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This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of EPIC OPERA (ARLINGTON) LIMITED, EUROHYPO AKTIENGESELLSCHAFT, LONDON BRANCH, THE ROYAL BANK OF SCOTLAND PLC or CALYON (nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from THE ROYAL BANK OF SCOTLAND PLC or CALYON.



## Epic Opera (Arlington) Limited

(incorporated with limited liability in Ireland with registration number 442207)

### £800,000,000 Commercial Mortgage Backed Floating Rate Notes due July 2016

Epic Opera (Arlington) Limited (the **Issuer**) will issue the £483,200,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class A Notes**), the £83,350,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class B Notes**), the £69,200,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class C Notes**), the £72,250,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class D Notes**), the £67,500,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class E Notes**), and the £24,500,000 Class F Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class F Notes** and together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes the **Notes**) on 3 August 2007 (or such later date as the Issuer may agree with Eurohypo Aktiengesellschaft, London Branch and The Royal Bank of Scotland plc (together, the **Joint Arrangers**) and The Royal Bank of Scotland plc and Calyon (together, the **Lead Managers**) (the **Closing Date**)).

Application has been made to the Irish Financial Services Regulatory Authority (the **Financial Regulator in Ireland**), as competent authority under Directive 2003/71/EC for this prospectus to be approved. The approval from the Financial Regulator in Ireland relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange Limited (the **Irish Stock Exchange**) or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that such a listing will be obtained. This prospectus (the **Prospectus**) constitutes a prospectus for the purposes of Article 5.4 of the Directive 2003/71/EC (the **Prospectus Directive**) in respect of asset backed securities within the meaning of Article 2(5) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004.

The Notes are expected, on issue, to be assigned the relevant ratings set out opposite the relevant Class in the table below by Fitch Ratings Ltd. (Fitch), Moody's Investors Service Limited (Moody's) and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P and, together with Fitch and Moody's, the **Rating Agencies**). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating organisations. The ratings from the Rating Agencies only address the likelihood of timely receipt by any Noteholder of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Final Maturity Date.

Class	Initial Principal Amount	Margin (%)	Anticipated Ratings		
			Fitch	Moody's	S&P
Class A	£483,200,000	0.25	AAA	Aaa	AAA
Class B	£83,350,000	0.35	AAA	NR	AAA
Class C	£69,200,000	0.45	AA	NR	AA
Class D	£72,250,000	0.70	A	NR	A
Class E	£67,500,000	1.20	BBB	NR	BBB
Class F	£24,500,000	1.50	BBB-	NR	BBB-

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 28 January, 28 April, 28 July and 28 October in each year (subject to adjustment for non-business days) (each, an **Interest Payment Date**). The first Interest Payment Date will be the Interest Payment Date falling in October 2007. The interest rate applicable to each Class of Notes from time to time will be determined by reference to the London interbank offered rate for three month sterling deposits (or, in the case of the first Interest Period, the linear interpolation of two month and three month sterling deposits) (**LIBOR**, as further defined in **Condition 5.3 (Rates of Interest)**) plus the relevant Margin. Each Margin will be as set out in the table above.

**If any withholding or deduction for or on account of tax is applicable to the Notes, payment of interest on, and principal in respect of, the Notes will be made subject to such withholding or deduction. In such circumstances, neither the Issuer nor any other party will be obliged to pay any additional amounts as a consequence.**

All Notes will be secured by the same security, subject to the priorities described in this Prospectus. Notes of each Class will rank *pari passu* with other Notes of the same Class. Unless previously redeemed in full, the Notes of each Class will mature on the Interest Payment Date falling in July 2016 (the **Final Maturity Date**). The Notes will be subject to mandatory redemption before such date in the specific circumstances and subject to the conditions more fully set out under "*Transaction Summary – Principal Features of the Notes*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or any state securities laws, and are subject to U.S. tax law requirements. The Notes are being offered by the Issuer only to persons who are not U.S. Persons (as defined in Regulation S under the Securities Act (**Regulation S**)) in offshore transactions in reliance on Regulation S (or otherwise pursuant to transactions exempt from the registration requirements of the Securities Act) and in accordance with applicable laws. Subject to certain exceptions, the Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. Persons (as defined in Regulation S under the Securities Act).

See "*Risk Factors*" for a discussion of certain factors which should be considered by prospective investors in connection with an investment in any of the Notes.

	<i>Joint Arrangers</i>	
EUROHYPO		THE ROYAL BANK OF SCOTLAND
	<i>Lead Managers</i>	
CALYON		THE ROYAL BANK OF SCOTLAND

The date of this Prospectus is 1 August 2007

THE NOTES AND INTEREST THEREON WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OR RESPONSIBILITIES OF, NOR WILL THEY BE GUARANTEED BY, THE OBLIGORS, THE FINANCE PARTIES (OTHER THAN THE ISSUER), THE JOINT ARRANGERS, THE LEAD MANAGERS, THE SERVICER, THE SPECIAL SERVICER, THE NOTE TRUSTEE, THE ISSUER SECURITY TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE SHARE TRUSTEE, THE PAYING AGENTS, THE AGENT BANK, THE LIQUIDITY BANK OR THE ISSUER ACCOUNT BANK (AS EACH TERM IS DEFINED IN THIS PROSPECTUS) OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THEM.

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

The Borrower accepts responsibility for the information contained in this Prospectus under the sections entitled "*Transaction Summary – Key Characteristics of the Loans*", "*Transaction Summary – Key Characteristics of the Portfolio*", "*The Borrower*", "*The Borrower's Business*", "*Description of the Portfolio*", the financial information set forth in Appendix A, and, in so far as it relates to the Borrower, the Obligors, the Finance Documents or the Properties only, the Borrower accepts responsibility for the information contained in this Prospectus under the sections entitled "*Risk Factors – Considerations Relating to the Loans and the Loan Security*", "*Risk Factors – Considerations Relating to the Properties*", provided in each case that the Borrower accepts responsibility for the correct extraction only from the Initial Valuation (or from any other third party report or survey) of any information reflecting the expression of an opinion by the Valuer (or any other consultant, surveyor or otherwise) with respect to the Portfolio (such as the market value, net rental income used in the valuation and the estimated rental value of the Portfolio) and any other information extracted from the Initial Valuation (or such other report or survey) which is not factual. To the best of the knowledge of the Borrower (which has taken all reasonable care to ensure that such is the case) such information, as described above, is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the General Partner, Holdco, Subco, the Property Trustees, Unit Trust Trustee 1 and Unit Trust Trustee 2 (together the **Unit Trust Trustees**), and Sub G1 (together with the Borrower, the **Obligors**) accepts responsibility for the information relating to it and contained in this Prospectus respectively under the sections entitled "*The General Partner*", "*Holdco*", "*Subco*", "*English Property Trustee 1*", "*English Property Trustee 2*", "*Jersey Property Trustee 1*", "*Jersey Property Trustee 2*", "*Reading Unit Trust Trustee*", "*Glasgow Unit Trust Trustee*" and "*Sub G1*". To the best of the knowledge and belief of each of the General Partner, Holdco, Subco, the Property Trustees, the Unit Trust Trustees and Sub G1 (each of which has taken all reasonable care to ensure that such is the case) such information relating to it is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Obligor as to the accuracy or completeness of any information contained in this Prospectus (other than the information relating to it respectively or as otherwise referred to above) or any other information supplied in connection with the Notes or their distribution. Other than with respect to the information referred to above, the Obligors have not separately verified the information contained herein and no representation, warranty or undertaking, express or implied, is made and no liability accepted by any of the Obligors as to the accuracy or completeness of such information. Each person receiving the Prospectus acknowledges that such person has not relied on the Borrower or any of its affiliates, the General Partner, Holdco, Subco the Property Trustees, the Unit Trust Trustees or Sub G1 in connection with its investigation of the information contained herein (other than such information referred to above and for which the Borrower, the General Partner, Holdco, Subco, the Property Trustees, the Unit Trust Trustees or Sub G1 have accepted responsibility).

No person is or has been authorised to give any information or to make any representation in connection with the issue and sale of the Notes other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Borrower (or any companies in the same group of companies as, or affiliated to, the Borrower), the General Partner, Holdco, Subco, the Property Trustees, the Unit Trust Trustees or Sub G1, the Finance Parties, the Joint Arrangers, the Lead Managers, the Servicer, the Special Servicer, the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Share Trustee, the Paying Agents, the Agent Bank, the Liquidity Bank or the Issuer Account Bank or any of their respective affiliates or advisers. Neither the delivery of this Prospectus nor any sale, allotment or solicitation made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer, the Borrower (or any companies in the same group of companies as, or affiliated to, the Borrower), the General Partner, Holdco, Subco, the Property Trustees, the Unit Trust Trustees or Sub G1 or in any of the information contained herein since the date of this document or that the information contained in this document is correct as of any time subsequent to its date.

Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Joint Arrangers or the Lead Managers or any person that any recipient of this Prospectus should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation and appraisal of the creditworthiness of the Issuer.

Other than the approval by the Financial Regulator in Ireland of this Prospectus in accordance with the requirements of the Prospectus Directive and implementing measures in Ireland, application having been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market and the filing of this Prospectus with the Companies Registration Office in Ireland, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof) comes are required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Lead Managers to subscribe for or purchase any of the Notes, and neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus, see "*Subscription and Sale*" below.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Lead Managers or any of them to subscribe for or purchase any of the Notes.

The Notes of each Class will each initially be represented on issue by a temporary global note in bearer form (each, a **Temporary Global Note**), without interest coupons attached, which will be deposited on or about the Closing Date with a common depositary for Euroclear Bank S.A./N.V., and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Each Temporary Global Note will be exchangeable for interests in a permanent global note in bearer form (each, a **Permanent Global Note**) representing the same Class of Notes, without interest coupons attached, not earlier than 40 days after the Closing Date (provided that certification as to non-U.S. beneficial ownership has been received). Ownership interests in the Temporary Global Notes and the Permanent Global Notes (together, the **Global Notes**) will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. Interests in the Permanent Global Notes will be exchangeable for Definitive Notes in bearer form only in certain limited circumstances as set forth therein.

All references in this document to **sterling, pounds, pounds sterling** or **£** are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

**In connection with the issue of the Notes, The Royal Bank of Scotland plc (the *Stabilising Manager*) or any person acting for it may over-allot a tranche of Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or person acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.**

## TABLE OF CONTENTS

<b>Principal Characteristics of the Notes .....</b>	<b>6</b>
<b>Transaction Summary .....</b>	<b>7</b>
<b>Risk Factors .....</b>	<b>24</b>
<b>The Issuer.....</b>	<b>45</b>
<b>The Borrower.....</b>	<b>48</b>
<b>The General Partner .....</b>	<b>51</b>
<b>Holdco.....</b>	<b>52</b>
<b>Subco .....</b>	<b>53</b>
<b>English Property Trustee 1.....</b>	<b>54</b>
<b>English Property Trustee 2.....</b>	<b>55</b>
<b>Jersey Property Trustee 1.....</b>	<b>56</b>
<b>Jersey Property Trustee 2.....</b>	<b>57</b>
<b>Sub G1 Limited.....</b>	<b>58</b>
<b>The Reading Unit Trust Trustee.....</b>	<b>59</b>
<b>The Glasgow Unit Trust Trustee.....</b>	<b>60</b>
<b>The Borrower's Business .....</b>	<b>61</b>
<b>Description of the Portfolio .....</b>	<b>63</b>
<b>The Loans and the Loan Security .....</b>	<b>80</b>
<b>Transaction Documents .....</b>	<b>118</b>
<b>Servicing.....</b>	<b>129</b>
<b>Liquidity Bank.....</b>	<b>137</b>
<b>Issuer Account Bank .....</b>	<b>139</b>
<b>Estimated Average Lives of the Notes and Assumptions.....</b>	<b>140</b>
<b>Use of Proceeds .....</b>	<b>141</b>
<b>Terms and Conditions of the Notes.....</b>	<b>142</b>
<b>United Kingdom Taxation .....</b>	<b>172</b>
<b>Irish Taxation .....</b>	<b>174</b>
<b>Subscription and Sale.....</b>	<b>175</b>
<b>General Information .....</b>	<b>178</b>
<b>Appendix A – Financial Information in respect of The Borrower.....</b>	<b>180</b>
<b>Appendix B – The Valuation Report and Schedule .....</b>	<b>237</b>
<b>Index of Defined Terms .....</b>	<b>282</b>

## PRINCIPAL CHARACTERISTICS OF THE NOTES

*The following is a brief overview of the principal characteristics of the Notes offered under this Prospectus. This information is subject to and is more fully explained in the other sections of this Prospectus.*

Notes	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
Initial Principal Amount	£483,200,000	£83,350,000	£69,200,000	£72,250,000	£67,500,000	£24,500,000
Issue price	100%	100%	100%	100%	100%	100%
Interest rate % (per annum)	LIBOR + 0.25	LIBOR + 0.35	LIBOR + 0.45	LIBOR + 0.70	LIBOR + 1.20	LIBOR + 1.50
Final Maturity Date	July 2016	July 2016	July 2016	July 2016	July 2016	July 2016
Expected Maturity Date <sup>1</sup>	July 2014	July 2014	July 2014	July 2014	July 2014	July 2014
Weighted average life (years)	6.99	6.99	6.99	6.99	6.99	6.99
Day count Payment of interest	Actual/365 Quarterly					
Form of Notes Denominations	Bearer £50,000 and integral multiples of £1,000 thereafter					
Clearing system	Euroclear and Clearstream, Luxembourg					
Credit enhancement (provided by other classes of Notes subordinated to the relevant class)	Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, and the Class F Notes	Subordination of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes	Subordination of the Class D Notes, the Class E Notes and the Class F Notes	Subordination of the Class E Notes, and the Class F Notes	Subordination of the Class F Notes	Nil
Listing	Irish Stock Exchange					
ISIN	XS0311217284	XS0311217441	XS0311217870	XS0311218258	XS0311218506	XS0311219579
Common Code	031121728	031121744	031121787	031121825	031121850	031121957
Expected rating – Fitch	AAA	AAA	AA	A	BBB	BBB–
Expected rating – S&P	AAA	AAA	AA	A	BBB	BBB–
Expected rating – Moodys	Aaa	NR	NR	NR	NR	NR

<sup>1</sup> Assuming loan extension option exercised

## TRANSACTION SUMMARY

*The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus. Prospective purchasers of the Notes are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus in making any decision whether or not to invest in any Notes. Capitalised terms used, but not defined, in this section can be found elsewhere in this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.*

### **The Loans and the Loan Security**

Pursuant to the terms of a credit agreement (the **Credit Agreement**), the Issuer (the **Initial Lender**) will make available to Arlington Business Parks Partnership (as Borrower), an English limited partnership acting by its general partner, Arlington Business Parks GP Limited an £800,000,000 loan facility comprising an A Loan of £483,200,000 (**Loan A**), a B Loan of £83,350,000 (**Loan B**), a C Loan of £69,200,000 (**Loan C**), a D Loan of £72,250,000 (**Loan D**), an E Loan of £67,500,000 (**Loan E**) and an F Loan of £24,500,000 (**Loan F** together with Loan A, Loan B, Loan C, Loan D and Loan E, the **Loans**). The Borrower may drawdown the Loans in their entirety by submitting a drawdown request and fulfilling certain conditions precedent as set out in the Credit Agreement. The Borrower can use the proceeds of the Loans to refinance in full the £300 million loan which was initially made in 2004 by Eurohypo Aktiengesellschaft, London Branch and The Royal Bank of Scotland plc and subsequently sold to Epic Opera (Arlington) plc (the **Existing Loan**), to refinance other existing indebtedness of the Borrower or any of its subsidiaries which has been secured by any of the Original Property (as defined in the Credit Agreement), and thereafter, if the Existing Loan has been refinanced, for general partnership purposes.

Interest is payable under the Loans at a floating rate, determined on each Loan Interest Payment Date, calculated as of the Closing Date with reference to LIBOR for three month sterling deposits plus a margin. The Borrower will enter into and is required, under the terms of the Credit Agreement, to maintain (subject to certain limits) hedging arrangements in connection with the Loans with a view to ensuring continued payments of interest under the Loans notwithstanding variations in the floating rate of interest. The Borrower has assigned its rights under such hedging arrangements to the English Property Trustees and, to the extent such rights are not already assigned to the English Property Trustees, the Borrower will assign its rights under such hedging arrangements to the Facility Agent in accordance with the terms of the English Partnership Debenture. See further "*The Loans and the Loan Security – Credit Agreement*" below.

The Borrower directly and indirectly owns, *inter alia*, a portfolio of 52 office properties (based on the number of property assets valued rather than the number of individual buildings) in 10 business parks situated in or around South East England, Manchester, Bristol and Birmingham, one property located in Reading and has an indirect beneficial interest in one property located in Glasgow. Pursuant to the Borrower Property Trust Deed the English Property Trustees will declare a trust in respect of the Partnership Properties (and all related rights, including the rents and insurances) in favour of the Borrower. Pursuant to the Reading Property Trust Deed the Jersey Property Trustees will declare a trust in respect of the Reading Property (and all related rights including the rent and insurances) in favour of the Reading Unit Trust Trustee. Pursuant to the Glasgow Property Trust Deed the Jersey Property Trustees will declare a trust in respect of the Scottish Property (and all related rights, including rents and insurances) in favour of the Glasgow Unit Trust Trustee. In order to secure its obligations under the Credit Agreement and the other Finance Documents, the Borrower will, pursuant to the English Partnership Debenture, grant first fixed security over all of its beneficial interest in the Partnership Properties and the other assets the subject of the Borrower Property Trust Deed. Furthermore, the General Partner, as security for the obligations of the Borrower, will, pursuant to the English Partnership Debenture, grant security over its rights under the Partnership Agreement (insofar as they relate to the assets secured by the English Partnership Debenture) and over all of the shares in Holdco. The General Partner will also grant a first fixed security over all the shares in Sub G1 pursuant to the Jersey Shares Security Interest Agreements and over its units in each of the Akeler Macquarie Glasgow



Unit Trust and the Akeler Macquarie Reading Unit Trust (the **Jersey Property Unit Trusts**) pursuant to Jersey Unit Security Agreements. The obligations of the Borrower under the Credit Agreement and the other Finance Documents will be jointly and severally guaranteed by each of Holdco, Subco, the Property Trustees, the Unit Trust Trustees and Sub G1. These guaranteed obligations will in turn be secured by, *inter alia*, first fixed security granted by each of the Property Trustees, Holdco, Subco and Sub G1 pursuant to the English SPC Debenture, as more particularly described under "*The Loans and the Loan Security – English SPC Debenture*" and by a Scottish Standard Security and Scottish Assignment of Rent granted pursuant thereto as more particularly described under "*The Loans and the Loan Security – Scottish Standard Security*" and "*The Loans and the Loan Security – Scottish Assignment of Rent*". Subco will also grant a first fixed security over its shares in the Jersey Property Trustees pursuant to the Jersey Shares Security Agreement as more particularly described under "*The Loans and the Loan Security – Jersey Shares Security Agreements*". Sub G1 will also grant a first fixed security over its units in each of the Jersey Property Unit Trusts pursuant to the Jersey Unit Security Agreements as more particularly described under "*The Loans and the Loan Security – Jersey Unit Security Agreements*". In addition, the Unit Trust Trustees will each grant first fixed security over the relevant trust property including the Unit Trust Trustees' beneficial interest in the relevant JPUT Property pursuant to the English Unit Trustee Debenture and by the Scottish Beneficiaries Assignment granted pursuant thereto. The Unit Trust Trustees will also grant first fixed security over certain bank accounts pursuant to the Jersey Bank Account Security Agreements as more particularly described under "*The Loans and the Loan Security – Jersey Bank Account Security Agreements*". The Glasgow Unit Trust Trustee will also grant an assignment of its interest in certain collateral warranties relating to the Scottish Property pursuant to the Scottish Assignment of Collateral Warranties as more particularly described under "*The Loans and the Loan Security – Scottish Assignment of Collateral Warranties*". All of the security interests granted by the Obligors in connection with the Loans are, together, referred to as the **Loan Security** and are held on trust by Eurohypo Aktiengesellschaft, London Branch on behalf of the Finance Parties (which will include the Issuer).

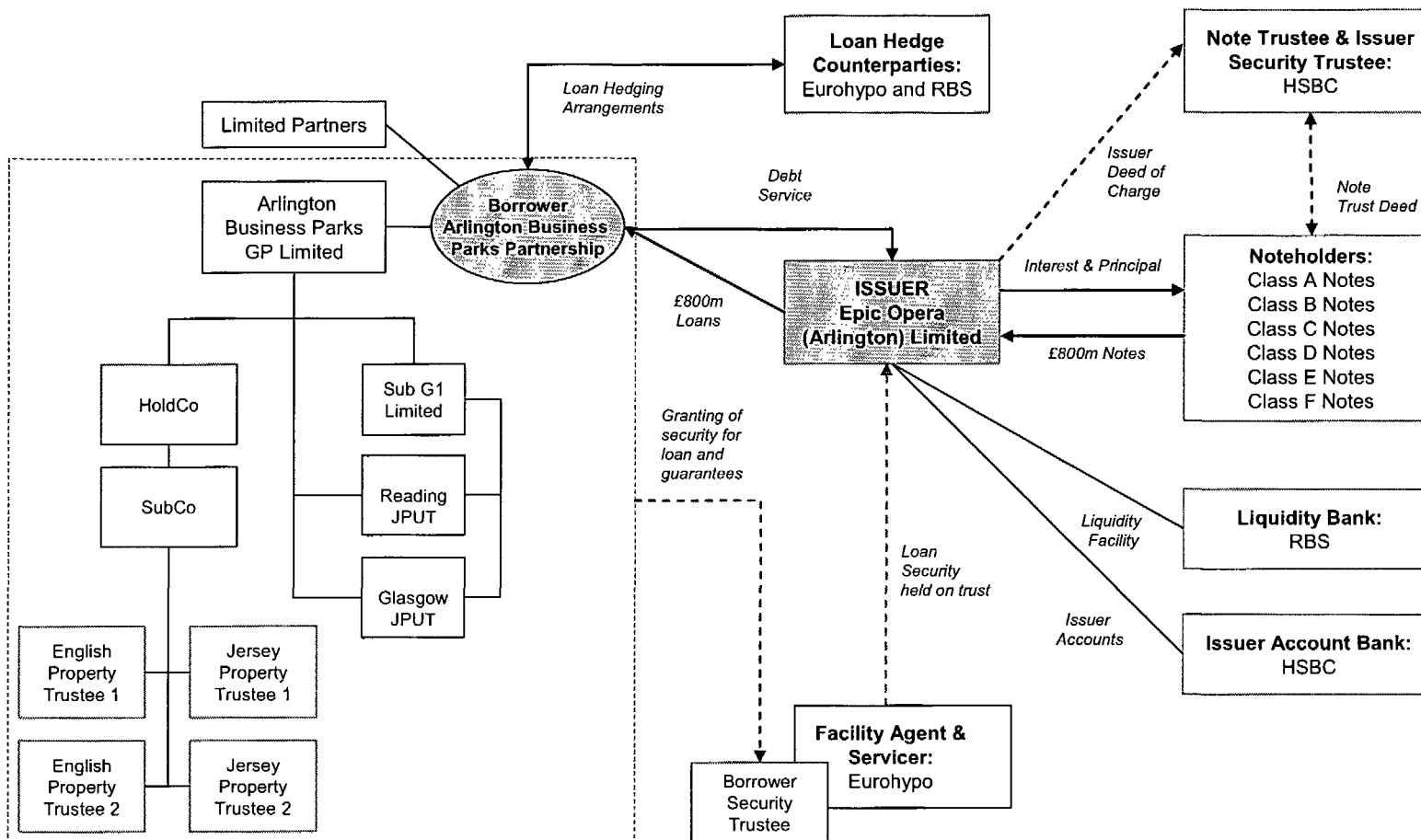
### **The Loans and the Issuer Security**

On the Closing Date, the Issuer will issue the Notes and use the proceeds from the issue of such Notes to make available the Loans to the Borrower pursuant to the Credit Agreement. The Issuer will use receipts of principal and interest in respect of the Loans, together with certain other funds available to it (as described elsewhere in this Prospectus) to make payments of, among other things, principal and interest due in respect of the Notes.

As security for its obligations under (amongst other things) the Notes, the Issuer will grant fixed and floating security interests over all its assets and undertaking (which comprises, primarily, its rights in respect of the Loans and the Loan Security) in favour of the Issuer Security Trustee under the Issuer Deed of Charge. The Issuer Security Trustee will hold the benefit of this security on trust for itself, the Noteholders and the other Issuer Secured Creditors. The Issuer Deed of Charge will determine the priority of the claims of the Issuer Secured Creditors.

## Transaction Structure Diagram

The diagram below illustrates a simplified form of the transaction structure relating to the Notes. The diagram is provided for information purposes only and is qualified in its entirety by reference to the information appearing elsewhere in the Prospectus.



## Key Transaction Parties

- Issuer:** Epic Opera (Arlington) Limited (the **Issuer**) is a private company incorporated in Ireland with limited liability. The Issuer's company registration number is 442207. The entire issued share capital of the Issuer is held by or on behalf of SFM Nominees Limited on trust for charitable purposes.
- Borrower:** Arlington Business Parks Partnership (the **Borrower**) is a limited partnership established and registered with number LP 8624 under the Limited Partnership Act 1907 and formed pursuant to a limited partnership deed dated 3 April 2003 as amended and restated on 27 June 2003, 9 June 2004, 8 October 2004 and expected to be amended and restated on or about the Closing Date (the **Partnership Agreement**) between, *inter alios*, the General Partner and the Limited Partners. Arlington Business Parks GP Limited (the **General Partner**) is a private company incorporated in England and Wales with limited liability under registered number 4233559. As at the date hereof, the limited partners are Goodman LP (UK) Limited, a private company incorporated in England and Wales with limited liability under registered number 2805620, and Mourant & Co. Trustees Limited (in its capacity as trustee of Arlington Business Parks Unit Trust), a company incorporated in Jersey with limited liability under registered number 18478 (together with any person that becomes a limited partner in accordance with the terms of the Partnership Agreement (subject to the Credit Agreement), the **Limited Partners**).
- Sub G1 Limited:** Sub G1 Limited (**Sub G1**) is a limited liability company incorporated in Jersey with limited liability under registration number 97594.
- English Property Trustees:** The English Property Trustees are ABPGP S1 Limited (**English Property Trustee 1**), a private company incorporated in England and Wales with limited liability under registered number 5190581, and ABPGP S2 Limited (**English Property Trustee 2** and, together with English Property Trustee 1, the **English Property Trustees**), a private company incorporated in England and Wales with limited liability under registered number 5190540.
- Jersey Property Trustees:** The Jersey Property Trustees are GJ1 Limited (**Jersey Property Trustee 1**), a private company incorporated in Jersey with limited liability under registration number 97597 and GJ2 Limited (**Jersey Property Trustee 2** and, together with Jersey Property Trustee 1, the **Jersey Property Trustees**), a private company incorporated in Jersey with limited liability under registration number 97598.
- The English Property Trustees and the Jersey Property Trustees are together referred to as the **Property Trustees**.
- Unit Trust Trustee:** The Unit Trust Trustee is Dominion Corporate Trustees Limited, a private company registered in Jersey under registration number 73883, in its capacity as trustee of the Akeler Macquarie Glasgow Unit Trust (in such capacity, the **Glasgow Unit Trust Trustee**), and in its separate

capacity as trustee of the Akeler Macquarie Reading Unit Trust (in such capacity, the **Reading Unit Trust Trustee**, and together with the Glasgow Unit Trust Trustee, the **Unit Trust Trustees**).

**Borrowing Group:**

Each of the Property Trustees is wholly owned by Augusta 2 Limited (**Subco**), a private company incorporated in England and Wales with limited liability under registration number 5190538. Subco is wholly owned by Augusta 1 Limited (**Holdco**), a private company incorporated in England and Wales with limited liability under registration number 5190536. Holdco is wholly owned by the General Partner.

In this Prospectus, the term **Borrowing Group** means the Borrower, the General Partner, the Property Trustees, Holdco and Subco, the Unit Trust Trustees and Sub G1. For further details see the "*Transaction Structure Diagram*" above.

**Note Trustee:**

HSBC Trustee (C.I.) Limited, acting through its office at One Grenville Street, St. Helier, Jersey JE4 9PF, will act under the Note Trust Deed as trustee for the holders of the Notes (in this capacity, the **Note Trustee**).

**Issuer Security Trustee:**

HSBC Trustee (C.I.) Limited, acting through its office at One Grenville Street, St. Helier, Jersey JE4 9PF, will act as trustee for the Issuer Secured Creditors (including the Noteholders) under the Issuer Deed of Charge (in this capacity, the **Issuer Security Trustee**).

**Facility Agent:**

Eurohypo Aktiengesellschaft, London Branch, acting through its office at 4th Floor, 90 Long Acre, London WC2E 9RA, has been appointed under the terms of the Credit Agreement to act, *inter alia*, as agent of the Lenders (in this capacity, the **Facility Agent**).

**Borrower Security Trustee:**

The Facility Agent acting in its capacity as trustee under the terms of the English Partnership Debenture, the English SPC Debenture, the English Unit Trustee Debenture, the Jersey Shares Security Agreements, the Jersey Bank Account Security Agreements, the Jersey Unit Security Agreements, the Scottish Standard Security, the Scottish Beneficiaries Assignment, the Scottish Assignment of Rent and the Scottish Assignment of Collateral Warranties is referred to as the **Borrower Security Trustee**.

**Principal Paying Agent and Agent Bank:**

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, will be appointed to act as principal paying agent and agent bank under the Agency Agreement (in these capacities, the **Principal Paying Agent** and the **Agent Bank** respectively).

**Irish Paying Agent:**

HSBC Institutional Trust Services (Ireland) Limited, acting through its office at HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland, will be appointed to act as paying agent in Ireland under the Agency Agreement (the **Irish Paying Agent**). The Irish Paying Agent, the Principal Paying Agent and any other paying agent(s) which may be appointed pursuant to the Agency Agreement are together referred to as the **Paying Agents**.

<b>Issuer Account Bank:</b>	HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, will act as account bank for the Issuer under the Bank Account Agreement (in this capacity, the <b>Issuer Account Bank</b> ).
<b>Borrower Account Bank:</b>	The Royal Bank of Scotland plc, acting through its office at London Corporate Service Centre, PO Box 39552, 3rd Floor, 2½ Devonshire Street, London EC2M 4XJ, will act as account bank for the Borrower (in this capacity, the <b>Borrower Account Bank</b> ).
<b>Liquidity Bank:</b>	The Royal Bank of Scotland plc, acting through its office at 280 Bishopsgate, London EC2M 4RB, will make the Liquidity Facility available to the Issuer under the Liquidity Facility Agreement (in this capacity, the <b>Liquidity Bank</b> ).
<b>Corporate Services Provider:</b>	Structured Finance Management Limited, acting through its office at 35 Great St. Helen's, London EC3A 6AP, will provide certain corporate administration and secretarial services to the Issuer under the Corporate Services Agreement (the <b>Corporate Services Provider</b> ).
<b>Share Trustee:</b>	SFM Nominees Limited, acting through its office at 35 Great St. Helen's, London EC3A 6AP (the <b>Share Trustee</b> ) holds its interest in the shares of the Issuer on trust for charitable purposes under the terms of a trust deed dated 23 July 2007 (the <b>Share Trust Deed</b> ).
<b>Loan Hedge Counterparties:</b>	The Borrower will enter into interest rate swap arrangements with each of Eurohypo Aktiengesellschaft, London Branch, acting through its office at 4th Floor, 90 Long Acre, London WC2E 9RA, and The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR, (the <b>Loan Hedge Counterparties</b> , which term includes any other party appointed from time to time in accordance with the terms of the Credit Agreement) in respect of the Borrower's obligations under the Loans.
<b>Servicer and Special Servicer:</b>	Eurohypo Aktiengesellschaft, London Branch, acting through its office at 4th Floor, 90 Long Acre, London WC2E 9RA, will be appointed pursuant to the terms of the Servicing Agreement to carry out certain servicing and, if required, special servicing functions on behalf of the Issuer in connection with the Loans and the Loan Security (in these capacities, the <b>Servicer</b> , and the <b>Special Servicer</b> respectively, and together, as the context requires, the <b>Servicer</b> ).
<b>Finance Parties:</b>	The <b>Finance Parties</b> under the Credit Agreement are the <b>Loan Arrangers</b> (being Eurohypo Aktiengesellschaft, London Branch and The Royal Bank of Scotland plc), the lenders from time to time under the Credit Agreement (the <b>Lenders</b> , which as at the Closing Date will be the Issuer), the Loan Hedge Counterparties and the Facility Agent.

## Key Characteristics of the Loans

- Loans:** The Loans will constitute full recourse obligations of the Borrower and will be secured by, among other things, a first fixed charge over all of the Borrower's interests in the Partnership Properties, a first legal mortgage or standard security over all of the Property Trustees' interests in the Properties, first fixed security over the Occupational Leases, insurance policies, loan hedging arrangements, bank accounts and rental cashflows in respect of the Properties.
- Guarantee:** The obligations of the Borrower under the Credit Agreement will be guaranteed (the **Guarantee**) on a joint and several basis by each of Holdco, Subco, the Property Trustees, Sub G1 and the Unit Trust Trustees (together in such capacity, the **Guarantors**). The obligations of the Guarantors are limited in recourse to the trust property and all trust income (in the case of the Property Trustees), to its Security Assets (as defined in the English SPC Debenture) (in the case of Holdco and Subco) and to its unit trust fund and all trust income (in the case of the Unit Trust Trustees).
- Purpose of Loans:** The proceeds of the Loans will be applied by the Borrower to refinance in full the Existing Loan, to refinance other existing indebtedness of the Borrower or any of its subsidiaries which has been secured by any of the Original Property (as defined in the Credit Agreement), and thereafter, if the Existing Loan has been refinanced, for general partnership purposes.
- Interest rate:** The Loans will bear interest calculated as the sum of LIBOR (as defined under the Credit Agreement) plus a specified margin.
- Interest payments:** From the Closing Date, interest under the Loans will be paid quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year (each a **Loan Interest Payment Date**) in respect of successive interest periods (each referred to herein as a **Loan Interest Period**).
- Facility Fee:** The Borrower will pay all ongoing expenses and costs of the Issuer, including, but not limited to all amounts due and payable by the Issuer under the Transaction Documents.
- Repayment:** Unless the Borrower has previously repaid the Loans, it will be required to repay the Loans, in full on the Loan Interest Payment Date falling in July 2012 or if the term of the Loan has been extended pursuant to the Credit Agreement the Loan Interest Payment Date in July 2014 (the **Loan Maturity Date**).
- Voluntary prepayment:** The Borrower is entitled to prepay one or more Loans on any Loan Interest Payment Date, in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £1,000,000), upon giving not less than 20 days' prior written notice to the Facility Agent. Amounts prepaid may not be redrawn.
- Any such prepayment shall be applied against the Loans as specified by the Borrower, or failing such specification, in inverse order of priority

and if a Special Servicing Event is outstanding, in accordance with the Special Servicing Priority of Payments. See further "*The Loans and the Loan Security – Credit Agreement*".

**Mandatory Prepayment:**

In the circumstances more fully described under "*The Loans and the Loan Security – Credit Agreement*" prepayment of the Loans may occur if:

- (a) (no later than the latest date permissible under the relevant law) it becomes unlawful for any Lender to perform its obligations under the Credit Agreement or to fund or maintain the Loans (in these circumstances breakage costs (if any) will not include a margin element);
- (b) a Property or any part of a Property is compulsorily purchased;
- (c) major damage affects a Property;
- (d) disposal of a Property occurs; or
- (e) (the Majority Lenders so require) a change of control of the General Partner occurs without the prior written consent of the Facility Agent.

In the event of prepayment of all or part of the Loans in any of the above circumstances, no prepayment fee will be payable by the Borrower.

**Loan Security:**

As security for the repayment of the Loans, the Borrower and the General Partner will enter the English Partnership Debenture pursuant to which the Borrower will grant fixed security over its interest in each of the Properties (other than the Scottish Property, the fixed security over which is given under the Scottish Standard Security) and all related interests and assets including:

- (a) a first fixed charge over its rights to the Trust Property and under each Property Trust Deed;
- (b) a first fixed charge over the Borrower's interest in the Properties (to the extent not subject to security under **paragraph (a) above**);
- (c) first fixed security over the rental income;
- (d) first fixed security over the relevant bank accounts;
- (e) first fixed security over the insurances;
- (f) first fixed security over the Loan Hedging Arrangements (to the extent not already assigned to the English Property Trustees); and
- (g) first fixed security over all loans and other monies owing to it by any other Obligor.

The General Partner will, in addition, grant first fixed security over its interests in the Partnership Agreement (only insofar as it relates to the other assets subject to security under the English Partnership Debenture), over all of the shares in Holdco, over all of the shares in Sub G1 pursuant to the Jersey Share Security Agreements and over its units in each of the Jersey Property Unit Trusts pursuant to the Jersey Unit Security Agreements.

Holdco, Subco, Sub G1 and the Property Trustees will, pursuant to the English SPC Debenture, grant the following security:

- (a) first fixed security over the shares of Subco (in the case of Holdco only);
- (b) first fixed security over the shares of each of the English Property Trustees (in the case of Subco only); and
- (c) first fixed and floating security over all of the assets of Holdco, Subco, Sub G1 and the Property Trustees (including, in the case of the Property Trustees, a first legal mortgage over the Partnership Properties and the Reading Property).

In addition, Subco will, pursuant to the Jersey Shares Security Agreements, grant a first fixed security over all its shares in each of the Jersey Property Trustees; Sub G1 will, pursuant to the Jersey Unit Security Agreements grant first fixed security over its units in each of the Jersey Property Unit Trusts; and each of the Unit Trust Trustees will, pursuant to the English Unit Trustee Debenture and in respect of the Glasgow Unit Trust Trustee pursuant to the Scottish Beneficiaries Assignment, grant first fixed security over its respective trust fund and pursuant to the Jersey Bank Account Security Agreements, a security over its bank accounts in Jersey and the Glasgow Unit Trust Trustee will grant an assignment of its interest in certain collateral warranties relating to the Scottish Property pursuant to the Scottish Assignment of Collateral Warranties. The Jersey Property Trustees will grant the Scottish Standard Security and the Scottish Assignment of Rent in respect of the Scottish Property.

In addition, the Limited Partners, the Borrower, Sub G1 and the Unit Trust Trustees will enter into the subordination deed with, among others, the Facility Agent, subordinating (i) in the case of the Limited Partners, all indebtedness owed by the Borrower or the General Partner to each Limited Partner (on the terms set out therein); (ii) in the case of the Borrower all indebtedness owed by Sub G1 or a Unit Trust Trustee to the Borrower (on the terms set out therein) and (iii) in the case of Sub G1 or a Unit Trust Trustee, all indebtedness owed by the Borrower to Sub G1 or a Unit Trust Trustee (on the terms set out therein), to all liabilities owing to the Finance Parties under or in connection with the Credit Agreement. The Borrower and the General Partner will be obliged, pursuant to the terms of the Credit Agreement, to ensure that all of the indebtedness to any Limited Partner, from time to time, of the Borrower and the General Partner is subject to the Subordination Deed.



For a more detailed description of the provisions of each of the English Partnership Debenture, the English SPC Debenture and the English Unit Trustee Debenture and the Subordination Deed, see "*The Loans and the Loan Security*" below.

**Loan Hedging Arrangements:**

In order to address interest rate risk arising in connection with the Loans, the Borrower will enter into the Loan Hedging Arrangements with the Loan Hedge Counterparties. The Borrower has, pursuant to a deed of assignment dated 3 September 2004 assigned its rights under such Loan Hedging Arrangements to the English Property Trustees. To the extent that the Borrower's rights under the Loan Hedging Arrangements have not already been assigned to the English Property Trustees, the Borrower will assign such rights to the Facility Agent under the English Partnership Debenture. The Borrower is required, under the terms of the Credit Agreement to maintain (subject to certain limits), such Loan Hedging Arrangements or alternative hedging arrangements in connection with the Loans (each such alternative arrangement also a **Loan Hedging Arrangement**, where applicable).

For a more detailed description of the provisions of the Loan Hedging Arrangements, see "*The Loans and the Loan Security – Hedging Obligations*" below.

**Insurance:**

The Borrower will be required, pursuant to the Credit Agreement, to maintain insurance of each Property on a full reinstatement value basis, including not less than three years' loss of rent on all Occupational Leases together with third party liability insurance and insurance against subsidence and acts of terrorism (to the extent available) and to procure that the Facility Agent is named as co-insured on all relevant insurance policies.

All insurances required under the Credit Agreement must be with an insurance company or underwriter that:

- (a) has a long term credit rating of at least one or more of the following: A (or better) by Fitch, A2 (or better) by Moody's and A (or better) by S&P; and
- (b) is otherwise reasonably acceptable to the Facility Agent.

For more detailed information regarding the terms of the Credit Agreement see further "*The Loans and the Loan Security*".

**Borrower Cashflows:**

The payment priorities in respect of the Borrower cashflows are set out under "*The Loans and the Loan Security – Credit Agreement – Prepayments*" and "*The Loans and the Loan Security – Borrower Cashflows*".

**Key Characteristics of the Portfolio**

**Properties:**

The Portfolio comprises 52 properties (based on the number of property assets valued rather than the number of individual buildings) of 107 lettable office units located in 10 business parks in the South East of

England, Manchester, Bristol and Birmingham (the **Partnership Properties**), one property in Reading (the **Reading Property**) and one property in Glasgow (the **Scottish Property** or the **Glasgow Property** together with the Reading Property (the **JPUT Properties**) and together with the Partnership Properties the **Properties**) and has a total net internal floor area of 2,910,958 square feet.

The Portfolio's current contracted rent is £60,234,863 per annum.

All of the occupational leases (the **Occupational Leases**) relating to the Properties are **FRI Leases** being "fully repairing and insuring" leases (save for the lease of Birmingham plot 6240 (part ground floor) where the occupier pays an inclusive charge to include fair wear and tear to the property but not excessive damage. The Borrower holds a separate sinking fund to fund these costs) under which substantially all of the economic liabilities arising in relation to the upkeep and operation of the relevant Property are borne by the individual tenant, including the costs of repairing, maintaining and insuring<sup>1</sup> the relevant Property (or where a lease does not include the structure of the building the tenant pays a proportionate share of the landlord's costs of repairing and maintaining the structure and common areas).

Knight Frank LLP (**Knight Frank**) have valued the Portfolio at £1,081,190,000 on a contracted rent of £60,234,863 per annum and an estimated rental value (**ERV**) of 59,982,841 per annum. (See "*Valuation Report and Schedule*" set forth in Appendix B)<sup>2</sup>.

Set out below are certain summaries of the Portfolio. A more detailed description is provided under the section entitled Description of the Portfolio below.

1 Insurance included in all cases.

2 In line with market practice, Knight Frank LLP assumed that outstanding rent reviews are settled at ERV.

#### Portfolio Summary

<b>Business Park</b>	<b>Valuation (£)</b>	<b>Contracted Rent (£ pa)</b>	<b>ERV (£ pa)</b>	<b>No. of Office Units</b>	<b>Net Internal Area (sq ft)</b>
Oxford Business Park .....	191,240,000	10,218,821	10,867,148	38	550,708
Reading International .....	186,000,000	10,459,907	9,976,272	6	405,878
Hatfield Business Park.....	184,460,000	10,423,150	10,013,487	8	522,220
Solent Business Park .....	129,910,000	7,061,796	7,290,060	10	402,135
Uxbridge Business Park.....	120,600,000	6,244,061	6,301,515	3	236,634
Arlington Business Park, Reading.	116,020,000	6,808,229	6,542,835	11	323,669
Birmingham Business Park.....	95,990,000	5,691,413	5,683,509	22	289,777
Central Quay, Glasgow.....	22,270,000	1,330,809	1,330,809	4	79,263
Aztec West Business Park .....	22,060,000	1,252,206	1,252,206	4	62,167
Manchester Business Park .....	12,640,000	744,471	725,000	1	38,507
<b>Total.....</b>	<b>1,081,190,000</b>	<b>60,234,863</b>	<b>59,982,841</b>	<b>107</b>	<b>2,910,958</b>

Source: Knight Frank Valuation April 2007

The business parks are geographically well located with good transport links. The office units are built to a high specification and the average age of the properties is 6.8 years.

The weighted average term to lease expiry is 12.8 years from 3 August 2007 (the **Drawdown Date**). The weighted average remaining lease term to the earlier of first break or expiry is 11.1 years from the Drawdown Date). Approximately 49.0% of space is let on leases with an unexpired term of 13 years or longer and these leases generate approximately 50.9% of the Portfolio's total rental income.

The Portfolio benefits from a good spread of tenants. Telecommunications tenants constitute the largest industry grouping accounting for approximately 40.0% of the net lettable area of the Portfolio and account for approximately 43.0% of the total contracted rental income. These tenants include Verizon and BT plc, as well as major mobile operators T-Mobile (UK) Ltd (lease guarantee by T-Mobile International AG, a wholly owned subsidiary of Deutsche Telekom AG), Orange Personal Communications Services Ltd (lease guarantee by Orange plc), Vodafone Ltd and Hutchinson 3G UK Limited.

Business Services tenants constitute the second largest industry grouping with approximately 11.1% of the net lettable area of the Portfolio and account for approximately 11.1% of total contracted rental income.

Air traffic management related tenants include NATS (En Route) plc constitute the third largest industry grouping with approximately 9.1% of the net lettable area of the Portfolio and account for approximately 7.6% of total contracted rental income.

Other tenants represent a variety of industries including health care and pharmaceutical (c. 7.5% of Portfolio rent), Banking and Finance (c. 4.9%), and government (c. 5.9%). The Portfolios remaining rental income is well diversified.

There are 101 leases in place. Only 1.1% of the Portfolio (by area) is not currently leased.

Verizon UK Ltd represents the single largest tenant in the portfolio, with approximately 13.7% of net lettable area and accounting for approximately 17.2% of total contracted rental income. Verizon UK Ltd has five leases in place with an average unexpired term of approximately 13.8 years and no break options.

**Property management:**

Arlington Property Adviser Limited and DTZ Debenham Tie Leung Limited (each an **Initial Property Adviser**) undertakes to the Facility Agent pursuant to a property adviser duty of care agreement to comply with the provisions of its appointment, including performing property advisory services on behalf of the Borrower.

Legal & General Property Limited (the **Initial Investment Adviser**) undertakes to the Facility Agent pursuant to certain investment adviser

duty of care agreements to comply with the provisions of its appointment, including recommending the strategy for the Borrower's property portfolio.

Legal & General Investment Management Limited (the **Initial Operator**) currently acts as Initial Operator and undertakes activities in respect of the Partnership which are regulated by the Financial Services Authority. The Initial Operator is authorised under the Financial Services and Markets Act 2000 (**FSMA**) to operate unregulated collective investment schemes which invest predominantly in property. The Initial Operator undertakes to the Facility Agent pursuant to an operator duty of care agreement to comply with the provisions of its appointment, including the operation of all aspects of the Borrower's activities which do or may constitute regulated activities requiring authorisation under the FSMA to the exclusion of the General Partner.

It is expected that Legal & General Property Partners (Operator) Limited (the **New Operator**) will replace the Initial Operator prior to the closing of this transaction. For more detailed information regarding the change of the operator see further "*Change of Operator*".

The Borrower is required to obtain the Facility Agent's prior written consent (such consent not to be unreasonably withheld or delayed) to the termination of the appointment of an Initial Property Adviser, Initial Investment Adviser or Initial Operator and to appoint a new property adviser, investment adviser or operator, as applicable, approved by the Facility Agent within 60 days of that termination.

**Valuation:**

The aggregate market value of the Portfolio as determined by Knight Frank LLP (the **Valuer**) in their valuation report dated 31 March 2007 (the **Initial Valuation Date**) was £1,081,190,000 (the **Initial Valuation**). The Initial Valuation reflects the tenancies at the Properties as at 31 March 2007. Since the Initial Valuation Date, there has been no diminution in the value of the Portfolio. On the basis of the Initial Valuation, the loan to value ratio of the Loans on the date of this Prospectus (expressed as a percentage) is 74.0%

Under the terms of the Credit Agreement, the Facility Agent has the right to call for a valuation of the Property at any time at the cost of the Lenders or, if a Default is outstanding, at the cost of the Borrower. The Credit Agreement provides for one annual valuation to be carried out (at the cost of the Borrower) at a time to be agreed between the Borrower and the Facility Agent. See further "*Valuation Report and Schedule*" set forth in Appendix B

**Principal Features of the Notes**

**Notes:**

The Notes will comprise:

- (a) £483,200,000 Class A Commercial Mortgage Backed Floating Rate Notes due July 2016;
- (b) £83,350,000 Class B Commercial Mortgage Backed Floating Rate Notes due July 2016;

- (c) £69,200,000 Class C Commercial Mortgage Backed Floating Rate Notes due July 2016;
- (d) £72,250,000 Class D Commercial Mortgage Backed Floating Rate Notes due July 2016;
- (e) £67,500,000 Class E Commercial Mortgage Backed Floating Rate Notes due July 2016; and
- (f) £24,500,000 Class F Commercial Mortgage Backed Floating Rate Notes due July 2016.

The Notes will be constituted pursuant to the Note Trust Deed between the Issuer and the Note Trustee dated on or before the Closing Date. The Notes of each Class will rank *pari passu* and rateably and without any preference among themselves.

**Status and priority:**

Payments of interest in respect of the Class A Notes will rank ahead of payments of interest in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes. Payments of interest in respect of the Class B Notes will rank ahead of payments of interest in respect of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes. Payments of interest in respect of the Class C Notes will rank ahead of payments of interest in respect of the Class D Notes, the Class E Notes and the Class F Notes. Payments of interest in respect of the Class D Notes will rank ahead of payments of interest in respect of the Class E Notes and the Class F Notes. Payments of interest in respect of the Class E Notes will rank ahead of payments of interest in respect of the Class F Notes.

Other than in respect of certain prepayments (which will be dealt with as set out in **Condition 6 (Redemption)**):

- (a) repayments of principal in respect of the Class A Notes will rank ahead of repayments of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes;
- (b) repayments of principal in respect of the Class B Notes will rank ahead of repayments of principal in respect of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes;
- (c) repayments of principal in respect of the Class C Notes will rank ahead of repayments of principal in respect of the Class D Notes, the Class E Notes and the Class F Notes;
- (d) repayments of principal in respect of the Class D Notes will rank ahead of repayments of principal in respect of the Class E Notes and the Class F Notes; and
- (e) repayments of principal in respect of the Class E Notes will rank ahead of repayments of principal in respect of the Class F Notes.

See further "*Transaction Documents – Issuer Cashflows*" below.

**Form of the Notes:**

Each Class of Notes will be in bearer form. The Temporary Global Notes and the Permanent Global Notes of each Class will be held by a common depository for Euroclear and Clearstream, Luxembourg. The Notes will be in the minimum denomination of £50,000 and in integral multiples of £1,000 thereafter

**Ratings:**

It is expected that the Notes will, on issue, be assigned the following ratings:

<b>Class</b>	<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>
Class A Notes	AAA	Aaa	AAA
Class B Notes	AAA	NR	AAA
Class C Notes	AA	NR	AA
Class D Notes	A	NR	A
Class E Notes	BBB	NR	BBB
Class F Notes	BBB–	NR	BBB–

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating organisations.

**Listing:**

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market.

**Liquidity Facility:**

On or before the Closing Date, the Issuer and the Liquidity Bank, among others, will enter into the Liquidity Facility Agreement pursuant to which the Liquidity Bank will make available to the Issuer a facility which the Issuer can draw on to fund certain shortfalls in available income (including amounts available to pay interest on the Notes) from time to time (as described further under "*Transaction Documents – Liquidity Facility Agreement*" below).

**Final redemption:**

Unless previously redeemed in full, the Notes will mature on the Final Maturity Date.

**Mandatory Redemption on the Loan Maturity Date:**

Under **Condition 6.2** (*Mandatory redemption on the Loan Maturity Date*) the Issuer must redeem the Notes in full on the Loan Maturity Date using the proceeds of repayment of the Loans.

**Mandatory redemption in whole for tax and other reasons:**

The Issuer will, subject as provided in **Condition 6.3** (*Redemption for taxation or other reasons*) redeem all, but not some only, of the Notes on any Interest Payment Date on or after the date on which any deduction or withholding for or on account of any tax is imposed in respect of any payment under the Notes or in respect of any payment by the Borrower

under the Loans or after the date on which it becomes unlawful for the Issuer to make, lend or allow an advance under the Loans to remain outstanding.

**Mandatory redemption in whole or in part:**

If the Borrower is required to make a prepayment in respect of the Loans or the Loans are declared due and payable then the Issuer will be obliged to redeem the Notes on the date on which the relevant prepayment or repayment is made as provided in **Condition 6.4** (*Mandatory redemption in whole or in part*).

**Optional redemption:**

The Issuer may, subject as provided in **Condition 6.5** (*Optional redemption of the Notes*) redeem all or part of the Notes at their then Principal Amount Outstanding, together with any accrued interest and on any Interest Payment Date.

**No purchase of Notes by the Issuer:**

The Issuer will not be permitted to purchase any of the Notes.

**Interest rates:**

Each Class of Notes will initially bear interest calculated as the sum of LIBOR (as defined in **Condition 5.3** (*Rates of Interest*)) plus the relevant Margin.

The interest rate margin applicable to each Class of Notes will be as follows (each, a **Margin**):

<b>Class</b>	<b>Margin (%) p.a.</b>
Class A Notes	0.25
Class B Notes	0.35
Class C Notes	0.45
Class D Notes	0.70
Class E Notes	1.20
Class F Notes	1.50

**Interest payments:**

Interest will be payable on the Notes quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year, unless the same is not a Business Day, in which case it shall be postponed to the following Business Day in the same calendar month (if there is one).

**Interest Periods:**

The first Interest Period will run from (and including) the Closing Date to (but excluding) the first Interest Payment Date, in October 2007 and subsequent Interest Periods will run from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.

**Issue price:**

The Notes will be issued at 100% of their aggregate initial Principal Amount Outstanding.

**Withholding tax:**

**If any withholding or deduction for or on account of any tax is**

imposed in respect of payments under the Notes, the Issuer will make payments subject to such withholding or deduction and neither the Issuer nor any other entity will be required to gross-up or otherwise pay additional amounts in respect thereof. See "*United Kingdom Taxation*" below. The Issuer is incorporated in Ireland, however, as the Issuer is not managed and controlled in Ireland, the Issuer is not resident in Ireland for the purposes of Irish tax law. The Issuer is tax resident in the United Kingdom. For more detailed information regarding the tax position of the Issuer see further "*Irish Taxation*".

**Security for the Notes:**

The Notes will be secured pursuant to the Issuer Deed of Charge made between, amongst others, the Issuer and the Issuer Security Trustee and dated on or before the Closing Date.

The Issuer Security Trustee will hold the Issuer Security granted under the Issuer Deed of Charge on trust for itself and the other Issuer Secured Creditors.

**Issuer Cashflows:**

Prior to the occurrence of a Note Event of Default and enforcement of the Issuer Security, payments of interest in respect of each Class of Notes will rank in accordance with the Pre-Enforcement Revenue Priority of Payments and payments of principal (if any) will rank in accordance with the Pre-Enforcement Principal Priority of Payments (as described in "*Transaction Documents – Issuer Cashflows*" below). Upon the occurrence of a Note Event of Default and enforcement of the Issuer Security, payments in respect of each Class of Notes will rank in accordance with the Post-Enforcement Priority of Payments (as described in "*Transaction Documents – Issuer Cashflows*" below).

**Transfer restrictions:**

There will be no transfer restrictions in respect of the Notes, subject to applicable laws and regulations.

**Governing law:**

The Notes and the other Transaction Documents will be governed by English law (save for the Scottish Standard Security, the Scottish Assignment of Rent, the Scottish Beneficiaries Assignment, the Scottish Assignment of Collateral Warranties and any other provisions of the Transaction Documents relating to the Scottish Property which are expressed to be governed by Scots law and the Jersey Shares Security Agreement, the Jersey Unit Security Agreement and any other provisions of the Transaction Documents which are expressed to be governed by Jersey law).



## RISK FACTORS

*Set out in this section is a summary of certain issues of which prospective Noteholders should be aware before making a decision whether or not to invest in Notes of any Class. This summary is not intended to be exhaustive. Therefore, prospective holders of the Notes should also read the detailed information set out elsewhere in this Prospectus and form their own views before making any investment decision.*

### A. Considerations relating to the Notes

#### Liability under the Notes

The Issuer is the only entity which has obligations to pay any amount due in respect of the Notes. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity, including (but not limited to) the Finance Parties, the Obligors, the Joint Arrangers, the Lead Managers, the Share Trustee, the Note Trustee, the Issuer Security Trustee, the Liquidity Bank, the Servicer, the Special Servicer, the Paying Agents, the Agent Bank, the Corporate Services Provider or the Issuer Account Bank, or by any entity affiliated to any of the foregoing.

#### Limited recourse obligations of the Issuer

The Notes will be limited recourse obligations of the Issuer only. In addition, the assets of the Issuer will themselves be limited. The ability of the Issuer to meet its obligations under the Notes will be dependent primarily upon the receipt by it of principal and interest from the Borrower under the Loans (see further "*Considerations relating to the Loans and the Loan Security*" below), the receipt of funds (if available to be drawn) under the Liquidity Facility Agreement and the receipt of funds under the English Partnership Debenture (or, in the event of an administration of the Borrower, under the Guarantee and pursuant to the English SPC Debenture and the English Unit Trustee Debenture). Other than the foregoing, and other any interest earned by the Issuer in respect of its bank accounts, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes.

Upon enforcement of the security for the Notes, the Issuer Security Trustee or any receiver will, in practice, have recourse only to the Loans and the Issuer's interest in the Loan Security, and to any other assets of the Issuer then in existence as described in this document. It should be noted that, upon enforcement of the security, the Issuer will not be able to make any further drawings under the Liquidity Facility Agreement. To the extent that the proceeds of enforcement may be insufficient to discharge the obligations of the Issuer, neither the Note Trustee nor the Noteholders may take any further steps against the Issuer in respect of such amounts payable on the Notes and all such claims against the Issuer shall be extinguished and discharged.

#### Ratings of the Notes

The ratings assigned to each Class of the Notes by the Rating Agencies are based on the Loans, the Loan Security, the Portfolio and other relevant structural features of the transaction, including, among other things, the short term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Bank and the Loan Hedge Counterparties. These ratings reflect only the views of the Rating Agencies.

The ratings address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal on the Notes by the Final Maturity Date. There can be no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating

Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the market value and/or liquidity of the Notes of any Class.

Credit rating agencies other than Fitch, Moody's and S&P could seek to rate the Notes (or any Class of them) without having been requested to do so by the Issuer, and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Fitch, Moody's and S&P, those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Notes of any Class. In this Prospectus, all references to ratings in this Prospectus are to ratings assigned by the Rating Agencies (namely Fitch, Moody's and S&P).

### **Ratings confirmations**

Under the Transaction Documents, the Note Trustee may determine whether or not any event, matter or thing is, in its opinion, materially prejudicial to the interests of any Class of Noteholders, or, as the case may be, all the Noteholders, and if the Note Trustee shall certify that any such event, matter or thing is, in its opinion, materially prejudicial, such certificate shall be conclusive and binding upon the Issuer and the Noteholders. In making such a determination, the Note Trustee will be entitled to take into account, among other things, any confirmation by the Rating Agencies (if available) that the then current rating of the Notes of the relevant Class would, or, as the case may be, would not, be adversely affected by any event, matter, or thing.

It should be noted, however, that the decision as to whether or not to confirm any particular rating may be made on the basis of a variety of factors and no assurance can be given that any such confirmation will not be given in circumstances where the relevant proposed matter would materially adversely affect the interests of Noteholders of a particular Class. The Rating Agencies, in assigning credit ratings, do not comment upon the interests of holders of securities (such as the Notes) and, in any event, there can be no assurance that the Rating Agencies would provide any such confirmation.

### **Absence of secondary market; limited liquidity**

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange. There is not, at present, a secondary market for the Notes. There can be no assurance that a secondary market in the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment, or that it will continue for the life of the Notes. In addition, the market value of certain of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of those Notes.

### **Availability of Liquidity Facility**

Under the Liquidity Facility Agreement, the Liquidity Bank will (prior to the service of an Acceleration Notice) make available to the Issuer the £58,000,000 Liquidity Facility to assist the Issuer in making payments of, *inter alia*, interest in respect of the Notes. The Liquidity Facility will not be available to the Issuer to enable it to make any payment of principal or premium (if any) payable in respect of the Notes of any Class.

The initial Liquidity Facility Agreement will expire 364 days after the Closing Date, although it is extendable. The Liquidity Facility commitment will decrease proportionate to the reduction in the aggregate Principal Amount Outstanding of the Notes or following the occurrence of an Appraisal Reduction. The Liquidity Bank is not obliged to extend or renew the Liquidity Facility at its expiry, but if it does not renew or extend the Liquidity Facility on request then the Issuer will, subject to

certain terms, be required to make a Liquidity Stand-by Drawing and place the proceeds of that drawing on deposit in the Liquidity Stand-by Account. See further "*Transaction Documents – Liquidity Facility Agreement*" below.

The Liquidity Bank will be entitled to receive interest and repayments of principal on drawings made under the Liquidity Facility Agreement in priority to payments to be made to Noteholders (which may ultimately reduce the amount available for distribution to Noteholders).

#### **Subordination of Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes**

After enforcement of the security for the Notes under the Issuer Deed of Charge, payments of principal and interest in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes will be subordinated to payments of principal and interest in respect of the Class A Notes. Payments of principal and interest in respect of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes will be subordinated to payments of principal and interest in respect of the Class B Notes. Payments of principal and interest in respect of the Class D Notes, the Class E notes and the Class F Notes will be subordinated to payments of principal and interest in respect of the Class C Notes. Payments of principal and interest in respect of the Class E notes and the Class F Notes will be subordinated to payments of principal and interest in respect of the Class D Notes. Payments of principal and interest in respect of the Class F notes will be subordinated to payments of principal and interest in respect of the Class E Notes.

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient funds (including any funds available to be drawn for that purpose under the Liquidity Facility Agreement) to make payment in full of interest due on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, then the Issuer will be entitled (under **Condition 5.8** (*Deferral of payment*) of the terms and conditions of the Notes) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute a Note Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes only. If there are no Class B Notes outstanding the Issuer will be entitled to defer payments of interest in respect of the Class D Notes, the Class E Notes and the Class F Notes only. If there are no Class C Notes outstanding the Issuer will be entitled to defer payments of interest in respect of the Class E Notes and the Class F Notes only. If there are no Class D Notes outstanding the Issuer will be entitled to defer payments of interest in respect of the Class F Notes only. If there are no Class E Notes outstanding the Issuer will not be entitled to defer payments of interest in respect of the Class F Notes.

The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver, the Note Trustee and the Issuer Security Trustee, all amounts due to the Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Account Bank, the Paying Agents, the Agent Bank and all payments due to the Liquidity Bank under the Liquidity Facility (other than in respect of Liquidity Subordinated Amounts)) will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon enforcement of the Issuer Security, all amounts owing to the Class A Noteholders will rank higher in priority to all amounts owing to the Class B Noteholders, all amounts owing to the Class B Noteholders will rank higher in priority to all amounts owing to the Class C Noteholders, all amounts owing to the Class C Noteholders will rank higher in priority to all amounts owing to the Class D Noteholders, and all amounts owing to the Class D Noteholders will rank higher in priority to all amounts owing to the Class E Noteholders, all amounts owing to the Class E Noteholders will rank higher in priority to all amounts owing to the Class F Noteholders.

## **Conflict of interests between Classes of Noteholders**

The Note Trustee will be required, in performing its duties as trustee under the Note Trust Deed, to have regard to the interests of all the Noteholders together. However, if (in the sole opinion of the Note Trustee) there is conflict between the interests of the holders of one or more Classes of Notes and the interests of the holders of one or more other Classes of Notes, then the Note Trustee will be required in certain circumstances to have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding. For these purposes, the interests of individual Noteholders will be disregarded and the Note Trustee will determine interests viewing the holders of any particular Class of Notes as a whole.

## **Withholding or deduction under the Notes**

In the event that a withholding or deduction for or on account of any taxes is imposed by law, or otherwise applicable, in respect of amounts payable under the Notes, neither the Issuer nor any Paying Agent nor any other entity is obliged to gross up or otherwise compensate Noteholders for the lesser amounts which the Noteholders will receive as a result of the imposition of such withholding or deduction. The imposition of such withholding or deduction would after the Issuer has failed to arrange the substitution of a company incorporated in another jurisdiction approved by the Note Trustee in writing entitle (but not oblige) the Issuer to redeem the Notes at their then Principal Amount Outstanding (plus accrued interest but excluding any premium), thereby shortening the average lives of the Notes.

## **Yield and prepayment considerations**

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of receipt by the Issuer of amounts of principal in respect of the Loans and the purchase price paid by the holders of the Notes. Such yield may be adversely affected by one or more prepayments in respect of the Loans.

The Borrower has the option to prepay the Loans at any time and, in the circumstances described under "*The Loan and the Loan Security – Credit Agreement – Prepayments*" the Borrower must prepay the Loans. If the Borrower prepays the Loans in whole or in part then the Issuer will be obliged to redeem the Notes (in accordance with **Condition 6.4** (*Mandatory redemption in whole or in part*)) in a principal amount of the Notes as corresponds to the Loan (or Loans) being prepaid.

In addition, if the Borrower does not exercise its option to extend the term of the Loans in accordance with the Credit Agreement the Loans will become due and payable on the Loan Interest Payment Date falling in July 2012 and, pursuant to **Condition 6.2** (*Mandatory redemption on the Loan Maturity Date*) and the Notes will be redeemed in full on the Interest Payment Date falling in July 2012.

