to make any representations not contained in this document in connection with the offering, issue, subscription, underwriting, sale or delivery of the Notes and, if given or made, such information or representations must not be relied upon as having been authorized by any of the Issuers, the Guarantor or any of the Dealers. Neither this Information Memorandum nor any other financial statement nor any further information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Guarantor or any of the Dealers that any recipient of this Information Memorandum or any other financial statement or any further information supplied in connection with the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and the Guarantor. None of this Information Memorandum, any other financial statement or any further information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of any of the Issuers, the Guarantor or any of the Dealers to any person to subscribe for, or to purchase, any of the Notes.

Neither the delivery of this Information Memorandum nor any allotment or sale made in connection with any issue of the Notes at any time constitutes a representation or implies that the information contained herein concerning the Issuers and the Guarantor is correct at any time subsequent to the date hereof or that any other financial statement or any further information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers and the Guarantor and its subsidiaries during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Issuers and the Guarantor when deciding whether or not to subscribe for or purchase any of the Notes.

The distribution of this Information Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Neither of the Issuers nor the Guarantor nor any of the Dealers represents that this Information Memorandum may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, save for approval of this Information Memorandum as listing particulars by the UKLA and delivery of copies of this Information Memorandum to the Registrar of Companies in England and Wales, no action has been, or will be, taken by the Issuers, the Guarantor or any of the Dealers which would permit a public offering of the Notes or distribution of this Information Memorandum or any offering material or any Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Information Memorandum comes must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Notes in the United States, the United Kingdom, The Netherlands, Japan and Switzerland. See “Subscription and Sale” herein.

In this Information Memorandum, unless otherwise specified or the context otherwise requires, all references to “pounds”, “sterling”, and “£” are to the currency of the United Kingdom of Great Britain and Northern Ireland (the “United Kingdom” or the “U.K.”), references to “¥” and “Japanese Yen” are to the currency of Japan, references to “U.S.dollars”, “dollars” and “U.S.\$” and “\$” are to the currency of the United States of America. References to “euro” are to the currency introduced at the start of the third stage of

European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on the European Union (the “Treaty”).

In connection with the issue of any Series of listed Notes, the Dealer disclosed as stabilizing manager in the relevant Pricing Supplement may over-allot or effect transactions which stabilize or maintain the market price of such Notes at a level which might not otherwise prevail. Such stabilizing, if commenced, may be discontinued at any time.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (1) the most recently published annual report and interim statements, if applicable, of each Issuer and the Guarantor from time to time; and
- (2) all amendments and supplements to this Information Memorandum prepared by any Issuer from time to time,

save that (i) any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement provided that any modifying or superseding statement does not form part of the listing particulars as contained in the Information Memorandum given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 and (ii) any documents incorporated by reference do not form part of the listing particulars as contained in this Information Memorandum given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986.

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## SUMMARY OF TERMS AND CONDITIONS OF THE NOTES

*The following summary does not purport to be complete and is taken from, and should be read in conjunction with, the full text of this document and, in relation to the terms and conditions of any particular Series of Notes, the Pricing Supplement relevant thereto. Terms not defined in this summary are defined elsewhere herein.*

*All terms and conditions of each Note will be set out in the relevant Note itself. The terms set forth in the applicable Pricing Supplement will reflect certain terms of such Note. The Pricing Supplement will be created for disclosure purposes only and will not be incorporated by reference into, or form a part of, the Note itself.*

**Issuers:** Legal & General Finance PLC (“Finance”), an English public limited company, and Legal & General Finance Europe B.V. (“Finance Europe”), a Netherlands corporation.

**Guarantor:** Legal & General Group Plc, an English public limited company.

**Arranger:** Lehman Brothers International (Europe).

**Dealers:** Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Goldman Sachs International, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), The Royal Bank of Scotland plc and UBS AG, acting through its business group, UBS Warburg.

**Fiscal Agent:** Citibank, N.A. The Fiscal Agent will perform the usual functions of a paying agent in respect of the Notes and a Registrar in respect of the registered Notes.

**Principal Paying Agent:** Citibank, N.A.

**6.1.04 Amount:** Up to U.S.\$2,000,000,000 aggregate principal amount of Notes outstanding at any one time (or its equivalent in other currencies or composite currencies calculated at the respective dates of issue thereof), subject to the right of the Issuers and the Guarantor to increase such limit.

**6.1.12 Currencies:** Subject to any applicable legal or regulatory restrictions, such currencies subject to any laws or regulations applicable to such currencies or, as may be agreed upon by the relevant Issuer, the Guarantor and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese Yen, New Zealand dollars, pounds sterling, Swedish kronor, Swiss francs and U.S. dollars (as indicated in the applicable Pricing Supplement (each such currency being a “Specified Currency”)).

**Maturities:** Not less than one month and subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuers, the Guarantor or the relevant specified currency.

**Issue Price:** Notes may be issued at their principal amount, or at a premium or discount to their principal amount, as specified in the Pricing Supplement relating to such Notes.

**Fixed Rate Notes:** Fixed rate notes (the “Fixed Rate Notes”) will bear interest which will be payable in arrear on such date or dates as may be specified in the relevant Pricing Supplement and upon redemption or maturity.

**Floating Rate Notes:** Floating rate notes (the “Floating Rate Notes”) will bear interest calculated by reference to LIBOR or such other variable rate as is specified in the relevant Pricing Supplement, as adjusted by addition or subtraction of any applicable spread and/or by multiplication by any applicable spread multiplier, and interest will be payable monthly, quarterly, semi-annually or annually and upon redemption or maturity, all as more fully described in “Description of the Notes — Floating Rate Notes”. Interest payment periods will be determined prior to issue and will be specified in the relevant Pricing Supplement. Floating Rate Notes may have a maximum interest rate, a minimum interest rate or both or neither.

**Zero Coupon Notes:** Zero Coupon Notes will be offered and sold at a discount to their principal amount and will not bear interest.

**Indexed Notes:** The Issuers may offer Notes which provide for payments of principal, premium or interest which are linked to a currency or commodity index, securities exchange or commodities exchange index or other index or as otherwise provided in the relevant Pricing Supplement (each such Note, an “Indexed Note”). Specific provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Pricing Supplement relating to such Notes.

**Dual Currency Notes:** The Issuers may offer Notes (“Dual Currency Notes”) as to which payments (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies and based upon such rates of exchange as agreed by the Issuer thereof and the relevant Dealer in the applicable Pricing Supplement.

6.1.10 **Amortizing Notes:** The Issuers may offer Notes (“Amortizing Notes”) as to which payments of principal and interest are made in installments over the life of such Notes on dates and in amounts as agreed by the Issuer thereof and the relevant Dealer in the applicable Pricing Supplement.

**Form of Notes:** Notes of a Series may be issued in either bearer or registered form, but in no event shall Notes of any particular Series be constituted by Notes in both bearer and registered form. Subject to the provisions of the relevant Pricing Supplement, the Notes in bearer form will initially be represented by a temporary global Note, which will be exchangeable for a permanent global Note, which will in turn be exchangeable, in whole but not in part, for definitive bearer Notes, all as more fully described in “Description of the Notes — Form, Denomination and Title”. Notes in bearer form will not be exchangeable for Notes in registered form and Notes in registered form will not be exchangeable for Notes in bearer form.

6.1.05 **Denomination of Definitive Notes:** Subject to the provisions of the Pricing Supplement for the relevant Notes (which may provide that the Notes of the relevant Series are to be available in global form only or that definitive Notes are to be available only in restricted circumstances) and to such minimum denomination as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuers, the Guarantor or the relevant specified currency, definitive Notes will be in such denominations and integral multiples as the relevant Issuer, Legal & General and the relevant Dealer shall agree, in each case as specified in the relevant Pricing Supplement. Unless permitted by the then current laws and regulations, Notes (including Notes denominated in pounds sterling), in respect of which the issue proceeds are to be received by the relevant Issuer in the United Kingdom, will have a minimum denomination of £100,000 (or its equivalent in other currencies) unless such Notes may not be redeemed until the third anniversary of their date of issue and they are to be listed on the Official List of the UKLA or a European Economic Area (the “EEA”) Exchange.

6.1.10 **Redemption:** The Notes may be redeemed at the option of the Issuer thereof for taxation reasons as set out under “Description of the Notes — Redemption and Repurchase” below. The Pricing Supplement relating to each Series of Notes will indicate whether, under what circumstances and the terms on which the Notes of such Series may otherwise be redeemed prior to their stated maturity. The relevant Issuer, the Guarantor or any other Subsidiary (as defined below) may at any time purchase Notes in any manner and at any price.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom must have a minimum redemption amount of £100,000 (or its equivalent in other currencies),

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	<p>unless such Notes may not be redeemed until the third anniversary of their date of issue and are to be listed on the Official List of the UKLA or an EEA Exchange (as defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997).</p>
<b>Taxation:</b>	<p>Payments of principal, premium, if any, and interest, if any, on, the Notes will be made without deduction or withholding for or on account of United Kingdom taxes (and, in the case of Notes issued by Finance Europe, Netherlands taxes), unless such deduction or withholding is required by law. In the event that any such deduction or withholding is made, the Notes will, subject to certain exceptions as are more fully described in “Description of the Notes — Payment of Additional Amounts”, be subject to grossing up by the Issuer.</p>
<b>Status of the Notes and Guarantees; Negative Pledge:</b>	<p>The Notes and the Guarantees will constitute direct, unconditional and (subject to the provisions set forth under “Description of the Notes — Negative Pledge” below) unsecured obligations of the relevant Issuer and the Guarantor, respectively, and will rank pari passu in right of payment among themselves, and equally with or senior to all other unsecured and unsubordinated obligations of such Issuer and the Guarantor, respectively (subject, in the event of insolvency, to laws affecting creditors’ rights generally). See “Description of the Notes — Status”. The Notes and the Guarantees will have the benefit of a negative pledge provision, as described in and subject to the exceptions set forth under “Description of the Notes — Negative Pledge” below.</p>
<b>Rating:</b>	<p>The Programme has been rated “Aa3” by Moody’s and “AA” by S&amp;P. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigned rating agency.</p>
<b>Listing:</b>	<p>Application has been made to the UKLA for the Notes to be admitted to the Official List of the UKLA. The Issuers reserve the right to issue Notes which are not admitted to the Official List of the UKLA or which are listed on another or additional securities exchange. Application has also been made for the Notes to be admitted to trading on the London Stock Exchange.</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the sale of Notes and the distribution of offering material. See “Subscription and Sale” below.</p>
<b>Governing Law:</b>	<p>The Notes will be governed by, and construed in accordance with, the laws of the State of New York.</p>

## DESCRIPTION OF THE NOTES

6.J.14a The Notes may be issued from time to time in one or more Series pursuant to a Fiscal Agency Agreement dated as of April 29, 1992, as amended by a First Amendment, dated as of September 14, 1992, a Second Amendment dated as of May 20, 1994, a Third Amendment dated as of May 12, 1995, a Fourth Amendment dated as of May 8, 1997, a Fifth Amendment dated as of June 12, 1998, a Sixth Amendment dated as of June 24, 1999, a Seventh Amendment dated as of June 20, 2000 and an Eighth Amendment dated as of June 29, 2001 (as amended, the “Fiscal Agency Agreement”) among the Issuers, the Guarantor and Citibank, N.A., as Fiscal Agent (the “Fiscal Agent”). The terms of any particular Series of Notes (including Notes to be listed on the Official List of the UKLA) will be set forth in a pricing supplement (the “Pricing Supplement”) relating to such Series, as described under “Pricing Supplements” below. The statements in this section include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement, the Calculation Agency Agreement referred to below, the Notes, and any applicable Pricing Supplement. Copies of the Fiscal Agency Agreement and the Calculation Agency Agreement are available for inspection at the principal office of the Fiscal Agent, being at the date hereof at Citibank, N.A., Citibank House, 336 Strand, London WC2R 1HB and at the specified offices of such other Paying Agents as may be appointed from time to time (each, together with the Fiscal Agent in its capacity as Principal Paying Agent, a “Paying Agent”). The Holders (as defined below) of Notes and the Holders of any interest coupons and talons appertaining to the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them.

All terms and conditions of each Series of Notes will be set out in the relevant Note itself. The terms set forth in the applicable Pricing Supplement will reflect certain terms of such Note. The Pricing Supplement will be created for disclosure purposes only and will not be incorporated by reference into, or form a part of, the Note itself.

### Form, Denomination and Title

6.I.26 Notes of a Series may be issued in either bearer form or in definitive registered form, but in no event shall Notes of any particular Series be constituted by Notes in both bearer and registered form. Unless otherwise specified in the applicable Pricing Supplement, the Notes will be in bearer form, serially numbered, and, in the case of definitive bearer Notes, denominated in such denominations and integral multiples as the relevant Issuer, Legal & General and the relevant Agent shall agree, provided that such denominations shall comply with such minimum denomination as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuers, the Guarantor or the relevant specified currency.

6.I.16  
6.I.34 Notes in bearer form will initially be represented by a temporary global Note, without interest coupons attached (a “temporary Global Note”), which will be deposited on behalf of purchasers of the Notes of such Series with a common depository for Euroclear and Clearstream, Luxembourg, on or about the issue date thereof. Upon deposit of such temporary Global Note, Euroclear and Clearstream, Luxembourg will credit purchasers with principal amounts of Notes of such Series equal to the principal amount thereof for which they have paid. Interests in the temporary Global Note of any Series will be exchangeable for interests in a permanent global Note (a “permanent Global Note”) of such Series, without coupons attached, on or after the first Business Day (as defined in the Notes of such Series) following the expiration of a period of 40 days after the original issue date of the Notes of such Series (the “Exchange Date”), upon certification from Euroclear or Clearstream, Luxembourg to the Fiscal Agent as to the beneficial ownership thereof as required by U.S. Treasury Regulations and as set forth in the Fiscal Agency Agreement. Notwithstanding the foregoing, bearer Notes with a maturity of one year or less may be issued initially in the form of a permanent Global Note. Interests in a permanent Global Note may, unless otherwise specified in the Pricing Supplement relating to the Notes of such Series, be exchanged (but not prior to the Exchange Date) for bearer Notes of such Series in definitive form, with coupons (“Coupons”) (except in the case of Notes with a specified interest rate of zero on the face thereof (“Zero Coupon Notes”)) and, if applicable, talons (“Talons”) attached, upon 40 days’ notice (which may be given at any time prior to, on or after the Exchange Date) to the Fiscal Agent. If bearer Notes in definitive form and (if applicable) Coupons, and/or Talons have already been issued in exchange for a portion of a temporary Global Note or for all of the Notes represented for the time being by a permanent Global Note of the same Series because Euroclear and/or Clearstream, Luxembourg do not regard such permanent Global Note to be fungible with such bearer Notes in definitive form, then such temporary Global Note may only thereafter be exchanged for bearer Notes in definitive form and (if applicable) Coupons, and/or Talons pursuant to the terms of the Fiscal Agency Agreement and the Notes. References herein to the Notes of a Series shall be deemed to include the temporary and permanent



Global Notes and the other definitive bearer or registered Notes of such Series, unless the context requires otherwise. Notes in bearer form will not be exchangeable for Notes in registered form and Notes in registered form will not be exchangeable for Notes in bearer form. Zero Coupon Notes will be issued only upon certification to the Issuer as to the beneficial ownership thereof as required by U.S. Treasury Regulations and as set forth in the Fiscal Agency Agreement.

6.1.27 For so long as any bearer Notes are represented by a temporary or permanent Global Note, (i) such Notes will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and/or Euroclear, as the case may be, and (ii) each person who is for the time being shown in the records of Clearstream, Luxembourg and/or Euroclear, as the case may be, as the owner of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg and/or Euroclear, as the case may be, as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the relevant Issuer, Legal & General, the Fiscal Agent and any Paying Agent as a Holder of such nominal amount of Notes (and the term “Holder” shall be construed accordingly) for all purposes other than with respect to the payment of principal (including premium, if any, and in the case of Original Issue Discount Notes (as defined below), the Amortized Face Amount (as defined below) payable in respect thereof) and interest, if any, and any other amounts payable, on such Notes, the right to which shall be vested, as against the relevant Issuer, Legal & General, the Fiscal Agent and any Paying Agent, solely in the bearer of the temporary or permanent Global Note in accordance with and subject to its terms and the Fiscal Agency Agreement. The term “Holder” shall also include the person in whose name a registered Note is registered in the note register maintained pursuant to the Fiscal Agency Agreement and the bearer of a definitive bearer Note. Title to definitive bearer Notes, Coupons and Talons will pass by delivery. The relevant Issuer, Legal & General, the Fiscal Agent and any Paying Agent may (except as ordered by a court of competent jurisdiction or as required by applicable law) deem and treat the bearer of any definitive bearer Note, Coupon (a “Couponholder”) or Talon (a “Talonholder”) as the owner thereof for all purposes (notwithstanding any notice of ownership given or any writing thereon made by anyone) whether or not such definitive bearer Note or Coupon, or any Coupon to which any Talon appertains, shall be overdue. Title to Notes of any Series in registered form shall pass upon the registration of transfers in respect thereof in accordance with the provisions of the Fiscal Agency Agreement. Citibank, N.A. shall act as calculation agent (Citibank, N.A., or any other or additional agent appointed from time to time by the Issuers, the “Calculation Agent”) for the purposes of determining, among other things, the interest rates on Floating Rate Notes pursuant to a Calculation Agency Agreement dated as of April 29, 1992 among the Issuers, the Guarantor and Citibank, N.A.

### **Status**

6.1.21 Each Note will have endorsed thereon the unconditional and irrevocable guarantee of Legal & General as to all amounts of principal and premium and interest if any, thereof and thereon due. The Notes of each Issuer and the Guarantees will constitute direct, unconditional and (subject to the provisions set forth below under “Negative Pledge” and in the Fiscal Agency Agreement) unsecured obligations of such Issuer and the Guarantor, respectively, and will rank pari passu in right of payment among the Notes of such Issuer and the Guarantees, respectively, prior to the equity securities of such Issuer and the Guarantor, as the case may be, and equally with or senior to all other unsecured and unsubordinated obligations of such Issuer and the Guarantor, as the case may be (subject, in the event of insolvency, to laws affecting creditors’ rights generally).