## **B. Considerations relating to the Loans and the Loan Security**

### **Late payment or non-payment of rent**

There is a risk that rental payments due under an Occupational Lease on or before the relevant Loan Interest Payment Date will not be paid on the due date or not paid at all. If any payment of rent is not received on or prior to the immediately following a Loan Interest Payment Date and any resultant shortfall is not otherwise compensated for from other resources, there may be insufficient cash available to the Borrower to make payments to the Issuer under the Loans. Such a default by the Borrower may not itself result in a Note Event of Default since the Issuer will have access to other resources as mentioned above (specifically, funds made available under the Liquidity Facility to make certain payments under the Notes). However, no assurance can be given that such resources

will, in all cases and in all circumstances, be sufficient to cover any such shortfall or that a Note Event of Default will not occur as a result of the late payment of rent.

### **Prepayment of the Loans**

The Borrower is obliged, in certain circumstances, to prepay the Loans in whole or in part prior to the Loan Maturity Date. These circumstances include (broadly):

- on disposal of all or part of a Property (where such Property has not been substituted in accordance with the terms of the Credit Agreement);
- where a Property has been destroyed or damaged and such destruction and damage does not and will not have a Material Adverse Effect and reinstatement works have not commenced on that Property following receipt of insurance proceeds within 12 months of its destruction or damage to it;
- on a compulsory purchase of a Property and/or full reinstatement proceeds are not received and where such purchase has a Material Adverse Effect;
- where (without the prior written consent of the Facility Agent) there has been a change of control (as such term is defined in the Credit Agreement) of the General Partner and/or Goodman International Limited (formerly Macquarie Goodman Management Limited) and the Majority Lenders accelerate the Loans; and
- where it becomes unlawful for any Lender to perform its obligations under the Credit Agreement. See further "*The Loan and the Loan Security – Credit Agreement – Prepayments*".

Some of these events are beyond the control of the Borrower and the Issuer. In addition, the Borrower is permitted under the Credit Agreement (at its option but subject to certain conditions) to prepay all or part of the Loans on a Loan Interest Payment Date on 20 days' prior notice. Any such prepayment may result in the Notes being prepaid earlier than anticipated.

### **Refinancing risk**

Unless previously repaid, the Borrower will be required to repay the Loans on the Loan Maturity Date. The ability of the Borrower to repay the Loans in their entirety on the Loan Maturity Date will depend, among other things, upon its ability to find a lender willing to lend to the Borrower (secured against some or all of the Properties) sufficient funds to enable repayment of the Loans.

If the Borrower cannot find such a lender, then the Borrower may be forced, in circumstances which may not be advantageous, into selling some or all of the Properties in order to repay the Loans. Failure by the Borrower to refinance the Loans or to sell the Properties on or prior to the Loan Maturity Date may result in the Borrower defaulting on the Loans. In the event of such a default, the Noteholders, or the holders of certain Classes of Notes, may receive by way of principal repayment an amount less than the then Principal Amount Outstanding on their Notes and the Issuer may be unable to pay in full interest due on the Notes.

### **Security over bank accounts**

The Borrower, the Property Trustees and the Unit Trust Trustees have, in accordance with the terms of the Credit Agreement, established a number of bank accounts into which, among other things, rental income and disposal proceeds in respect of the Properties must be paid (see further "*The Loans and the Loan Security – Borrower Group Accounts*" below). The Borrower, the Property Trustees and the Unit Trust Trustees have, pursuant to the terms of the English Partnership Debenture, the English SPC Debenture, the English Unit Trustee Debenture and the Jersey Account

Security Agreement, respectively, granted security over all of their interests in the relevant Borrowing Group Accounts in the case of the Borrower and the Property Trustees or the relevant bank accounts in Jersey in the case of the Unit Trust Trustees, which, in each case, is expressed to be fixed security. Furthermore, under the Issuer Deed of Charge, the Issuer will grant security over all of its bank accounts, which security will also be expressed to be fixed security.

Although the various bank accounts are stated to be subject to various degrees of control (for example, the Credit Agreement provides that the Facility Agent is to have sole signing rights over the Rent Accounts), there is a risk that, if the Borrower Security Trustee or the Issuer Security Trustee (as appropriate) do not exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security interests only notwithstanding that the security interests are expressed to be fixed. In such circumstances, monies paid into accounts could be diverted to pay preferential creditors were a receiver, liquidator or administrator to be appointed in respect of the relevant entity in whose name the account is held.

### **Assignment of rents**

Pursuant to the terms of the English Partnership Debenture, the English SPC Debenture and the English Unit Trustee Debenture, the Borrower, the Property Trustees and the Unit Trust Trustees will assign, by way of security, the rent receivable in respect of Occupational Leases (except those relating to the Scottish Property) to the Borrower Security Trustee. So long as no receiver or administrator has been appointed and/or the mortgagee is not in possession, no notice of the assignment will be given to the tenants under the Occupational Leases. Accordingly, these assignments will take effect as equitable assignments only and may be subject to any prior equities or claims, such as rights of set-off between the landlord and the relevant occupational tenant. Each of the Borrower, the Property Trustees and the Unit Trust Trustees (in respect of the Unit Trusts) has covenanted in the Credit Agreement not to dispose of assets (such as the rental income) to any other party. If they did so assign the rents in breach of that provision and subsequently gave notice of the assignment to the relevant occupational tenant(s) then the relevant assignee's claims would have priority over the rents in question. However, this would constitute an Event of Default, entitling the Issuer to accelerate the Loans and enforce the Loan Security.

Pursuant to the terms of the Scottish Assignment of Rent, the Property Trustees will assign by way of security the rents receivable in respect of the Occupational Leases of the Scottish Property to the Borrower Security Trustee. There is no equivalent in Scotland to the equitable assignment which exists under English law and so the assignment will be perfected by intimation (i.e. notice) to the occupational tenants who have been instructed to pay all rents directly to an account controlled by the Borrower Security Trustee.

### **Scottish assignment of collateral warranties**

Pursuant to the terms of the Scottish Assignment of Collateral Warranties, the Glasgow Unit Trust Trustee will assign in favour of the Borrower Security Trustee its interest under certain collateral warranty agreements entered into in respect of the Scottish Property. Although signed intimations addressed to each relevant counterparty are to be delivered to the Borrower Security Trustee, the Borrower Security Trustee will not deliver these to the relevant counterparty until the occurrence of an Event of Default. Until such intimations are delivered to the relevant counterparty, the Borrower Security Trustee will have no fixed security over the relevant collateral warranty agreements.

### **Hedging risks**

The Loans bear interest at a floating rate. The income to be applied in repayment of the Loans (comprising, primarily, rental income in respect of the Properties) does not vary according to

prevailing interest rates. Therefore, in order to address this interest rate risk the Borrower will enter into and under the terms of the Credit Agreement, is required to maintain, the Loan Hedging Arrangements. See further "*The Loans and the Loan Security – Hedging Obligations*" below.

As at the Closing Date the Loans will be hedged up to the Loan Interest Payment Date falling in July 2012. If the term of the Loans is extended pursuant to the Credit Agreement, such extension will be conditional upon the Loans being hedged to the Loan Interest Payment Date falling in July 2014.

If the Borrower were to default in its obligation to maintain suitable hedging arrangements, or if a Loan Hedge Counterparty were to default in its obligations to the Borrower, then the Borrower may have insufficient funds to make payments due at that time in respect of the Loans. In these circumstances the Issuer may have insufficient funds to make payments in full on the Notes, and Noteholders could, accordingly, suffer a loss.

### **Other indebtedness of the Borrower**

The Borrower, which has been in existence since 2003, was not formed specifically for the purposes of this transaction and has indebtedness other than that incurred under the Loans. Furthermore, the Borrower may incur additional indebtedness on a secured or unsecured basis (provided that such security is not over the assets secured by the Finance Documents) in connection with its business after the Closing Date. The existence of such indebtedness may adversely affect the financial viability of the Borrower. Additional debt increases the possibility that the Borrower would lack the resources to repay the Loans and its other debt. In addition, the Borrower may have actual or contingent liabilities linked to its activities which may result in the insolvency or administration of the Borrower.

In order to address these risks, the Credit Agreement restricts the right of the Borrower to incur additional indebtedness to within defined limits. There can be no assurance, however, that no such actual or contingent liabilities exist or that the activities of the Borrower outside of the transaction will not lead to its being the subject of an insolvency or administration order.

### **Administration of the Borrower**

The making of an administration order under the Insolvency Act 1986 (as amended) (as applied to limited partnerships by virtue of the Insolvent Partnerships Order (SI 1994/2421)) prohibits a secured creditor from enforcing its security unless the consent of the administrator or the leave of the court is obtained. As the Borrower (a) is an English limited partnership formed under the Limited Partnerships Act 1907 and (b) has not granted a floating charge in order to secure its obligations under the Credit Agreement, it will not be possible to block the making of an administration order in respect of the Borrower and its assets by the appointment of an administrative receiver pursuant to a qualifying floating charge. As a result of the stay of proceedings upon the making of such an administration order, the Borrower Security Trustee would not be entitled to enforce its security over the Borrower's assets, unless it obtained the consent of the administrator or approval of the court. In these circumstances, it is likely that the Borrower Security Trustee would also be prevented from enforcing the security granted by the Property Trustees, Holdco, Subco, the Unit Trust Trustees and Sub G1 (since it largely relates to assets to which the Borrower is beneficially entitled) without the consent of the administrator or the leave of the court.

In order to ensure that, in the event of an administration order being made in respect of the Borrower, the rental income and any disposal proceeds relating to the Properties continue to be applied in meeting the Borrower's obligations under the Credit Agreement, the Obligors have entered into the arrangements described in "*The Loans and the Loan Security – Loan Security*". Pursuant to these arrangements, the Borrower has, *inter alia*, directed the Property Trustees to grant the Guarantee, and Holdco, Subco, the Unit Trust Trustees and Sub G1 have also guaranteed the

Borrower's obligations. The Property Trustees and the Unit Trust Trustees will be required and empowered to satisfy their obligations under the Guarantee out of the Trust Property and such payments to the Issuer will not violate the automatic stay provisions that would come into place upon the making of any administration order in respect of the Borrower. The effectiveness of such arrangements, however, could be challenged by an administrator or a third party creditor of the Borrower in the courts of England and Wales. Any such challenge could give rise to delays in enforcement of the security in respect of the Properties and the rents. Although the Liquidity Facility will, subject to certain conditions, be available, there is no guarantee that (if available) it would be in an amount sufficient to meet any shortfalls arising as a result of any such delays in enforcement.

## **C. Considerations relating to the Properties**

### **Concentration of risk generally**

The Loans are secured by, among other things, first fixed charges or a standard security over the Properties. Commercial mortgage lending is generally viewed as exposing a lender to greater risk than residential mortgage lending since the repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related property. The only funds which will be available to make payments under the Loans will be those amounts standing to the credit of the Rent Accounts from time to time, payments received from the Loan Hedge Counterparties, certain insurance proceeds, funds generated by disposals of the Properties, and any amounts generated by enforcement of the security granted by the Obligors. There will be no other resources available to make payments under the Loans.

Real property investments are subject to varying degrees of risk. Rental revenues and property values are affected by changes in the general economic climate and local conditions such as an oversupply of space, a reduction in demand for real estate in an area, competition from other available space or increased operating costs. Rental revenues and property values are also affected by such factors as political developments, government regulations and changes in planning laws or policies and changes in tax laws, interest rate levels, inflation, and the availability of financing and yields of alternative investments. Rentals and values are sensitive to such factors, which can sometimes result in rapid, substantial increases and decreases in rental and valuation levels.

### **Borrower's dependence on occupational tenants**

The Borrower's ability to meet its obligations under the Credit Agreement will depend upon it or the relevant Property Trustee continuing to receive a significant level of aggregate rent from the tenants under the Occupational Leases. The Borrower's ability to make payments in respect of the Credit Agreement could be adversely affected if occupancy levels at the Properties were to fall or if a significant number of tenants were unable to meet their obligations under the Occupational Leases.

The ability to attract the appropriate types and number of tenants paying rent levels sufficient to allow the Borrower to make payments due under the Credit Agreement will depend on, among other things, the performance generally of the office and the business park property market. Continued global instability (resulting from economic and/or political factors, including the threat of global terrorism) may adversely affect the United Kingdom economy.

Rental levels, the quality of the building, the amenities and facilities offered, the convenience and location of the Properties, the amount of space available, the transport infrastructure and the age of the building in comparison to the alternatives, are all factors which influence tenant demand. There is no guarantee that changes to the infrastructure, demographics, planning regulations and economic circumstances relating to the areas surrounding the Properties will not adversely affect the demand for units in the Properties.



## **Privity of contract**

The Landlord and Tenant (Covenants) Act 1995 (the **Covenants Act**) provides, *inter alia*, that, in relation to leases of property in England and Wales granted after 1 January 1996 (other than leases granted after that date pursuant to agreements for leases entered into before that date), if an original tenant under such a lease assigns that lease (having obtained all necessary consents (including consent of the landlord if required by the lease)), that original tenant's liability to the landlord, under the terms of the lease, ceases. The Covenants Act provides that arrangements can be entered into by which, on assignment of a lease of commercial property, the original tenant can be required to enter into an "authorised guarantee" of the assignee's obligations to the landlord. Such an authorised guarantee relates only to the obligations under the lease of the original assignee of the outgoing tenant providing that guarantee and not to any subsequent assignees of that original assignee. The same principles apply to an original assignee if it assigns the lease.

There can, however, be no assurance that any assignee of an Occupational Lease of any part of a Property will be of a similar credit quality to the original tenant, or that any subsequent assignees (who in the context of a new tenancy will not be covered by the original tenant's authorised guarantee) will be of a similar credit quality.

Except as disclosed in the Certificates of Title, each existing Occupational Lease (other than short term at will or licence arrangements) prohibits the relevant tenant from assigning without the landlord's previous consent, which is not to be unreasonably withheld. However, whilst it will be reasonable to refuse consent to assign where the new tenant clearly cannot afford to pay the rent or perform the covenants, there can be no assurance that any assignee of an occupational lease (or any part thereof), nor any subsequent assignees covered by an authorised guarantee, will be of a similar credit quality to the existing tenants. Moreover, although the interpretation of the Covenants Act on this point is unclear, it is arguable that the guarantor of a tenant under a new tenancy cannot be required, at the time when it enters into that guarantee, to guarantee or to commit to guarantee the obligations of that tenant under an authorised guarantee when that tenant itself assigns. Therefore, there can be no assurance, in the absence of clarifying court decisions, that any guarantor of an existing tenant can be required to guarantee an authorised guarantee given by the existing tenant on assignment. In addition, not all existing Occupational Leases require assigning tenants to enter into authorised guarantee agreements.

Under Scots law, upon assignment of the tenant's interest, the tenant's liability to the landlord ceases, subject to any express contractual agreement. It is not usual for a guarantee from the outgoing tenant to be obtained in Scotland, it being generally in the power of the landlord to withhold consent to the assignment if it is not satisfied with the covenant of the proposed assignee.

## **Development of the Properties**

The Borrower will have certain discretions as to matters including the design and configuration of the Properties and development within and outside the Properties. The Borrower is required under the terms of the Credit Agreement to provide the Facility Agent with information in relation to any proposed and ongoing developments. Developments are subject to certain restrictions with respect to aggregate costs of work in progress from time to time and subject to deposit requirements for works undertaken within the last six months of the Loan Maturity Date. Although the Borrower and the Goodman Group, formerly known as the Arlington Group, (the Goodman Group being Goodman Real Estate Services (UK) Limited and its subsidiaries from time to time) are experienced in managing business parks, there can be no assurance that decisions taken by them in future will not adversely affect the value of or cashflows from the Properties. See further "*The Loans and the Loan Security – Development of the Properties*".

## **Statutory rights of tenants**

In certain circumstances, occupational tenants may have legal rights to require a landlord to grant them tenancies, for example pursuant to the Landlord and Tenant Act 1954 or the Covenants Act (these Acts apply to England and Wales only). In Scotland, the only similar statutory rights are restricted to retail premises in relation to which the Tenancy of Shops (Scotland) Act 1949 entitles a tenant, whose tenancy has been terminated by notice, to apply to the court for an extension to its lease of up to one year and, if granted, for further renewals thereafter. Should such a right arise, the landlord may not have its normal freedom to negotiate the terms of the new tenancy with the tenant, such terms being imposed by the court if the parties cannot reach agreement. Accordingly, while it is the general practice of the courts in renewals under the Landlord and Tenant Act 1954 to grant a new tenancy on similar terms to the expiring tenancy, the basic annual rent will be adjusted in line with the then market rent at the relevant time but there can be no guarantee as to the terms on which any such new tenancy will be granted. A landlord may object to the granting of a new lease on a number of grounds including (a) if the property is required for redevelopment or for the landlord's own use; or (b) if the tenant is in breach of covenant, but in some circumstances the court will allow the tenant time to correct the default.

Under Scots law, a lease ends at the stated period subject to very limited continuation rights by virtue of the concept of tacit relocation. Tacit relocation may apply where a landlord or tenant has failed to give the appropriate notice to terminate the lease. If no termination notice is served, a lease will continue under tacit relocation on the same terms, including the rent, then payable for a period of one year if the original lease was for a term of one year or more or, if shorter, for an equivalent period. Tacit relocation will operate from year to year until the appropriate notice to terminate is served by either party.

## **Administration risk in respect of certain tenants**

If a corporate tenant were to go into administration, the Borrower and the Property Trustees would be prohibited under the Insolvency Act 1986 (as amended, the **Insolvency Act**) from taking any action whatsoever against the occupational tenant for recovery of sums due by means of distress or any other legal process. In addition, the Borrower and the Property Trustees would not be permitted to exercise a right of forfeiture by peaceable re-entry or in Scotland would not be permitted to exercise a right of irritancy, in respect of the lease except with the consent of the administrator or the leave of the court.

The statutory moratorium on the enforcement of all legal proceedings against a tenant company in administration, as described above, is effective from the time an administration application is filed at court or, where an administrator is to be appointed to a tenant company out of court, from the time a notice of intention to appoint an administrator or a notice of appointment of administrator is filed at court in accordance with the Insolvency Act.

If the corporate tenant in administration is still trading at the premises or has plans to recommence trading with a view to the survival of the company as a going concern, the court might refuse to grant a landlord the right to re-enter the premises occupied by that tenant or to forfeit or irritate the lease, on the grounds that to do so would frustrate the purpose of the administration and, furthermore, the court might do so notwithstanding that the administrator was only paying a reduced or even zero rent under the terms of the relevant lease. This change in legislative approach could impact on the management of the Properties and could result in an increase in the number of units in the Properties which are currently producing no or reduced income from time to time. However, there is no certainty at this time as to how the court would apply these new provisions.

## **Changes to the enactment of the Lease Code**

The Code of Practice for commercial leases in England and Wales (2nd edition) was launched in April 2002 (the **Lease Code**). The Lease Code is a non-binding guide to best practice for landlords negotiating leases. It also contains various recommendations on key terms of commercial leases. The Office of the Deputy Prime Minister issued a consultation paper announcing a period of consultation from 1 June 2004 to 30 September 2004 and inviting representations from relevant bodies in relation to options to deter or prohibit inflexible leasing practices, focusing on the use of upwards only rent review clauses. The consultation paper proposed six options, ranging from doing nothing to changing the voluntary nature of the Lease Code to banning upwards only rent review clauses. In February 2005, the Office of the Deputy Prime Minister issued a report by Reading University entitled *Monitoring the 2002 Code of Practice for Commercial Leases*, which, among other things, concluded that although the Lease Code is having very little impact on individual lease negotiations, there are clear signs that it has played an important part in the general application of pressure for change in leasing practices and has had some long term effect on the increasing flexibility and choice in commercial property leases.

The Government announced on 15 March 2005 that it was not currently proposing to legislate against upwards only rent review but that it would continue to monitor the position. There is still a risk that legislation could be introduced to regulate all commercial leases, which could adversely impact rental income and property values. In particular, there is a risk that the law on assignment and subletting could be amended in favour of tenants. There is, however, no current expectation that any resulting legislation would apply retrospectively to render invalid pre-existing upwards only rent review clauses, or other potentially inconsistent provisions.

## **Leasing Parameters**

The level of service charges (if any) payable by tenants under their respective Occupational Leases may differ, but the overall level of service charges payable by all tenants is normally calculated by reference to expenditure with a final reconciliation so as to ensure that the landlord recovers from the tenants (taken as a whole) substantially all of the service costs associated with the management and operation of the Properties to the extent that the Borrower itself does not make a contribution to those costs. The landlord is not entitled to recover from the tenants the costs associated with any major improvements to or refurbishments of the relevant Property. Also, to the extent that there are any unlet units in any of the Properties, the Borrower will generally experience a shortfall depending on the portion of the Properties that are empty.

## **Reports**

Certificates of title in respect of title to the Properties have been prepared by the legal advisors of the Borrower and reviewed by the legal advisors of the Issuer Security Trustee. In addition, the Issuer has obtained environmental reports and building condition surveys in respect of the Properties. None of these reports revealed any issues with respect to the Properties which would have a Material Adverse Effect.

## **Reliance on Valuation Report**

The valuation report (the **Valuation Report**) set out under the heading "*Valuation Report and Schedule*" set forth in Appendix B below is addressed to, among others, each of the Issuer, the Issuer Security Trustee, the Facility Agent, the Arrangers and the Lead Managers, but may be relied on by each of them only as more fully set out therein.

The Valuer has valued the Portfolio at £1,081,190,000 based on the tenancies as at 31 March 2007. There can be no assurance, however, that the market value of the Portfolio will continue to be equal

to or exceed such valuation. As the market value of the Portfolio fluctuates, there is no assurance that this market value will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Loans and therefore such amounts due under the Notes. If some or all of the Properties are sold following a default under the Credit Agreement, there can be no assurance that the net proceeds of such sale would be sufficient to pay in full all amounts due under the Loans and therefore such amounts due under the Notes.

## **Insurance**

The Credit Agreement provides that the Facility Agent is named as co-insured under the insurance policies maintained by the Borrower in respect of the Properties (the **Insurance Policies**).

If a claim under an Insurance Policy is made, but the relevant insurer fails to make payment in respect of that claim on a timely basis or at all, this could prejudice the ability of the Borrower to make payments in respect of the Loans, which would in turn prejudice the ability of the Issuer to make payments in respect of the Notes. Under the terms of the Credit Agreement, the Borrower is required to maintain the Insurance Policies with an insurance company or underwriter having a long-term credit rating of at least A (or better) by Fitch or A2 (or better) by Moody's or A (or better) by S&P.

Under the terms of the Credit Agreement, the Borrower must apply all monies received under any Insurance Policy (other than loss of rent or third party liability insurance) towards replacing, restoring or reinstating the relevant Property to which the claim relates. In addition, except where restricted by the terms of the relevant insurance policy or Occupational Lease, the proceeds of any Insurance Policy (other than loss of rent or third party liability insurance) may be used, at the option of the Borrower, to prepay the Loans.

Insurance for loss of rent will, subject to certain exceptions, cover the loss of rent during the period of rent cessation up to a specified duration. Although a relevant tenant will again be liable to pay the rent once a property has been reinstated, it is likely that a tenant so affected would exercise any rights it might have to terminate its lease (where such right is granted) if the premises are not reinstated in time. In such circumstances, the Borrower may not be entitled to loss of rent insurance and rent from the Property, and any proceeds of insurance may be insufficient to cover amounts due by the Borrower under the Credit Agreement.

## **Uninsured losses**

The Credit Agreement also contains provisions requiring the Borrower to insure or procure the taking out of insurance with respect to the Properties in accordance with specified terms (as to which, see further "*The Loan and the Loan Security – The Credit Agreement – Undertakings*" below). There are, however, certain types of losses (such as losses resulting from war, terrorism (which, within certain limits, is currently covered by the existing insurances), nuclear radiation, radioactive contamination and heave or settling of structures) which may be or become either uninsurable or not insurable at economically viable rates or which for other reasons are not covered, or required to be covered, by the required Insurance Policies. The Borrower's ability to repay the Loans (and, consequently, the Issuer's ability to make payments on the Notes) might be affected adversely if such an uninsured or uninsurable loss were to occur, to the extent that such loss is not the responsibility of the occupational tenants pursuant to the terms of their occupational leases.

## **Planning matters**

The directors of the Borrower have confirmed for the purposes of each Certificate of Title that the relevant Properties have been constructed in accordance with all relevant planning legislation and, as far as they are aware, there are no material breaches of planning control existing on the Properties. In

this regard, it should be noted that where occupational tenants are in breach of planning obligations or conditions, they would be required under the terms of their occupational lease to take responsibility for such breach. Failure to comply with planning obligations or conditions could give rise to planning enforcement or other compliance action by the local planning authority. Breaches of highways agreements could result in enforcement action by the Highways Authority including the stopping up of access to the Properties.

### **Environmental matters**

Certain existing environmental legislation imposes liability for remediation costs on the owner or occupier of land where the person who caused or knowingly permitted the pollution cannot be found. The term "owner" would include anyone with a proprietary interest in a property. Even if more than one person may have been responsible for the contamination, each person covered by the relevant environmental laws may be held responsible for all or part of the remediation costs incurred.

If any environmental liability were to exist in respect of any of the Properties, neither the Issuer nor the Facility Agent (in its capacity as Borrower Security Trustee) should incur responsibility for such liability prior to enforcement of the Loan Security, unless it could be established that the relevant party had entered into possession of the relevant Property or could be said to be in control of the relevant Property. After enforcement, the Facility Agent, if deemed to be a mortgagee or heritable creditor in possession, or a receiver appointed on behalf of the Facility Agent, could become responsible for environmental liabilities in respect of a relevant Property. The Facility Agent is indemnified by the Obligors against any such liability under the terms of the Credit Agreement and amounts due in respect of any such indemnity will be payable in priority to payments to the relevant Lenders (including the Issuer).

If an environmental liability arises in relation to any Property and is not remedied, or is not capable of being remedied, this may result in an inability to sell that Property or in a reduction in the price obtained for that Property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site, and the presence of substances on that Property, could result in personal injury or similar claims by private claimants.

### **Compulsory purchase**

Any Property in England and Scotland may at any time be compulsorily acquired by, among others, a local or public authority or a government department, generally in connection with proposed redevelopment or infrastructure projects.

If, however, a compulsory purchase order is made in respect of a Property (or part of a Property), compensation would be payable on the basis of the market value of all of the Borrowers', the Property Trustees', the Unit Trust Trustees' and the tenants' proprietary interests in that Property (or part thereof). Where a general vesting declaration is made, compensation is assessed as at or from the vesting date. In other cases, where a notice to treat is served, the valuation date is either the date on which the acquiring authority takes possession or, if earlier, the date on which compensation is either agreed between the parties or settled by the Land Tribunal. Following such a purchase the tenants would cease to be obliged to make any further rental payments under the relevant Occupational Lease (or rental payments would be reduced to reflect the compulsory purchase of a part of that Property, if applicable). Following payment of compensation to the Property Trustees, the Borrower may (if, in the opinion of the Facility Agent acting reasonably, the compulsory purchase does not and will not have a Material Adverse Effect) prepay up to an amount equal to 115 per cent. of the Allocated Debt Amount in relation to that Property under the Credit Agreement, which prepayment will be used by the Issuer to redeem the Notes (in whole or in part). The Borrower may also use the compensation to acquire a new property in accordance with the Credit

Agreement. The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold, heritable or leasehold estate of a Property may be less than the original value ascribed to such Property.

It should be noted that there is often a delay between the compulsory purchase of a property and the payment of compensation (although interest is payable from the date upon which the acquiring authority takes possession of the property until any outstanding compensation is paid), which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the market value of the property. Such a delay may, unless the Borrower has other funds available to it, give rise to an Event of Default.

### **Frustration**

In exceptional circumstances, a tenancy could be frustrated under English law or Scots law with the result that the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Under English law frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party to the agreement, so that it would be inequitable for such an agreement or agreements to continue. Under the equivalent Scots law principle of *rei interitus*, a tenancy will (subject to express agreement to the contrary) terminate if the leased property is destroyed to the extent that it is no longer tenable or if an event occurs which otherwise precludes performance of the parties' rights and obligations under the relevant tenancy agreement. It is usual however for provisions to appear in leases aimed at securing a continuing lease notwithstanding total or partial destruction of the property.

If a tenancy granted in respect of any part of a Property were to be frustrated then this could operate to have an adverse effect on the income derived from, or able to be generated by, that Property. This in turn could cause the Borrower to have insufficient funds to make payments in full in respect of the Credit Agreement, which could lead to a default thereunder.

### **Mortgagee in possession liability**

The Issuer or the Borrower Security Trustee may be deemed to be a mortgagee or heritable creditor in possession if there is physical possession of a Property or an act of control or influence which may amount to possession, such as submitting a demand or notice direct to tenants requiring them to pay rents to the Borrower Security Trustee or the Issuer (as the case may be). In a case where it is necessary to initiate enforcement procedures against the Borrower or the Property Trustees, the Borrower Security Trustee is likely to appoint a receiver, where competent, to collect the rental income on its behalf or that of the Issuer, which should have the effect of reducing the risk that they would be deemed to be mortgagees in possession.

A mortgagee or heritable creditor in possession has an obligation to account for the income obtained from the relevant property and, in the case of tenanted property, will be liable to a tenant for any mismanagement of the relevant property. A mortgagee or heritable creditor in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

### **Risks relating to conflicts of interest**

There will be no restrictions on either the Servicer or the Special Servicer preventing them from acquiring Notes or servicing loans for third parties, including loans similar to the Loans. The properties securing any such loans may be in the same market as the Properties. Consequently, personnel of the Servicer or the Special Servicer, as the case may be, may perform services on behalf of the Issuer with respect to the Loans at the same time as they are performing services on behalf of other persons with respect to similar loans. Despite the requirement on each of the Servicer and the

Special Servicer to perform their respective servicing obligations in accordance with the terms of the Servicing Agreement (including the Servicing Standard), such other servicing obligations may pose inherent conflicts for the Servicer or the Special Servicer.

The Servicing Agreement will require the Servicer and the Special Servicer to service the Loans in accordance with, among other things, the Servicing Standard. Certain discretions are given to the Servicer and the Special Servicer in determining how and in what manner to proceed in relation to the Loans. Furthermore, as the Servicer and the Special Servicer may each acquire Notes, either of them could, at any time, hold any or all of the most junior Class of Notes outstanding from time to time. As holder of that Class of Notes, the Servicer or the Special Servicer (as applicable) may have interests which conflict with the interests of the holders of the more senior Classes of Notes from time to time. However, each of the Servicer and the Special Servicer will be required to perform its duties under the Servicing Agreement and to act in the best interests of all of the Noteholders.

Furthermore, an Initial Property Adviser, the Initial Investment Adviser, the Initial Operator and the managing agents (if any) may own or manage additional properties, including properties that compete with the Properties in the Portfolio and, as such, may experience conflicts of interest in the management of the Properties from time to time.

Each of The Royal Bank of Scotland plc (**RBS**) and Eurohypo Aktiengesellschaft, London Branch (**Eurohypo**) currently and may, at any time in the future, act (separately, or together, with or without other parties and directly or via affiliates) as financiers under additional credit facilities made available to the Borrower. Their interests as financiers in these circumstances may differ from the interests of Noteholders, and neither RBS nor Eurohypo will be limited in the way that it exercises its rights under or in respect of those facilities. For so long as Eurohypo is the Servicer or the Special Servicer, however, it will be required to act in accordance with the terms of the Servicing Agreement and to comply with the Servicing Standard notwithstanding any other such roles. Similarly, for so long as RBS is the Liquidity Bank, it will be required to act in accordance with the terms of the Liquidity Facility Agreement notwithstanding any other such roles.

#### **Appointment of substitute Servicer**

Prior to or contemporaneously with any termination of the appointment of the Servicer, it would first be necessary for the Issuer to appoint a substitute Servicer approved by the Issuer Security Trustee. The ability of any substitute Servicer to administer the Loans successfully would depend on the information and records then available to it. There is no guarantee that a substitute Servicer could be found who would be willing to administer the Loans at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though the Servicing Agreement will provide for the fees payable to a substitute Servicer to be consistent with those payable generally at that time for the provision of commercial mortgage administration services). The fees and expenses of a substitute Servicer would be payable in priority to payments due under the Notes.

#### **D. General Considerations**

##### **Consents to variations of the Transaction Documents, the Finance Documents and other matters**

In relation to certain matters, including any variation of the terms of the Finance Documents and the Transaction Documents, the consent of the Facility Agent or the Issuer Security Trustee (as appropriate) will be required. The Facility Agent or the Issuer Security Trustee (as appropriate) will be obliged to give such consent if certain conditions are met, such as receipt of written confirmation from the Rating Agencies, (in the situations where it is applicable that rating agencies supply such consent), that the Notes will not be downgraded below their then current ratings.

Where a particular matter (including the determination of material prejudice by the Facility Agent and changes to certain of the operational covenants) involves the Rating Agencies being requested to confirm the then current ratings of the Notes, such confirmation may or may not be given, at the sole discretion of the Rating Agencies. Any such confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time. A confirmation of ratings represents only a restatement of the ratings given at the Closing Date and should not be construed as advice for the benefit of any parties to the transaction. No assurance can be given that a requirement to seek a ratings confirmation will not have a subsequent impact upon the business of the Borrower.

### **United Kingdom taxation position of the Issuer**

The Issuer is incorporated in Ireland. However, on the basis that the Issuer is not managed and controlled in Ireland, but is instead centrally managed and controlled in the United Kingdom, the Issuer will not be resident in Ireland for the purposes of Irish tax and will instead be resident in the United Kingdom for United Kingdom tax purposes. Pursuant to the Finance Act 2005, regulations have been made to establish a permanent regime for the taxation of "securitisation companies" such as the Issuer. For accounting periods beginning on or after 1 January 2007, companies to which the regulations apply will be taxed broadly by reference to their "retained profit" rather than by reference to their accounts. It is expected (and the Issuer has been so advised) that the Issuer will fall within the permanent regime for securitisation companies but, if it does not (or subsequently does not), then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cashflows for the transaction and, as such, adversely affect the tax treatment of the Issuer and consequently payment of the Notes.

### **European Monetary Union**

It is possible that, prior to the maturity of the Notes, the United Kingdom will become a participating Member State in the Economic and Monetary Union and that consequently the euro will become the lawful currency of the United Kingdom. If so, (a) all amounts payable in respect of the Notes may become payable in euro, (b) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed and (c) applicable provisions of law may allow the Issuer to redenominate the Notes into euro and to take additional measures in respect of the Notes.

If the euro becomes the lawful currency of the United Kingdom and the Notes are outstanding at the time, the Issuer intends to make payments on the Notes in accordance with the then market practice of payments on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the Borrower's ability to repay the Loans, although the Borrower is required to maintain certain hedging cover in respect of its obligations under the Credit Agreement.

### **European Union Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).



## **Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Notes**

Following the issue of proposals from the Basel Committee on Banking Supervision for reform of the 1998 Capital Accord, a framework has been developed which places enhanced emphasis on market discipline and sensitivity to risk. An updated version of the text of the proposed framework was published in November 2005 under the title "Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework" (the **Framework**). The Framework is being implemented in stages (partly from year-end 2006 and the most advanced from year-end 2007). However, the Framework is not self-implementing and, accordingly, implementation dates in participating countries are dependent on the relevant national implementation process in those countries. As and when implemented, the Framework could affect risk-weighting of the Notes for investors who are subject to capital adequacy requirements that follow the Framework. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the application of the Framework and any relevant implementing measures. Proposals and guidelines for implementing the Framework in certain participating jurisdictions are still in development and no predictions can be made as to the precise effects of potential changes on any investor or otherwise.

## **Security granted by the Issuer and the Obligors – Enterprise Act 2002**

The corporate insolvency provisions of the Enterprise Act 2002 (the **Enterprise Act**), which amend certain provisions of the Insolvency Act, introduced significant reforms to corporate insolvency law. The Insolvency Act is applicable to the Issuer and/or those Obligors which are English companies or otherwise subject to English insolvency proceedings. The reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company had the ability to block the appointment of an administrator by appointing an administrative receiver, who would act primarily in the interests of the floating charge holder.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security (such as the Issuer Security, the floating security granted by Holdco, Subco and the Property Trustees and Sub G1 under the English SPC Debenture, and the floating security granted by the Unit Trust Trustees under the English Unit Trustee Debenture) which form part of a capital market arrangement (as defined in the Insolvency Act) involving indebtedness of at least £50,000,000 (or where the relevant security document was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond).

The Issuer is of the view that the floating charge granted by it under the Issuer Deed of Charge and the floating charges granted under the English SPC Debenture and the English Unit Trustee Debenture will fall within the "capital markets exception" under section 72B of the Insolvency Act. It should, however, be noted that the Secretary of State may, by secondary legislation, modify the capital markets exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders. However, this is not relevant in respect of the security granted by the Borrower because it is not possible to block the appointment of an administrator in respect of the Borrower (see "*Risk Factors – Administration of the Borrower*").

The Insolvency Act also contains a new out-of-court route into administration for a qualifying floating charge-holder, the directors or the relevant company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating charge holder does not respond to the directors' or company's notice of intention to appoint, the directors' or, as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

The new provisions of the Insolvency Act give primary emphasis to the rescue of a company as a going concern and to achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured creditors is secondary. No assurance can be given that the primary purposes of the new provisions will not conflict with the interests of Noteholders were the Issuer ever subject to administration.

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the company's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50% of the first £10,000 of floating charge realisations plus 20% of the floating charge realisations thereafter, up to a maximum of £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for an order that the provisions of section 176A should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits. Floating charge realisations upon the enforcement of the Issuer Security may be reduced by the operation of these "ring fencing" provisions.

### **Non-resident Obligors**

Some of the Obligors are incorporated, and have their registered office or are otherwise established, in jurisdictions other than England and Wales (the **Foreign Obligors**). These other jurisdictions include countries outside the European Union.

With respect to these Foreign Obligors, there is the risk that:

- (a) third party creditors may commence insolvency proceedings against such Foreign Obligors in their respective jurisdiction of incorporation or the place of their registered office;
- (b) an English court might decline jurisdiction if the relevant Finance Party were to seek to commence insolvency proceedings in England; and
- (c) in certain circumstances, an English court may recognise insolvency proceedings commenced in another jurisdiction (including those referred to above) and may, for

example, make an order impacting on the availability of certain types of creditor action in England and/or resulting in the application of English or Scottish claw-back provisions to such Foreign Obligors, notwithstanding that there are no corresponding relevant English or Scottish insolvency proceedings.

In relation to **paragraph (a) above**, the extent to which insolvency proceedings may be commenced in such jurisdiction would be, in each case, a matter to be determined under the laws of the relevant jurisdiction (subject, in the case of the Foreign Obligors with their "centre of main interests" in the European Union, to Council Regulation (EC) No. 1346/2000 of 29 May 2000 (**the EC Insolvency Regulation**) as discussed below). Where the EC Insolvency Regulation does not apply, it is likely to be possible to commence insolvency proceedings in a particular jurisdiction if that is where the Foreign Obligor is incorporated and, in some cases, it may be sufficient that the Foreign Obligor had a place of business or assets in the relevant jurisdiction.

In relation to **paragraph (b) above**, the extent to which English law insolvency proceedings can be commenced in respect of a Foreign Obligor will be determined by the EC Insolvency Regulation and the Insolvency Act 1986, as amended. The EC Insolvency Regulation governs the opening of insolvency proceedings in respect of a company with its "centre of main interests" in an EU Member State. Accordingly, a key factor in this regard will be the location of the "centre of main interests" of each of the Foreign Obligors for the purposes of the EC Insolvency Regulation. The location of the centre of main interests will be a question of fact in each case; there is a rebuttable presumption that it is in the place of the registered office but this presumption may be rebutted where the company administers its interests on a permanent basis in a manner ascertainable by third parties in another jurisdiction. If the presumption applies and the "centre of main interests" of each of the Foreign Obligors for these purposes is in the place of its registered office, the EC Insolvency Regulation would not apply in relation to the Foreign Obligors, and English law insolvency proceedings could only be commenced in respect of such Foreign Obligors in the limited circumstances referred to in section 426 of the Insolvency Act, as amended, which provides for co-operation between courts exercising jurisdiction in relation to insolvency.

In relation to **paragraph (c) above**, under the regulations which implement the UNCITRAL Model Law on Cross-Border Insolvency in Great Britain (**the UNCITRAL Regulations**), in certain circumstances, a foreign insolvency officeholder appointed in respect of certain foreign insolvency proceedings may apply to the English or Scots court for recognition of such proceedings. As the EC Insolvency Regulation prevails over the UNCITRAL Regulations, this is most likely to be relevant where a Foreign Obligor has its centre of main interests outside the EU. The foreign insolvency proceedings will be recognised (provided certain conditions are met) if commenced in the jurisdiction where the relevant debtor company had its "centre of main interests" or an "establishment" (each of which has a meaning for the purposes of the UNCITRAL Regulations substantially similar to the definition included in the EC Insolvency Regulation). If recognition is granted, a mandatory stay will apply to certain types of creditor action (not extending to security enforcement) in England and Wales and Scotland. In certain circumstances, the English or Scots court may exercise its discretion to impose a wider stay extending to security enforcement (provided that the court must take into account the interests of the secured creditors). In addition, if recognition is provided, then, upon application by the foreign officeholder, the English or Scots court may make an order in respect of the relevant company applying certain avoidance (including claw-back) provisions of the Insolvency Act, as amended (notwithstanding that there are no corresponding English or Scots administration and/or liquidation proceedings or that the English or Scots court may not have jurisdiction to commence such proceedings).

### **Insolvency Act 2000**

Under the Insolvency Act 2000, certain companies (**small companies**) are entitled to seek protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary

arrangement with the option for creditors to extend the moratorium for a further two months. A small company is defined as one which satisfies two or more of the following criteria:

- (a) its turnover is not more than £5.6 million;
- (b) its balance sheet total is not more than £2.8 million; and
- (c) the number of employees is not more than 50.

The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. The Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for small companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Noteholders.

However, secondary legislation has been enacted which excludes certain special purpose companies in relation to capital markets transactions from the optional moratorium provisions. Such exceptions include (i) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in that secondary legislation) under which a party has incurred, or when the agreement was entered into was expected to incur, a debt of at least £10 million and which involves the issue of a capital market investment (also defined, but generally a rated, listed or traded bond) and (ii) a company which has incurred a liability (including a present, future or contingent liability) of at least £10 million.

The Issuer is of the view that it should fall within the exceptions (as would each of Holdco, Subco Sub G1, the Property Trustees and the Unit Trust Trustees but not the Borrower). There is no guidance, however, as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. Accordingly, no assurance may be given that any modification of the eligibility requirements for these exceptions will not be detrimental to the interests of Noteholders.

If the Issuer (or any of the relevant Obligors) was determined to be a "small" company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the security for the Notes or the Loans, respectively, may, for a period, be prohibited by the imposition of a moratorium.

### **Change of law**

The structure of the issue of the Notes, the ratings which are to be assigned to them and the related transactions described in this Prospectus are based on English, Scots and European laws and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English or European law or administrative practice after the date of this document, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

## **E. Risks Relating to the Issuer**

### **Fixed/Floating Security**

Under Irish law, for a charge to be characterised as a fixed charge, it must be expressed to be such and the charge holder must be entitled to and must in practice exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. A security interest expressed to be of a fixed nature may be

recharacterised as floating by an Irish court if the court determines that all of the above features are not present throughout the life of the arrangements.

Although certain of the security to be granted by the Issuer in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge may be expressed to be of a fixed nature, there can be no assurance that a court would not nevertheless recharacterise such security as floating. The priority of the holder of floating security is more vulnerable than that of the holder of fixed security in certain circumstances. See further "*Preferred Creditors under Irish Law*" below.

### **Preferred Creditors under Irish Law**

Under Irish law, upon an insolvency or examinership of an Irish company such as the Issuer when applying the proceeds of assets subject to fixed security which have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which includes any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts.

The interest of secured creditors in property and assets of an Irish company over which there is a floating charge only will rank behind the claims of certain preferential creditors on enforcement of such security. Preferential creditors include the Irish Revenue Commissioners, statutory redundancy payments due to employees (including where those employees have been made redundant as a result of the liquidation of the borrower) and money due to be paid by the Irish company in respect of employers' contributions under any pension scheme.

### **Examinership**

Examinership is a court moratorium/protection procedure available under Irish company law. An examiner may be appointed to a company which is likely to be insolvent if the court is satisfied that there is a reasonable prospect of the survival of the company and all or part of its undertaking as a going concern. During the examinership period (70 days, or longer in certain circumstances) the company is protected from most forms of enforcement procedure and the rights of its secured creditors are largely suspended. Accordingly, if an examiner is appointed to the Issuer, the Note Trustee would be precluded from enforcing the security over any secured assets during the period of the examinership. An examiner has various powers during the examinership period, including power to deal with charged property of the company, repudiate certain contracts, and incur borrowing costs and other expenses, some of which will take priority over the rights of secured creditors. If the examiner concludes that it would facilitate the survival of the company as a going concern, he must formulate proposals for a compromise or scheme of arrangement in relation to the company. The members and creditors of the company will have an opportunity to consider any such proposals, and the proposals require court approval. A compromise or scheme of arrangement, if confirmed by the court, is binding on creditors (including secured creditors) and may result in amounts payable to creditors (including secured creditors) being reduced.

*The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer does not represent that the above statements regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus may mitigate some of these risks for Noteholders, there can be no assurance that these elements will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.*

## THE ISSUER

Epic Opera (Arlington) Limited was incorporated in Ireland on 26 June 2007 (registration number 442207) as a private company with limited liability under the Companies Acts 1963 to 2006 of Ireland. The registered office of the Issuer is at 25–26 Windsor Place, Lower Pembroke Street, Dublin 2. The Issuer has no subsidiaries.

### 1. Principal Activities

The principal objects of the Issuer are set out in clause 2 of its Memorandum of Association and are, *inter alia*, to lend money and give credit, secured and unsecured, to borrow or raise money and secure the payment of money, and to grant security over its property for the performance of its obligations or the payment of money. The Issuer was established for the limited purposes of issuing the Notes and making the Loans and certain related transactions described elsewhere in this Prospectus.

The activities of the Issuer will be restricted by the Conditions and will be limited to the issue of the Notes, the making of the Loans, the exercise of related rights and powers and the other activities described in this document. See further **Condition 4.1 (Restrictions)**.

### 2. Directors and Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Jonathan Eden Keighley	35 Great St. Helen's London EC3A 6AP	Company Director
James Garner–Smith Macdonald	35 Great St. Helen's London EC3A 6AP	Company Director

The head office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP telephone number 020 7398 6300.

The company secretary of the Issuer is SFM Corporate Services Limited, a company incorporated in England and Wales (registration number 3920255), whose business address is 35 Great St. Helen's, London EC3A 6AP. The directors of SFM Corporate Services Limited are Jonathan Eden Keighley, James Garner–Smith Macdonald and Robert William Berry (together with their alternative directors Annika Ida Louise Aman–Goodwille, Helena Whitaker, Claudia Wallace, J P Nowocki and Cane Pickersgill) whose business addresses are 35 Great St. Helen's, London EC3A 6AP and who perform no other principal activities outside the Issuer which are significant with respect to the Issuer.

### 3. Capitalisation and Indebtedness

The capitalisation and indebtedness of the Issuer as at the date of this Prospectus, adjusted to take account of the issue of the Notes, is as follows:

#### Share Capital

Authorised Share Capital €	Issued Share Capital €	Value of each Share €	Shares Fully Paid-up €	Shares Quarter Paid-up €	Paid-up Share Capital €
100	2	1	2	0	2

1 of the issued shares (being 1 share of €1 each, which is fully paid-up) in the Issuer is held by the Share Trustee under the terms of a trust for the benefit of charitable institutions. The one remaining share in the Issuer, which is also fully paid-up, is held by SFM Corporate Services Limited (registration number 3020255) under the terms of a trust as nominee for the Share Trustee.

#### Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due July 2016	£483,200,000
Class B Commercial Mortgage Backed Floating Rate Notes due July 2016	£83,350,000
Class C Commercial Mortgage Backed Floating Rate Notes due July 2016	£69,200,000
Class D Commercial Mortgage Backed Floating Rate Notes due July 2016	£72,250,000
Class E Commercial Mortgage Backed Floating Rate Notes due July 2016	£67,500,000
Class F Commercial Mortgage Backed Floating Rate Notes due July 2016	£24,500,000
<b>Total Loan Capital</b>	<b>£800,000,000</b>

Except as set out above, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and the Issuer has not created any mortgages or charges nor has it given any guarantees as at the date of this Prospectus.

### 4. Financial Information

None of the Joint Bookrunners, the Arrangers, anybody associated with any of the Joint Bookrunners or the Arrangers owns directly or indirectly any of the share capital of the Issuer. No person has been granted the right to subscribe for shares in the share capital of the Issuer.

The Issuer will publish annual reports and accounts. As at the date of this Prospectus no financial statements of the Issuer have been drawn up and audited for any period since its incorporation. Reports and accounts published by the Issuer will, when published, be available for inspection during normal office working hours at the specified office of the Irish Paying Agent.

The Issuer has appointed PricewaterhouseCoopers of One Spencer Dock, North Wall Quay, Dublin 1, Ireland, as its auditors, whose professional body is the Institute of Chartered Accountants in Ireland.

**5. Financial Year**

The financial year of the Issuer ends on 31 December of each year.

**6. Accounts**

The Issuer will prepare annual audited and non-consolidated accounts. The first annual audited accounts will be prepared in respect of the period to end on 31 December 2007.



## THE BORROWER

Arlington Business Parks Partnership (the **Borrower**) is a limited partnership established and registered (registration number LP 8624) under the Limited Partnerships Act 1907, as amended (the **Act**), and its affairs are governed by a limited partnership agreement dated 3 April 2003 as amended and restated on 27 June 2003, 9 June 2004, 8 October 2004 and expected to be amended and restated on or about the Closing Date between, *inter alios*, the General Partner and the Limited Partners.

The principal place of business of the Borrower is at the registered office of the General Partner or such other place as the General Partner may from time to time determine and register under the Partnerships Act. The General Partner and the Limited Partners are, together, referred to as the Partners.

Pursuant to the Partnership Agreement, the General Partner is the general partner and the Limited Partners are the limited partners of the Borrower. The General Partner conducts the day-to-day management of the business of the Borrower and the Limited Partners do not take part in managing the business of the Borrower. The Borrower has no legal personality of its own and all of the assets of the Borrower are the undivided joint property of the Partners. The Limited Partners have at least a 99.997% interest in the Partnership Assets, and the General Partner holds the remaining interest in the Partnership Assets. In so far as costs, expenses, receipts and liabilities to taxation of the Borrower are concerned, the Limited Partners will each be liable to the extent of their own shares in such costs, expenses, receipts and liabilities to taxation.

Legal title to all of the Partnership Assets (other than the Trust Property) shall (unless agreed by the General Partner) be vested in the General Partner or in two wholly owned subsidiaries of the General Partner, who shall hold the Partnership Assets (other than the Trust Property) on behalf of the Borrower in accordance with the Partnership Agreement. The Borrower has and will have assets and liabilities other than those the subject of the transaction described in this Prospectus.

### 1. **Principal activities**

The principal objects of the Borrower are set out in Clause 2 (Establishment and Investment Objectives) of the Partnership Agreement and are, *inter alia*, to carry on the business of acquiring investments, holding and disposing of the Properties and the raising of monies and securing such borrowings.

Since 2 April 2003, the date of its establishment, the Borrower has engaged in activities or operations relating to the acquisition, financing, management, maintenance, extension, refurbishment, development, letting, disposal and operation of land and investment properties. In connection with the transactions described in this Prospectus, the Borrower has entered into the Credit Agreement and the documents referred to therein and created security all as more particularly described in this Prospectus.

The Borrower, pursuant to the terms of the Credit Agreement, covenants to observe certain restrictions on its activities which are detailed in "*The Loans and the Loan Security – Credit Agreement*" below.

### 2. **Capitalisation and indebtedness statement**

The following table sets forth the capitalisation and indebtedness of the Borrower as at 31 December 2006, which has been extracted without material adjustment from the audited financial statements of the Borrower as at 31 December 2006 and the capitalisation and indebtedness of the Borrower on an adjusted basis after giving effect to the repayment of existing secured loans and the drawdown in full of £800,000,000 under the Credit Agreement.

	Actual	Adjustment	Adjusted (1)
	£m	£m	£m
Borrowings due within 1 year .....	253.0	(253.0)	
Borrowings due between 1 and 2 years .....	27.3		27.3
Borrowings due between 2 and 5 years .....	751.1	(547.0)	204.1
Borrowings due after 5 years .....	–	800.0	800.0
<i>Total Indebtedness</i> .....	<u>1,031.4</u>		<u>1,031.4</u>
Capital Account .....	15.4		15.4
Partners' Loans .....	374.6		374.6
Revaluation Reserve .....	360.8		360.8
Current Account .....	(8.4)		(8.4)
<i>Total Partner's Funds</i> .....	<u>742.4</u>		<u>742.4</u>
<b><i>Total Capitalisation and Indebtedness</i></b> .....	<b><u>1,773.8</u></b>		<b><u>1,773.8</u></b>

(1) The adjusted financial information sets out the capitalisation of the Borrower as if the transaction had taken place on 31 December 2006. The actual and adjusted borrowing positions are shown gross of arrangement fees. The adjusted column is for illustrative purposes only and addresses a hypothetical situation and therefore does not represent the actual position or results of the Borrower.

### 3. Financial Position

The financial statements of the Borrower set out in Appendix A have been prepared in accordance with the terms of the Partnership Agreement and applicable United Kingdom accounting standards, on a going concern basis and under the historical cost convention, as modified for the revaluation of land, assets in the course of construction and investment properties. For further information in relation to the Borrower's financial statements, please see **Appendix A "Financial Information in respect of the Borrower"**.

#### *Contingent liabilities*

The Borrower has, in the ordinary course of business, given the following guarantees and indemnities:

	As at 31 May 2007 £ million
Section 278 Agreements .....	6.3
Section 106 Agreements .....	18.3
Section 38 Agreements .....	1.8
<b><i>Total</i></b> .....	<b><u>26.4</u></b>

The nature of these guarantees and indemnities is as follows:

- (a) Section 278 Agreements relate to highways and infrastructure works on the Borrower's various parks;
- (b) Section 106 Agreements relate to potential future financial obligations agreed in obtaining the necessary planning consents on the Borrower's various parks; and
- (c) Section 38 Agreements relate to drainage works on the Borrower's various parks.

*Recent developments since 31 December 2006*

Since 31 December 2006, there have been three main transactions which impact on the Borrower's financial position:

- (a) In February 2007, a subsidiary entity was sold, realising net proceeds for the property it held of approximately £66,000,000. This was slightly in excess of the book value at 31 December 2006.
- (b) In May 2007, a subsidiary entity was sold, realising net proceeds for the property it held of approximately £24,000,000. This was slightly in excess of the book value at 31 December 2006.
- (c) In April 2007, the Borrower acquired 50% of the Hammersmith Business Park Unit Trust, taking its total holding to 100%. The net consideration paid for the 50% stake was approximately £66,000,000 and taking account of debt assumed with the 50% stake of approximately £34,000,000, the gross consideration for the real estate was £100,000,000.

This has resulted in the Hammersmith Business Park Unit Trust, which at 31 December 2006 was accounted for as a joint venture being treated as a subsidiary following the acquisition of the additional 50%.

While these three transactions do not have a material impact on the Borrower's net asset value, if they had taken place with effect from 31 December 2006, total land and investment properties would have increased by approximately £106,000,000, net debt increased by approximately £44,000,000 and investment in joint ventures decreased by approximately £59,000,000.

The 31 March 2007 consolidated management accounts of the Borrower showed an increase in NAV of approximately £52,000,000 (before proposed distributions), principally due to increases in valuations of land, assets in the course of construction and investment properties in the three months to 31 March 2007.

On 5 July 2007, the limited partners of the Borrower subscribed for further equity in an amount equal to £50,000,000 in the Borrower by way of additional capital contributions, additional loans and a premium.

Save as disclosed in this Prospectus:

- (a) the Borrower is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Borrower is aware) which may have, or have had, since 31 December 2006, a significant effect on the Borrower's financial position; and
- (b) since 31 December 2006 there has been (i) no material adverse change in the financial position or prospects of the Borrower, and (ii) no significant change in the trading or financial position of the Borrower.

The Borrower has appointed PricewaterhouseCoopers LLP of 1 More London Place One, London SE1 2AF, as its auditors, whose professional body is the Institute of Chartered Accountants in England and Wales.

## THE GENERAL PARTNER

Arlington Business Parks GP Limited (the **General Partner**) was incorporated in England and Wales on 13 June 2001 (registration number 4233559) as a private company with limited liability under the Companies Act 1985. The registered office of the General Partner is at Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. The General Partner is owned as to 0.1% of its issued share capital by Legal & General Property Limited and as to 99.9% of its issued share capital by Goodman Real Estate Services (UK) Limited.

### 1. Principal Activities

The principal objects of the General Partner as set out in Clause 3 of its Memorandum of Association are, *inter alia*, to act as a general partner of limited partnerships; to act as a holding company; to carry on the business of holding, dealing with, investing, managing, buying, selling or leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Since the date of its incorporation, the General Partner has engaged in activities or operations relating to its role as general partner of the Borrower. In connection with the transactions described in this Prospectus, the General Partner has entered into the documents referred to therein and created security all as more particularly described in this Prospectus.

### 2. Directors and Secretary

The directors of the General Partner and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Mark Peter Creedy	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Andrew James Johnston	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director

The secretary of the General Partner is ANCOSEC Limited (a company registered in England and Wales with registration number 03611403). The General Partner has no employees.

No potential conflicts of interest exist between any duties to the General Partner of the Directors and their private interests.

## HOLDCO

Augusta 1 Limited (**Holdco**), was incorporated in England and Wales on 27 July 2004 (registration number 5190536) as a private company with limited liability under the Companies Act 1985. The registered office of Holdco is Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. Holdco is wholly owned by the General Partner.

### 1. Principal Activities

The principal objects of Holdco as set out in Clause 3 of its Memorandum of Association are, *inter alia*, to act as a holding company and to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

### 2. Directors and Secretary

The directors of Holdco and their respective business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Beth Salena Chater	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jonathan Martin Austen	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director

The secretary of Holdco is ANCOSEC Limited (a company registered in England and Wales with registration number 03611403). Holdco has no employees.

## SUBCO

Augusta 2 Limited (**Subco**) was incorporated in England and Wales on 27 July 2004 (registration number 5190538) as a private company with limited liability under the Companies Act 1985. The registered office of Subco is Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. Subco is wholly owned by Holdco.

### 1. Principal Activities

The principal objects of Subco as set out in Clause 3 of its Memorandum of Association are, *inter alia*, to act as a holding company and to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivatives contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

### 2. Directors and Secretary

The directors of Subco and their respective business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Beth Salena Chater	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jonathan Martin Austen	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director

The secretary of Subco is ANCOSEC Limited (a company registered in England and Wales with registration number 03611403). Subco has no employees.

## ENGLISH PROPERTY TRUSTEE 1

ABPGP S1 Limited (**English Property Trustee 1**) was incorporated in England and Wales on 27 July 2004 (registration number 5190581) as a private company with limited liability under the Companies Act 1985. The registered office of English Property Trustee 1 is Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. English Property Trustee 1 is wholly owned by Subco.

### 1. Principal Activities

The principal objects of English Property Trustee 1 as set out in Clause 3 of its Memorandum of Association are, *inter alia*, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

English Property Trustee 1 has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties (including in respect of the Existing Loan) and the authorisation of the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

### 2. Directors and Secretary

The directors of English Property Trustee 1 and their respective business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Beth Salena Chater	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House  Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jonathan Martin Austen	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director

The secretary of English Property Trustee 1 is ANCOSEC Limited (a company registered in England and Wales with registration number 03611403). English Property Trustee 1 has no employees.

## ENGLISH PROPERTY TRUSTEE 2

ABPGP S2 Limited (**English Property Trustee 2**) was incorporated in England and Wales on 27 July 2004 (registration number 5190540) as a private company with limited liability under the Companies Act 1985. The registered office of English Property Trustee 2 is at Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. English Property Trustee 2 is wholly owned by Subco.

### 1. Principal Activities

The principal objects of English Property Trustee 2 as set out in Clause 3 of its Memorandum of Association are, *inter alia*, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

English Property Trustee 2 has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties (including in respect of the Existing Loan) and the authorisation of the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

### 2. Directors and Secretary

The directors of English Property Trustee 2 and their respective business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Beth Salena Chater	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House  Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director
Jonathan Martin Austen	Arlington House Arlington Business Park Theale, Reading Berkshire RG7 4SA	Company Director

The secretary of English Property Trustee 2 is ANCOSEC Limited (a company registered in England and Wales with registration number 03611403). English Property Trustee 2 has no employees.



## JERSEY PROPERTY TRUSTEE 1

GJ1 Limited (**Jersey Property Trustee 1**) was incorporated in Jersey on 30 May 2007 (registration number 97597) as a private company with limited liability under the Companies (Jersey) Law 1991. The registered office of Jersey Property Trustee 1 is at 47 Esplanade, St. Helier, Jersey JE1 0BD. Jersey Property Trustee 1 is wholly owned by Subco.

### 1. Principal Activities

The principal objects of Jersey Property Trustee 1 as, *inter alia*, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Jersey Property Trustee 1 has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties and the authorisation of the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

### 2. Directors and Secretary

The directors of Jersey Property Trustee 1 and their respective business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Susan Jill Fossey	47 Esplanade St. Helier Jersey JE1 0BD	Company Director
Christopher Rupert Bennett	47 Esplanade St. Helier Jersey JE1 0BD	Company Director

The secretary of Jersey Property Trustee 1 is Dominion Corporate Services Limited. Jersey Property Trustee 1 has no employees.

## JERSEY PROPERTY TRUSTEE 2

GJ2 Limited (**Jersey Property Trustee 2**) was incorporated in Jersey on 30 May 2007 (registration number 97598) as a private company with limited liability under the Companies (Jersey) Law 1991. The registered office of Jersey Property Trustee 2 is at 47 Esplanade, St. Helier, Jersey JE1 0BD. Jersey Property Trustee 2 is wholly owned by Subco.

### 1. Principal Activities

The principal objects of Jersey Property Trustee 2 are, *inter alia*, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Jersey Property Trustee 2 has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

### 2. Directors and Secretary

The directors of Jersey Property Trustee 2 and their respective business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Susan Jill Fossey	47 Esplanade St. Helier Jersey JE1 0BD	Company Director
Christopher Rupert Bennett	47 Esplanade St. Helier Jersey JE1 0BD	Company Director

The secretary of Jersey Property Trustee 2 is Dominion Corporate Services Limited. Jersey Property Trustee 2 has no employees.

## SUB G1 LIMITED

Sub G1 Limited (**Sub G1**) was incorporated in Jersey on 30 May 2007 (registration number 97594) as a private company with limited liability under the Companies (Jersey) Law 1991. The registered office of Sub G1 is at 47 Esplanade, St Helier, Jersey JE1 0BD. Sub G1 is wholly owned by the General Partner (on behalf of the Borrower).

### 1. Principal Activities

Sub G1 Limited's only business is the ownership of shares in the Property Trustees.

Sub G1 1 has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties and the authorisation of the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

### 2. Directors and Secretary

The directors of Sub G1 and their respective business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Susan Jill Fossey	47 Esplanade St. Helier Jersey JE1 0BD	Company Director
Christopher Rupert Bennett	47 Esplanade St. Helier Jersey JE1 0BD	Company Director

The secretary of Sub G1 is Dominion Corporate Services Limited. Sub G1 has no employees.

## THE READING UNIT TRUST TRUSTEE

Dominion Corporate Trustees Limited was incorporated in Jersey on 31 March 1999 (registration number 73883) as a private company with limited liability under the Companies (Jersey) Law 1991 with a registered office at 47 Esplanade, St Helier, Jersey JE1 0BD and acts as trustee of the Akeler Macquarie Reading Unit Trust (in that capacity, the **Reading Unit Trust Trustee**).

The Akeler Macquarie Reading Unit Trust (formerly known as the AM Reading Unit Trust) (**Reading Unit Trust**) was established under Jersey law and constituted by a trust instrument dated 2 August 2005 and amended and restated on 8 September 2005, 19 December 2005 and 28 September 2006 and expected to be amended and restated on or about the Closing Date and made by, *inter alios*, Dominion Corporate Trustees Limited as trustee.

The holders of units in the Reading Unit Trust are the General Partner (on behalf of the Borrower) and Sub G1.

### 1. Principal Activities

The principal object of the Reading Unit Trust is to acquire interests in real estate and hold the same as investments and manage the same with a view principally to optimising rental income returns.

The Reading Unit Trust has not carried on any other business since its formation except for the ownership of interests in the Reading Property.

### 2. Trustee and Manager

Dominion Corporate Trustees Limited is the trustee and GUKBPF Investment Management (Jersey) Limited (formerly known as Akeler Macquarie Investment Management Limited) is the manager of the Reading Unit Trust.

## **THE GLASGOW UNIT TRUST TRUSTEE**

Dominion Corporate Trustees Limited was incorporated in Jersey on 31 March 1999 (registration number 73883) as a private company with limited liability under the Companies (Jersey) Law 1991 with a registered office at 47 Esplanade, St Helier, Jersey JE1 0BD and acts as trustee of the Akeler Macquarie Glasgow Unit Trust (in that capacity, the **Glasgow Unit Trust Trustee**).

The Akeler Macquarie Glasgow Unit Trust (formerly known as the AM Glasgow Unit Trust) (**Glasgow Unit Trust**) was established under Jersey law and constituted by a trust instrument dated 8 September 2005 and amended and restated on 19 December 2005 and 28 September 2006 and expected to be amended and restated on or about the Closing Date and made by, *inter alios*, Dominion Corporate Trustees Limited as trustee.

The holders of units in the Glasgow Unit Trust are the General Partner (on behalf of the Borrower) and Sub G1.

### **1. Principal Activities**

The principal object of the Glasgow Unit Trust is to acquire interests in real estate and hold the same as investments and manage the same with a view principally to optimising rental income returns.

The Glasgow Unit Trust has not carried on any other business since its formation except for the ownership of interests in the Glasgow Property.

### **2. Trustee and Manager**

Dominion Corporate Trustees Limited is the trustee and Akeler Macquarie Investment Management Limited (formerly known as AM Investment Management Limited) is the manager of the Glasgow Unit Trust.