### **Pricing Supplements**

All terms and conditions of each Series of Notes will be set out in the relevant Notes themselves. The terms set forth in the applicable Pricing Supplement will reflect certain terms of such Notes. The Pricing Supplement will be created for disclosure purposes only and will not be incorporated by reference into, or form a part of, the Notes themselves. The Pricing Supplement relating to each Series of Notes will describe the following terms: (i) the Specified Currency in which such Notes are to be denominated and, in the case of Dual Currency Notes, the currency or currencies in which payment in respect of the Notes is to be made, and certain other terms relating to the Notes, including the authorized minimum denominations (if any); (ii) the price (generally expressed as a percentage of the aggregate principal amount thereof) at which such Notes will be issued (the “Issue Price”); (iii) the date on which such Notes will be issued (the “Original Issue Date”); (iv) the date on which such Notes will mature (the “Maturity Date”); (v) whether such Notes are Fixed Rate Notes or Floating Rate Notes; (vi) if such Notes are Fixed Rate Notes, the rate per annum at which such Notes will bear interest, if any, and the Interest Payment Date or Dates (as defined below) and

whether such Notes are Notes for which payments of principal and interest are made in installments over the life of such Notes (“Amortizing Notes”), (vii) if such Notes are Floating Rate Notes, the Interest Rate Basis, the Interest Payment Period, the Initial Interest Rate, Interest Payment Dates, the Index Maturity, if any, the Maximum Interest Rate, if any, the Minimum Interest Rate, if any, the Spread and/or Spread Multiplier, if any (all as defined below), and any other terms relating to the particular method of calculating the interest rate for such Notes; (viii) whether such Notes are Original Issue Discount Notes (as defined below); (ix) whether such Notes are Indexed Notes and, if so, the method of determining the amount of principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, payable with respect to such Notes; (x) whether such Notes are Dual Currency Notes and, if so, the Option Election Date, Optional Payment Currency and Designated Exchange Rate (all as defined below); (xi) whether such Notes may be redeemed at the option of the Issuer thereof, or repaid at the option of the Holder, prior to the Maturity Date and, if so, the provisions relating to such redemption or repayment; (xii) whether the Notes are to be listed on the Official List of the UKLA; (xiii) whether the Notes are to be traded on the London Stock Exchange; and (xiv) any other terms of such Notes not inconsistent with the provisions of the Fiscal Agency Agreement. Such Pricing Supplement will also specify whether Finance or Finance Europe is to be the issuer of such Notes and may describe any relevant tax consequences associated with the terms of such Notes which have not been described in “Netherlands Taxation” or “United Kingdom Taxation”. All Notes of a Series will be denominated in the same currency, have the same Maturity Date, bear interest (if any) on the same basis and at the same rate and have terms which are otherwise identical (except that the Original Issue Dates, Issue Prices, denominations and dates from which interest accrues need not be identical).

### **Payment Currency**

Except as provided below or in the terms of a Note or in any applicable Pricing Supplement, payment of the principal of (including premium, if any, and, in the case of an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) and interest, if any, on each Note will be made in the Specified Currency specified in such Note (or, if the Specified Currency at the time of such payment is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, in such other coin or currency of the country which issued the Specified Currency which at the time of payment is used by the government of the country issuing such currency and for the settlement of transactions by public institutions of or within the international banking community).

Except as provided in the preceding paragraph, if the Specified Currency is unavailable due to the imposition of exchange controls or other circumstances beyond the control of the Issuer of a Note, such Issuer will be entitled to make such payments in such coin or currency of the United States as is at the time of payment legal tender for the payment of public and private debts on the basis of the most recently available Market Exchange Rate (as defined below) for such Specified Currency preceding the day on which such payment is due. Any payment made under such circumstances in U.S. dollars will not constitute an Event of Default (as defined below) under the Notes.

“Market Exchange Rate” means the noon buying rate in New York City for cable transfers in non-U.S. currencies as certified for customs purposes by the Federal Reserve Bank of New York for the applicable Specified Currency.

All choices and determinations referred to above made by the Calculation Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the relevant Issuer and all Holders of Notes, Couponholders and Talonholders.

### **Interest Rates**

A Pricing Supplement will designate as applicable to the Notes to which such Pricing Supplement relates (a) a fixed rate per annum, in which case each such Note will be a “Fixed Rate Note”; or (b) a variable rate at which interest is to be calculated, in which case each such Note will be a “Floating Rate Note”. Interest on a Floating Rate Note may be calculated by reference to LIBOR (in which case such Note will be a “LIBOR Note”) or by reference to any other interest rate basis (including the Euro-zone inter-bank offered rate (“EURIBOR”)), all as more fully described herein and in the Pricing Supplement relating to such Note. The interest rate on each Note will be equal to (a) in the case of a Fixed Rate Note, a fixed rate (which shall be zero in the case of Zero Coupon Notes) or (b) in the case of a Floating Rate Note, the interest rate determined by reference to the specified Interest Rate Basis plus or minus the Spread, if any, and/or

multiplied by the Spread Multiplier, if any. The “Interest Rate Basis” with respect to any Floating Rate Note shall be the interest rate basis specified in the applicable Pricing Supplement. The “Spread” is the number of basis points (one one-hundredth of a percentage point) specified in the applicable Pricing Supplement to be added to or subtracted from the Interest Rate Basis of such Floating Rate Note, and the “Spread Multiplier” is the percentage specified in the applicable Pricing Supplement to be applied to the Interest Rate Basis for such Floating Rate Note. Any Floating Rate Note may also have both or either a maximum interest rate limitation (“Maximum Interest Rate”) and/or a minimum interest rate limitation (“Minimum Interest Rate”), on the rate at which interest may accrue during any interest period.

“Euro-zone” means the region comprised of Member States of the European Union that have adopted or that adopt the single currency in accordance with the Treaty.

All percentages resulting from any calculation with respect to Floating Rate Notes will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five or more one-millionths of a percentage point being rounded upwards to the next higher one-hundred thousandth of a percentage point (e.g. 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all currency amounts used in or resulting from such calculations will be rounded to the nearest one-hundredth of a unit (with .005 of a unit being rounded upwards).

### **Fixed Rate Notes**

#### **6.1.14**

Each Fixed Rate Note (other than a Zero Coupon Note) will bear interest from its Original Issue Date, or from the most recent date to which interest on such Note has been paid or duly provided for, at the rate per annum stated therein until the principal amount thereof is paid or made available for payment. Interest on each Fixed Rate Note (other than a Zero Coupon Note or an Amortizing Note) will be payable in arrear on such date or dates for payment as are set forth in such Note (each such date being an “Interest Payment Date” with respect to a Fixed Rate Note) commencing with the first such Interest Payment Date falling at least 15 days after the Original Issue Date of such Note, and at the Maturity Date or any redemption date, until the principal of such Note shall be paid or made available for payment.

Payments of principal and interest on Amortizing Notes will be made quarterly, semi-annually or otherwise on such date or dates as may be set forth in the applicable Pricing Supplement, and at the Maturity Date or upon earlier redemption or repayment. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. A table setting forth repayment information in respect of each Amortizing Note will be provided to the original purchaser and will be available, upon request, to subsequent Holders, and further information concerning additional terms and conditions of Amortizing Notes will be set forth in the applicable Pricing Supplement.

If payment of interest (and, in the case of Amortizing Notes, principal) on a Fixed Rate Note is due on any day which is not a Business Day with respect to such Fixed Rate Note, the payment of interest (and, in the case of Amortizing Notes, principal) may be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no interest shall accrue as a result of such delay.

If, in respect of a Fixed Rate Note, interest is required to be calculated for a period of other than a full year, such interest shall be calculated by applying the interest rate per annum as stated therein to the principal amount thereof, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for a period of other than a full year:

- (i) if “Actual/Actual (ISMA)” is specified in the applicable Pricing Supplement:
  - (a) where the Accrual Period is equal to or shorter than the Interest Determination Period during which it falls, the actual number of days in the Accrual Period divided by the product of (1) the actual number of days in such Interest Determination Period and (2) the number of Interest Determination Periods normally ending in any year; and
  - (b) where the Accrual Period is longer than one Interest Determination Period, the sum of:
    - (A) the actual number of days in such Accrual Period falling in the Interest Determination Period in which it begins divided by the product of (1) the actual number of days in such Interest Determination Period and (2) the number of Interest Determination Periods in any year; and

- (B) the actual number of days in such Accrual Period falling in the next Interest Determination Period divided by the product of (a) the actual number of days in such Interest Determination Period and (2) the number of Interest Determination Periods normally ending in any year.
- (ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Original Issue Date or, if different from the Original Issue Date, the first such Interest Payment Date falling at least 15 days after the Original Issue Date of such Note) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

For the purposes of this section:

“Accrual Period” means in the case of Notes, the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Original Issue Date or, if different from the Original Issue Date, the first such Interest Payment Date falling at least 15 days after the Original Issue Date of such Note) to (but excluding) the relevant payment date.

“Interest Determination Period” means the period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date;

“euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on the European Union; and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

“Business Day” with respect to any Note means any day except a Saturday or Sunday which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for business in London; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than the euro, a day on which commercial banks and foreign exchange markets settle payments and are open for business (including foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “TARGET System”) is open.

### **Floating Rate Notes**

**6.1.14** Interest on each Floating Rate Note will be payable by the Issuer thereof monthly, quarterly, semi-annually or annually (each an “Interest Payment Period”) on the dates in each year specified in such Note (or if any such day is not a Business Day with respect to such Note, on the next succeeding Business Day with respect to such Note, provided, however, that if the Interest Rate Basis specified in such Note is LIBOR and such next succeeding Business Day would fall in the next calendar month, such interest shall be payable on the immediately preceding Business Day) and at the Maturity Date or any redemption date, commencing on the first such date falling at least 15 days after the Original Issue Date of such Note. An “Interest Payment Date” with respect to any Floating Rate Note shall be a date on which, under the terms of such Note, regularly scheduled interest shall be payable.

The applicable Pricing Supplement will specify the Issue Price, the Interest Rate Basis, the Interest Payment Period, the Spread and/or Spread Multiplier, if any, and the Maximum or Minimum Interest Rate, if any, applicable to each Floating Rate Note. In addition, such Pricing Supplement will define or particularize for each Floating Rate Note the following terms, if applicable: the period to maturity of the instrument or obligation on which the interest rate formula is based (the “Index Maturity”), the Initial Interest Rate (as defined below), and the Interest Payment Date or Dates with respect to such Note.

The rate of interest on each Floating Rate Note will be reset monthly, quarterly, semi-annually or annually on the second Market Day prior to each Interest Payment Date with respect to such Note, or, in the case of Notes denominated in sterling, on the first day of the relevant Interest Payment Period unless otherwise specified in the applicable Pricing Supplement (each date upon which interest is so reset being hereinafter referred to as an “Interest Determination Date”), provided, however, that (i) the interest rate in effect for the period ending on the first Interest Payment Date will be the initial interest rate specified in such Note (the “Initial Interest Rate”) and (ii) the interest rate in effect for the ten calendar days immediately

prior to the Maturity Date of such Note will be that in effect on the tenth calendar day preceding such Maturity Date. Notwithstanding the foregoing, the interest rate on any Note shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, and in no event shall be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

“Market Day” means (i) in relation to Notes denominated in a Specified Currency other than euro any day on which dealings in deposits in the Specified Currency are transacted in the London interbank market or (ii) in relation to Notes denominated in euro a day on which the TARGET System is open.

Unless otherwise indicated in the applicable Pricing Supplement, the interest payable on any Interest Payment Date for a Floating Rate Note will include the unpaid interest accrued from and including the Original Issue Date or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for to, but excluding, such Interest Payment Date.

Interest payable on the Maturity Date or upon redemption will include accrued interest from the Original Issue Date or from and including the last date in respect of which interest has been paid, to but excluding the Maturity Date or redemption date.

Accrued interest on a Floating Rate Note will be calculated by applying the interest rate, as determined by the Calculation Agent on each Interest Determination Date, to the principal amount of such Note, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Payment Period:

- (i) if “Actual/365” or “Actual/Actual (ISDA)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Payment Period divided by 365 (or, if any portion of such Interest Payment Period falls in a leap year, the sum of (A) the actual number of days in such portion of the Interest Payment Period falling in a leap year divided by 366 and (B) the actual number of days in such portion of the Interest Payment Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in such Interest Payment Period divided by 365;
- (iii) if “Actual/365 (sterling)” is specified in the applicable Pricing Supplement, the actual number of days in such Interest Payment Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in such Interest Payment Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in such Interest Payment Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of such Interest Payment Period is the 31st day of a month but the first day of such Interest Payment Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of such Interest Payment Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in such Interest Payment Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months without regard to the date of the first day or last day of such Interest Payment Period unless, in the case of the final Interest Payment Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

Unless otherwise provided for in the applicable Pricing Supplement, the Calculation Agent will determine the interest rate on each Interest Determination Date as described below. The Calculation Agent will notify the relevant Issuer, the Guarantor and the Fiscal Agent as soon as practicable of each determination of the interest rate applicable to any such Floating Rate Note. In addition, the Calculation Agent will cause such information to be published in accordance with the provisions in the Fiscal Agency

Agreement for giving notices to Holders of Notes in bearer form. The Calculation Agent's determination of any interest rate will be, in the absence of manifest error, final and binding.

Subject to applicable provisions of law and except as may be provided in any applicable Pricing Supplement, on each Interest Determination Date the rate of interest on Floating Rate Notes shall be the rate determined, in the case of LIBOR Notes, in accordance with the provisions below and, in the case of other Floating Rate Notes, in accordance with such Notes and the applicable Pricing Supplement.

The interest rate with respect to a LIBOR Note for any Interest Determination Date shall be determined by the Calculation Agent in accordance with the following provisions:

(a) On the Interest Determination Date, LIBOR will be either: (i) if "LIBOR Reuters" is specified in the applicable Note or Pricing Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency (as defined below) having the Index Maturity designated in the applicable Note or Pricing Supplement, that appear on the Designated LIBOR Page specified in the applicable Note or Pricing Supplement as determined at or about 11:00 A.M., London time, on such Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (ii) if "LIBOR Telerate" is specified in the applicable Note or Pricing Supplement, the rate for deposits in the Index Currency having the Index Maturity designated in the applicable Note or Pricing Supplement, that appears on the Designated LIBOR Page specified in the applicable Note or Pricing Supplement, as determined at or about 11:00 A.M., London time, on such Interest Determination Date. If "LIBOR Reuters" is specified in the applicable Note or Pricing Supplement and fewer than two offered rates appear, then (unless the Designated LIBOR Page by its terms provides only for a single rate) LIBOR in respect of the related Interest Determination Date will be determined as if the parties had specified "LIBOR Telerate".

(b) If no rate is specified in the applicable Note or Pricing Supplement, "LIBOR" for each such Interest Determination Date will be determined as of such Interest Determination Date, and will be determined on the basis of the offered rates for deposits in the Index Currency having the Index Maturity designated on the Note which appears on the Telerate Screen Page 3750 as determined at or about 11:00 A.M., London time. If no such rate is available on the Telerate Screen at such time, LIBOR will be the arithmetic mean of the offered rates as determined by the Calculation Agent for deposits in the Index Currency having the Index Maturity specified on the Note representing such LIBOR Note, which appear on the Reuters Screen LIBOR Page, if at least two such offered rates appear as determined at or about 11:00 A.M., London time on such Interest Determination Date. With respect to an Interest Determination Date on which no rate appears on the Telerate Screen Page 3750 and less than two such rates appear on the Reuters Screen LIBOR page, LIBOR for such Interest Determination Date will be determined as if the parties had specified the rate described in (c) below

(c) With respect to an Interest Determination Date on which fewer than the minimum number of offered rates appear on the applicable Designated LIBOR Page as specified in clause (a) or (b) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent (after consultation with the relevant Issuer and the Guarantor), to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity designated in the applicable Note or Pricing Supplement, commencing on the second London Business Day immediately following such Interest Determination Date or, in the case of Notes denominated in sterling, on such Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M. (or such other time specified in the applicable Note or Pricing Supplement), in the applicable Principal Financial Center, on such Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent (after consultation with the relevant Issuer and the Guarantor) for loans in the Index Currency to leading European banks having the Index Maturity designated in the applicable Note or Pricing Supplement, and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; *provided, however*, that if the banks so selected by the Calculation

Agent are not quoting as mentioned in this sentence, LIBOR determined on such Interest Determination Date will be LIBOR then in effect on such Interest Determination Date.

“Index Currency” means the currency (including composite currencies) specified in the applicable Note or Pricing Supplement, as the currency for which LIBOR shall be calculated. If no such currency is specified in the applicable Note or Pricing Supplement, the Index Currency shall be U.S. dollars.

“Designated LIBOR Page” means either (a) if “LIBOR Reuters” is designated in the applicable Note or Pricing Supplement, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if “LIBOR Telerate” is designated in the applicable Note or Pricing Supplement, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency. If neither LIBOR Reuters nor LIBOR Telerate is specified in the applicable Note or Pricing Supplement, LIBOR for the applicable Index Currency will be determined as if LIBOR Telerate (and, if the United States dollar is the Index Currency, Page 3750, or any comparable page) had been specified.

“London Business Day” means any day except a Saturday, Sunday or other day in which banking institutions are required or authorized by law or executive order to close in London.

“Principal Financial Center” will generally be the capital city of the country of the specified Index Currency, except that with respect to United States dollars, the principal Financial Center shall be the City of New York and, with respect to euro, the principal Financial Center shall be any capital city of the countries in the Euro-zone.

#### **Original Issue Discount and Zero Coupon Notes**

The Notes may be issued as Original Issue Discount Notes. An “Original Issue Discount Note” is a Note, including any Zero Coupon Note, which is issued at a price lower than the principal amount thereof and which provides that, upon redemption prior to the maturity thereof or acceleration of the maturity thereof, an amount less than the principal thereof shall become due and payable.

Unless otherwise specified in the applicable Pricing Supplement, in the event of acceleration of maturity of an Original Issue Discount Note, the amount payable thereon in lieu of the principal amount due at the Maturity Date will be the amount (the “Amortized Face Amount”) equal to (a) the Issue Price (as defined below) plus (b) that portion of the difference between the Issue Price and the principal amount that has accrued at the Stated Yield (as defined below) (calculated using the “interest method” computed in accordance with United States generally accepted accounting principles in effect on the date as of which the Amortized Face Amount is calculated) at the date as of which the Amortized Face Amount is calculated, but in no event will the Amortized Face Amount exceed the principal amount of such Note due at the Maturity Date thereof. As used in this paragraph, the term “Issue Price” means (a) the principal amount of a Note less (b) the Original Issue Discount stated on the face thereof, and the term “Stated Yield” means the original yield to maturity specified in such Note for the period from the Original Issue Date thereof to the Maturity Date thereof on the basis of the Issue Price and principal amount.