## THE BORROWER'S BUSINESS

### Arlington Business Parks Partnership

Arlington Business Parks Partnership (**ABPP**) is a UK business park fund created in 2003 by Arlington Securities Limited (**Arlington Securities**). Arlington Securities itself was acquired by the Goodman Group in December 2005. The Goodman Group is a vertically integrated industrial property group with diversified operations incorporating property investment, funds management, development and property services. The Goodman Group has operations throughout Australia, New Zealand, Asia, Europe and the United Kingdom backed by a team of 1080 property professionals. The Goodman Group has total property under management of £10.4 billion in the UK and Europe and is focused on further expansion, particularly with respect to business parks and logistics properties in continental Europe.

The European platform of the Goodman Group has achieved the following key milestones in the last 18 months:

- May 2006 – Acquisition of Eurinpro, a leading pan-European logistics development business.
- November 2006 – Acquisition of Akeler, the UK office park developer. The UK office assets were acquired direct within ABPP with a value of £600m
- December 2006 – Launch of the Arlington European Logistics Fund.
- April 2007 – Acquisition of UK Logistics developer, Rosemound

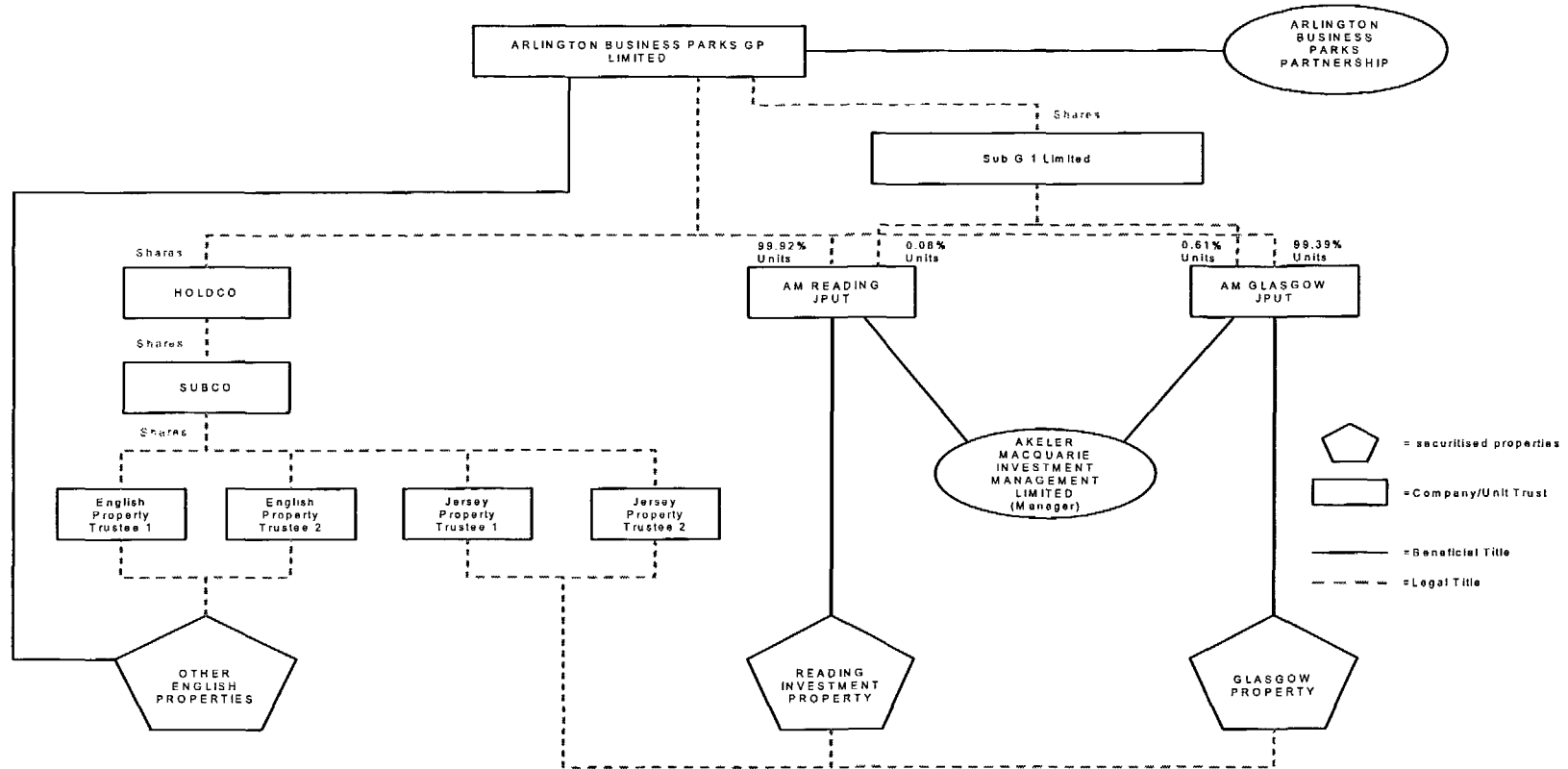
ABPP is directly owned by (i) Arlington Business Parks Unit Trust (96.754%), a Jersey property unit trust and (ii) Goodman LP (UK) Limited (3.243%) and Arlington Business Parks GP Limited (0.003%) (both members of the Goodman Group).

Arlington Business Parks Unit Trust is in turn owned by a number of institutional investors including the Goodman Group, Legal & General, Akaria Investments, Prudential Assurance, Scottish Amicable and M & G Property.

ABPP owns a portfolio of business parks across the UK, The gross value of its investment as at 31 December 2006 was £1,771,000,000 (up from £1,023,000,000 as at 31 December 2005). This increase in gross asset value is attributable largely to the acquisition in November 2006 of the UK assets of Akeler, another leading business park developer. Net asset value as at 31 December 2006 was £742,000,000 (versus £559,000,000 as at 31 December 2005). ABPP had an investment to development ratio of 77% to 23% at 31 December 2006 and has a gearing limit (net debt to gross assets) of 60%.

## CORPORATE DIAGRAM OF THE OBLIGORS AND THE PROPERTIES

The diagram below illustrates a simplified form of the corporate structure of the Obligors and the Properties. The diagram is provided for information purposes only and is qualified in its entirety by reference to the information appearing elsewhere in the Prospectus.



## DESCRIPTION OF THE PORTFOLIO

The Portfolio comprises 52 properties (based on the number of property assets valued rather than the number of individual buildings) of 107 lettable office units located in ten business parks across the United Kingdom. The business parks are geographically well located with good transport links. The office units are built to a high specification and the average age of the properties is 6.8 years. Approximately 85.0% of the current contracted rent is derived from the South East of England, which includes six of the business parks. The remaining contracted rent is derived from business parks located in or near to Birmingham, Bristol, Manchester and Glasgow.

In the Initial Valuation, Knight Frank LLP valued the Portfolio at £1,081,190,000 on a contracted rent of £60,234,863 and an estimated rental value of £59,982,841 per annum.

Set out below are certain summaries of the Portfolio.

### Portfolio Summary

<u>Business Park</u>	<u>Valuation(£)</u>	<u>Contracted Rent (£ pa)</u>	<u>ERV (£ pa)</u>	<u>Number of Office Units</u>	<u>Net Internal Floor Area (sq ft)</u>
Oxford Business Park	191,240,000	10,218,821	10,867,148	38	550,708
Reading International	186,000,000	10,459,907	9,976,272	6	405,878
Hatfield Business Park	184,460,000	10,423,150	10,013,487	8	522,220
Solent Business Park	129,910,000	7,061,796	7,290,060	10	402,135
Uxbridge Business Park	120,600,000	6,244,061	6,301,515	3	236,634
Arlington Business Park, Reading	116,020,000	6,808,229	6,542,835	11	323,669
Birmingham Business Park	95,990,000	5,691,413	5,683,509	22	289,777
Central Quay, Glasgow	22,270,000	1,330,809	1,330,809	4	79,263
Aztec West Business Park	22,060,000	1,252,206	1,252,206	4	62,167
Manchester Business Park	12,640,000	744,471	725,000	1	38,507
<b>Total</b>	<b>1,081,190,000</b>	<b>60,234,863</b>	<b>59,982,841</b>	<b>107</b>	<b>2,910,958</b>

*Source: Knight Frank Valuation Report, April 2007*

### Rent Summary

The contracted rent on the Portfolio is £60,234,863 per annum for the tenancies as at 31 March 2007, the date of the Knight Frank Valuation Report.

All the Properties within the Portfolio are fully let, with the exception of the Oxford Business Park. This vacant space represents 1.1% of the Portfolio's total net lettable area and 1.1% of the Portfolio's ERV.

### Lease Summary

There are 101 leases in place.

The weighted average term to lease expiry is 12.8 years from the Drawdown Date, (3 August 2007).

The weighted average remaining lease term to the earlier of first break or expiry is 11.1 years from the Drawdown Date.

Approximately 76.0% of space is let on leases with an unexpired term to first break/expiry of seven years or longer and these leases generate approximately 79.8% of the Portfolio's total rental income. Leases with unexpired terms to first break/expiry of between one and seven years' length account for 21.2% of space and 18.9% of contracted rental income. Only 1.6% of the Portfolio's net lettable area is held on leases with



unexpired terms of less than one year and these account for 1.3% of the Portfolio's contracted rental income. Only 1.1% of the Portfolio (by area and ERV) is currently vacant.

#### Tenant break/lease expiry summary

<u>Years to First Break/Expiry</u>	<u>Gross Rent (£)</u>	<u>Percentage</u>	<u>ERV (£)</u>	<u>Percentage</u>	<u>Area</u>	<u>Percentage</u>
Vacant	0	0.0%	646,309	1.1%	32,265	1.1%
0 to 1 years	772,624	1.3%	751,509	1.3%	47,485	1.6%
1 to 2 years	631,830	1.0%	602,676	1.0%	25,857	0.9%
2 to 3 years	2,310,031	3.8%	2,280,488	3.8%	164,634	5.7%
3 to 4 years	212,454	0.4%	212,454	0.4%	11,485	0.4%
4 to 5 years	2,142,816	3.6%	2,102,088	3.5%	113,424	3.9%
5 to 7 years	6,115,460	10.2%	6,096,500	10.2%	302,436	10.4%
7 to 10 years	13,685,590	22.7%	13,563,764	22.6%	605,291	20.8%
10 to 13 years	3,728,045	6.2%	3,728,045	6.2%	182,414	6.3%
13 to 15 years	21,143,763	35.1%	20,298,776	33.8%	910,362	31.3%
15 to 20 years	9,492,250	15.8%	9,700,232	16.2%	515,305	17.7%
20 + years	0	0.0%	0	0.0%	0	0.0%
	<b>60,234,863</b>	<b>100.0%</b>	<b>59,982,841</b>	<b>100.0%</b>	<b>2,910,958</b>	<b>100.0%</b>

*Source: Analysis based on Knight Frank Valuation Report, April 2007*

#### Tenants

##### *Tenant Industry Analysis*

The Portfolio benefits from a good spread of tenants. Telecommunications tenants constitute the largest industry grouping with approximately 40.0% of the net lettable area of the Portfolio and accounting for approximately 43.0% of its total contracted rental income. These tenants include Verizon and BT plc, as well as major mobile operators T-Mobile (UK) Ltd (lease guarantee by T-Mobile International AG, a wholly owned subsidiary of Deutsche Telekom AG), Orange Personal Communications Services Ltd (lease guarantee by Orange plc), Vodafone Ltd and Hutchinson 3G UK Limited.

Business Services tenants constitute the second largest industry grouping with approximately 11.1% of the net lettable area of the Portfolio and account for approximately 11.1% of total contracted rental income.

Air traffic management related tenants include NATS (En Route) plc and constitute the third largest industry grouping with approximately 9.1% of the net lettable area of the Portfolio and account for approximately 7.6% of total contracted rental income.

Health Care and Pharmaceutical related tenants, including Bristol Myers Squibb and Parexel constitute the fourth largest industry grouping with approximately 6.5% of the net lettable area of the Portfolio and account for approximately 7.5% of total contracted rental income.

Government related tenants including the First Secretary of State and the Secretary of State for Health and constitute the fifth largest industry grouping. They occupy approximately 6.3% of the Portfolio's net lettable area and generate 5.9% of the total contracted rental income.

Banking and Finance related tenants constitute the sixth largest industry grouping with approximately 5.6% of net lettable area of the Portfolio and account for approximately 4.9% of total contracted rental income.

The Portfolio's remaining rental income is well diversified.

<b>Tenant Industry</b>	<b>Share of Contracted Rent</b>	<b>Share of Total Area</b>
Telecommunications .....	43.0%	40.0%
Business Services .....	11.1%	11.1%
Aerospace and Defence .....	7.6%	9.1%
Health Care and Pharmaceuticals .....	7.5%	6.5%
Government/Public Services .....	5.9%	6.3%
Finance .....	4.9%	5.6%
Other .....	20.0%	21.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Analysis based on information provided by the Borrower

### Tenant Analysis

The Portfolio benefits from a good spread of tenants. The portfolio has 76 tenants across 101 leases. The top 10 tenants comprise 62.6% of contracted rent.

Approximately 61.1% of passing rent is generated by investment grade tenants.<sup>1</sup>

Verizon UK Ltd represents the single largest tenant in the portfolio, with approximately 13.7% of net lettable area and accounting for approximately 17.2% of total contracted rental income. Verizon UK Ltd has five leases in place with an average unexpired term of approximately 13.8 years and no break options.

T-Mobile (UK) Ltd represents the next largest tenant in the Portfolio, with approximately 16.2% of the net lettable area and accounting for approximately 15.7% of the total contracted rental income. T-Mobile (UK) Ltd has five leases in place with an average unexpired term of approximately 14.9 years and no break options. There is a lease guarantee by the parent company, T-Mobile International AG, itself a fully owned subsidiary of Deutsche Telekom AG.

NATS (En Route) plc (or National Air Traffic Service), is the third largest tenant in the Portfolio, with approximately 9.0% of the net lettable area and accounting for approximately 7.6% of the total contracted rental income. NATS (En Route) plc has five leases in place with an average unexpired term of approximately 16.3 years and no break options.

<b>Tenant</b>	<b>Contracted Rent (£ pa)</b>	<b>Share of Contracted Rent</b>	<b>Net lettable area (sq ft)</b>	<b>Share of total area</b>
Verizon UK Ltd .....	10,361,775	17.2%	399,527	13.7%
T-Mobile (UK) Ltd (guarantee by T-Mobile International AG).....	9,479,650	15.7%	471,273	16.2%
Nats (En Route) plc.....	4,577,986	7.6%	261,065	9.0%
Amgen.....	2,470,220	4.1%	86,232	3.0%
Parexel International Ltd .....	2,109,670	3.5%	86,759	3.0%
Vodafone Ltd <sup>2</sup> .....	1,972,880	3.3%	70,515	2.4%
Zurich Insurance Co. ....	1,799,250	3.0%	99,972	3.4%
Oxfam.....	1,685,446	2.8%	87,341	3.0%
Bristol Myers Squibb.....	1,664,171	2.8%	63,643	2.2%
Blackwell Publishing Ltd .....	1,595,165	2.6%	79,433	2.7%
<b>Total</b>	<b>37,716,213</b>	<b>62.6%</b>	<b>1,705,760</b>	<b>58.6%</b>

Source: Analysis based on Knight Frank Valuation Report, April 2007

<sup>1</sup> Ratings of tenant itself or, if unrated, the parent company as at 28 June 2007.

<sup>2</sup> Vodafone has assigned the lease of Building 1240 Arlington Business Park, Reading to Electronic Data Systems Ltd and has provided an Authorised Guarantee Agreement.

## **Valuations**

### *Estimated Rental Value*

The estimated rental value of the Portfolio is £59,982,841 per annum, according to the Initial Valuation.

### *Market Value*

The market value of the Portfolio is £1,081,190,000, according to the Initial Valuation.

Knight Frank inspected the Properties for valuation purposes and noted no material items of disrepair. The economic liability for the repair of the buildings falls on the occupational tenants, who occupy under FRI Leases.

## **Initial Property Adviser, Initial Investment Adviser and Initial Operator**

Each of the Initial Property Advisers, Initial Investment Adviser and Initial Operator is subject to a duty of care agreement between themselves and the Facility Agent.

Arlington Property Adviser Limited and DTZ Debenham Tie Leung Limited (in respect of the Glasgow Property only) acts as Initial Property Advisers to the Partnership and in accordance with the Property Advisory Agreements advises on the Partnership's asset acquisition and disposal strategy, as well as the management, letting and maintenance of the Parks.

Legal & General Property Limited acts as Initial Investment Adviser to the Partnership and in accordance with the Investment Advisory Agreement advises on the Partnership's asset acquisition and disposal strategy.

### *Change of Operator*

Legal & General Investment Management Limited currently acts as Initial Operator and undertakes activities for the Partnership which are regulated by the Financial Services and Markets Act 2000. Earlier this year, senior management at Legal & General established a new property company with a view to it taking over the property fund management services currently provided by Legal & General Investment Management Limited. To this end Legal & General Property Partners (Operator) Limited was incorporated and has received the necessary FSA permissions. Legal & General Property Partners (Operator) Limited is a sister company of Legal & General Investment Management Limited and a wholly owned subsidiary of Legal & General Group plc and, as such, it has the same systems and controls and the same level of professional indemnity insurance cover as Legal & General Investment Management Limited. Legal & General Property Partners (Operator) Limited is expected to be in place as the New Operator at the time of closing.

## **Location and description of the business parks**

### **A. Birmingham Business Park**

#### *Location*

Birmingham Business Park is located to the west of the M42 motorway between junctions 6 and 7, midway between the two principal West Midlands cities of Birmingham and Coventry, both of which are within 15 minutes drive time. The M42 motorway links to the M6 motorway to the north and the M40 motorway to the south, both of which provide access to Central London within two hours drive time. The M6 Toll, the UK's first toll motorway, is a 43.2 kilometre (27 mile) motorway between junctions 4A and 11 of the existing M6, bypassing the north eastern parts of Birmingham city and is accessible via junction 7A of the M42 motorway.

Heathrow Airport can be reached within 90 minutes by car and Gatwick Airport within two hours. Birmingham Business Park is located 0.8 kilometres (0.5 miles) north of the National Exhibition

Centre (NEC) and Birmingham International Airport, offering access to UK and European destinations on a regular basis. Central London (Euston Station) can also be reached within 90 minutes by train from Birmingham International some 0.8 kilometres (0.5 miles) distant, with services every 30 minutes during peak times.

The site is served by a number of bus routes providing access to the city centre and outlying districts, as well as to Birmingham International Station and the NEC.

### *Description*

The subject property comprises some 60.3 hectares (149 acres) and is the largest Business Park in the West Midlands. Development of the Park commenced in 1988. The Park has the potential to accommodate in excess of 185,804 sq m (2,000,000 sq ft) of offices and business accommodation.

There remains some 16.6 hectares (41 acres) to be developed, all within the Arlington ownership, with outline consent for circa 89,186 sq m (960,000 sq ft) of B1 development.

On-site facilities within the park include a sandwich bar, travel agency, wine bar, nursery and cash dispenser situated at the Waterside Centre as well as a separate hotel and public house facilities adjacent to the park, being, the Holiday Inn Express Hotel and Little Owl Public House. More extensive retail facilities are situated immediately to the north of the park at the Fort Shopping Park which comprises some 21 retail outlets and Solihull town centre which comprises various shopping centres including the Touchwood Centre and shopping precincts.

Non-Arlington ownership on the park currently includes the following: Abbey Life Assurance, Tameside Metropolitan Borough Council, Legal & General Assurance, Capco Trust, BBC Pension Trust, Seput Nominee 91 & 92, Clerical Medical Investment Group, The Council of the Borough of Wolverhampton, Stargas Nominees, Equitable Life Assurance, Barclays Nominees and Electricity Supply Nominees.

There are over 85 companies located on the park employing around 5,000 people with notable occupiers also including Orange, Softlab, IMI Group, Hutchison 3G, Fujitsu, Secretary of State for the Environment, Compaq, Hewlett Packard, Hitachi Data Systems, Severn Trent Systems, SEMAGroup, Ingersoll-Rand, Wesleyan Assurance, Bull Information System and Beiersdorf.

The table below depicts the properties and tenants which comprise the portfolio Birmingham Business Park Properties. The Birmingham Business Park Properties comprise 289,777 sq ft divided into seven properties and are let to 19 tenants on 22 leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Bishops Court 6200	Wesleyan Assurance Society	11,118	208,462	04 June 2016	
Bishops Court 6200	Hitachi Data Systems Limited	4,116	86,436	23 December 2009	
Bishops Court 6200	Norwest Holst Limited	8,211	160,115	19 May 2008	
Bishops Court 6200	Flakt Woods Ltd	2,074	40,443	14 July 2007	
Bishops Court 6200	First Secretary of State	4,174	81,179	14 September 2016	15 September 2011
Bishops Court 6200	Guerbet Laboratories Ltd	1,732	33,340	09 December 2012	14 July 2007 and 14 July 2009
Bishops Court 6200	RWD Technologies UK Ltd	3,427	66,827	30 March 2010	
Bishops Court 6200	ISS Facilities Services Ltd	5,954	116,103	12 November 2017	13 November 2007
Bishops Court 6200	Arkema Ltd	8,351	158,560	27 August 2012	28 August 2007
Bishops Court 6200	Hewlett Packard Ltd	7,712	150,384	03 September 2011	04 September 2008

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Bishops Court 6200	Anglo Beef Processors Ltd	9,735	184,965	25 October 2014	
Knights Court 6100	Club La Costa (UK) Plc	3,560	69,420	17 November 2010	18 November 2008
Knights Court 6100	Right Management Ltd	3,770	73,281	11 April 2012	
Knights Court 6100	Morgan Lovell Plc	3,569	71,400	11 April 2007	
Knights Court 6100	Talis Information Limited	10,424	203,190	08 July 2014	
Trident Court 2900	First Secretary of State	26,318	513,200	29 May 2016	
Trident Court 2900	First Secretary of State	15,300	298,350	29 May 2016	
Trident Court 2900	First Secretary of State	22,143	431,800	29 May 2016	
Lakeside 4020	Softlab Ltd	15,554	311,080	21 October 2019	22 October 2011
Lakeside 4040	IMI Kynoch Ltd	26,939	538,780	24 December 2020	
Lakeside 4060	Hutchinson 3G UK Ltd Orange Personal Communications Services Ltd.	35,643	695,038	31 December 2021	10 April 2012
Lakeside 4520	Ltd.	59,953	1,199,060	15 October 2022	16 October 2018
Total		<b>289,777</b>	<b>5,691,413</b>		

Source: Knight Frank Valuation Report, April 2007

## B. Hatfield Business Park

### Location

Hatfield is located approximately 35 kilometres (22 miles) to the north of London with a resident population of approximately 30,000. It was designated as a New Town in 1948 and is a significant commercial centre. The town has good transport links, being located on junction 3 of the A1 which runs from London to the north. Junction 23 of the M25 is situated approximately 10 kilometres (six miles) to the south. There is a regular half-hourly rail service to London (Kings Cross) with a journey time of approximately 25 minutes.

Estimated drive times to Luton Airport, located approximately 16 kilometres (10 miles) to the north west, London Heathrow Airport and London Gatwick Airport are approximately 20, 50 and 100 minutes respectively.

Hatfield Business Park is situated approximately 600m (½ mile) north west of Hatfield Town Centre and extends to approximately 47 hectares (115 acres). The majority of the site falls within the control of Welwyn Hatfield District. The southern section falls within St Albans District. The site has three existing access points from Comet Way (two points from the southern car park and the Main Gate) and can also be reached from the Hatfield Avenue and the Bishop Square development. Secondary access also exists from Coopers Green Lane, Green Lanes, Great Braitch Lane and St Albans Road.

### Description

The park is situated on a former aerodrome site of some 324 hectares (800 acres) of which 211 hectares (522 acres) is developable, the rest being greenbelt land.

There remains potential for circa 65,030 sq m (700,000 sq ft) gross of B1 development on 15.4 hectares (38 acres) together with a further 8.5 hectares (21 acres) for development as industrial, hotel and other *sui generis* uses. All this land is within Arlington's ownership.

Further office space is provided in Bishops Square at the Hatfield Avenue entrance to the Park. Bishops Square comprises four buildings Bishops Court, Titan Court, Helios Court and Zenith Court.

More extensive retail facilities are situated to the east of the A1001 at the Galleria Outlet Centre which comprises 60 outlet stores, six cafes and restaurants, and a nine-screen cinema.

Ownership on the park currently includes Hertfordshire Police Authority, Smilewood Ltd, Frontier Key, Barratt Homes Limited, Peverel Freeholds Limited, PLV, Sanctuary Housing Association, W Waters & Sons, Hatfield District Centre Estate, The University of Hertfordshire, Phoenix Life, Royal & Son Alliance, Huris and Polyfield Property Limited. Freeholders of the other offices forming the Bishops Square development are Emperor Property Trust and The University of Hertfordshire.

The table below depicts the properties and tenants which comprise the portfolio Hatfield Business Park Properties. The Hatfield Business Park Properties comprise 522,220 sq ft divided into six properties and are let to three tenants on eight leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Apollo Court, 2 Bishops Square, Hatfield Business Park	Environment Agency	31,021	584,000	27 November 2016	21 February 2012
Apollo Court, 2 Bishops Square, Hatfield Business Park	Henkel Ltd	5,616	102,000	04 December 2012	
Apollo Court, 2 Bishops Square, Hatfield Business Park	Henkel Ltd	14,310	257,500	05 December 2012	
Building 1, Hatfield Business Park	T-Mobile (UK) Ltd	77,647	1,514,117	27 February 2022	
Building 2, Hatfield Business Park	T-Mobile (UK) Ltd	70,628	1,377,246	21 March 2022	
Buildings 3 & 4, Hatfield Business Park	T-Mobile (UK) Ltd	162,450	3,457,601	27 June 2022	
Building 5, Hatfield Business Park	T-Mobile (UK) Ltd	80,218	1,564,251	10 October 2022	
Building 6, Hatfield Business Park	T-Mobile (UK) Ltd	80,330	1,566,435	02 October 2022	
<b>Total</b>		<b>522,220</b>	<b>10,423,150</b>		

Source: Knight Frank Valuation Report, April 2007

## C. Oxford Business Park

### *Location*

Oxford Business Park is located to the south of Oxford, adjacent to the Oxford Eastern Bypass (A4142) which links to the M40 (junction 8) to the north east and the A34 to the west. The M40 provides direct access to the M25 and Central London to the south east, with an approximate drive time of one hour and to the Midlands to the north. The A34 links with the M40 (junction 9) to the north east of Oxford and to Newbury and Winchester to the south west, with an approximate drive time of 45 minutes. Heathrow Airport can be reached within 50 minutes by car and Gatwick within one hour 30 minutes. Oxford railway station connects with London Paddington in one hour. Trains run approximately every 10 minutes in the rush hour.

### *Description*

The park comprises some 42.49 hectares (105 acres), in total, split between Oxford Business Park North and Oxford Business Park South. They are separated by Garsington Road which provides access to both parts of the park.

The original outline planning consent was granted in November 1992 by Oxford City Council for 125,023 sq m (1,345,780 sq ft) of Use Class B1 and 10,451 sq m (112,497 sq ft) for hotel use. There

remains outstanding planning consent for a further 40,412 sq m (435,000 sq ft) gross of B1 development on the park.

On-site facilities within the park include a separate hotel, public house, nursery and leisure facilities, and a David Lloyd Health & Fitness Centre. More extensive retail facilities are situated on Oxford Retail Park immediately to the east. A large Tesco superstore and petrol filling station are also located on the retail park.

There are over 30 companies located on the park employing some 3,000 people, with notable occupiers including The Secretary of State for Health, The Department of Work & Pensions, HM Customs & Excise, Inland Revenue, British Telecommunications, Blackwell Science, Royal Mail, Harley Davidson and Oxfam.

The table below depicts the properties and tenants which comprise the portfolio Oxford Business Park Properties. The Oxford Business Park Properties comprise 550,708 sq ft divided into 15 properties and are let to 29 tenants on 32 leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Oxford Business Park 2700	Oxfam	87,341	1,685,446	23 March 2025	
	British Telecommunications Plc	36,747	663,430	22 July 2017	
Oxford Business Park 5700					
Oxford Business Park 5700	Vacant	14,546	0		
	Personal Performance Consultants UK Ltd	7,398	140,676	24 March 2014	
Nash Court	Partnership of Marks and Clerk	4,882	93,250	28 September 2013	
Nash Court	CSW Informatics Ltd	5,818	110,960	29 March 2015	
Nash Court	British Potato Council	9,127	168,850	24 December 2013	
	First Secretary of State	7,398	141,000	03 February 2014	
Nash Court	Barlow Lyde & Gilbert	4,885	93,000	28 September 2013	
Nash Court	Vacant	5,818	0		
The Quorum	Regus (UK) Ltd	11,485	212,454	24 March 2011	
The Quorum	Cancer Research UK	1,790	34,500	06 October 2011	
The Quorum	Cancer Research UK	1,622	31,250	06 October 2011	
The Quorum	NNN Limited	1,780	37,380	01 October 2013	02 October 2009
The Quorum	Vacant	2,017	0		
	Vacant (Unit C1 – Pt 1st)	869	0		
The Quorum	Charles Russell (Unit C1 – Gnd)	2,006	43,129	05 June 2011	06 June 2008
The Quorum	Arlington Business Services Ltd (Unit C1 Pt 1st)	1,128	24,534	21 October 2007	
The Quorum	Maccaferri Ltd (Unit C2 – Gnd)	3,743	80,475	23 June 2016	
The Quorum	Vacant (Unit C2 – 1st)	3,795	0		
Kingsgate	Genzyme Ltd	5,647	117,000	16 April 2017	
Kingsgate	Genzyme Ltd	10,408	216,000	04 February 2017	
	National Care Standards Commission	8,089	165,825	28 June 2016	
Kingsgate					

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Kingsgate	Arma Ltd	4,858	93,697	04 February 2017	
Kingsgate	Vacant	5,220	0		
	TI Group Automotive	2,973	63,920	24 June 2017	
Kingsgate	Systems (UK) Ltd				
	TI Group Automotive	8,306	174,426	24 June 2017	
Kingsgate	Systems (UK) Ltd				
Oxford Business		31,064	0 <sup>1</sup>	19 December 2021	
Park 5000	Henmans LLP				
Oxford Business	The Secretary of State	26,158	557,914	01 May 2017	
Park 5510/Gemini 2	for Health				
Oxford Business	Buildbase Ltd (1st and	24,307	522,450	14 July 2018	
Park 5520/Gemini 1	2nd Floors)				
	Secretary of State for	11,728	0 <sup>2</sup>	13 July 2021	
Oxford Business	Communities and				
Park 5520/Gemini 1	Local Government				14 July 2016
Oxford Business	Harley–Davidson	31,903	516,987	30 March 2017	
Park 6000	Europe Ltd				
Oxford Business	Arvinmeritor A&ET	14,460	125,000	15 May 2016	
Park 6500	Ltd				15 May 2008 <sup>3</sup>
Oxford Business		22,134	486,948	17 March 2015	
Park 8000	AC Nielsen				18 March 2010
Oxford Business	Blackwell Publishing	16,841	362,103	06 March 2025	
Park 8100	Ltd				07 March 2021
Oxford Business	Electrocomponents	14,263	307,802	27 September 2021	28 September
Park 8050	Plc				2016
Oxford Business	Drakedown Ltd	35,562	773,473	10 February 2030	
Park 9400	(Manches LLP)				31 January 2020
Oxford Business	Blackwell Publishing				
Park 9600	Ltd	62,592	1,233,062	18 August 2027	19 August 2018
Total		550,708	9,276,941 <sup>4</sup>		

Source: Knight Frank Valuation Report, April 2007

#### D. Reading International Business Park

##### Location

The Reading International Business Park is prominently located just off the A33 trunk road immediately to the north of junction 11 of the M4 motorway, on the southern outskirts of Reading, in the Thames Valley. The M4 provides direct access eastwards to the M25 motorway (27 miles), Heathrow International Airport (50km/31 miles) and Central London (73km/46 miles), and westwards to Swindon (58km/36 miles) and Bristol (120km/75 miles). The town is also 30km (19 miles) north of Basingstoke and 17km (11 miles) west of Bracknell.

There are regular services, departing throughout the day, from Reading railway station to London's Paddington Terminus, with a fastest journey time of 25 minutes.

<sup>1</sup> At the expiration of the rent free period on 20 September 2007, the rent will be £678,000

<sup>2</sup> At the expiration of the rent free period on 14 January 2008, the rent will be £263,880

<sup>3</sup> This break option has been exercised

<sup>4</sup> This will be £10,218,821 once the rent free periods for Plots 5000 and 5520/Gemini 1 have expired.



## *Description*

Reading International is a roughly triangular shaped plot of land which was developed in two phases to produce a 'landmark' office building in a single crescent shaped structure built off a podium deck. The front section of the site has been landscaped and contains a small lake together with a circular amenity building serving the offices. Also within the site is a listed farmhouse and a modern purpose built crèche.

The office accommodation, with a net internal floor area of 34,808 sq m (374,671 sq ft), is arranged on ground with two/three upper floors configured as six 'wings' connected together by a full height glazed atrium 'street' which runs along the front of the entire building. Phase I was pre-let to the tenant during construction, whilst Phase II was a turn-key bespoke development following which the floor area was increased by a 3,616 sq m (40,000 sq ft) extension between the wings to 23,254.54 sq m (250,318 sq ft). The building appears, however, as one continuous structure, albeit the accommodation has been designed to provide maximum flexibility and can be sub-divided either in wings or on a floor by floor basis. To facilitate this each wing has its own lift, stairs and service core. The building is of steel frame construction with full height glazed curtain walling to the front, curved elevation and composite metal, brick and glazing elevations to the rear, including the wings, under a flat roof.

The office accommodation also benefits from a naturally ventilated undercroft car park that is accessed from the rear of the building. Due to the slope of the ground, this links at ground level to the remainder of the (surface) car parking which extends behind the building, in total providing 1,260 spaces and a ratio of 1:28 sq m (1:297 sq ft).

The frontage of the property provides a strong 'headquarters' profile. The landscaped lake provides a further feature to this frontage, alongside which is the amenity centre.

In the south western corner of the site is a detached purpose built, single storey crèche which is of brick construction under a pitched tile covered roof.

The table below depicts the properties and tenants which comprise the portfolio Reading International Properties. The Reading International Properties comprise 405,878 sq ft and are let to two tenants on six leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Phase I & II, Reading International Business Park	Verizon UK Ltd	124,349	3,388,497	01 October 2020	
Phase I & II, Reading International Business Park	Verizon UK Ltd	2,546	15,000	01 October 2020	
Phase I & II, Reading International Business Park	Verizon UK Ltd	250,318	6,820,948	30 September 2021	
Phase I & II, Reading International Business Park	Verizon UK Ltd	11,711	0	30 September 2021	
Phase I & II, Reading International Business Park	Verizon UK Ltd	10,603	137,330	22 October 2020	
Phase I & II, Reading International Business Park	Jigsaw Day Nurseries Ltd	6,351	98,132	05 September 2025	
<b>Total</b>		<b>405,878</b>	<b>10,459,907</b>		

*Source: Knight Frank Valuation Report, April 2007*

## E. Arlington Business Park, Reading

### *Location*

The Arlington Business Park is prominently located on the southern side of Junction 12 of the M4 motorway, on the south western outskirts of Reading, in the Thames Valley. The M4 provides direct access eastwards to the M25 motorway (43 km/27 miles), Heathrow International Airport (50 km/31 miles) and Central London (76 km/46 miles), and westwards to Swindon (58 km/36 miles) and Bristol (120 km/75 miles). The town is also 19 miles north of Basingstoke and 11 miles west of Bracknell.

Reading town centre is five miles north east of the park, via the A4 (Junction 12 being the intersection of the A4 with the M4), whilst two trains leave every hour from Theale's railway station to Reading station, in the town centre, with a journey time of seven minutes. There are also regular services, departing throughout the day, to London's Paddington Terminus with a fastest journey time of 25 minutes from Reading.

### *Description*

The park is bounded by the M4 motorway and the A4 trunk road on its northern side with a railway line demarcating its southern boundary. The park has been developed over the past 15 years in a series of five phases. That part of the park still in Arlington's ownership comprises some 5.49 hectares (13.57 acres) in total, split between Parkview (1200 series), Waterside (1300 series) and plot 1400.

Of the original 66,888 sq m (720,000 sq ft) for which planning permission was granted in 1988 for B1 use there was, we understand, 10,950 sq m gross (117,878 sq ft) of consented area remaining on Plot 1400. Three Grade A specified self contained buildings are currently under construction on Plot 1400, two of four storeys and the other of three storeys, with completion scheduled for May 2007.

There are no on-site amenities, being compensated for by the park's proximity to Theale High Street, a ten minute walk, that has some shops, pubs, restaurants and a bank. There is a retail park located on the northern side of the motorway junction providing a Sainsbury Savacentre, as well as Next, Sports World, Boots and Homebase stores. More extensive retail and leisure facilities are found in Reading town centre.

There are over 14 companies located on the park with key occupiers including Danka, Wolseley Plc, Nvidia, Royal Bank of Scotland, PepsiCo, Vodafone and KPMG.

The table below depicts the properties and tenants which comprise the portfolio Arlington Business Park Properties. The Arlington Business Park Properties comprise 323,669 sq ft and are let to eight tenants on 11 leases.

<b>Property</b>	<b>Tenant</b>	<b>Space (sq ft)</b>	<b>Contracted Rent (£ pa)</b>	<b>Lease Expiry</b>	<b>Break Option</b>
Building 1210 Arlington Business Park	Regus (UK) Ltd	37,001	909,200	13 January 2023	14 January 2014
Building 1220 Arlington Business Park	Wolseley plc	9,955	261,319	28 April 2014	
Building 1220 Arlington Business Park	Wolseley plc	10,290	280,403	29 April 2014	
Building 1220 Arlington Business Park	Wolseley plc	10,275	300,544	29 April 2014	
Building 1230 Arlington Business Park	Wolseley Plc	24,610	590,572	29 April 2014	

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Building 1240 Arlington Business Park	Vodafone Limited <sup>1</sup>	32,204	861,861	13 June 2016	
Building 1310 Arlington Business Park	Clearswift Ltd (Gnd & 1st)	28,824	828,130	06 August 2009	
Building 1310 Arlington Business Park	Nvidia UK (2nd)	14,585	412,026	24 September 2013	25 September 2008
Building 1320 Arlington Business Park	E.Piphany (UK) Ltd	18,751	553,155	28 January 2017	
Building 1330 Arlington Business Park	Vodafone Ltd	38,311	1,111,019	28 February 2017	
Hayes Distribution Site	Kuehne & Nagel	98,863	700,000	30 October 2013	31 October 2009
<b>Total</b>		<b>323,669</b>	<b>6,808,229</b>		

*Source: Knight Frank Valuation Report, April 2007*

## **F. Solent Business Park**

### *Location*

Solent Business Park is located immediately to the north of junction 9 of the M27 motorway, equidistant between the two principal Hampshire south coast towns of Southampton and Portsmouth, both within a ten minute drive of the Park. The M27 links westwards with the M3 motorway and eastwards with the A3 trunk road, both of which provide access to the M25 and Central London.

Southampton International Airport is also located nearby, at junction 5 of the M27, offering access to UK and European destinations on a regular basis and Heathrow Airport is within a 75 minute car journey and Gatwick within 80 minutes. Southampton is also well known as a major deep water port. London's Waterloo Terminus can be reached within the hour by train from Southampton Parkway, some 6.44 km (four miles) distant, with services every 20 minutes during peak times.

### *Description*

The park is a 79 hectare (195 acre) development with buildings grouped together in a campus around a central landscaped parkland and lake. It is accessed from the northern side of the roundabout distributor road off junction 5 or the M27. The park is still being developed and, as such, much of it remains undeveloped land. The remainder of the park has outline planning permission for B1 office and residential development.

Of the original outline planning consent for some 236,900 sq m (2.55m sq ft) of offices, industrial and warehousing facilities for high technology and associated uses on Solent 1, there remains only 3,658 sq m (39,375 sq ft) of consented offices to be built within the Arlington ownership, while the Prudential have 33,958 sq m (365,535 sq ft) still to be built out. Within Solent 2, to the rear of the scheme, is a further 23,526 sq m (253,243 sq ft) of consented space, of which 7,547 sq m (81,236 sq ft) is warehousing. All the land is fully serviced.

Solent 2 comprises some 11.94 hectares (29.5 acres) with outline consent for 62,708 sq m (675,000 sq ft) gross of accommodation. Of this area, 5.22 hectares (12.9 acres) remain in the ownership of Arlington, the balance having been sold to J Sainsbury Developments in 2002. Solent 2 is without servicing or infrastructure. The potential for development for an alternative use, such as residential, is positive.

<sup>1</sup> Vodafone has assigned this lease to Electronic Data Systems Ltd and has provided an Authorised Guarantee Agreement.

Non-Arlington ownership on the park currently includes AXA Equity and Law, Legal and General Assurance, Prudential Assurance, Pearson Pension Property Fund, Nortrust Nominees and UBS Triton. In addition over 40 companies – employing around 3,000 people – are occupants on the Park, including National Air Traffic Services (NATS), Zurich Insurance, Shoosmiths & Harrison, C W Travel, Datacard, Regus, Norwich Union, Abbey National, Computer Associates UK Limited and Convergys Ing Limited.

On-site facilities within the park include a sandwich bar, travel agency dentist, hairdresser and wine bar at The Solent Centre and also the separate hotel and leisure facilities at The Solent Hotel. Much more extensive retail facilities are situated immediately to the north of the park at the Whiteley Village Designer Outlet Centre, adjoining which is a Tesco superstore. Tenants here include Joseph, Jigsaw, Suit Company, Cotton Traders, Jaeger and Pilot.

The table below depicts the properties and tenants which comprise the portfolio Solent Business Park Properties. The Solent Business Park Properties comprise 402,135 sq ft and are let to five tenants on 10 leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Building 3000 A and B Solent Business Park	Zurich Insurance Co.	41,466	742,500	04 September 2017	04 September 2012
Building 3000 A and B Solent Business Park	Zurich Insurance Co.	58,506	1,056,750	04 September 2017	04 September 2012
Building 1460 Solent Business Park	Cunningham Lindsey UK	17,857	295,250	25 January 2019	26 January 2014
Building 1450 Solent Business Park	Matchtech Group Plc	17,751	285,000	11 March 2017	
Building 1490 Solent Business Park	Volvo Event Management UK Ltd	5,490	104,310	01 January 2010	
Building 1-3 (NATS)	Nats (En Route) Plc	44,350	756,083	09 November 2023	
Building 1-3 (NATS)	Nats (En Route) Plc	49,722	848,110	09 November 2023	
Building 1-3 (NATS)	Nats (En Route) Plc	36,542	622,159	09 November 2023	
Building 4-5 (NATS)	Nats (En Route) Plc	59,872	1,078,758	09 November 2023	
Building 4-5 (NATS)	Nats (En Route) Plc	70,579	1,272,876	09 November 2023	
<b>Total</b>		<b>402,135</b>	<b>7,061,796</b>		

Source: Knight Frank Valuation Report, April 2007

## G. Uxbridge Business Park

### Location

Uxbridge benefits from a strategic location on the western fringe of London with good road and rail communications. The town is situated approximately 0.6 kilometres (0.4 miles) south of junction 1 of the M40, 1.2 kilometres (2 miles) from junction 16 of the M25, and approximately 5.6 kilometres (3.5 miles) north of junction 4 of the M4 providing direct access to Heathrow Airport.

Uxbridge town centre has good shopping facilities and rail links via the Metropolitan and Piccadilly lines provide underground services to both Heathrow Airport and Central London. The bus terminal also provides frequent services to Heathrow Airport and surrounding towns.

The Uxbridge office market consists of a number of office clusters situated in various locations around the edge of the retail centre, such as Oxford Road (A402) and Vine Street. The Uxbridge

Business Park site is accessed via Sanderson Road which leads north from Oxford Road. The site is bordered by the Grand Union Canal to the west, Shire Ditch to the east and the M40 to the north.

#### *Description*

Uxbridge Business Park comprises the former Sanderson textile factory site with associated playing fields extending to approximately 28.73 hectares (71 acres). South Bucks District Council granted outline planning permission on 17 January 2002 for the redevelopment of the site to provide 27,870 sq m (300,000 sq ft) gross external area of B1(a) office accommodation.

Uxbridge Business Park has planning consent to build four office buildings, of which the first two are complete totalling 13,826 sq m (148,823 sq ft). The buildings were let to Bristol Myers Squibb and Amgen in 2005. Building 3, which will comprise 7,734 sq m (83,253 sq ft) is currently under construction with completion due in September 2007. This will leave unimplemented conditional consent for a final building of circa 3,523 sq m (38,000 sq ft).

The table below depicts the properties and tenants which comprise the portfolio Uxbridge Business Park Properties. The Uxbridge Business Park Properties comprise 236,634 sq ft and are let to three tenants on three leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
The Quays, Oxford Road	Parexel International Ltd	86,759	2,109,670	16 May 2022	
Building 2, Uxbridge Business Park	Bristol Myers Squibb	63,643	1,664,171	06 March 2020	24 March 2015
Building 1, Uxbridge Business Park	<u>Amgen</u>	<u>86,232</u>	<u>2,470,220</u>	<u>06 December 2021</u>	<u>25 December 2015</u>
<b>Total</b>		<b>236,634</b>	<b>6,244,061</b>		

*Source: Knight Frank Valuation Report, April 2007*

## **H. Manchester Business Park**

#### *Location*

Manchester Business Park (the **Park**) is situated approximately 12.87 kilometres (eight miles) to the south of the city centre. The park is located immediately to the north of the airport with access from Ringway Road West which leads to junction 5 of the M56 approximately 1.61 kilometres (one mile) to the west.

Manchester International Airport is currently the UK's third largest airport, outside London Heathrow and Gatwick, served by three terminals and two runways. A new £60m Airport Transport Interchange officially opened in January 2004 combining bus, coach and rail services at the centre of the Airport.

There are long-term proposals for the rapid transit metro-link extension which will be sited next to the existing rail station with a station stop also directly outside Manchester Business Park. Manchester (Piccadilly) railway station serves London Euston and has a journey time of 2½ hours with six trains per hour linking with the airport. Road communications are good with the M56 giving access to the M60 orbital road, the M6 and the M62 Liverpool to Leeds motorway.

### *Description*

The park comprises some 20.2 hectares (50 acres) and 13.76 hectares (34 acres) of which is developable and which was granted outline planning consent in July 1997 for some 62,709 sq m (675,000 sq ft) gross of B1 accommodation. To date, three buildings have been constructed, having a total net internal area of circa 13,778 sq m (148,302 sq ft). There remains additional outline consent for a further 46,777 sq m (503,507 sq ft) gross on the Park.

The three buildings are situated on two plots on the business park. Plot 1000 and 1500 occupies 1.554 hectares (3.84 acres) held on a 999 year lease granted on 6 March 2002 by Manchester City Council. Plot 3000 makes up 1.426 hectares (3.52 acres) which is held freehold.

There are currently no on-site Park facilities although there are five hotels, retail and A3 facilities close by within the airport complex.

Immediately to the west of Manchester Business Park, there is a further 8.5 hectares (21 acres) which was subject to a planning application for 40,226 sq m (432,993 sq ft) of B1 office development by Green Properties. This company was acquired a short while back by Burford Group and its intentions for the site are not yet known.

The three completed buildings on the park are currently let to Hutchinson 3G, Regus and iSoft plc respectively.

The table below depicts the properties and tenants which comprise the portfolio Manchester Business Park Properties. The Manchester Business Park Properties comprise 38,507 sq ft and are let to one tenant.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
1500 Manchester Business Park	Hutchinson 3G UK Ltd	38,507	744,471	31 December 2021	–
Total		<b>38,507</b>	<b>744,471</b>		

*Source: Knight Frank Valuation Report, April 2007*

## **I. Glasgow Central Quay**

### *Location*

Glasgow is Scotland's largest City with a population of approximately 660,000 people within the urban area and a catchment area extending to over 2.2 million. The M8 motorway from Edinburgh passes through the city just west of the centre and there is also easy access to the M73, M74 and M77 motorways. The City benefits from an excellent road and rail system with an Intercity rail service to Edinburgh with four trains per hour and also rail links to all other major cities in Scotland, as well as south of the border.

Glasgow is situated approximately 72 km (45 miles) to the west of Edinburgh, 232 km (146 miles) to the south west of Aberdeen and 94 km (59 miles) to the south west of Perth.

The Glasgow office market consists of the traditional central office district around the addresses of St Vincent Street, West George Street and West Regent Street within the heart of the city centre. In recent times this has been extended towards the River Clyde with the creation of the International Financial Services District (IFSD) around the Broomielaw. Out-of-town office accommodation is situated in a number of developments in various locations around the perimeter of the city, including Central Quay.

Central Quay is located in a strong out-of-town position, to the west of Glasgow City Centre. The property lies immediately west of the Kingston Bridge and the M8 motorway. The River Clyde passes a short distance to the south.

#### *Description*

Central Quay comprises the former Daily Record newspaper headquarters site extending in total to approximately 2.327 hectares (5.745 acres). Glasgow City Council granted planning approval in respect of an office development and associated car parking and landscaping at 89 Hydepark Street on 7 November 2000, on 0.087 hectares (0.215 acres) leaving a development site of 2.24 hectares (5.53 acres).

Outline planning consent was granted on 21 September 1998 for the erection of 46,451 sq m (circa 500,000 sq ft) of office and business space with associated car parking and landscaping. Consent for the remainder of the development has since expired although we understand that subsequent planning application has been made for the office developments of 14,162 sq m (152,443 sq ft) and 10,412 sq m (112,077 sq ft) along with a luxury hotel which has recently been given consent.

The table below depicts the properties and tenants which comprise portfolio Central Quay Properties. The Central Quay Properties comprise 79,263 sq ft and are let to four tenants on four leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Central Quay	TD Waterhouse Investor Services Ltd	8,715	149,481	13 July 2018	14 July 2013
Central Quay	Certified Accountants Educational Trustees Ltd	30,977	518,865	01 December 2019	02 December 2014
Central Quay	GE International	19,850	332,488	01 July 2017	02 July 2012
Central Quay	The Scottish Ministers	19,721	329,975	08 October 2017	09 October 2012 <sup>1</sup>
<b>Total</b>		<b>79,263</b>	<b>1,330,809</b>		

*Source: Knight Frank Valuation Report, April 2007*

## **J. Bristol – Aztec West**

#### *Location*

Bristol is one of the country's oldest cities, with a long tradition as a major trading, financial and industrial centre and additionally as a port. The city dominates the industrial economy of the South West, being located at the 'gateway' to Wales and the South West as well as enjoying fast links to London, the South East and the Midlands by both road and rail.

Excellent road and rail communications, as well as its dockside location, have helped the Bristol area become the principal city for the South West. All major road and rail transport links to the West Country from London and the Midlands pass through, or close to, Bristol. The city is close to the junction of the M5 and M4 motorways, placing both London and Birmingham within a two hour drive, whilst the M49 links the M5 in the Avonmouth/Portbury/Sevenside area with the M4 at the Second Severn Crossing. There is also a direct link between the M4 and the city centre via the M32.

Bristol is served by two main-line stations: Temple Meads for the city centre and Bristol Parkway for the north of the city. Both stations provide frequent services to London and the South West. Bristol International Airport is approximately 13 kilometres (eight miles) south of the city on the A38 providing flights to many UK and European cities.

<sup>1</sup> There is a 60 year lease to SP Distribution Limited of 24.4m<sup>2</sup> situated on the south eastern boundary of Central Quay for use as an electricity sub-station.

Aztec West is a modern out of town Business Park located to the north of Bristol city centre approximately one kilometre (½ mile) from the M4/M5 interchange. The business park is centred around a circular road known as Park Avenue which circumnavigates the business park. The Quadrant comprises a development of four broadly identical office buildings accessed off an unnamed road to the north eastern corner of Aztec West.

*Description*

The Quadrant (phase 2) is an office development which reached practical completion in September 2000. The property provides four detached office buildings of similar design and layout with associated car parking provided around the perimeters of each building. Aztec West Business Park extends to an overall site of 50.11 hectares (123.84 acres) a large proportion of which has been broken up and sold in smaller lots. The Quadrant (phase 2) occupies 1.52 hectares (3.75 acres) of the total development.

The table below depicts the properties and tenants which comprise the portfolio Aztec West Properties. The Aztec West Properties comprise 62,167 sq ft and are let to four tenants on four leases.

<u>Property</u>	<u>Tenant</u>	<u>Space (sq ft)</u>	<u>Contracted Rent (£ pa)</u>	<u>Lease Expiry</u>	<u>Break Option</u>
Aztec West Business Park 2510	Kingston Communications (Hull) plc	10,389	202,585	15 October 2020	16 October 2015
Aztec West Business Park 2520	Icera Inc	14,789	299,436	20 February 2015	
Aztec West Business Park 2530	Allianz Cornhill Insurance plc	22,270	456,535	24 December 2016	
Aztec West Business Park 2540	Telewest Communications Group Ltd	14,719	293,650	23 June 2021	20 July 2017
<b>Total</b>		<b>62,167</b>	<b>1,252,206</b>		

*Source: Knight Frank Valuation Report, April 2007*



## THE LOANS AND THE LOAN SECURITY

### 1. Credit Agreement

The Credit Agreement will be entered into between, *inter alios*, the Borrower, each other Obligor and the Issuer (as Initial Lender).

The Credit Agreement will be governed by English law. The Credit Agreement contains the types of representations and warranties and undertakings on the part of the Borrower and each other Obligor that a reasonably prudent lender making loans secured on commercial properties of this type would customarily require. A summary of the principal terms of the Credit Agreement is set out below.

#### *Loan Amount and Drawdown and Further Advances*

The Loans will be available subject to fulfilment of conditions precedent as described below, to be drawn down in their entirety (£800,000,000). In addition to the making of Property Protection Loans by the Lender (as described below), further advances may be made to the Borrower if each Lender, after using its reasonable endeavours, determines that it can fund the increase in total commitments and the following conditions, among others, are satisfied; (i) the additional assets to be acquired with the proceeds of the increase are Business Park Properties only and will be secured by a first fixed mortgage or other appropriate security in favour of the Facility Agent (ii) there is no deterioration in the interest cover ratio (iii) there is no deterioration in the loan to value ratio (iv) there is no material deterioration in the weighted average lease lengths, (v) the Loan Hedging Arrangements are in a form and substance satisfactory to the Facility Agent (acting reasonably), (vi) the Facility Agent is satisfied that no Default is outstanding or could reasonably be expected to result from the increase in total commitments and (vii) the Facility Agent has received written confirmation from the Rating Agencies that the increase would not have an adverse effect on the rating of the Notes issued or to be issued.

**Business Park Property** has the meaning given to it in the Partnership Agreement, from time to time being, as at the date of the Credit Agreement, any real property situated in the United Kingdom comprised in a large-scale development for predominantly office use conceived from a master plan and developed under the control of a single entity having, among its attributes, a development in a landscaped environment, sufficient car parking to satisfy occupational needs, an overall management structure applying across the development administered by a central body.

#### *Conditions Precedent*

The Issuer's obligation to make the Loans under the Credit Agreement is subject to the Facility Agent first having received, certain documents as conditions precedent to funding in form and substance satisfactory to it. The documentation required includes, among other things: constitutional documents and board minutes for the Borrower and each other Obligor, copies of each Unit Trust Instrument (as defined in the Credit Agreement), a valuation in respect of each Property, evidence of appropriate insurance cover in respect of each Property, all title documents relating to each Obligor's interest in each Property, copies of all Occupational Leases and title searches related to each Property, security documents (and releases of existing security), all appropriate UK and other tax clearances and all relevant legal and tax opinions and notices in connection with the assignment or assignment of rental income and charging of bank accounts.

#### *Interest and Amortisation Payments*

Interest under the Loans will be paid quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year in respect of successive Loan Interest Periods.

The Loans are repayable in full on the Loan Maturity Date, being the Loan Interest Payment Date falling in July 2012, unless the Loans are previously repaid or the Borrower exercises a two year extension option. The Loan Maturity Date of the Loan shall, following receipt by the Facility Agent of a written request from the Borrower, be extended to the Interest Payment Date falling in July 2014 on fulfilment by the Borrower of the following conditions on the Interest Payment Date falling in April 2012: that there is no Default outstanding; the Loan to Value ratio is not more than 72.5 per cent.; the Interest Cover ratio is not less than 115 per cent.; and the Loan Hedging Arrangements being in place for the period of extension in form and substance satisfactory to the Facility Agent (acting reasonably).

### *Prepayments*

#### *Voluntary Prepayment*

The Credit Agreement permits the Borrower to voluntarily prepay the Loans on any Loan Interest Payment Date in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £1,000,000) by giving not less than 20 days' prior written notice to the Facility Agent.

- (a) Any prepayment in accordance with the voluntary prepayment provisions of the Credit Agreement shall, unless **paragraph (b)** applies below, be applied against those Loans selected by the Borrower in the notice of prepayment but if the Borrower fails to make a selection the prepayment shall be applied as follows:
- (i) first, in repayment of Loan F until Loan F is repaid;
  - (ii) second, in repayment of Loan E until Loan E is repaid;
  - (iii) third, in prepayment of Loan D until Loan D is prepaid;
  - (iv) fourth, in prepayment of Loan C until Loan C is prepaid;
  - (v) fifth, in prepayment of Loan B until Loan B is prepaid; and
  - (vi) sixth, in prepayment of Loan A until Loan A is prepaid.
- (b) if a Special Servicing Event is outstanding the Borrower will be obliged to prepay the Loans in accordance with the following prepayments (the **Special Servicing Priority of Payments**):
- (i) first, in prepayment of Loan A until Loan A is prepaid;
  - (ii) second, in prepayment of Loan B until Loan B is prepaid;
  - (iii) third, in prepayment of Loan C until Loan C is prepaid;
  - (iv) fourth, in prepayment of Loan D until Loan D is prepaid;
  - (v) fifth, in prepayment of Loan E until Loan E is prepaid; and
  - (vi) sixth, in prepayment of Loan F until Loan F is prepaid.

#### *Mandatory Prepayment – Disposals*

The Borrower must, in relation to a disposal of a Property, prepay the Loans in the circumstances set out in the Credit Agreement. Any prepayment in relation to a disposal of a Property shall be on the Loan Interest Payment Date following the disposal (if the period between the disposal and that Loan

Interest Payment Date is at least 20 days) or the next Loan Interest Payment date (if it is not). In these circumstances, the Borrower will be obliged to apply the prepayment of the Loans as follows:

- (a) (except if **paragraph (b) below** applies):
  - (i) first, an amount equal to 100 per cent. of the Allocated Debt Amount in relation to that Property in prepayment of all the Loans pro rata; and
  - (ii) secondly, an amount equal to 15 per cent. of the Allocated Debt Amount in relation to that property:
    - (A) first, in prepayment of Loan A until Loan A is prepaid;
    - (B) second, in prepayment of Loan B until Loan B is prepaid;
    - (C) third, in prepayment of Loan C until Loan C is prepaid;
    - (D) fourth, in prepayment of Loan D until Loan D is prepaid;
    - (E) fifth, in prepayment of Loan E until Loan E is prepaid; and
    - (F) sixth, in prepayment of Loan F until Loan F is prepaid.
- (b) if a Special Servicing Event is outstanding, in accordance with the Special Servicing Priority of Payments.

#### *Mandatory Prepayment – Illegality*

If it is or becomes lawful for any Lender to give effect to any of its obligations as contemplated by the Finance Documents or to fund or maintain any Loan, then that Lender may notify the Borrower that the Lender's undrawn commitment will be cancelled and if the Facility Agent so requires, the Borrower must prepay that Lender's participation in that Loan in sequential order.

#### *Mandatory Prepayment – Compulsory Purchase*

If any part of a Property is compulsorily purchased or the applicable local authority makes an order for the compulsory purchase of all or any part of the Property and in the opinion of the Facility Agent (acting reasonably), taking into account the amount and timing of any compensation payable, the compulsory purchase does not and will not have a Material Adverse Effect, the Borrower shall apply the compensation on receipt either:

- (a)
  - (i) in prepayment of all the Loans up to an amount equal to 115 per cent. of the Allocated Debt Amount in relation to that property;
  - (ii) in satisfaction of any amounts due under the Loan Hedging Arrangements as a result of a termination or closing out in consequence of that payment; and
  - (iii) in payment of any surplus relating to a Unit Trust Account relating to that Unit Trust, or otherwise to the General Account; or
- (b) in payment to the Disposal Proceeds Account (for application in accordance with the Disposal Proceeds Account provisions in the Credit Agreement) as if the compensation had been paid into the Disposal Proceeds Account as a result of this disposal of the property in accordance with the disposal provisions of the Credit Agreement.

**Material Adverse Effect** means in relation to the Borrower, a material adverse effect on the business or the financial condition of the Borrower or on the ability of the Borrower to comply with any of its obligations under any Finance Document to which it is a party; or in the case of any other Obligor, a material adverse effect on the ability of that Obligor to comply with any of its obligations under any Finance Document to which it is a party.

Any prepayment in accordance with (a)(i) or (b) above shall be applied as follows:

- (a) (except if **paragraph (c) below** applies) if the compensation exceeds the Allocated Debt Amount in relation to that Property:
  - (i) first, an amount equal to 100 per cent. of the Allocated Debt Amount in relation to that Property in prepayment of all the Loans pro rata; and
  - (ii) second, an amount equal to that excess (if any) up to a maximum of 15 per cent. of the Allocated Debt Amount in relation to that Property:
    - (A) first, in prepayment of Loan A until Loan A is prepaid;
    - (B) second, in prepayment of Loan B until Loan B is prepaid;
    - (C) third, in prepayment of Loan C until Loan C is prepaid;
    - (D) fourth, in prepayment of Loan D until Loan D is prepaid;
    - (E) fifth, in prepayment of Loan E until Loan E is prepaid; and
    - (F) sixth, in prepayment of Loan F until Loan F is prepaid;
- (b) (except if **paragraph (c) below** applies) if the compensation is less than or equal to the Allocated Debt Amount in relation to that property:
  - (i) first, in prepayment of Loan A up to the relevant amount;
  - (ii) second, in prepayment of Loan B up to the relevant amount;
  - (iii) third, in prepayment of Loan C up to the relevant amount;
  - (iv) fourth, in prepayment of Loan D up to the relevant amount;
  - (v) fifth, in prepayment of Loan E up to the relevant amount; and
  - (vi) sixth, in prepayment of Loan F,

and for this purpose, relevant amount means the amount that would have been prepayable with respect to that Loan under **paragraph (a) above** if the compensation had equalled the Allocated Debt Amount in relation to that Property; and
- (c) if a Special Servicing Event is outstanding, in accordance with the Special Servicing Priority of Payments.

*Mandatory Prepayment – Major Damage*

If any part of a Property is destroyed or damaged and in the opinion of the Facility Agent (acting reasonably), taking into account the amount and timing of any proceeds of insurance payable, the destruction or damage does not and will not have a Material Adverse Effect, and within twelve

months from the date of the destruction or damage the Borrower has not (i) received the proceeds of insurance on a full reinstatement basis in accordance with the terms of the Credit Agreement and/or (ii) commenced reinstatement works with respect to those proceeds, the Borrower shall prepay the Loans up to an amount equal to 115 per cent. of the Allocated Debt Amount in relation to that Property provided that the Borrower shall not be obliged to prepay the proceeds of any insurance claim where those proceeds are equal to or less than £50,000 in value (unless more than five such claims are outstanding at any time). Any prepayment in accordance with the above shall be applied as follows:

(a) (except if **paragraph (c) below** applies) if the proceeds of insurance exceeds the Allocated Debt Amount in relation to that Property:

- (i) first, an amount equal to 100 per cent. of the Allocated Debt Amount in relation to that Property in prepayment of all the Loans pro rata; and
- (ii) secondly, an amount equal to that excess (if any) up to a maximum of 15 per cent. of the Allocated Debt Amount in relation to that Property:
  - (A) first, in prepayment of Loan A until Loan A is prepaid;
  - (B) second, in prepayment of Loan B until Loan B is prepaid;
  - (C) third, in prepayment of Loan C until Loan C is prepaid;
  - (D) fourth, in prepayment of Loan D until Loan D is prepaid;
  - (E) fifth, in prepayment of Loan E until Loan E is prepaid; and
  - (F) sixth, in prepayment of Loan F until Loan F is prepaid;

(b) (except if **paragraph (c) below** applies) if the proceeds of insurance is less than or equal to the Allocated Debt Amount in relation to that Property:

- (i) first, in prepayment of Loan A up to the relevant amount;
- (ii) second, in prepayment of Loan B up to the relevant amount;
- (iii) third, in prepayment of Loan C up to the relevant amount;
- (iv) fourth, in prepayment of Loan D up to the relevant amount;
- (v) fifth, in prepayment of Loan E up to the relevant amount; and
- (vi) sixth, in prepayment of Loan F,

and for this purpose, **relevant amount** means the amount that would have been prepayable with respect to that Loan under **paragraph (a) above** if the proceeds of insurance had equalled the Allocated Debt Amount in relation to that Property; and

(c) if a Special Servicing Event is outstanding, in accordance with the Special Servicing Priority of Payments.

If a compulsory purchase or major damage in respect of a Property has or will have a Material Adverse Effect, the total commitments will be automatically cancelled and the outstanding Loans, together with accrued interest and all other amounts accrued under the Finance Documents will become immediately due and payable.

**Finance Documents** means the Credit Agreement, an Extension Request (as defined in the Credit Agreement), an Increase Request (as defined in the Credit Agreement), the English Partnership Debenture, the English SPC Debenture, the English Unit Trustee Debenture, a Jersey Shares Security Agreement, a Jersey Account Security Agreement, a Jersey Unit Security Agreement, a Scottish Assignment of Rent, a Scottish Standard Security, a Scottish Beneficiaries Assignment, the Scottish Assignment of Collateral Warranties, any Loan Hedging Arrangements, the Subordination Deed, any accession document, a Beneficiary Undertaking (as defined in the Credit Agreement), any fee letter, any novation certificate and any document designated as such by the Borrower and the Facility Agent.

*Mandatory Prepayment – Change of Control*

After a change of control, if the Majority Lenders so require, the Facility Agent must, by notice to the Borrower cancel the total commitments and declare all outstanding Loans, together with accrued interest and all other amounts accrued under the Finance Documents, to be immediately due and payable. The Borrower must promptly notify the Facility Agent if it becomes aware of any change of control and for this purpose a **change of control** occurs if, without the prior written consent of the Facility Agent, either:

- (a) at least 51 per cent. of the share capital of the General Partner ceases to be ultimately beneficially owned and controlled by Goodman International Limited; or
- (b) Goodman International Limited (formerly Macquarie Goodman Management Limited) ceases to maintain the same level of control over the General Partner as it has at the date of this Agreement.

**Majority Lenders** means, at any time, Lenders:

- (a) whose participations in the Loans then outstanding aggregate at least 66 per cent. of the Loans then outstanding; or
- (b) if there are no loans then outstanding, whose commitments to lend then aggregate at least 66 per cent. of the total commitments; or
- (c) if there are no Loans then outstanding and the total commitments have been reduced to nil, whose commitments arrogated at least 66 per cent. of the total commitments immediately before the reduction.

All prepayments by the Borrower under the Credit Agreement shall be made together with accrued interest on the amount unpaid and any amount payable as a result of the closing out or termination of the Loan Hedging Arrangements in consequence of such prepayments. In addition all prepayments by the Borrower are subject to payment of break costs.

In connection with prepayments by the Borrower, where the notional amount of the Loan Hedging Arrangements exceeds the aggregate amount of the Loans then outstanding following prepayments by the Borrower, the Borrower will, at the request of the Facility Agent, be required to reduce the notional amount of the Loan Hedging Arrangements as described further in "*Hedging Obligations*" below.

*Borrowing Group Accounts*

On each Loan Interest Payment Date, monies will be debited from the Rent Accounts to discharge any interest, principal payments and/or other sums due under the Credit Agreement and the Loan Hedging Arrangements. Any surplus monies standing to the credit of the Rent Accounts on the relevant Loan Interest Payment Date (after payment of certain other prescribed costs, fees and

expenses) will be paid in respect of a Unit Trust to the Trust Income Account relating to that Unit Trust and otherwise to the General Account if certain loan to value and interest cover tests are met and, subject to there being no Event of Default outstanding, may be withdrawn by the relevant Unit Trust Trustee (in respect of the Trust Income Account) or the Borrower (in respect of the General Account) subject to the restrictions in the Subordination Deed.

Pursuant to the terms of the Credit Agreement, the Borrower and the Property Trustees have established a number of bank accounts (as described below, the **Borrowing Group Accounts**) into which net rental income and other monies received in connection with the Properties are required to be paid. On the Loan Maturity Date or following a Loan Event of Default, the Facility Agent will be able to assume sole signing rights and control over those Borrowing Group Accounts in respect of which it does not already have sole signing rights.

Under the Credit Agreement, all accounts established and maintained pursuant to the Credit Agreement must be maintained with a bank that has a rating of at least "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1" (or better) by S&P for its short-term debt obligations and "A" (or better) by Fitch, "A1" (or better) by Moody's and "A" (or better) by S&P for its long-term debt obligations. As at the date of this Prospectus, all of the Borrowing Group Accounts are held with The Royal Bank of Scotland plc acting through its office at London Corporate Service Centre, PO Box 39552, 3rd Floor, 2½ Devonshire Street, London EC2M 4XJ.

**Net Rental Income** means Rental Income (as converted into Sterling if applicable at the prevailing exchange rate) but excluding (to the extent otherwise included) the following amounts (i) any Service Charges, (ii) any amount deposited as security for the performance of any tenant's obligations under any Occupational Lease (until received by any Obligor for that Obligor's own benefit) and any interest accruing thereon and (iii) any value added tax or similar taxes payable on any of the items listed in paragraphs (a) to (k) of the definition of Rental Income as contained in the Credit Agreement.

#### *General Account*

The Borrower is required to ensure that any amounts received by an Obligor (other than amounts required under the Credit Agreement to be transferred to any Service Charge Account, tenant's security accounts or sinking fund accounts) not expressly required to be paid into the other Borrower Accounts are paid into a current account (the **General Account**) in the name of the Borrower.

Subject to any restrictions in the Subordination Deed and prior to any Event of Default, the Borrower is permitted to make withdrawals from the General Account. Following any Event of Default, the Facility Agent will assume control of the General Account and will be permitted to apply amounts standing to the credit of the General Account towards payment of the Borrower's obligations under the Finance Documents.

#### *Rent Account*

Each Obligor is required to ensure that all rental income (less service charges due in respect of any Property, amounts on deposit as security for the performance of any tenant's obligations under any Occupational Lease and taxes) are paid into a deposit account (each a **Rent Account**) in the joint names of the English Property Trustees (in respect of rental income received from the Partnership Properties) and in the joint names of the Jersey Property Trustees (in respect of rental income received only from the JPUT Properties). The Facility Agent has sole signing rights in relation to the Rent Accounts and is irrevocably authorised by the Property Trustees on each Loan Interest Payment Date (provided no Event of Default is then outstanding) to apply amounts standing to the credit of the Rent Accounts in the order of priority set out below under "*Borrower Cashflows*".

All amounts payable to the Obligors under the Loan Hedging Arrangements (other than amounts to be paid into a CSA Account) are paid into the Rent Account in the joint names of the English Property Trustees.

#### *Service Charge Account*

The Property Trustees are required to use reasonable endeavours to ensure that any amounts in respect of insurance costs and service charges received by a Property Trustee under any Occupational Lease or agreement to grant an Occupational Lease in respect of all or part of a Property (each, a **Lease Document**) are paid into the relevant deposit account (each, a **Service Charge Account**) in the joint names of either the English Property Trustees or the Jersey Property Trustees (as applicable). Under the terms of the Credit Agreement, the Property Trustees or, while an Event of Default is outstanding, the Facility Agent, is permitted to apply any amount standing to the credit of a Service Charge Account in or towards the purpose for which it was paid under the relevant Occupational Lease. On notification by the Property Trustees, the Facility Agent must promptly transfer any insurance costs and service charges incorrectly paid into the Rent Account to the relevant Service Charge Account.

#### *Reserve Account*

The Facility Agent has sole signing rights in relation to the **Reserve Account**, which is a deposit account maintained in the joint names of the English Property Trustees. Any surplus rental income will be deposited in the Reserve Account if Interest Cover falls below 115 per cent. or the Loan to Value is equal to or greater than 75 per cent. on that Loan Interest Payment Date. If, on a subsequent Loan Interest Payment Date, the Interest Cover is equal to or greater than 115 per cent. and the Loan to Value is less than 75 per cent. and no Default is then outstanding, the Facility Agent shall be permitted to transfer amounts standing to the credit of the Reserve Account to the General Account. Amounts standing to the credit of the Reserve Account are not taken into account in calculating Interest Cover.

The Facility Agent will be permitted at any time when a Default is outstanding to apply amounts standing to the credit of the Reserve Account to meet any interest shortfall or in prepayment of the Loans provided that (in the case of a prepayment in part of the Loans) there shall be no minimum amount or integral multiples of the amount prepayable. If no Default is outstanding, the Facility Agent shall, if requested by the English Property Trustees, apply any amounts standing to the credit of the Reserve Account in prepayment of the Loans provided that (in the case of a prepayment in part of the Loans) there shall be no minimum amount or integral multiples of the amount prepayable.

#### *Deposit Account*

The Facility Agent has sole signing rights in relation to (the **Deposit Account**) a deposit account in the joint names of the English Property Trustees. An Obligor may deposit an amount into the Deposit Account in respect of a rent free period under a Lease Document or any amount to ensure compliance with the Loan to Value and Interest Cover tests (but not more than twice in any 12 month period or more than six times in total) and, if no Default is then outstanding and the Interest Cover and Loan to Value tests are satisfied on at least two consecutive Loan Interest Payment Dates (without taking into account the amounts deposited in the Deposit Account), the Facility Agent shall, if so requested by the English Property Trustees, transfer that amount into the General Account. The Facility Agent will be permitted at any time when a Loan Event of Default is outstanding to apply amounts standing to the credit of the Deposit Account to meet any amount due but unpaid under the Finance Documents. An Obligor may also pay into the Deposit Account any amount in accordance with **paragraph (a)(v) or (b)** under the section "Development of the Properties" below (**Deposited Amounts**). So long as no Default is outstanding, at the request of the Borrower, the Facility Agent shall apply the Deposited Amounts together with interest, to the General Account to pay costs and



expenses in connection with a Development as they fall due and to the extent that the Initial Excess Amount exceeds the Revised Excess Amount, the amount equivalent to that excess.

**Initial Excess Amount** means the balance of the amount deposited into the Deposit Account in accordance with **paragraph (a)(v)** under the section "*Development of the Properties*";

**Projected Costs Report** means a breakdown of the costs and expenses incurred by an Obligor in connection with each Development to date which is provided quarterly; and

**Revised Excess Amount** means the amount by which the aggregate amount of the costs and expenses in connection with Developments being carried out in respect of all the Properties at the time of receipt by the Facility Agent of the most recent Projected Costs Report exceeds £16,500,000.

#### *Disposal Proceeds Account*

The Facility Agent has sole signing rights in relation to each, account maintained in the joint names of the relevant Property Trustees (each, a **Disposal Proceeds Account**) into which the proceeds of any disposal of a Property or Properties made in accordance with the Credit Agreement (less any reasonable costs of that disposal and the amount of any taxes payable as a result of that disposal) must be paid. If no Default is outstanding, the Facility Agent will be permitted on request by the relevant Property Trustees to apply amounts standing to the credit of the relevant Disposal Proceeds Account in the manner more particularly described in "*Disposals and Substitutions*" below. The Facility Agent will be permitted at any time when a Default is outstanding to apply amounts standing to the credit of the Disposal Proceeds Accounts to meet the Borrower's obligations under the Finance Documents.

For more detailed information on the disposal and substitution of a Property or Properties and prepayment of amounts paid into the Disposal Proceeds Accounts, see "*Disposals and Substitutions*" below.

#### *Trust Income Account*

Each Unit Trust Trustee has signing rights in relation to its trust income account. Each Unit Trust Trustee may distribute amounts standing to the credit of its Trust Income Account in accordance with the provisions of the relevant Unit Trust Instrument. Whilst an Event of Default is outstanding the Facility Agent may give notice to a Unit Trust Trustee that no amount may be withdrawn from its Trust Income Account without the consent of the Facility Agent.

#### *Unit Trust Account*

Each Unit Trust Trustee has signing rights in relation to its unit trust account. Each Unit Trust Trustee may distribute amounts standing to the credit of its Unit Trust Account in accordance with the provisions of the relevant Unit Trust Instrument. Whilst an Event of Default is outstanding the Facility Agent may give notice to a Unit Trust Trustee that no amount may be withdrawn from its Unit Trust Account without the consent of the Facility Agent.

#### *Other Accounts*

The relevant Property Trustees will open and maintain one or more tenants' security accounts into which an Obligor will be required to pay monies received by any Obligor by way of security for the performance of a tenant's obligations under an Occupational Lease and one or more sinking fund accounts into which an Obligor will be required to pay tenant contributions in respect of maintenance or service charge expenditure.

Monies received in respect of any credit support annex entered into in connection with the Loan Hedging Arrangements will be deposited into one or more collateral accounts (each, a CSA

**Account**) in the name of the English Property Trustees and dealt with in accordance with such Loan Hedging Arrangement. Upon termination of any Loan Hedging Arrangements, the Facility Agent shall pay to the Loan Hedge Counterparty any amount representing excess collateral standing to the credit of a CSA Account in priority to any other secured creditor under the English Partnership Debenture, the English SPC Debenture or the English Unit Trustee Debenture.

#### *Hedging Obligations*

Under the terms of the Credit Agreement, the Borrower is required to maintain (subject to the limits described below) interest rate hedging arrangements to protect against the risk that the interest rate payable by the Borrower under the Loans may increase to levels which would be too high, bearing in mind the Borrower's income (which comprises, primarily, rental income in respect of the Properties and which does not vary according to prevailing interest rates).

In order to comply with these obligations, the Borrower has entered into the Loan Hedging Arrangements with the Loan Hedge Counterparties each of which has a rating for its short-term debt obligations of "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1" (or better) by S&P and a rating of its long-term debt obligations of "A-2" (or better) by Moody's, "A" (or better) by Fitch and if the Loan Hedge Counterparty does not have a short-term rating by S&P, the long-term unsecured, unsubordinated and unguaranteed debt obligations of such Loan Hedge Counterparty is rated "A+" (or better) by S&P (the **Counterparty Requisite Ratings**). On 3 September 2004 the Borrower assigned to the English Property Trustees (acting jointly), by way of a deed of assignment, its rights under each Loan Hedging Arrangement. To the extent that the Borrower's rights have not already been assigned to the English Property Trustees, the Borrower assigns such rights to the Facility Agent under the English Partnership Debenture. Under the terms of the Credit Agreement, the Loan Hedging Arrangements must cover an aggregate notional amount not less than the aggregate amount of the Loans then outstanding, such that at all times the Borrower's obligations under the Loans will be fully hedged against adverse movements in prevailing interest rates.

If the notional amount of the Loan Hedging Arrangements exceeds the aggregate amount outstanding of the Loans at any time, then the Borrower must, at the request of the Facility Agent (acting reasonably) or the Loan Hedge Counterparties may reduce the aggregate notional amount of the Loan Hedging Arrangements so that it equals 100 per cent. of the aggregate amount of the Loans outstanding at any time.

Neither the Borrower nor a Loan Hedge Counterparty will be entitled to amend or waive the terms of any Loan Hedging Arrangement without the consent of the Facility Agent (such consent not to be unreasonably withheld or delayed unless such amendments are required by the Rating Agencies).

Subject to agreement with the relevant counterparty, the Borrower will be entitled to terminate the Loan Hedging Arrangements so long as the Borrower has entered into substitute Loan Hedging Arrangements with counterparties having the Counterparty Requisite Ratings and in accordance with the terms of the Credit Agreement.

Except as set forth above, neither the Borrower nor any Loan Hedge Counterparty will be permitted to terminate or close out any Loan Hedging Arrangements (in whole or in part) except:

- (a) upon the occurrence of an Illegality, Bankruptcy, Failure to Pay, Tax Event or Tax Event Upon Merger (each as set out in the Loan Hedging Arrangements);
- (b) where all outstanding amounts under the Finance Documents (other than the Loan Hedging Arrangements) have been unconditionally and irrevocably paid and discharged in full;
- (c) in the case of termination or closing out by a Loan Hedge Counterparty, if, on any day (the **Acceleration Date**) the Facility Agent:

- (i) validly serves a notice under the Credit Agreement declaring all or part of the Loans together with all other amounts accrued under the Finance Documents, to be immediately due and payable, or having served a notice under the Credit Agreement declaring all or part of the Loans to be payable on demand and makes a demand pursuant thereto; or
- (ii) has confirmed (by whatever means) that the security interests created under the Borrower Group Security Documents have either been enforced in accordance with their terms or, in the reasonable opinion of the Facility Agent, will be enforced in accordance with their terms,

and as a result of such action, 75 per cent. of the aggregate principal amount of the Loans outstanding as at the relevant Acceleration Date have been unconditionally and irrevocably paid and discharged in full;

- (d) in the case of termination or closing out by the Borrower, if the Additional Tax Representation (as set out in the Loan Hedging Arrangements) proves to have been incorrect or misleading with respect to the Loan Hedging Arrangements when made or repeated or deemed to have been made or repeated;
- (e) upon the request of the Facility Agent as a result of a Rating Event occurring with respect to a Loan Hedge Counterparty and that Loan Hedge Counterparty failing to comply with the relevant provisions of the Loan Hedging Arrangements; or
- (f) with the prior consent of the Facility Agent (such consent not to be unreasonably withheld or delayed) (i) as permitted by the terms of the Hedging Arrangement or (ii) with the consent of the relevant Counterparty.

If, at any time, a Loan Hedge Counterparty ceases to have the Counterparty Requisite Ratings or, following such a cessation, experiences a further ratings downgrade specifically described in the Loan Hedging Arrangements (a **Rating Event**), it will be required to take certain measures specified by the relevant Rating Agencies to address any impact of any such Rating Event on the Notes.

#### *Property Protection Loans*

If the Borrower fails to pay an amount due and payable under any Loan Hedging Arrangement or any insurance premiums ground rent or operating expenses then due in connection with the Properties, and such failure constitutes an Event of Default, the Issuer may, pursuant to the terms of the Credit Agreement make a loan to the Borrower to enable it to pay that amount (a **Property Protection Loan**). A Property Protection Loan will be repayable on demand on any Loan Interest Payment Date or on any date falling on or after the date on which the Facility Agent by notice to the Borrower cancels any outstanding commitments under the Credit Agreement and/or demands that all or part of the Loans together with accrued interest and all other amounts accrued under the Finance Documents become immediately due and payable and/or demands that all or part of the Loans becomes payable on demand and/or declares the security constituted by any of the Borrower Group Security Documents to be enforceable. A Property Protection Loan will bear interest at a default rate (calculated in accordance with the Credit Agreement) and will be repaid from monies standing to the credit of the Rent Account or from the proceeds of a loan from a Subordinated Creditor to the Borrower.

#### *Guarantee and Indemnity*

Each of the Property Trustees, each of the Unit Trust Trustees, Sub G1, Holdco and Subco have each, pursuant to the Credit Agreement, jointly and severally guaranteed the obligations of the Borrower under the Finance Documents and have undertaken to pay any amount not paid by the

Borrower when due under the Finance Documents and to indemnify each Finance Party immediately on demand against any loss or liability suffered by that Finance Party if any guaranteed obligation is or becomes unenforceable, invalid or illegal.

The recourse of the Finance Parties to each of the Property Trustees will be limited to the aggregate amount of the Trust Property and the trust income. The recourse of the Finance Parties to each of Holdco and Subco will be limited to the aggregate amount of the security assets which are the subject of the English SPC Debenture. The recourse of the Finance Parties to each of the Unit Trust Trustees will be limited to the aggregate amount of its Unit Trust Fund and all trust income.

#### *Representations and Warranties*

The representations and warranties given (or to be given) by the Borrower and each other Obligor under the Credit Agreement, as of the date of the Credit Agreement and (subject to certain exceptions), the date of the request for the Loans, the date of drawdown, each Loan Interest Payment Date, the date of any disposal or substitution of Properties or the date of any prepayment permitted under the Credit Agreement, include (or will include), among other things, the following statements:

- (a)
  - (i) the Borrower is a duly registered and validly existing limited partnership under the Limited Partnership Act 1907 and has its principal place of business in England;
  - (ii) each Unit Trust is duly established and constituted and validly existing under the laws of Jersey as a closed ended unit trust scheme;
  - (iii) each of the English Property Trustees, the General Partner, Holdco and Subco are incorporated as limited liability companies under the laws of England and Wales;
  - (iv) each Unit Trust Trustee, each Jersey Property Trustee and Sub G1 are incorporated as limited liability companies under the laws of Jersey; and
  - (v) each Obligor has the requisite power to own its assets and carry on its business and to enter into, perform and deliver the Finance Documents and such entry into and performance of the Finance Documents will subject to certain reservations constitute a legal, valid, binding and enforceable obligation of that Obligor and will not conflict with any applicable law or regulation or the constitutional documents of that Obligor or any document binding on it where such conflict would be likely to have a Material Adverse Effect;
- (b) no Default is outstanding or is likely to result from the making of the Loans;
- (c) no Unit Trustee is in default of its duties or obligations to unitholders and is entitled to satisfy fully its liabilities under the Finance Documents to the extent of the relevant Unit Trust Fund and all Trust Income (as defined in the relevant Unit Trust Instrument);
- (d) subject to due registration of the relevant loan security documents, all authorisations required in connection with entry into, performance, validity and enforceability of the Finance Documents have been obtained or effected and are in full force and effect;
- (e) the "centre of main interests" of each Obligor for the purposes of Council Regulation (EC) No. 1346/2000 of 29 May 2000 (the Centre of Main Interests) is situated in its jurisdiction of incorporation or establishment or in England and Wales and none of the Property Trustees, the Unit Trust Trustees, Holdco or Subco has an establishment in any other jurisdiction;
- (f) the Property Trustees are the legal owners of each Property;

- (g) the Borrower is the sole beneficial owner or heritable proprietor of each Property other than a Property the legal title to which is owned by the Jersey Property Trustees;
- (h) the Borrower and Sub G1 are by virtue of holding units in the relevant Unit Trusts the beneficial owners of each JPUT Property;
- (i) the Obligors referred to in paragraphs (f) – (h) above have good and marketable title to such interests in each Property as referred to in paragraphs (f) – (h) above in each case free from any security interests (other than those set out in the relevant Borrower Group Security Documents);
- (j) to the best of its knowledge and belief, after due enquiry, all written information supplied by the Borrower to the solicitors who prepared any Certificate of Title in relation to any Property was true and complete in all material respects as at its date;
- (k) subject to any registration requirements, the security conferred by the Loan Security and any Related Security constitutes a first priority security interest over the assets referred to in that agreement and the assets are not subject to any prior or *pari passu* security interests;
- (l) no litigation, arbitration or administrative proceedings are current or, to the knowledge of the Borrower, pending or threatened which would be likely to have a Material Adverse Effect;
- (m) to the best of its knowledge and belief after due enquiry all written information supplied by the Borrower to the Loan Arrangers, the Lenders and the Facility Agent, among others, in connection with the Finance Documents was as at its date:
  - (i) insofar as it consists of statements of fact, true, accurate and complete in all material respects;
  - (ii) insofar as it consists of statements of opinion, fairly representative of its views and expectations; and
  - (iii) insofar as it consists of statements of intention, fairly representative of its intentions, and did not omit any information which made the information supplied misleading in any material respect;
- (n) to the best of its knowledge and belief after due enquiry all information supplied by the Borrower to the Valuer for the purposes of each Valuation was true, complete and accurate as at its date and did not omit any information which might adversely affect the Valuation;
- (o) the audited accounts of each Obligor (other than a Unit Trust Trustee and a Jersey Obligor) most recently delivered to the Facility Agent have been prepared in accordance with (in the case of the Borrower) the Partnership Agreement and (in the case of each other Obligor) accounting principles and practices generally accepted in the United Kingdom and (in the case of the Jersey Obligors other than a Unit Trust Trustee) accounting principles and practices generally accepted in Jersey, and fairly represent the financial condition of each Obligor as at the date to which they were drawn up, and (in the case of each Unit Trust) in accordance with the relevant Unit Trust Instrument and generally accepted accounting principles in Jersey applicable to unit trusts, and, in the case of the Borrower, its real property and heritable assets are reflected in its latest audited balance sheet at market value evidenced by valuations undertaken as at the date of that balance sheet by nationally recognised firms of third party surveyors or valuers;

- (p)
  - (i) since the date of its formation as a limited partnership, the Borrower has not carried on any business other than the acquisition, ownership, management, maintenance, extension, refurbishment, development, letting and/or disposal of real property and related incidental matters;
  - (ii) since the date of its incorporation, the General Partner has not carried on any business other than acting as general partner of the Borrower;
  - (iii) since the date of its incorporation, neither Holdco, Subco nor Sub G1 has carried on any business other than its ownership of (in the case of Holdco) shares in Subco, (in the case of Subco) shares in the Property Trustees and (in the case of Sub G1) Units in the Unit Trusts;
  - (iv) since the date of its incorporation, no Property Trustee has carried on any business other than the ownership of a legal interest in the Properties; and
  - (v) no Unit Trust Trustee has carried on any business since the date of the formation of the relevant Unit Trust except for its ownership of interests in the JPUT Properties;
- (q) no Obligor (other than the Borrower and each Unit Trust Trustee) has any subsidiaries except for (in the case of the General Partner) Holdco, Subco, Sub G1 and each Property Trustee, (in the case of Holdco) Subco and each Property Trustee and (in the case of Subco) each Property Trustee; and
- (r) as at the date of the Credit Agreement:
  - (i) the Limited Partners are the only limited partners in the Borrower;
  - (ii) the General Partner is the only general partner in the Borrower;
  - (iii) at least 51 per cent. of the General Partner's entire issued share capital is ultimately beneficially owned and controlled by Goodman International Limited (formerly Macquarie Goodman Management Limited);
  - (iv) each Property Trustee's entire issued share capital is fully paid-up and is legally and beneficially owned by Subco;
  - (v) Subco's entire issued share capital is fully paid-up and is legally and beneficially owned by Holdco;
  - (vi) Holdco's entire issued share capital is fully paid-up and is legally and beneficially owned by the General Partner;
  - (vii) Sub G1's entire issued share capital is legally owned by the General Partner in its capacity as General Partner of the Borrower and beneficially owned by the Borrower;
  - (viii) the Units in the Glasgow Unit Trust are legally and beneficially owned by the General Partner (on behalf of the Borrower) as to at least 98 per cent. and the balance of those Units are legally and beneficially owned by Sub G1; and
  - (ix) the Units in the Reading Unit Trust are legally and beneficially owned by the General Partner (on behalf of the Borrower) as to at least 98 per cent. and the balance of those Units are legally and beneficially owned by Sub G1.

## *Undertakings*

The Borrower and each other Obligor give various undertakings under the Credit Agreement which will take effect so long as any amount is outstanding under the Loans or any commitment is in place. These undertakings include, among other things, the following:

- (a) to provide the Facility Agent with financial information on an ongoing basis, including audited accounts, within 180 days of the end of each financial year and (to the extent produced) within 90 days of each financial half-year;
- (b) to supply any documentation required by law or by the rules of any stock exchange to be supplied to any shareholder (in the case of each Obligor other than the Borrower and the Unit Trust Trustees), the Partners (in the case of the Borrower), its unitholders (in the case of each Unit Trust Trustee) or any creditor generally;
- (c) to supply details of any litigation, arbitration or administrative proceedings which are current or threatened and which would be likely to have a Material Adverse Effect;
- (d) to notify the Facility Agent promptly of any Default (and the steps, if any, being taken to remedy it);
- (e) to supply any applicable "know your customer" documentation or other evidence;
- (f) to procure that each Obligor's obligations under the Finance Documents rank at least *pari passu* with all other present and future unsecured obligations and not to create or permit any charge to arise over any of its assets (other than certain customary exceptions);
- (g) not without the consent of the Facility Agent to sell, transfer, lease or otherwise dispose of all or any part of its assets provided that, subject to there being no Default outstanding or likely to result from the disposal, the Borrower and the Property Trustees may dispose of any Property if the disposal is made on arm's length terms to an unrelated third party, the net disposal proceeds are not less than the market value of the Property disposed of as determined in accordance with the Initial Valuation provided to the Facility Agent and the proceeds of any disposal (less any reasonable costs of that disposal and the amount of any taxes payable as a result of that disposal) are applied immediately in payment to the Disposal Proceeds Account (for more detailed information in this regard, see "*Disposals and Substitutions*" below);
- (h) (in the case of each of the Property Trustees) in its discretion, to apply any amount standing to the credit of the relevant Disposal Proceeds Account in the acquisition of a new Property in substitution for a Property or Properties disposed of in accordance with **paragraph (g) above** (provided that no Default is outstanding or is likely to result from the purchase of the new property), the new property being a Business Park Property, the new property (as determined by reference to the most recent valuation of that Property) is in value at least equal to the value of the outgoing Property, the projected Net Rental Income for the new property is at least equal to the Net Rental Income for the outgoing property, the Properties continue to have equivalent or improved geographic diversity, the new Property has equivalent or improved tenant quality and total substitution in any one year not to exceed 10% of the aggregate value of properties (at the time of initial valuation) (for more detailed information in this regard, see "*Disposals and Substitutions*" below);
- (i) (i) other than as permitted under the terms of the Credit Agreement, not to enter into any amalgamation, demerger, merger or reconstruction;

- (ii) (in the case of the Borrower and except in relation to the introduction and exit of Limited Partners) to promptly notify the Facility Agent of any plans involving any amalgamation, demerger, merger or reconstruction involving the Borrower and not to enter into any amalgamation, demerger, merger or reconstruction without the prior written consent of the Facility Agent (unless the amalgamation, demerger, merger or reconstruction would not prejudice the interests of the Finance Parties);
- (iii) (in the case of each other Obligor) not to acquire any assets or business or make any investments which would cause the Property Trustees to carry on any business other than the ownership of a legal interest in the Properties;
- (j) no Obligor (other than the Borrower and the General Partner) shall make any loans or provide any other form of credit to any person except for loans made to the Borrower by a Unit Trust Trustee or Sub G1 which are subordinated under the terms of the Subordination Deed;
- (k) (in the case of each of the Property Trustees, Holdco, Subco, Sub G1 or a Unit Trust Trustee in respect of its Unit Trust) not to enter into any contracts other than the Finance Documents or contracts in connection with any Property in which a Property Trustee has an interest or in connection with the acquisition of a property acquired in substitution for a Property or Properties disposed of in accordance with **paragraph (g) above** or otherwise as permitted under the Credit Agreement (and in the case of either Property Trustee, not to enter into any contracts under which it incurs liability in connection with a Development);
- (l) (other than the Borrower and the General Partner) not to carry on any business inconsistent with **paragraph (p)** of "*Representations and Warranties*" above;
- (m) (in the case of each Obligor other than the Borrower and the General Partner) not to declare or pay any dividend or make any distribution in respect of its shares, to issue any further shares or units or alter any rights attaching to its issued shares or units as at the date of the Credit Agreement or to repay or redeem any of its share capital other than as permitted under the terms of the Credit Agreement;
- (n) (in the case of the General Partner) not to be a member of a value added tax group that includes the Property Trustees as members, (in the case of each Property Trustee) not to be a member of a value added tax group other than a value added tax group including only the other Property Trustee and (in the case of Holdco, Subco and Sub G1) not to be a member of a value added tax group;
- (o) to ensure that at all times:
  - (i) the entire issued share capital of each of the Property Trustees is legally and beneficially owned by Subco;
  - (ii) the entire issued share capital of Subco is legally and beneficially owned by Holdco;
  - (iii) the entire issued share capital of Holdco is legally and beneficially owned by the General Partner;
  - (iv) the entire issued share capital of Sub G1 is at all times legally owned by the General Partner in its capacity as general partner of the Borrower and beneficial owner of the Borrower; and
  - (v) all the Units are at all times legally and beneficially owned by the Borrower and Sub G1;



- (p) (in the case of the Borrower) to acknowledge the appointment of the Initial Operator or the Initial Investment Adviser or to appoint any other operator or investment adviser and procure that any subsequent operator or investment adviser enters into a duty of care agreement with the Facility Agent, under which the operator or investment adviser (as applicable) acknowledges it has notice of the security interests created under the Finance Documents; and if an operator or investment adviser is in default of its obligations, (on the request of the Facility Agent) to terminate that operator's or that investment adviser's appointment and appoint a new operator or investment adviser;
- (q) (in the case of the Borrower) to acknowledge the appointment of the Initial Property Advisers or to appoint any other property adviser which is a member of the Goodman Group and procure that each property adviser enters into a duty of care agreement with the Facility Agent, under which the property adviser acknowledges it has notice of the security interests created under the Finance Documents and, if the property adviser is in default of its obligations, on the request of the Facility Agent to terminate that property adviser's appointment and appoint a new property adviser;
- (r)
  - (i) not (without the prior written consent of the Facility Agent, such consent not to be unreasonably withheld) to amend the Partnership Agreement or any Unit Trust Instrument so as to amend the definition of Business Park Property in the Partnership Agreement, conflict with the Finance Documents or have an adverse effect on the interests of any Finance Party under the Finance Document on any Property Trust Deed, or terminate any Unit Trust, or enter into any agreement or arrangement inconsistent with the Partnership Agreement, a Unit Trust Instrument or any Property Trust Deed or seek to remove a trustee of a Unit Trust other than as permitted under the Credit Agreement, or permit any change in the capital structure of a Unit Trust (other than the issuance of added units to the General Partner or Sub G1 which are charged to the Facility Agent) and (in the case of the Borrower and the General Partner) to provide copies to the Facility Agent of any statements or notices delivered or required under the Limited Partnerships Act 1907. Each of the Borrower and the General Partner must promptly notify the Rating Agencies in writing of any amendment that has been made to the definition of "Business Park Property" in the Partnership Agreement;
  - (ii) in the case of the Borrower:
    - (A) to notify the Facility Agent of any change of name and to maintain its place of business in England and Wales;
    - (B) to procure that any new limited partner accedes to the Subordination Deed and enters into a subordinated creditor accession deed and supplies any required constitutional documents and corporate authorisations and other customary documents; and
    - (C) to ensure that each of the Property Trustees exercises its rights and powers in relation to any Property in compliance with the Finance Documents;
  - (iii) (in the case of a Unit Trust Trustee) not resign without an acceptable replacement who enters all necessary documentation and no Default occurs as a result;
  - (iv) to comply with its material obligations under each Unit Trust Instrument to which it is a party;

- (v) to ensure all amounts received by the Unit Trust Trustees are (after deduction of costs, expenses and liabilities) distributed to the Borrower and Sub G1 as unitholders; and
- (vi) not appoint a manager of a Unit Trust without the Facility Agent's prior written consent;
- (s) in the case of the Property Trustees, the Unit Trust Trustees, Holdco, Subco or Sub G1, not to cause or allow its Centre of Main Interests to be in, or to maintain an establishment in, any jurisdiction other than in its jurisdiction of incorporation and, in the case of the Borrower and the General Partner, to use all reasonable endeavours to maintain its Centre of Main Interests in England and Wales and not to take any steps with a view to moving its Centre of Main Interest outside England and Wales;
- (t) to take all reasonable steps to procure that payments of rent and other amounts are capable at all relevant times of being made without deduction for or on account of United Kingdom tax by the tenants and/or the property advisors to the Rent Account;
- (u) to comply with certain customary undertakings regarding the administration of Occupational Leases and the appointment of managing agents in respect of the Properties;
- (v) to maintain insurance on the Property on a full reinstatement value basis and not less than three years' loss of rent on all Occupational Leases together with third party liability insurance and insurance against subsidence and acts of terrorism (to the extent available) and to procure that the Facility Agent is named as co-insured and loss payee on all relevant insurance policies;
- (w) to comply with all environmental laws and approvals in respect of a Property where failure to do so has or is reasonably likely to have a Material Adverse Effect or to result in any liability for a Finance Party;
- (x) to maintain projected annual Net Rental Income as a percentage of projected annual finance costs, each as estimated from time to time by the Facility Agent, of at least 110 per cent.;
- (y) to ensure the aggregate outstanding loans as a percentage of the market value of the properties determined in accordance with the most recent valuation of the properties of that time, does not exceed 77 per cent.;
- (z) (in the case of the Borrower) to ensure that its net worth is:
  - (i) at all times up to (but excluding) the fifth anniversary of the Drawdown Date, at least £500,000,000; and
  - (ii) at all times from (and including) the fifth anniversary of the Drawdown Date, at least £550,000,000; and
- (aa) (in the case of the Borrower) to ensure that its total borrowings do not at any time exceed 60 per cent. of its gross assets at that time.

#### *Development of the Properties*

Under the Credit Agreement, no Obligor shall carry out or permit to be carried out, any Development on any Property.

An Obligor may carry out or permit to be carried out, a Development on a Property provided that:

- (a) as a result of the Development:
  - (i) the market rent (as determined in the Valuation) in respect of that Property will not be reduced;
  - (ii) the market value of that Property (as determined in accordance with the Valuation of the Property) will not be reduced;
  - (iii) the aggregate amount of the costs and expenses in connection with that Development will not exceed 7.5 per cent. of the market value of that Property (as determined in accordance with the Valuation of that Property);
  - (iv) the aggregate amount of the costs and expenses in connection with Developments being carried out at that time in respect of all Properties to be incurred or paid for will not exceed £33,000,000; and
  - (v) if the costs and expenses referred to in **paragraph (iv) above** exceed £16,500,000, the Borrower must deposit into the Deposit Account an amount equivalent to the excess.
- (b) if it has obtained Facility Agent consent, if the aggregate amount of the costs and expenses in connection with Developments being carried out at that time in respect of all the Properties to be incurred or paid for will exceed £33,000,000.

If any Development has a projected date of completion falling at any time after the date six months prior to the Loan Maturity Date, the Borrower must deposit into the Deposit Account the aggregate amount of the projected costs and expenses in connection with that Development that will be incurred in order for that Development to reach completion.

The Borrower shall provide, at least ten Business Days' before each Interest Payment Date (in respect of the three month period ending 15 Business Days before that Interest Payment Date), details of each proposed and current Development including:

- (a) an initial forecast of costs and expenses to be incurred by an Obligor in connection with each Development;
- (b) a breakdown of the costs and expenses incurred by an Obligor in connection with each Development to date;
- (c) a forecast of costs and expenses to be incurred by an Obligor in connection with each Development for that Development to reach completion;
- (d) the original estimated date of completion for each Development; and
- (e) the current estimated date of completion for each Development.

**Development** means any development within the meaning of that expression in the Planning Acts (as defined in the English SPC Debenture) and includes a development for which the permission of the local planning authority is required, extension and/or refurbishment in respect to any Property.

#### *Disposals and Substitutions*

No Obligor will be permitted, without the consent of the Facility Agent, to sell, transfer, lease or otherwise dispose of all or any part of its assets unless:

- (a) no Default is outstanding or is likely to result from the disposal;

- (b) the disposal will be made on arm's length terms to an unrelated third party; and
- (c) the net disposal proceeds will not be less than the market value of the Property or Properties disposed of (as determined in accordance with the Initial Valuation).

The proceeds of any disposal of a Property or Properties (less any reasonable costs of that disposal and the amount of any taxes payable as a result of that disposal) will be immediately paid into the relevant Disposal Proceeds Account. The Facility Agent will be, so long as no Default is outstanding (or otherwise in accordance with the Credit Agreement), permitted to apply amounts standing to the credit of the Disposal Proceeds Accounts as follows:

- (i) in prepayment of the Loans in an amount equal to 115 per cent. of the Allocated Debt Amount (provided that, in the case of a prepayment of part of the Loans, there shall be no minimum amount or integral multiples of the amount prepayable); in satisfaction of any amount due under the Loan Hedging Arrangements as a result of termination or closing out in consequence of that prepayment; and in payment of any surplus relating to a Unit Trust to the Unit Trust Account and otherwise to the General Account; or
- (ii) in the acquisition of a new property in substitution for the Property or Properties disposed of; or
- (iii) to the General Account to the extent that a new property acquired in substitution for a Property or Properties disposed of is beneficially owned by the Borrower prior to the date of that substitution (provided that the amount transferred to the General Account will not exceed the market value of the new property).

If the relevant Property Trustees request the Facility Agent to apply amounts standing to the credit of the Disposal Proceeds Account of the relevant Property Trustees in accordance with **paragraph (ii) above**, the right of the Property Trustees to acquire the new property will be conditional upon:

- (a) there being no Default outstanding or likely to result from the purchase of the new property;
- (b) the new property being a Business Park Property;
- (c) the new property being freehold, heritable or long leasehold with a term greater than 75 years;
- (d) no single tenant of a property contributing more than 25 per cent. of the Net Rental Income resulting from the purchase of the new property;
- (e) the Weighted Average Lease Length following the acquisition of the new property being not less than 90 per cent. of the Weighted Average Lease Length immediately before the acquisition of the new property;
- (f) the percentage of Net Rental Income received from investment grade tenants following the acquisition of the new property not being less than 75 per cent. of the percentage of Net Rental Income that was received from investment grade tenants at the date of closing;
- (g) the Properties continuing to have a similar or superior geographic diversity;
- (h) the tenants of the new property being of equivalent or superior credit quality to the tenants of the Property disposed of;
- (i) the projected Net Rental Income in respect of the new property (determined by reference to the most recent Valuation of that property) being equal to or greater than the Net Rental

Income in respect of the Property the proceeds from which are to be used to acquire the new property;

- (j) the market value of any new property (determined in accordance with the Valuation of that property) being equal to or greater than the value of the Property (determined in accordance with the most recent Valuation) the proceeds from which are to be used to acquire the new property;
- (k) the market value of the new property, when aggregated with the market value of each other new property acquired in accordance with the above substitution provisions (in each case determined in accordance with the initial Valuation undertaken in connection with the acquisition of each such new property), not exceeding 25 per cent. of the aggregate market value of the Properties as at the Drawdown Date (determined in accordance with the Initial Valuation);
- (l) the market value of the new property, when aggregated with the market value of each other new property acquired in the same calendar year in accordance with the above substitution provisions (in each case determined in accordance with the initial Valuation undertaken in connection with the acquisition of each such new property), not exceeding 10 per cent. of the aggregate market value of the Properties as at the Drawdown Date (determined in accordance with the Initial Valuation); and
- (m) the Facility Agent having notified the Borrower and the Lenders that it has received (in each case in form and substance satisfactory to the Facility Agent) each of the documents and other matters set out in the Credit Agreement.

If, on or prior to the date falling 30 days before the third Loan Interest Payment Date following receipt of net disposal proceeds into the relevant Disposal Proceeds Account, the net disposal proceeds and related interest are not applied in accordance with **paragraphs (i) to (iii) above**, the Facility Agent will be authorised to apply those amounts on that Loan Interest Payment Date:

- (a) in prepayment of the Loans in an amount equal to 115 per cent. of the Allocated Debt Amount in relation to that Property;
- (b) in satisfaction of any amount due under the Loan Hedging Arrangements as a result of a termination or closing out in consequence of that prepayment; and
- (c) in payment of any surplus to the General Account.

In this Prospectus, **Allocated Debt Amount** means in relation to a Property  $x \times (y/z)$  where:

- x** is the aggregate principal amount of the Loans borrowed on the Drawdown Date;
- y** is the market value of the Property as determined in accordance with the Initial Valuation or, in the case of an Additional Property, the market value of the Original Property (as so determined) for which that Additional Property was (directly or indirectly) substituted under the substitution provisions contained in the Credit Agreement; and
- z** is the market value of all of the Properties as at the Drawdown Date as determined in accordance with the Initial Valuation.

The Credit Agreement provides for a Valuation to be carried out annually as at 31st December in any year or at the financial year end of the Borrower or on such other date as the Borrower and the Facility Agent may agree from time to time.

### *Events of Default*

The Credit Agreement contains the usual events of default entitling the Facility Agent and any other Lenders (subject, in certain cases, to customary grace periods and materiality thresholds) to accelerate the Loans and/or enforce the Loan Security. An Event of Default under the Credit Agreement, includes among other things:

- (a) failure to pay on the due date any amount due under the Finance Documents;
- (b) breach of other specified obligations under the Finance Documents;
- (c) any representation or warranty was incorrect in any material respect at the date it was given;
- (d) any financial indebtedness of the Borrower or any other Obligor is not paid when due or within any applicable grace period or becomes prematurely due and payable or is placed on demand (in each case subject to a threshold of the greater of £10,000,000 and 1 per cent. of the net worth of the Borrower at that time);
- (e) the Borrower or any other Obligor or a Unit Trust is unable to pay its debts or is deemed to be insolvent or other insolvency acts or similar events occur (including, among other things, the commencement of insolvency proceedings, the appointment of any liquidator or administrative receiver or the attachment or sequestration of any asset);
- (f) the Borrower or any other Obligor ceases or, threatens to cease, to carry on all or a substantial part of its business without the consent of the Majority Lenders and in circumstances where it would have a material adverse effect on its ability to perform its obligations under any Finance Document;
- (g) it is or becomes unlawful for the Borrower or any other Obligor to perform any of its obligations under any Finance Document if, in the opinion of the Facility Agent acting reasonably, those obligations are material;
- (h) the Loan Security or the Subordination Deed is not or is alleged not to be binding or enforceable or effective to create the security intended to be created by it and the guarantee given by the Guarantors is not or is alleged by any Obligor, not to be binding or enforceable against any Guarantor;
- (i) the Initial Operator, Initial Investment Adviser or any Initial Property Adviser (other than DTZ Debenham Tie Leung Limited) ceases to be operator, investment adviser or property adviser respectively and is not replaced within 60 days and, in the case of the property adviser, it ceases to be a wholly owned subsidiary of Goodman Real Estate Services (UK) Limited during the term of its appointment;
- (j)
  - (i) any of the issued share capital of a Property Trustee ceases to be legally and beneficially owned by Subco;
  - (ii) any of the issued share capital of Subco ceases to be legally and beneficially owned by Holdco;
  - (iii) any of the issued share capital of Holdco ceases to be legally and beneficially owned by the General Partner;
  - (iv) any of the issued share capital of Sub G1 ceases to be legally and beneficially owned by the General Partner and beneficially owned by the Borrower;

- (v) any of the Units in the Reading Unit Trust cease to be legally and beneficially owned by either the General Partner (on behalf of the Borrower) and/or Sub G1;
- (vi) any of the Units in the Glasgow Unit Trust cease to be legally and beneficially owned by either the General Partner (on behalf of the Borrower) and/or Sub G1;
- (vii) the Limited Partners cease to be the only limited partners of the Borrower; and
- (viii) the General Partner ceases to be the only general partner of the Borrower;
- (k) there is a breach of any provision of a Unit Trust Instrument or any step is taken to terminate a Unit Trust or any steps are taken to remove the Unit Trust Trustees as trustees of a Unit Trust; and
- (l) an event or series of events occurs which, in the reasonable opinion of the Majority Lenders, constitutes a material adverse change in the financial condition of the Borrower or any other Obligor and would be likely to prevent the Borrower or any other Obligor from complying with its obligations under any of the Finance Documents.

In relation to non-payment and breaches of other obligations, the Credit Agreement includes customary grace periods, but in no instance are these grace periods longer than 15 Business Days.

Upon the occurrence of an Event of Default which has not been remedied within the applicable grace period, the Facility Agent may by notice to the Borrower cancel any outstanding commitments under the Credit Agreement, demand that all or part of the Loans together with accrued interest and all other amounts accrued under the Finance Documents becomes immediately due and payable and/or demand that all or part of the Loans becomes payable on demand and/or declare the security constituted by any Security Document to be enforceable.

## 2. The Trust Property

### *The Borrower Property Trust Deed*

Pursuant to the terms of a trust deed dated on or about the Closing Date (the **Borrower Property Trust Deed**), the Borrower is the beneficiary of a trust declared by the English Property Trustees over the following assets (together, the **Borrower Trust Property**):

- (a) the Partnership Properties (subject to, and with the benefit of, the Occupational Leases in respect of the Partnership Properties);
- (b) any additional properties acquired in accordance with the terms of the Credit Agreement that the English Property Trustees hold legal title to (subject to, and with the benefit of any Occupational Leases);
- (c) the rent and the right to receive all other income arising from any interest of the English Property Trustees in the Partnership Properties or otherwise arising from the Partnership Properties to which the English Property Trustees may be entitled;
- (d) all Disposal Proceeds;
- (e) all rights and interest in, under or pursuant to the Occupational Leases in respect of the Partnership Properties, any documents relating to the Partnership Properties (including, without limitation, the management of the Partnership Properties) and the Finance Documents (together, the **Underlying Documents**); and

- (f) all assets arising from or representing the above from time to time or derived therefrom or created or acquired by the English Property Trustees in their capacity as trustees from time to time.

**Disposal Proceeds** means the gross proceeds of any disposal of a Partnership Property or a part of a Partnership Property permitted under the terms of the Credit Agreement less an amount determined by the Facility Agent as the reasonable costs and expenses associated with that disposal.

The interests of the Borrower in the trusts created by the Borrower Property Trust Deed are subject to the security conferred by, and obligations created pursuant to, the Finance Documents and the Borrower Property Trust Deed (together, the **Borrower Trust Property Obligations**). The Borrower has agreed pursuant to the terms of the Borrower Property Trust Deed:

- (a) that the English Property Trustees may reimburse themselves from, have recourse to and make payments out of the Borrower Trust Property so as to discharge any liability incurred by them in the proper exercise of their powers or otherwise pursuant to the Borrower Property Trust Deed; and
- (b) to waive its right to call for the English Property Trustees to remedy any breach of trust before they become entitled to indemnify themselves from the Borrower Trust Property.

In consideration of the foregoing right of indemnity, the English Property Trustees have irrevocably agreed to waive any right of indemnity or contribution which they might otherwise have against the Borrower personally.

In consideration of the English Property Trustees entering into the Finance Documents, the Borrower has undertaken to the English Property Trustees (for so long as any actual or contingent liability is owed by the Borrower under the Finance Documents) not to:

- (a) request or require that the English Property Trustees transfer any of the Borrower Trust Property to the Borrower; or
- (b) dissolve the trust created pursuant to the Borrower Property Trust Deed (the **Borrower Property Trust**); or
- (c) transfer its beneficial interest in the Borrower Trust Property other than as permitted under the Underlying Documents; or
- (d) require any interest in the Borrower Trust Property to be sold; or
- (e) give any direction to the English Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Borrower Trust Property Obligations.

During any period (a) beginning with the presentation of an application for an administration order in respect of the Borrower and ending with the order taking effect or the dismissal of the application and (b) beginning with the filing with the court of a copy of a notice of intention to appoint an administrator to the Borrower and ending ten business days later or with the appointment of an administrator and (c) during which the Borrower is in administration (each an **Administration Period**), the English Property Trustees will not be under any obligation to comply with any direction from the Borrower in respect of the Borrower Trust Property. During such periods, the English Property Trustees will be entitled to sell or lease the Partnership Properties to enable them to comply with their obligations under the Finance Documents.

The Borrower may request that the English Property Trustees transfer the Borrower Trust Property to it once all of the Borrower's liabilities under the Finance Documents have been discharged.



The Borrower Property Trust Deed is governed by English law.

*Borrower Beneficiary Undertaking*

Pursuant to a deed of undertaking dated on or about the Closing Date (the **Borrower Beneficiary Undertaking**), the Borrower has undertaken to the Facility Agent (for so long as any actual or contingent liability is owed by the Borrower under the Credit Agreement) not to:

- (a) request or require that the English Property Trustees transfer any of the Borrower Trust Property to the Borrower; or
- (b) dissolve the trust created pursuant to the Borrower Property Trust Deed; or
- (c) transfer its beneficial interest in the Borrower Trust Property other than as permitted under the Underlying Documents; or
- (d) require the legal (and beneficial) interest in the Borrower Trust Property to be sold; or
- (e) give any direction to the English Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Borrower Trust Property Obligations; or
- (f) during an Administration Period, give any directions (or, if given, not require compliance with) to the English Property Trustees in relation to the management or application of the Borrower Trust Property; or
- (g) amend or waive any provision of the Borrower Property Trust Deed without the Facility Agent's consent.

The Borrower Beneficiary Undertaking is governed by English law.

*The Reading Property Trust Deed*

Pursuant to the terms of a trust deed dated on or about the Closing Date (the **Reading Property Trust Deed**), the Reading Unit Trust Trustee is the beneficiary of a trust declared by the Jersey Property Trustees over the following assets (together, the **Reading Trust Property**):

- (a) the Reading Property (subject to, and with the benefit of, the Occupational Leases in respect of the Reading Property);
- (b) any additional properties acquired in accordance with the terms of the Credit Agreement (subject to, and with the benefit of any Occupational Leases);
- (c) the rent and the right to receive all other income arising from any interest of the Jersey Property Trustees in the Reading Property or otherwise arising from the Reading Property to which the Jersey Property Trustees may be entitled;
- (d) all Disposal Proceeds;
- (e) all rights and interest in, under or pursuant to the Occupational Leases in respect of the Reading Property, any documents relating to the Reading Property (including, without limitation, the management of the Reading Property) and the Finance Documents (together, the **Underlying Documents**); and
- (f) all assets arising from or representing the above from time to time or derived therefrom or created or acquired by the Jersey Property Trustees in their capacity as trustees from time to time.

**Disposal Proceeds** means the gross proceeds of any disposal of the Reading Property or a part of the Reading Property permitted under the terms of the Credit Agreement less an amount determined by the Facility Agent as the reasonable costs and expenses associated with that disposal.

The interests of the Reading Unit Trust Trustee in the trusts created by the Reading Property Trust Deed are subject to the security conferred by, and obligations created pursuant to, the Finance Documents and the Reading Property Trust Deed (together, the **Reading Trust Property Obligations**). The Reading Unit Trust Trustee has agreed pursuant to the terms of the Reading Property Trust Deed:

- (a) that the Jersey Property Trustees may reimburse themselves from, have recourse to and make payments out of the Reading Trust Property so as to discharge any liability incurred by them in the proper exercise of their powers or otherwise pursuant to the Reading Property Trust Deed; and
- (b) to waive its right to call for the Jersey Property Trustees to remedy any breach of trust before they become entitled to indemnify themselves from the Reading Trust Property.

In consideration of the foregoing right of indemnity, the Jersey Property Trustees have irrevocably agreed to waive any right of indemnity or contribution which they might otherwise have against the Reading Unit Trust Trustee.

In consideration of the Jersey Property Trustees entering into the Finance Documents, the Reading Unit Trust Trustee has undertaken to the Jersey Property Trustees (for so long as any actual or contingent liability is owed by the Reading Unit Trust Trustee under the Finance Documents) not to:

- (a) request or require that the Jersey Property Trustees transfer any of the Reading Trust Property to the Reading Unit Trust Trustee; or
- (b) dissolve the trust created pursuant to the Reading Property Trust Deed (the **Reading Property Trust**); or
- (c) transfer its beneficial interest in the Reading Trust Property other than as permitted under the Underlying Documents; or
- (d) require any interest in the Reading Trust Property to be sold; or
- (e) give any direction to the Jersey Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Reading Trust Property Obligations.

During any period (a) beginning with the presentation of an application for an administration order in respect of the Reading Unit Trust Trustee and ending with the order taking effect or the dismissal of the application and (b) beginning with the filing with the court of a copy of a notice of intention to appoint an administrator to the Reading Unit Trust Trustee and ending ten business days later or with the appointment of an administrator and (c) during which the Reading Unit Trust Trustee is in administration (each an **Administration Period**), the Jersey Property Trustees will not be under any obligation to comply with any direction from the Reading Unit Trust Trustee in respect of the Reading Trust Property. During such periods, the Jersey Property Trustees will be entitled to sell or lease the Reading Property to enable them to comply with their obligations under the Finance Documents.

The Reading Unit Trust Trustee may request that the Jersey Property Trustees transfer the Reading Trust Property to it once all of the Reading Unit Trust Trustees liabilities under the Finance Documents have been discharged.

The Reading Property Trust Deed is governed by English law.

### *Reading Beneficiary Undertaking*

Pursuant to a deed of undertaking dated on or about the Closing Date (the **Reading Beneficiary Undertaking**), the Reading Unit Trust Trustee has undertaken to the Facility Agent (for so long as any actual or contingent liability is owed by the Borrower under the Credit Agreement) not to:

- (a) request or require that the Jersey Property Trustees transfer any of the Trust Property to the Reading Unit Trust Trustee; or
- (b) dissolve the trust created pursuant to the Reading Property Trust Deed; or
- (c) transfer its beneficial interest in the Reading Trust Property other than as permitted under the Underlying Documents; or
- (d) require the legal (and beneficial) interest in the Reading Trust Property to be sold; or
- (e) give any direction to the Jersey Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Reading Trust Property Obligations; or
- (f) during an Administration Period, give any directions (or, if given, not require compliance with) to the Jersey Property Trustees in relation to the management or application of the Reading Trust Property; or
- (g) amend or waive any provision of the Reading Property Trust Deed without the Facility Agent's consent.

The Reading Beneficiary Undertaking is governed by English law.

### *The Glasgow Property Trust Deed*

Pursuant to the terms of a trust deed dated on or about the Closing Date (the **Glasgow Property Trust Deed**), the Glasgow Unit Trust Trustee is the beneficiary of a trust declared by the Jersey Property Trustees over the following assets (together, the **Glasgow Trust Property**):

- (a) the Glasgow Property (subject to, and with the benefit of, the Occupational Leases in respect of the Glasgow Property);
- (b) any additional properties acquired in accordance with the terms of the Credit Agreement that the Jersey Property Trustees hold legal title to and on trust for the Glasgow Unit Trust Trustee (subject to, and with the benefit of any Occupational Leases);
- (c) the rent and the right to receive all other income arising from any interest of the Jersey Property Trustees in the Glasgow Property or otherwise arising from the Glasgow Property to which the Jersey Property Trustees may be entitled;
- (d) all Disposal Proceeds;
- (e) all rights and interest in, under or pursuant to the Occupational Leases in respect of the Glasgow Property, any documents relating to the Glasgow Property (including, without limitation, the management of the Glasgow Property) and the Finance Documents (together, the **Underlying Documents**); and
- (f) all assets arising from or representing the above from time to time or derived therefrom or created or acquired by the Jersey Property Trustees in their capacity as trustees from time to time.

**Disposal Proceeds** means the gross proceeds of any disposal of the Glasgow Property or a part of the Glasgow Property permitted under the terms of the Credit Agreement less an amount determined by the Facility Agent as the reasonable costs and expenses associated with that disposal.

The interests of the Glasgow Unit Trust Trustee as beneficiary in the trusts created by the Glasgow Property Trust Deed are subject to the security conferred by, and obligations created pursuant to, the Finance Documents and the Glasgow Property Trust Deed (together, the **Glasgow Trust Property Obligations**). The Glasgow Unit Trust Trustee has agreed pursuant to the terms of the Glasgow Property Trust Deed:

- (a) that the Jersey Property Trustees may reimburse themselves from, have recourse to and make payments out of the Glasgow Trust Property so as to discharge any liability incurred by them in the proper exercise of their powers or otherwise pursuant to the Glasgow Property Trust Deed; and
- (b) to waive its right to call for the Jersey Property Trustees to remedy any breach of trust before they become entitled to indemnify themselves from the Glasgow Trust Property.

In consideration of the foregoing right of indemnity, the Jersey Property Trustees have irrevocably agreed to waive any right of indemnity or contribution which they might otherwise have against the Glasgow Unit Trust Trustee.

In consideration of the Jersey Property Trustees entering into the Finance Documents, the Glasgow Unit Trust Trustee has undertaken to the Jersey Property Trustees (for so long as any actual or contingent liability is owed by the Glasgow Unit Trust Trustee under the Finance Documents) not to:

- (a) request or require that the Jersey Property Trustees transfer any of the Glasgow Trust Property to the Glasgow Unit Trust Trustee; or
- (b) dissolve the trust created pursuant to the Glasgow Property Trust Deed (the **Glasgow Property Trust**); or
- (c) transfer its beneficial interest in the Glasgow Trust Property other than as permitted under the Underlying Documents; or
- (d) require any interest in the Glasgow Trust Property to be sold; or
- (e) give any direction to the Jersey Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Glasgow Trust Property Obligations.

During any period (a) beginning with the presentation of an application for an administration order in respect of the Glasgow Unit Trust Trustee and ending with the order taking effect or the dismissal of the application and (b) beginning with the filing with the court of a copy of a notice of intention to appoint an administrator to the Glasgow Unit Trust Trustee and ending ten business days later or with the appointment of an administrator and (c) during which the Glasgow Unit Trust Trustee is in administration (each an **Administration Period**), the Jersey Property Trustees will not be under any obligation to comply with any direction from the Glasgow Unit Trust Trustee in respect of the Glasgow Trust Property. During such periods, the Jersey Property Trustees will be entitled to sell or lease the Glasgow Property to enable them to comply with their obligations under the Finance Documents.

The Glasgow Unit Trust Trustee may request that the Jersey Property Trustees transfer the Glasgow Trust Property to it once all of the Glasgow Unit Trust Trustees liabilities under the Finance Documents have been discharged.

The Glasgow Property Trust Deed is governed by English law.

### *Glasgow Beneficiary Undertaking*

Pursuant to a deed of undertaking dated on or about the Closing Date (the **Glasgow Beneficiary Undertaking**), the Glasgow Unit Trust Trustee has undertaken to the Facility Agent (for so long as any actual or contingent liability is owed by the Borrower under the Credit Agreement) not to:

- (a) request or require that the Jersey Property Trustees transfer any of the Trust Property to the Glasgow Unit Trust Trustee; or
- (b) dissolve the trust created pursuant to the Glasgow Property Trust Deed; or
- (c) transfer its beneficial interest in the Glasgow Trust Property other than as permitted under the Underlying Documents; or
- (d) require any interest in the Glasgow Trust Property to be sold; or
- (e) give any direction to the Jersey Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Glasgow Trust Property Obligations; or
- (f) during an Administration Period, give any directions (or, if given, not require compliance with) to the Jersey Property Trustees in relation to the management or application of the Glasgow Trust Property; or
- (g) amend or waive any provision of the Glasgow Property Trust Deed without the Facility Agent's consent.

The Glasgow Beneficiary Undertaking is governed by English law.

### **3. The Loan Security**

#### *General*

Each of the English Partnership Debenture, the English SPC Debenture, the English Unit Trustee Debenture, the Jersey Shares Security Agreements, the Jersey Unit Security Agreements, the Jersey Bank Account Security Agreements, the Scottish Standard Security, the Scottish Beneficiaries Assignment, the Scottish Assignment of Collateral Warranties and the Scottish Assignment of Rent (the security created thereby being, together, the **Borrowing Group Security**) secures, among other things, all of the obligations of the Obligors pursuant to the Finance Documents. Each of the Borrowing Group Security documents (each a **Borrower Group Security Document**) have been drafted on a security trust basis so that the Borrower Security Trustee holds the security created thereby on trust for the Issuer and the other Finance Parties.

#### *Representations and Warranties*

The representations and warranties given and to be given by each of the Obligors in connection with the Borrowing Group Security, as of the date of the relevant Borrower Group Security Document and, *inter alia*, on each Loan Interest Payment Date, include and will include statements (as appropriate) to the effect that, among other things, the information provided to the solicitors preparing any Certificate of Title was true in all material respects and did not omit any information which would make the information provided untrue or misleading in any material respect, the Property Trustees are the legal (and the Borrower and the relevant Unit Trust Trustees the beneficial) owner of each of the Properties, that there is no breach of any law or regulation that might materially affect the value of any of the Properties nor is there any facility or right required for the necessary enjoyment and use of any Property that is liable to be terminated or curtailed and that each Property is free from any security interest (other than any security interests created pursuant to the Borrowing

Group Security) and is in good and substantial repair and complies in all material respects with the provisions of any applicable environmental laws.

The representations and warranties referred to above may be qualified (to the extent applicable) by the Certificate of Title in relation to the relevant Property and, in the case of certain representations and warranties, to those matters of which the relevant Obligor are aware.

#### *Undertakings*

Each Obligor has undertaken, among other things, not to create or permit any security interest over the assets secured by the Borrowing Group Security (other than any security interest created in connection with the Borrowing Group Security or as permitted by the Credit Agreement) or sell, transfer, lease or otherwise dispose of any asset charged as security, to comply with the terms of the relevant Debenture, to comply with all provisions of any applicable environmental laws, to give notice of the security interests granted to the Issuer Account Bank, the Loan Hedge Counterparties and, following an Event of Default, each tenant under the Occupational Leases, and to procure and keep each of the Properties in good and substantial repair.

#### *Enforceability*

The Borrowing Group Security will only be enforceable once an Event of Default has occurred. The relevant Borrower Group Security Document will confer upon the Borrower Security Trustee, and any receiver appointed by it, a wide range of powers in connection with the sale or disposal of the Properties and their management, and each of them has been granted a power of attorney on behalf of the Obligors in connection with the enforcement of the Borrowing Group Security.

#### *The English Partnership Debenture*

The General Partner and the Borrower Security Trustee will enter into a debenture (the **English Partnership Debenture**) pursuant to which the Borrower will grant as security, by way of first fixed charge, all of its rights under the Trust Property and each Property Trust Deed, including (without limitation):

- (a) all its rights to receive payment of any amounts which may become payable to it in respect of the Trust Property or under a Property Trust Deed;
- (b) all payments received by it in respect of the Trust Property or under a Property Trust Deed, including, without limitation, all rights to serve notices and/or make demands under a Property Trust Deed and/or to take such steps as are required to cause payments to become due and payable in respect of the Trust Property or under a Property Trust Deed; and
- (c) all rights of action in respect of any breach of a Property Trust Deed and all rights to receive damages or obtain relief in respect thereof.

Furthermore, under the English Partnership Debenture, the General Partner has granted as security for the secured liabilities thereunder (including the obligations of the Borrower under the Credit Agreement) first fixed security over all of the shares in Holdco and an assignment by way of first fixed security of its rights under the Partnership Agreement (insofar as they relate to the other assets secured under the English Partnership Debenture).

Upon the occurrence of an Event of Default, the security granted under the English Partnership Debenture will become enforceable. In such circumstances, the Borrower Security Trustee will be entitled to serve a notice requiring that all payments under or arising from the English Partnership Debenture (subject as provided below) will be required to be made to the Borrower Security Trustee

or to its order. All rights or remedies provided for by the English Partnership Debenture or available at law or in equity will be exercisable by the Borrower Security Trustee.

In addition, upon the occurrence of an Event of Default, the Facility Agent may, and shall if so directed by the Majority Lenders, declare all or part of the Loans immediately due and payable.

The English Partnership Debenture is governed by English law.

#### *The English SPC Debenture*

The Property Trustees (at the Borrower's and Unit Trust Trustees' request), Holdco, Subco and Sub G1 will enter into a debenture (the **English SPC Debenture**) with the Borrower Security Trustee pursuant to which each Property Trustee, as security for the secured liabilities thereunder (including their liabilities under the Guarantee), will grant first fixed security over, *inter alia*, the following assets:

- (a) all the Properties (other than the Scottish Property);
- (b) (to the extent not covered by **paragraph (a) above**) the Trust Property;
- (c) all monies standing to the credit of any account (including the Rent Account);
- (d) all insurances relating to the Properties;
- (e) all of its book and other debts and the proceeds of the same;
- (f) to the extent not assigned by way of security, all its rights under any Loan Hedging Arrangements;
- (g) all its rights under each Lease Document; and
- (h) all of its interest in each Property Trust Deed.

Each Property Trustee grants a legal mortgage over those Properties (not including any Properties located in Scotland) it holds legal title to.

Each of Holdco and Subco, as security for the secured liabilities under the English SPC Debenture (including their liabilities under the Guarantee), has granted first fixed security over all of the shares held by it (including, in the case of Holdco, the shares in Subco and, in the case of Subco, the shares in the English Property Trustees). Each of the Property Trustees, Holdco, Subco and Sub G1 as security for the payment of all of the secured liabilities under the English SPC Debenture has granted a first floating charge over all its assets not otherwise subject to fixed security under the English SPC Debenture but covering all its assets situated in or governed by the laws of Scotland.