Zero Coupon Notes will not bear interest; provided that, as from the Maturity Date or any other due date for repayment of such Notes, any overdue amount payable on such Notes shall bear interest at a rate per annum (expressed as a percentage) equal to the Stated Yield (computed on the basis of a 360-day year of twelve 30-day months) until all amounts due in respect of such Notes have been paid.

#### **Indexed Notes**

Amounts due on an Indexed Note in respect of principal, premium and interest, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount, may be determined by reference to (a) a currency exchange rate or rates, (b) a securities or commodities exchange index, (c) the value of a particular security or commodity, (d) any other index, indices or formula or (e) as otherwise provided in the applicable Pricing Supplement. The Pricing Supplement relating to an Indexed Note will set forth the index, the method by and terms on which the amount of principal (whether payable at or prior to the Maturity Date thereof) and interest, premium or the Amortized Face Amount, if any, will be determined, certain tax consequences or possible tax consequences to Holders of Indexed Notes, a description of certain risks associated with investments in Indexed Notes and other information relating to such Indexed Notes.

An investment in Notes indexed, as to principal, premium and/or interest, to one or more values of currencies (including exchange rates and swap indices between currencies), commodities, interest rate or

other indices entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of such a Note is so indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid, and, if the principal amount of such a Note is so indexed, the principal amount payable on the Maturity Date may be less than the original purchase price of such Note if allowed pursuant to the terms of such Note, including the possibility that no principal will be paid. The secondary market for such Notes will be affected by a number of factors, independent of the creditworthiness of the relevant Issuer or the Guarantor and the value of the applicable currency, commodity or interest rate index, including the volatility of the applicable currency, commodity or interest rate index, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, commodity or interest rate index depends on a number of interrelated factors, including economic, financial and political events, over which the Issuers and the Guarantor have no control. Additionally, if the formula used to determine the principal amount, premium, if any, or interest payable with respect to such Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity or interest rate index may be increased. The historical experience of the relevant currencies, commodities or interest rate indices should not be taken as an indication of future performance of such currencies, commodities or interest rate indices during the term of any Note. The credit ratings assigned to the Notes are reflective of the Guarantor's credit status, and are in no way reflective of the potential impact of the factors discussed above, or any other factors, on the market value of the Notes. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in such Notes and the suitability of such Notes in light of their particular circumstances.

## **Dual Currency Notes**

### ***General***

The Issuers may from time to time offer Notes ("Dual Currency Notes") as to which the Issuer thereof has a one time option, exercisable on any one of the dates specified in the applicable Pricing Supplement (each an "Option Election Date") in whole, but not in part, with respect to all Dual Currency Notes issued on the same day and having the same terms (a "Tranche"), of thereafter making all payments of principal, premium, if any, and interest (which payments would otherwise be made in the Specified Currency of such Notes) in the optional currency specified in the applicable Pricing Supplement (the "Optional Payment Currency"). Information as to the relative value of the Specified Currency compared with the Optional Payment Currency will be set forth in the applicable Pricing Supplement.

The Pricing Supplement for each issuance of Dual Currency Notes will specify, among other things, the Specified Currency and Optional Payment Currency of such issuance and the Designated Exchange Rate for such issuance, which will be a fixed exchange rate used for converting amounts denominated in the Specified Currency into amounts denominated in the Optional Payment Currency (the "Designated Exchange Rate"). The Pricing Supplement will also specify the Option Election Dates and Interest Payment Dates for the related issuance of Dual Currency Notes. Each Option Election Date will be a certain number of days before an Interest Payment Date or the Maturity Date, as set forth in the applicable Pricing Supplement, and will be the date on which the Issuer may select whether to make all scheduled payments due thereafter in the Optional Payment Currency rather than in the Specified Currency.

If the Issuer makes such an election, the amount payable in the Optional Payment Currency shall be determined using the Designated Exchange Rate specified in the applicable Pricing Supplement. If such election is made, notice of such election shall be mailed in accordance with the terms of the applicable Tranche of Dual Currency Notes within two Business Days of the Option Election Date and shall state (i) the first date, whether an Interest Payment Date and/or the Maturity Date, on which scheduled payments in the Optional Payment Currency will be made and (ii) the Designated Exchange Rate. Any such notice by the Issuer, once given, may not be withdrawn. The equivalent value in the Specified Currency of payments made after such an election may be less, at the then current exchange rate, than if the Issuer had made such payment in the Specified Currency.

If a Note is a Dual Currency Note, the amount payable on such Note in the event of any optional redemption by the Issuer, any acceleration of the payment of the principal due on such Note or other prepayment of such Note prior to the Maturity Date of such Note may be an amount equal to the stated principal thereof *plus* accrued interest to but excluding the date of such prepayment, but *minus* an amount which reflects the value inherent in the option feature relating to such Note and which will be set forth in the applicable Pricing Supplement.



In no event will payment of principal of any Dual Currency Note upon acceleration be less than zero.

### **Payment of Principal and Interest; Paying Agents**

No payment of principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) or interest, if any, in respect to any bearer Note will be made at an office of any Issuer or the Guarantor or any agent of any Issuer or the Guarantor in the United States or by cheque mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States, except as may be permitted by United States tax law in effect at the time of such payment without detriment to the relevant Issuer or the Guarantor, as the case may be. Notwithstanding the foregoing, such payments may be made in U.S. dollars at an office or agency located in the United States, if (but only if) the Specified Currency is the U.S. dollar and payment of the full amount so payable in U.S. dollars at each office of the Fiscal Agent and of each Paying Agent outside the United States appointed and maintained pursuant to the Fiscal Agency Agreement is illegal or effectively precluded by exchange controls or other similar restrictions. Any payment made under such circumstances will not constitute an Event of Default under the Notes.

The principal (including premium, if any, and in the case of an Original Discount Note, the Amortized Face Amount payable in respect thereof) and interest, if any, due in respect of any portion of a temporary Global Note will be paid in immediately available funds to each of Euroclear and Clearstream, Luxembourg with respect to that portion of such temporary Global Note held for its account but only upon receipt by the Fiscal Agent of written certification with respect to such portion from Euroclear or Clearstream, Luxembourg, as the case may be, delivered prior to each such date in the form required by the Fiscal Agency Agreement, dated no earlier than such payment date, which certificate must be based on certifications provided to it by its account holders as to beneficial ownership of interests in such temporary Global Note as required by U.S. Treasury Regulations and as set forth in the Fiscal Agency Agreement. Payments of principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, due in respect of any portion of a permanent Global Note will be made in immediately available funds to each of Euroclear and Clearstream, Luxembourg with respect to the portion of such permanent Global Note held for its account without certification as aforesaid. Each of Euroclear and Clearstream, Luxembourg will undertake in such circumstances to credit any such amounts received by it to the respective accounts of the persons who are the owners of such interests on the date on which such amounts are paid. Any such amounts so received by Euroclear and Clearstream, Luxembourg and not so paid shall be returned to the Fiscal Agent immediately prior to the expiration of two years after the receipt thereof.

Any interest and, in the case of Amortizing Notes, principal payments (other than principal payable at maturity or upon earlier redemption or repayment) on definitive bearer Notes (other than a permanent Global Note) of a Series shall be payable by cheque mailed to an address outside the United States or by wire transfer to an account maintained outside the United States upon surrender of any applicable Coupon, and principal of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) on such definitive bearer Notes of such Series shall be payable by cheque or by wire transfer upon surrender of such Notes, at such offices or agencies of the Fiscal Agent or any Paying Agent outside the United States as the Guarantor may from time to time designate, unless the Guarantor shall have otherwise instructed the Fiscal Agent, or additionally or alternatively, in such other manner as may be set forth or provided for in the bearer Notes of such Series.

Any interest and, in the case of Amortizing Notes, principal payments (other than interest and, in the case of Amortizing Notes, principal payable at maturity or upon redemption) on registered Notes of a Series shall be payable by cheque or (if a Holder in whose name such registered Notes are registered (a "Registered Holder")) shall have designated an account to which payment should be made at least 15 calendar days prior to the date on which payment is due) by wire transfer, to the Registered Holders at the close of business on the 15th calendar day (whether or not a Business Day) preceding the date such interest (or, in the case of Amortizing Notes, principal) is due and any principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, payable at maturity or upon redemption of registered Notes of a Series shall be payable by cheque or (subject as aforesaid) by wire transfer upon surrender of such Notes, to the Registered Holders, in each case at such offices or agencies of any Paying Agent outside the United States as the Guarantor may from time to time designate, unless the Guarantor shall have otherwise instructed the Fiscal Agent, or additionally or alternatively, in such other manner as may be set forth or provided for in the registered Notes of such Series.

The Issuers and the Guarantor will pay all stamp and other duties, if any, which may be imposed by the United Kingdom or The Netherlands or any political subdivision or taxing authority thereof with respect to the execution and delivery of the Fiscal Agency Agreement or the issuance of the Notes.

After the date specified on the final Coupon on any Coupon sheet, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to and including the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon.

The Issuers and the Guarantor have initially designated the Fiscal Agent, acting through its principal offices in London, as its Paying Agent for the Notes outside the United States. The Paying Agent located in London is also referred to herein as the “Principal Paying Agent”. The Issuers and the Guarantor have covenanted that until the Notes of a Series have been delivered to the Fiscal Agent for cancellation, or monies sufficient to pay the principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, on the Notes of such Series will have been made available for payment and either paid or returned to the relevant Issuer as provided in the Notes, there will, so long as United States tax law prohibits payment of principal and interest on such Notes in the United States, at all times be a Paying Agent in a Western European city and, if and for so long as the Notes of any Series are admitted to the Official List of the UKLA and the rules of the UKLA so require, a Paying Agent in London, and if the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 are implemented and to the extent it is reasonably practical to do so, a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions, for the payment of principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, of the Notes as therein provided.

As used in the preceding paragraphs appearing under the heading “Payment of Principal and Interest; Paying Agents”, the term “United States” means the United States of America (including the States and the District of Columbia) and its possessions.

### **Redemption and Repurchase**

The Pricing Supplement relating to a Series of Notes will indicate either that such Notes cannot be redeemed prior to maturity, other than for tax reasons (as set forth in the immediately succeeding paragraph), or the terms on which the Notes will be redeemable at the option of the relevant Issuer or at the option of the Holder or at the option of either. Notice of redemption shall be provided as set forth below under “Notices”.

The Notes of any Series may be redeemed, as a whole but not in part, at the option of the relevant Issuer, upon not more than 60 days’ nor less than 30 days’ prior notice (given as aforesaid) to the Holders thereof at a redemption price equal to 100% of the principal amount or, in the case of an Original Issue Discount Note, the Amortized Face Amount or, in the case of Indexed Notes, such redemption price set forth in the Pricing Supplement, together with interest accrued, if any, to the date fixed for redemption, if on the next succeeding Interest Payment Date, (i) such Issuer will be obligated to pay additional amounts (as described below under “Payment of Additional Amounts” and as provided in the Notes of such Series) or (ii) the Guarantor would be unable, for reasons outside its control, to procure payment by such Issuer without such additional amounts being payable and in making such payment itself would be required to pay additional amounts (as provided in the Guarantee); provided that the Notes of such Series may not be so redeemed if such obligation of such Issuer or the Guarantor to pay such additional amounts arises because of the official application or interpretation of the laws or regulations affecting taxation of the country in which such Issuer or the Guarantor is organized, or any political subdivision thereof or therein, as a result of any event referred to in (a) or (b) below, which law or regulation is in effect on the date of (a) the assumption by any wholly-owned subsidiary of the Guarantor of such Issuer’s obligations under the Notes and under the Fiscal Agency Agreement and the Calculation Agency Agreement, (b) the consolidation, amalgamation or merger of such Issuer or the Guarantor with or into, or the conveyance, transfer or lease by such Issuer or the Guarantor of its properties and assets substantially as an entirety to, any person, corporation or other entity. If such Issuer or the Guarantor provides an opinion of independent counsel of recognized standing in the appropriate jurisdiction, dated as of the date of the relevant event referred to in (a) or (b) above, that no obligation to pay additional amounts arises then that opinion shall be final and binding, solely for purposes of this paragraph, on such Issuer, the Guarantor, the Fiscal Agent and the Holders of the Notes of such Series as to the law of the relevant jurisdiction at the date of such opinion.

If notice of redemption has been given in the manner set forth therein, the Notes of a Series to be redeemed shall become due and payable on the redemption date specified in such notice and upon presentation and surrender of the Notes at the place or places specified in such notice, together with all appurtenant Coupons and Talons, if any, maturing subsequent to the redemption date, the Notes shall be paid and redeemed by the Issuer thereof at the places and in the manner and currency therein specified and at the redemption price therein specified together with accrued interest, if any, to the redemption date. If any Fixed Rate Note surrendered for redemption shall not be accompanied by all appurtenant Coupons and Talons, if any, maturing after the redemption date, such Note may be paid after deducting from the amount otherwise payable an amount equal to the face amount of all such missing Coupons and Talons, or the surrender of such missing Coupon or Coupons or Talon or Talons may be waived by the relevant Issuer, the Guarantor and the Fiscal Agent if they are furnished with such security or indemnity as they may require to save each of them and each other paying agency of such Issuer and the Guarantor harmless. If a deduction is made from the redemption price in the case of any such missing Coupon or Talon and thereafter, but prior to five years after the redemption date, the bearer of such Coupon or Talon shall surrender such Coupon or Talon at a place specified for redemption, such bearer shall be entitled to receive the amount so deducted with respect to such Coupon or Talon. Any unmatured Coupons and Talons, whether attached to or missing from any Floating Rate Note surrendered for redemption, will become void at the redemption date for such Note. From and after the redemption date, if monies for the redemption of Notes called for redemption shall have been made available at the corporate trust office of the Fiscal Agent for redemption on the redemption date, the Notes called for redemption shall cease to bear interest (and in the case of Original Issue Discount Notes, not cease to increase the Amortized Face Amount payable in respect thereof), and the only right of the Holders of such Notes shall be to receive payment of the redemption price together with accrued interest, if any, to the redemption date as aforesaid. If monies for the redemption of the Notes are not made available for payment until after the redemption date, the Notes called for redemption shall not cease to bear interest (and in the case of Original Issue Discount Notes, not cease to increase the Amortized Face Amount payable in respect thereof), until such monies have been so made available.

The Issuers may at any time purchase Notes (provided that, in the case of definitive bearer Notes, all unmatured Coupons and Talons appertaining thereto are surrendered therewith) at any price or prices in the open market or otherwise. Notes so purchased by an Issuer may be held or resold or, at the discretion of such Issuer, may be surrendered to the Fiscal Agent for cancellation.

### **Payment of Additional Amounts**

#### **6.1.09**

Any amounts to be paid by an Issuer or the Guarantor, as the case may be, under the Notes or the Guarantees, as the case may be, will be paid without deduction or withholding for or on account of any present or future taxes, assessments, duties or other governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of the country in which the Issuer or the Guarantor, as the case may be, is organized or any political subdivision or authority therein, unless such deduction or withholding is required by law. In such event, an Issuer or the Guarantor, as the case may be, will pay such additional amounts of principal (including premium, if any, and in the case of an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof), and interest, if any, as may be necessary in order that the net amounts received by the Holder of the said Note or of any Coupon, if any, appertaining thereto, as the case may be, after such deduction or withholding will equal the respective amounts of principal (including premium, if any, and in the case of an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof), and interest, if any, which would have been received had no such deduction or withholding been required; provided, however, that the foregoing obligation to pay additional amounts will not apply to any tax, assessment, duty or other governmental charge which: (a) is payable otherwise than by deduction or withholding from payments of principal of (or premium if any, and in the case of an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) or interest, if any, on such Note; (b) is payable by reason of the Holder having, or having had, some personal or business connection with the country in which such Issuer or the Guarantor is organized and not merely by reason of the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in, the country in which such Issuer or the Guarantor is organized; (c) is payable by reason of a change in law or official practice of any relevant taxing authority that becomes effective more than 30 days after the Relevant Date (as defined below) for payment of principal (including premium, if any, and in the case of an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) or interest, if any; (d) is payable by reason of any estate, excise, inheritance, gift, sales, transfer, wealth, personal property tax or any similar assessment or governmental charge; (e) is payable as a result of the failure of a Holder to satisfy any statutory requirements or make a declaration of non-residence or other similar claim for exemption to the relevant tax authority if such

satisfaction or making of such declaration is a statutory or regulatory precondition to relief from such tax, assessment, duty or other governmental charge; (f) is payable in respect of any Note or Coupon presented for payment in the United Kingdom; (g) is payable as a result of any deduction or withholding which is imposed on a payment to an individual and which 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 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; (h) is payable in respect of any Note or Coupon presented for payment by or on behalf of a Holder who would have been able to avoid any deduction or withholding by presenting the relevant Note and/or Coupon to another Paying Agent or (if any) another Fiscal Agent in a Member State of the European Union; or (i) arises out of any combination of (a) through (h) above. As used herein, the “Relevant Date” is the date on which the payment of principal (including premium, if any, and in the case of an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) and interest, if any, on a Note first becomes due and payable but, if the full amount of the monies payable on such date has not been received by the relevant Paying Agent or as it shall have directed on or prior to such date, the “Relevant Date” means the date on which such monies shall have been so received. No additional amounts will be paid as provided above with respect to any payment of principal of (including premium, if any, and in the case of an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) or interest, if any, on such Note to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the Holder of such Note.

In the case of certain unlisted Notes issued by Finance where so provided for in the applicable Pricing Supplement, each such Note will include a further provision that the foregoing obligation to pay additional amounts will also not apply to any tax, assessment, duty or other governmental charge which is payable in respect of such Note or any Coupon relating to any such Note, in either case, at a time when such Note is not listed on a recognized stock exchange within the meaning of Section 841 Income and Corporation Taxes Act, 1988.

In the case of certain unlisted Notes issued by Finance where so provided for in the applicable Pricing Supplement, each such Note will include a further provision that if Finance or the Guarantor, as the case may be, makes a payment to a Holder under the terms of such Note or the related Guarantee, as the case may be, without deduction or withholding for or on account of United Kingdom income tax as a result of its reasonable belief that one of the conditions specified in Section 349B Income and Corporation Taxes Act, 1988 is satisfied and in circumstances where, if it had not been able to form such reasonable belief and had been required to withhold or deduct for or on account of United Kingdom income tax from the relevant payment, it would not have been required to pay an additional amount, the relevant Holder shall pay to Finance or the Guarantor, as the case may be, within 14 days of demand therefore, an amount equal to any United Kingdom income tax (and any interest or penalties in respect thereof) for which Finance or the Guarantor, as the case may be, is required to account in respect of such payment.

## **Events of Default**

An “Event of Default” with respect to any Note of any Issuer shall mean any one or more of the following: (a) a default in the timely payment of the principal of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) any Note of the Series of which such Note is a part when due (whether at maturity, upon redemption or otherwise); or (b) if default is made for a period of 14 days or more in the payment of any interest due in respect of any Note of the Series of which such Note is a part; or (c) if such Issuer or the Guarantor fails to perform or observe any of its other material obligations under the Notes of the Series of which such Note is a part and such failure continues for the period of 30 days after the date on which written notice of such failure requiring the same to be remedied shall have been given to such Issuer and the Guarantor by the Holders of at least 25% in principal amount of the Outstanding (as defined under “Meetings and Amendments” below) Notes of the Series of which such Note is a part at the time; or (d) any of the Guarantees shall cease to be in full force or effect, or the Guarantor shall deny or disaffirm the Guarantor’s obligations under any of the Guarantees; or (e) if any of the Notes of the Series of which such Note is a part or any indebtedness of the Guarantor, its Principal Subsidiary (as defined below) or such Issuer for borrowed monies in an aggregate principal amount of not less than £10,000,000 (or its equivalent in any currency or currencies) becomes or is declared repayable prior to the due date for payment thereof by reason of default on the part of the Guarantor, its Principal Subsidiary or such Issuer, or if any such indebtedness is not repaid on the due date for payment thereof (or by the expiry of

any applicable grace period), or any guarantee of indebtedness in an aggregate principal amount of not less than £10,000,000 (or its equivalent in any currency or currencies) given by the Guarantor, its Principal Subsidiary or such Issuer is not honored when due and called upon; or (f) if an order is made or an effective resolution passed for the winding-up of, or an administration order is made in relation to, the Guarantor, its Principal Subsidiary or the Issuer of such Note, or if the Guarantor, its Principal Subsidiary or the Issuer of such Note stops payment or threatens to stop payment or ceases or threatens to cease to carry on business, except a winding-up or a stopping of payment or a cessation of business for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Holders of the Notes of such Series in accordance with the provisions of the Fiscal Agency Agreement; or (g) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any material part of the undertaking or assets of the Guarantor, its Principal Subsidiary or the Issuer of such Note, or if a distress or execution is levied or enforced upon or sued out against any material part of the chattels and property of the Guarantor, its Principal Subsidiary or the Issuer of such Note and is not removed, discharged or paid out within 60 days; or (h) if the Guarantor, its Principal Subsidiary or the Issuer of such Note is unable to pay its debts within the meaning of Section 123(1)(e) of the United Kingdom Insolvency Act 1986 or makes a general assignment for the benefit of its creditors; or (i) in the case of a Note issued by Finance Europe, if Finance Europe has filed a request for a “moratorium of payments” (“surseance van betaling”) and has been granted such moratorium and such moratorium is not lifted within 90 days; or (j) if the Guarantor’s Principal Subsidiary shall cease to be a subsidiary of the Guarantor within the meaning of Section 736 of the Companies Act 1985 of Great Britain, which Section shall be construed without reference to any statutory modification or reenactment thereof made after 21st December, 1990 (except pursuant to such an amalgamation or reconstruction as is referred to in sub-clause (f) above).

As used above, “Principal Subsidiary” means the Legal & General Assurance Society Limited, in the case of sub-clauses (e) to (h) inclusive and (j), for so long as it remains a subsidiary of Legal & General within the meaning of Section 736 of the Companies Act 1985 of Great Britain.

If an Event of Default shall have occurred and be continuing with respect to any Note, then the Holder of such Note may exercise any right, power or remedy permitted to it by law, and shall have, in particular, without limiting the generality of the foregoing, the right to declare the entire principal of (including premium, if any, and if such Note is an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof), and all interest accrued, if any, on such Note to be, and such Note shall thereupon become, forthwith due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived. No course of dealing on the part of the Holder of any Note or delay or failure on the part of such Holder to exercise any right shall operate as a waiver of such right or otherwise prejudice such Holder’s rights, powers or remedies. Upon payment in full (i) of the amount of principal (including premium, if any, and if such Note is an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) and interest, if any, so declared due and payable, and (ii) of interest on any overdue principal (including premium, if any, and if such Note is an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) and overdue interest (in the latter case to the extent that the payment of such interest shall be legally enforceable) all of the relevant Issuer’s and the Guarantor’s obligations in respect of the payment of the principal of (including premium, if any, and if such Note is an Original Issue Discount Note, the Amortized Face Amount payable in respect thereof) and interest, if any, on such Note shall terminate.

### **Negative Pledge**

So long as any Note remains Outstanding and unpaid, the Guarantor will not, and will not permit any Issuer to, create or permit to exist any Lien (as defined below) upon any of their respective properties (whether now owned or hereafter acquired) to secure any of its present or future Relevant Indebtedness (as defined below) (or any guarantee or indemnity in respect thereof) without making effective provision whereby all the Notes shall be directly secured equally and ratably with the Relevant Indebtedness, guarantee or indemnity secured by such Lien.

As used above, the following terms shall have the following meanings: (i) “Lien” means any mortgage, pledge, security interest, lien or other encumbrance; and (ii) “Relevant Indebtedness” means the Notes, the Guarantees and any indebtedness for borrowed money (other than indebtedness in the form of sterling debenture stock) which is in the form of, or represented or evidenced by bonds, notes, debentures, loan stock or other securities which, with the agreement of the Guarantor or the relevant Issuer, as the case may be, are quoted, listed, dealt in or traded on a stock exchange, or an over-the-counter or other recognized securities market.

## Meetings and Amendments

The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Notes of a Series to consider any matter affecting their interests, including the modification by Extraordinary Resolution (as defined below) of the Notes or the provisions of the Fiscal Agency Agreement. Except as provided in the following sentence, the quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes of such Series for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders of Notes of such Series whatever the principal amount of the Notes of such Series for the time being Outstanding so held or represented. At any meeting the business of which includes sanctioning the exchange, substitution or conversion of the Notes for other obligations or securities, or the making of any modification to the provisions contained in the Fiscal Agency Agreement, the Notes, the Coupons or the Talons which would: (a) (i) change the due date for the payment of the principal of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) or any instalment of interest, if any, on any Note, (ii) reduce the principal amount of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) any Note, the portion of such principal amount which is payable upon acceleration of the maturity of such Note, the interest rate thereon or the premium payable upon redemption thereof, (iii) change the Specified Currency in which or the required places at which payment with respect to principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) or interest, if any, in respect of Notes is payable, or (iv) amend the procedures provided for or the circumstances under which the Notes of such Series may be redeemed; or (b) modify the provisions relating to meetings of Holders of Notes concerning the quorum required at any meeting of Holders of Notes or the majority required to pass an Extraordinary Resolution; or (c) amend the special quorum requirements referred to in this sentence, the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes of such Series for the time being Outstanding. An Extraordinary Resolution passed at any meeting of Holders of Notes will be binding on all Holders of Notes, whether or not they are present at the meeting and on all Couponholders and Talonholders.

The term “Extraordinary Resolution” means a resolution passed at a meeting of Holders of Notes duly convened and held in accordance with the provisions of the Fiscal Agency Agreement by a majority consisting of not less than three-quarters of the votes cast and the term “Outstanding” means any Note authenticated and delivered pursuant to the Fiscal Agency Agreement except: (i) Notes theretofore cancelled by the Fiscal Agent or delivered to the Fiscal Agent for cancellation; (ii) Notes which have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, thereon shall have been made available to the Fiscal Agent; or (iii) Notes in lieu of or in substitution for which other Notes shall have been authenticated and delivered pursuant to the Fiscal Agency Agreement; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Notes are present at a meeting of Holders of Notes for quorum purposes or have consented to or voted in favor of any request, demand, authorisation, direction, notice, consent, waiver, amendment, modification or supplement under the Fiscal Agency Agreement, Notes owned directly or indirectly by any Issuer or the Guarantor shall be disregarded and deemed not to be Outstanding.

If and whenever Notes of two or more Series are Outstanding, the foregoing provisions shall have effect subject to the following modifications: (i) a resolution which in the opinion of the Guarantor affects one Series only of the Notes shall be deemed to have been duly passed if passed at a meeting of the Holders of the Notes of that Series; (ii) a resolution which in the opinion of the Guarantor affects more than one Series of the Notes but does not give rise to a conflict of interest between the Holders of Notes of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the Holders of the Notes of all the Series so affected; and (iii) a resolution which in the opinion of the Guarantor affects more than one Series of the Notes and gives or may give rise to a conflict of interest between the Holders of the Notes of one Series or group of Series so affected and the Holders of the Notes of another Series or group of Series so affected shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of the Holders of the Notes of all such Series it shall be duly passed at separate meetings of the Holders of the Notes of each Series so affected.

The Guarantor, the relevant Issuer and the Fiscal Agent may agree, without the vote or consent of any Holder of Notes, Couponholder or Talonholder, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of the terms and conditions of the Notes or any other provisions of the Fiscal Agency Agreement for the purpose of, (i) adding to the covenants of such Issuer and/or the Guarantor for the benefit of the Holders of Notes, Couponholders or Talonholders, or (ii) surrendering any right or power conferred upon such Issuer and/or the Guarantor, or (iii) securing the Notes pursuant to the requirements of the Notes or otherwise, or (iv) subject to the existence of the conditions set forth in the first paragraph of “Payment of Principal and Interest; Paying Agents” above, permitting the payment of principal (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, in respect of bearer Notes in the United States, or (v) evidencing the succession of another corporation to an Issuer or the Guarantor pursuant to “Merger or Consolidation of the Issuers and the Guarantor” below, and the assumption by such successor of the covenants and obligations of such Issuer or the Guarantor in the Fiscal Agency Agreement and in the Notes, Coupons and Talons as permitted by the Notes, or (vi) evidencing the assumption by the Guarantor of the obligations of an Issuer under the Fiscal Agency Agreement and under the Notes issued by it or the designation by the Guarantor of another of its wholly-owned Subsidiaries to be the issuer of the Notes, as provided in “Assumption of Obligations” below, or (vii) correcting or supplementing any defective provision contained in the Fiscal Agency Agreement or in the Notes, Coupons or Talons in a manner which does not adversely affect the interest of any Holders of Notes, Coupons or Talons in any material respect, or (viii) amending the certification requirements set forth in “Form, Denomination and Title” above with the approval of the Agents in order to allow the Issuers to comply with the certification requirements with respect to nationality or status as required by applicable tax laws, or (ix) making any modification, or granting any waiver or authorisation of any breach or proposed breach of, any of the terms and conditions of the Notes or any other provisions of the Fiscal Agency Agreement in any manner which the Guarantor and the Fiscal Agent may determine and which does not adversely affect the interest of any Holders of Notes, Coupons or Talons in any material respect, or (x) making any modification which is of a minor or technical nature or correcting a manifest error.

#### **Assumption of Obligations**

The Guarantor or any wholly-owned Subsidiary of the Guarantor may assume the obligations of any Issuer (or any corporation which shall have previously assumed the obligations of such Issuer as provided in the Fiscal Agency Agreement; such Issuer or such corporation being referred to herein as the “prior Issuer”) for the due and punctual payment of the principal of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, on and any additional amount in respect of the Notes issued by it and the performance of every covenant of the Fiscal Agency Agreement, the Notes and the Calculation Agency Agreement on the part of the prior Issuer to be performed or observed, provided that: (a) the Guarantor or such Subsidiary of the Guarantor, as the case may be, shall expressly assume such obligations by an amendment or supplement to the Fiscal Agency Agreement, executed by the Guarantor and such Subsidiary, if applicable, and delivered to the Fiscal Agent for the benefit of the Holders of Notes, Coupons and Talons and, if such Subsidiary assumes such obligations, the Guarantor shall, by such amendment or supplement, confirm that its Guarantees shall apply to such Subsidiary’s obligations under the Notes, Coupons and Talons and the Fiscal Agency Agreement and the Calculation Agency Agreement, as modified by such amendment or supplement; (b) the Guarantor or such Subsidiary, as the case may be, shall confirm in such amendment or supplement that the Guarantor or such Subsidiary, as the case may be, will pay to the Holders such additional amounts as provided by, and subject to the limitations set forth in, the Notes as may be necessary in order that every net payment of the principal of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, on the Notes will not be less than the amount provided for in the Notes to be then due and payable; provided, that such obligation shall extend to any deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payment by any district, municipality or other political subdivision or taxing authority in the United Kingdom or in the country in which the Guarantor or any such Subsidiary is organized (it being understood that, except as aforesaid, neither the Guarantor nor such Subsidiary shall be obligated to make any indemnification or payments in respect of any tax consequences to any Holder of Notes or Couponholders as a result of the assumption of rights and obligations described herein and which arise as a result of the domicile or residence of such Holder in, or connection of such Holder with, or subjection of such Holder to, any jurisdiction); and (c) immediately after giving effect to such assumption, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

Upon any such assumption, the Guarantor or such Subsidiary, as the case may be, shall succeed to, and be substituted for, and may exercise every right and power of, the prior Issuer under the Fiscal Agency Agreement, the Notes and the Calculation Agency Agreement, with the same effect as if the Guarantor or such Subsidiary, as the case may be, had been named as an Issuer in the Fiscal Agency Agreement, and the prior Issuer shall be released from all liability under the Fiscal Agency Agreement, the Notes issued by it and the Calculation Agency Agreement. As used herein, the term “Subsidiary” means a subsidiary (as defined in Section 736 of the Companies Act 1985 of Great Britain) of Legal & General.

### **Merger or Consolidation of the Issuers and the Guarantor**

So long as any Note remains outstanding, neither any Issuer nor the Guarantor shall consolidate or amalgamate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person unless: (a) the corporation formed by such consolidation or amalgamation or into which such Issuer or the Guarantor is merged or the person which acquires by conveyance or transfer, or which leases, the properties and assets of such Issuer or the Guarantor substantially as an entirety shall expressly assume, by an amendment to the Fiscal Agency Agreement executed and delivered to the Fiscal Agent, (i) in the case of a successor to an Issuer, the due and punctual payment of the principal of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, on all of the Notes and the performance of every covenant in the Notes, the Calculation Agency Agreement and the Fiscal Agency Agreement to be performed by such Issuer and the Guarantor shall confirm that the Guarantees shall apply to the obligations of such successor under the Notes, the Calculation Agency Agreement and the Fiscal Agency Agreement, and (ii) in the case of a successor to the Guarantor, the due and punctual performance of the Guarantees and the performance of every covenant in the Fiscal Agency Agreement and the Calculation Agency Agreement on the part of the Guarantor to be performed; which assumption shall provide in each case that such corporation or person, as the case may be, shall pay to the Holder of any Note and any Couponholder or Talonholder such additional amounts as may be necessary in order that every net payment of the principal of (including premium, if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount payable in respect thereof) and interest, if any, will not be less than the amount provided for in the Notes to be then due and payable; provided that such obligation shall extend to any deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payment by any district, municipality or other political subdivision or taxing authority in the United Kingdom or in the country in which any such corporation or person is organized (it being understood that except as aforesaid, no such corporation or person shall be obligated to make any indemnification or payment in respect of any tax consequences to any individual Holder of a Note or Couponholder or Talonholder as a result of the assumption of rights and obligations described herein and which arise as a result of the domicile or residence of such Holder in, or connection of such Holder with, or subjection of such Holder to, any jurisdiction); (b) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and (c) a certificate, signed by a duly authorized officer of such Issuer or the Guarantor, as the case may be, and a written opinion of counsel, each stating that such consolidation, amalgamation, merger, conveyance, transfer or lease and such document evidencing the assumption by such corporation or person complies with all conditions precedent herein provided for relating to such transaction shall have been made available for inspection by Holders of the Notes at the principal offices of the Fiscal Agent.

Upon any such assumption, such corporation or person, as the case may be, shall succeed to, and be substituted for, and may exercise every right and power of, such Issuer or the Guarantor, as the case may be, under the Fiscal Agency Agreement with the same effect as if such corporation or person had been named as “Issuer” or the “Guarantor” or “Legal & General”, as the case may be, under the Fiscal Agency Agreement, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under the Fiscal Agency Agreement, the Calculation Agency Agreement, the Notes, the Coupons and the Talons.

### **Notices**

Notices to redeem Notes in bearer form and all other notices to Holders of Notes in bearer form will be valid if published in one leading London daily newspaper (which is expected to be the Financial Times) or, if this is not practicable in the opinion of the Guarantor, in another leading English language daily newspaper which is approved by the Guarantor with circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once,



on the date of the first such publication. Notices to redeem Notes in registered form and all other notices to Registered Holders of Notes in registered form shall (except to the extent otherwise expressly provided) be in writing and shall be addressed to such Holders at their addresses appearing in the note register maintained pursuant to the Fiscal Agency Agreement. Details of the interest rate applicable to the then current interest period in respect of any Floating Rate Notes will be published by the Calculation Agent in accordance with the provisions for giving notices to holders of Notes in bearer form.

### **Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent outside the United States (or such other place of which notice shall have been given as provided under “Notices” above) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Guarantor may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

### **Prescription**

6.1.15 All amounts paid by an Issuer or the Guarantor to a Paying Agent for payment of the principal of or premium or interest on the Notes of any Series remaining unclaimed for two years after the principal of all Notes of such Series shall have become due and payable (whether at maturity or otherwise) shall be repaid to such Issuer or the Guarantor, as the case may be, and to the extent permitted by law, the Holder of such Note, Coupon or Talon thereafter may look only to the relevant Issuer or the Guarantor, as the case may be, for payment. Definitive bearer Notes and Coupons will become void unless presented for payment within periods of 10 years and 5 years, respectively, from the Relevant Date (as defined above). Talons will become void unless presented for exchange for a fresh Coupon sheet within a period of 5 years from the date on which all Coupons on the Coupon sheet to which the Talon appertains have matured. Registered Notes contain no provision rendering them void for non-presentation within any specified time limit. Under the State of New York’s statute of limitations, any legal action upon the Notes must be commenced within 6 years after the payment thereof is due.

### **Governing Law; Consent to Jurisdiction**

The Fiscal Agency Agreement, the Calculation Agency Agreement, the Notes, the Coupons and the Talons are governed by, and will be construed in accordance with, the laws of the State of New York.