The English SPC Debenture is governed by English law.

#### *The English Unit Trustee Debenture*

The Unit Trust Trustees will enter into a debenture (the **English Unit Trustee Debenture**) with the Borrower Security Trustee pursuant to which each Unit Trust Trustee, as security for the secured liabilities thereunder (including their liabilities under the Guarantee), will grant first fixed security over, *inter alia*, their respective trust funds, including their beneficial interests in the JPUT properties.

The English Unit Trustee Debenture is governed by English law.

#### *The Jersey Shares Security Agreements*

The General Partner and Subco will each enter Jersey share security interest agreements (the **Jersey Share Security Agreements**) pursuant to which, as security for the secured liabilities thereunder (including the obligations of the Borrower under the Credit Agreement), they will grant a first fixed security over all the shares in Sub G1 (in the case of the General Partner) and in each of the Jersey Property Trustees (in the case of Subco).

The Jersey Shares Security Agreements are governed by Jersey law.

#### *The Jersey Unit Security Agreements*

Sub G1 and the General Partner will enter Jersey unit security interest agreements (the **Jersey Unit Security Agreements**) pursuant to which, as security for the secured liabilities thereunder (including the obligations of the Borrower under the Credit Agreement), it will grant a first fixed security over all its units in each of the Jersey Unit Trusts.

The Jersey Unit Security Agreements are governed by Jersey law.

#### *The Jersey Bank Account Security Agreements*

The Unit Trust Trustees will enter into Jersey bank account security interest agreements (the **Jersey Bank Account Security Agreements**) pursuant to which, as Security for the secured liabilities thereunder (including the obligations of the Borrower under the Credit Agreement), they will grant security over their bank accounts located in Jersey.

The Jersey Bank Account Security Agreements are governed by Jersey law.

#### *The Scottish Standard Security*

The Jersey Property Trustees together hold the legal title to the Scottish Property. In addition to entering an English SPC Debenture, they will grant a Scottish standard security in favour of the Borrower Security Trustee (the **Scottish Standard Security**) in respect of the Scottish Property as security for the secured liabilities thereunder (including the obligations of the Borrower under the Credit Agreement).

The Scottish Standard Security is governed by Scots law.

#### *The Scottish Assignment of Rent*

Being the legal owners of the Scottish Property, the Jersey Property Trustees are entitled to the rental cashflows in respect of the Scottish Property. As such, the Jersey Property Trustees will grant a Scottish assignment of rental income in favour of the Borrower Security Trustee (the **Scottish Assignment of Rent**) in respect of all rental cashflows arising from the Scottish Property. The Scottish Assignment of Rent will be intimated to the tenants under the relevant Occupational Leases.

The Scottish Assignment of Rent is governed by Scots law.

The Scottish Standard Security and Scottish Assignment of Rent will be granted pursuant to the terms of the English SPC Debenture.

#### *The Scottish Beneficiaries Assignment*

The Glasgow Unit Trust Trustee will grant an assignment of its beneficial interest under the Glasgow Property Trust Deed in favour of the Borrower Security Trustee (the **Scottish**



**Beneficiaries Assignment**). The Scottish Beneficiaries Assignment will be granted pursuant to the terms of the English Unit Trustee Debenture.

The Scottish Beneficiaries Assignment is governed by Scots law.

#### *The Scottish Assignment of Collateral Warranties*

The Glasgow Unit Trust Trustee will grant an assignment of its interest in certain collateral warranty agreements entered into in respect of the Scottish Property in favour of the Borrower Security Trustee (the **Scottish Assignment of Collateral Warranties**). The Scottish Assignment of Collateral Warranties will be granted pursuant to the English Unit Trustee Debenture.

The Scottish Assignment of Collateral Warranties is governed by Scots law.

#### *Limited Recourse*

The liability of the Property Trustees, Holdco, Subco and the Unit Trust Trustees under the Security Documents (as appropriate) and under the Guarantee are limited in recourse as follows:

- (a) to its trust property and all trust income relating to that property (in the case of the Property Trustees);
- (b) its Security Assets (in the case of Holdco and Subco); and
- (c) its unit trust fund and all trust income (in the case of the Unit Trust Trustees).

#### *Enforcement*

Upon the occurrence of an Event of Default, the security created pursuant to the Borrower Group Security Documents will become enforceable. In such circumstances, the Borrower Security Trustee will be entitled to serve a notice requiring that all payments under or arising from the security (subject as provided below) will be required to be made to the Borrower Security Trustee or to its order. All rights or remedies provided for by the Borrower Group Security Documents or available at law or in equity will be exercisable by the Borrower Security Trustee.

In addition, upon the occurrence of an Event of Default, the Facility Agent may, and shall if so directed by the Majority Lenders, declare all or part of the Loans immediately due and payable.

#### *The Subordination Deed*

Each of the Limited Partners, the Borrower, Sub G1 and the Unit Trust Trustee (in such capacity, the **Subordinated Creditors**) has entered into a deed with, *inter alios*, the Facility Agent (the **Subordination Deed**) pursuant to which each Subordinated Creditor has undertaken that whilst any amount remains due and outstanding under, *inter alia*, the Credit Agreement, it shall not demand or receive payment of any Subordinated Debt (other than as permitted under the Credit Agreement and the Subordination Deed) and if any payment is received in breach of the Subordination Deed, it shall hold such payment on trust for and pay it to the Facility Agent. The Borrower, the General Partner, Sub G1 and each Unit Trust Trustee will be obliged pursuant to the terms of the Credit Agreement, to ensure that all of the indebtedness described above is subject to the Subordination Deed.

**Subordinated Debt** means any indebtedness owing to a Subordinated Creditor by the Borrower, the General Partner, Sub G1 or a Unit Trust Trustee.

#### 4. Borrower Cashflows

##### *Pre-Enforcement Priority of Payments*

Except as set out below, on each Loan Interest Payment date, the Facility Agent must, and is irrevocably authorised by the Property Trustees to withdraw from, and apply amounts standing to the credit of the Rent Accounts as follows:

- (a) *first*, in or towards payment *pro rata* of any unpaid costs and expenses of the Facility Agent and the Loan Arrangers and the Facility Fee due but unpaid;
- (b) *secondly*, in or towards payment *pro rata* of the outstanding amount under any Property Protection Loan;
- (c) *thirdly*, in or towards payment *pro rata* of any periodic payments due but unpaid (not being payments as a result of termination or closing out of the Loan Hedging Arrangements) to the Loan Hedge Counterparties under the Loan Hedge Arrangements;
- (d) *fourthly*, in or towards payment *pro rata* of any payments due but unpaid (not being payments referred to in **paragraph (g) below**) to any Loan Hedge Counterparty as a result of termination or closing out of any Loan Hedging Arrangement;
- (e) *fifthly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan A;
  - (ii) **secondly**, accrued interest due but unpaid in respect of Loan B;
  - (iii) **thirdly**, accrued interest due but unpaid in respect of Loan C;
  - (iv) **fourthly**, accrued interest due but unpaid in respect of Loan D;
  - (v) **fifthly**, accrued interest due but unpaid in respect of Loan E;
  - (vi) **sixthly**, accrued interest due but unpaid in respect of Loan F; and
  - (vii) **seventhly**, any other accrued interest due but unpaid under the Finance Documents;
- (f) *sixthly*, in or towards payment of:
  - (i) **first**, any principal amount due but unpaid in respect of Loan A;
  - (ii) **secondly**, any principal amount due but unpaid in respect of Loan B;
  - (iii) **thirdly**, any principal amount due but unpaid in respect of Loan C;
  - (iv) **fourthly**, any principal amount due but unpaid in respect of Loan D;
  - (v) **fifthly**, any principal amount due but unpaid in respect of Loan E; and
  - (vi) **sixthly**, any principal amount due but unpaid in respect of Loan F;
- (g) *seventhly*, in or towards payment *pro rata* of any payments due but unpaid to a Loan Hedge Counterparty as a result of termination or closing out of a Loan Hedging Arrangement arising from:

- (i) an Event of Default (as defined in the Loan Hedging Arrangements) relating to the relevant Loan Hedge Counterparty; or
  - (ii) any Rating Event Termination Event (as defined in the Credit Agreement) affecting the relevant Loan Hedge Counterparty;
- (h) *eighthly*, in or towards payment *pro rata* of any other amounts due but unpaid under the Finance Documents; and
- (i) *ninthly*, if:
- (i) Interest Cover is less than 115 per cent. or the Loan to Value is equal to or greater than 75 per cent., payment of any surplus into the Reserve Account; or
  - (ii) Interest Cover is equal to or greater than 115 per cent. and the Loan to Value is less than 75 per cent. and no Default is outstanding, payment of any surplus relating to a Unit Trust to the Trust Income Account relating to that Unit Trust and otherwise to the General Account.

**Interest Cover** means, on any test date under the Credit Agreement and in respect of the 12 month period starting on that test date, Projected Annual Rental Income as a percentage of Projected Annual Finance Costs at that time.

**Loan to Value** means, at any time, the aggregate outstanding Loans (less any amount standing to the credit of the Deposit Account as a result of a deposit of money of an amount calculated to ensure compliance with the Loan to Value test) as a percentage of the market value of the Properties determined in accordance with the most recent Valuation of the Properties at that time.

**Projected Annual Finance Costs** means an estimate by the Facility Agent (in accordance with the procedure agreed between the Facility Agent and the Borrower before the Drawdown Date or, in the absence of agreement, as may be estimated by the Facility Agent acting reasonably), of the aggregate amount payable to the Finance Parties under the Finance Documents during any 12 month period in respect of which the Facility Agent has estimated projected annual rental.

**Projected Annual Rental** means an estimate by the Facility Agent (in accordance with the procedure agreed between the Facility Agent and the Borrower before the Drawdown Date or, in the absence of agreement, as may be estimated by the Facility Agent acting reasonably), of the aggregate of:

- (a) the passing Net Rental Income that will be received during that 12 month period; and
- (b) the interest payable on any amount standing to the credit of the Deposit Account as a result of the operation of the interest cover provisions of the Credit Agreement.

*Partial Payments – Pre Enforcement Priority of Payments*

If, prior to the Facility Agent serving a notice under the Credit Agreement declaring all or part of the Loans together with all other amounts accrued under the Finance Documents, to be immediately due and payable or having served a notice declaring all or part of the Loans to be payable on demand and makes a demand, or prior to the enforcement of any security constituted by the Security Documents, the Facility Agent receives a payment insufficient to discharge all the amounts then due and payable by the Obligor under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of the Obligor under the Finance Documents in the following order:

- (a) *first*, in or towards payment *pro rata* of any unpaid costs and expenses of the Facility Agent and the Arrangers under the Finance Documents and the Facility Fee due but unpaid;

- (b) *secondly*, in or towards payment *pro rata* of the outstanding amount of any Property Protection Loan;
- (c) *thirdly*, in or towards payment *pro rata* of any periodical payments (not being payments as a result of termination or closing out) due but unpaid to the Loan Hedge Counterparties under the Loan Hedging Arrangements;
- (d) *fourthly*, in or towards any payments (not being payments referred to in **paragraph (g) below**) as a result of termination or closing out due but unpaid to the Loan Hedge Counterparties under the Loan Hedging Arrangements;
- (e) *fifthly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan A;
  - (ii) **secondly**, accrued interest due but unpaid in respect of Loan B;
  - (iii) **thirdly**, accrued interest due but unpaid in respect of Loan C;
  - (iv) **fourthly**, accrued interest due but unpaid in respect of Loan D;
  - (v) **fifthly**, accrued interest due but unpaid in respect of Loan E;
  - (vi) **sixthly**, accrued interest due but unpaid in respect of Loan F; and
  - (vii) **seventhly**, any other accrued interest due but unpaid under the Finance Documents;
- (f) *sixthly*, in or towards payment of:
  - (i) **first**, any principal amount due but unpaid in respect of Loan A;
  - (ii) **secondly**, any principal amount due but unpaid in respect of Loan B;
  - (iii) **thirdly**, any principal amount due but unpaid in respect of Loan C;
  - (iv) **fourthly**, any principal amount due but unpaid in respect of Loan D;
  - (v) **fifthly**, any principal amount due but unpaid in respect of Loan E; and
  - (vi) **sixthly**, any principal amount due but unpaid in respect of Loan F;
- (g) *seventhly*, in or towards payment *pro rata* of any payments due but unpaid to a Loan Hedge Counterparty as a result of termination or closing out of a Hedging Arrangement arising from:
  - (i) an Event of Default (as defined in the Loan Hedging Arrangements) relating to the relevant Loan Hedge Counterparty; or
  - (ii) any Rating Event Termination Event (as defined in the Credit Agreement) affecting the relevant Loan Hedge Counterparty, and
- (h) *eighthly*, in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents.

*Partial Payments – Post Enforcement Priority of Payments*

On or after the Facility Agent serving a notice under the Credit Agreement declaring all or part of the Loans together with all other amounts accrued under the Finance Documents, to be immediately due and payable or having served a notice declaring all or part of the Loans to be payable on demand and makes a demand, or the enforcement of any security constituted by the Security Documents, the Facility Agent shall apply that payment towards the obligations of the Obligor under the Finance Documents in the following order:

- (a) *first*, in or towards payment *pro rata* of any unpaid costs and expenses of the Facility Agent and the Arrangers under the Finance Documents and the Facility Fee but unpaid;
- (b) *secondly*, in or towards payment *pro rata* of the outstanding amount of any Property Protection Loan;
- (c) *thirdly*, in or towards payment *pro rata* of any periodical payments (not being payments as a result of termination or closing out) due but unpaid to the Loan Hedge Counterparties under the Loan Hedging Arrangements;
- (d) *fourthly*, in or towards any payments (not being payments referred to in **paragraph (c) above**) as a result of termination or closing out due but unpaid to the Loan Hedge Counterparties under the Loan Hedging Arrangements;
- (e) *fifthly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan A; and
  - (ii) **secondly**, any principal amount due but unpaid in respect of Loan A;
- (f) *sixthly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan B; and
  - (ii) **secondly**, any principal amount due but unpaid in respect of Loan B;
- (g) *seventhly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan C; and
  - (ii) **secondly**, any principal amount due but unpaid in respect of Loan C;
- (h) *eighthly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan D; and
  - (ii) **secondly**, any principal amount due but unpaid in respect of Loan D;
- (i) *ninthly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan E; and
  - (ii) **secondly**, any principal amount due but unpaid in respect of Loan E;
- (j) *tenthly*, in or towards payment of:
  - (i) **first**, accrued interest due but unpaid in respect of Loan F; and

- (ii) **secondly**, any principal amount due but unpaid in respect of Loan F;
- (k) *eleventhly*, in or towards payment *pro rata* of any payments due but unpaid to a Loan Hedge Counterparty as a result of termination or closing out of a Hedging Arrangement arising from:
  - (i) an Event of Default (as defined in the Loan Hedging Arrangements) relating to the relevant Loan Hedge Counterparty; or
  - (ii) any Rating Event Termination Event (as defined in the Credit Agreement) affecting the relevant Loan Hedge Counterparty, and
- (l) *twelfthly*, in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents.

## TRANSACTION DOCUMENTS

### 1. Liquidity Facility Agreement

#### *General*

On or before the Closing Date, the Issuer will enter into a liquidity facility agreement (the **Liquidity Facility Agreement**) with the Liquidity Bank and the Issuer Security Trustee pursuant to which the Liquidity Bank will provide a renewable 364-day committed liquidity facility (the **Liquidity Facility Commitment**) to the Issuer. The Liquidity Facility may be utilised by way of Income Deficiency Drawings, Property Protection Drawings or Stand-by Drawings (each as more fully described below and, together, referred to as **Liquidity Drawings**).

#### *Income Deficiency Drawings*

The Liquidity Facility will, subject to certain conditions, be available to be drawn by or on behalf of the Issuer where Available Issuer Income is insufficient to make certain payments under the Pre-Enforcement Revenue Priority of Payments. The Servicer is required to calculate Available Issuer Income on each Calculation Date in accordance with the terms of the Servicing Agreement. **Available Issuer Income** will comprise:

- (a) all monies (other than principal and any prepayment fees) to be paid to the Issuer under or in respect of the Credit Agreement less the amount of any expected shortfall in such amount as notified by the Servicer; and
- (b) any interest accrued upon the Issuer Accounts and paid into the Issuer Revenue Account together with the yield element of the proceeds of any Eligible Investments made by or on behalf of the Issuer out of amounts standing to the credit of the Issuer Accounts and paid into the Issuer Revenue Account.

To the extent that Available Issuer Income will be insufficient to make the payments set out under **paragraphs (a) to (m)** of the Pre-Enforcement Revenue Priority of Payments on the next Interest Payment Date the Servicer will arrange for a drawing (an **Income Deficiency Drawing**) to be made under the Liquidity Facility Agreement in an amount equal to the deficiency (the **Income Deficiency**). The proceeds of any Income Deficiency Drawing will be credited to the Issuer Revenue Account and, together with the Available Issuer Income, will constitute the **Adjusted Available Issuer Income**. This will be applied on behalf of the Issuer in making payments from the Issue Revenue Account under the Pre-Enforcement Revenue Priority of Payments on the next following Interest Payment Date.

#### *Property Protection Drawings*

The Liquidity Facility will also be available, subject to certain conditions, to be drawn by or on behalf of the Issuer to make a Property Protection Loan to the Borrower (or to certain creditors of the Borrower) pursuant to the Credit Agreement ( a **Property Protection Drawing**).

#### *Liquidity Facility Commitment*

The Liquidity Facility Agreement will initially permit drawings to be made by the Issuer of up to an aggregate amount of £58,000,000 (the **Liquidity Facility Commitment**). The Liquidity Facility Commitment will reduce:

- (a) following partial redemption of the Notes in accordance with **Condition 6.4** (*Mandatory redemption in whole or in part*), in an amount proportionate to the reduction in the aggregate Principal Amount Outstanding of the Notes; or

- (b) following the occurrence of an Appraisal Reduction, in an amount proportionate to the Appraisal Reduction; or
- (c) at the request of the Issuer, provided that the Issuer has obtained prior written confirmation from each of the Rating Agencies that the proposed reduction will not adversely affect the then current ratings of the Notes. The Issuer shall forthwith give notice to the Liquidity Bank of any such reduction.

#### *Appraisal Reductions*

Not later than the earlier to occur of:

- (a) the date 120 days after the occurrence of any Event of Default as a result of non-payment; or
- (b) the date 90 days after the occurrence of an Event of Default as a result of the occurrence of any prescribed insolvency event of an Obligor,

and, in each case, provided that such Event of Default is continuing, the Servicer is required, under the terms of the Servicing Agreement, to obtain a valuation in respect of the Portfolio (unless, at the Servicer's discretion, a valuation has been obtained during the immediately preceding 12 months and the Servicer has confirmed that, in its view, neither the Properties nor the relevant property markets have experienced any material change since the date of such previous valuation).

If the principal amount of the Loans then outstanding (together with any unpaid interest and any Property Protection Loan) exceeds the sum of 90 per cent. of the appraisal value of the Properties, as determined by the relevant valuation, an **Appraisal Reduction** will be deemed to have occurred and the amount of Liquidity Facility Commitment will reduce proportionately by reference to any diminution in value of the Properties since the date of the Valuation Report in accordance with the terms of the Liquidity Facility Agreement.

#### *Liquidity Stand-by Drawings*

The Liquidity Facility Agreement will provide that if at any time:

- (a) the rating of the Liquidity Bank falls below the Liquidity Requisite Ratings (a **Liquidity Downgrade Event**); or
- (b) the Liquidity Bank refuses to renew the liquidity facility (an **Extension Refusal**),

and the Liquidity Bank has not within the time periods specified in the Liquidity Facility Agreement (i) transferred its rights and obligations to another Liquidity Bank that has, amongst other criteria, the Liquidity Requisite Ratings or (ii) made arrangements for the Issuer to enter into a new liquidity facility agreement on substantially similar terms to the Liquidity Facility Agreement with a replacement party that has, among other criteria, the Liquidity Requisite Ratings, then the Issuer shall request that the Liquidity Bank pay an amount equal to its undrawn commitment under the Liquidity Facility Agreement (a **Liquidity Stand-by Drawing**) into an account solely for that purpose maintained with the Liquidity Bank or, if the Liquidity Bank ceases to have the Liquidity Requisite Ratings, the Issuer Account Bank (such account, the **Liquidity Stand-by Account**).

In the event that the Servicer makes a Liquidity Stand-by Drawing, the Servicer will be required, prior to the expenditure of the proceeds of such drawing as described above, to invest such funds in Eligible Investments. Amounts standing to the credit of the Liquidity Stand-by Account will be available to the Issuer for the purposes of making deemed Income Deficiency Drawings as described above, and otherwise in the circumstances provided in the Liquidity Facility Agreement.



For these purposes:

**Liquidity Requisite Ratings** means a bank that has a rating of "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1" (or better) by S&P for its short-term debt unsecured, unsubordinated and unguaranteed obligations; and

**Eligible Investments** means (a) sterling denominated government securities or (b) sterling demand or time deposits, certificates of deposit, money market funds and short-term debt obligations (including commercial paper); provided that in all cases such investments will mature at least one Business Day prior to the next Interest Payment Date and the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a bank or licensed EU credit institution) are rated at least "A1" by Moody's and the short-term unsecured, unguaranteed and unsubordinated debt obligations of such entity are rated at least "F1+" by Fitch, "P-1" by Moody's or are otherwise acceptable to the Rating Agencies and, where such investments will mature in three months or more, the Rating Agencies have affirmed that the proposed investments would not result in the downgrading of the Notes. In the case of an investment being rated by S & P (i) at least "A-1" (or "A+" or higher if it has no short-term rating) in the case of investments with a maturity of up to 60 calendar days or (ii) in the case of investments with a maturity greater than 60 calendar days, at least "A-1" (or "A+" or higher if it has no short-term rating) provided that such investments shall be removed from the transaction within 60 days of a downgrade below "A-1" (or "A+" if no short-term rating) at no loss to the structure.

#### *Repayment of Drawings*

All payments due to the Liquidity Bank under the Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts) will rank in priority to payments of interest and principal on the Notes. **Liquidity Subordinated Amounts** are any amounts in respect of (a) increased costs, mandatory costs and tax gross up amounts payable to the Liquidity Bank to the extent that such amounts exceed 0.125 per cent. per annum of the commitment provided under the Liquidity Facility Agreement and (b) if there is any Liquidity Stand-by Drawing then outstanding, the interest which is in excess of an amount equal to the interest actually earned on the Standby Account plus the Commitment Fee that would have been due on the undrawn portion of the Commitment had that Standby Loan not been utilised.

The Issuer will pay interest on Income Deficiency Drawings, Property Protection Drawings and on Liquidity Stand-by Drawings at a rate equal to three month LIBOR plus a specified margin. If, however, the Liquidity Bank at that time is required to advance a Liquidity Stand-by Drawing, it shall, at its expense and if so requested by or on behalf of the Issuer, transfer or replace the facility to a new Liquidity Bank.

#### *Default*

The Liquidity Facility Agreement will provide that it will be an event of default under the Liquidity Facility Agreement if, *inter alia*:

- (a) the Issuer does not pay any amounts due by it under the Liquidity Documents in the manner required under the Liquidity Documents;
- (b) any administrative receiver appointed under the Issuer Deed of Charge is removed as a result of the appointment of a liquidator or administrator; or
- (c) a Note Acceleration Notice is served on the Issuer.

## 2. Note Trust Deed

On or before the Closing Date, the Issuer and the Note Trustee will enter into a trust deed (the **Note Trust Deed**) pursuant to which the Notes will be constituted. The Note Trust Deed will include the form of the Notes and contain a covenant from the Issuer to the Note Trustee to pay all amounts due under the Notes. The Note Trustee will hold the benefit of that covenant on trust for the Noteholders.

The Note Trust Deed will contain provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, and the Class F Noteholders equally (except where expressly provided otherwise), but where there is, in the Note Trustee's opinion, a conflict between any such interests, the Note Trust Deed will require the Note Trustee to have regard to the interests of only the Class A Noteholders. If there are no Class A Notes outstanding and, in the Note Trustee's opinion, there is a conflict between the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders the Note Trust Deed will require the Note Trustee to have regard to the interests of the Class B Noteholders only. If there are no Class A Notes or Class B Notes outstanding and, in the Note Trustee's opinion, there is a conflict between the interests of the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders the Note Trust Deed will require the Note Trustee to have regard to the interests of the Class C Noteholders only. If there are no Class A Notes, Class B Notes or Class C Notes outstanding and, in the Note Trustee's opinion, there is a conflict between the interests of the Class D Noteholders, the Class E Noteholders and the Class F Noteholders the Note Trust Deed will require the Note Trustee to have regard to the interests of the Class D Noteholders only. If there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding and, in the Note Trustee's opinion, there is a conflict between the interests of the Class E Noteholders and the Class F Noteholders the Note Trust Deed will require the Note Trustee to have regard to the interests of the Class E Noteholders only. Only the holders of the Most Senior Class of Notes outstanding may request or direct the Note Trustee to take any action under the Note Trust Deed.

The Note Trust Deed will contain provisions which, subject to the previous paragraph, limit the powers of (a) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, and the Class F Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders, (b) the Class C Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders and the Class B Noteholders, (c) the Class D Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders, (d) the Class E Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, (e) the Class F Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

The Note Trust Deed will be governed by English law.

## 3. Issuer Deed of Charge

### *General*

On or before the Closing Date, the Issuer will enter into a deed of charge (the **Issuer Deed of Charge**) with each of the Issuer Security Trustee, the Note Trustee, the Liquidity Bank, the Agent Bank, the Paying Agents, the Issuer Account Bank, the Corporate Services Provider, the Servicer and the Special Servicer (together with the Noteholders, the Couponholders and any appointee of the Issuer Security Trustee or the Note Trustee, the **Issuer Secured Creditors**) pursuant to which the Issuer will grant security in respect of its obligations, including the Notes. The Issuer expects that the

appointment of an administrative receiver by the Issuer Security Trustee under the Issuer Deed of Charge will not be prohibited by Section 72A of the Insolvency Act 1986 as the appointment will fall within the exception set out under Section 72B of the Insolvency Act 1986 (First Exception: Capital Market).

### *Security*

Under the Issuer Deed of Charge, the Issuer will grant the following security in favour of the Issuer Security Trustee who holds or will hold such security on trust for the benefit of itself and the other Issuer Secured Creditors:

- (a) an assignment by way of first fixed security of its right, title, interest and benefit, present and future, in, to and under:
  - (i) the Servicing Agreement;
  - (ii) the Subscription Agreement;
  - (iii) the Liquidity Facility Agreement;
  - (iv) the Note Trust Deed;
  - (v) the Agency Agreement;
  - (vi) the Master Definitions Schedule;
  - (vii) the Corporate Services Agreement; and
  - (viii) the Bank Account Agreement.
- (b) an assignment by way of first fixed security over all of its right, title, interest and benefit, present and future, under each Finance Document;
- (c) an assignment by way of first fixed security over all of its right, title, interest and benefit in and to the security assets charged and secured by each Obligor under and in terms of the security trusts declared in terms of the Credit Agreement, to the extent not otherwise assigned and charged pursuant to **paragraph (b)** above;
- (d) a charge by way of first fixed security over all of its right, title, interest and benefit, present and future, in and to the amounts from time to time standing to the credit of each Issuer Account (other than the Issuer Share Capital Account);
- (e) an assignment by way of first fixed security over all of its right, title, interest and benefit, present and future, in and to all Eligible Investments (permitted to be made by or on behalf of the Issuer); and
- (f) a first floating charge over all of the property, assets and undertaking of the Issuer not already subject to fixed security (other than the Issuer Share Capital Account) but extending over all of the Issuer's property, assets and undertaking located in Scotland or otherwise governed by Scots law,

(together, the **Issuer Security**), all as more particularly set out in the Issuer Deed of Charge.

The Issuer Security Trustee shall not be bound to, take proceedings against the Issuer or any other person to enforce the provisions of the Issuer Deed of Charge or any of the other Transaction Documents or any other action thereunder unless:

- (a) it shall have been directed or requested to do so by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding or in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and
- (b) it shall have been indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

The Notes will be limited recourse obligations of the Issuer. On enforcement of the Issuer Security, recourse in respect of all other obligations (that is, other than the obligation to pay principal and interest on the Notes) of the Issuer will be limited to the proceeds of realisation of the Issuer Security. To the extent that the proceeds of enforcement may be insufficient to discharge the obligations of the Issuer, neither the Note Trustee nor the Noteholders may take any further steps against the Issuer in respect of such amounts payable on the Notes and all such claims against the Issuer shall be extinguished and discharged.

#### *Non-petition*

Each of the Issuer Secured Creditors which is a party to the Issuer Deed of Charge (other than the Note Trustee and the Issuer Security Trustee) will agree in the Issuer Deed of Charge that, unless an Acceleration Notice has been served, or the Note Trustee, having become bound to serve an Acceleration Notice, fails to do so within a reasonable period and such failure is continuing, it will not take any steps for the purpose of recovering any debts due or owing to it by the Issuer or to petition or procure the petitioning for the winding-up or administration of the Issuer or to file documents with the court or serve a notice of intention to appoint an administrator in relation to the Issuer.

#### *Enforcement*

The Issuer Security will become enforceable on the occurrence of a Note Event of Default pursuant to **Condition 10 (Events Of Default)**. If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (ii) the Issuer Security Trustee is of the opinion, which will be binding on the Noteholders and the other Issuer Secured Creditors, reached after considering at any time and from time to time the advice, upon which the Issuer Security Trustee will be entitled to rely, of such professional advisers as are selected by the Issuer Security Trustee, that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (iii) the Issuer Security Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Issuer Security Trustee has been secured and/or indemnified to its satisfaction.

The Issuer Deed of Charge will be governed by English law.

#### **4. Bank Account Agreement**

On or before the Closing Date the Issuer, the Servicer, the Issuer Account Bank and the Issuer Security Trustee will each enter into an agreement (the **Bank Account Agreement**) in connection with the maintenance of certain banking arrangements for the Issuer.

The Account Bank will open and maintain (in the case of **paragraph (d)**, if and when required):

- (a) an account (the **Issuer Revenue Account**) into which all amounts of interest and other amounts (other than principal or premium) received in connection with the Loans or the Loan Security are required to be paid;
- (b) an account (the **Issuer Principal Account**) into which all amounts of principal and prepayment fees (if any) received in connection with the Loans or the Loan Security are required to be paid;
- (c) an account (the **Issuer Share Capital Account**) into which the subscription monies in respect of the shares in the Issuer are required to be paid; and
- (d) a standby account in the event that a Standby Drawing is made under the Liquidity Agreement (the **Liquidity Standby Account** and, together with the Issuer Revenue Account, the Issuer Principal Account, the Issuer Share Capital Account and any other accounts maintained by the Issuer in accordance with the terms of the Transaction Documents from time to time, the **Issuer Accounts**), in the name of the Issuer.

The Servicer will be responsible, pursuant to the terms of the Servicing Agreement, for ensuring that the amounts received in connection with the Loans or the Loan Security are paid into the relevant Issuer Accounts. Payments out of the Issuer Accounts will be made in accordance with the provisions of the Issuer Deed of Change as described under "*Transaction Documents – Cashflows*" below.

If the Issuer Account Bank ceases to be an **Authorised Entity** (being a UK bank or a UK branch of a bank the short-term, unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1" (or better) by S&P and "A" (or better) by Fitch, "A1" (or better) by Moody's and "A" (or better) by S&P for its long-term debt obligations), the Issuer will be required to arrange for the transfer (within 30 days) of the Issuer Accounts to an Authorised Entity on terms acceptable to the Issuer Security Trustee.

If, other than in the circumstances specified above, the Servicer wishes the bank or branch at which any account of the Issuer is maintained to be changed, the Servicer will be required to obtain the prior written consent of the Issuer and the Issuer Security Trustee, in the case of the Issuer such consent not to be unreasonably withheld, and the transfer of such account will be subject to the same directions and arrangements as are provided for above.

The Bank Account Agreement will be governed by English law.

## 5. **Corporate Services Agreement**

The Issuer, the Corporate Services Provider, and the Issuer Security Trustee will each enter into a services agreement (the **Corporate Services Agreement**) on or before the Closing Date pursuant to which the Corporate Services Provider will agree to provide certain administrative services to the Issuer. The Corporate Services Provider will be entitled to receive a fee for the provision of such services.

The Corporate Services Agreement will be governed by Irish law.

## 6. **Agency Agreement**

Pursuant to an agency agreement to be entered into on or prior to the Closing Date (the **Agency Agreement**) between the Issuer, the Note Trustee, the Principal Paying Agent, the Irish Paying Agent and the Agent Bank, provision will be made for, *inter alia*, payment of principal, premium (if any) and interest in respect of the Notes of each Class.

The Agency Agreement will be governed by English law.

## 7. Master Definitions Schedule

On or prior to the Closing Date, each of the Issuer, the Note Trustee, the Issuer Security Trustee, the Issuer Account Bank, the Liquidity Bank, the Servicer, the Special Servicer, the Agent Bank, the Paying Agents and the Corporate Services Provider will sign, for the purposes of identification only, a definitions schedule (the **Master Definitions Schedule**) incorporating the definitions applicable to each of the Transaction Documents where not otherwise defined therein.

## 8. Issuer Cashflows

The payment priorities in respect of the Issuer Accounts will be set out in the Issuer Deed of Charge. Prior to the enforcement of the Issuer Security, the Servicer will be responsible for making any payments of principal or prepayment on the Notes from the Issuer Principal Account (in accordance with the Pre-Enforcement Principal Priority of Payments) and for making payments of, *inter alia*, interest on the Notes from the Issuer Revenue Account (in accordance with the Pre-Enforcement Revenue Priority of Payments). Following the enforcement of the Issuer Security, the Issuer Security Trustee will be responsible for making payments of principal and interest on the Notes in accordance with the Post-Enforcement Priority of Payments.

### *Payments out of the Issuer Revenue Account – Priority Amounts*

Prior to the enforcement of the Issuer Security the Servicer will pay, out of funds standing to the credit of the Issuer Revenue Account, sums due to third parties (other than the Issuer Secured Creditors), including the Issuer's liability, if any, to taxation (the **Priority Amounts**), on a date other than an Interest Payment Date under obligations incurred in the course of the Issuer's business.

### *Pre-Enforcement Revenue Priority of Payments*

Prior to the enforcement of the Issuer Security, the Servicer will, on each Interest Payment Date, apply Adjusted Available Issuer Income from the Issuer Revenue Account in the following order of priority (the **Pre-Enforcement Revenue Priority of Payments**) (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full):

- (a) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Note Trustee and the Issuer Security Trustee and any person appointed by the Note Trustee under the Note Trust Deed or by the Issuer Security Trustee under the Issuer Deed of Charge;
- (b) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank under the Agency Agreement;
- (c) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to, *pari passu* and *pro rata*, the Servicer in respect of the Servicing Fee and any other amounts due to the Servicer pursuant to the Servicing Agreement (including any substitute servicer appointed in accordance therewith) and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Special Servicer pursuant to the Servicing Agreement (including any substitute special servicer appointed in accordance therewith) (other than any amounts in respect of a Workout Fee or Liquidation Fee);
- (d) in or towards satisfaction, *pro rata* according to amounts then due, of any amounts due and payable by the Issuer on such Interest Payment Date to:

- (i) the Corporate Services Provider under the Corporate Services Agreement; and
- (ii) the Issuer Account Bank under the Bank Account Agreement;
- (e) in or towards payment, *pro rata*, of any amounts that the Issuer has agreed to pay to the Borrower in respect of any Property Protection Loans on such Interest Payment Date;
- (f) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to the Liquidity Bank under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (g) in or towards payment or discharge of sums due to third parties (other than Priority Amounts and amounts otherwise provided for in the Transaction Documents) under obligations incurred in the course of the Issuer's business;
- (h) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
- (i) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (j) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (k) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;
- (l) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class E Notes;
- (m) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class F Notes;
- (n) in or towards payment of any Liquidity Subordinated Amounts payable to the Liquidity Bank;
- (o) in or towards payment of any amounts payable by the Issuer on such Interest Payment Date to the Special Servicer in respect of the Liquidation Fee or the Workout Fee;
- (p) in or towards payment to the Issuer of the sum of £1,600 (payable in arrear in equal quarterly instalments) as profit to the Issuer Share Capital Proceeds Account; and
- (q) any surplus to the Issuer.

*Pre-Enforcement Principal Priority of Payments*

Prior to the enforcement of the Issuer Security, the Servicer will, on each Interest Payment Date, apply any receipts of principal and prepayment fees from the Issuer Principal Account in the order of priority (the **Pre-Enforcement Principal Priority of Payments**) (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full) set out in **Condition 6.2** (*Mandatory redemption on the Loan Maturity Date*), **Condition 6.3** (*Redemption for taxation or other reasons*) or **6.4** (*Mandatory redemption in whole or in part*).

### *Post-Enforcement Priority of Payments*

The Issuer Security will become enforceable upon the occurrence of a Note Event of Default. Following the enforcement of the Issuer Security, the Issuer Security Trustee will be required to apply all funds received or recovered by it in accordance with the following order of priority (the **Post-Enforcement Priority of Payments** and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the **Priority of Payments**) (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Issuer Deed of Charge:

- (a) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Note Trustee and the Issuer Security Trustee and any receiver or other person appointed by either of them under the Note Trust Deed and/or the Issuer Deed of Charge (as the case may be);
- (b) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Agency Agreement together with any other amounts due to the Paying Agents or the Agent Bank pursuant to the Agency Agreement;
- (c) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Servicer in respect of the Servicing Fee and any other amounts due to the Servicer pursuant to the Servicing Agreement (including any substitute servicer appointed in accordance therewith) and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Special Servicer pursuant to the Servicing Agreement (including any substitute special servicer appointed in accordance therewith) (other than any amounts described in respect of a Workout Fee or a Liquidation Fee below);
- (d) in or towards satisfaction, *pro rata* according to the amounts then due, of any amounts due and payable by the Issuer to:
  - (i) the Corporate Services Provider under the Corporate Services Agreement; and
  - (ii) the Issuer Account Bank under the Bank Account Agreement;
- (e) in or towards satisfaction, *pro rata* according to the amounts then due, of any amounts payable by the Issuer to the Borrower in respect of any Property Protection Loans;
- (f) in or towards satisfaction of any amounts due and payable by the Issuer to the Liquidity Bank under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (g) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
- (h) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (i) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (j) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;



- (k) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class E Notes;
- (l) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class F Notes;
- (m) in or towards payment of any Liquidity Subordinated Amounts;
- (n) in or towards payment of any amounts payable by the Issuer to the Special Servicer in respect of the Liquidation Fee or the Workout Fee; and
- (o) any surplus to the Issuer.

## SERVICING

### The Servicer

Each of the Issuer and the Issuer Security Trustee will appoint Eurohypo AG, London Branch, acting through its office at 4th Floor, 90 Long Acre, London WC2E 9RA (**Eurohypo**) under the terms of a servicing agreement dated on or before the Closing Date (**the Servicing Agreement**), as the initial servicer of the Loans and to have responsibility for, among other things, the investment and application of monies in accordance with the relevant Priority of Payments. The Servicer will perform the day-to-day servicing of the Loans and will continue to service other commercial mortgage loans in addition to the Loans.

Each of the Issuer and the Issuer Security Trustee will appoint the Servicer to be its agent to provide certain cash management services in relation to the Issuer Accounts as more particularly described below.

### Servicing of the Loans

Servicing procedures will include monitoring compliance with, and administering the options available to the Borrower under the terms and conditions of the Credit Agreement. The Servicer and (where applicable) the Special Servicer will agree to service the Loans in the best interests, and for the benefit of, all of the Noteholders (as determined by the Servicer or the Special Servicer, as the case may be, in its good faith and reasonable judgment) and in accordance with all applicable law and regulatory requirements and shall take all measures it deems necessary or appropriate in its due professional discretion to administer and collect the Loans provided that (a) to the extent that the Servicer or the Special Servicer, as the case may be, is Eurohypo, such servicing shall be carried out in accordance with Eurohypo's usual administrative policies and procedures from time to time and in the same manner as Eurohypo services commercial mortgage loans which have not been sold but remain on the books of, and are beneficially owned by, Eurohypo; and in so doing shall exercise the standard of care of a reasonably prudent commercial mortgage lender; (b) to the extent that the Servicer or the Special Servicer, as the case may be, is not Eurohypo, such servicing shall be carried out in accordance with the standard of care as is normal and usual in general mortgage servicing activities with respect to comparable mortgage loans for other third-party lenders or for its own account, whichever is higher, and, in either case, in particular, and, on the occurrence of an Event of Default, the administration of enforcement procedures with a view to the maximisation of recoveries available to the Noteholders (taking into account the likelihood of recovery of amounts due from the Borrower, the timing of any such recovery and the costs of recovery) as determined by the Servicer or the Special Servicer, as the case may be, in its reasonable judgment (**the Servicing Standard**).

### Consultation with, and appointment of, the Special Servicer

The Servicer will give notice to the Special Servicer and will consult with the Special Servicer in relation to the future servicing or exercise of rights in respect of the Loans and/or the Loan Security promptly upon any of the following events:

- (a) a payment default in respect of any Loans on its maturity (whether the Servicer has consented to the extension of the maturity date in accordance with the terms of the Credit Agreement or not); or
- (b) any scheduled payment due and payable in respect of any Loans being delinquent for up to 60 days past its due date; or
- (c) any Obligor being in breach of any covenant (other than a material covenant) under the Credit Agreement (a covenant being material for the purposes of this **paragraph (c)** if a breach of it materially impairs or could materially impair the use or the marketability of any of the Properties or the value thereof as security for the Loans).

The Servicer or the Special Servicer, as applicable, will promptly give notice to the Issuer, the Issuer Security Trustee, the Rating Agencies and the Special Servicer (where applicable) of the occurrence of any Special Servicing Event. Upon the delivery of such notice, the Issuer or the Issuer Security Trustee (as the case may be) will, subject as specified below, appoint the Special Servicer to act as Special Servicer on behalf of the Issuer or the Issuer Security Trustee (as appropriate) in relation to the Loans and the Loans will become **specialty serviced**.

A **Special Servicing Event** will be the occurrence of any of the following:

- (a) a payment default occurring with regards to any payment due on the maturity of any Loan (taking into account any permitted extensions to its maturity);
- (b) a scheduled payment due and payable in respect of any Loan being delinquent for more than 60 days past its due date;
- (c) the Issuer, the Issuer Security Trustee, the Servicer or the Special Servicer receiving notice of the enforcement of the Loan Security;
- (d) insolvency or bankruptcy proceedings being commenced in respect of any Obligor or Unit Trust;
- (e) in the Servicer's opinion a breach of a material covenant under the Credit Agreement occurring or, to the knowledge of the Servicer, being likely to occur, and in the Servicer's opinion such breach is not likely to be cured within 60 days of its occurrence;
- (f) any Obligor notifying the Facility Agent, the Issuer or the Issuer Security Trustee in writing of its or a Unit Trust's inability to pay its debts generally as they become due, its entering into an assignment for the benefit of its creditors or its voluntary suspension of payment of its obligations; or
- (g) any other Event of Default occurring that, in the good faith and reasonable judgment of the Servicer, materially impairs or could materially impair the use or the marketability of the Properties or the value thereof as security for the Loans.

On the appointment of the Special Servicer in respect of the Loans, the Servicer shall cease to be subject to the obligations of the Servicer in respect of the Loans under the Servicing Agreement except where otherwise provided.

#### **Arrears and default procedures**

The Servicer will collect, or the Servicer or the Special Servicer, as applicable, will instruct the Facility Agent to collect, all payments due under, or in connection with, the Loans.

The Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of the Loans. The Servicer and, as applicable, the Special Servicer will be required to use all reasonable endeavours to recover amounts due from the Borrower should it default. Each of the Servicer and the Special Servicer will agree, in relation to any default under, or in connection with, the Loans and the Loan Security, to comply with the procedures for enforcement of the Loans and the Loan Security of the Servicer or the Special Servicer, as the case may be, current from time to time. In the case of an Event of Default which has not been waived or remedied, the Servicer will be obliged to instruct (on behalf of the Issuer) the Facility Agent to declare the Loans to be immediately due and payable and to make a demand under the Guarantee. In these circumstances, the Servicer or the Special Servicer, as applicable, will be required to consider, based on (amongst others) the nature of the default, the status of the Borrower and the nature and value of the relevant Property, what internal reviews and reporting requirements are needed in respect of the Loans, and which enforcement procedures are appropriate. Such procedures for enforcement include the giving of instructions to the Facility Agent as to how to enforce the security held by the Facility Agent pursuant to the Loan Security.

## Amendments to the Finance Documents

The Servicer or the Special Servicer, as applicable, on behalf of the Issuer and the Issuer Security Trustee may (but will not be obliged to), in accordance with the Servicing Standard agree to any request by the Facility Agent or the Borrower, as applicable, to vary or amend the terms and conditions of the Finance Documents provided that:

- (a) the variation or amendment consists of one or more of the following:
  - (i) the release of the Loan Security or any part thereof which may, at the option of the Servicer or the Special Servicer, as applicable, be on the basis that alternative security is provided by the Obligor which is acceptable to the Servicer or the Special Servicer acting in accordance with the Servicing Standard; or
  - (ii) any other variation or amendment which would be acceptable to a reasonably prudent commercial mortgage lender acting in accordance with the Servicing Standard;
- (b) no Acceleration Notice has been given by the Note Trustee which remains in effect at the date on which the relevant variation or amendment is agreed;
- (c) the Issuer will not be required to make a further advance including, without limitation, any deferral of interest because of the relevant variation or amendment;
- (d) the effect of such variation or amendment would not be to extend the final maturity date of any Loan beyond July 2016 unless the Servicer or the Special Servicer, as applicable, shall have (i) received written confirmation from Fitch and S&P that the then current ratings of the Notes will not be adversely affected by such extension and (ii) notified Moody's of such variation or amendment;
- (e) the Loan Security will continue to include a full first ranking mortgage or standard security over the legal and beneficial interest in all of the Properties;
- (f) notice of any such amendment or variation is given to the Rating Agencies and prior written confirmation shall have been received by the Servicer or the Special Servicer, as applicable, from each of S&P and Fitch that any variation or amendment to any of the terms and conditions of the Finance Documents that is likely, in the reasonable determination of the Servicer or the Special Servicer, as the case may be, to have a material adverse effect on the Noteholders (it being agreed that a reduction in the interest rate or principal balance of the Loans or any waiver or postponement of the same is likely to have such an effect) will not result in the then current ratings of any of the Notes being adversely affected; and
- (g) if Eurohypo is not the Special Servicer, notice of any such amendment or variation is given to the Special Servicer.

With the prior written consent of the Issuer Security Trustee, the Servicer or the Special Servicer, as applicable, may (but will not be obliged to) agree to any request by the Facility Agent or an Obligor to vary or amend the terms and conditions of the Finance Documents where any of the above conditions (other than the conditions specified in **paragraphs (d), (f) and (g) above**) are not satisfied in respect of the relevant variation or amendment.

## Calculation of amounts and payments

On each **Calculation Date** (being the second Business Day prior to the relevant Interest Payment Date), the Servicer will be required to determine the various amounts required to pay interest and principal due on the Notes on the forthcoming Interest Payment Date and all other amounts then payable by the Issuer, and the amounts expected to be available to make such payments. In addition, the Servicer will calculate the

Principal Amount Outstanding for each Class of Notes for the Interest Period commencing on such forthcoming Interest Payment Date.

On each Calculation Date, the Servicer must determine, in accordance with the terms of the Servicing Agreement, the amount of Available Issuer Income and the amounts to be paid under the Pre-Enforcement Revenue Priority of Payments on the next Interest Payment Date. If the Servicer, acting on the basis of information provided to it, determines that the amount of Available Issuer Income, less any Priority Amounts paid since the immediately preceding Interest Payment Date or due to be paid by the Issuer prior to the next Interest Payment Date, will be insufficient to make payments set out under **paragraphs (a) to (m)** of the Pre-Enforcement Revenue Priority of Payments, the Servicer will direct the Issuer to make an Income Deficiency Drawing under the Liquidity Facility (see "*Transaction Documents – Liquidity Facility*" above).

On the relevant Interest Payment Date, the Servicer will apply Adjusted Available Issuer Income in accordance with the Pre-Enforcement Revenue Priority of Payments. Subject to receipt of funds from the Borrower, the Servicer will, prior to the enforcement of the Issuer Security, make all payments required to carry out a redemption of Notes pursuant to **Condition 6.1** (*Final redemption*), **Condition 6.2** (*Mandatory redemption on the Loan Maturity Date*), **Condition 6.3** (*Redemption for taxation or other reasons*), **Condition 6.4** (*Mandatory redemption in whole or in part*) or **Condition 6.5** (*Optional redemption of the Notes*) in each case according to the provisions of the relevant Condition from the Issuer Principal Account. See further "*Terms and Conditions of the Notes*".

### **Servicer quarterly report**

Pursuant to the Servicing Agreement, the Servicer will agree to deliver to the Issuer, the Issuer Security Trustee, the Special Servicer and the Rating Agencies a report in respect of each Calculation Date in which it will notify the recipients of, among other things, all amounts received in the Issuer's Accounts and payments made with respect thereto. The report will contain the monthly arrears report and will also include qualitative and quantitative information on the Loans, including details of any material changes that may affect credit quality and the details of any delegation of any of the Servicer's and/or Special Servicer's obligations or duties.

### **Insurance**

The Servicer will procure that the Facility Agent monitors the arrangements for insurance which relate to the Loans and the Loan Security and establishes and maintains procedures to ensure that all buildings insurance policies in respect of the Properties are renewed on a timely basis.

To the extent that the Issuer and/or the Issuer Security Trustee has power to do so under a policy of buildings insurance, the Servicer will, as soon as practicable after becoming aware of any occurrence of any event giving rise to a claim under such policy, procure that the Facility Agent prepares and submits such claim on behalf of the Issuer and/or the Issuer Security Trustee in accordance with the terms and conditions of such policy and complies with any requirements of the relevant insurer.

The Servicer will use reasonable endeavours to procure that the Borrower complies with the obligations in respect of insurance in accordance with the terms of the Credit Agreement. If the Servicer becomes aware that the Borrower has failed to pay premiums due under any policy of buildings insurance, the Servicer will instruct the Facility Agent to take such action as the Issuer and/or the Issuer Security Trustee shall reasonably direct and in the absence of such direction will, on behalf of the Issuer or the Issuer Security Trustee, instruct the Facility Agent to pay premiums due and payable under any policy of buildings insurance in order that the cover provided by such policy does not lapse.

Upon receipt of notice that any policy of buildings insurance has lapsed or that any of the Properties is otherwise not insured against fire and other perils (including subsidence) under a comprehensive buildings insurance policy or similar policy in accordance with the terms of the Credit Agreement, the Servicer will instruct the Facility Agent, at the cost of the Issuer, to arrange such insurance in accordance with the terms of

the Credit Agreement. Under the terms of the Credit Agreement, the Borrower is required to reimburse the Issuer for such costs of insurance. See also "*Risk Factors – Insurance*".

## Fees

The Servicer will be entitled to receive a fee for servicing the Loans. On each Interest Payment Date the Issuer will pay to the Servicer a servicing fee (the **Servicing Fee**) equal to £180,000 per annum (inclusive of value added tax) but only to the extent that the Issuer has sufficient funds to pay such amount as provided in the relevant Priority of Payments (see further "*Transaction Documents – Issuer Cashflows*"). The unpaid balance (if any) will be carried forward until the next succeeding Interest Payment Date and, if not paid before such time, will be payable on the final Interest Payment Date of the latest maturing Class of Notes or on the earlier redemption in full of the Notes by the Issuer. The Servicing Agreement will also provide for the Servicer to be reimbursed for all reasonable out-of-pocket expenses and charges properly incurred by the Servicer in the performance of its services under the Servicing Agreement.

Pursuant to the Servicing Agreement, if the Special Servicer is appointed in respect of a Loan, the Issuer will be required to pay to the Special Servicer a fee (the **Special Servicing Fee**) equal to 0.25 per cent. per annum (exclusive of value added tax) of the then principal balance of the Loans as at the date the Loans are designated to be Specially Serviced, but only to the extent that the Issuer has sufficient funds to pay such amount as provided in "*Transaction Documents – Issuer Cashflows*" for a period commencing on the date on which the Special Servicer becomes specially serviced and ending on the date on which the properties are sold on enforcement or the date on which the Loans are deemed to be corrected.

A Loan will be deemed to be **corrected** if any of the following occurs with respect to the circumstances identified as having caused the Special Servicer to be appointed and the Loan has been transferred back to the control of the Servicer (and provided that no other Special Servicing Event then exists with respect to the Loan):

- (a) with respect to the circumstances described in items (a) and (b) in the definition of Special Servicing Event, the Borrower has made one timely quarterly payment in full;
- (b) with respect to the circumstances described in items (c) and (d) in the definition of Special Servicing Event, such proceedings are terminated;
- (c) with respect to the circumstances described in item (e) in the definition of Special Servicing Event, such circumstances cease to exist in the good faith and reasonable judgment of the Special Servicer;
- (d) with respect to the circumstances described in item (f) in the definition of Special Servicing Event, the relevant Obligor ceases to claim an inability to pay its debts or suspend the payment of obligations or the termination of any assignment for the benefit of its creditors; or
- (e) with respect to the circumstances described in item (g) in the definition of Special Servicing Event such default is cured.

The Special Servicing Fee will accrue on a daily basis over such period and will be payable on each Interest Payment Date commencing with the Interest Payment Date following the date on which such period begins and ending on the Interest Payment Date following the end of such period.

In addition to the Special Servicing Fee, the Special Servicer will be entitled to a fee (the **Liquidation Fee**) in respect of any Loan equal to an amount of 1 per cent. (exclusive of value added tax) of the proceeds (net of all costs and expenses incurred as a result of the default of the Loan, enforcement and sale), if any, arising on the sale of any Property or on or out of the application of any other enforcement procedures or other actions taken by the Special Servicer in respect of the Loan.

In addition to the Special Servicing Fee and the Liquidation Fee (if any) in respect of a Loan, the Special Servicer will be entitled to receive a fee (the **Workout Fee**) in consideration of providing services in relation to the Loan when it is deemed to be corrected. When the Loan is deemed to be corrected, the Workout Fee shall be equal to 1 per cent. of each collection of principal and interest received on the Loan (but only, in relation to collections of principal, if and to the extent that such principal received reduces the amount of principal outstanding under the Loan to below the amount of principal outstanding under the Loan at the date it was first deemed to be corrected) for so long as it continues to be deemed corrected. The Workout Fee with respect to the Loan will cease to be payable if the Loan is no longer deemed to be corrected, but the Workout Fee will become payable if or when the Loan is again deemed to be corrected. Non-payment of the Workout Fee will not entitle the Special Servicer to terminate the arrangements under the Servicing Agreement.

The Liquidation Fee and the Workout Fee will only be payable to the extent that the Issuer has sufficient funds to pay such amount as provided in the relevant Priority of Payments (see further "*Transaction Documents – Cashflows*").

### **Removal or resignation of the Servicer or the Special Servicer**

The appointment of the Servicer or the Special Servicer, as applicable, may be terminated by the Issuer Security Trustee and/or by the Issuer (with the consent of the Issuer Security Trustee) upon written notice to the Servicer or the Special Servicer, as the case may be, on the occurrence of certain events (each a **Servicing Termination Event**), including if:

- (a) the Servicer or the Special Servicer, as applicable, fails to pay or to procure the payment of any amount due and payable by it and either (i) such payment is not made within five Business Days of such time or (ii) if the Servicer's or the Special Servicer's, as applicable, failure to make such payment was due to inadvertent error, such failure is not remedied for a period of ten Business Days after the Servicer becomes aware of the default;
- (b) subject as provided further in the Transaction Documents, the Servicer or the Special Servicer, as applicable, fails to comply with any of its covenants and obligations under the Servicing Agreement which in the opinion of the Issuer Security Trustee is materially prejudicial to the interests of the holders of the Notes and such failure either is not remediable or is not remedied for a period of 30 Business Days after the earlier of the Servicer or the Special Servicer, as the case may be, becoming aware of such default and delivery of a written notice of such default being served on the Servicer or the Special Servicer, as applicable, by the Issuer or the Issuer Security Trustee;
- (c) at any time the Servicer or the Special Servicer, as applicable, fails to obtain or maintain the necessary licences or regulatory approvals enabling it to continue servicing the Loans; or
- (d) the occurrence of an insolvency event in relation to the Servicer or the Special Servicer.

In addition, if any Loan has been designated specially serviced and the Issuer is so instructed by the Controlling Party, the Issuer will terminate the appointment of the person then acting as special servicer and, subject to certain conditions, appoint a qualified successor thereto (such successor to pay any costs incurred by the Issuer in replacement of the existing special servicer).

**Controlling Party** means, at any time:

- (a) the holders of the most junior Class of Notes then having a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date; or
- (b) if no Class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date, the holders of the then most junior Class of Notes.

Prior to or contemporaneously with any termination of the appointment of the Servicer or the Special Servicer, as the case may be, it would first be necessary for the Issuer and the Issuer Security Trustee to appoint a substitute servicer or substitute special servicer, as the case may be, approved by the Issuer Security Trustee.

In addition, subject to the fulfilment of certain conditions including, without limitation, that a substitute servicer or substitute special servicer, as the case may be, has been appointed, the Servicer or Special Servicer, as the case may be, may voluntarily resign by giving not less than three months' notice of termination to the Issuer, the Facility Agent and the Issuer Security Trustee.

Any such substitute servicer or substitute special servicer (whether appointed upon a termination of the appointment of, or the resignation of, the Servicer or Special Servicer, as the case may be) will be required to have experience servicing loans secured on commercial mortgage properties in England, Wales and Scotland and will enter into an agreement on substantially the same terms in all material aspects as the Servicing Agreement, taking into account also what is standard for such agreements in similar transactions at the time. Under the terms of the Servicing Agreement, the appointment of a substitute servicer or special servicer, as the case may be, will be subject to the Rating Agencies confirming that the appointment will not adversely affect the then current ratings (if any) of any Class of the Notes unless otherwise agreed by Extraordinary Resolutions of each Class of Noteholders. Any costs incurred by the Issuer as a result of appointing any such substitute servicer or special servicer shall, save as specified above, be paid by the Servicer or Special Servicer (as the case may be) whose appointment is being terminated. The fee payable to any such substitute servicer or special servicer should not, without the prior written consent of the Issuer Security Trustee, exceed the amount payable to the Servicer or Special Servicer, as applicable, pursuant to the Servicing Agreement and in any event should not exceed the rate then customarily payable to providers of commercial mortgage loan servicing services.

Forthwith upon termination of the appointment of, or the resignation of, the Servicer or Special Servicer, the Servicer or Special Servicer (as the case may be) must deliver any documents and all books of account and other records maintained by the Servicer or Special Servicer relating to the Loans and/or the Loan Security to, or at the direction of, the substitute servicer or special servicer and shall take such further action as the substitute servicer or substitute special servicer, as the case may be, shall reasonably request to enable the substitute servicer or the substitute special servicer, as the case may be, to perform the services due to be performed by the Servicer or the Special Servicer under the Servicing Agreement.

#### **Appointment of the Controlling Class Representative**

The Controlling Party may elect to appoint a representative (the **Controlling Class Representative**) to represent its interests and to advise the Special Servicer about the following matters in relation to the Loans:

- (a) the appointment of a receiver or similar actions to be taken in relation to a Loan;
- (b) the amendment, waiver or modification of any term of the Finance Documents which affects the amount payable by the Borrower or the time at which any amounts are payable, or any other material term of the Finance Documents; and
- (c) the release of any part of the Loan Security, or the acceptance of substitute or additional Loan Security other than in accordance with the terms of the Credit Agreement.

Before taking any action in connection with the matters referred to in **paragraphs (a) to (c) above**, the Special Servicer must notify the Controlling Class Representative of its intentions and must take due account of the advice and representations of the Controlling Class Representative, although if the Special Servicer determines that immediate action is necessary to protect the interests of the Noteholders, the Special Servicer may take whatever action it considers necessary without waiting for the Controlling Class Representative's response. If the Special Servicer does take such action and the Controlling Class Representative objects in writing to the actions so taken within ten Business Days after being notified of the action and after being



provided with all reasonably requested information, the Special Servicer must take due account of the advice and representations of the Controlling Class Representative regarding any further steps the Controlling Class Representative considers should be taken in the interests of the Controlling Party. The Controlling Class Representative will be considered to have approved any action taken by the Special Servicer without the prior approval of the Controlling Class Representative if it does not object within ten Business Days. Furthermore, the Special Servicer will not be obliged to obtain the approval of the Controlling Class Representative for any actions to be taken with respect to a Loan if the Special Servicer has notified the Controlling Class Representative in writing of the actions that the Special Servicer proposes to take with respect to the Loan and, for 60 days following the first such notice, the Controlling Class Representative has objected to all of those proposed actions and has failed to suggest any alternative actions that the Special Servicer considers to be in accordance with the Servicing Agreement.

### **Delegation by the Servicer and Special Servicer**

The Servicer or the Special Servicer, as applicable, may, in some circumstances including with the prior written consent of the Issuer Security Trustee and, in the case of the Servicer, with the prior written consent of the Special Servicer (where the Special Servicer is not Eurohypo) and after giving written notice to the Issuer Security Trustee and the Rating Agencies, delegate or subcontract the performance of any of its obligations or duties under the Servicing Agreement. This shall not prevent the engagement on a case-by-case basis by the Servicer or Special Servicer, as applicable, of any solicitor, valuer, surveyor, estate agent, property management agent or other professional adviser in respect of services normally provided by such persons in connection with the performance by the Servicer or the Special Servicer, as applicable, of any of its respective functions or exercise of its power under the Servicing Agreement. Upon the appointment of any such delegate or subcontractor the Servicer or the Special Servicer, as the case may be, will nevertheless remain responsible for the performance of those duties to the Issuer and the Issuer Security Trustee.

### **Governing Law**

The Servicing Agreement will be governed by English law.

## LIQUIDITY BANK

The Royal Bank of Scotland plc will be appointed to act as Liquidity Bank pursuant to the terms of the Liquidity Facility Agreement.

### General

The Royal Bank of Scotland Group plc (**RBSG**) is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £62.8 billion at 31 December 2006. Headquartered in Edinburgh, RBSG operates in the UK, the US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc (**RBS**) and National Westminster Bank Plc (**NatWest**). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. RBSG has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

RBSG's operations are conducted principally through RBS and its subsidiaries (including NatWest) other than the general insurance business (primarily Direct Line Group and Churchill Insurance).

RBSG had total assets of £871.4 billion and shareholders' equity of £40.2 billion at 31 December 2006. RBSG is strongly capitalised with a total capital ratio of 11.7 per cent and tier 1 capital ratio of 7.5 per cent as at 31 December 2006.

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long-term senior unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aaa by Moody's and AA+ by Fitch.

In its capacity as Liquidity Bank, RBS will be acting through its branch at 280 Bishopsgate, London EC2M 4RB.

The information contained herein with respect to RBS and RBSG relates to and has been obtained from it. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of RBS or RBSG since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

### Recent Developments

On 20 July 2007, RBSG, Fortis N.V., Fortis SA/NV and Banco Santander Central Hispano S.A. (collectively, the **Banks**), acting through RFS Holdings B.V. (RFS), offered to acquire all of the issued and outstanding ABN AMRO Holding N.V. (**ABN AMRO**) ordinary shares, nominal value of €0.56 per share (the **ABN AMRO Ordinary Shares**) and all of the issued and outstanding ABN AMRO American depositary shares, evidenced by American depositary receipts, (the **ABN AMRO ADS**), each ABN AMRO ADS representing one ABN AMRO Ordinary Share (the **Offer**).

RFS, a company jointly owned by the Banks, offered to exchange for each ABN AMRO Ordinary Share or each ABN AMRO ADS, €38.40, comprising €35.60 in cash, plus 0.296 new ordinary shares of 25p each to be issued by RBSG (the **New RBSG Shares**).

RFS will be controlled by RBSG and, if the Offer is successful, will acquire ABN AMRO. In due course RFS will implement an orderly separation of the business units of ABN AMRO which have been acquired by it. In connection therewith, if the Offer is successful, RBSG will acquire the Global Wholesale Businesses (including the Netherlands but excluding Brazil) and the International Retail Businesses of ABN AMRO (collectively, the **ABN AMRO Businesses**).

Under the Offer, the total consideration payable by the Banks to ABN AMRO shareholders will be €71.1 billion (£48.2 billion). Approximately 93 per cent., or €66 billion, of the Offer consideration will be payable in cash, and the remaining 7 per cent., or €5 billion, comprises New RBSG Shares. Of the total consideration, RBSG will contribute 38.3 per cent. to buy the ABN AMRO Businesses, of which €22.2 billion will be payable in cash and €5 billion will comprise New RBSG Shares. Net of the proceeds of the sale of LaSalle Bank Corporation (**LaSalle**) to Bank of America Corporation, the effective consideration payable by RBSG will be €16 billion, including €5 billion of New RBSG shares.

The Offer is subject to certain conditions customary for transactions of this type. The Offer is not subject to pre-conditions or conditions relating directly to any proceedings, claims or actions asserted against ABN AMRO (or any member of ABN AMRO and its subsidiaries and subsidiary undertakings) by Bank of America Corporation or any of its affiliates, in each case arising out of or related to the Purchase and Sale Agreement dated as of 22 April 2007, between Bank of America Corporation and ABN AMRO Bank N.V. in respect of ABN AMRO North America Holding Company, the holding company for LaSalle, including the subsidiaries LaSalle Bank N.A. and LaSalle Bank Midwest N.A., including any amendment thereto.

## ISSUER ACCOUNT BANK

HSBC Bank plc will be appointed to act as Issuer Account Bank pursuant to the terms of the Bank Account Agreement.

HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December, 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December, 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 10,000 offices in 82 countries and territories in five geographical regions: Europe; Hong Kong; Rest of Asia-Pacific, including the Middle East and Africa; North America and Latin America. Its total assets at 31 December 2006 were US\$1,861 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are currently rated P-1 by Moody's, A-1+ by S&P and F1+ by Fitch and the long term senior, unsecured and unguaranteed obligations of HSBC Bank plc are currently rated Aa1 by Moody's, AA by S&P and AA by Fitch.