6.1.25 As more fully set forth in the Fiscal Agency Agreement, the Issuers and the Guarantor have appointed CT Corporation System, 1633 Broadway, New York, N.Y. 10019, U.S.A., as their authorized agent upon which process may be served in any action arising out of or based on the Notes, Coupons or Talons which may be instituted in any State or Federal court located in the Borough of Manhattan, City and State of New York, by the Holder of a Note, and the Issuers and the Guarantor have expressly accepted the jurisdiction of any such court in respect of any such action.

### **Fiscal Agent**

The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent and for its relief from responsibility. The Fiscal Agent and the Paying Agents are entitled to enter into business transactions with the Issuers and the Guarantor without accounting for any profit resulting therefrom.

## USE OF PROCEEDS

6.1.33h The net proceeds from the sale of the Notes issued will be used to refinance Group borrowings and to fund the business of the Group.

## CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the consolidated capitalisation and indebtedness of the Group which has been extracted without material adjustment from the unaudited interim financial statements of Legal & General Group Plc as at June 30, 2001.

		<u>June 30, 2001</u> £ millions
<b>6.J.09</b>	<b>Shareholders' funds</b>	
	Called up share capital (fully paid) .....	129
	Share premium .....	145
	Retained profits and reserves .....	<u>2,863</u>
	Total shareholders' funds (Note 1) .....	<u><u>3,137</u></u>
	<b>Indebtedness</b>	
	Unsecured	
	5.875% Medium Term Notes due 2031 .....	147
	5.75% Medium Term Notes due 2033 .....	40
	5.80% Medium Term Notes due 2041 .....	10
	Other Medium Term Notes due 2001/2004 .....	212
	Euro Commercial Paper 2001 .....	337
	Bank Loans 2001 .....	<u>27</u>
	Total indebtedness .....	<u><u>773</u></u>
	<b>Total indebtedness comprised the following:</b>	
	For financing mortgage lending .....	317
	For financing other Group operations (Note 2) .....	435
	Borrowing within long term funds .....	<u>21</u>
	Total indebtedness .....	<u><u>773</u></u>

Notes:

- 6.L.06**
1. Shareholders' funds of £3.1 billion include only £2.1 billion of the embedded value of the life and pensions business. Shareholders' funds on an Achieved Profits basis at June 30, 2001 are £5.3 billion. As at September 30, 2001, the approximate value of shareholders' funds was £2.875 billion.
  2. Indebtedness for financing other Group operations includes £197 million attributed to Shareholders' Retained Capital within the UK long term fund.
  3. As at September 30, 2001, total indebtedness of the Group had risen by £97 million. As at that date and as at the date of the above table, none of the total indebtedness of the Group was secured or guaranteed.  
  
The increase in indebtedness is due to the issue of £144 million of medium term notes, an increase of £42 million in bank borrowings and the repayment of £89 million of commercial paper. This increase will be attributed to Shareholders' Retained Capital within the UK long term fund.
  4. Legal & General has established an employee share ownership trust (ESOT) which may purchase ordinary shares in Legal & General in the market and hold such shares for delivery to employees under the various employee share schemes. Instead of using shares purchased in the market by the ESOT, Legal & General may issue new shares.  
  
During 2001 1.0 million shares were allocated by the ESOT to employees to settle entitlements due under share schemes for 2001. As at June 30, 2001 the ESOT held 9.1 million shares acquired at a cost of £7.3 million and with a market value of £14.7 million. The ESOT's investments are included at cost in the Group's consolidated balance sheet within Other financial investments. The cost of shares acquired by the ESOT is being financed by an interest free loan from Legal & General.  
  
The ESOT has waived its rights to the dividends payable on the shares it holds.
  5. Non-sterling currency indebtedness (primarily in U.S. dollars) is translated to sterling at the London mid-market rate of exchange ruling at the close of business on June 30, 2001. The principal rates of exchange used for translation into sterling at each period end were as follows:

	<u>June 2001</u>	<u>2000</u>	<u>1999</u>
United States dollar .....	1.41	1.49	1.61
Euro .....	1.66	1.59	1.61

6. Save as disclosed above the Group did not have outstanding at June 30, 2001 any other borrowings, loan capital issued or created but unissued, term loans, borrowings or indebtedness in the nature of borrowing whether guaranteed or unguaranteed including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, mortgages, charges or guarantees.

Save as disclosed below, the Group did not have outstanding at June 30, 2001 any other contingent liabilities:

In 1975 the Legal & General Assurance Society Ltd (the Society) was required by the Institute of London Underwriters (the ILU) to execute the ILU form of guarantee in respect of policies issued through the ILU's Policy Signing Office on behalf of NRG Victory Reinsurance Company Ltd (Victory), a company which was then a subsidiary of the Society. In 1990, Nederlandse Reassurantie Groep Holding nv, as part of the arrangements under which it acquired Victory, provided an indemnity to the Society against any liability the Society may have as a result of the ILU's requirements, and the ILU agreed that its requirements of the Society would not apply to policies written or renewed after the acquisitions. Whether the Society has any liability as a result of the ILU's requirement and, if so, the amount of its potential liability, is uncertain. The Society has made no payment or provision in respect of this matter.

Group companies have given indemnities and guarantees including interest rate guarantees, as a normal part of their operating activities or in relation to capital market transactions.

7. As at June 30, 2001 the authorised share capital of the Guarantor was £150,000,000 divided into 6,000,000,000 ordinary shares of 2.5 pence and the issued share capital was 5,153,009,114 ordinary shares of 2.5 pence with an aggregate nominal value of £129 million (see Shareholders' funds above).
8. On November 20, 2001, the Group announced the issue of £525 million senior unsecured convertible bonds which will mature in December, 2006, carry a coupon of 2.75 per cent. per annum and a conversion price of 204 pence.
9. Save as disclosed above, there has been no material change in the consolidated capitalisation, indebtedness, contingent liabilities and guarantees of the Group, since June 30, 2001.

## LEGAL & GENERAL GROUP Plc

### Introduction

6.J.11 Legal & General is the holding company of a group of companies engaged in the transaction of life insurance and pensions business, U.K. general (property and casualty) insurance business and the provision of investment management services and financial services. Legal & General's principal subsidiary, Legal & General Assurance Society Limited, was incorporated in 1836, and Legal & General itself was incorporated in 6.J.02 England and Wales as the Group holding company in 1979. The Group is a leading insurance and financial services group based in the United Kingdom, with total worldwide life and pensions premium income net of reinsurance for the year ended December 31, 2000 of £3,699 million, and total worldwide premium income net of reinsurance for its general insurance business in 2000 of £249 million. At December 31, 2000 total worldwide funds under management amounted to £114 billion, of which £111 billion was managed in the United Kingdom. The Group has operating subsidiaries in the United Kingdom, the United States of America, France and The Netherlands.

### The Business of the Group

The Group has four areas of activity: Life and Pensions, Investment Management, General Insurance and Financial Services.

*Life and Pensions.* The Group markets a wide variety of life assurance and pension products in the United Kingdom. It enjoys a strong presence in life assurance and pensions in the United Kingdom where its principal products include individual life policies relating to individual pension plans, group life insurance, permanent health insurance and insured pensions including bulk annuity business. The Group also conducts life insurance business in the United States of America, France and The Netherlands.

*Investment Management.* The Group provides investment management services to corporate pension funds, institutional investors, private individuals, via unit trust, PEP and ISA products, and the Group's U.K. companies.

*General Insurance.* The Group's general insurance business, which is principally in the United Kingdom, primarily relates to personal lines. General insurance business is focused upon domestic property but also includes domestic mortgage indemnity and motor insurance.

*Financial Services.* The Group's financial services businesses include mortgage lending, advisory services to both companies and individuals in the areas of investment management, stockbroking, pension funds, trustee services and banking, and estate agents.

*Save for the figures above relating to funds under management which are derived from the unaudited management accounts of Legal & General Group Plc, all figures on this page are derived from the audited Financial Statements of Legal & General Group Plc.*

6.M.01a The following were members of the Board of Directors of Legal & General as at 29 November 2001:

		<u>Other principal directorships</u>
Chairman . . . . .	R. J. MARGETTS	Anglo American PLC The BOC Group PLC Huntsman Corporation
<b>Executive Directors</b>		
Group Chief Executive . . . . .	D. J. PROSSER	—
Group Director (Finance) . . . . .	A. W. PALMER	—
Group Director (Investments) . . . . .	D. ROUGH	Mithras Investment Trust plc Legal & General UK Select Investment Trust Plc BBA Group plc
Group Director (UK Operations) . . . . .	R. A. PHIPPS	—
Group Director (Partnerships and Direct) . . .	C. R. R. AVERY	—
Group Director (IFA and Corporate) . . . . .	G. J. HOSKIN	—
<b>Non-Executive Directors</b> . . . . .	A. E. WHEATLEY	Special Utilities Investment Trust Plc Ashtead Group Plc Babcock International Group Plc
	F. A. HEATON	WS Atkins Plc
	J. B. MORGANS	Azlan Group Plc Psion plc
	B. H. ASHER (Vice-Chairman)	Lonrho (Africa) Plc
	B. C. HODSON	WH Smith Group Plc
	DR. R. H. SCHMITZ	GlaxoSmithKline Plc

The business address of each of the above is Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

### Recent Developments

On November 20, 2001 the Group announced subject to FSA approval the transfer of the fund management subsidiaries held within the Shareholder Retained Capital of the UK long term fund of Legal & General Assurance Society Limited to new wholly owned subsidiaries of Legal & General Group Plc. The ultimate ownership of the subsidiaries is unchanged by the transfer, since both before and after the transfer, ownership rests with Legal & General Group shareholders. The consideration for the transfer will be between £550 million and £600 million, and is subject to adjustments for net assets on completion.

On November 20, 2001 the Group also announced the issue of a convertible bond to raise approximately £500 million. The proceeds of the convertible bond issue will be used to fund part of the cost of the proposed transfer. The balance of the payment required is being met by available internal resources.

## THE ISSUERS

### Finance

#### *General*

- 6.J.02** Finance was incorporated in England and Wales in 1989 and is the U.K. financial trading subsidiary of, and is directly wholly-owned by, Legal & General. Finance does not have any subsidiaries. The activities of Finance encompass most aspects of the treasury operations of the Group, including the raising of funding by
- 6.J.11** means of bank borrowings and commercial paper and medium term note issues.

#### *Capitalisation and Indebtedness*

Set forth below is information regarding the capitalisation and indebtedness of Finance which has been extracted without material adjustment from the audited financial statements of Legal & General Finance Plc as at December 31, 2000:

<b>6.J.09 Shareholders' funds</b>	<b>December 31, 2000</b>
	<b>(£ millions)</b>
Called up share capital (Note 3) .....	—
Profit and loss account .....	<u>3.3</u>
Total shareholders' funds .....	<u>3.3</u>
<b>Indebtedness</b>	
Guaranteed PEP Bonds .....	164.9
Euro commercial paper .....	16.2
Bank loans and overdraft .....	119.3
Amount owed to Group undertakings .....	356.1
Medium term notes .....	<u>272.6</u>
Total indebtedness .....	<u>929.1</u>

Notes:

- 6.L.06**
1. Non-sterling currency indebtedness (primarily in U.S. dollars) is translated to sterling at the London mid-market rate of exchange ruling at the close of business on December 31, 2000.
  2. Save as disclosed above Finance did not have outstanding at December 31, 2000 any borrowings, loan capital issued or created but unissued, term loans, borrowings or indebtedness in the nature of borrowing whether guaranteed or unguaranteed including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, mortgages, charges or guarantees and other contingent liabilities.
  3. As at December 31, 2000 the authorised share capital of Finance was £100,000 divided into 100,000 ordinary shares of £1 and the issued share capital was 50,000 ordinary shares of £1 partly paid as to 25p each with an aggregate nominal value of £12,500.
  4. As at September 30, 2001 the total indebtedness of Finance had risen to £1,575.7 million (of which £708.9 million was owed to Group undertakings). As at that date and as at the date of the above table, none of the total indebtedness of Finance was secured and total indebtedness of Finance was guaranteed by the Guarantor.
  5. Save as disclosed above, there has been no material change in the authorized and issued share capital, indebtedness, contingent liabilities and guarantees of Finance since December 31, 2000.

#### *Management*

- 6.M.01a** The following are members of the Board of Directors of Finance:

W. M. ABBOTT .....	Group Actuary
N. L. COLLARD .....	Head of Tax
J. V. MONCKTON .....	Director (Bonds)
A. W. PALMER .....	Group Director (Finance)
J. D. WHORWOOD .....	Group Treasurer

The business address of each of the above is Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

None of the directors of Finance performs activities outside the Group which are significant with respect to the Group.

## Finance Europe

### General

6.J.02 Finance Europe is the international finance subsidiary of Legal & General and is directly wholly-owned by Legal & General Netherlands Holdings B.V., Legal & General's international holding company which is itself directly wholly-owned by Legal & General Overseas Holdings Limited. Finance Europe does not have any subsidiaries. Legal & General Overseas Holdings Limited is in turn owned by Legal & General International Limited, which in turn is owned by Legal & General International Holdings Limited, which is directly wholly-owned by Legal & General. Finance Europe was incorporated in The Netherlands in 1989 to facilitate non-U.K. borrowings denominated in currencies other than sterling, in each case guaranteed by Legal & General. Finance Europe was also formed to act as the finance company for Legal & General's non-U.K. subsidiaries.

6.J.11 Finance Europe has its registered office in Hilversum, The Netherlands. It is registered in the Trade Register of the Chamber of Commerce of Gooiland, The Netherlands under number 3204 6343.

### Capitalisation and Indebtedness

Set forth below is information regarding the capitalisation and indebtedness of Finance Europe which has been extracted without material adjustment from the audited financial statements of Legal & General Finance Europe B.V. as at December 31, 2000:

<b>Shareholders' funds</b>		<b>December 31, 2000</b>
		<b>Dfl. (000's)</b>
6.J.09	Called up share capital (fully paid) (Note 3) .....	40
	Profit and loss account .....	<u>462</u>
	Total shareholders' funds .....	<u><u>502</u></u>
	Amount owed to Group undertakings .....	<u>22,391</u>
	Total indebtedness .....	<u><u>22,391</u></u>

### Notes:

- 6.L.06
1. Non-Dutch guilder currency indebtedness (in £ sterling) is translated to Dutch guilders at the London mid-market rate of exchange ruling at the close of business on December 31, 2000.
  2. Save as disclosed above, Finance Europe did not have outstanding at December 31, 2000 any borrowings, loan capital issued or created but unissued, term loans, borrowings or indebtedness in the nature of borrowing whether guaranteed or unguaranteed including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, mortgages, charges or guarantees and other contingent liabilities.
  3. As at December 31, 2000 the authorised share capital of Finance Europe was Dfl. 200,000 divided into 2,000 shares of Dfl. 100 and the issued share capital was 400 shares of Dfl. 100 with an aggregate nominal value of Dfl. 40,000.
  4. As at September 30, 2001, the total indebtedness of Finance Europe had risen to Dfl. 31,459,000 (all of which was owed to Group undertakings). As at that date and as at the date of the above table, none of the indebtedness of Finance Europe was secured and the indebtedness of Finance Europe was guaranteed by the Guarantor.
  5. There has been no material change in the capitalisation, indebtedness, contingent liabilities and guarantees of Finance Europe since December 31, 2000.

### Management

6.M.01a The following are members of the Board of Directors of Finance Europe:

A. T. DOLDERS ..... Managing Director Legal & General Netherlands  
A. A. R. DE HAAN ..... Deputy Managing Director Legal & General Netherlands  
J. D. WHORWOOD ..... Group Treasurer

The business address of A. T. Dolders and A. A. R. de Haan is Laapersveld 68, 1213 VB Hilversum, The Netherlands. The business address of J. D. Whorwood is Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

None of the directors of Finance Europe performs activities outside the Group which are significant with respect to the Group.



**REPORT AND ACCOUNTS OF LEGAL & GENERAL FINANCE PLC**

Reproduced below on pages 34 to 47 is the full text of the report and accounts of Finance in respect of the year ended December 31, 2000.

## REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements of Legal & General Finance Plc for the year ended 31 December 2000.

### Principal activities

The principal activity of the Company throughout the year was to trade as a finance company. The Company does not envisage any changes in the activities for the foreseeable future.

### Review of business and future developments

The Company continues to provide funding to other Legal & General group companies.

The Company provides a full treasury service to Legal & General Bank Limited and Legal & General Netherlands Holdings BV for which it receives fee income.

### Result for the year and dividend

The results of the Company are set out on page 9<sup>(1)</sup>. The directors recommend the payment of a dividend of £500,000 (1999: £1,500,000).

### Directorate

The names of the present directors are shown below. A. J. Hobson resigned as a director on 1 January 2001 and A. W. Palmer was appointed on 1 January 2001. The other directors remained in office throughout 2000.

### Directors' share interests

No director had any interest in the shares of the Company during the year ended 31 December 2000.

A. J. Hobson was a director of the ultimate holding company, Legal & General Group Plc, and his interest in the shares of the ultimate holding company, are shown in the accounts of that company.

According to the Register of Directors' Share Interests kept by the Company, the remaining directors had interests within the meaning of the Companies Act 1985 in the ordinary shares of 2.5p each on 31 December 2000 in the Company's ultimate holding company, as shown below.

	<u>At 31 December 2000</u>	<u>At 1 January 2000</u>
W. M. Abbott .....	319,458	163,720
N. L. Collard .....	93,406	128,233
J. D. Whorwood .....	56,606	67,296
J. V. Monckton .....	83,086	66,609

Included in directors' share interests shown above are, where applicable, shares allotted under the employee profit sharing scheme, the restricted share plan (RSP) and the share bonus plan (SBP). Details of the RSP and SBP are disclosed in the accounts of the ultimate holding company for 1995; details of the SBP are disclosed in the current year's accounts of the ultimate holding company.

In addition to the interests listed above, the directors (not including those whose options are disclosed in the accounts of the ultimate holding company) held the following options. They were acquired under either the Legal & General Executive Share Option Scheme (closed October 1995) and/or the Legal & General 1999 Executive Share Option Scheme ("ESOS"); and/or the Legal & General Group Plc Savings-Related Share Option Scheme (1991) and/or Legal & General 1999 Savings-Related Share Option Scheme ("SAYE") and/or Legal & General 1999 Company Share Option Plan (CSOP).

(1) Page 40 of the Information Memorandum.