HSBC is regulated pursuant to the Financial Services and Markets Act 2000 and is an authorised institution supervised by the Financial Services Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

## ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted because the Loans will, in certain circumstances, be prepayable and a number of other relevant factors are unknown.

Calculations of possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Loans are not sold by the Issuer;
- (b) the Loans do not default, are not prepaid (in whole or in part) nor are they enforced and no loss arises; and
- (c) the Closing Date is 3 August 2007,

then the approximate percentage of the initial principal amount outstanding of the Notes on each Interest Payment Date and the approximate average lives of the Notes would be as follows:

- (i) in respect of the Class A Notes, 6.99 years;
- (ii) in respect of the Class B Notes, 6.99 years;
- (iii) in respect of the Class C Notes, 6.99 years;
- (iv) in respect of the Class D Notes, 6.99 years;
- (v) in respect of the Class E Notes, 6.99 years; and
- (vi) in respect of the Class F Notes, 6.99 years.

Assumptions (a) and (b) above relate to circumstances which are not predictable.

The average lives of the Notes will be subject to factors outside the control of the Issuer and consequently no assurance can be given that the estimates above will, in fact, be realised and they must therefore be viewed with considerable caution.

## **USE OF PROCEEDS**

The gross and net proceeds from the issue of the Notes will be £800,000,000 and this sum will be lent to the Borrower on the Closing Date, pursuant to the terms of the Credit Agreement. The proceeds of the Loans shall be applied by the Borrower to refinance (i) in full the Existing Loan which was initially made in 2004 and purchased by Epic Opera (Arlington) plc and (ii) to refinance certain other existing indebtedness of the Borrower or any of its subsidiaries which has been secured by any of the Original Properties (as defined in the Credit Agreement), and thereafter for general partnership purposes.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes in the form in which (subject to modification) they will be set out in the Note Trust Deed. The Conditions set out below will apply to the Notes whether they are in definitive form (if issued) or in global form.*

The issue of the £483,200,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class A Notes**), the £83,350,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class B Notes**), the £69,200,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class C Notes**), the £72,250,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class D Notes**), the £67,500,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class E Notes**), the £24,500,000 Class F Commercial Mortgage Backed Floating Rate Notes due 2016 (the **Class F Notes**) and, together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, and the Class E Notes, the **Notes**) by Epic Opera (Arlington) Limited was authorised by a resolution of the board of directors of the Issuer passed on 26 July 2007.

The Notes are constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Note Trust Deed**) dated 3 August 2007 (the **Closing Date**) made between the Issuer and HSBC Trustee (C.I.) Limited (the **Note Trustee**, which expression includes its successors as trustee or any further or other trustee(s) under the Note Trust Deed as trustee(s) for the holders of the Notes (the **Noteholders**)).

The proceeds of the issue of the Notes will be applied in providing the Loans to Arlington Business Parks Partnership.

References herein to the Notes shall include reference to:

- (a) whilst the Notes are represented by a Global Note (as defined in **Condition 1.2** (*Permanent Global Notes*)), units of £50,000 and integral multiples of £1,000 thereafter (as reduced by any redemption in part of a Note pursuant to **Condition 6** (*Redemption*));
- (b) any Global Note; and
- (c) any Definitive Notes (as defined in **Condition 2.1** (*Issue of Definitive Notes*)) issued in exchange for a Global Note.

References herein to interest include references to Deferred Interest (as defined in **Condition 5.8** (*Deferral of payment*)) and interest thereon, unless the context otherwise requires.

The Noteholders and the holders of the Coupons (as defined in **Condition 2.2** (*Title to, and transfer of, Definitive Notes*)) (the **Couponholders**) are subject to, and have the benefit of, an agency agreement (as amended and/or supplemented from time to time, the **Agency Agreement**) dated the Closing Date between the Issuer, HSBC Bank plc as principal paying agent (in such capacity, the **Principal Paying Agent**, which expression includes any successor principal paying agent appointed from time to time in respect of the Notes) and as agent bank (in such capacity, the **Agent Bank**, which expression includes any successor agent bank appointed from time to time in connection with the Notes) and HSBC Institutional Trust Services (Ireland) Limited as Irish paying agent (the **Irish Paying Agent**, which expression includes any successor Irish paying agent appointed from time to time in connection with the Notes and, together with the Principal Paying Agent and any other paying agent appointed from time to time in connection with the Notes, the **Paying Agents**) and the Note Trustee.

The security for the Notes is granted or created pursuant to a deed of charge under English law (the **Issuer Deed of Charge**, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be

supplemental thereto as from time to time so modified) dated the Closing Date and made between, among others, the Issuer and HSBC Trustee (C.I.) Limited (in such capacity, the **Issuer Security Trustee**).

The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Agency Agreement and the Issuer Deed of Charge applicable to them and all the provisions of the other Transaction Documents (including the Bank Account Agreement, the Servicing Agreement, the Liquidity Facility Agreement, the Corporate Services Agreement, the Subscription Agreement and the Master Definitions Schedule (each as defined in the master definitions schedule signed for identification by, among others, the Issuer and the Issuer Security Trustee on or about the Closing Date (the **Master Definitions Schedule**)) applicable to them.

The statements in these terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the other Transaction Documents. Capitalised terms used in these Conditions but not otherwise defined shall have the meanings set out in the Master Definitions Schedule.

As used in these Conditions:

- (a) a reference to a **Class of Notes**, or to the respective holders thereof, as applicable, shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (and, unless the context otherwise requires, shall include in each case any Coupons appertaining thereto) or the respective Noteholders and Couponholders and Classes, in a similar context, shall be construed accordingly; and
- (b) **Most Senior Class of Notes** means:
  - (i) the Class A Notes; or
  - (ii) if no Class A Notes are then outstanding (as defined in the Note Trust Deed), the Class B Notes (if, at any time, any Class B Notes are then outstanding); or
  - (iii) if no Class A Notes or Class B Notes are then outstanding, the Class C Notes (if, at any time, any Class C Notes are then outstanding); or
  - (iv) if no Class A Notes, Class B Notes or Class C Notes are then outstanding, the Class D Notes (if, at any time, any Class D Notes are then outstanding); or
  - (v) if no Class A Notes, Class B Notes, Class C Notes or Class D Notes are then outstanding, the Class E Notes (if, at any time, any Class E Notes are then outstanding); or
  - (vi) if no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are then outstanding, the Class F Notes (if, at any time, any Class F Notes are then outstanding); and
- (c) **Transaction Documents** means the Note Trust Deed, the Issuer Deed of Charge, the Servicing Agreement, the Bank Account Agreement, the Corporate Services Agreement, the Liquidity Facility Agreement, the Agency Agreement, the Subscription Agreement, the Master Definitions Schedule, the Finance Documents and any other document designated as such by the Issuer and the Issuer Security Trustee.

Copies of each of the Transaction Documents to which the Note Trustee is a party are available to Noteholders for inspection at the specified office of each of the Principal Paying Agent and the Irish Paying Agent.



## 1. GLOBAL NOTES

### 1.1 *Temporary Global Notes*

The Notes of each Class will initially be represented by a temporary global Note (each, a **Temporary Global Note**) in bearer form in the aggregate principal amount on issue of £483,200,000 for the A Notes, £83,350,000 for the B Notes, £69,200,000 for the C Notes, £72,250,000 for the D Notes, £67,500,000 for the E Notes and £24,500,000 for the F Notes.

The Temporary Global Notes will be deposited on behalf of the subscribers of the Notes with a common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**, and, together with Euroclear, the **Clearing Systems**) on the Closing Date. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg, will credit the account of each Accountholder with the principal amount of Notes for which it has subscribed and paid.

### 1.2 *Permanent Global Notes*

Interests in each Temporary Global Note will be exchangeable 40 days after the Closing Date (the **Exchange Date**), provided certification of non-U.S. beneficial ownership (**Certification**) by the relevant Noteholders has been received, for interests in a permanent global Note of the relevant Class (each a **Permanent Global Note**) which will also be deposited with the Common Depository unless the interests in the relevant Permanent Global Note have already been exchanged for Notes in definitive form, in which event the interests in such Temporary Global Note may only be exchanged (subject to Certification) for Notes of the relevant Class in definitive form. The expression **Global Note** shall be read and construed to mean a Temporary Global Note or a Permanent Global Note as the context may require. On the exchange of each Temporary Global Note for the relevant Permanent Global Note such Permanent Global Note will remain deposited with the Common Depository.

### 1.3 *Form and title*

Each Global Note shall be issued in bearer form without Coupons or Talons.

Title to the Global Notes will pass by delivery. Notes represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.

For so long as the Notes of a Class are represented by one or both Global Notes in respect of that Class, the Issuer, the Note Trustee and all other parties may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of the Clearing Systems as the holder of a particular principal amount of such Notes (an **Accountholder**) as the holder of such principal amount of such Notes, in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg, as to the principal amount of such Notes or interest in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Global Notes, the right to which shall be vested, as against the Issuer, the Paying Agents and the Note Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Note Trust Deed. The expressions **Noteholders** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular principal amount of Notes as aforesaid, the Note Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

## 2. DEFINITIVE NOTES

### 2.1 *Issue of Definitive Notes*

A Global Note will be exchanged free of charge (in whole but not in part) for Notes in definitive bearer form (**Definitive Notes**) only if at any time any of the following applies:

- (a) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so and no other Clearing System acceptable to the Note Trustee is then in existence; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any applicable jurisdiction (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will become required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.

Thereupon, the whole of such Global Note will be exchanged for Definitive Notes (in the form provided in **Condition 2.2** (*Title to, and transfer of, Definitive Notes*) below) and Coupons in respect of principal and interest which has not already been paid on such Global Note as provided in such Global Note. These Conditions and the Transaction Documents will be amended in such manner as the Note Trustee requires to take account of the issue of Definitive Notes.

### 2.2 *Title to, and transfer of, Definitive Notes*

Each Definitive Note shall be issued in bearer form, serially numbered, in the minimum denomination of £50,000 and in integral multiples of £1,000 thereafter each with (at the date of issue) interest coupons (**Coupons**, which expression includes talons for further Coupons (**Talons**), except where the context otherwise requires) attached.

Title to the Definitive Notes and Coupons will pass by delivery.

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

## 3. STATUS, SECURITY AND PRIORITY OF PAYMENTS

### 3.1 *Status and relationship between Classes of Notes*

- (a) The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes constitute direct, secured and limited recourse obligations of the Issuer and are secured by assignments, charges and other fixed and floating security interests over all of the assets of the Issuer, other than the Issuer Share Capital Account and amounts contained therein (as more

particularly described in the Issuer Deed of Charge) (the **Issuer Charged Property**) (such assignments, charges and fixed and floating security together, the **Issuer Security**). Notes of the same Class rank *pari passu* and *rateably* without any preference or priority amongst themselves.

- (b) In accordance with the provisions of this **Condition 3**, the Note Trust Deed and the Issuer Deed of Charge and save as otherwise provided in **Condition 6.4** (*Mandatory redemption in whole or in part*) in relation to payment of principal, the Class A Notes will rank in priority to all other Classes of Notes in point of security and as to right of payment of principal and interest, the Class B Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes but will rank in priority to the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes in point of security and as to right of payment of principal and interest. The Class C Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes and the Class B Notes but will rank in priority to the Class D Notes, the Class E Notes and the Class F Notes in point of security and as to right of payment of principal and interest. The Class D Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes, the Class B Notes and the Class C Notes but will rank in priority to the Class E Notes and the Class F Notes in point of security and as to right of payment of principal and interest. The Class E Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes but will rank in priority to the Class F Notes in point of security and as to right of payment of principal and interest. The Class F Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.
- (c) In connection with the exercise of the powers, trusts, authorities, duties and discretions vested in it by the Note Trust Deed and the other Transaction Documents, each of the Note Trustee and the Issuer Security Trustee shall:
- (i) except where expressly provided otherwise, have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders equally PROVIDED THAT if in the opinion of the Note Trustee or the Issuer Security Trustee (as the case may be):
- (A) (for so long as there are any Class A Notes outstanding) there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders on the other hand, it shall have regard only to the interests of the Class A Noteholders;
- (B) (for so long as there are any Class B Notes outstanding) there is a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders, it shall, subject to (A) above, have regard only to the interests of the Class B Noteholders;
- (C) (for so long as there are any Class C Notes outstanding) there is a conflict between the interests of the Class C Noteholders and the interests of the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders, it shall, subject to (A) and (B) above, have regard only to the interests of the Class C Noteholders;
- (D) (for so long as there are any Class D Notes outstanding) there is a conflict between the interests of the Class D Noteholders and the Class E Noteholders and/or the Class F Noteholders, it shall subject to (A), (B) and (C) above, have regard only to the interests of the Class D Noteholders; and

- (E) (for so long as there are any Class E Notes outstanding) there is a conflict between the interests of the Class E Noteholders and the interests of the Class F Noteholders, it shall subject to (A), (B), (C) and (D) above, have regard only to the interests of the Class E Noteholders,

but so that this proviso shall not apply in the case of powers, trusts, authorities, duties and discretions:

- I. in relation to which it is expressly stated that they may be exercised by the Note Trustee only if in its opinion the interests of the Noteholders would not be materially prejudiced thereby; or
  - II. the exercise of which by the Note Trustee relates to any Basic Terms Modification, in which event the Note Trustee may exercise such powers, trusts, authorities, duties and discretions only if it is satisfied that to do so will not be materially prejudicial to the interests of the Noteholders of any Class that will be affected thereby;
- (ii) where it is required to have regard to the interests of the Noteholders (or any Class thereof), it shall have regard to the interests of such Noteholders (or such Class) as a Class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences thereof for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory and the Note Trustee shall not be entitled to require, nor shall any Noteholders be entitled to claim, from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders; and
- (iii) except where expressly provided otherwise, have regard only to the interests of the Noteholders and shall not be required to have regard to the interests of any Issuer Secured Creditor or any other person or to act upon or comply with any direction or request of any Issuer Secured Creditor or any other person whilst any amount remains owing to any Noteholder.

As used in these Conditions, **Issuer Secured Creditors** means the Noteholders, the Couponholders, the Note Trustee, the Issuer Security Trustee, any appointee of the Note Trustee or the Issuer Security Trustee, the Servicer, the Special Servicer, the Corporate Services Provider, the Liquidity Bank, the Issuer Account Bank, the Principal Paying Agent, the Agent Bank, the Irish Paying Agent and any other Paying Agent.

### 3.2 *Issuer Security and Priority of Payments*

The Issuer Security in respect of the Notes and Coupons and the payment obligations of the Issuer under the Transaction Documents is set out in the Issuer Deed of Charge. The Servicing Agreement contains provisions regulating the priority of application of the Issuer Charged Property by the Servicer (and proceeds thereof) among the persons entitled thereto prior to the Issuer Security becoming enforceable and the Issuer Deed of Charge contains provisions regulating such application by the Issuer Security Trustee after the Issuer Security has become enforceable.

The Issuer Security will become enforceable on the occurrence of a Note Event of Default (or on the Final Maturity Date or any earlier redemption in full of the Notes, in each case upon failure to pay any amount due on the Notes). If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (a) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with,

or in priority to, the Notes, or (b) the Issuer Security Trustee is of the opinion, which will be binding on the Noteholders and the other Issuer Secured Creditors, reached after considering at any time and from time to time the advice, upon which the Issuer Security Trustee will be entitled to rely, of such professional advisers as are selected by the Issuer Security Trustee, that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (c) the Issuer Security Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Issuer Security Trustee has been secured and/or indemnified to its satisfaction.

**Issuer Charged Property** means all of the property, assets, rights and undertakings of the Issuer (other than the Issuer Share Capital Account and amounts contained therein) whatsoever and whosoever situated, present and future, for the time being held as security (whether fixed or floating) for the Issuer Security under or pursuant to the Issuer Deed of Charge and references to the Issuer Charged Property shall be construed as including (where appropriate) references to any part of it.

#### 4. COVENANTS

##### 4.1 *Restrictions*

Save with the prior written consent of the Issuer Security Trustee or as provided in these Conditions or as permitted by the Transaction Documents, the Issuer shall not so long as any of the Notes remain outstanding:

(a) *Negative Pledge*

(save for the Issuer Security) create or permit to subsist any mortgage, sub-mortgage, charge, sub-charge, assignment, standard security, assignation, sub-standard security, pledge, lien, hypothecation or other security interest whatsoever, however created or arising (unless arising by operation of law) over any of its property, assets or undertakings (including the Issuer Charged Property) or any interest, estate, right, title or benefit therein or use, invest or dispose of, including by way of sale or the grant of any security interest of whatsoever nature or otherwise deal with, or agree or attempt or purport to sell or otherwise dispose of (in each case whether by one transaction or a series of transactions) or grant any option or right to acquire any such property, assets or undertaking present or future;

(b) *Restrictions on Activities*

- (i) engage in any activity whatsoever which is not, or is not reasonably incidental to, any of the activities in which the Transaction Documents provide or envisage the Issuer will engage in;
- (ii) open or have an interest in any account whatsoever with any bank or other financial institution, save where such account or the Issuer's interest therein is immediately charged in favour of the Issuer Security Trustee so as to form part of the Issuer Security;
- (iii) have any subsidiaries;
- (iv) own or lease any premises or have any employees;
- (v) amend, supplement or otherwise modify its Memorandum and Articles of Association; or
- (vi) issue any further shares;

(c) *Borrowings*

incur or permit to subsist any other indebtedness in respect of borrowed money whatsoever, except in respect of the Notes, or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;

(d) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person unless:

- (i) the person (if other than the Issuer) which is formed pursuant to or survives such consolidation or merger or which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of Ireland, the objects of which include the funding, purchase and administration of mortgages and mortgage loans, and who shall expressly assume, by an instrument supplemental to each of the Transaction Documents, in form and substance satisfactory to the Issuer Security Trustee, the obligation to make due and punctual payment of all monies owing by the Issuer, including principal and interest on the Notes, and the performance and observance of every covenant in each of the Transaction Documents to be performed or observed on the part of the Issuer;
- (ii) immediately after giving effect to such transaction, no Note Event of Default (as defined in **Condition 10 (Events Of Default)**) shall have occurred and be continuing;
- (iii) such consolidation, merger, conveyance or transfer has been approved by Extraordinary Resolution of each Class of the Noteholders;
- (iv) all persons required by the Issuer Security Trustee shall have executed and delivered such documentation as the Issuer Security Trustee may require;
- (v) the Issuer shall have delivered to the Issuer Security Trustee a legal opinion of English lawyers acceptable to the Issuer Security Trustee in a form acceptable to the Issuer Security Trustee to the effect that such consolidation, merger, conveyance or transfer and such supplemental instruments and other documents comply with **paragraphs (i), (ii), (iii) and (iv) above** and are binding on the Issuer (or any successor thereto);
- (vi) the then current ratings of the Notes are unaffected by such consolidation, merger, conveyance or transfer;

(e) *Disposal of Assets*

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein;

(f) *Assets*

own assets other than those representing its share capital, the funds arising from the issue of the Notes, the property, rights and assets secured by the Issuer Deed of Charge (which does not include the Issuer Share Capital Account and amounts contained therein) and associated and ancillary rights and interests thereto, the benefit of the Transaction Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time;

(g) *Dividends or Distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Issuer Deed of Charge;

(h) *VAT*

apply to become part of any group for the purposes of section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994;

(i) *Centre of main interests*

cause or allow its "centre of main interests" (within the meaning of Council Regulation (EC) no. 1346/2000 on insolvency proceedings) to be in, or maintain an establishment in, any jurisdiction other than England and Wales;

(j) *Central management and control*

- (i) cause its central management and control to be and remain in any jurisdiction other than the United Kingdom for the purposes of applicable United Kingdom tax law; or
- (ii) cause its place of effective management to be in any jurisdiction other than the United Kingdom for the purposes of the United Kingdom/Ireland Income Tax Treaty;

(k) *Other*

cause or permit the validity or effectiveness of any of the Transaction Documents, or the priority of the security interests created thereby, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the Note Trust Deed, the Issuer Deed of Charge or any of the other Transaction Documents, or dispose of any part of the Issuer Charged Property; or

(l) *Further Covenants by the Issuer*

- (i) it shall not co-mingle or intermingle its business or assets with the business or assets of any other person, or permit its business or assets to be so co-mingled or intermingled;
- (ii) when carrying out its business, it shall act for its own benefit and not that of any other person;
- (iii) it shall act as principal and not as an agent, fiduciary, trustee or representative on behalf of any other person;
- (iv) it shall maintain books, records and accounts reflecting its own activities and not those of any other person;
- (v) it shall maintain its corporate existence and its books, records and accounts in accordance with applicable law;
- (vi) it shall not take part in the management or administration of any other company or corporation;

- (vii) it shall not make itself or hold itself out as responsible for the debts or liabilities of any other person;
- (viii) it has made its own commercial, financial, investment, legal and, as applicable, tax analysis and assessment (or received advice on the foregoing from its own advisers) in relation to its entry into this transaction and all such agreements are being entered into on arm's length terms, for its own benefit and for which it has, or will, receive adequate consideration on its own account in return for such entry into and performance; and
- (ix) it shall not prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as such regulations may be amended from time to time).

In giving any consent to the foregoing, the Issuer Security Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Issuer Security Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that each of the Rating Agencies has provided written confirmation to the Issuer Security Trustee that the then applicable ratings of each Class of Notes then rated thereby will not be qualified, downgraded or withdrawn as a result of such modifications or additions.

#### 4.2 *Independent Director and Separateness Covenants*

Save with the prior written consent of the Note Trustee or as provided in these Conditions the Issuer shall as long as any of the Notes remains outstanding:

(a) Independent Director:

ensure that an Independent Director is a member of the board of directors of the Issuer (the **Board**). **Independent Director** means a person who is not at the time of appointment to the Board, or in the past five years, (i) a direct or indirect legal or beneficial owner of the Issuer or any of its Affiliates (excluding *de minimus* ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager or contractor of the Issuer or any of its Affiliates, or (iii) a person who controls (whether directly or indirectly) the Issuer or any of its Affiliates or any creditor, supplier, employee, officer, director, manager or contractor of the Issuer or any of its Affiliates; and

(b) Separateness:

- (i) maintain books, records and accounts separate from any other person or entity;
- (ii) not commingle assets with those of any other entity (other than cash collections from the securitised assets, which may be placed in an account in the name of the Servicer);
- (iii) conduct its own business in its own name;
- (iv) maintain separate financial statements;
- (v) pay its own liabilities out of its own funds;
- (vi) observe all corporate or other formalities required by the constituting documents;
- (vii) maintain an arm's-length relationship with its Affiliates (as may be in existence at any time);



- (viii) not guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others;
- (ix) not acquire obligations or securities of its shareholders;
- (x) use separate stationery, invoices, and cheques;
- (xi) not pledge its assets for the benefit of any other entity or make any loans or advances to any entity (except as provided in the Transaction Documents); and
- (xii) hold itself out as a separate entity and use reasonable endeavours to correct any known misunderstanding regarding its separate identity.

#### 4.3 *Servicer*

- (a) So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a servicer for the servicing of the Loans (as defined in the Master Definitions Schedule) and the performance of the other administrative duties set out in the Servicing Agreement.
- (b) The Servicing Agreement will provide that (i) the Servicer will not be permitted to terminate its appointment unless a replacement servicer acceptable to the Issuer and the Issuer Security Trustee has been appointed and (ii) the appointment of the Servicer may be terminated by the Issuer Security Trustee if, among other things, the Servicer defaults in any material respect in the observance and performance of any obligation imposed on it under the Servicing Agreement, which default is not remedied within 30 Business Days after written notice of such default shall have been served on the Servicer by the Issuer or the Issuer Security Trustee.

#### 4.4 *Special Servicer*

If (a) a Loan has become specially serviced in accordance with the Servicing Agreement and (b) any Class of Noteholders is the Controlling Party, then the Issuer, upon being so instructed by an Extraordinary Resolution of that Class of Noteholders, will exercise its rights under the Servicing Agreement to appoint a substitute or successor special servicer in respect of the Loan subject to the conditions of the Servicing Agreement.

**Controlling Party** means, at any time:

- (a) the holders of the most junior Class of Notes then having an aggregate Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date; or
- (b) if no Class of Notes then has an aggregate Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date, the holders of the then most junior Class of Notes.

**Principal Amount Outstanding** means in respect of any Note at any time the principal amount thereof as at the Closing Date as reduced by any payment of principal to the holder of the Note up to (and including) that time.

#### 4.5 *Controlling Class Representative*

If any Class of Noteholders is the Controlling Party, it may, by an Extraordinary Resolution passed by the relevant Class of Noteholders, appoint an adviser (the **Controlling Class Representative**) with whom the Servicer or Special Servicer, as the case may be, will be required to liaise in accordance with the terms of the Servicing Agreement. The fees and/or expenses of the Controlling

Class Representative will be to the cost of the Controlling Party and at no cost to the Issuer, the Note Trustee, the Servicer or the Special Servicer.

## 5. INTEREST

### 5.1 *Period of accrual*

The Notes will bear interest on their Principal Amount Outstanding from (and including) the Closing Date. Interest shall cease to accrue on any part of the Principal Amount Outstanding of any Note from the due date for redemption unless, upon due presentation, payment of principal or any part thereof due is improperly withheld or refused or any other default is made in respect thereof. In such event, interest will continue to accrue as provided in the Note Trust Deed.

### 5.2 *Interest Payment Dates and Interest Periods*

Interest on the Notes is, subject as provided below in relation to the first payment, payable quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year or, if any such day is not a Business Day, the next succeeding Business Day (unless that succeeding Business Day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day) (each, an **Interest Payment Date**). The first such payment is due on the Interest Payment Date falling in October 2007 in respect of the period from (and including) the Closing Date to (but excluding) that Interest Payment Date. Each period from (and including) an Interest Payment Date (or the Closing Date, in the case of the first Interest Period) to (but excluding) the next (or, in the case of the first Interest Period, the first) Interest Payment Date is in these Conditions called an **Interest Period**.

### 5.3 *Rates of Interest*

The rate of interest payable from time to time (the **Rate of Interest**) and the Interest Payment in respect of each Class of Notes will be determined by the Agent Bank on the basis of the following provisions:

- (a) The Agent Bank will, at or as soon as practicable after 11.00 a.m. (London time) on the Business Day that falls on the first day of each Interest Period (each, an **Interest Determination Date**), determine the Rate of Interest applicable to, and calculate the amount of interest payable on each of the Notes (each payment so calculated, an **Interest Payment**), for the next Interest Period. The Rate of Interest applicable to the Notes of each Class for any Interest Period will be equal to:
  - (i) in the case of the Class A Notes, LIBOR (as determined in accordance with **Condition 5.3(b)** (*Determination of LIBOR*)) plus a margin of 0.25% per annum;
  - (ii) in the case of the Class B Notes, LIBOR (as so determined) plus a margin of 0.35% per annum;
  - (iii) in the case of the Class C Notes, LIBOR (as so determined) plus a margin of 0.45% per annum;
  - (iv) in the case of the Class D Notes, LIBOR (as so determined) plus a margin of 0.70% per annum;
  - (v) in the case of the Class E Notes, LIBOR (as so determined) plus a margin of 1.20% per annum; and
  - (vi) in the case of the Class F Notes, LIBOR (as so determined) plus a margin of 1.50% per annum.

The Interest Payment in relation to a Note of a particular Class shall be calculated by applying the Rate of Interest applicable to the Notes of that Class to the Principal Amount Outstanding of each Note of that Class, multiplying the product of such calculation by the actual number of days in the relevant Interest Period divided by 365 and rounding the resultant figure to the nearest penny (fractions of half a penny being rounded upwards).

For the purposes of these Conditions:

**Business Day** means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Dublin.

(b) Determination of LIBOR

For the purposes of determining the Rate of Interest in respect of each Class of Notes under **Condition 5.3(a)** (*Rates of Interest*), LIBOR will be determined by the Agent Bank on the basis of the following provisions:

- (i) on each Interest Determination Date, the Agent Bank will determine the interest rate for three month sterling deposits (or, in respect of the first such Interest Period, a linear interpolation of the rate for two month and three month sterling deposits) in the London inter-bank market which appears on LIBOR 01 Reuters (or (A) such other page as may replace LIBOR 01 Reuters on that service for the purpose of displaying such information or (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Note Trustee) as may replace LIBOR 01 Reuters as at or about 11.00 a.m. (London time) on that date (the **Screen Rate**). LIBOR in relation to the Notes for such Interest Period shall be the Screen Rate; or
- (ii) if the Screen Rate is not then available, the arithmetic mean (rounded to five decimal places, 0.00005 rounded upwards) of the rates notified to the Agent Bank at its request by each of four reference banks duly appointed for such purpose (the **Reference Banks**, provided that, once a Reference Bank has been appointed by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such) as the rate at which three month deposits in sterling are offered for the same period as that Interest Period by those Reference Banks to prime banks in the London inter-bank market at or about 11.00 a.m. (London time) on that Interest Determination Date (or, in respect of the first Interest Period, the arithmetic mean of a linear interpolation of the rates for two and three-month sterling deposits notified by the Reference Banks). If, on any such Interest Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing one additional bank or banks to provide such a quotation or quotations to the Agent Bank (which banks are in the sole opinion of the Note Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates quoted by major banks in London,

selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the Closing Date or the relevant Interest Payment Date, as the case may be, for loans in sterling to leading London banks for a period of three months or, in the case of the first Interest Period, the same as the relevant Interest Period.

(c) There will be no minimum or maximum Rate of Interest.

#### 5.4 *Publication of Rate of Interest and Interest Payments*

The Agent Bank will cause the Rate of Interest and the Interest Payment relating to each Class of Notes for each Interest Period and the Interest Payment Date to be forthwith notified to the Issuer, the Note Trustee, the Servicer, the Paying Agents, the Noteholders and, for so long as the Notes are listed on the Irish Stock Exchange Limited (the **Stock Exchange**), the Stock Exchange within two Business Days of the relevant Interest Determination Date. The Interest Payments and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a lengthening or shortening of such Interest Period.

#### 5.5 *Determination or calculation by Note Trustee*

If the Agent Bank at any time, for any reason does not determine the Rates of Interest or calculate an Interest Payment in accordance with **Condition 5.3 (Rates of Interest)** above, the Note Trustee shall procure the determination of the Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described in **Condition 5.3 (Rates of Interest)** above), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Note Trustee shall calculate the Interest Payment in accordance with **Condition 5.3 (Rates of Interest)** above, and each such determination or calculation shall be deemed to have been made by the Agent Bank.

#### 5.6 *Notification to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Note Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Paying Agents, the Note Trustee and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, the Paying Agents or the Note Trustee in connection with the exercise by them or any of their powers, duties and discretions under this Condition.

#### 5.7 *Agent Bank*

The Issuer will procure that, so long as any of the Notes remain outstanding, there will at all times be an Agent Bank. The Issuer reserves the right at any time, with the prior written consent of the Note Trustee, to terminate the appointment of the Agent Bank. Notice of any such termination will be given to the Noteholders in accordance with **Condition 15 (Notice To Noteholders)**. If any person shall be unable or unwilling to continue to act as the Agent Bank, or if the appointment of the Agent Bank shall be terminated, the Issuer will, with the written approval of the Note Trustee, appoint a successor Agent Bank to act as such in its place, provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Note Trustee has been appointed.

## 5.8 *Deferral of payment*

Interest on the Notes is payable subject to, and in accordance with the order of priorities set out in, the Pre-Enforcement Revenue Priority of Payments. If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any Deferred Interest and accrued interest thereon) payable in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes after having paid or provided for items of higher priority, then:

- (a) the Issuer shall be entitled (unless there are then no Class A Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class B Notes:
  - (i) if it then defers all payments of interest then due (but for the provisions of this **Condition 5.8(a)(i)**) in respect of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes; and
  - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class B Notes;
- (b) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class C Notes:
  - (i) if it then defers all payments of interest then due (but for the provisions of this **Condition 5.8(b)(i)**) in respect of the Class D Notes, the Class E Notes and the Class F Notes; and
  - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class C Notes;
- (c) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes and/or Class C Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class D Notes:
  - (i) if it then defers all payments of interest then due (but for the provisions of this **Condition 5.8(c)(i)**) in respect of the Class E Notes and the Class F Notes; and
  - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class D Notes;
- (d) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes and/or Class C Notes and/or Class D outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class E Notes:
  - (i) if it then defers all payments of interest then due (but for the provisions of this **Condition 5.8(d)(i)**) in respect of the Class F Notes; and
  - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class E Notes;
- (e) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes and/or Class C Notes and/or Class D Notes and/or Class E Notes outstanding) to defer, to

the next Interest Payment Date, the payment of interest in respect of the Class F Notes to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class F Notes.

- (f) Any amount of interest (including any Deferred Interest arising on the immediately preceding Interest Payment Date and accrued interest thereon) on the Class B Notes, the Class C Notes, the Class D Notes the Class E Notes and/or the Class F Notes which is not payable on an Interest Payment Date as a result of the provisions of this **Condition 5.8**, is the **Class B Deferred Interest**, the **Class C Deferred Interest**, the **Class D Deferred Interest**, the **Class E Deferred Interest**, the **Class F Deferred Interest** respectively and, together, the **Deferred Interest** arising on any such Interest Payment Date. Interest will accrue on the amount of any such Deferred Interest at the rate from time to time applicable to the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes (as the case may be) and on the same basis as interest on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes (as the case may be) then applicable. Any Deferred Interest and accrued interest thereon is payable on the next Interest Payment Date unless and to the extent that this **Condition 5.8** applies.
- (g) As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes will be deferred or that a payment previously deferred will be made in accordance with this **Condition 5.8**, the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders in accordance with **Condition 15 (Notice To Noteholders)**. Any deferral of interest in accordance with this **Condition 5.8** will not constitute a Note Event of Default. The provisions of this **Condition 5.8** shall cease to apply on the Final Maturity Date or any earlier date on which the Notes become repayable in full or upon acceleration of the Notes pursuant to **Condition 10 (events of default)**, at which time all Deferred Interest and accrued interest thereon shall become payable.

## 6. Redemption

### 6.1 *Final redemption*

Save to the extent otherwise redeemed or cancelled in accordance with this **Condition 6**, the Issuer shall redeem the Notes of each Class at their respective Principal Amounts Outstanding plus interest accrued and unpaid on the Interest Payment Date in July 2016 (the **Final Maturity Date**).

Without prejudice to **Condition 10 (Events of Default)**, the Issuer shall not redeem Notes in whole or in part prior to that date except as provided in **Condition 6.2 (Mandatory redemption on the Loan Maturity Date)**, **Condition 6.3 (Redemption for taxation or other reasons)**, **Condition 6.4 (Mandatory redemption in whole or in part)** or **Condition 6.5 (Optional redemption of the Notes)**.

### 6.2 *Mandatory redemption on the Loan Maturity Date*

- (a) Subject to **paragraphs (b) and (c) below**, the Issuer must redeem the Notes of each Class in full on the Loan Maturity Date using the proceeds of repayment of the Loans.
- (b) If the Borrower repays part only, or none, of the Loans on the Loan Maturity Date then:
  - (i) the Issuer will be required to redeem the Notes of each Class on that date only to the extent of proceeds of repayment (if any) then received from the Borrower or the other Obligor; and

- (ii) the Issuer must, on each Interest Payment Date thereafter, redeem the Notes of each Class to the extent of proceeds of repayment of the Loans (including, without limitation, such proceeds received on enforcement of all or any part of the Loan Security).
- (c) Any redemption of the Notes in accordance with **paragraph (b) above** must be made in the following order of priority:
- (i) first, in redemption of the Class A Notes until the Class A Notes have been redeemed in full;
  - (ii) second, in redemption of the Class B Notes until the Class B Notes have been redeemed in full;
  - (iii) third, in redemption of the Class C Notes until the Class C Notes have been redeemed in full;
  - (iv) fourth, in redemption of the Class D Notes until the Class D Notes have been redeemed in full;
  - (v) fifth, in redemption of the Class E Notes until the Class E Notes have been redeemed in full; and
  - (vi) sixth, in redemption of the Class F Notes until the Class F Notes have been redeemed in full.

### 6.3 *Redemption for taxation or other reasons*

- (a) If the Issuer at any time satisfies the Note Trustee that either: (i) by reason of a change of tax law, which change becomes effective on or after the Closing Date, on or before the occasion of the next Interest Payment Date the Issuer would become subject to tax on its income in more than one jurisdiction or would be required to make any withholding or deduction from any payment of principal or interest in respect of any of the Notes, or the Issuer would suffer any withholding or deduction from any payment in respect of the Loans, for or on account of any present or future tax, duty or charge of whatsoever nature incurred or levied by or on behalf of the United Kingdom or any authority thereof or therein, or (ii) by reason of a change of law since the Closing Date, it has become or will become unlawful for the Issuer to make, lend or to allow to remain outstanding all or any advances made or to be made by it under the Credit Agreement, then the Issuer shall, in order to address the event described, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and as Lender under the Credit Agreement in accordance with **Condition 12(c)** (*Meetings Of Noteholders, Modification, Waiver, Substitution And Discretions*).
- (b) If the Issuer is unable to arrange such a substitution, which would have the result of avoiding the event described above, then the Issuer shall, having given not more than 50 nor less than 20 days' notice (or such shorter notice period as the Note Trustee may agree) to the Noteholders in accordance with **Condition 15** (*Notice To Noteholders*), redeem all (but not some only) of the Notes at their respective Principal Amounts Outstanding together with accrued interest on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the Note Trustee that it will have the funds, not subject to the interest of any other persons, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Servicing Agreement and/or the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Note Trustee a certificate signed by two directors of the Issuer stating that the event described in **Condition 6.3(a)(i)** (*Redemption for taxation or other reasons*) will apply on or before the occasion of the next Interest Payment Date or the event described in **Condition 6.3(a)(ii)** (*Redemption for taxation or other reasons*) has occurred (as the case may be) and cannot be avoided by the Issuer using reasonable endeavours to arrange a substitution as aforesaid and that the Issuer will have the funds referred to above; and the Note Trustee shall accept

the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

#### 6.4 *Mandatory redemption in whole or in part*

- (a) If the Borrower is required to make a prepayment in respect of the Loans or the Loans are declared to be due and payable then the Issuer will be obliged to redeem the Notes, on the date (whether or not an Interest Payment Date) on which the relevant prepayment is made by the Borrower or principal in respect of the Loans are received by the Issuer, in an aggregate principal amount equal to the principal amount of the relevant prepayment. In these circumstances, the Issuer will, prior to the enforcement of the Issuer Security, be obliged to redeem the Class or Classes of Notes which corresponds to the Loan or Loans being prepaid.
- (b) If the Issuer is obliged to redeem the Notes under **Condition 6.4(a)** (*Mandatory redemption in whole or in part*), the Issuer must redeem the relevant principal amount of each relevant Note at a redemption price equal to par.
- (c) If the Issuer receives a notice from the Borrower pursuant to the Credit Agreement that the Borrower intends to prepay all or part of the Loans on or before the next Interest Payment Date, the Issuer will give not more than 50 and not less than 20 days' notice thereof to the Noteholders in accordance with **Condition 15** (*Notice To Noteholders*) setting out the Principal Amount Outstanding of each Class of Notes which will be subject to the relevant redemption and the price at which the relevant redemption is to take place.

#### 6.5 *Optional redemption of the Notes*

Upon giving not more than 50 days nor less than 20 days prior notice to the Note Trustee in accordance with **Condition 15** (*Notice To Noteholders*) the Issuer may redeem all or part of the Notes at their Principal Amount Outstanding together with any accrued interest on any Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have provided the Note Trustee with a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest or any other person, required to redeem the Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the relevant priority of payments.

#### 6.6 *Notice of redemption*

Any such notice as is referred to in **Condition 6.3** (*Redemption for taxation or other reasons*), **Condition 6.4** (*Mandatory redemption in whole or in part*) or **Condition 6.5** (*Optional redemption of the Notes*) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes of the relevant Class in the amounts specified in these Conditions.

#### 6.7 *Purchase*

The Issuer shall not purchase any of the Notes.

#### 6.8 *Cancellation*

All Notes redeemed in full will be cancelled forthwith and may not be reissued.

### 7. **PAYMENTS**

- (a) Payments of principal and interest in respect of the Notes will be made in sterling against presentation of the relevant Global Notes or Definitive Notes and/or Coupons (as the case may be) at the specified office of the Principal Paying Agent or, at the option of the holder of the relevant Global Notes or Definitive Notes (as the case may be), at the specified office of any other Paying



Agent outside the United States of America subject, in the case of any Temporary Global Note, to certification of non-U.S. beneficial ownership as provided in such Temporary Global Note. Payments of principal and interest will in each case be made by sterling cheque drawn on a bank in London or, at the option of the holder, by transfer to a sterling denominated account maintained by the payee with a branch of a bank in London. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on the relevant Global Note by the Paying Agent to which such Global Note was presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made. Payments of principal and interest in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto and to normal banking practice. Upon the date on which any Definitive Note becomes due and repayable in full, all unmatured Coupons appertaining to such Definitive Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

- (b) For so long as the Notes are in global form, each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as being entitled to a particular principal amount of Notes will be entitled to receive any payment so made in respect of those Notes in accordance with the rules and procedures of Euroclear and/or, as the case may be, Clearstream, Luxembourg. None of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note of the relevant Class shall have any claim directly against the Issuer or the Note Trustee in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer or the Note Trustee, as the case may be, shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.
- (c) If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with **Condition 5 (Interest)** and the provisions of the Note Trust Deed will be paid against presentation of such Note at the specified office of any Paying Agent.
- (d) If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further payments of additional amounts by way of interest, principal or otherwise. In this **Condition 7(d)** the expression **Payment Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of presentation and which is a Business Day.
- (e) If a Paying Agent makes a partial payment in respect of any Note presented to it for payment, such Paying Agent will endorse on the relevant Note a statement indicating the amount and date of such payment.
- (f) The initial Principal Paying Agent and the initial Irish Paying Agent and their initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Irish Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Principal Paying Agent and also a Paying Agent with a specified office in Dublin for as long as the Notes are listed on the Irish Stock Exchange. The Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with **Condition 15 (Notice To Noteholders)**.

## 8. PRESCRIPTION

Claims in respect of the Notes and Coupons shall become void unless made within ten years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date. In this Condition, the **relevant date** means the date on which a payment first becomes due or (if the full amount of the monies payable has not been duly received by the Paying Agents or the Note Trustee on or prior to such date) the date on which notice that the full amount of such monies has been received is duly given to the Noteholders in accordance with **Condition 15** (*Notice To Noteholders*).

## 9. TAXATION

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer (or any Paying Agent) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any such taxes, duties or charges. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any such Paying Agent will be obliged to make any additional payments to Noteholders in respect of any such withholding or deduction.

## 10. EVENTS OF DEFAULT

(a) If a Note Event of Default (as defined in **Condition 10(b)**) occurs, then:

(i) the Note Trustee will, in its absolute discretion, be entitled to, and must, if:

- (A) (1) it is directed to do so in writing by the holders of not less than 25% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or
- (2) it is directed to do so by an Extraordinary Resolution of holders of the Most Senior Class of Notes then outstanding; and

provided that it has been secured and/or indemnified to its satisfaction, serve notice (an **Acceleration Notice**) on the Issuer declaring the Notes to be immediately due and repayable; and

(ii) the Issuer Security will become enforceable.

(b) Each of the following events is, subject to **Condition 10(c)**, a **Note Event of Default**:

- (i) default being made for a period of three Business Days in the payment of any principal of, or default is made for a period of five Business Days in the payment of any interest on, any Note when and as the same ought to be paid in accordance with these Conditions (provided that a deferral of interest in accordance with **Condition 5.8** (*Deferral of payment*) shall not constitute a default in the payment of such interest for the purposes of this **Condition 10(b)(i)**); or
- (ii) breach by the Issuer of any representation or warranty made by it in these Conditions, the Note Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Note Trustee (or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee) certifies that, in its opinion, such breach is incapable of remedy, when no notice will be required), such breach continues for a period of 30 days following the service by the Note Trustee on the Issuer of notice in writing requiring the same to be remedied; or

- (iii) the Issuer failing duly to perform or observe any other obligation, condition or provision binding upon it under these Conditions, the Note Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Note Trustee certifies (or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee certifies) that, in its opinion, such failure is incapable of remedy, when no notice will be required), such failure continuing for a period of 30 days following the service by the Note Trustee (or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee) on the Issuer of notice in writing requiring the same to be remedied; or
  - (iv) the Issuer, otherwise than for the purposes of such a pre-approved amalgamation or reconstruction as is referred to in **paragraph (vi) below**, ceasing or, through an official action of the board of directors of the Issuer, threatening to cease to carry on business (or a substantial part thereof); or
  - (v) the Issuer is or becomes unable to pay its debts within the meaning of section 123(1)(e) of the Insolvency Act 1986 or section 214 of the Companies Act, 1963 of Ireland or section 2(5) of the Companies (Amendment) Act, 1990 (as amended by section 5 of the Companies (Amendment) (No. 2) Act, 1999); or
  - (vi) an order being made or an effective resolution being passed for the winding-up of the Issuer, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved in writing by the Note Trustee or an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding; or
  - (vii) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation, examinership or other similar laws (including, but not limited to, the presentation of an administration petition), or an administration order being granted or an administrative receiver or other receiver (including documents being filed with the court for the appointment of an administrator or notice of intention to appoint an administrator being served), examiner, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer, and such proceedings, distress, execution or process (as the case may be) not being discharged or not otherwise ceasing to apply within 15 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation, examinership or other similar laws or making a conveyance or assignment for the benefit of its creditors generally.
- (c) In respect of the events described in **paragraphs (ii), (iii), (iv) and (v) of Condition 10(b)**, the relevant event will not constitute a Note Event of Default unless the Note Trustee first certifies to the Issuer that such event is, in the opinion of the Note Trustee, materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding. Upon service of an Acceleration Notice, each Note shall become immediately due and repayable at its Principal Amount Outstanding together with accrued interest as provided in the Note Trust Deed and the Issuer Deed of Charge (but subject to the Post-Enforcement Priority of Payments).

## 11. ENFORCEMENT

- (a) Each of the Note Trustee and the Issuer Security Trustee may, at its absolute discretion and without notice at any time and from time to time, take such proceedings or other action as it may think fit to enforce the provisions of (in the case of the Note Trustee), the Notes, the Coupons and the Note Trust Deed (including these Conditions) or any of the Transaction Documents to which it is a party

or (in the case of the Issuer Security Trustee) the Issuer Deed of Charge or any of the other Transaction Documents to which it or the Issuer is a party, provided that enforcement of the Issuer Security shall be the only remedy available for the repayment of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes and the payment of accrued interest and, at any time after the Issuer Security has become enforceable, the Issuer Security Trustee may take such steps as it may think fit to enforce the Issuer Security. Neither the Note Trustee nor the Issuer Security Trustee shall be bound to take any such proceedings, action or steps unless (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding or so requested in writing by the holders of at least 25% in aggregate Principal Amount Outstanding for the time being of the Most Senior Class of Notes outstanding and (b) it shall have been secured and/or indemnified to its satisfaction.

- (b) No Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Note Trustee or the Issuer Security Trustee (as the case may be), having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Issuer Security Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any of the Issuer Secured Creditors under the Issuer Deed of Charge.

## **12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, SUBSTITUTION AND DISCRETIONS**

- (a) The Note Trust Deed contains provisions for convening meetings of Noteholders of any Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents or any other documents the rights and benefits of the Issuer in respect of which are comprised in the Issuer Security.

The quorum at any meeting of the Noteholders of any Class or Classes for passing an Extraordinary Resolution shall be one or more persons holding or representing over 50% in aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes then outstanding or, at any adjourned meeting, one or more persons being or representing the Noteholders of the relevant Class or Classes whatever the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than 75%, or at any adjourned such meeting, not less than 33% in aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders.

An Extraordinary Resolution passed at any meeting of the Class B Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders.

An Extraordinary Resolution passed at any meeting of the Class B Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders.

An Extraordinary Resolution passed at any meeting of the Class C Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders and the Class B Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders.

An Extraordinary Resolution passed at any meeting of the Class C Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class D Noteholders, the Class E Noteholders and the Class F Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class D Noteholders, the Class E Noteholders and the Class F Noteholders.

An Extraordinary Resolution passed at any meeting of the Class D Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee, is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders.

An Extraordinary Resolution passed at any meeting of the Class D Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class E Noteholders and the Class F Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class E Noteholders and the Class F Noteholders.

An Extraordinary Resolution passed at any meeting of the Class E Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

An Extraordinary Resolution passed at any meeting of the Class E Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class F Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class F Noteholders.

An Extraordinary Resolution passed at any meeting of the Class F Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee, is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

An Extraordinary Resolution passed at any meeting of the Class F Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders.

As used in these Conditions and the Note Trust Deed:

- (i) **Extraordinary Resolution** means (a) a resolution passed at a meeting of the relevant Class or Classes of Noteholders duly convened and held in accordance with the Note Trust Deed by a majority consisting of not less than three fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three fourths of the votes cast on such poll or (b) a resolution in writing signed by or on behalf of not less than 90 per cent. in aggregate Principal Amount Outstanding of the relevant Class or Classes of Noteholders, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of those Noteholders and shall be as valid, effective and binding as a resolution duly passed at such a meeting; and
- (ii) **Basic Terms Modification** means, in respect of a Class of Notes:
  - (A) a change in the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal or interest in respect of such Notes;
  - (B) alteration of the currency in which payments under such Notes and the Coupons appertaining thereto are to be made;
  - (C) alteration of the quorum or majority required to pass an Extraordinary Resolution;
  - (D) the sanctioning of any such scheme or proposal in respect of such Notes as is described in **paragraph 18(i) of Schedule 3** to the Note Trust Deed;
  - (E) alteration of this definition or the provisos to **paragraphs 5 and/or 6 of Schedule 3** to the Note Trust Deed;

- (F) alteration of the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments; and
  - (G) alteration of the Issuer Charged Property or amendment to any of the documents relating to the Issuer Charged Property or any other provision of the Issuer Security.
- (b) The Note Trustee or, as the case may be, the Issuer Security Trustee, may agree, without the consent of the Noteholders or the Couponholders, (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions, the Note Trust Deed or any of the other Transaction Documents, which is not, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, materially prejudicial to the interests of the Noteholders of any Class or (ii) to any modification of these Conditions or any of the Transaction Documents, which, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, proven. The Note Trustee may also, without the consent of the Noteholders or the Couponholders, determine that any Note Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Note Trustee or, as the case may be, the Issuer Security Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with **Condition 15** (*Notice To Noteholders*) as soon as practicable thereafter.
- (c) The Note Trustee may agree, without the consent of the Noteholders or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Note Trust Deed and the Notes, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate), (ii) such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in these Conditions, (iii) the Note Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (iv) certain other conditions set out in the Note Trust Deed being complied with. Any such substitution shall be notified to the Noteholders and the Rating Agencies in accordance with **Condition 15** (*Notice To Noteholders*). In the case of a substitution pursuant to this **Condition 12(c)**, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders or the Couponholders, to a change of the laws governing the Notes and/or any of the Transaction Documents provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders. No such substitution shall take effect unless it applies to all the Notes then outstanding.
- (d) The Note Trustee shall be entitled to take into account, for the purpose of exercising or performing any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, any confirmation by any of the Rating Agencies that the then current ratings of the Notes or, as the case may be, any Class or Classes of the Notes would not be adversely affected by such exercise or performance.

### **13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE ISSUER SECURITY TRUSTEE**

The Note Trust Deed and the Issuer Deed of Charge each contains provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Issuer Security Trustee, respectively, and providing for their indemnification in certain circumstances, including provisions relieving them from taking enforcement proceedings or, in the case of the Issuer Security Trustee, enforcing the Issuer Security or taking any other action in relation to the Note Trust Deed or the other Transaction Documents unless secured and/or indemnified to their satisfaction. Neither the Note Trustee nor the Issuer Security Trustee will be responsible for any loss, expense or liability

which may be suffered as a result of any assets comprised in the Issuer Charged Property, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other persons whether or not on behalf of the Issuer Security Trustee.

Each of the Note Trust Deed and the Issuer Deed of Charge contains provisions pursuant to which the Note Trustee and the Issuer Security Trustee, respectively, or any of their related companies is entitled, among other things, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Charged Property and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Charged Property and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Note Trust Deed and the Issuer Deed of Charge also relieve the Note Trustee and the Issuer Security Trustee, respectively, of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge. Neither the Note Trustee nor the Issuer Security Trustee has responsibility in relation to the legality, validity, sufficiency, adequacy and enforceability of the Issuer Security or the Transaction Documents. Neither the Note Trustee nor the Issuer Security Trustee will be obliged to take any action which might result in its incurring personal liabilities unless secured and/or indemnified to its satisfaction or to supervise the performance by the Servicer or any other person of their obligations under the Transaction Documents and each of the Note Trustee and the Issuer Security Trustee shall assume, until they have notice in writing to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

The Note Trust Deed and the Issuer Deed of Charge contain other provisions limiting the responsibility, duties and liability of the Note Trustee and the Issuer Security Trustee, respectively.

The Note Trust Deed and the Issuer Deed of Charge contain provisions pursuant to which (i) the Note Trustee and the Issuer Security Trustee, respectively, may retire at any time on giving not less than three months' prior written notice to the Issuer, and will be relieved of any liability incurred by reason of such retirement and (ii) the Noteholders may by Extraordinary Resolution of the holders of each Class of Notes remove the Note Trustee and the Issuer Security Trustee, respectively. The retirement or removal of the Note Trustee or the Issuer Security Trustee (as the case may be) will not become effective until a successor trustee is appointed. The Note Trustee and the Issuer Security Trustee are entitled to appoint a successor trustee in the circumstances specified in the Note Trust Deed and the Issuer Deed of Charge, respectively.

## **14. REPLACEMENT OF THE NOTES**

### **14.1 *Definitive Notes and Coupons***

If a Definitive Note, Coupon or Talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement thereof will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the relevant Paying Agent may reasonably require. If mutilated or defaced, the Definitive Note, Coupon or Talon must be surrendered before a new one will be issued.



## 14.2 Global Notes

If a Global Note is lost, stolen, mutilated, defaced or destroyed, it shall, upon satisfactory evidence of such loss, theft, mutilation, defacement or destruction being given to the Issuer and the Note Trustee, become void and a duly executed and authenticated replacement Global Note will be delivered by the Issuer to the Common Depositary only upon surrender, in the case of mutilation or defacement, of the relevant Global Note. Replacement thereof will only be made upon payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require.

## 15. NOTICE TO NOTEHOLDERS

- (a) Any notice to the Noteholders shall be validly given if published (i) in one leading London daily newspaper (which is expected to be the *Financial Times*) and (ii) (for so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require) in a leading English language newspaper having general circulation in Dublin (which is expected to be *The Irish Times*) or, if either such newspaper shall cease to be published or timely publication therein shall not be practicable, in the opinion of the Note Trustee, in another appropriate newspaper or newspapers as the Note Trustee shall approve having general circulation in London or Dublin (as appropriate) previously approved in writing by the Note Trustee. Any such 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 or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Note Trustee shall determine.
- (b) Whilst the Notes are represented by Global Notes, notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders rather than by notification as required above provided that so long as the Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange so agrees. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the date of such delivery.
- (c) A copy of each notice given in accordance with this **Condition 15** shall be provided to each of Fitch Ratings Ltd (**Fitch**), Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Rating Services, a division of The McGraw–Hill Companies, Inc. (**S&P** and, together with Fitch and Moody's, the **Rating Agencies**, which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer to provide a credit rating in respect of the Notes or any Class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to rating and ratings in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies. The Note Trustee will (at the expense of the Issuer) upon request from the Issuer or any of the Rating Agencies provide a copy to the Rating Agencies of any notice given by the Note Trustee to Noteholders under this **Condition 15**.
- (d) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

## 16. LIMITED RECOURSE

The ability of the Issuer to meet its obligations under the Notes will depend primarily on monies received by it under the Loans and on receipt of funds (if available to be drawn) under the Liquidity Facility Agreement. In the event of non-payment, the only remedy for recovering amounts due on

the Notes is through the enforcement of the Issuer Security. If the Issuer Security is enforced, interest and principal on the Notes will be payable only from, and to the extent of, sums paid to, or net proceeds recovered by or on behalf of the Issuer or the Issuer Security Trustee in accordance with the terms of the Issuer Deed of Charge, and there will be no other assets of the Issuer available for any further payments and any outstanding claims shall be extinguished and discharged. The proceeds of enforcement may be insufficient to pay all principal and interest due on the Notes, and neither the Note Trustee nor the Noteholders may take any further steps against the Issuer in respect of amounts payable on the Notes and all such claims against the Issuer shall be extinguished and discharged.

## 17. NON PETITION

17.1 Except as provided in **Condition 17.2 below**, each of the Secured Creditors (other than the Note Trustee and the Issuer Security Trustee) agrees with the Issuer, the Note Trustee and the Issuer Security Trustee that:

- (a) only the Issuer Security Trustee may pursue the remedies available under applicable law, under the Issuer Deed of Charge and under the Transaction Documents, to enforce the Security;
- (b) it will not petition or take any corporate action or other steps or legal proceedings for the winding-up, dissolution, court protection, administration, examinership, reorganisation, liquidation, bankruptcy or insolvency of the Issuer or for the appointment of a receiver, administrator, receiver manager, administrative receiver, trustee, examiner, liquidator or similar officer in respect of the Issuer or any of its revenues or assets; and
- (c) it will not take any other steps or action against the Issuer or the Charged Property for the purpose of recovering any of the Secured Amounts (including by exercising any rights of set-off) or enforcing any rights arising out of the Transaction Documents against the Issuer or take any other action in respect of or concerning the Issuer or the Issuer Charged Property.

17.2 If the Note Trustee, having become bound under the terms of the Conditions, the Note Trust Deed or the Issuer Deed of Charge, as the case may be, so to do, has failed to serve an Enforcement Notice or the Issuer Security Trustee has failed to enforce the Security, in each case, within a reasonable period and that failure is continuing or if there are no Notes outstanding, then each of the Secured Creditors (other than the Noteholders to whom the provisions of **Condition 10** (*events of default*) shall apply) will be entitled to take any steps and/or proceedings against the Issuer for the purpose of recovering any of the Secured Amounts or enforcing any rights arising out of the Transaction Documents as it considers necessary other than any steps or proceedings:

- (a) in respect of procuring the winding up, examinership, administration or liquidation of the Issuer; and/or
- (b) which would result in the breach by it of Clause 6.1 (Post-Enforcement Priority of Payments) of the Issuer Deed of Charge and/or any term of the other Transaction Documents.

## 18. RIGHTS OF THIRD PARTIES

Neither this Note nor any Coupon confers any rights on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note or any such Coupon, but this does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## 19. FURTHER NOTES, REPLACEMENT NOTES AND NEW NOTES

### 19.1 *Further Notes*

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further notes (**Further Notes**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, any Class of the Notes provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is not less than £100 million;
- (b) any Further Notes are assigned the same ratings as are then applicable to the Class of Notes with which they are to be consolidated and form a single series;
- (c) the ratings of each Class of Notes at that time outstanding are not adversely affected as a result of such issue of Further Notes and none of such ratings is lower than it was upon the date of issue of any of the Notes;
- (d) the conditions precedent set out in Clause 2.2 of the Credit Agreement are met;
- (e) an amount equal to the aggregate principal amount of such Further Notes will be on-lent by the Issuer pursuant to the provisions of the Credit Agreement; and
- (f) application will be made, in respect of the Further Notes, for such notes to be admitted to trading on the Stock Exchange and admitted to the Official List of the Stock Exchange or, if the Notes then issued are no longer admitted to that exchange, such exchange, if any, on which the Notes then issued are then admitted to.

### 19.2 *Replacement Notes*

The Issuer may, without the consent of the Noteholders, issue one or more Classes of replacement notes (the **Replacement Notes**) to replace one or more Classes of the Notes, each Class of which shall have the same terms and conditions in all respects as the Class of Notes which it replaces (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the Class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Class of Notes which it replaces, provided that the Class or Classes of Notes to be replaced are redeemed in full in accordance with **Condition 6.5** (*Optional redemption of the Notes*) and the conditions to the issue of Further Notes as set out in **Condition 19.1(a), (b), (d) and (e)** are satisfied, *mutatis mutandis*, in respect of such issue of Replacement Notes and provided further that, for the purposes of this **Condition 19.2**, (i) where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the Class of Notes being replaced; and (ii) where the Replacement Notes or the Class of Notes being replaced have the benefit of a Financial Guarantee, the guarantee fee and any other amounts payable to the provider of the Financial Guarantee, other than any such amounts the payment of which is subordinated to payments in respect of all of the Notes, (expressed as a percentage rate per annum on the principal amount of the Replacement Notes or, as the case may be, the Class of Notes being replaced) shall be added to the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

### 19.3 *New Notes*

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time and on any date, by the creation and issue of new notes (**New Notes**) which may rank *pari passu* with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, and the Class F Notes or after the Class A Notes but ahead of the Class B Notes, or after the Class B Notes but ahead of the Class C Notes, or after the Class C Notes but ahead of the Class D Notes, or after the Class D Notes but ahead of the Class E Notes, or after the Class E Notes but ahead of the Class F Notes, and which may have terms and conditions which differ from the Notes and which may have the benefit of a financial guarantee and which do not form a single series with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes provided that the conditions to the issue of Further Notes as set out in **Condition 19.1(a), (c), (d) and (e)** are satisfied, *mutatis mutandis*, in respect of such issue of New Notes.

### 19.4 *Supplemental trust deeds and security*

Any such Further Notes, Replacement Notes or New Notes will be constituted by a further deed or deeds supplemental to the Note Trust Deed and have the benefit of the security constituted by the Issuer Deed of Charge. Any of the Transaction Documents may be amended, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes, Replacement Notes or New Notes and the claims of the parties to any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any Class or Classes of the Notes, provided, in each case, that the condition set out in **Condition 19.1(c)** is satisfied, *mutatis mutandis*.

## 20. **GOVERNING LAW**

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

## UNITED KINGDOM TAXATION

*The following, which applies only to persons who are the beneficial owners of the Notes, is a summary of the Issuer's understanding of current United Kingdom tax law and H.M. Revenue and Customs' published practice as at the date of this Prospectus relating to certain aspects of United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of the Notes. Some aspects do not apply to certain classes of taxpayer (such as dealers and persons connected with the Issuer to whom special rules may apply). Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.*

### **A. Interest on the Notes**

#### *1. Withholding tax on payments of interest on the Notes*

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the Act). The Irish Stock Exchange is such a "recognised stock exchange". The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange). Provided therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest or that the payment is made to one of the persons referred to in sections 933 to 937 of the Act in the circumstances specified in section 930 of the Act, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the savings rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, or, where a Noteholder is associated with the Issuer, resident in a Member State of the EU and entitled to the benefit of the European Council Directive 2003/49/EC, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### *2. Provision of information*

Noteholders who are individuals may wish to note that in certain circumstances HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

#### *3. Further United Kingdom income tax issues*

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

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

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

## **B. United Kingdom corporation tax payers**

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

## **C. Other United Kingdom tax payers**

### *1. Taxation of chargeable gains*

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

### *2. Accrued income scheme*

On a disposal of Notes by a Noteholder, any interest which has accrued between the last Interest Payment Date and the date of disposal may be chargeable to tax as income under the rules of the "accrued income scheme" as set out in Part 12 of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

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

No United Kingdom stamp duty or SDRT is payable on the issue or transfer by delivery of the Notes.

## **E. EU Directive on the Taxation of Savings Income**

Under the EC Council Directive 2003/48/EC on the taxation of savings income, Member States are 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. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland).

## **IRISH TAXATION**

### **A. Irish Withholding Tax**

The Issuer is incorporated in Ireland. However, on the basis that the Issuer is not managed and controlled in Ireland, the Issuer is not resident in Ireland for the purposes of Irish tax. The Issuer will not be deemed to be resident or otherwise taxable in Ireland by virtue only of the fact that the Notes are admitted to trading on a market of the Irish Stock Exchange and the Issuer has appointed an Irish Paying Agent.

Irish withholding tax applies to certain payments including payments of:

- (a) Irish source yearly interest (i.e. interest that is capable of arising for a period in excess of one year);
- (b) Irish source annual payments (annual payments are payments that are pure income-profit in the hands of the recipient); and
- (c) distributions (including interest that is treated as a distribution under Irish law) made by Irish resident companies,

at the standard rate of Irish income tax (currently 20 per cent.).

On the basis that the Issuer is not resident in Ireland for the purposes of Irish tax and does not operate in Ireland through a branch or agency and the Loans are not secured on Irish property and the Borrower is not resident in Ireland for the purposes of Irish tax, or operating through a branch or agency with which the Loans are connected, then, to the extent that payments of interest or annual payments arise on the Notes, such payments would not be regarded as payments having an Irish source for the purposes of Irish taxation.

Separately, Irish dividend withholding tax does not apply to distributions made by companies that are not Irish tax resident.

Accordingly, on the basis that the Issuer is not managed or controlled in Ireland and does not operate in Ireland through a branch or agency, the Issuer will not be obliged to deduct any amounts on account of Irish income tax from payments on the Notes.

### **B. Irish Encashment Tax**

Interest or distributions on any Notes issued by the Issuer paid:

- (a) by a paying agent in Ireland; or
- (b) to an agent in Ireland on behalf of a holder of the relevant Notes,

will be subject to Irish encashment tax at the standard rate of Irish income tax (currently 20%) unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the relevant Note entitled to the interest or distribution is not resident in Ireland and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

## SUBSCRIPTION AND SALE

The Royal Bank of Scotland plc whose address is at 135 Bishopsgate, London EC2M 3UR and Calyon whose address is Broadwalk House, 5 Appold Street, London EC2A 2DA (together, the **Lead Managers**) have agreed, pursuant to a subscription agreement dated the date of this Prospectus (the **Subscription Agreement**), made between, *inter alios*, the Lead Managers and the Issuer, jointly and severally, to subscribe and pay for the (i) Class A Notes at 100% of the initial principal amount of such Notes, (ii) the Class B Notes at 100% of the initial principal amount of such Notes, (iii) the Class C Notes at 100% of the initial principal amount of such Notes, (iv) the Class D Notes at 100% of the initial principal amount of such Notes, (v) the Class E Notes at 100% of the initial principal amount of such Notes and (vi) the Class F Notes at 100% of the initial principal amount of such Notes, subject to certain conditions.