Details of options granted and exercised, together with totals of options held are set out in the table below:

	<u>W. M. Abbott</u>	<u>N. L. Collard</u>	<u>J. V. Monckton</u>	<u>J. D. Whorwood</u>
At 1 January 2000 .....	261,268	87,750	0	105,534
Granted during year				
ESOS .....				
SAYE .....	4,687		7,812	1,562
CSOP .....		500	500	500
Exercised during year				
ESOS .....	(248,860)			
SAYE .....				(10,020)
CSOP .....				
At 31 December 2000 .....	<u>17,095</u>	<u>88,250</u>	<u>8,312</u>	<u>97,576</u>

No options lapsed during the year.

### **Creditors**

The Company's purchases are administered by another group undertaking, Legal & General Assurance Society Limited (the Society). The Society agrees terms and conditions for its business transactions with suppliers. Payments are made on these terms provided the supplier meets its obligations. The average number of days of payments outstanding at 31 December 2000 was 31 (1999:33).

### **Related party transactions**

There were no material transactions between directors or key managers and the Legal & General group of companies which are required to be disclosed under Financial Reporting Standard No. 8 Related Party Disclosures. All transactions between the Legal & General group of companies, their directors and key managers are on commercial terms which are no more favourable than those available to staff in general.

### **Auditors**

A resolution to reappoint the auditors, PricewaterhouseCoopers, who have expressed their willingness to be reappointed, will be proposed at the Annual General Meeting.

By Order of the Board

J. D. WHORWOOD

Director  
23 March 2001

**DIRECTORS' RESPONSIBILITIES  
IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and which comply with the relevant provisions of the Companies Act 1985. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates which are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are also responsible for

- ensuring that the Company has suitable internal controls for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company,
- safeguarding the assets of the Company,
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

## REPORT OF THE AUDITORS

### TO THE MEMBERS OF LEGAL & GENERAL FINANCE PLC

We have audited the financial statements on pages 9<sup>(1)</sup> to 17<sup>(2)</sup> which have been prepared under the historical cost convention and the accounting policies set out on pages 7<sup>(3)</sup> to 8<sup>(4)</sup>.

#### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5<sup>(5)</sup> this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors  
London  
23 March 2001

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(1) Page 40 of the Information Memorandum.

(2) Page 47 of the Information Memorandum.

(3) Page 38 of the Information Memorandum.

(4) Page 39 of the Information Memorandum.

(5) Page 36 of the Information Memorandum.

## ACCOUNTING POLICIES

The main accounting policies of Legal & General Finance Plc are as follows:

**(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985.

**(b) Interest**

Interest receivable and payable are recognised in the accounts on an accruals basis.

**(c) Other operating income**

Other operating income comprises income in respect of services provided to other members of the group.

**(d) Interest expense**

Interest expense reflects the underlying cost of borrowing and includes profits and losses arising from various interest rate management instruments.

**(e) Foreign currencies**

Assets, liabilities and revenue transactions in foreign currencies are translated into sterling at rates of exchange ruling at the end of the year. The resulting exchange adjustments are dealt with through the profit and loss account.

**(f) Deferred tax**

Deferred tax is calculated on the liability method and is provided only to the extent that it is considered with reasonable probability that the liability will become payable within the foreseeable future.

**(g) Investments**

Fixed asset investments are shown at cost less any permanent diminution in value.

Current asset investments held by the Company are not traded and are valued at the lower of cost and net realisable value. It is intended that such investments be held to maturity and redeemed at par.

**(h) Carrying amount of borrowings and allocation of finance costs**

Immediately after issue, borrowings are stated at the amount of the net proceeds. Finance costs are allocated to periods over the term of the appropriate debt at a constant rate on the carrying amount.

**(i) Related party transactions**

The Company has taken advantage of the exemption in FRS8 from disclosing related party transactions with other entities included in the consolidated financial statements for Legal & General Group Plc.

**(j) Financial instruments**

The Company utilises the following derivative financial instruments:

Interest rate swaps are only taken out as hedges of underlying borrowings or investments. Interest receivable and payable are recognised in the accounts on an accruals basis.

When swaps are terminated:

- if the underlying exposure still exists and the swap was matched to an underlying financial instrument on an individual basis, then any profit or loss on the termination is amortised over the remainder of the life of the related exposure,
- if the underlying exposure was hedged on a portfolio basis and instruments representing the original underlying exposure have expired then any profit or loss on termination is taken to profit and loss account in the period in which it arises.

Zero coupon and cross currency swaps are only taken out as hedges of underlying borrowings or investments. These swaps would only be terminated if the underlying exposure no longer existed. Any profit or loss on termination is taken to the profit and loss account in the period in which it arises.

Interest receivable and payable is recognised in the accounts on an accruals basis.

Foreign exchange forwards are only taken out as hedges of underlying borrowings or investments. The outstanding contracts are marked to market and the resulting exchange adjustments are dealt with through the profit and loss account at each period end. The interest differential on forward deals represented by forward points is amortised over the contract period and is taken to the profit and loss account. These contracts would only be terminated if the underlying exposure no longer existed. Any profit or loss on termination is taken to the profit and loss account in the period in which it arises.

**(k) Cashflow statement**

In accordance with accounting standard FRS1 (Revised) the Company has not prepared a cashflow statement as the ultimate holding company has included a group cashflow statement in its financial statements.

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31st December 2000

	<u>Note</u>	<u>2000</u> £m	<u>1999</u> £m
<b>PROFIT FROM CONTINUING OPERATIONS</b>			
<b>Interest receivable</b>			
Group undertakings .....		46.2	56.1
Other .....		<u>9.4</u>	<u>22.9</u>
		<u>55.6</u>	<u>79.0</u>
<b>Interest payable</b> .....			
Group undertakings .....	2	(28.1)	(44.4)
Other .....		<u>(26.6)</u>	<u>(30.9)</u>
		<u>(54.7)</u>	<u>(75.3)</u>
<b>Gross profit on lending</b> .....		0.9	3.7
<b>Administrative expenses</b> .....		(0.8)	(1.1)
<b>Other operating income</b>			
Fees receivable from group undertakings .....		<u>0.7</u>	<u>0.3</u>
<b>Profit on ordinary activities before tax</b> .....		0.8	2.9
<b>Tax on profit on ordinary activities</b> .....	3	<u>(0.3)</u>	<u>(0.9)</u>
<b>Profit on ordinary activities after tax</b> .....		0.5	2.0
<b>Dividend</b> .....		<u>(0.5)</u>	<u>(1.5)</u>
<b>Retained profit</b> .....	6	<u>0.0</u>	<u>0.5</u>

All gains and losses which arose during the year have been reflected in the Profit and Loss Account.

The notes on pages 11<sup>(1)</sup> to 17<sup>(2)</sup> form part of these financial statements.

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(1) Page 42 of the Information Memorandum

(2) Page 47 of the Information Memorandum



**BALANCE SHEET**  
at 31st December 2000

	<u>Note</u>	<u>2000</u> £m	<u>1999</u> £m
<b>Fixed assets</b>			
Investments: amounts owed by group undertakings . . . . .	1	146.6	—
<b>Current assets</b>			
<b>Debtors</b>			
Amounts owed by group undertakings . . . . .		670.7	811.9
Accrued income and other debtors . . . . .		<u>44.1</u>	<u>34.5</u>
		714.8	846.4
Investments . . . . .	1	100.5	40.1
Cash at bank and in hand . . . . .		<u>3.3</u>	<u>0.0</u>
		<u>818.6</u>	<u>886.5</u>
<b>Creditors: amounts falling due within one year</b>			
Bank loans and overdrafts . . . . .	1	119.3	33.2
Amounts owed to group undertakings . . . . .	1	356.1	459.2
Loans . . . . .	1	301.1	176.6
Tax . . . . .		0.3	0.9
Dividend . . . . .		0.5	1.5
Accruals and deferred income . . . . .		<u>32.0</u>	<u>25.2</u>
		<u>809.3</u>	<u>696.6</u>
<b>Net current assets</b> . . . . .		<u>9.3</u>	<u>189.9</u>
<b>Total assets less current liabilities</b> . . . . .		155.9	189.9
<b>Creditors: amounts falling due after more than one year</b>			
Loans . . . . .	1	<u>152.6</u>	<u>186.6</u>
<b>Shareholders' net assets</b> . . . . .		<u>3.3</u>	<u>3.3</u>
<b>Representing capital and reserves</b>			
Called up share capital . . . . .	5	0.0	0.0
Profit and loss account . . . . .	6	<u>3.3</u>	<u>3.3</u>
<b>Shareholders' funds — equity interests</b> . . . . .		<u>3.3</u>	<u>3.3</u>
<b>Reconciliation of movements in shareholders' funds</b>			
Balance at the beginning of the year . . . . .		3.3	2.8
Total recognised gains and losses . . . . .		0.5	2.0
Dividends . . . . .		<u>(0.5)</u>	<u>(1.5)</u>
<b>Balance at the end of the year</b> . . . . .		<u>3.3</u>	<u>3.3</u>

The notes on pages 11<sup>(1)</sup> to 17<sup>(2)</sup> form part of these financial statements.

The financial statements on pages 7<sup>(3)</sup> to 17<sup>(4)</sup> were approved by the board of directors on 23 March 2001 and signed on its behalf by

J. D. WHORWOOD, Director

A. W. PALMER, Director

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- (1) Page 42 of the Information Memorandum
  - (2) Page 47 of the Information Memorandum
  - (3) Page 38 of the Information Memorandum
  - (4) Page 47 of the Information Memorandum

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31st December 2000**

**1. Financial instruments**

**(a) Policy and strategy**

The Company's prime objective is to provide funding to other Legal & General group companies. It does this by raising finance from the European and US capital markets.

The Company had issued the following primary financial instruments as at 31 December 2000 — Commercial Paper, Medium Term Notes and a Guaranteed PEP Bond. The overall objective of issuing these underlying financial instruments (in conjunction with the derivative financial instruments outlined below) is to achieve a low real cost of funds.

The Company also invests any surplus funds in a variety of high quality money market instruments. At 31 December 2000 the only primary financial instruments held as investments were cash deposits and commercial paper. The overall objective of holding these underlying financial instruments is to achieve the maximum possible return whilst maintaining investments in a liquid form.

Derivative financial instruments, in particular, interest rate swaps, cross currency swaps, zero coupon swaps and foreign exchange forwards are used in the management of interest rate and foreign exchange risks to achieve the objectives described below. They are applied to hedge exposures which arise in respect of borrowings and investments. They are not used to trade positions, or to undertake speculative transactions. All the following disclosures exclude short term debtors and creditors.

**(b) Control framework**

Dealing authority is formally approved by the board of this Company and the Audit Committee of the Board of Legal & General Group Plc. The Group Treasurer reports monthly to the Board of this company and regularly to the executive directors of Legal & General Group Plc. The activities of the Group Treasury department are subject to review via periodic independent reviews and audits by both internal and external auditors. The internal control framework within the Treasury department includes segregation of duties between dealing and settlement.

**(c) Interest rate risk**

***Borrowings***

The Company's policy in relation to borrowings is for the borrowings to be held at floating rates of interest (after the impact of derivative financial instruments). In specific circumstances the Company may hold fixed rate borrowings. All of the Company's borrowings (after derivatives) were at floating rates of interest throughout the year and at 31 December 2000 other than a fixed rate loan under the medium term note programme. This note was issued on 11 December 2000 for an amount of £146.6m at a rate of 5.875% and the proceeds were lent to another group company for a matching duration.

The Company borrows in desired currencies at both fixed and floating rates of interest and enters into interest rate swaps, zero coupon interest rate swaps and cross currency swaps in order to achieve the required net floating interest profile.

All floating rate liabilities have interest rates based on the relevant national LIBOR equivalents.

At 31 December 2000 approximately 16% (1999, nil) of financial liabilities were at fixed rates of interest for a weighted average period of 31 years (1999, nil).

During 2000 an average of approximately 1% (1999, nil) of liabilities were at fixed rates of interest.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2000 — (Continued)

*Analysis and maturity of financial liabilities*

	<b>2000</b>	<b>1999</b>
	<b>£m</b>	<b>£m</b>
<i>Analysis by nature</i>		
Amounts owed to group undertakings . . . . .	356.1	459.2
Guaranteed PEP bonds . . . . .	164.9	155.6
Medium term notes . . . . .	272.6	105.6
Euro commercial paper . . . . .	16.2	102.0
Bank loans and overdrafts . . . . .	119.3	33.2
	<b>929.1</b>	<b>855.6</b>
	<b>2000</b>	<b>1999</b>
	<b>£m</b>	<b>£m</b>
<i>Repayable</i>		
In one year or less . . . . .	776.5	669.0
Between 1 and 2 Years . . . . .	—	180.6
Between 2 and 5 Years . . . . .	6.0	6.0
In 5 years or more . . . . .	146.6	—
	<b>929.1</b>	<b>855.6</b>

The Company has no committed facilities.

**Financial assets**

The Company's policy in relation to financial assets is to hold the underlying assets at floating rates of interest or in specific circumstances at fixed rates.

At 31 December 2000 approximately 16% (1999, 8%) of financial assets were at fixed rates of interest for a weighted average period of 31 years (1999, 15 months).

During 2000 an average of approximately 1% (1999, 4%) of investments were at fixed rates of interest.

Financial assets held at a fixed rate of interest relate to the proceeds of the medium term note outlined above which was onlent to a group undertaking.

All floating rate assets have interest rates based on the relevant national LIBOR equivalents.

	<b>2000</b>	<b>1999</b>
	<b>£m</b>	<b>£m</b>
<i>Analysis by nature</i>		
Amount owed by group undertakings . . . . .	817.3	811.9
Short term deposits . . . . .	76.1	40.1
Commercial paper . . . . .	24.4	—
Cash at bank . . . . .	3.3	0.0
	<b>921.1</b>	<b>852.0</b>

Amounts owed by group undertakings includes fixed assets of £146.6m (1999, nil) representing additions during the year with a cost value of £146.6m.

**(d) Foreign exchange risk**

The Legal & General Group has a policy of managing the translation exposure relating to the Group's balance sheet within a range of 25% and 75% of net foreign currency assets. This exposure arises as a result of the Legal & General Group's overseas operations within the United States, France and the Netherlands. This is effected by maintaining borrowings in foreign currencies and/or by entering foreign exchange contracts. In order to implement the policy the Company maintains borrowings in foreign currencies but is not itself

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31st December 2000 — (Continued)**

exposed to significant foreign currency risk, as this is passed on to the Legal & General Group company which directly holds the foreign currency assets.

The Company's objective is to have minimal residual foreign exchange risk on its assets and liabilities. It achieves this by matching the currency of its assets with those of its borrowings. Where an opportunity exists to borrow in a different currency on an advantageous basis to that for which funding is actually required, cross currency swaps are used to convert to the desired currency. During the year there were no material net exposures.

The currency mix of the Company's external debt is outlined below.

*Analysis of financial liabilities by currency*

	<u>2000</u>	<u>1999</u>
	£m	£m
After taking into account interest rate and currency swaps and forward foreign exchange transactions, the Company's borrowings are as follows		
Sterling .....	791.1	679.4
US Dollars .....	106.2	135.2
Italian Lire .....	1.8	4.0
Portuguese Escudo .....	1.7	1.8
French Francs .....	12.1	12.2
Dutch Guilder .....	16.2	23.0
	<u>929.1</u>	<u>855.6</u>

The currency mix of the Company's financial assets is outlined below

*Analysis of financial assets by currency*

	<u>2000</u>	<u>1999</u>
	£m	£m
After taking into account interest rate and currency swaps and forward foreign exchange transactions, the Company's assets are as follows		
Sterling .....	782.6	675.3
US Dollars .....	106.5	135.7
Italian Lire .....	1.8	4.0
Portuguese Escudo .....	1.7	1.8
French Francs .....	12.3	11.8
Dutch Guilder .....	16.2	23.4
	<u>921.1</u>	<u>852.0</u>

An analysis of the net amount of monetary assets and monetary liabilities at 31 December 2000 has not been provided as where practicable all net monetary assets and liabilities have been fully hedged.

**(e) Credit risk**

Counterparty credit limits are approved by the Audit Committee of the Legal & General Group Plc Board and formally allocated to the Company. The limits apply to cash deposits, money market investments, foreign exchange and interest rate management transactions and restrict the Company's activity to such approved counterparties. The credit limit for a counterparty will depend on its financial strength principally as measured by Standard & Poors, Moody's Investor Service and International Banking Credit Analysts credit rating agencies reinforced by interviews with senior management of the banks when appropriate.

Investments were only made with approved counterparties during 2000.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2000 — (Continued)

**(f) Fair value of financial instruments**

Set out below is a year end comparison of current and book values of all the Company's financial instruments by category. Where market values are not available for a particular instrument, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates. The fair value is the amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest.

	<u>Book value 2000</u>	<u>Fair value 2000</u>	<u>Book value 1999</u>	<u>Fair value 1999</u>
	£m	£m	£m	£m
<i>Primary financial instruments</i>				
<i>Financial liabilities</i>				
Amounts owed to group undertakings .....	356.1	356.1	459.2	459.2
Medium term notes .....	272.6	273.0	105.6	105.6
Guaranteed PEP bond .....	164.9	165.5	155.6	157.5
Euro commercial paper .....	16.2	16.2	102.0	102.0
Bank loans .....	<u>119.3</u>	<u>119.3</u>	<u>33.2</u>	<u>33.2</u>
	<u>929.1</u>	<u>930.1</u>	<u>855.6</u>	<u>857.5</u>
<i>Financial assets</i>				
Amount owed by group undertakings .....	817.3	817.8	811.9	812.4
Short term deposits .....	76.1	76.1	40.1	40.1
Commercial paper .....	24.4	24.4	—	—
Cash at bank .....	<u>3.3</u>	<u>3.3</u>	<u>0.0</u>	<u>0.0</u>
	<u>921.1</u>	<u>921.6</u>	<u>852.0</u>	<u>852.5</u>
<i>Derivative financial instruments held to manage the interest rate and currency profile</i>				
Interest rate swaps .....	—	0.9	—	1.0
Zero coupon swaps .....	13.0	13.5	10.3	11.7
Cross currency swaps .....	—	—	—	2.4
Forward foreign currency contracts .....	—	(0.2)	—	(0.1)

The book value of zero coupon swaps represents the net of accrued interest receivable and payable on these instruments.

**Summary of methods and assumptions.**

*Amounts owed to group undertakings and bank loans:*

The fair value is equivalent to the book value as these assets are at floating rates of interest which are repriced frequently.

*Guaranteed PEP bond, medium term notes and euro commercial paper:*

The fair value has been obtained from external market sources.

*Amounts owed by group undertakings and short term deposits:*

The fair value is equivalent to the book value as these assets are at floating rates of interest which are repriced frequently other than for three amounts owed by group undertakings (at fixed rates) where the fair value has been obtained from external market sources.