The Issuer and the Obligors have agreed to reimburse the Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement is subject to a number of conditions and may be terminated by the Lead Managers in certain circumstances prior to payment to the Issuer. The Issuer and Obligors have agreed to indemnify the Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

### United States of America

Each of the Lead Managers has represented and agreed with the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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 accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each of the Lead Managers has represented and agreed that it has offered and sold the Notes, and will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 calendar days after the completion of the distribution of all the Notes only in accordance with Rule 903 of the Regulation S under the Securities Act. None of the Lead Managers, their respective affiliates or any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. At or prior to confirmation of sale of Notes, they will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (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 (i) as part of their distribution at any time or (ii) otherwise until 40 calendar days after the completion of the distribution of the Securities as determined and certified by the Lead Managers, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act."

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

Further, each of the Lead Managers has represented and agreed that:

- (a) except to the extent permitted under U.S. Treas. Reg. § 1.163-5 (c)(2)(i)(D) (the **TEFRA D Rules**), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;



- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it was considered a United States person, that it is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.63-5 (c)(2)(i)(D)(6); and
- (d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in **paragraphs (a), (b) and (c)**; or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in **paragraphs (a), (b) and (c)**.

Terms used in **paragraphs (a), (b), (c) and (d) above** have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

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

### **United Kingdom**

Each of the Lead Managers has represented and agreed that:

- (a) (i) 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 (ii) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any 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 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 Financial Services and Markets Act 2000 (the **FSMA**);
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the **FSMA**), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the **FSMA**) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the **FSMA** does not apply to the Issuer.

### **Ireland**

Each of the Lead Managers has represented and agreed that:

- (a) it has not offered and will not offer or sell any Notes other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland, the Prospectus Directive and

implementing measures in Ireland and the Companies Acts 1963 to 2005 of Ireland and every other enactment that is to be read together with such Acts;

- (b) in connection with offers or sales of Notes, it has only issued or passed on, and will only issue or pass on, in Ireland or elsewhere, any document received by it in connection with the issue of Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on; and
- (c) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts 1995 to 2000 of Ireland with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of a Lead Manager acting under and within the terms of an authorisation to do so for the purposes of EU Council Directive 93/22/EEC of 10 May 1993, it has complied with any codes of conduct made under the Investment Intermediaries Acts 1995 to 2000 of Ireland and, in the case of a Lead Manager acting within the terms of an authorisation granted to it for the purposes of EU Council Directive 2000/12/EC of 20 March 2000 (as amended or extended), it has complied with any codes of conduct or practice made under section 117(1) of the Central Bank Act 1989 of Ireland.

### **General**

Except for listing the Notes on the Official List of the Irish Stock Exchange and delivery of this document to the Registrar of Companies in Ireland, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the Lead Managers has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

## GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 26 July 2007.
2. It is expected that admission to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange will be granted on or about the Closing Date, subject only to the issue of the Global Notes. The application will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the second working day after the day of the transaction. The estimated cost of the application for admission to the Official List and admission to trading on the Irish Stock Exchange's market for listed securities is €5,782.40.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	Common Code	ISIN
Class A	031121728	XS0311217284
Class B	031121744	XS0311217441
Class C	031121787	XS0311217870
Class D	031121825	XS0311218258
Class E	031121850	XS0311218506
Class F	031121957	XS0311219579

4. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Irish Paying Agent in Dublin. The Issuer does not publish interim accounts.
5. Save as disclosed herein, the Issuer is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.
6. The Issuer has not entered into any material contracts or arrangements, other than those disclosed in this Prospectus, since the date of its incorporation.
7. Knight Frank LLP, has given and not withdrawn its written consent to the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Prospectus for the purposes of section 45 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (as amended).
8. Save as disclosed in this Prospectus, since 26 June 2007 (being the date of incorporation of the Issuer), the Issuer has not commenced operations, no accounts of the Issuer have been made up and there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer.
9. Each of the Issuer Deed of Charge and the Note Trust Deed will provide that the Issuer Security Trustee and the Note Trustee, respectively, may rely on reports or other information from

professional advisers or other experts in accordance with the provisions of the Issuer Deed of Charge and the Note Trust Deed, respectively, whether or not such report or other information, engagement letter or other document entered into by the Issuer Security Trustee or the Note Trustee (as the case may be) and the relevant professional adviser or expert in connection therewith contains any limit on the liability of that relevant professional adviser or expert.

10. Copies of the following documents may be inspected during usual business hours and upon reasonable notice on any weekday (excluding Saturdays, Sundays and public holidays) at the offices of the Issuer and at the specified offices of the Paying Agents for the life of this Prospectus:
- (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Memorandum and Articles of Association of the General Partner;
  - (c) the Subscription Agreement;
  - (d) the Credit Agreement; and
  - (e) drafts (subject to modification) of the following documents:
    - (i) the Note Trust Deed;
    - (ii) the Issuer Deed of Charge;
    - (iii) the Servicing Agreement;
    - (iv) the Bank Account Agreement;
    - (v) the Corporate Services Agreement;
    - (vi) the Liquidity Facility Agreement;
    - (vii) the Agency Agreement; and
    - (viii) the Master Definitions Schedule.

## APPENDIX A

### FINANCIAL INFORMATION IN RESPECT OF THE BORROWER

It should be noted that the financial statements of the Borrower set out in Appendix A have been prepared in accordance with the terms of the Partnership Agreement, applicable United Kingdom accounting standards, on a going concern basis and under the historical cost convention, as modified for the revaluation of land, assets in the course of construction and investment properties. The accounts do not include a partnership only balance sheet. The audit opinion of PricewaterhouseCoopers LLP on the financial statements of the Borrower reports that other than the effect of not including a partnership only balance sheets, those financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Borrower's affairs as at 31 December 2006 and as at 31 December 2005 and of its loss and cash flows for the respective years then ended and have been properly prepared in accordance with the Partnership Agreement. It should be noted that the reference to page numbers in the contents page of the financial statements of the Borrower are references to the page numbers of the original financial statements of the Borrower and not to the page numbers of this Prospectus.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

<b>Contents</b>	<b>Pages</b>
Operator's report	1-2
Independent auditors' report	3-4
Gross profit and loss account	5
Group statement of total recognised gains and losses	6
Note of group historical cost profits and losses	6
Reconciliation of movements in partners' funds	6
Group balance sheet	7
Group cash flow statement	8
Notes to the financial statements	9-24
Valuers' report	25-27
Managers and Advisers	28

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## OPERATOR'S REPORT

The operator presents the annual report and the audited consolidated financial statements of Arlington Business Parks Partnership and subsidiaries (the 'Group') for the year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The principal activities of the Group are property investment and property management services to freeholders, both in the UK.

### BUSINESS REVIEW

The Group continues to show exceptional capital growth, up £154.5m (for property held directly by the Group and via Joint Ventures) in revaluation terms on 2005 (2005: £151.9m). Net rental streams also delivered upward movement, with a £3.2m increase in 2006 (2005: £5m) excluding the effect of the Akeler acquisition, equating to 7.2%.

The Partnership is held as follows:

Arlington Business Parks GP Limited 0.003% (2005: 0.003%)  
Arlington LP Limited 3.243% (2005: 3.243%)  
Mourant & Co Trustees Limited 96.754% (2005: 96.754%)

On 14 November 2006, the Partnership acquired 100% of Akeler Holdings SA and 85% of Akeler Macquarie Unit Trust (of which the remaining 15% was held by Akeler Holdings SA). The acquisition was a 'locked-box' transaction with an effective date of 30 September 2006.

The acquisition of Akeler's UK portfolio consolidates ABPP's position as the pre-eminent UK business park fund with 22 assets valued at £1.8 billion (held directly by the Group and via Joint Ventures). Importantly, the acquisition replenishes ABPP's development pipeline which has grown to 8 million sq ft with an estimated end value of over £1.8 billion.

Other significant transactions during the year were the disposal of the investment portfolio of plot S5 at the Farnborough Aerospace Centre and the acquisition and re-letting of plot 5000 at Oxford Business Park. Contracts were exchanged for a pre-let development at plot 5, Bracknell Business Park, for GMAC.

Partners are issued with a detailed quarterly fund report which provides all details of fund activity and performance.

### Financial Risk Management

The partnerships operations expose it to a variety of financial risks that include the effect of debt market prices, credit risk, liquidity risk and interest rate risk.

#### *Credit risk*

The partnership has implemented policies which require appropriate credit checks to be performed on new tenants in advance of entering into a lease. These include performing covenant checks on potential new tenants.

#### *Liquidity, interest rate and cash flow risk*

Details of the Partnership's methods for managing liquidity, interest rate and cash flow risk are given in note 9 of the financial statements.

### RESULTS

The group loss attributable to the partners for the year amounted to £9.1m (year to 31 December 2005: profit £6.9m) before distributions of £8.5m (2005: £5.5m).

# **ARLINGTON BUSINESS PARKS PARTNERSHIP**

## **STATEMENT OF OPERATOR'S RESPONSIBILITIES**

The Partnership Agreement requires the Operator to prepare, or cause to be prepared, accounts of the Partnership in respect of each annual accounting year in accordance with the Partnership Agreement and the Partnerships and the Unlimited Companies (Accounts) Regulations 1993, subject to approval by the General Partner. Under the Operating Agreement, the Operator is appointed to act as Operator of the Partnership to the exclusion of the General Partner. In preparing those accounts, the Operator is required to:-

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

The Operator is also responsible for:-

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership, and
- safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Operator confirms that it has complied with the above requirements.

**On behalf of the Partners**

**A Overy**

**Signed on behalf of Legal & General Investment Management Limited as Operator to the Arlington Business Parks Partnership**

**9 July 2007**



# **ARLINGTON BUSINESS PARKS PARTNERSHIP**

## **INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF ARLINGTON BUSINESS PARKS PARTNERSHIP**

We have audited the group consolidated financial statements (the "financial statements") of Arlington Business Parks Partnership for the year ended 31 December 2006 which comprise the Group Profit and Loss account, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, note of Group Historical Cost Profits and Losses and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the partners and auditors**

The Operators responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Operators Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Partners as a body in accordance with the Limited Partnership Agreement, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and are properly prepared in accordance with the Limited Partnership Agreement. We also report to you if, in our opinion, the Operators Report is not consistent with the consolidated financial statements, if the limited partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited consolidated financial statements. This other information comprises only the Operators Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the General Partner in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the limited partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered 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 consolidated financial statements.

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### **Qualified opinion arising from disagreement regarding the exclusion of a partnership only balance sheet required under Companies Act Section 226 (A) (1) (a).**

The partnership's policy is to prepare its consolidated financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In accordance with this, a partnership only balance sheet should be presented in the consolidated financial statements. The consolidated financial statements do not include a partnership-only balance sheet and related notes as only a Group Balance sheet is prepared.

Except for the effect of the above, in our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the limited partnership's affairs as at 31 December 2006 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with the provisions of the Limited Partnership Agreement.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Gatwick

**11 July 2007**

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 Continuing £'m	2006 Acquisitions £'m	2006 Total £'m	2005 Total £'m
Turnover (including share of joint venture)		86.0	5.1	91.1	63.6
Share of turnover of joint venture		<u>(5.1)</u>	<u>(0.6)</u>	<u>(5.7)</u>	<u>(5.3)</u>
<b>TURNOVER</b>	1	80.9	4.5	85.4	58.3
Cost of sales		<u>(29.6)</u>	<u>(1.0)</u>	<u>(30.6)</u>	<u>(11.6)</u>
<b>GROSS PROFIT</b>		<b>51.3</b>	<b>3.5</b>	<b>54.8</b>	<b>46.7</b>
Impairment of goodwill		–	(4.1)	(4.1)	–
Other administrative expenses		<u>(27.0)</u>	<u>(0.1)</u>	<u>(27.1)</u>	<u>(20.3)</u>
Administrative expenses		<u>(27.0)</u>	<u>(4.2)</u>	<u>(31.2)</u>	<u>(20.3)</u>
Other operating expenses		<u>–</u>	<u>–</u>	<u>–</u>	<u>(0.7)</u>
<b>GROUP OPERATING PROFIT</b>	2	<b>24.3</b>	<b>(0.7)</b>	<b>23.6</b>	<b>25.7</b>
Share of operating profit in Joint Ventures	5	<u>–</u>	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>
<b>TOTAL OPERATING PROFIT: Group and share of Joint Venture</b>		<b>24.3</b>	<b>(0.2)</b>	<b>24.1</b>	<b>26.3</b>
Profit on disposal of fixed asset investments		<u>4.9</u>	<u>–</u>	<u>4.9</u>	<u>11.2</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>29.2</b>	<b>(0.2)</b>	<b>29.0</b>	<b>37.5</b>
Net interest payable – Group	3	(33.7)	(3.5)	(37.2)	(30.6)
– Joint Ventures	5	<u>–</u>	<u>(0.7)</u>	<u>(0.7)</u>	<u>–</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(4.5)</b>	<b>(4.4)</b>	<b>(8.9)</b>	<b>6.9</b>
Taxation	1	<u>–</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>–</u>
<b>(LOSS)/PROFIT ATTRIBUTABLE TO PARTNERS</b>	13	<u><b>(4.5)</b></u>	<u><b>(4.6)</b></u>	<u><b>(9.1)</b></u>	<u><b>6.9</b></u>

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'m	2005 £'m
(Loss)/Profit attributable to partners			
– Group		(8.9)	6.3
– Joint Ventures	5	(0.2)	0.6
		(9.1)	6.9
Unrealised surplus on revaluation of land, assets in the course of construction, investment properties and Joint ventures	4	154.5	153.0
	4	(3.7)	(1.6)
UITF 28 and other adjustments to investment property valuations			
Total recognised gains and losses relating to the financial year		141.7	158.3
Realised		(9.1)	6.9
Unrealised		150.8	151.4

Of the above total recognised gains and losses £146.9m (2005: £157.7m) relates to the group and loss £5.2m (2005: profit £0.6m) relates to the Joint Ventures.

### NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £'m	2005 £'m
(Loss)/Profit attributable to partners before taxation	(8.9)	6.9
Realisation of property revaluation gains of previous years	3.2	2.7
Historical cost (loss)/profit attributable to partners	(5.7)	9.6
Historical cost (loss)/profit attributable to partners after taxation	(5.9)	9.6

### RECONCILIATION OF MOVEMENTS IN GROUP PARTNERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £'m	2005 £'m
(Loss)/Profit attributable to partners	(9.1)	6.9
Distributions made in the year	(8.5)	(5.5)
	(17.6)	1.4
Partnership advances in the year	50.0	–
Unrealised surplus on revaluation of land, assets in the course of construction, investment properties and joint ventures	154.5	153.0
UITF 28 and other adjustments to investment property valuations	(3.7)	(1.6)
Net addition to group partners' funds	183.2	152.8
Opening group partners' funds	559.2	406.4
Closing group partners' funds	742.4	559.2

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## GROUP BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 £'m	2006 £'m	2005 £'m	2005 £'m
<b>FIXED ASSETS</b>					
<b>Intangible asset</b>	18		2.5		–
<b>Tangible assets</b>					
Land	4	179.3		121.2	
Assets in the course of construction	4	193.9		48.8	
Investment properties	4	<u>1,334.7</u>		<u>851.7</u>	
			1,707.9		1,021.7
<b>Investments</b>					
Joint Ventures – share of gross assets	5	97.4		3.2	
– share of gross liabilities	5	<u>(36.6)</u>	60.8	<u>(1.7)</u>	1.5
			1,771.2		1,023.2
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	6	35.7		8.2	
Debtors: amounts falling due after more than one year	6	15.0		15.2	
Cash at bank and in hand		<u>23.1</u>		<u>27.2</u>	
		73.8		50.6	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	<u>(326.8)</u>		<u>(66.7)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(253.0)</u>		<u>(16.1)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,518.2		1,007.1
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	7		(774.7)		(447.5)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	8		<u>(1.1)</u>		<u>(0.4)</u>
<b>NET ASSETS</b>			<u>742.4</u>		<u>559.2</u>
<b>PARTNERS' FUNDS</b>					
PARTNERS' CAPITAL, LOAN AND CURRENT ACCOUNTS	13	381.6		346.0	
UNREALISED REVALUATION RESERVE	14	<u>360.8</u>		<u>213.2</u>	
<b>TOTAL PARTNERS' FUND</b>			<u>742.4</u>		<u>559.2</u>

The financial statements on pages 5 to 24 were approved by the partners on 10 July 2007 and were signed on their behalf by: Jeff Pulsford

} Arlington Business Parks GP Limited

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'m	2005 £'m
Net cash inflow from operating activities	(12i)	10.2	32.1
Returns on investments and servicing of finance	(12ii)	(35.3)	(29.9)
Capital expenditure and financial investment	(12ii)	2.3	28.6
Acquisitions and disposals	(12ii)	(311.1)	–
Distributions to partners		(8.5)	(5.5)
		<hr/>	<hr/>
Net cash (outflow)/inflow before financing		(342.4)	25.3
Net cash inflow/(outflow) from financing			
Increase/(Decrease) in borrowings	(12iii)	338.3	(19.3)
		<hr/>	<hr/>
(Decrease)/Increase in cash	(12iii)	(4.1)	6.0
		<hr/> <hr/>	<hr/> <hr/>

### RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN GROUP NET DEBT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'m	2005 £'m
(Decrease)/Increase in cash	(12iii)	(4.1)	6.0
Acquisitions	(12iii)	(216.8)	–
Cash (inflow)/outflow from /(increase)/decrease in Debt		<hr/>	<hr/>
		(338.3)	19.3
Movement in net Debt		(559.2)	25.3
Net debt at 1 January 2006	(12iii)	(444.6)	(469.9)
		<hr/>	<hr/>
Net debt at 31 December 2006	(12iii)	<b>(1,003.8)</b>	(444.6)
		<hr/> <hr/>	<hr/> <hr/>

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 1. ACCOUNTING POLICIES

#### Accounting convention

The financial statements have been prepared in accordance with the latest Partnership Agreement dated 8 October 2004, applicable UK accounting standards, on a going concern basis (see note 19) and under the historical cost convention, as modified for the revaluation of land, assets in the course of construction and investment properties.

The principle accounting policies are set out below:

#### New effective accounting standards

The Group has adopted the presentational requirements of FRS 25 'Financial Instruments' disclosure and presentation in these financial statements. The adoption of this standard has not resulted in any effect on the current year figures or any change to the comparatives.

#### Consolidation

Investments in park management companies are held on behalf of the Partnership by its General Partner, Arlington Business Parks GP Limited.

The park management companies have "A" and "B" type shares. Arlington Business Parks GP Limited hold all the "A" type shares. The "B" type shares are issued to the freeholders in proportion to the acres of the business park they acquire.

Until "B" shares have been allotted in respect of the whole of the park, the control of the park management company remains with the "A" shares.

Therefore, the results of each of the park management companies are included in the group results from the time the "A" shares are acquired until the last "B" shares are allotted.

The General Partner has taken the decision not to produce a partnership only balance sheet on the basis of the limited value and misleading position it would indicate. The net assets of the partnership only balance sheet are £754.6m at 31 December 2006.

#### Turnover

Turnover, which is stated net of VAT, primarily comprises rents receivable and recharges to tenants.

As prescribed by UITF 28, 'Operating Lease Incentives', the aggregate cost of incentives and rent-free years are allocated on a straight line basis over the shorter of the lease term or the period to the next rent review.

Turnover is derived wholly in the UK.

#### Long-term contracts

Where a development contract straddles more than one accounting period, turnover and profit is recognised on the basis of costs incurred as a proportion of total costs to be incurred over the whole contract.

Where amounts billed to-date exceed turnover recognised, the excess is shown as "Payments on Account" in creditors.

Where amounts billed to-date are less than turnover recognised, the deficit is shown as "Amounts recoverable on contracts".

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 1. ACCOUNTING POLICIES (Continued)

#### Interest

Interest payable/receivable is expensed/credited through the profit and loss account on an accruals basis.

#### Fixed Assets – investment properties

The investments in property are included in the accounts at market values determined by an annual independent valuation. In accordance with accounting standard SSAP 19, no depreciation is provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired. The departure from the requirements of the Companies Act 1985 for all tangible assets to be depreciated is, in the opinion of the Operator, necessary for the accounts to give a true and fair view. Depreciation is only one of the factors reflected in the valuations and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

The valuation of properties at market value is in accordance with the Partnership Agreement. Resulting surpluses and deficits on revaluation are taken to the Unrealised Revaluation Reserve which is not allocated to the individual partners until such time as realised surpluses are distributed according to the terms of the Partnership Agreement.

Deficits on revaluation, where they are considered to be permanent, are taken through the profit and loss account.

#### Fixed Assets – Land

Land is included in the accounts at an annually updated independent valuation. Resulting surpluses and deficits on revaluation are taken to the Unrealised Revaluation Reserve which is not allocated to the individual partners until such time as realised surpluses are distributed according to the terms of the Partnership Agreement.

Deficits on revaluation, where they are considered to be permanent, are taken through the profit and loss account.

Other assets are held at cost.

#### Fixed Assets – assets in the course of construction

Assets in the course of construction that are capable of being valued externally are included in the accounts at an annually updated independent valuation. Resulting surpluses and deficits on revaluation are taken to the Unrealised Revaluation Reserve which is not allocated to the individual partners until such time as realised surpluses are distributed according to the terms of the Partnership Agreement.

Deficits on revaluation, where they are considered to be permanent, are taken through the profit and loss account.

#### Fixed assets – investment in joint ventures

The joint ventures are equity accounted within the Group's accounts, with the Group's share of net assets and profit for the year recognised in the accounts.



# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 1. ACCOUNTING POLICIES (Continued)

#### **Hire purchase and leasing**

**Lessee** – Where the Partnership enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

**Lessor** – Any amounts due from a lessee under a finance lease are allocated to accounting years so as to give a constant, annual rate of return to the Partnership's net cash investment in the lease, in each year.

The capital amounts of finance lease assets are not discounted.

#### **Interest on Partners' Loan and Capital Accounts**

No interest is payable in respect of partners' Loan and Capital Accounts.

#### **Taxation**

The Partnership is not subject to taxation itself. Any Partner liable to taxation on its participation in the Partnership is responsible for settling its taxation liabilities independently of the Partnership.

The park management companies are mutual traders and therefore bear tax only on interest income received.

The taxation charge for the year relates to current tax due by overseas subsidiaries.

#### **Loan issue costs**

Loan issue costs in respect of long-term borrowings are carried in the balance sheet against the respective borrowings and written off to the profit and loss account over the term of the related loans.

#### **Financial instruments**

The partnership makes use of interest rate derivative instruments as part of its policy of interest rate exposure management. Payments and/or receipts under these transactions are recognised through the profit and loss account.

#### **Deferred income**

Deferred income is recognised when rental income is received in advance.

#### **Onerous lease provision**

Future shortfalls in rental income in respect of rent guarantees given on certain properties have been provided for, reflecting the partners' estimate of likely future liability. This provision is not discounted.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 2. GROUP OPERATING PROFIT

	2006 £'m	2005 £'m
The group operating profit is stated after charging:		
Auditors' remuneration – Audit	0.2	0.1
– Non audit – Taxation services	0.3	0.2
– Transaction services	0.2	–
Write off of goodwill	4.1	–
The Group has no employees.		

### 3. GROUP NET INTEREST PAYABLE

	2006 £'m	2005 £'m
Interest payable – Bank borrowings and overdrafts	38.5	32.2
Interest receivable – Bank	(0.5)	(0.8)
– Finance lease	(0.8)	(0.8)
<b>Net interest payable</b>	<b>37.2</b>	<b>30.6</b>

### 4. GROUP FIXED ASSETS

	At valuation/ cost £'m
<b>Land</b>	
As at 1 January 2006	121.2
Additions from Akeler acquisition	51.2
Additions in the year	22.3
Transfer to assets in the course of construction	(22.3)
Disposals in the year	(6.7)
Revaluations in the year	13.6
<b>As at 31 December 2006</b>	<b>179.3</b>

The land carrying value of £179.3m (2005: £121.2m) is comprised of £176.2m (2005: £119.1m) at valuation and £3.1m (2005: £2.1m) at cost.

	At valuation £'m
<b>Assets in the course of construction</b>	
As at 1 January 2006	48.8
Transfers from land	22.3
Additions from Akeler acquisition	107.4
Additions in the year	31.9
Transfers to investment properties	(38.8)
Disposals in the year	(13.8)
Revaluations in the year	36.1
<b>As at 31 December 2006</b>	<b>193.9</b>

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 4. GROUP FIXED ASSETS (Continued)

	At valuation	UITF 28 and other adjustments	As disclosed per accounts
	£'m	£'m	£'m
<b>Investment properties</b>			
As at 1 January 2006	862.5	(10.8)	851.7
Transfers from assets in the course of construction	38.8	–	38.8
Additions from Akeler acquisition	337.7	–	337.7
Additions in the year	9.0	–	9.0
Disposals in the year	(8.6)	–	(8.6)
Surplus on revaluation of investment properties	109.8	–	109.8
UITF 28 and other adjustments	–	(3.7)	(3.7)
<b>As at 31 December 2006</b>	<b>1,349.2</b>	<b>(14.5)</b>	<b>1,334.7</b>

#### Knight Frank valuation summary:

		<b>2006</b>
		<b>£'m</b>
Disclosed per valuation letter		1,809.8
Comprising:		
Land (excluding items at cost)		176.2
Assets in the course of construction		193.9
Investment properties		1,349.2
Investment properties held in Joint Venture		92.9
Adjustment for option agreements		(1.7)
Provision for leasehold liabilities included in creditors		(0.7)
		<b>1,809.8</b>

The properties included in the land and investment summary above exclude those at Hammersmith that are valued at £92.9m, held through the Joint Venture – see note 5.

The historical cost for land, assets in the course of construction and investment properties held at 31 December 2006 amounted to £149.6m, £156.2m and £1,036.4m (2005: £104.0m, £20.8m and £683.7m) respectively.

As at 31 December 2006, the Partnership's investment portfolio was externally valued on the basis of open market value by Knight Frank, Chartered Surveyors. Also at 31 December 2006 the Partnership land bank and assets in the course of construction were externally valued on the basis of residual open market values by Knight Frank, Chartered Surveyors. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve.

The revaluations during the year ended 2006 resulted in a revaluation surplus of £159.5m (2005: £153.0m), prior to UITF 28 and other adjustments.

The above assets include long-term leaseholds valued at £43.6m (2005: £51.4m).

The valuers' report is found on pages 25 to 27.

£1,323m (2005: £800m) of the valued investment properties held at year end were pledged as security for borrowings taken in the year from The Royal Bank of Scotland and Eurohypo AG.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 5. JOINT VENTURE

Park Business Centres Limited is a property joint venture incorporated in the United Kingdom between the Partnership and Regus (UK) Ltd Business Centres (UK) Limited. The general partner legally owns 50% of the share capital of Park Business Centres Limited, beneficially for the Partnership.

At 31 December 2006, the Group and Partnerships' share of the net assets of the Park Business Centres Limited was £1.5m (2005: £1.5m) and net profits were £nil (2005: £nil). The net asset position excludes loans advanced to the joint venture by the Partnership and the original shareholders.

On 14 November 2006, the Group also acquired a 50% interest in a joint venture called Hammersmith Business Park Unit Trust. The acquisition was a 'locked-box' transaction with an effective date of 30 September 2006.

	£'m
Balance acquired at 14 November 2006	64.5
Revaluation in the period	(5.0)
Loss in the period	(0.2)
<b>Balance at 31 December 2006</b>	<b>59.3</b>

### 6. GROUP DEBTORS

	2006 £'m	2005 £'m
<b>Amounts falling due within one year:</b>		
Trade debtors	22.5	7.1
Other debtors	12.7	0.6
Net investment in finance lease	0.5	0.5
	35.7	8.2
<b>Amounts falling due after more than one year:</b>		
Other debtors	11.1	10.8
Net investment in finance lease	3.9	4.4
	15.0	15.2
<b>Total debtors</b>	<b>50.7</b>	<b>23.4</b>

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

#### 7. GROUP CREDITORS

	<b>2006</b>	<b>2005</b>
	<b>£'m</b>	<b>£'m</b>
<b>Amounts falling due within one year:</b>		
Short-term element of long-term borrowings	252.2	24.3
Trade creditors	6.1	0.5
Other creditors	9.7	3.2
Accruals and deferred income	58.8	37.1
Payments on account	–	1.6
	326.8	66.7
<b>Amounts falling due after more than one year:</b>		
Borrowings	774.7	447.5
<b>Total creditors</b>	<b>1,101.5</b>	<b>514.2</b>

Bank borrowings are repaid according to their individual repayment profiles and bear variable interest at LIBOR plus 0.85% – 1.5% (2005: 0.85%). Of the above borrowings, £1,028.1m (2005: £485m) is secured on certain investment properties. Included in other creditors is corporate tax payable of £0.9m.

#### 8. GROUP PROVISION FOR LIABILITIES AND CHARGES

	<b>2006</b>
	<b>£'m</b>
The movement in the year of the provision for rent guarantees given was:	
At 1 January 2006	0.4
Utilisation of the provision in the year	(0.6)
Increase of the provision in the year	1.3
<b>At 31 December 2006</b>	<b>1.1</b>

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 9. FINANCIAL INSTRUMENTS

The following note sets out the disclosures regarding the Group's position in respect of financial instruments. The Group's financial instruments, other than derivatives, comprise borrowings, some cash and various items such as trade debtors and creditors that arise directly from operations. The Group also enters into derivative transactions to manage the interest rate risks arising from the Group source of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Short-term debtors and creditors have been excluded from the disclosures. All monetary assets and liabilities are denominated in sterling.

#### Liquidity risk profile

	2006 £'m	2005 £'m
Loans falling due:		
In one year or less and on demand	253.0	25.0
Between one and two years	27.3	–
Between two and five years	751.1	150.0
Greater than five years	–	300.0
	1,031.4	475.0
Loan issue costs included within borrowings	(4.5)	(3.2)
	1,026.9	471.8

The Group has undrawn committed bank facilities which expire as follows:

	2006 £'m	2005 £'m
In one year or less and on demand	2.0	75.0

#### Interest rate risk profile

The Group has entered into a number of Interest Rate Swaps as part of its policy of Interest Rate Exposure management. The swaps have been structured so that the timing of floating interest rate receipts match the floating interest rate payments of the Group debt portfolio thus creating synthetic fixed rate debt.

After taking into account the various interest rate swaps entered into by the Group, the interest rate profile of the Group's financial liabilities was:

	Fixed rate £'m	Floating rate £'m
<b>As at 31 December 2006</b>	624.4	407.0
As at 31 December 2005	471.8	–

Floating rate borrowings incur interest at LIBOR plus 0.85% – 1.5% (2005: 0.85%) per annum.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 9. FINANCIAL INSTRUMENTS (Continued)

	Fixed rate liabilities weighted average interest rate %	Fixed rate liabilities weighted average term Years
As at 31 December 2006	5.40	3.89
As at 31 December 2005	5.71	4.15

#### Financial assets

The Group has financial assets of the following:

- Cash and bank balances of £23.1m at floating rates of interest (2005: £27.2m).
- Long-term debtors include net investment in finance lease of £3.9m (2005 £4.4m), at an interest rate of 15% (2005: 15%) and other debtors of £11.1m (2005 £10.8m) that are not interest bearing.

#### Fair values of financial assets and financial liabilities

	Book value 2006 £'m	Fair value 2006 £'m	Book value 2005 £'m	Fair value 2005 £'m
Primary financial instruments held to finance the Group's operations:				
Short-term borrowings	(252.2)	(252.2)	(25.0)	(25.0)
Long-term borrowings	(774.7)	(774.7)	(450.0)	(450.0)
Financial assets	38.1	39.4	42.4	43.3
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	-	0.1	-	22.1
Fixed rate loans	-	0.9	-	22.1

### 10. CAPITAL COMMITMENTS

Capital commitments for which no provision has been made in these financial statements amounts to:-

	2006 £'m	2005 £'m
Authorised and contracted	106.1	36.0

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 11. CONTINGENT LIABILITIES

The Group has issued various bank guarantees to third parties totalling £25.3m (2005: £28.4m) in respect of performance bonds. The Operator believes that these contingent liabilities will not crystallise.

### 12. NOTES TO THE GROUP CASHFLOW STATEMENT

#### (i) Reconciliation of group operating profit to group net cash inflow from operating activities

	<b>2006</b>	<b>2005</b>
	<b>£'m</b>	<b>£'m</b>
Operating profit	23.6	25.7
Write off of goodwill	4.1	–
Increase in debtors	(20.8)	(3.4)
Increase in creditors	3.3	9.8
Net cash inflow from operating activities	10.2	32.1

#### (ii) Gross cash flows

##### Returns on investment and servicing of finance

Interest paid	(36.6)	(31.5)
Interest received	1.3	1.6
	(35.3)	(29.9)

##### Capital expenditure and financial investment

Advances from partners	50.0	–
Loan repaid by joint venture	–	1.0
Expenditure on land, assets in the course of construction and investment properties	(81.7)	(54.6)
Proceeds from sale of fixed asset investments	34.0	82.2
	2.3	28.6

##### Acquisitions and disposals

Purchase of Akeler group of companies	(326.1)	–
Cash acquired with Akeler group of companies	15.0	–
	(311.1)	–



# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### NOTES TO THE GROUP CASHFLOW STATEMENT

(iii) Analysis of net debt

	At 1 January 2006 £'m	Acquisitions* 2006 £'m	Cashflow 2006 £'m	31 December 2006 £'m
Cash at bank and in hand	27.2	–	(4.1)	23.1
Borrowings	(471.8)	(216.8)	(338.3)	(1,026.9)
<b>Net debt</b>	<b>(444.6)</b>	<b>(216.8)</b>	<b>(342.4)</b>	<b>(1,003.8)</b>

\* Excludes cash and overdrafts.

### 13. PARTNERS' CAPITAL, LOAN AND CURRENT ACCOUNTS

Group	Current accounts £'m	Capital accounts £'m	Loan accounts £'m	Total £'m
At 1 January 2006	6.0	12.9	327.1	346.0
Loss for the year	(9.1)	–	–	(9.1)
Distributions in the year	(8.5)	–	–	(8.5)
Transfer from revaluation reserve on property sales in the year	3.2	–	–	3.2
Subscriptions/advances in the year	–	2.5	47.5	50.0
At 31 December 2006	<b>(8.4)</b>	<b>15.4</b>	<b>374.6</b>	<b>381.6</b>

### 14. UNREALISED REVALUATION RESERVE

Group	£'m
At 1 January 2006	213.2
Net revaluation surplus in the year (including joint ventures)	154.5
Transfer to Partners' current accounts on property sales in the year	(3.2)
Net UITF 28 and other adjustments to investment property valuations	(3.7)
<b>At 31 December 2006</b>	<b>360.8</b>

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 15. SUBSIDIARIES

The Partnership's General Partner, Arlington Business Parks GP Limited, holds the following company ordinary "A" shares on behalf of the Partnership. All the Companies are incorporated in the UK and are property management companies.

Company	Registered Number	Equity held %	Voting rights %
Arlington Business Park (Reading) Management Limited	2350937	39%	100%
Aztec West Management Limited	2211517	3%	100%
Birmingham Business Park Management Limited	2211400	18%	100%
Bracknell Management Limited	2749061	44%	100%
Comet Park Management Limited	2547419	57%	100%
Coventry Business Park Management Limited	2850418	0%	100%
Farnborough Aerospace Centre Management Limited	2660403	0%	100%
Gloucester Business Park Management Limited	3295447	7%	100%
Hatfield Business Park Management Limited	2728563	0%	100%
Hatfield Aerodrome (Management) Limited	4145262	23%	100%
Manchester Airport Business Park Management Limited	4268500	83%	100%
Montpellier Court (Gloucester) Management Limited	5267416	0%	100%
Oxford Business Park (North) Management Limited	2936211	54%	100%
Oxford Business Park (South) Management Limited	2936217	58%	100%
SBP Management Limited	1917057	27%	83%
Stevenage Management Limited	4807064	0%	100%
Uxbridge Management Limited	4968550	99%	100%

At 31 December 2006 capital and reserves of the above companies amounted to £nil (2005: £nil). The profit before tax for the above companies was £nil (2005: £nil).

In addition to the above, as a result of the Akeler acquisition, at 31 December 2006 the Partnership's General Partner, Arlington Business Parks GP Limited, holds the followings ordinary share capital of the following companies:

Company	Country of incorporation	Activity	% Ownership
Akeler Holdings S.A.	Luxembourg	Property Holding	100%
Akeler Properties S.A.R.L.	Luxembourg	Property Holding	100%
Hammersmith Trust Management Limited	Jersey	Property Holding	50%
Hammersmith Business Park Unit Trust	Jersey	Property Holding	50%
Akeler (Bracknell) Limited	UK	Property Holding	100%
Akeler Central Quay Limited	Jersey	Property Holding	100%
Akeler Property Limited	Jersey	Property Holding	100%
Akeler One Thames Valley Limited	Jersey	Property Holding	100%
Akeler Leicester City Centre Limited	Jersey	Property Holding	100%
Akeler JPUT Investments No. 1 Limited	Jersey	Property Holding	100%
Akeler Aberdeen Unit Trust	Jersey	Property Holding	100%
Akeler Rainton Bridge Limited	Jersey	Property Holding	100%
Akeler (Basildon) Limited	UK	Property Holding	100%
Akeler Reading Limited	UK	Property Holding	100%
Akeler Reading Phase 3 Limited	Jersey	Property Holding	100%
Akeler Leeds Valley Park Management Company	UK	Management Co	100%
Leeds Valley Park Management Company	UK	Management Co	100%
Akeler JPUT Investments No. 2 Limited	Jersey	Property Holding	100%
Akeler Glasgow Unit Trust	Jersey	Property Holding	100%

## ARLINGTON BUSINESS PARKS PARTNERSHIP

<u>Company</u>	<u>Country of incorporation</u>	<u>Activity</u>	<u>% Ownership</u>
Rainton Bridge Management Company Limited	UK	Management Co	100%
Akeler (Berkshire) No. 1 Limited	Jersey	Property Holding	100%
Akeler (Berkshire) No. 2 Limited	Jersey	Property Holding	100%
Akeler Investments S.a.r.l.	Luxembourg	Property Holding	100%
Akeler Macquarie Unit Trust	Jersey	Property Holding	100%
Akeler Macquarie Reading Unit Trust	Jersey	Property Holding	100%
Akeler Macquarie Glasgow Unit Trust	Jersey	Property Holding	100%
Akeler Macquarie Investment Management Limited	Jersey	Property Holding	100%
Akeler Property Investments S.a.r.l.	Luxembourg	Property Holding	100%
Akeler Management Limited	UK	Property Holding	100%
Akeler Glasgow Limited	UK	Property Holding	100%
Central Quay Management Limited	UK	Management Co	100%
Akeler Portugal S.a.r.l.	Luxembourg	Property Holding	100%
Akeler (Bath Road) Holdings Limited	Jersey	Property Holding	100%
Akeler (Bath Road) No. 1 Limited	Jersey	Property Holding	100%
Akeler (Bath Road) No. 2 Limited	Jersey	Property Holding	100%
Akeler (Bath Road) No. 3 Limited	Jersey	Property Holding	100%
Akeler (Bath Road) No. 5 Limited	Jersey	Property Holding	100%
Akeler Finance Limited	Jersey	Property Holding	100%
Akeler Marlow S.a.r.l.	Luxembourg	Property Holding	100%
Globe Park Management	UK	Management Co	28%
Akeler 2 – Compra e Venda de Imoveis Lda	Portugal	Property Holding	100%
Akeler Portugal Investimentos Imobiliarios, Lda	Portugal	Property Holding	100%
Akeler 3 – Sociedade Imobiliaria	Portugal	Property Holding	100%
Akeler Developments Limited	UK	Property Holding	100%
Akeler (Merthyr Tydfil) Limited	UK	Property Holding	100%
Akeler Brentford Limited	UK	Property Holding	100%
Akeler (Bridgend) Limited	UK	Property Holding	100%
Ask/Akeler Developments Limited	UK	Property Holding	50%
Central Park Management (2002) Limited	UK	Management Co	50%

### 16. GENERAL PARTNER

The General partner of the Partnership is Arlington Business Parks GP Limited, a company owned by Arlington Securities Operations Limited and Legal & General Property Limited, whose ultimate parent companies are Arlington Securities Limited and Legal & General Group Plc.

### 17. RELATED PARTIES

The General Partner has exclusive responsibility for the day to day management of the Partnership business save for powers delegated to the Operator and the Asset and Investment Managers. The General Partner retains responsibility for the execution of documents on behalf of the Partnership.

The Partnership has appointed Legal & General Investment Management Limited to act as Operator with responsibility for activities which would or might constitute a regulated activity as defined in the Financial Services and Markets Act 2000. The Partnership has appointed Arlington Property Adviser Limited and Legal & General Property Limited to act as Asset and Investment Managers.

For their services as Operator, Legal & General Investment Management Limited receives fees of £50,000 per annum plus annual RPI. Under the terms of the Investment Management Agreements the Investment Managers receive annual fees of 0.1% to 0.12% of the gross capital value of the investment properties they manage depending on the level of investment properties.

Total fees payable by the Partnership to Legal & General group companies was £5.7m (2005: 3.3m) of which an amount of £4.3m (2005: £2.3m) is in relation to performance related fees accrued under the terms of the Partnership Agreement. The total outstanding fees as at 31 December 2006 were £4.1m (2005: £2.3m).

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

### 17. RELATED PARTIES (Continued)

Under the terms of the Property Adviser Agreement, Arlington Property Adviser Limited receives a fee of 0.45% to 0.5% of the gross asset value of the Partnership depending on the level of gross assets. Under the terms of the Development Management agreement Arlington Development Management Limited receives a fee equal to 3% of construction costs.

In addition, Arlington Business Services Limited and Arlington Net Limited have contracts to provide certain facilities management and online services respectively.

Total fees payable by the Group to Arlington group companies in respect of the year ended 31 December 2006 were £26.5m (2005: £20.6m) of which an amount of £10.1m (2005: £4.7m) is in relation to performance related fees accrued under the terms of the Partnership Agreement. The total outstanding fees at 31 December 2006 were £12.4m (2005: £9.9m).

### 18. ACQUISITION

On 14 November 2006, the partnership purchased 100% of Akeler Holdings SA and 85% of Akeler Macquarie Unit Trust (of which the remaining 15% was held by Akeler Holdings SA). The acquisition was a 'locked-box' transaction with an effective date of 30 September 2006. The details of the fair value adjustments made on acquisition are show in the table below:

	Book Value	Revaluation	Accounting Alignment	Fair Value
	£m	£m	£m	£m
Intangible fixed assets	75.0	(75.0)	–	–
Tangible fixed assets	425.5	52.3	–	477.8
Investment in Joint Ventures	49.4	15.1	–	64.5
Debtors	25.0	–	(2.5)	22.5
Creditors	(28.5)	–	–	(28.5)
Cash	15.0	–	–	15.0
Debt	(216.8)	–	–	(216.8)
Net assets acquired	344.6	(7.6)	(2.5)	334.5
Goodwill – relating to transaction fees				4.1
Goodwill – relating to valuation of swaps				2.5
Consideration (including cost of transaction)				341.1
Consideration satisfied by:				
Cash				326.1
Intercompany loan				15.0
				341.1

Fair value adjustments primarily relate to the valuation of property at acquisition by independent valuers.

Accounting changes relate to the alignment of accounting policies between the Akeler group and the Partnership.

The purchase was accounted for as an acquisition.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 18. ACQUISITION (Continued)

#### Goodwill

The goodwill relating to transaction fees (£4.1m) created on acquisition was fully impaired in the year as the Partners are of the opinion that it has a nil carrying value. This is due to the fact that, at acquisition, all the property assets held by the partnership and its Joint Ventures were independently valued and therefore, it is considered that the carrying value of the goodwill created is not supportable.

The goodwill created due to the inclusion of swaps at fair value (£2.5m) in the acquisition balance sheet was not fully impaired in the year as the Partners believe it has economic value in the future. This goodwill will be amortised over the life of the swaps to which it relates.

The summarised profit and loss account of the acquired entities for the period from 1 January 2006 to the date of acquisition is as follows:

	<u>£m</u>
Turnover	10.6
Operating Profit	2.9
Profit before tax	2.9
Taxation	(0.2)
Profit after tax	2.7

The result for the year ended 31 December 2005 was a profit of £2.9m.

The impact of the acquisition on the Group's cashflow was as follows:

	<u>£m</u>
Operating loss	(0.7)
Increase in debtors	(3.8)
Decrease in creditors	(1.6)
<b>Net cash out flow from operating activities</b>	<b><u>(6.1)</u></b>

#### Returns on investment and servicing of finance

	<u>£m</u>
Interest paid	<u>(3.5)</u>

#### Capital expenditure and financial investment

	<u>£m</u>
Expenditure on land, assets in course of construction and investment property	<u>(8.2)</u>

### 19. GOING CONCERN

As at the year end, the group had a £253.0m net current liability position this is primarily due to the inclusion of short debt within the Akeler subsidiaries. The going concern basis is considered to be appropriate as this is considered to be temporary. The debt facilities acquired with the Akeler companies are currently being refinanced and hence this position is expected to reverse in the coming year.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. POST BALANCE SHEET EVENTS

At a General Partner meeting held in March 2007, a final distribution of £22.0m was agreed in respect of the year ended 31 December 2006. It is intended that this amount will be distributed in July 2007.

In February 2007, Akeler Marlow Sarl entity was sold realising net proceeds for the property it held of £66 million. In May 2007, Akeler One Thames Valley Limited was sold realising net proceeds for the property it held of £24 million. In April 2007, the partnership acquired 50% of the Hammersmith Business Park Unit Trust, taking its total holding to 100%. The net consideration paid for the 50% stake was £66 million and taking account of debt assumed with the 50% stake of £34 million, the gross consideration for the real estate was £100 million. This has resulted in the Hammersmith Business Park Unit Trust, which at 31 December 2006 was accounted for as a joint venture, being treated as a subsidiary following the acquisition of the additional 50%.

# ARLINGTON BUSINESS PARKS PARTNERSHIP



The Directors  
Arlington Business Parks GP Limited  
Arlington Business Park  
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For the attention of Alison Yard

19 January 2006

VAL/JRG/eadc

Dear Sirs

**Re: Quarterly Valuation as at 31 December 2006**

In accordance with your instructions, we have prepared the following abbreviated form of our Valuation Report for the 31 December 2006 Valuation. We are instructed, as External Valuers, to provide you with a market valuation of the Standing Investment Portfolio, Work in Progress, Undeveloped Land and Miscellaneous Properties. The valuation is required for internal purposes.

In our opinion, the Market Valuation of the properties, as at 31 December 2006, was in the sum of **£1,809,836,538 (One Billion, Eight Hundred and Nine Million, Eight Hundred and Thirty Six Thousand, Five Hundred and Thirty Eight Pounds)** allocated as follows:

	Freehold £	Leasehold £	Total £
Properties held as Investments	1,357,520,000	45,440,000	1,402,960,000
Properties in the course of or committed for development	194,540,000		194,540,000
Development Land	211,856,538		211,856,538
Miscellaneous Properties	1,200,000	-720,000	480,000
<b>Total</b>	<b>£1,765,116,538</b>	<b>£44,720,000</b>	<b>£1,809,836,538</b>

Knight Frank LLP is a limited liability partnership registered in England with registered number OC3405934. Our registered office is 20 Hanover Square, London W1S 1HZ where you may look at a list of members' names.

**Over 200 offices worldwide**

## ARLINGTON BUSINESS PARKS PARTNERSHIP

2



We understand that the interests held in Central Park, Manchester, Rainton Bridge, Sunderland, and Brooklands, Weybridge, are by way of option agreements. These agreements do not represent interests in land. Consequently, we have not included the value of these holdings (total value £1,660,000) within the value reported for the property assets held by the Company.

We confirm that the valuation has been undertaken by us, acting as External Valuers, in accordance with the RICS Appraisal and Valuation Standards (5<sup>th</sup> Edition) issued by the Royal Institution of Chartered Surveyors. The properties have been internally and externally inspected on a rolling programme.

We have not carried out condition surveys on the properties and are unable to report that the properties are free of any structural fault, rot, infestation or defect of any other nature, including inherent weaknesses due to the use in construction of materials now suspect.

No tests were carried out on any of the technical services. We would however comment that all of the properties, with the exception of Block 13 Gloucester Business Park and Hays Distribution Site, Brunel Road, Reading have been constructed since 1990 and are therefore of modern specification. It appeared to us in general terms that the properties were being maintained in accordance with the lease terms.

We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the sites are sufficient to support the buildings constructed or to be constructed thereon. We have been provided with environmental reports prepared by Stanger and dated September 2001. In respect of The Quays, Uxbridge we have been provided with an environmental report prepared by Casella Stanger dated February 2002. In respect of Hays Distribution Unit, Brunel Road, Theale, we have been provided with an environmental report prepared by BAE Systems dated 24<sup>th</sup> March 2004.

Unless we have been advised to the contrary, we have assumed that none of the properties or sites are or likely to be affected by land contamination and that there are no ground conditions which would affect the present or future use of the properties or sites. Should it, however, be established subsequently that contamination exists at any of the properties or sites or any neighbouring land, or that the properties or sites have been or are being put to a contaminated use, this might reduce values now reported.



## ARLINGTON BUSINESS PARKS PARTNERSHIP

3



In accordance with your instructions, we have not made formal planning enquiries to the relevant Local Authorities but have relied upon information provided in the Certificates of Title prepared by Messrs Jones Day and on the summary planning information in respect of the properties prepared by Terence O'Rourke plc dated April 2001.

We have been provided with consented planning areas and uses by the Company and costs relating to Section 106 and other associated agreements and confirm that we have relied upon this information in carrying out our valuation.

We have assumed there to be good and marketable titles to the properties and we confirm that in carrying out our valuation we have reflected the contents of the Certificates of Title prepared by Messrs Jones Day.

We have been provided with schedules of tenancies prepared by the Company and occupational lease summaries contained in the Certificates of Title. We confirm that we have relied upon this information in carrying out our valuation.

In accordance with our standard practice we must state that the valuation is confidential to the parties to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J R Gray', written in a cursive style.

J R Gray MRICS  
For and on behalf of  
Knight Frank LLP

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## MANAGERS AND ADVISERS

### General Partner:

Arlington Business Park GP Limited  
Arlington House  
Arlington Business Park  
Theale  
RG7 4SA

### Operator:

Legal & General Investment Management Limited  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8NH

### Asset Managers:

Arlington Property Adviser Limited  
Arlington House  
Arlington Business Park  
Theale  
RG7 4SA

Legal & General Investment Management Limited  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8NH

### Development Managers:

Arlington Development Management Limited  
Arlington House  
Arlington Business Park  
Theale  
RG7 4SA

### Valuers:

Knight Frank  
20 Hanover Square  
London  
W1S 1HZ

### Auditors:

PricewaterhouseCoopers LLP  
First Point  
Buckingham Gate  
Gatwick  
RH6 0PP

Registered in England & Wales No: 8624

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

<b>Contents</b>	<b>Pages</b>
Operator's report	1-2
Independent auditors' report	3-4
Gross profit and loss account	5
Group statement of total recognised gains and losses	6
Note of group historical cost profits and losses	6
Reconciliation of movements in partners' funds	6
Group balance sheet	7
Partnership balance sheet	8
Group cash flow statement	9
Notes to the financial statements	10-22
Valuers' report	23-25
Managers and Advisers	26

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## OPERATOR'S REPORT

The operator presents the annual report and the audited financial statements of Arlington Business Parks Partnership and subsidiaries (the "Group") for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The principal activities of the Group are property investment and property management services to freeholders, both in the UK.

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Group continues to show exceptional capital growth, up £151.4m in revaluation terms in 2005. Net rental streams also deliver upward movements being £5m increase on 2004, equating to 11%.

The Partnership is held as follows:

Arlington Business Parks GP Limited 0.003% (2004: 0.003%)  
Arlington LP Limited 3.243% (2004: 3.243%)  
Mourant & Co Trustees Limited 96.754% (2004: 96.754%)

The Operator considers the net current liability position as at 31 December 2005 to be temporary and as a result considers the use of the going concern basis to be appropriate. Included within creditors due within one year is £25m of debt drawn on a £100m revolving credit facility with a term of 364 days. The Partnership has the option to term-out this 364 day facility until 2009 and the intention is to exercise this option in 2006. However, should there be another opportunity to defer the term-out option for an additional year; the Operator recommends deferral to save commitment fees on un-drawn amounts.

### RESULTS

The group profit attributable to the partners for the year amounted to £6.9m (year to 31 December 2004: £2.2m) before distributions of £5.5m (2004: £6.5m).

### STATEMENT OF OPERATOR'S RESPONSIBILITIES

The Partnership Agreement requires the Operator to prepare, or cause to be prepared, accounts of the Partnership in respect of each annual accounting year in accordance with the Partnership Agreement and the Partnerships and the Unlimited Companies (Accounts) Regulations 1993, and subject to approval by the General Partner. Under the Operating Agreement, the Operator is appointed to act as Operator of the Partnership to the exclusion of the General Partner. In preparing those accounts, the Operator is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates which are reasonable and prudent;
- state whether applicable accounting standards, as specified in accordance with the Partnership Agreement, have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The Operator is also responsible for:

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

# **ARLINGTON BUSINESS PARKS PARTNERSHIP**

## **OPERATORS' REPORT (Continued)**

The Operator confirms that it has complied with the above requirements.

**On behalf of the Partners**

**A Overy**

**Signed on behalf of Legal & General Investment Management Limited as Operator to the Arlington  
Business Parks Partnership**

**21 June 2006**

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF ARLINGTON BUSINESS PARKS PARTNERSHIP

We have audited the group and partnership financial statements (the "financial statements") of Arlington Business Parks Partnership for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Partnership Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, Note of Group Historical Cost Profits and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the partners and auditors**

The Operator's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Operator's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the partners as a body in accordance with the Partnership Agreement, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Partnership Agreement. We also report to you if, in our opinion, the Operator's Report is not consistent with the financial statements, if the Partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Operator's Report and the Valuer's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the Operator in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered 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.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## INDEPENDENT AUDITORS' REPORT (Continued)

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group and Partnership's affairs as at 31 December 2005 and of the Group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Partnership Agreement.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Gatwick

**21 June 2006**

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £'m	2004 £'m
Turnover (including share of joint venture)		63.6	56.7
Share of turnover of joint venture		(5.3)	(4.5)
<b>Turnover</b>	1	<b>58.3</b>	<b>52.2</b>
Cost of sales		(11.6)	(10.2)
<b>GROSS PROFIT</b>		<b>46.7</b>	<b>42.0</b>
Administrative expenses		(20.3)	(9.9)
Other operating expenses		(0.7)	(0.7)
<b>GROUP OPERATING PROFIT</b>	2	25.7	31.4
Share of operating profit in Joint Ventures	5	0.6	0.1
<b>TOTAL OPERATING PROFIT: Group and share of Joint Venture</b>		<b>26.3</b>	<b>31.5</b>
Profit on disposal of fixed asset investments		11.2	1.4
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>37.5</b>	<b>32.9</b>
Net interest payable – Group	3	(30.6)	(30.7)
<b>PROFIT ATTRIBUTABLE TO PARTNERS</b>	13	<b>6.9</b>	<b>2.2</b>

All amounts above relate to continuing operations.



## ARLINGTON BUSINESS PARKS PARTNERSHIP

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £'m	2004 £'m
Profit attributable to partners			
– Group		6.3	2.1
– Joint Venture		0.6	0.1
		6.9	2.2
Unrealised surplus on revaluation of land, assets in the course of construction and investment properties	4	153.0	65.3
UITF 28 and other adjustments to investment property valuations	4	(1.6)	1.9
Total recognised gains and losses relating to the financial year		158.3	69.4
Realised		6.9	2.2
Unrealised		151.4	67.2
		158.3	69.4

Of the above total recognised gains and losses £157.7m (2004: £69.3m) relates to the group and £0.6m (2004: £0.1) relates to the Joint Venture.

### NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £'m	2004 £'m
Profit attributable to partners	6.9	2.2
Realisation of property revaluation gains of previous years	2.7	2.8
Historical cost profit attributable to partners	9.6	5.0

### RECONCILIATION OF MOVEMENTS IN GROUP PARTNERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £'m	2004 £'m
Profit attributable to partners	6.9	2.2
Distributions made in the year	(5.5)	(6.5)
	1.4	(4.3)
Unrealised surplus on revaluation of land, assets in the course of construction and investment properties	153.0	65.3
UITF 28 and other adjustments to investment property valuations	(1.6)	1.9
Net addition to group partners' funds	152.8	62.9
Opening group partners' funds	406.4	343.5
Closing group partners' funds	559.2	406.4

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## GROUP BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £'m	2005 £'m	2004 £'m	2004 £'m
<b>FIXED ASSETS</b>					
Tangible assets					
Land	4	121.2		111.8	
Assets in the course of construction	4	48.8		69.8	
Investment properties	4	<u>851.7</u>	1,021.7	<u>707.8</u>	889.4
<b>Investments</b>					
Joint Venture – share of gross assets	5	3.2		4.4	
– share of gross liabilities	5	<u>(1.7)</u>	1.5	<u>(3.5)</u>	0.9
			1,023.2		890.3
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	6	8.2		7.1	
Debtors: amounts falling due after more than one year	6	15.2		11.3	
Cash at bank and in hand		<u>27.2</u>		<u>21.2</u>	
		50.6		39.6	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	7	<u>(66.7)</u>		<u>(75.7)</u>	
<b>NET CURRENT LIABILITIES</b>					
			<u>(16.1)</u>		<u>(36.1)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			1,007.1		854.2
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	7		(447.5)		(446.8)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	8		<u>(0.4)</u>		<u>(1.0)</u>
<b>NET ASSETS</b>					
			<u>559.2</u>		<u>406.4</u>
<b>PARTNERS' FUNDS</b>					
PARTNERS' CAPITAL, LOAN AND CURRENT ACCOUNTS					
	13	346.0		341.9	
REVALUATION RESERVE	14	<u>213.2</u>		<u>64.5</u>	
<b>TOTAL PARTNERS' FUNDS</b>					
			<u>559.2</u>		<u>406.4</u>

The financial statements on pages 5 to 22 were approved by the partners on 21 June 2006 and were signed on their behalf by: Jeff Pulsford

} Arlington Business Parks GP Limited

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## PARTNERSHIP BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £'m	2005 £'m	2004 £'m	2004 £'m
<b>FIXED ASSETS</b>					
<b>Tangible assets</b>					
Land	4	121.2		118.8	
Assets in the course of construction	4	48.8		69.8	
Investment properties	4	<u>851.7</u>	1,021.7	<u>707.8</u>	889.4
<b>Investments</b>					
Subsidiaries	15		–		–
Joint venture	5		<u>–</u>		<u>0.4</u>
			1,021.7		889.8
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	6	7.5		5.6	
Debtors: amounts falling due after more than one year		15.2		11.3	
Cash at bank and in hand		<u>25.8</u>		<u>20.5</u>	
		48.5		37.4	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	<u>(64.6)</u>		<u>(74.5)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(16.1)</u>		<u>37.1</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,005.6		852.7
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	7		(447.5)		(446.8)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	8		<u>(0.4)</u>		<u>(1.0)</u>
<b>NET ASSETS</b>			<u>557.7</u>		<u>404.9</u>
<b>PARTNERS' FUNDS</b>					
PARTNERS' CAPITAL, LOAN AND CURRENT ACCOUNTS	13	344.5		340.4	
REVALUATION RESERVE	14	<u>213.2</u>		<u>64.5</u>	
<b>TOTAL PARTNERS' FUNDS</b>			<u>557.7</u>		<u>404.9</u>

The financial statements on pages 5 to 22 were approved by the partners on 21 June 2006 and were signed on their behalf by: Jeff Pulsford

} Arlington Business Parks GP Limited

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £'m	2004 £'m
<b>Net cash inflow from operating activities</b>	(12i)	32.1	42.4
<b>Returns on investments and servicing of finance</b>	(12ii)	(29.9)	(24.3)
<b>Capital expenditure and financial investment</b>	(12ii)	28.6	(33.4)
<b>Distributions to partners</b>		(5.5)	(6.5)
<b>Net cash inflow/(outflow) before financing</b>		25.3	(21.8)
<b>Net cash inflow from financing</b>			
(Decrease)/increase in borrowings	(12iii)	(19.3)	28.9
<b>Increase in cash</b>	(12iii)	6.0	7.1

### RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN GROUP NET DEBT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £'m	2004 £'m
Increase in cash	(12iii)	6.0	7.1
Cash outflow/(inflow) from decrease/(increase) in Debt		19.3	(28.9)
Movement in net Debt		25.3	(21.8)
Net debt at 1 January 2005	(12iii)	(469.9)	(448.8)
<b>Net debt at 31 December 2005</b>	(12iii)	(444.6)	(469.9)

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 1. ACCOUNTING POLICIES

#### Accounting convention

The financial statements have been prepared in accordance with the Partnership Agreement dated 27 June 2004, applicable UK accounting standards and under the historical cost convention, as modified for the revaluation of land, assets in the course of construction and investment properties.

The principle accounting policies are set out below:

#### New effective accounting standards

The Group has adopted FRS21 'Events after the balance sheet date' and FRS 25 'Financial Instruments' disclosure and presentation' in these financial statements. The adoption of these standards has not resulted in any effect on the current year figures or any change to the comparatives.

#### Consolidation

Investments in park management companies are held on behalf of the Partnership by its General Partner, Arlington Business Parks GP Limited.

The park management companies have "A" and "B" type shares. Arlington Business Parks GP Limited hold all the "A" type shares. The "B" type shares are issued to the freeholders in proportion to the acres of the business park they acquire.

Until "B" shares have been allotted in respect of the whole of the park, the control of the park management company remains with the "A" shares.

Therefore, the results of the park management companies are included in the group results from the time the "A" shares are acquired until the last "B" shares are allotted.

#### Turnover

Turnover, which is stated net of VAT, primarily comprises rents receivable and recharges to tenants.

As prescribed by UITF 28, 'Operating Lease Incentives', the aggregate cost of incentives and rent-free years are allocated on a straight line basis over the shorter of the lease term or the period to the next rent review.

Turnover is derived wholly in the UK.

#### Long term contracts

Where a development contract straddles more than one accounting period, turnover and profit is recognised on the basis of costs incurred as a proportion of total costs to be incurred over the whole contract.

Where amounts billed to-date exceed turnover recognised, the excess is shown as "Payments on Account" in creditors.

Where amounts billed to-date are less than turnover recognised, the deficit is shown as "Amounts recoverable on contracts".

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## 1. ACCOUNTING POLICIES (Continued)

### Interest

Interest payable/receivable is expensed/credited through the profit and loss account on an accruals basis.

### Fixed Assets – investment properties

The investments in property are included in the accounts at open market values determined by an annual independent valuation. In accordance with accounting standard SSAP 19, no depreciation is provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired. The departure from the requirements of the Companies Act 1985 for all tangible assets to be depreciated is, in the opinion of the Operator, necessary for the accounts to give a true and fair view. Depreciation is only one of the factors reflected in the valuations and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

The valuation of properties at open market value is in accordance with the Partnership Agreement. Resulting surpluses and deficits on revaluation are taken to the Unrealised Surplus on Revaluation of Property Account which is not allocated to the individual partners until such time as realised surpluses are distributed according to the terms of the Partnership Agreement.

Deficits on revaluation, where they are considered to be permanent, are taken through the profit and loss account.

### Fixed Assets – Land

Land is included in the accounts at an annually updated independent valuation. Resulting surpluses and deficits on revaluation are taken to the Unrealised Surplus on Revaluation of Property Account which is not allocated to the individual partners until such time as realised surpluses are distributed according to the terms of the Partnership Agreement.

Deficits on revaluation, where they are considered to be permanent, are taken through the profit and loss account.

Other assets are held at cost.

### Fixed Assets – assets in the course of construction

Assets in the course of construction that are capable of being valued externally are included in the accounts at an annually update independent valuation. Resulting surpluses and deficits on revaluation are taken to the Unrealised Surplus on Revaluation of Property Account which is not allocated to the individual partners until such time as realised surpluses are distributed according to the terms of the Partnership Agreement.

Deficits on revaluation, where they are considered to be permanent, are taken through the profit and loss account.

### Fixed assets – investment in joint ventures

The joint venture is equity accounted within the Group's accounts, with the Group's share of net assets and profit for the year recognised in the accounts.

The joint venture is shown at cost less any required provision for impairment within the Partnership accounts.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 1. ACCOUNTING POLICIES (Continued)

#### Hire purchase and leasing

**Lessee** – Where the Partnership enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

**Lessor** – Any amounts due from a lessee under a finance lease are allocated to accounting years so as to give a constant, annual rate of return to the Partnership's net cash investment in the lease, in each year.

The capital amounts of finance lease assets are not discounted.

#### Interest on Partners' Loan and Capital Accounts

No interest is payable in respect of partners' Loan and Capital Accounts.

#### Taxation

The Partnership is not subject to taxation itself. Any Partner liable to taxation on its participation in the Partnership is responsible for settling its taxation liabilities independently of the Partnership.

#### Loan issue costs

Loan issue costs in respect of long term borrowings are carried in the balance sheet against the respective borrowings and written off to the profit and loss account over the term of the related loans.

#### Financial instruments

The partnership makes use of interest rate derivative instruments as part of its policy of interest rate exposure management. Payments and/or receipts under these transactions are recognised through the profit and loss account

#### Deferred income

Deferred income is recognised when rental income is received in advance.

#### Onerous lease provision

Future shortfalls in rental income in respect of rent guarantees given on certain properties have been provided for, reflecting the partners' estimate of likely future liability. This provision is not discounted.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 2. GROUP OPERATING PROFIT

	2005 £'m	2004 £'m
The group operating profit is stated after charging:		
Auditors' remuneration – Audit	0.1	0.1
– Non audit	0.2	0.2

The Group has no employees.