*Interest rate swaps, zero coupon swaps and cross currency swaps:*

The fair value has been obtained from external market sources.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2000 — (Continued)

*Forward foreign currency contracts:*

The fair value has been obtained by revaluing using year end exchange rates.

**(g) Hedging gains and losses**

An analysis of gains and losses on hedges is outlined below:

	<u>Gains 2000</u> £m	<u>Losses 2000</u> £m	<u>Total net gains(losses) 2000</u> £m
Unrecognised gains and losses on hedges at 1.1.00 .....	5.5	0.8	4.7
Gains and losses arising in previous years that were recognised in 2000	2.4	0.2	2.2
Gains and losses arising before 1.1.00 which were not recognised in 2000.....	3.1	0.6	2.5
Gains and losses arising in 2000 which were not recognised in 2000 ...	1.3	0.0	1.3
Unrecognised gains and losses on hedges at 31.12.00 .....	1.8	0.6	1.2
Of which:			
Gains and losses expected to be recognised in 2001 .....	1.6	0.2	1.4
Gains and losses expected to be recognised in 2002 or later .....	0.2	0.4	(0.2)

**2. Interest payable**

Included within other interest payable is £1.8m interest on bank loans and overdrafts (1999, £1.5m).

**3. Tax**

	<u>2000</u> £m	<u>1999</u> £m
Current tax for the year .....		
UK Corporation tax at 30% (1999, 30.25%) .....	<u>0.3</u>	<u>0.9</u>
	£	£
Potential deferred tax asset not recognised .....		
Timing differences .....	<u>(49,554)</u>	<u>(35,586)</u>

Potential deferred tax is computed at the relevant corporate tax rate according to existing law.

**4. Guaranteed PEP Bonds**

On 28 August 1995 the Company issued fixed rate and zero coupon bonds with a nominal value of £166,600,000 due 28 February 2001 and guaranteed by Legal & General Group Plc. The bonds were in three tranches:

- Tranche I: £21,500,000 paying 7% p.a. annually issued at par
- Tranche II: £32,000,000 paying 6.84% p.a. quarterly issued at par
- Tranche III: £113,100,000 zero coupon issued at 68.9655%

As required by FRS4 the carrying amount of the debt on the day of issue was equal to the net proceeds of £123,747,000. The difference between the net proceeds and the nominal value of the bonds, which comprises both the discount on issue and costs associated with the issue, is being amortised through the profit and loss account at a constant rate on the carrying amount of the debt. This will be reflected by a constant increase in the carrying value of debt disclosed in the financial statements up until the maturity date, at which point the carrying value will equal the nominal value of the issue.

When issuing the bonds, the Company entered into a series of directly related interest rate swaps, designed to transform the interest cashflows associated with the whole issuance into a LIBOR related floating rate form. These included interest rate swaps where the Company receives an interest flow equivalent to the amortised payment due on the zero coupon bond. The swap related balances accruing in the balance sheet have not been offset against the loan liability.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2000 — (Continued)

**5. Share capital**

	2000	1999
	£	£
Authorised: 100,000 ordinary shares of £1 each .....	100,000	100,000
Issued: 50,000 ordinary shares partly paid of 25p each .....	12,500	12,500

**6. Profit and loss account**

	2000	1999
	£m	£m
At 1st January .....	3.3	2.8
Retained profit for the year .....	0.0	0.5
At 31st December .....	3.3	3.3

**7. Auditors' remuneration**

Auditors' remuneration is borne by Legal & General Group Plc. Non audit fees of £12,925 (1999, nil) were incurred in the year.

**8. Directors' and employees' emoluments**

No emoluments were paid to any director nor were any pension contributions paid in respect of their services to the Company. There are no direct employees of the Company.

**9. Segmental disclosure**

The Company has not made any segmental disclosure as its income is wholly attributable to the Company's principal activity and is generated solely in the United Kingdom.

**10. Parent and holding company**

Legal & General Group Plc is the ultimate holding company which is incorporated in Great Britain and is the parent undertaking which consolidates the financial statements of the Company.

Copies of the accounts of Legal & General Group Plc are available at the Registered Office, Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

**11. Commitments**

The Company has a number of loan agreements in place with group undertakings to provide funding for periods up to ten years.

**REPORT AND ACCOUNTS OF LEGAL & GENERAL FINANCE EUROPE BV**

Reproduced below on pages 49 to 55 is the full text of the report and accounts of Finance Europe in respect of the year ended December 31, 2000.



## **REPORT OF THE DIRECTORS**

The Company has as in previous years raised funds in the International Capital Markets and borrowed funds from affiliated companies and invested such funds in Commercial Paper, Medium term notes and money market deposits or loans to affiliated companies. The interest receivable on loans to affiliated companies is based on commercial rates.

The profit for the fiscal year ended December 31, 2000 amounted to Fls 47,000 compared to Fls 1,279,000 for the previous year.

Further details of the results for 2000 and the financial position at December 31, 2000 are given in the accompanying annual accounts.

For the year 2001 it is expected that the Company will continue to engage itself actively with financing activities in accordance with its objectives.

Hilversum, February 12, 2001

The Directors

## AUDITORS' REPORT

To the shareholder of  
Legal & General Finance Europe B.V.

### **Introduction**

We have audited the accompanying financial statements of Legal & General Finance Europe B.V., Hilversum for the year ended December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Scope**

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the company as of December 31, 2000 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Dutch Civil Code.

Rotterdam, February 12, 2001

PRICEWATERHOUSECOOPERS N.V.

**LEGAL & GENERAL FINANCE EUROPE BV**

**BALANCE SHEET**  
**(After proposed appropriation of result for the year)**  
**(Expressed in Dutch Florins)**

	<u>Note</u>	<u>December 31,</u> <u>2000</u> Fls (000)	<u>December 31,</u> <u>1999</u> Fls (000)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Commercial paper .....	3	22,804	28,910
Loan to affiliated company .....		—	91,472
Current accounts with affiliated companies .....		—	963
Cash and bank balances .....		77	102
Deposits .....		700	2,500
Other receivables .....		<u>111</u>	<u>55</u>
Total currents assets .....		<u>23,692</u>	<u>124,002</u>
Total assets .....		<u><u>23,692</u></u>	<u><u>124,002</u></u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Issued and paid up share capital .....	4	40	40
Retained earnings .....	5	<u>462</u>	<u>2,519</u>
Total shareholders' equity .....		502	2,559
<b>SHORT TERM DEBTS</b>			
Medium term notes .....		—	91,472
Due to affiliated companies .....	6	22,391	27,996
Current account with affiliated companies .....		397	277
Income tax .....		385	732
Sundry creditors and accruals .....		<u>17</u>	<u>966</u>
Total short term debts .....		<u>23,190</u>	<u>121,443</u>
Total shareholders' equity and liabilities .....		<u><u>23,692</u></u>	<u><u>124,002</u></u>

See accompanying notes.

**LEGAL & GENERAL FINANCE EUROPE BV**

**STATEMENT OF INCOME**  
(Expressed in Dutch Florins)

	For the period ending	
	December 31, 2000	December 31, 1999
	Fls (000)	Fls (000)
<b>FINANCIAL INCOME</b>		
Interest on:		
loans to affiliated companies .....	480	11,564
commercial paper .....	1,025	37,430
medium term notes .....	—	1,155
Other interest .....	41	37
Exchange results .....	(3)	(23)
Total financial income .....	1,543	50,163
<b>FINANCIAL EXPENSES</b>		
Interest on:		
medium term notes .....	459	11,038
loans from affiliated companies .....	993	36,977
Medium term note costs .....	—	91
Total financial expenses .....	1,452	48,106
Net financial income .....	91	2,057
<b>EXPENSES</b> .....	22	89
Results from ordinary operations before tax .....	69	1,968
Tax on result from ordinary operations .....	22	689
Result after tax for the year .....	47	1,279

See accompanying notes.

**LEGAL & GENERAL FINANCE EUROPE BV**

**CASHFLOW STATEMENT**

	<u>2000</u>	<u>1999</u>
	Fls (000)	Fls (000)
<b>OPERATING ACTIVITIES</b>		
Interest received .....	3,556	60,710
Interest paid .....	(2,461)	(12,953)
Income tax settlement .....	(369)	(250)
Payment for expenses .....	<u>(33)</u>	<u>(456)</u>
Cashflow from operating activities .....	693	47,051
<b>INVESTMENT ACTIVITIES</b>		
Redemptions loans from affiliated companies .....	90,698	185,011
Loans from affiliated companies .....	—	33,060
Deposits and medium term notes issued .....	(91,398)	(185,011)
Intercompany receipts/payments .....	<u>—</u>	<u>(1,348)</u>
Cashflow from investment activities .....	(700)	31,712
<b>FINANCIAL ACTIVITIES</b>		
Deposits drawings .....	8,582	1,328,453
Redemption loan to affiliated companies .....	(8,600)	(1,406,257)
Dividend paid .....	<u>—</u>	<u>(1,000)</u>
Cashflow from financial activities .....	<u>(18)</u>	<u>(78,804)</u>
Movement in Cash at banks .....	<u>(25)</u>	<u>(41)</u>

## LEGAL & GENERAL FINANCE EUROPE BV

### NOTES TO THE ACCOUNTS AT DECEMBER 31, 2000

#### NOTE 1 — GENERAL

Legal & General Finance Europe BV, incorporated on June 23, 1989, is a wholly owned subsidiary of Legal & General Netherlands Holdings BV, Hilversum. Its principal activity is to act as a finance company.

The holding company of Legal & General Netherlands Holdings BV is Legal & General Overseas Holdings Limited, which is a wholly owned subsidiary of Legal & General Group Plc.

#### NOTE 2 — ACCOUNTING POLICIES

The main accounting policies of Legal & General Finance Europe BV are as follows:

##### *General*

Unless stated otherwise, assets and liabilities are carried at face value. Income and expenses are recognised in the year to which they relate to. Tax is calculated on the profit before taxation at current rates, allowing for any tax-exempt and tax-deductible items.

##### *Foreign currencies*

Transactions during the year denominated in foreign currencies are translated into Dutch Florins using the exchange rates ruling at the time of the transactions. Balances at year end denominated in foreign currencies are translated into Dutch Florins using the exchange rates ruling at the year end. Exchange gains and losses resulting from the application of the above procedures are included in the statement of income.

#### NOTE 3 — COMMERCIAL PAPER

All commercial paper is denominated in Fls and issued by Legal & General Finance Plc.

#### NOTE 4 — SHARE CAPITAL

The authorised capital of the Company amounts to Fls 200,000 (1999 Fls 200,000) and consists of 2,000 shares of Fls 100 each, of which at December 31, 2000 400 shares (1999 400 shares) have been issued and fully paid and are held by Legal & General Netherlands Holdings BV.

#### NOTE 5 — RETAINED EARNINGS

	<u>Fls (000)</u>
Balance at January 1, 2000 .....	2,519
Net profit for the year .....	47
Dividend .....	<u>(2,104)</u>
Balance at December 31, 2000 .....	<u>462</u>

#### NOTE 6 — DUE TO AFFILIATED COMPANIES

Due to affiliated companies represents a loan from Legal & General Netherlands Holdings B.V. amounting to Fls 22,391,000 against a commercial rate of interest.

#### NOTE 7 — EMPLOYEES

The Company has no employees.

#### NOTE 8 — REMUNERATION OF MANAGEMENT

Management have not received any remuneration during the period.

**LEGAL & GENERAL FINANCE EUROPE BV**

**DECEMBER 31, 2000**

**OTHER INFORMATION**

**1. AUDITORS' REPORT**

The opinion of the Company's auditors, PricewaterhouseCoopers NV, is set forth on Page 2<sup>(1)</sup>.

**2. APPROPRIATION OF RESULT**

According to article 30 of the Company's statutes the result for the year is at the disposition of the Shareholder at the Annual General Meeting.

Management proposes to add the result for the year to the retained earnings.

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(1) Page 50 of the Information Memorandum

## UNITED KINGDOM TAXATION

The comments below are of a general nature. They reflect the Guarantor's understanding of current United Kingdom taxation law and United Kingdom Inland Revenue practice and they are subject to changes therein. They are applicable to the Notes to be issued by Finance. They describe only the United Kingdom withholding tax treatment of payments of principal and interest in respect of the Notes. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. They do not purport to constitute legal or tax advice. In addition, the comments relate only to the position of persons who are the absolute beneficial owners of Notes issued by Finance and of Coupons appertaining thereto and may not apply to certain classes of person (such as dealers in securities). These comments are not exhaustive and do not necessarily apply where the interest is for tax purposes deemed to be the income of any other person.

Holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

### Interest Bearing Notes

#### *Interest*

#### (A) *Quoted Eurobonds*

6.I.08a

Under current United Kingdom taxation law and United Kingdom Inland Revenue practice, Notes issued by Finance will constitute "quoted Eurobonds" within the meaning of Section 349 Income and Corporation Taxes Act, 1988 ("ICTA") if they carry a right to interest and are listed on a recognized stock exchange within the meaning of Section 841 ICTA. Payments of yearly interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of the status of the Holders of Notes.

#### (B) *Other Interest Bearing Notes*

If the Notes are not quoted Eurobonds, the interest which they bear must be paid under deduction of United Kingdom income tax, at the lower rate (currently 20%), subject to any direction to the contrary received by the Issuer from the United Kingdom Inland Revenue in respect of such relief as may be available under an applicable double taxation convention and subject to (C) and (D) below.

#### (C) *Payments between companies*

A payment of interest made by Finance to a Holder which, at the time the payment is made, Finance reasonably believes to be a company resident for the purposes of tax in the United Kingdom or a person within the charge to United Kingdom corporation tax on that interest may be made without withholding or deduction for or on account of United Kingdom income tax.

#### (D) *Short Interest*

Payments of interest by Finance on amounts of principal which are expressed and intended to be outstanding for less than 12 months may be made without withholding or deduction for or on account of United Kingdom income tax.

#### *Principal*

Payments of principal in respect of Notes (other than amounts treated as interest as referred to below) are not subject to withholding or deduction for or on account of United Kingdom income tax. A premium over the amount originally subscribed for the Notes which is paid on redemption at maturity or otherwise in accordance with the terms and conditions of such Notes and which is not described as interest will not normally be regarded as interest provided that such Notes bear interest at a commercial rate. However, if a premium is treated as interest, it will be subject to the treatment as outlined above.

If the Notes are issued at a discount, no United Kingdom withholding tax will apply to any discount on such Notes unless the discount constitutes yearly interest. If any element of discount were to be treated for United Kingdom tax purposes as interest, it would be subject to the treatment outlined above.



## PROPOSED EUROPEAN DIRECTIVE ON THE TAXATION OF SAVINGS

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. If these proposals are adopted in their current form, they will not apply to Notes issued before 1 March 2001 or to tranches of Notes issued before 1 March 2002 and fungible with Notes issued before 1 March 2001. The proposals are not yet final, and they may be subject to further amendment and/or clarification.

Holders of Notes who are individuals should note that, if the proposals are adopted in their current form, the provisions requiring the Issuer or the Guarantor, as the case may be to pay additional amounts as described in “Description of Notes — Payment of Additional Amounts” above, would not apply in respect of withholding tax imposed as a result thereof.

## NETHERLANDS TAXATION

**The information below is not intended as tax advice. Below we provide general information only that is limited to the matters of Netherlands taxation stated herein. It does not purport to describe all tax consequences that may be relevant to a prospective acquisition of Notes and/or the Coupons appertaining thereto. Prospective acquirers are urged to consult their own tax advisers about the overall tax consequences of for example acquiring, holding, disposing and/or redeeming of Notes and/or Coupons. Below-mentioned tax consequences are based on the current status of Netherlands tax law and published case law in force on the day of this Information Memorandum, with the exception of amendments subsequently introduced, possibly with retroactive effect.**

Under present Netherlands law and subject to the foregoing:

- 6.1.08a
1. No registration, stamp, transfer or turnover taxes or other similar duties or taxes are payable in The Netherlands in respect of the offering and the issue of the Notes and/or Coupons by Finance Europe or in respect of the signing and delivery of the Distribution Agreement, the Fiscal Agency Agreement, the Calculation Agency Agreement, the Guarantee, the Notes or the Coupons, as such capitalised terms are defined herein.
  2. Payments of principal and/or interest in respect of the Notes and/or Coupons and all other amounts payable under the Notes and/or Coupons that may be issued under the Programme and/or payments under the Guarantee will not be subject to Netherlands withholding tax.
  3. A Holder of a Note and/or Coupon will not be subject to Netherlands taxes on income or capital gains in respect of the acquisition or holding of the Notes and/or Coupons or any payment under the Notes and/or Coupons or in respect of any gain realised on the disposal or redemption of the Notes and/or Coupons provided that:
    - (i) such Holder is neither resident nor deemed to be resident nor has opted to be treated as a resident in The Netherlands; and
    - (ii) such Holder does not have an enterprise or an interest in an enterprise which, in whole or in part, is carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Notes and/or Coupons are attributable;
    - (iii) such Holder or a related person does not have a substantial interest in the share capital of Finance Europe, or, in the event such Holder does have such an interest, the Notes form part of the assets of an enterprise;and in addition for individuals only,
    - (iv) such Holder does not carry out and has not carried out employment activities in the Netherlands nor carries out or carried out employment activities outside the Netherlands for which the remuneration is subject to Netherlands wage withholding tax and in connection with which employment activities the Notes and/or Coupons are granted; and

- (v) such Holder does not derive income and/or capital gains from activities in the Netherlands other than business income or employment income (as mentioned under 3.(ii) and 3.(iv)) and to which activities the Notes and/or Coupons are attributable.

*Notes and/or Coupons will generally not form part of a substantial interest of a Holder or a related person if the Holder of such Notes and/or Coupons and his spouse, registered partner, certain other relatives or certain persons sharing his/her household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing five percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of Finance Europe.*

- 4. No gift, estate or inheritance taxes will arise in The Netherlands with respect to an acquisition of a Note and/or Coupon by way of a gift by, or on the death of, a Holder of a Note and/or Coupon who is neither resident nor deemed to be resident in The Netherlands, unless:
  - (i) such Holder at the time of the gift has or at the time of such Holder's death had an enterprise or an interest in an enterprise, other than as a shareholder, that is or was, in whole, or in part, carried on through a permanent establishment or through a permanent representative in The Netherlands, and to which enterprise or part of an enterprise, as the case may be, the Note and/or Coupon is or was attributable; or
  - (ii) the Note and/or Coupon is or was attributable to the assets of an enterprise that is or was effectively managed in The Netherlands, and the donor is at the time of the gift or the deceased was at the time of his/her death entitled to a share in the profits of that enterprise other than by way of securities or through an employment contract; or
  - (iii) in the case of a gift of a Note and/or Coupon by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

## **SUBSCRIPTION AND SALE**

Subject to the terms and conditions set out in the Distribution Agreement, dated as of April 29, 1992, as amended by a letter agreement dated September 14, 1992, a Second Amendment dated as of May 19, 1993, a letter agreement dated November 10, 1993, a Fourth Amendment dated as of May 20, 1994, a letter agreement dated as of May 12, 1995, a Sixth Amendment dated as of May 14, 1996, a Seventh Amendment dated as of June 12, 1998, an Eighth Amendment dated as of June 24, 1999, a Ninth Amendment dated as of June 20, 2000, a Tenth Amendment dated as of June 29, 2001 and a Letter Agreement dated as of 29 November, 2001 (the "Distribution Agreement"), the Notes may be offered from time to time on a continuing basis by the Issuers through Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Goldman Sachs International, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), The Royal Bank of Scotland plc and UBS AG, acting through its business group UBS Warburg (collectively, the "Agents" or "Dealers"), which have agreed to use their reasonable efforts to solicit purchasers of the Notes. The Issuer of a Note will pay the Dealers a commission, based on the principal amounts of the Notes sold by such Issuer, depending upon maturity, for sales made through them as the Dealers.

The Issuers may also sell Notes to the Dealers as principals for their own accounts at a discount to be agreed upon at the time of sale, or the purchasing Dealer may receive from the relevant Issuer a commission or discount equivalent to that described in the preceding paragraph in the case of any such principal transaction in which no other discount is agreed. Such Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Dealers.

The Issuers have reserved the right to accept offers to purchase, and to sell, Notes from time to time to purchasers which have been solicited by other securities firms which are not Dealers, or to sell Notes to such other firms as principal (and may pay commissions to, or sell Notes at a discount to, such firms in connection therewith), so long as such other firms agree to comply with the restrictions described in this "Subscription and Sale" section as if they were Dealers. The Issuers have also reserved the right to sell, and solicit and accept offers to purchase, Notes directly on their own behalf and have agreed with the Dealers that in such event they will comply with the restrictions described in the seventh and ninth paragraphs of this

“Subscription and Sale” section as if they were a Dealer. In the case of any sale by an Issuer directly, no commissions will be payable with respect to such sale.

The Issuers and the Guarantor have agreed to indemnify the Dealers against certain liabilities and expenses in accordance with the Distribution Agreement.

The Notes 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. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Notes in bearer form 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 U.S. 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 and regulations thereunder.

Each Dealer has severally agreed with the Issuers and the Guarantor that, except as permitted by the Distribution Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Notes are a part, as determined and certified to the Guarantor by such Dealer (or, in the case of a syndicated placement, by the Lead Manager (as defined in the applicable syndicated trade agreement), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the completion of the distribution of all Notes of the Series of which such Notes are part, an offer or sale of Notes of such Series within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each issue of Indexed Notes or Dual Currency Notes will be subject to such additional U.S. selling restrictions as the Issuer of such Notes and the relevant Dealer may agree, as specified in the applicable Pricing Supplement. Each Dealer has severally agreed with the Issuers and Guarantor that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

Each Dealer has also severally represented and agreed with the Issuers and the Guarantor that:

- (A) in relation to Notes which have a maturity of one year or more and which are to be listed on the Official List of the UKLA, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the “Act”), or (after the repeal of that Part) Part VI of the Financial Services and Markets Act 2000 (the “FSMA”), except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the Act (or, after the repeal of Part IV of the Act, the FSMA); and
- (B) in relation to Notes which have a maturity of one year or more and which are not to be listed on the Official List of the UKLA, it has not offered or sold and, prior to the expiry of the period of six months from the Original Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom 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; and
- (C) in relation to Notes which are issued after section 19 (the general prohibition) of the FSMA is brought into force and which must be redeemed before the first anniversary of the date of their issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (b) it has not offered or sold and will not offer or sell any such Notes other than 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 who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where

- the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and
- (D) it has only issued or passed on and will only issue or pass on in the United Kingdom, before the repeal of section 57 of the Act, any document received by it in connection with the issue of any Notes, other than, in relation to any Notes to be listed on the Official List of the UKLA, any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on. After the repeal of section 57 of the Act it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of such Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
  - (E) it has complied and will comply with all applicable provisions of the Act (and, after they come into force, all applicable provisions of the FSMA) with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and
  - (F) except in circumstances where one of the exceptions in Article 3 of the Securities Transactions Supervision Act 1995 (“Wet toezicht effectenverkeer 1995”), (the “STSA”) or one of the exemptions under Article 4 of the STSA is applicable, in respect of all Notes issued by Finance Europe with a denomination below Dfl. 100,000 (or the equivalent thereof in another currency), it has not directly or indirectly offered and will not, directly or indirectly, offer any of such Notes (including rights representing an interest in a Global Note) in or from The Netherlands to any person or entity other than persons or entities (“Professional Market Parties”) which trade or invest in securities in the conduct of a profession or business within the meaning of the STSA and its implementing regulations (which includes banks, brokers, securities institutions, insurance companies, investment institutions, other institutional investors and other parties, including treasury departments of commercial enterprises and finance companies of groups which trade or invest in securities); and
  - (G) in addition to (E) above and regardless of their denomination, it will not transfer or accept bearer Zero Coupon Notes or other notes issued by Finance Europe if and to the extent that the same are savings certificates (“spaarbewijzen”) as defined in The Netherlands Savings Certificates Act (“Wet op de spaarbewijzen”, the “SCA”) unless such transfer and acceptance is done through the mediation of either Finance Europe or an admitted institution to the Euronext Amsterdam. The SCA does not apply to (i) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, (ii) the initial issue of such Notes to the first holders thereof, and (iii) the issue and trading of such Notes if they are physically outside The Netherlands and are not immediately thereafter distributed in The Netherlands or to residents of The Netherlands in the course of primary trading. If the SCA is applicable, each transaction must be effected either through Finance Europe or an admitted institution to the Euronext Amsterdam and must either be between Professional Market Parties or in any other case recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes. The identity of the relevant counter party(ies) must be established by virtue of a document as identified in section 1 of the Identification Duties Act (“Wet op de Identificatieplicht”) or a valid driving license issued pursuant to the Traffic Regulation Act (“Wegenverkeerswet”) or as identified in section 107 of the Traffic Regulation Act 1994 (“Wegenverkeerswet 1994”); and
  - (H) it has not, directly or indirectly, offered and will not, directly or indirectly, offer any Notes issued by Finance in The Netherlands as part of their initial distribution or offer any Notes issued by Finance for reoffering, directly or indirectly in The Netherlands other than to Professional Market Parties except (i) Notes with a denomination of at least Dfl. 100,000 or its equivalent in other currencies or (ii) in circumstances where one of the exceptions in Article 3 of the STSA or one of the exemptions under Article 4 of the STSA is applicable; and
  - (I) the Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and that it will not offer or sell any Notes which are denominated in Japanese Yen or repayable in Japanese Yen directly or indirectly in Japan or to

residents of Japan or for the benefit of any Japanese person (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to any Japanese person except under circumstances which will result in compliance with the Securities and Exchange Law and all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. Issues of Notes denominated or payable in Japanese Yen (“Yen Notes”) are subject to the prior approval of the Minister of Finance of Japan. In connection with the issue of Yen Notes, the Issuer is required to comply with all applicable laws, regulations and guidelines, as amended from time to time, of the Japanese governmental and regulatory authorities. Each Dealer has agreed to provide any necessary information pertaining to Yen Notes to the Issuer (which shall not include the names of clients) so that the Issuer may make any required reports to the Japanese Ministry of Finance through its designated agent; and

- (J) each issue of Notes denominated in Swiss francs or carrying a Swiss franc related element will be effected in compliance with the relevant regulations of the Swiss National Bank, to the extent applicable, by a bank or finance company domiciled in Switzerland which is regulated under Article 7 of the Federal Law on Banks and Savings Banks of 1934 (as amended) (which includes a branch or subsidiary located in Switzerland of a foreign bank). Under the current guidelines of the Swiss National Bank, the Swiss entity must obtain authorisation from the Swiss National Bank before carrying out the transaction.

Each Dealer has separately agreed with the Issuers and the Guarantor that it will observe all applicable laws and regulations in any country or jurisdiction in which it may offer, sell or deliver Notes and that it will not, directly or indirectly, offer, sell or deliver Notes or distribute or publish any offering material in relation to the Notes 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, sales and deliveries of Notes by it will be made on the foregoing terms.

Each purchaser of Notes must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver the Notes and it may not, directly or indirectly, offer, sell, resell, reoffer or deliver any Notes or distribute this Information Memorandum or any circular, advertisement or other offering material (including, without limitation, any supplement to this Information Memorandum) or the most recently published audited financial statements of the Guarantor in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

The restrictions on offerings may be modified by the agreement of the relevant Issuer and the relevant Dealer(s) following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Pricing Supplement or in a supplement to this Information Memorandum.

A Zero Coupon Note in bearer form shall not be issued unless the relevant Issuer has received from the purchaser of such Note certification as to certain matters relating to U.S. tax laws in substantially the form set forth as an exhibit to the Fiscal Agency Agreement.

## GENERAL INFORMATION

23.11b

1. The Guarantor was incorporated in England and Wales on 27th February, 1979 under the Companies Acts 1948 to 1976 as a limited liability company and was re-registered as a public limited company under the Companies Acts 1948 to 1980 on 19th March, 1982. The registered office of the Guarantor is at Temple Court, 11 Queen Victoria Street, London EC4N 4TP which is also its principal place of business. Finance Europe was incorporated in The Netherlands on 23rd June, 1989; it is registered in The Netherlands with the Chamber of Commerce of Gooiland under the number 46343, its corporate seat is in Hilversum, The Netherlands and its registered office is at Laapersveld 68, 1213 VB Hilversum, The Netherlands which is also its principal place of business. Finance was incorporated in England and Wales on 24th January, 1989 under the Companies Act 1985 as a public limited company with the number 02338444 and its registered office is at Temple Court, 11 Queen Victoria Street, London EC4N 4TP which is also its principal place of business.

2. It is expected that each Series of Notes which is to be admitted to the Official List of the UKLA will be so admitted separately, subject in the case of Notes to be issued in bearer form only to the issue of the temporary Global Note in respect of such Series. The listing of the Programme in respect of the Notes is expected to be granted on or about 4th December, 2001. The trading of a series of Notes on the London Stock Exchange will be expressed as a percentage of their principal amount (excluding accrued interest).

23.11f

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common codes for each issue of Notes allocated by Euroclear and Clearstream, Luxembourg will be contained in the relevant Pricing Supplement. All offers solicited by a Dealer and accepted by Legal & General will be settled on a date which is the fifth Business Day after the date such offer is accepted, unless Legal & General and the purchaser agree to settlement on any other Business Day after the acceptance of such offer.

4. **Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom before section 19 (the general prohibition) of the FSMA is brought into force and which are issued pursuant to an exempt transaction under regulation 13(1) or (3) of the Banking Act 1987 (Exempt Transactions) Regulations 1997 (the “Regulations”) will constitute commercial paper, shorter term debt securities or longer term debt securities (in each case as defined in the Regulations), as specified in the applicable Pricing Supplement, in each case issued in accordance with regulations made under section 4 of the Banking Act 1987.** The Issuers are not authorised institutions or European authorised institutions (as such terms are defined in the Regulations) and repayment of the principal and payment of any interest or premium in connection with such Notes will be guaranteed by the Guarantor, which is not an authorised institution or a European authorised institution.

In relation to any Notes which are issued pursuant to an exempt transaction under regulation 13(3) of the Regulations where such Notes would fall within regulation 13(4)(a) or (b) of the Regulations, the relevant Issuer confirms that:

(a) as at the date hereof, it has complied with its obligations under the relevant rules (as defined in the Regulations) in relation to the admission to and continuing listing of this programme and of any previous issues made under it and listed on the same exchange as this programme;

(b) it will have complied with its obligations under the relevant rules in relation to the admission to listing of such Notes by the time when such Notes are so admitted; and

(c) as at the date hereof, it has not, since the last publication, if any, in compliance with the relevant rules of information about this programme, any previous issues made under it and listed on the same exchange as this programme or any Notes falling within regulation 13(4)(a) or (b) of the Regulations, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as issuer in respect of such Notes as they fall due.

In relation to Notes which are to be exempt transactions under regulation 13(3) of the Regulations and fall within regulation 13(4)(b) of the Regulations, the relevant Issuer confirms that, as at the date hereof, it has complied and will continue to comply with its obligations under the Regulations to lodge all relevant information (as defined in the Regulations) in relation to any such Notes with the UKLA.

5. Each of the Issuers is obliged under section 147 of the Financial Services Act 1986, or under section 81 of the FSMA, as applicable, before it issues any new Series of Notes and before the commencement of dealings in the Notes following their admission to the Official List of the UKLA, to produce supplementary listing particulars if there has been any significant change affecting any matter

contained in this Information Memorandum (or any supplementary listing particulars previously issued) whose inclusion is required by section 146 of the Financial Services Act 1986, or by section 80 of the FSMA, as applicable, or by the Listing rules of the UKLA or by the UKLA or any significant new matter arises which would have had to be included in the Information Memorandum if it had arisen prior to the publication of the Information Memorandum. In addition, each of the Issuers will be required by the rules of the UKLA (with which it must comply if it is to maintain the listing of its securities) to release to the Noteholders any material information affecting its ability (or its Guarantor's ability) to meet its commitments to holders of its listed debt securities.

6.H.04 6. (a) The accounts of the Group and of Finance for the three years ended 31st December, 2000 have been audited by PricewaterhouseCoopers, Chartered Accountants and Registered Auditors in accordance with Auditing Standards issued by the Auditing Practices Board, and have been reported upon without qualification. The business address of PricewaterhouseCoopers is Southwark Towers, 32 London Bridge Street, London, SE1 9SY.

6.H.04 6.H.05 (b) The accounts of Finance Europe for the three years ended 31st December, 2000 have been audited in accordance with the laws of The Netherlands by PricewaterhouseCoopers N.V., Registered Accountant, and have been reported upon without qualification. The business address of PricewaterhouseCoopers N.V. is Lange Voorhout 7, 2514 EA The Hague, The Netherlands.

6.L.04c 6.N.01a 7. Save as disclosed herein, since 31st December, 2000, the date to which the latest audited published accounts of each Issuer and the Group were made up, there has been no significant change in the financial or trading position of either of the Issuers or the Group and there has been no material adverse change in the financial position or prospects of either of the Issuers or of the Group.

6.K.07 8. Neither the Issuers, the Guarantor nor any other member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on any of the Issuers', the Guarantor's or the Group's financial position nor, so far as any of the Issuers, or the Guarantor or any other member of the Group are aware, are any such proceedings pending or threatened.

6.H.09 9. PricewaterhouseCoopers have given, and have not withdrawn, their written consent to the inclusion in these listing particulars of their reports to the members of Finance in the form and context in which they are included and have authorised the content of that part of the listing particulars for the purposes of section 152(1)(e) of the Financial Services Act 1986.

6.H.09 10. PricewaterhouseCoopers N.V. have given, and have not withdrawn their written consent to the inclusion in these listing particulars of their report to the members of Finance Europe in the form and context in which they are included and have authorised the content of that part of the listing particulars for the purposes of section 152(1)(e) of the Financial Services Act 1986.

11. The financial information in relation to the Guarantor contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the years ended 31st December, 1998, 31st December, 1999 and 31st December, 2000 for the Guarantor and its consolidated subsidiaries have been delivered to the Registrar of Companies in England and Wales. The auditors of the Guarantor have made reports under Section 235 of the Companies Act 1985 on such statutory accounts which were not qualified within the meaning of Section 262 of the Companies Act 1985 and did not contain any statements made under Section 237(2) or (3) of the Companies Act 1985.

12. The Programme was authorized pursuant to resolutions of the Board of Directors of Finance Europe passed on 17th September, 1991 and of Finance passed on 9th December, 1991. The giving of the Guarantee was authorized pursuant to a resolution of the Board of Directors of the Guarantor passed on 27th February, 1991.

13. An increase in the maximum principal amount of Notes outstanding from time to time under the Programme from U.S.\$250,000,000 to U.S.\$500,000,000 was authorised pursuant to resolutions of the Board of Directors of Finance Europe passed on 14th October, 1993, of Finance passed on 2nd November, 1993 and of the Guarantor passed on 13th October, 1993.

14. An increase in the maximum aggregate principal amount of Notes outstanding from time to time under the Programme from U.S.\$500,000,000 to U.S.\$1,000,000,000 was authorised pursuant to resolutions of the Board of Directors of Finance Europe passed 24th April, 1995, of Finance passed on 8th March, 1995 and of the Guarantor passed on 19th April, 1995.

15. A further increase in the maximum aggregate financial amount of Notes outstanding from time to time under the Programme from U.S.\$1,000,000,000 to U.S.\$2,000,000,000 was authorised pursuant to resolutions of the Board of Directors of Finance Europe passed on 29th October, 2001, of Finance passed on 29th October, 2001 and of the Guarantor passed on 17th October, 2001.

16. Copies of the following documents may be inspected during normal business hours on any weekday (excluding Saturdays) at the registered office of each Issuer and the Guarantor and at the offices of the Fiscal Agent in London referred to below at any time throughout the duration of the Programme from the date hereof and where any of the following documents are not in the English language, translations into English will also be available for inspection:

**6.J.08**

**6.J.07a**

(a) the letter stating that the Memorandum and Articles of Association of each Issuer and the Guarantor have not been amended since they were last made available for inspection;

**6.J.07e**

(b) the most recent audited consolidated accounts of the Group and the most recent audited accounts of each Issuer (including all auditors reports), together with any subsequent published interim financial statement;

**6.J.07g**

(c) the audited consolidated accounts of the Group and the audited accounts of each Issuer (in the case of Finance Europe, with English translations thereof), including auditors reports, for each of the two years ended 31st December, 1999 and 2000;

**6.J.07c**

(d) the Fiscal Agency Agreement (which includes the forms of the Notes and the forms of the Guarantees as exhibits thereto);

**6.J.14a**

(e) the Distribution Agreement;

(f) the Calculation Agency Agreement;

(g) the current listing particulars;

(h) any supplementary listing particulars; and

(i) each Pricing Supplement.



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6.J.01

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6.1.11

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