### 3. GROUP NET INTEREST PAYABLE

	2005 £'m	2004 £'m
Interest payable – Bank borrowings and overdrafts	32.2	32.2
Interest receivable – Bank	(0.8)	(0.4)
– Finance lease	(0.8)	(1.1)
<b>Net interest payable</b>	<b>30.6</b>	<b>30.7</b>

### 4. GROUP AND PARTNERSHIP FIXED ASSETS

	At valuation/ Cost  £'m	UITF 28 and other adjustments  £'m	2005 as disclosed per accounts  £'m
<b>Land</b>			
As at 1 January 2005	111.8	–	111.8
Additions in the year	20.6	–	20.6
Transfer to assets in the course of construction	(10.5)	–	(10.5)
Disposals in the year	(17.2)	–	(17.2)
Revaluations in the year	16.5	–	16.5
<b>As at 31 December 2005</b>	<b>121.2</b>	<b>–</b>	<b>121.2</b>

The land carrying value of £121.2m (2004: £111.8m) is comprised of £119.1m (2004: £109.9m) at valuation and £2.1m (2004: £1.9m) at cost.

	At valuation/ Cost  £'m	UITF 28 and other adjustments  £'m	as disclosed per accounts  £'m
<b>Assets in the course of construction</b>			
As at 1 January 2005	69.8	–	69.8
Transfers from land	10.5	–	10.5
Additions in the year	33.6	–	33.6
Transfers to investment properties	(73.0)	–	(73.0)
Disposals in the year	(2.3)	–	(2.3)
Revaluations in the year	10.2	–	10.2
<b>As at 31 December 2005</b>	<b>48.8</b>	<b>–</b>	<b>48.8</b>



## ARLINGTON BUSINESS PARKS PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

#### 4. FIXED ASSETS (Continued)

	At valuation	UITF 28 and other adjustments	As disclosed per accounts
Investment Properties	£'m	£'m	£'m
As at 1 January 2005	714.3	(6.5)	707.8
Transfers from assets in the course of construction	73.0	–	73.0
Additions in the year	0.4	–	0.4
Disposals in the year	(51.5)	–	(51.5)
Surplus on revaluation of investment properties	126.3	–	126.3
UITF 28 and other adjustments	–	(4.3)	(4.3)
<b>As at 31 December 2005</b>	<b><u>862.5</u></b>	<b><u>(10.8)</u></b>	<b><u>851.7</u></b>

The UITF 28 and other adjustments made in the year include £2.7m of contributions to a tenants fit-out costs.

#### **Knight Frank valuation summary:**

	<b>2005</b>
	<b>£'m</b>
Disclosed per valuation letter	<u>1,030.4</u>
Comprising:	
Land (excluding items at cost)	119.1
Assets in the course of construction	48.8
Investment properties	<u>862.5</u>
	<u>1,030.4</u>

The historical cost for land, assets in the course of construction and investment properties held at 31 December 2005 amounted to £104.0m, £20.8m and £683.7m (2004: £102.9m, £57.2m and £671.0m) respectively.

As at 31 December 2005, the Partnership's investment portfolio was externally valued on the basis of open market value by Knight Frank, Chartered Surveyors. Also at 31 December 2005 the Partnership land bank and assets in the course of construction were externally valued on the basis of residual open market values by Knight Frank, Chartered Surveyors. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve.

The revaluations during the year ended 2005 resulted in a revaluation surplus of £153.0m (2004: £65.3m), prior to UITF 28 and other adjustments.

The above assets include long-term leaseholds valued at £51.4m (2004: £45.1m).

The valuers' report is found on pages 238–240.

£800.4m of the investment properties held at year end were pledged as security for borrowings taken in the year from The Royal bank of Scotland and Eurohypo AG.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 5. JOINT VENTURE

Park Business Centres Limited is a property joint venture incorporated in the United Kingdom between the Partnership and Regus Business Centres (UK) Limited. The general partner legally owns 50% of the share capital of Park Business Centres Limited, beneficially for the Partnership.

At 31 December 2005, the Group and Partnerships' share of the net assets of the Park Business Centres Limited and net profits were £1.5m (2004: £0.9m) and £0.6m (2004: £0.1m) respectively. The net asset position excludes loans advanced to the joint venture by the Partnership and the original shareholders.

### 6. DEBTORS

	2005	2004
	£'m	£'m
<b>GROUP</b>		
<b>Amounts falling due within one year:</b>		
Trade debtors	7.1	5.4
Amounts receivable from joint ventures	–	1.0
Other debtors	0.6	0.3
Net investment in finance lease	0.5	0.4
	8.2	7.1
<b>Amounts falling due after more than one year:</b>		
Other debtors	10.8	6.1
Net investment in finance lease	4.4	5.2
	15.2	11.3
<b>Total debtors</b>	<b>23.4</b>	<b>18.4</b>

	2005	2004
	£'m	£'m
<b>PARTNERSHIP</b>		
<b>Amounts falling due within one year</b>		
Trade debtors	6.7	4.9
Other debtors	0.3	0.3
Net investment in finance lease	0.5	0.4
	7.5	5.6
<b>Amounts falling due after more than one year</b>		
Other debtors	10.8	6.1
Net investment in finance lease	4.4	5.2
	15.2	11.3
<b>Total debtors</b>	<b>22.7</b>	<b>16.9</b>

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 7. CREDITORS

<b>GROUP</b>	<b>2005</b>	<b>2004</b>
<b>Amounts falling due within one year</b>	<b>£'m</b>	<b>£'m</b>
Short term element of long term borrowings	24.3	44.3
Trade creditors	0.5	1.5
Other creditors	3.2	2.7
Accruals and deferred income	37.1	27.2
Payments on account	1.6	–
	66.7	75.7
<b>Amounts falling due after more than one year</b>		
Borrowings	447.5	446.8
<b>Total creditors</b>	<b>514.2</b>	<b>522.5</b>
<b>PARTNERSHIP</b>	<b>2005</b>	<b>2004</b>
<b>Amounts falling due within one year</b>	<b>£'m</b>	<b>£'m</b>
Short term element of long term borrowings	24.3	44.3
Trade creditors	0.3	0.3
Other creditors	3.2	2.7
Accruals and deferred income	35.2	27.2
Payments on account	1.6	–
	64.6	74.5
<b>Amounts falling due after more than one year</b>		
Borrowings	447.5	446.8
<b>Total creditors 2004</b>	<b>512.1</b>	<b>521.3</b>

Bank borrowings are repaid in quarterly instalments and bear variable interest at LIBOR plus 0.85%. Of the above borrowings, £475.0m (2004: £485.0m) are secured on certain investment properties.

### 8. PROVISION FOR LIABILITIES AND CHARGES

#### Group and Partnership

The movement of the provision in the year was:

The movement of the provision in the year was:

At 1 January 2005	2005 £'m 1.0
Utilisation of the provision in the year	(0.6)
At 31 December 2005	0.4

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 9. FINANCIAL INSTRUMENTS

The following note sets out the disclosures regarding the Group's position in respect of financial instruments. The Group's financial instruments, other than derivatives, comprise borrowings, some cash and various items such as trade debtors and creditors that arise directly from operations. The Group also enters into derivative transactions to manage the interest rate risks arising from the Group source of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Short-term debtors and creditors have been excluded from the disclosures. All monetary assets and liabilities are denominated in sterling.

#### Liquidity risk profile

	<b>2005</b>	<b>2004</b>
	<b>£'m</b>	<b>£'m</b>
Loans falling due:		
In one year or less and on demand	25.0	45.0
Between one and two years	–	–
Between two and five years	150.0	150.0
Greater than five years	300.0	300.0
	475.0	495.0
Loan issue costs included within borrowings	(3.2)	(3.9)
	471.8	491.1

The Group has undrawn committed bank facilities which expire as follows:

	<b>2005</b>	<b>2004</b>
	<b>£'m</b>	<b>£'m</b>
In one year or less and on demand	75.0	65.0

The Group has undrawn committed bank facilities which expire as follows:

	<b>2005</b>	<b>2004</b>
	<b>£'m</b>	<b>£'m</b>
In one year or less and on demand	75.0	65.0

#### Interest rate risk profile

The Group has entered into a number of Interest Rate Swaps as part of its policy of Interest Rate Exposure management. The swaps have been structured so that the timing of floating interest rate receipts match the floating interest rate payments of the Group debt portfolio thus creating synthetic fixed rate debt.

After taking into account the various interest rate swaps entered into by the Group, the interest rate profile of the Group's financial liabilities was:

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 9. FINANCIAL INSTRUMENTS (Continued)

Financial liabilities	Fixed rate £'m	Floating rate £'m
As at 31 December 2005	471.8	–
As at 31 December 2004	491.1	–

Floating rate borrowings incur interest at LIBOR plus 0.85% per annum.

	Fixed rate liabilities weighted average interest rate %	Fixed rate liabilities weighted average term Years
As at 31 December 2005	5.71	4.15
As at 31 December 2004	5.72	5.15

#### Financial assets

The Group has financial assets of the following:

- Cash and bank balances of £27.2m at floating rates of interest (2004: £21.2m).
- Long-term debtors include net investment in finance lease of £4.4m (2004: £5.2m), at an interest rate of 15% (2004: 15%) and other debtors of £10.8m (2004: £6.1m) that are not interest bearing.

#### Fair values of financial assets and financial liabilities

	Book value 2005 £'m	Fair value 2005 £'m	Book value 2004 £'m	Fair value 2004 £'m
Primary financial instruments held to finance the Group's operations:				
Short-term borrowings	(25.0)	(25.0)	(45.0)	(45.0)
Long-term borrowings	(450.0)	(450.0)	(450.0)	(450.0)
Financial assets	42.4	43.5	32.5	33.3

Derivative financial instruments held to manage the interest rate profile:

Interest rate swaps	–	(22.1)	–	(19.0)
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# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 10. CAPITAL COMMITMENTS

Capital commitments for which no provision has been made in these financial statements amounts to:

	<b>2005</b>	<b>2004</b>
	<b>£'m</b>	<b>£'m</b>
Authorised and contracted	36.0	34.9

### 11. CONTINGENT LIABILITIES

The Group has issued various bank guarantees to third parties totalling £28.4m (2004: £17.8m) in respect of performance bonds. The Operator believes that these contingent liabilities will not crystallise.

### 12. NOTES TO THE GROUP CASHFLOW STATEMENT

#### (i) Reconciliation of group operating profit to net cash inflow from operating activities

	<b>2005</b>	<b>2004</b>
	<b>£'m</b>	<b>£'m</b>
Operating profit	25.7	31.4
(Increase)/Decrease in debtors	(3.4)	11.6
(Increase)/Decrease in creditors	9.8	(0.6)
Net cash inflow from operating activities	32.1	42.4

#### (ii) Gross cash flows

##### Returns on investment and servicing of finance

Interest paid	(31.5)	(25.6)
Interest received	1.6	1.3
	(29.9)	(24.3)

##### Capital expenditure and financial investment

Loan repaid by joint venture	1.0	–
Expenditure on land, assets in the course of construction and investment properties	(54.6)	(76.1)
Proceeds from sale of fixed asset investments	82.2	42.7
	28.6	(33.4)

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### 12. NOTES TO THE GROUP CASHFLOW STATEMENT (Continued)

#### (iii) Analysis of net debt

	At 1 January 2005 £'m	Cashflow 2005 £'m	31 December 2005 £'m
Cash at bank and in hand	21.2	6.0	27.2
Borrowings	(491.1)	19.3	(471.8)
<b>Net debt</b>	<b>(469.9)</b>	<b>25.3</b>	<b>(444.6)</b>

### 13. PARTNERS' CAPITAL, LOAN AND CURRENT ACCOUNTS

<b>Group</b>	<b>Current accounts £'m</b>	<b>Capital accounts £'m</b>	<b>Loan accounts £'m</b>	<b>Total £'m</b>
At 1 January 2005	1.9	12.9	327.1	341.9
Profit for the year	6.9	–	–	6.9
Distributions in the year	(5.5)	–	–	(5.5)
Transfer from revaluation reserve on property sales in the year	2.7	–	–	2.7
At 31 December 2005	6.0	12.9	327.1	346.0
 <b>Partnership</b>	 <b>Current accounts £'m</b>	 <b>Capital accounts £'m</b>	 <b>Loan accounts £'m</b>	 <b>Total £'m</b>
At 1 January 2005	0.4	12.9	327.1	340.4
Profit in the year	6.9	–	–	6.9
Distributions in the year	(5.5)	–	–	(5.5)
Transfer from revaluation reserve on property sales in the year	2.7	–	–	2.7
At 31 December 2005	4.5	12.9	327.1	344.5

### 14. UNREALISED REVALUATION RESERVE

<b>Group and Partnership</b>	<b>£'m</b>
At 1 January 2005	64.5
Net revaluation surplus in the year	153.0
Transfer to Partners' current accounts on property sales in the year	(2.7)
Net UITF 28 and other adjustments to investment property valuations	(1.6)
At 31 December 2005	213.2

## ARLINGTON BUSINESS PARKS PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

#### 15. SUBSIDIARIES

The Partnership's General Partner, Arlington Business Parks GP Limited, holds the following company "A" shares on behalf of the Partnership.

Company	Registered Number	Equity held %	Voting rights %
Arlington Business Park (Reading) Management Limited	2350937	39%	100%
Aztec West Management Limited	2211517	2%	100%
Birmingham Business Park Management Limited	2211400	2%	100%
Bracknell Management Limited	2749061	6%	100%
Comet Park Management Limited	2547419	5%	100%
Coventry Business Park Management Limited	2850418	2%	100%
Farnborough Aerospace Centre Management Limited	2660403	2%	100%
Gloucester Business Park Management Limited	3295447	2%	100%
Hatfield Business Park Management Limited	2728563	1%	100%
Hatfield Aerodrome (Management) Limited	4145262	2%	100%
Manchester Airport Business Park Management Limited	4268500	2%	100%
Montpellier Court (Gloucester) Management Limited	5267416	6%	100%
Oxford Business Park (North) Management Limited	2936211	3%	100%
Oxford Business Park (South) Management Limited	2936217	2%	100%
SBP Management Limited	1916057	1%	83%
Stevenage Management Limited	4807064	3%	100%
Uxbridge Management Limited	4968550	1%	100%

At 31 December 2005 capital and reserves of the above companies amounted to £nil (2004: £nil). The profit before tax for the above companies was £nil (2004: £nil).

#### 16. GENERAL PARTNER

The General partner of the Partnership is Arlington Business Parks GP Limited, a company owned by Arlington Securities Operations Limited and Legal & General Property Limited, whose ultimate parent companies are Arlington Securities Limited and Legal & General Group Plc.

#### 17. RELATED PARTIES

The General Partner has exclusive responsibility for the day to day management of the Partnership business save for powers delegated to the Operator and the Asset and Investment Managers. The General Partner retains responsibility for the execution of documents on behalf of the Partnership.

The Partnership has appointed Legal & General Investment Management Limited to act as Operator with responsibility for activities which would or might constitute a regulated activity as defined in the Financial Services and Markets Act 2000. The Partnership has appointed Arlington Property Adviser Limited and Legal & General Property Limited to act as Asset and Investment Managers.

For their services as Operator, Legal & General Investment Management Limited receives fees of £50,000 per annum plus annual RPI. Under the terms of the Investment Management Agreements the Investment Managers' receive annual fees of 0.12% of the average gross capital value of the investment properties they manage.

Total fees payable by the Partnership to Legal & General group companies was £3.3m (2004: £1.1m) of which an amount of £2.3m (2004: £0.3m) is in relation to performance related fees accrued under the terms of the Partnership Agreement. The total outstanding fees as at 31 December 2005 were £2.3m (2004: £0.2m).



# ARLINGTON BUSINESS PARKS PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

### 17. RELATED PARTIES (Continued)

Under the terms of the Property Adviser Agreement, Arlington Property Adviser Limited receives a fee of 0.5% of the gross asset value of the Partnership. Under the terms of the Development Management agreement Arlington Development Management Limited receives a fee equal to 3% of construction costs.

In addition, Arlington Business Services Limited and Arlington Net Limited have contracts to provide certain facilities management and online services respectively.

Total fees payable by the Partnership to Arlington group companies in respect of the year ended 31 December 2005 were £20.6m (2004: £12.6m) of which an amount of £4.7m (2004: £0.7m) is in relation to performance relates fees accrued under the terms of the Partnership Agreement. The total outstanding fees at 31 December 2005 were £9.9m (2004: £3.9m). Total fees receivable by the Group from Arlington group companies in respect of the year ended 31 December 2005 were £0.5m (2004: £0.4m) relating to management company charges, with no outstanding balances at the year end (£2004: £nil).

### 18. GOING CONCERN

As at the year end, the group had a £16.1m net current liability position. The going concern basis is considered to be appropriate as this is considered to be temporary. Also £75m of undrawn credit facility was available at the year end, available with 2009 at the Group's option.

# ARLINGTON BUSINESS PARKS PARTNERSHIP



The Directors  
Arlington Business Parks GP Limited  
Arlington Business Park  
Theale  
RG7 4SA

1 February 2006

VAL/MFPC/woc

Knight Frank LLP  
20 Hanover Square  
London W1S 1HZ  
+44 (0) 20 7629 8171  
+44 (0) 20 7493 4114 fax  
www.knightfrank.com

Dear Sirs,

## Year End Valuation as at 31<sup>st</sup> December 2005

In accordance with your instructions, we have prepared the following abbreviated form of our Valuation Report. We are instructed, as External Valuers, to provide you with a market valuation of the Standing Investment Portfolio, Work in Progress and Undeveloped Land. The valuation is required for balance sheet purposes.

In our opinion, the Market Valuation of the properties, as at 31<sup>st</sup> December 2005, was in the sum of **£1,030,473,262 (One Billion Thirty Million Four Hundred and Seventy Three Thousand Two Hundred and Sixty Two Pounds)** allocated as follows:

	Freehold £	Leasehold £	Total £
Properties held as Investments	811,210,000	51,370,000	862,580,000
Properties in the course of or committed for development	48,794,000		48,794,000
Development Land	119,099,262		119,099,262
<b>Total</b>	<b>£979,103,262</b>	<b>£51,370,000</b>	<b>1,030,473,262</b>

We confirm that the valuation has been undertaken by us, acting as External Valuers, in accordance with the RICS Appraisal and Valuation Standard (5<sup>th</sup> Edition) issued by the Royal Institution of Chartered Surveyors. The properties have been internally and externally inspected on a rolling programme.

## ARLINGTON BUSINESS PARKS PARTNERSHIP

2



We have not carried out condition surveys on the properties and are unable to report that the properties are free of any structural fault, rot, infestation or defect of any other nature, including inherent weaknesses due to the use in construction of materials now suspect.

No tests were carried out on any of the technical services. We would however comment that all of the properties with the exception of Block 13 Gloucester Business Park have been constructed since 1990 and are therefore of modern specification. It appeared to us in general terms that the properties were being maintained in accordance with the lease terms.

We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the sites are sufficient to support the buildings constructed or to be constructed thereon. We have been provided with environmental reports prepared by Stangers and dated May 2001. In respect of The Quays, Uxbridge we have been provided with an environmental report prepared by Stangers dated February 2002. Unless we have been provided to the contrary, we have assumed, that none of the properties or sites are or likely to be affected by land contamination and that there are no ground conditions which would affect the present or future use of the properties or sites. Should it, however, be established subsequently that contamination exists at any of the properties or sites or any neighbouring land, or that the properties or sites have been or are being put to a contaminated use, this might reduce values now reported.

In accordance with your instructions we have not made formal planning enquiries to the relevant Local Authorities but have relied upon information provided in the Certificates of Title prepared by Messrs Jones Day and on the summary planning information in respect of the properties prepared by Terence O'Rourke plc dated April 2001.

We have been provided with consented planning areas and uses by the Company and costs relating to Section 106 and other associated agreements and confirm that we have relied upon this information in carrying out our valuation.

We assumed there to be good and marketable titles to the properties and we confirm that in carrying out our valuation we have reflected the contents of the Certificates of Title prepared by Messrs Jones Day.

We have been provided with schedules of tenancies prepared by the Company and occupational lease summaries contained in the Certificates of Title. We confirm that we have relied upon this information in carrying out our valuation.

# ARLINGTON BUSINESS PARKS PARTNERSHIP

3



In accordance with our standard practice we must state that the valuation is confidential to the parties to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Robert Gray".

J Robert Gray MRICS  
For and on behalf of  
**Knight Frank LLP**

# ARLINGTON BUSINESS PARKS PARTNERSHIP

## MANAGERS AND ADVISERS

### **General Partner:**

Arlington Business Park GP Limited  
Arlington House  
Arlington Business Park  
Theale  
RG7 4SA

### **Operator:**

Legal & General Investment Management Limited  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8NH

### **Asset Managers:**

Arlington Property Adviser Limited  
Arlington House  
Arlington Business Park  
Theale  
RG7 4SA

Legal & General Investment Management Limited  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8NH

### **Development Managers:**

Arlington Development Management Limited  
Arlington House  
Arlington Business Park  
Theale  
RG7 4SA

### **Valuers:**

Knight Frank  
20 Hanover Square  
London  
W1S 1HZ

### **Auditors:**

PricewaterhouseCoopers LLP  
First Point  
Buckingham Gate  
Gatwick  
RH6 0PP

Registered in England & Wales No: 8624

**APPENDIX B**  
**THE VALUATION REPORT AND SCHEDULE**

## VALUATION REPORT

Epic Opera (Arlington) Limited as Issuer and Initial Lender  
25–26 Windsor Place  
Lower Pembroke Street  
Dublin 2  
Ireland

Eurohypo Aktiengesellschaft London Branch as Facility Agent and Joint Arranger  
90 Long Acre  
London  
WC2E 9RA

HSBC Trustee (C.I.) Limited as Issuer Security Trustee  
One Grenville Square  
St Helier  
Jersey  
JE4 9PF

The Royal Bank of Scotland as Joint Arranger and Joint Lead Manager  
135 Bishopsgate  
London  
EC2M 3UR

Calyon, London Branch as Joint Lead Manager  
Broadwalk House  
5 Appold Street  
London  
EC2A 2DA

Dear Sirs

28 June 2007

### **Portfolio of 52 Properties held within the Arlington Business Park Partnership (the "Properties")**

#### **1. Introduction**

We refer to instructions from Eurohypo London Branch contained in a letter of 19 April 2007, and our subsequent confirmation of instructions of 20 April 2007.

We were instructed to provide valuations as at 31 March 2007. We have reviewed the contents of the current Certificates of Title, dated June 2007, the Building Survey Reports and the Environmental Report which have been provided since 31 March 2007. We have not identified any significant issues and can confirm that there have been no material adverse changes to the portfolio since 31 March 2007 and therefore no overall reduction in the total value of the property portfolio.

We have inspected the 52 freehold properties to provide you with our opinion of their Market Value.

This Valuation Report (including the schedule attached hereto) is for the use only of the following parties:

- (a) the addressees of this Report; and
- (b) any other party involved in the securitisation,

and acknowledge the parties will rely on the report for financing purposes. We also acknowledge that this Valuation Report will be disclosed to the rating agencies, namely Fitch, Moodys and Standard & Poors, who are to allocate investment ratings to the Notes.

## **2. Basis of Valuation**

We confirm that the valuation has been undertaken by us, acting as External Valuers, in accordance with the RICS Appraisal and Valuation Standards (5th Edition) issued by the Royal Institution of Chartered Surveyors. Our valuation has been carried out on the basis of Market Value in accordance with Practice Statement 3.2.

Market Value is defined as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion".

We also confirm that we have valued in accordance with the Listing Rules published by the Financial Services Authority.

The net annual rents for the Properties referred to in the attached schedules are defined in the Listing Rules as:

"the current income or income estimated by the valuer:

- (a) ignoring any special receipts or deductions arising from the properties;
- (b) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (c) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

In addition, we have provided our estimate of the net annual rent of the Properties. The estimated net annual rent is based on the current rental value of the Properties reflecting the terms of the leases where the properties or parts thereof are let at the date of valuation. In respect of vacant accommodation, as at the date of valuation, the rental value reflects the rent we consider would be attainable on a market letting as at that date.

## **3. Inspections**

The Properties have been inspected by Knight Frank LLP in April 2007.

## **4. Taxation and Costs**

No allowance has been made in our valuations for expenses of realisation or for taxation which may arise in the event of a disposal and our valuations are expressed exclusive of any VAT which may become chargeable. However, we have confirmed that the landlord has exercised his option to tax The Properties for VAT purposes.

We have made deductions in our valuations to reflect purchaser's acquisition costs.



**5. Title**

We have been provided with final Certificates of Title prepared by Messrs Jones Day and DLA Piper and confirm that there is nothing contained therein relating to underlying, onerous or unusual restrictions, covenant clauses or easements which materially affect our opinion of value. We understand from these reports that The Properties possess good and marketable titles and are capable of unrestricted transfer to third parties in the open market.

**6. Planning**

Enquiries of the appropriate planning authorities in respect of matters affecting the Properties have been made orally, although information has been given to us on the basis that it should not be relied upon.

In addition to the above enquiries, we have relied upon information contained within the Certificates of Title and made the assumption that the Properties have been constructed in full compliance with valid Town Planning and Building Regulation Approvals, and that where necessary they have the benefit of current Fire Certificates, and are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless the Certificates of Title have revealed to the contrary, we have made a further assumption that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

**7. Condition and Repair of the Properties**

We have not carried out either structural or condition surveys on the Properties and are therefore unable to report that the Properties are free of any structural fault, infestation or defects of any other nature, including inherent weaknesses due to the use and construction of deleterious materials. No tests were carried out on any of the technical services. In the course of our inspections, we took note of the state of repair and condition of each property and had due regard to these factors in arriving at our valuation. We have taken into account the contents of the Building Survey Reports undertaken by Colliers CRE in May 2007 in undertaking our valuations.

**8. Environmental Issues**

We have been provided with copies of the Environmental Reports by BAe Systems Environmental dated May 2007, which we are instructed to rely upon and have taken into account the contents of these reports in undertaking our valuations. We understand that for the purposes of this valuation, none of The Properties are, or are likely to be, affected by land contamination and that there are no ground conditions that would affect future use of The Properties.

**9. Floor Areas**

We have been provided with agreed areas of the buildings by your borrower. These areas have been typically agreed between Arlington Business Parks Partnership and the tenant at first letting or at first review.

Knight Frank have carried out loan valuation reports on a number of properties within the portfolio. In these instances, we have previously verified the accuracy of floor plans by undertaking a number of check measurements on site and have calculated floor areas in accordance with the Code of Measuring Practice (5th Edition) issued by the Royal Institution of Chartered Surveyors. The floor areas calculated by Knight Frank were within an acceptable tolerance, for valuation purposes, of the agreed areas provided to us by the borrower and, as such, are suitable for the purposes of this instruction.

In accordance with our instructions, we have carried out a measured survey of a 10% sample, by floor area, of The Properties. The floor areas calculated by Knight Frank were found to be within a reasonable tolerance of the areas provided by your borrower, which are deemed suitable for the purposes of our valuation. We have commented on the areas and tolerances within the individual reports, however have adopted the areas provided by your borrower for the purposes of our valuations.

#### **10. Tenancy Information**

We have not read copies of the leases or the related documents, but have relied upon the tenancy summaries contained in the Certificates of Title prepared by Messrs Jones Day and DLA Piper for the purposes of our valuation. The summary of tenancy information is enclosed in the attached schedule.

We have not undertaken detailed investigations into the financial strength of the tenants. It has been assumed that the tenants are financially in a position to meet their obligations and there are no arrears or rents or breaches of covenants. However, our valuation reflects the type of tenants actually in occupation, or likely to be in occupation and the market's general perception of their credit worthiness.

#### **11. Valuation**

In our opinion, the current aggregate Market Value of The Properties, as at 31 March 2007 subject to the terms of the existing tenancies, was in the sum of £1,081,190,000 (One Billion, Eighty One Million, One Hundred and Ninety Thousand Pounds). Details of the individual property values are shown on the attached schedule.

#### **12. Disclosure**

Knight Frank LLP are appointed by Arlington Business Parks GP Limited as External Valuers to provide them with quarterly valuations for internal and balance sheet purposes. We confirm that in relation to Knight Frank LLP's preceding financial year, the total fees paid by Arlington Business Parks GP Limited, as a percentage of the total fee income of Knight Frank LLP, was less than 5%.

#### **13. Confidentiality**

This report is issued only and solely for the purposes of this Prospectus. The valuation is for the use only of these parties, and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.

Yours faithfully

Harry M F Morten MRICS

Partner for and on behalf of Knight Frank LLP Chartered Surveyors, 20 Hanover Square, London W1S 1HZ  
Member of the Royal Institute of Chartered Surveyors.

## SCHEDULE TO VALUATION REPORT

Address	Description, Age & Tenure	Terms Of Existing Tenancies	Estimated Current Net Annual Rent Receivable	Estimated Current Net Rental Value	Market Value
Bishops Court, 6200, Birmingham Business Park, Birmingham	<p>The property comprises 5 self-contained, centrally heated, two storey office buildings with car parking at a ratio of 1:24.80 sq.m. (1:267 sq.ft.). The accommodation extends to 6,187.51 sq. m. (66,604 sq.ft.) net.</p> <p>The property is located on the eastern side of the park, which is accessed via the A452 Chester Road. Each building has its own access to Solihull Parkway, via Bishops Court's internal access road.</p> <p>Built 1998.</p> <p>Freehold.</p>	<p>Building 6210 is let to Wesleyan Assurance Society for a term of 16 years from 5<sup>th</sup> June 2000. The contracted rent is £208,462 per annum.</p> <p>Building 6220 is let to Hitachi Data Systems Ltd on a 10 year term from 24<sup>th</sup> December 1999 at a contracted rent of £86,436 per annum.</p> <p>Building 6230 is let to Norwest Holst Limited for a term of 5 years from 20<sup>th</sup> May 2003.</p> <p>Part of the ground floor of Building 6240 is let to Flakt Woods Ltd for a term of 5 years from 15<sup>th</sup> July 2002 at a contracted rent of £40,443 per annum.</p> <p>The remaining ground floor of Building 6240 is let to Guerbet Laboratories Ltd for a term of 9 years from 10<sup>th</sup> December 2003 at a</p>	£1,205,635	£1,280,400	£18,610,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
		contracted rent of £33,340 per annum.			
		The first floor of Building 6240 is let to The First Secretary Of State for a term of 10 years from 15 <sup>th</sup> September 2006 at a contracted rent of £81,179. The floor is currently subject to a rent free period. The contracted rent commences on 15 <sup>th</sup> June 2007. There is additionally a break option on 15 <sup>th</sup> September 2011, but if this is not exercised, an additional 3 month rent free period is provided.			
		Building 6250 is let to RWD Technologies UK Ltd on a 5 year term from 31 <sup>st</sup> March 2005 at a contracted rent of £66,827 per annum.			
		Building 6260 is let to ISS Facility Services Ltd on a 15 year term from 13 <sup>th</sup> November 2002 at a contracted rent of £116,103 per annum. There is a break option on 13 November 2007 to be exercised on 6 months prior notice.			
		Building 6270 is let to Arkema Ltd on a 10 year term from 28 <sup>th</sup> August 2002 at a contracted rent of £158,560 per annum. There is a break option on 28 <sup>th</sup> August 2007 which has been exercised by the tenant.			
		Building 6280 is let to Hewlett Packard Ltd on			

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
		<p>a 5 year term from 4<sup>th</sup> September 2006 at a contracted rent of £150,384 per annum. There is a break option on 4<sup>th</sup> September 2008, which if not exercised, an additional four months rent free period is granted.</p> <p>Building 6290 is let to Anglo Beef Processors Ltd on a 16 year term from 26<sup>th</sup> October 1998 at a contracted rent of £184,965 per annum.</p> <p>The leases have been drawn on fully repairing and insuring terms and are subject to 5 yearly, upward only rent reviews, with the exception of Building 6240 which has one yearly rent review pattern rising by RPI.</p>			
Knights Court, 6100, Birmingham Business Park, Birmingham	<p>The property comprises two self-contained, centrally heated, two storey office buildings, with car parking at a ratio of 1:7.74 sq.m. (1:83 sq.ft.). the accommodation extends to some 1,980.90 sq.m. (21,323 sq.ft.) net.</p> <p>The property is located on the eastern side of Birmingham Business Park, which is accessed via the A452 Chester Road. Each building has its own access to Solihull Parkway, the park's main distributor road.</p>	<p>Building 6170 is let to Club La Costa (UK) Plc on a 5 year term from 18<sup>th</sup> November 2005 at a contracted rent of £69,420 per annum. There is a tenant's break option on 18<sup>th</sup> November 2008, which if not exercised allows for a further rent free period from 19<sup>th</sup> November 2008 to 18<sup>th</sup> February 2009.</p> <p>The ground floor of Building 6180 is let to Morgan Lovell Plc for a term of 3 years from 12 April 2004 at a contracted rent of £71,400 per annum. The tenant will be vacating at lease expiry.</p> <p>The first floor of Building 6180 is let to Right</p>	£417,291	£415,800	£6,150,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	Built 2000. Freehold.	Management Ltd on a 10 year term from 12 <sup>th</sup> April 2002 at a contracted rent of £73,281 per annum. There is a rent review in the fifth year, being 12 <sup>th</sup> April 2007.  Building 6190 is let to Talis Information Ltd on a 10 year term from 9 <sup>th</sup> July 2004 at a contracted rent of £203,190 per annum. There is a rent review at the fifth year with the next being on 9 <sup>th</sup> July 2009.  All the leases have been drawn on full repairing and insuring terms.			
Trident Court (2920,2940,2960), Birmingham Business Park, Birmingham	The property comprises 3 self-contained, air conditioned, office buildings, two of two storeys, and one of three storeys, with car parking at a ratio of 1:16.91 sq.m. (1:182 sq.ft.). The accommodation extends to some 5,923 sq.m. (63,761 sq.ft) net.  The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. Each building has its own access to Solihull Parkway, the Park's main distributor road.	All three buildings are let to the Secretary of State for the Environment, Transport and the Regions for terms of 16 years and 6 months from 30 <sup>th</sup> November 1999.  The current rents payable are £513,200, £298,350 and £431,800 per annum, for buildings 2920, 2940 and 2960 respectively.  All the leases have been drawn on fully repairing and insuring terms and are subject to five yearly upward only rent reviews, the next falling on 30 <sup>th</sup> November 2009.	£1,243,350	£1,243,350	£23,050,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	Built 1999.  Freehold.				
Building 4020, Birmingham Business Park, Birmingham	The property comprises a self-contained two storey, air conditioned, office building, with car parking at a ratio of 1:19.04 sq.m. (1:205 sq.ft.). The accommodation extends to some 1,445 sq.m. (15,554 sq.ft.) net.	The property is let in its entirety to Softlab Limited for a term of 16 years from 22 <sup>nd</sup> October 2003.	£311,080	£311,080	£5,030,000
	The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.	The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the next falling on 22 <sup>nd</sup> October 2011.  There is a tenant's break option on 22 <sup>nd</sup> October 2011.			
	Built 2003.  Freehold.				
Building 4040, Birmingham Business Park, Birmingham	The property comprises a self-contained three storey, air conditioned, office building, with car parking at a ratio of 1:20.81	The property is let in its entirety to IMI Kynoch Limited for a term of 18 years from 25 <sup>th</sup> December 2002.  The lease has been drawn on fully repairing	£538,780	£538,780	£9,700,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>sq.m. (1:224 sq.ft.). The accommodation extends to some 2,503 sq.m. (26,939 sq.ft) net.</p> <p>The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.</p> <p>Built 2003.</p> <p>Freehold.</p>	<p>and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 25<sup>th</sup> December 2007.</p>			
Building 4060, Birmingham Business Park, Birmingham	<p>The property comprises a self-contained three storey, air conditioned, office building, with car parking at a ratio of 1:19.14 sq.m. (1:206 sq.ft.). The accommodation extends to some 3,311 sq.m. (35,643 sq.ft) net.</p> <p>The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which</p>	<p>The property is let in its entirety to Hutchinson 3G UK Limited for a term of years from 10<sup>th</sup> April 2002 to 31<sup>st</sup> December 2021.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 10<sup>th</sup> April 2007.</p>	£695,038	£695,038	£11,430,000



<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.	There is a tenant's break option with effect from 10 <sup>th</sup> April 2012 on 12 months notice and subject to 48 weeks rent option penalty fee.			
	Built 2002.	The whole of the building has been sub-let to Ericsson Ltd on a 7 year lease from 12 <sup>th</sup> December 2005 at a rent of £695,038 per annum, subject to rent review on 10 <sup>th</sup> April 2007 and 2012. Landlord's option to break on 10 <sup>th</sup> April 2012 on 11 months notice.			
	Freehold.				
Building 4520, Birmingham Business Park, Birmingham	The property comprises a self-contained three storey, air conditioned, office building, with car parking at a ratio of 1:19.82 sq.m. (1:213 sq.ft.). The accommodation extends to some 5,569.63 sq.m. (59,953 sq.ft) net.	The property is let in its entirety to Orange Personal Communications Services Limited (guaranteed by Orange PLC) for a term of 20 years from 16 <sup>th</sup> October 2002.	£1,199,060	£1,199,060	£22,020,000
	The property is located towards the centre of Birmingham Business Park, close to the Park's sole entrance from the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.	The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 16 <sup>th</sup> October 2007.			
		There is a tenant's break option on 16 <sup>th</sup> October 2018 on 12 months and one days written notice.			

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	Built 2002.  Freehold.				
2510 The Quadrant, Aztec West Business Park, Bristol	The property comprises a self-contained, two storey, air conditioned, office building with car parking at a ratio of 1:17.56 sq.m. (1:189 sq.ft.). The accommodation extends to some 965.16 sq.m (10,389 sq.ft.) net.  The property is located on an unnamed road serving the north east corner of the Aztec West Business Park, which is accessed from Park Avenue forming the spine road through Aztec West.	The property is let in its entirety to Kingston Communications (Hull) Plc for a term of 10 years from 16 <sup>th</sup> October 2000. The lease has been drawn on full repairing and insuring terms and is subject to five yearly upward only rent reviews with the next being on 16 <sup>th</sup> October 2010.  There is a tenant's break option on 16 <sup>th</sup> October 2015 on 12 months and one day notice.	£202,585	£202,585	£3,520,000
	Built 2000.  Freehold.				
2520 The Quadrant, Aztec West Business Park, Bristol	The property comprises a self-contained, two storey, air conditioned, office building with car parking at a ratio of 1:17.19 sq.m. (1:185 sq.ft.). The accommodation extends to some 1,373.93 sq.m (14,789 sq.ft.) net.	The property is let in its entirety to Icera Inc for a term of 10 years from 21 <sup>st</sup> February 2005. The lease has been drawn on fully repairing and insuring terms and is subject to 5 yearly upward only reviews, with the next being on 21 <sup>st</sup> February 2010.	£299,436	£299,436	£5,100,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>The property is located on an unnamed road serving the north east corner of the Aztec West Business Park, which is accessed from Park Avenue forming the spine road through Aztec West.</p> <p>Built 2000.</p> <p>Freehold.</p>				
2530 The Quadrant, Aztec West Business Park, Bristol	<p>The property comprises a self-contained, two storey, air conditioned, office building with car parking at a ratio of 1:17.84 sq.m. (1:192 sq.ft.). The accommodation extends to some 2,068.93 sq.m (22,270 sq.ft.) net.</p> <p>The property is located on an unnamed road serving the north east corner of the Aztec West Business Park, which is accessed from Park Avenue forming the spine road through Aztec West.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Allianz Cornhill Insurance Plc for a term of 15 years from 25<sup>th</sup> December 2001. The lease has been drawn on fully repairing and insuring terms and is subject to 5 yearly, upward only rent reviews with the next being on 25<sup>th</sup> December 2006.</p>	£456,535	£456,535	£8,150,000
2540 The Quadrant, Aztec	<p>The property comprises a self-</p>	<p>The property is let in its entirety to Telewest</p>	£293,650	£293,650	£5,290,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
West Business Park, Bristol	<p>contained, two storey, air conditioned, office building with car parking at a ratio of 1:18 sq.m. (1:189 sq.ft.). The accommodation extends to some 1,367.43 sq.m (14,719 sq.ft.) net.</p> <p>The property is located on an unnamed road serving the north east corner of the Aztec West Business Park, which is accessed from Park Avenue forming the spine road through Aztec West.</p> <p>Built 2001.</p> <p>Freehold.</p>	<p>Communications Group Ltd for a term of 20 years from 24<sup>th</sup> June 2001.</p> <p>The lease has been drawn on fully repairing and insuring terms subject to 5 yearly upward only rent reviews with the next rent review due on 24<sup>th</sup> June 2011.</p> <p>There is a tenant's break option on 20<sup>th</sup> July 2017.</p> <p>The property has been sub-let since 18<sup>th</sup> November 2005 to Allianz Cornhill, but the sub-tenant has exercised its break option.</p>			
2 Central Quay, Glasgow	<p>The property comprises a self-contained four storey air conditioned, office building with car parking at a ratio of 1:27.87 sq.m. (1:300 sq.ft.). The accommodation extends to some 7,363.64 sq.m. (79,263 sq.ft.) net.</p> <p>The property is located to the west of the Central Quay site, providing frontage to Hydepark Street. The remaining development land lies immediately to the east, which will</p>	<p>The property is let to four tenants.</p> <p>Part of the ground floor is let to TD Waterhouse Investor Services Ltd on a 15 year lease from 14<sup>th</sup> July 2003 at a contracted rent of £149,481 per annum. There is a tenant's break option on 14 July 2013.</p>	£1,330,809	£1,330,809	£22,270,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	comprise an office development and a luxury hotel which have recently been given planning consent.  Built 2003.  Feuhold.	<p>The first floor and part ground floor is let to Certified Accountants Educational Trustees Ltd on a 15 year lease from 2<sup>nd</sup> December 2004 at a contracted rent of £518,865 per annum. There is a break option on 2<sup>nd</sup> December 2014. The lease is guaranteed by the Association Of Certified Accountants.</p> <p>The second floor is let to GE International on a 15 year lease from 2<sup>nd</sup> July 2002 at a contracted rent of £332,488 per annum. There is a break option on 2<sup>nd</sup> July 2012.</p> <p>The third floor is let to The Scottish Ministers on a 15 year lease from 9<sup>th</sup> October 2002 at a contracted rent of £329,975 per annum. There is a break option on 9<sup>th</sup> October 2012.</p> <p>All the leases have been drawn on fully repairing and insuring terms and are subject to five yearly upward only rent reviews.</p>			
Apollo Court, 2 Bishops Square, Hatfield Business Park, Hatfield	The property comprises a self-contained, four storey, air conditioned, office building with car parking at a ratio of 1:16.63 sq.m. (1:179 sq.ft.). The accommodation extends to some 4,753.9 sq.m. (51,172 sq.ft.) net.	<p>The property is let to three tenants.</p> <p>The ground, first and part second is let to The Environment Agency on a 19 year and 9 month term from 21<sup>st</sup> February 1997, thus expiring on 27<sup>th</sup> November 2016 at a contracted rent of £584,000 per annum.</p>	£943,500	£891,250	£15,100,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>The property is located towards the front of the original entrance to Hatfield Business Park, accessed from the junction of St Albans Road West and Comet Way. The property is situated in the middle of Bishops Square, in close proximity to the Galleria Factory Outlet Centre.</p> <p>Built 1992.</p> <p>Freehold.</p>	<p>Part of the second floor is let to Henkel Ltd on a 13 year and 6 month term from 4<sup>th</sup> June 1999, thus expiring on 4<sup>th</sup> December 2012 at a contracted rent of £102,000 per annum.</p> <p>The third floor is let to Henkel Ltd on a 15 year term from 5<sup>th</sup> December 1997 at a contracted rent of £257,500 per annum.</p> <p>The leases have been drawn on fully repairing and insuring terms and are subject to five yearly, upward only rent reviews.</p>			
Building 1, Hatfield Business Park, Hatfield	<p>The property forms part of a prominent headquarters office facility, and provides air conditioned accommodation with a net internal area of 7,216.26 sq.m. (77,647 sq.ft.) arranged over ground and three upper floors. Car parking is provided at a ratio of 1:30.45 sq.m. (1:328 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the northern end of a crescent of six buildings known as the</p>	<p>The property is let to T-Mobile (UK) Limited and T-Mobile International AG for a term of 20 years from 28<sup>th</sup> February 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 28<sup>st</sup> February 2007.</p>	£1,514,117	£1,514,117	£27,960,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>"Communique".</p> <p>Built 2001.</p> <p>Freehold.</p>				
Building 2, Hatfield Business Park, Hatfield	<p>The property forms part of a prominent headquarters office facility, and provides air conditioned accommodation with a net internal area of 6,561.34 sq.m. (70,628 sq.ft.) arranged over ground and three upper floors. Car parking is provided at a ratio of 1:30.38 sq.m. (1:327 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the north eastern corner of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let to T-Mobile (UK) Limited and T-Mobile International AG for a term of 20 years from 22<sup>nd</sup> March 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 22<sup>nd</sup> March 2007.</p>	£1,377,246	£1,377,246	£25,430,000
Buildings 3 & 4, Hatfield Business Park, Hatfield	<p>The property comprises two interlinked office buildings,</p>	<p>The property is let to T-Mobile Limited and T-Mobile International AG for a term of 20</p>	£3,457,601	£3,100,188	£59,200,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>providing the focus of a prominent headquarters facility, with a net internal area of 14,448.09 sq.m. (155,518 sq.ft.). The buildings are arranged over ground and three upper floors and are connected by a glazed, two storey, link block. The link block, which extends to 644 sq.m. (6,932 sq.ft), houses the reception area.</p> <p>Car parking is provided at a ratio of 1:29.67 sq.m. (1:319 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the centre of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>years from 28<sup>th</sup> June 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 28<sup>th</sup> June 2007.</p>			
Building 5, Hatfield Business Park, Hatfield	The property forms part of a prominent headquarters office facility, and provides air conditioned accommodation with a net internal	The property is let to T-Mobile (UK) Limited and T-Mobile International AG for a term of 20 years from 11 <sup>th</sup> October 2002.	£1,564,251	£1,564,251	£28,370,000



<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>area of 7,452.50 sq.m. (80,218 sq.ft.) arranged over ground and three upper floors. There is a glazed link to Building 6 at ground floor level. Car parking is provided at a ratio of 1:34.47 sq.m. (1:371 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the south eastern corner of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 11<sup>th</sup> October 2007.</p>			
Building 6, Hatfield Business Park, Hatfield	<p>The property forms part of a prominent headquarters office facility, and provides air conditioned accommodation with a net internal area of 7,462.90 sq.m. (80,330 sq.ft.) arranged over ground and three upper floors. There is a glazed link to Building 5 at ground floor level. Car parking is provided at a ratio of 1:34.56 sq.m. (1:372 sq.ft.).</p>	<p>The property is let to T-Mobile (UK) Limited and T-Mobile International AG for a term of 20 years from 3<sup>rd</sup> October 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 3<sup>rd</sup> October 2007.</p>	£1,566,435	£1,566,435	£28,400,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the southern end of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p> <p>Freehold.</p>				
Building 1500, Manchester Business Park, Manchester	<p>The property comprises a self-contained, three storey, air conditioned, office building with car parking at a ratio of 1:17.12 sq.m. (1:184 sq.ft.). The accommodation extends to some 3,577.30 sq.m. (38,507 sq.ft.) net.</p> <p>The property is located on the eastern perimeter of Manchester Business Park at the end of Aviator Way, which serves as the main estate road for the park, and leading directly to Ringway Road West, which in turn links to Junction 5 of the M56.</p>	<p>The property is let in its entirety to Hutchison 3G UK Ltd for a term of 19 years and 9 months from 6<sup>th</sup> March 2002 and thus expiring on 31<sup>st</sup> December 2021.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews with the next falling on 1<sup>st</sup> January 2007.</p> <p>The property is sub-let to Ericsson Ltd for a seven year term from 12<sup>th</sup> December 2005 at £744,471 per annum, subject to rent review on 1<sup>st</sup> January 2007 and 2012.</p>	£744,471	£725,000	£12,640,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	Built 2001.  Leasehold – a term of 999 years from 1 <sup>st</sup> January 1996 at a peppercorn rent. Freehold held by the Council of the City of Manchester.				
Spires House, Building 5700, Oxford Business Park, Oxford	The property comprises a self-contained, air conditioned office building set in two wings, one over two storey and one over three storeys, linked by a common entrance. The property has car parking at a ratio of 1:20 sq.m. (1:215 sq.ft.) and the accommodation extends to some 4,785.64 sq.m. (51,514 sq.ft.) net.  The property is located on the western side of Oxford Business Park and is accessed directly off John Smith Drive, forming the main service road of the Estate.	The larger wing of the property is let to British Telecommunications Plc for a term of 16 years from 23 <sup>rd</sup> July 2006.  The lease has been drawn on fully repairing and insuring terms and is subject to five yearly, upward only rent reviews with the next falling on 23 <sup>rd</sup> July 2006.  The smaller wing of the property is currently vacant.	£663,430	£954,355	£15,000,000
	Built 2001.  Freehold.				
Nash Court, Buildings 4200,	The property comprises seven	Building 4200 is let to Personal Performance	£747,736	£867,386	£14,340,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
4220, 4240, 4300, 4400, 4420 & 4440, Oxford Business Park, Oxford	<p>detached, self-contained, centrally heated, two storey office buildings with car parking at a ratio of 1:16.7 sq.m. (1:180 sq.ft.). The accommodation extends to some 4,210.70 sq.m. (45,326 sq.ft.) net.</p> <p>The property is located towards the western side of Oxford Business Park and is accessed directly off John Smith Drive which forms part of the main service road of the Estate.</p> <p>Built 1997.</p> <p>Freehold.</p>	<p>Consultants UK Ltd on a 16 year term from 25<sup>th</sup> March 1998 at a contracted rent of £140,676.</p> <p>Building 4220 is let the partnership of Marks &amp; Clerk for a term of 16 years from 29<sup>th</sup> September 1997 at a contracted rent of £93,250 per annum.</p> <p>Building 4240 is let to CSW Informatics Ltd for a term of 15 years from 30<sup>th</sup> March 2000 at a contracted rent of £110,960 per annum.</p> <p>Building 4300 is let to the British Potato Council for a term of 16 years from 25<sup>th</sup> December 1997 at a contracted rent of £168,850 per annum.</p> <p>Building 4400 is let to The First Secretary of State for a term of 16 years from 4<sup>th</sup> February 1998 at a contracted rent of £141,000 per annum.</p> <p>Building 4420 is let to Barlow Lyde &amp; Gilbert for a term of 16 years from 29<sup>th</sup> September 1997 at a contracted rent of £93,000 per annum.</p>			

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
		<p>All of the above leases have been drawn on fully repairing and insuring terms and are subject to 5 yearly upward only rent reviews.</p> <p>Building 4440 is currently vacant.</p>			
The Quorum, Buildings 7200, 7400 & 7600, Oxford Business Park, Oxford	<p>The property comprises three self-contained, centrally heated, two storey office buildings, with car parking at a ratio of 1:20 sq.m. (1:216 sq.ft.). The accommodation extends to some 2,808.84 sq.m. (30,235 sq.ft.) net.</p> <p>The property is located on the north western side of Oxford Business Park and is accessed directly of Alec Issigonis Way, forming part of the main service road within the Estate.</p> <p>Built in 1994.</p> <p>Freehold.</p>	<p>Building 7200 is let to Regus UK Ltd on a 15 year term from 25<sup>th</sup> March 1996 at a contracted rent of £212,454 per annum.</p> <p>Part ground floor and part first floor is let to Cancer Research UK on two 15 year terms from 7<sup>th</sup> October 1996 at contracted rents of £34,500 and £31,250 for the ground and first floors, respectively, per annum.</p> <p>The part ground floor is let to NNN Ltd for a term of 10 years from 2<sup>nd</sup> October 2003 at a contracted rent of £27,380 per annum. There is a tenant's break option on 2<sup>nd</sup> October 2009.</p> <p>The remaining part of the first floor of building 7400 is vacant.</p> <p>Part of the ground floor of Building 7600 is let to Charles Russell on a 6 year term from 6<sup>th</sup> June 2005 at a contracted rent of £43,129 per annum. There is a tenant's break option on 6<sup>th</sup> June 2008 with a break penalty of £20,000.</p> <p>The remaining part of the ground floor of</p>	£463,722	£589,308	£8,590,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
		<p>Building 7600 is let to Maccaferri Ltd on a 10 year term from 24 June 2006 at a contracted rent of £80,475 per annum.</p> <p>Part of the first floor of Building 7600 is let to Arlington Business Park Services Ltd for a term of 3 years from 22<sup>nd</sup> October 2004 at a contracted rent of £24,534 per annum.</p> <p>The remaining part of the first floor of Building 7600 is vacant.</p> <p>All of the above leases have been drawn on fully repairing and insuring terms and are subject to 5 yearly, upward only rent reviews, with the exception of the Charles Russell and Arlington Business Services Ltd leases which have a rent review at the third year and no rent review, respectively.</p>			
Kingsgate, Buildings 4610, 4620, 4630, 4640 & 4650, Oxford Business Park, Oxford	The property comprises five buildings, built in pairs and providing two storey, centrally heated offices (with the exception of Building 4650 which is air conditioned). There is car parking at a ratio of 1:21 sq.m. (1:224 sq.ft.) and the accommodation extends to some 4,227.04 sq.m. (45,501 sq.ft.) net.	<p>Building 4610 is let to Genzyme Ltd on a 16 year lease from 17<sup>th</sup> April 2001 at a contracted rent of £117,000 per annum.</p> <p>Building 4620 is let to Genzyme Ltd on a 16 year lease from 5<sup>th</sup> February 2001 at a contracted rent of £216,000 per annum.</p> <p>Building 4630 is let to the National Care Standards Commission on a 15 year lease from 29<sup>th</sup> June 2001 at a contracted rent of</p>	£830,868	£951,521	£16,100,000

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	Built 2001. Freehold.	<p>£165,825 per annum.</p> <p>Building 4640 is let to Arma Ltd on a 16 year lease from 5<sup>th</sup> February 2001 at a contracted rent of £93,697 per annum.</p> <p>Part of the ground floor of Building 4650 is let to TI Group Automotive Systems (UK) Ltd on a term of 13 years and 2 months from 13<sup>th</sup> April 2004, thus expiring on 24<sup>th</sup> June 2017 at a contracted rent of £63,920 per annum.</p> <p>The first floor of Building 4650 is let to TI Group Automotive Systems (UK) Ltd on a term of 16 years from 25<sup>th</sup> June 2001 at a contracted rent of £174,426 per annum.</p> <p>All of the above leases have been drawn on fully repairing and insuring terms and are subject to 5 yearly, upward only rent reviews.</p> <p>The remaining part of the ground floor of Building 4650 is vacant.</p>			
Building 5000, Oxford Business Park, Oxford	The property comprises a self-contained, three storey, air conditioned, office building with car parking at a ratio of 1:17 sq.m. (1:183 sq.ft.). The accommodation extends to some 2,886 sq.m. (31,064 sq.ft.) net.	The property is let in its entirety to Henmans LLP on a 15 year term from 20 <sup>th</sup> December 2006 at a contracted rent of £678,000 per annum.	£0	£678,000	£11,800,000

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	<p>The property is located on the southern side of Oxford Business Park. The property is accessed directly off John Smith Drive, which links with Garsington Road, leading to the main entrance to the Estate.</p> <p>Built 1998.</p> <p>Freehold.</p>	<p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly, upward only rent reviews with the next falling on 20<sup>th</sup> December 2011.</p> <p>The property is currently subject to a rent free period. The contracted rent commences on 20<sup>th</sup> September 2008.</p>			
Buildings 5510, Oxford Business Park, Oxford	<p>The property comprises 2,430.08 sq.m. (26,158 sq.ft.) net of air conditioned office accommodation over ground and two upper floors. Car parking is provided at a ratio of 1:21.13 sq.m. (1:227 sq.ft.).</p> <p>The property is located to the south west of the main entrance to the Park, and is accessed directly from John Smith Drive. This forms the main service road for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the Business Park.</p> <p>Built 2002.</p>	<p>The property is let in its entirety to the Secretary of State for Health, for a term of 15 years from 2<sup>nd</sup> May 2002.</p> <p>The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the next falling on 2<sup>nd</sup> May 2007.</p>	£557,914	£557,914	£10,550,000



<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	Freehold.				
Buildings 5520, Oxford Business Park, Oxford	<p>The property comprises a three storey office building totaling 3,348 sq.m. (36,035 sq.ft.) net. Car parking is provided at a ratio of 1:21.46 sq.m. (1:231 sq.ft.).</p> <p>The property is located to the south west of the main entrance to the Park, and is accessed directly from John Smith Drive. This forms the main service road for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the Business Park.</p>	<p>The 1<sup>st</sup> and 2<sup>nd</sup> floors of the building are let to Buildbase Limited, for a term of 16 years from 15<sup>th</sup> July 2002.</p> <p>The tenant is responsible for the repair of the demised premises. The landlord's cost of external repairs and insurance are recoverable by means of a service charge. The lease is subject to five yearly upwards only rent reviews, the first falling on 15<sup>th</sup> July 2007.</p> <p>The ground floor of the building is let to The Secretary Of State For Communities &amp; Local Government, for a term of 15 years from 14<sup>th</sup> July 2006.</p>	£522,450	£786,330	£13,980,000
	Built 2002.				
	Freehold.	<p>The tenant is responsible for the repair of the demised premises. The landlord's costs of external repairs and insurance are recoverable by means of a service charge. The lease is subject to 5 yearly upwards only rent reviews, the first falling on 14<sup>th</sup> July 2011.</p> <p>There is a personal tenant's break option on 14<sup>th</sup> July 2011 on 12 months prior notice.</p> <p>There is currently a rent free period until 14<sup>th</sup> January 2008, when the rent commences at</p>			

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
		£263,888 per annum.			
Building 6000, Oxford Business Park, Oxford	<p>The property comprises an air-conditioned office building, together with a research and development/workshop facility. The office accommodation extends to some 2,088.49 sq.m. (22,481 sq.ft.) net, and the workshop provides for a further 875 sq.m. (9,422 sq.ft.). Car parking is provided at a ratio of 1:18.02 sq.m. (1:194 sq.ft.).</p> <p>The property is located to the north west of the main entrance to the Park, and is accessed from Alec Issigonis Way. This forms one of the main service roads for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the Business Park.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Harley Davidson Europe Limited, for a term of 15 years from 31<sup>st</sup> March 2002.</p> <p>The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 18<sup>th</sup> March 2007.</p>	£516,987	£525,000	£9,020,000
Building 6500, Oxford Business Park, Oxford	The property comprises a self contained, single storey warehouse of steel portal frame construction with two storeys of offices located	The property is let in its entirety to Arvinmeritor AET Ltd for a term of 18 years from 15 <sup>th</sup> May 1998 at a contracted rent of £125,000 per annum.	£125,000	£108,500	£1,620,000

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	<p>within. There is car parking provided at a ratio of 1:37.31 sq.m. (1:402 sq.ft.). The accommodation extends to some 134.33 sq.m. (14,460 sq.ft.) gross.</p> <p>The property is located to the rear of the Oxford Business Park in the north west corner and the property is accessed directly off Alec Issigonis Way, which links with Garsington Road, providing access to the main entrance to the Estate.</p> <p>Built 1998.</p> <p>Freehold.</p>	<p>The lease has been drawn on fully repairing and insuring terms and is subject to 5 yearly upward only reviews, the next falling on 15<sup>th</sup> March 2008.</p> <p>There is a tenant's break option on 15<sup>th</sup> May 2008 which has been exercised, with 6 months break penalty.</p> <p>The property is sub-let to Koninklijke Nedscharoen Holding NV at £107,727 per annum and they wish to extend their lease until 2014.</p>			
Building 8000, Oxford Business Park, Oxford	<p>The property comprises a self-contained, two storey, air conditioned, office building. The accommodation extends to some 2,056.25 sq.m. (22,134 sq.ft.) net.</p> <p>Built 2003.</p> <p>Freehold.</p>	<p>The property is let in its entirety to AC Nielsen for a term of 10 years from 18<sup>th</sup> March 2005 at a contracted rent of £486,948 per annum.</p> <p>There is a break option on 18<sup>th</sup> March 2010 on 12 months prior notice and payment of £121,737.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to 5 yearly, upward only rent reviews, the next falling on 18<sup>th</sup> March 2010.</p>	£486,948	£486,948	£7,870,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
Building 8050, Oxford Business Park, Oxford	<p>The property comprises a self-contained, two storey, air conditioned office building with car parking at a ratio of 1:21 sq.m. (1:226 sq.ft.). The accommodation extends to some 1,325.1 sq.m. (14,263 sq.ft.) net.</p> <p>The property is located on the northern side of Oxford Business Park and is accessed directly off Alec Issigonis Way which links with Garsington Road, the principal road on the Estate.</p> <p>Built 2003.</p> <p>Freehold.</p>	<p>The property is let in its entirety Electrocomponents Plc for a term of 15 years from 28<sup>th</sup> September 2006</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to 5 yearly, upward only rent reviews, the next falling on 28<sup>th</sup> September 2011.</p> <p>There is a break option on 28<sup>th</sup> September 2016.</p>	£307,802	£307,802	£5,600,000
Building 8100, Oxford Business Park, Oxford	<p>The property comprises a self-contained, two storey, air conditioned office building with car parking at a ratio of 1:26 sq.m. (1:276 sq.ft.). The accommodation extends to some 1,564.7 sq.m. (16,842 sq.ft.) net.</p> <p>The property is located on the northern side of Oxford Business Park and is accessed directly off Alec Issigonis Way which links with</p>	<p>The property is let in its entirety to Blackwells Publishing Ltd for a term of 20 years from 7 March 2005.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to 5 yearly, upward only rent reviews, the first falling on 7<sup>th</sup> March 2010.</p> <p>There is a tenant's break option on 7<sup>th</sup> March 2021 on 6 months notice.</p>	£362,103	£361,103	£6,710,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	Garsington Road leading to the main entrance to the Estate.  Built 2005.  Freehold.				
Building 9400, Oxford Business Park, Oxford	The property comprises a self-contained, three storey, air conditioned, office building with car parking at a ratio of 1:26 sq. m. (1:277 sq. ft.). The accommodation extends to some 3,303.6 sq.m. (35,562 sq.ft.) net.  The property is located towards the northern part of Oxford Business Park and is accessed directly off Alec Issigonis Way which links with Garsington Road, leading to the main access to the Estate.  Built 2005.  Freehold.	The property is let in its entirety to Drakedown Ltd (Manches LLP) for a term of 26 years and 3 months from 28 <sup>th</sup> November 2003, thus expiring on 10 <sup>th</sup> February 2030 at a contracted rent of £773,473 per annum.  The lease has been drawn on fully repairing and insuring terms and is subject to five yearly, upward only reviews, the first falling on 31 January 2010.  There is a tenant's option to break on 31 <sup>st</sup> January 2020, upon 6 months prior written notice.	£773,473	£773,473	£14,340,000
Buildings 9600, Oxford Business Park, Oxford	The property comprises a self contained, air conditioned, office building over ground and two upper floors, with a full height central atrium, totaling 5,815 sq.m. (62,592 sq.ft.) net. Car parking is provided at	The property is let in its entirety to Blackwell Publishing Limited, for a term of 25 years from 19 <sup>th</sup> August 2002.  The lease is drawn on fully repairing and insuring terms and is subject to five yearly	£1,233,062	£1,233,062	£22,860,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>a ratio of 1:21.70 sq.m. (1:234 sq.ft.).</p> <p>The property is located to the north west of the main entrance to the Park, and is accessed from Alec Issigonis Way. This forms one of the main service roads for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the Business Park.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>upward only rent reviews the first falling on 19<sup>th</sup> August 2008.</p> <p>There is a tenant's option to determine on 19<sup>th</sup> August 2018.</p>			
Building 2700, Oxford Business Park, Oxford	<p>The property comprises a self-contained, three storey, air conditioned, office building with car parking at a ratio of 1:26 sq.m. (1:285 sq.ft.). The accommodation extends to some 8,114 sq.m. (87,341 sq.ft.) net.</p> <p>The property is located on the southern side of Oxford Business Park and is accessed via an unnamed estate road directly off John Smith Drive which further links with Garsington Road, leading to the</p>	<p>The property is let in its entirety to Oxfam on a 20 year term from 24<sup>th</sup> March 2005.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only reviews, the first falling on 24<sup>th</sup> March 2010.</p>	£1,685,446	£1,685,446	£32,860,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	main entrance to the Estate.  Built 2005.  Freehold.				
Building 1210, Arlington Business Park, Reading	The property comprises a three storey, air conditioned office building with a net internal area of 3,437.39 sq.m. (37,001 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:207 sq.ft.).  The property forms the western end of a series of four buildings known as Parkview, which have good visibility from the A4. They are located to the east of the Park entrance, and are accessed from the main estate road.  Built 1996.  Freehold.	The property is let in its entirety to Regus (UK) Limited for a term of 25 years from 14 <sup>th</sup> January 1998.  The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the next falling on 14 <sup>th</sup> January 2008.  There is a tenant's break option on 14 <sup>th</sup> January 2014, with 12 months prior notice.	£909,200	£909,200	£16,070,000
Building 1220, Arlington Business Park, Reading	The property comprises a three storey, air conditioned office building with a net internal area of 2,835.31 sq.m. (30,520 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:205 sq.ft.).	The ground, 1 <sup>st</sup> and 2 <sup>nd</sup> floors of the building are let to Wolseley Plc on three leases expiring 29 <sup>th</sup> April 2014 at a total contracted rent of £842,266 per annum.  The leases are drawn on internal repairing terms. The landlord recovers the cost of repair	£842,266	£814,149	£14,780,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>The property represents the second in a series of four buildings known as Parkview, which have good visibility from the A4, are located to the east of the Park entrance, and are accessed from the main estate road.</p> <p>Built 1996.</p> <p>Freehold.</p>	<p>to the common parts and insurance by means of a service charge. The rents are subject to upward only rent reviews on 29<sup>th</sup> October 2011 in respect of the ground floor and 19<sup>th</sup> October 2011 in respect of the 1<sup>st</sup> and 2<sup>nd</sup> floors.</p>			
Building 1230, Arlington Business Park, Reading	<p>The property comprises a three storey, high quality office building with a net internal area of 2,286.27 sq.m. (24,610 sq.ft.). Car parking is provided at a ratio of 1:20 sq.m. (1:211 sq.ft.).</p> <p>The property represents the third building in a series of four buildings known as Parkview, which have good visibility from the A4. They are located to the east of the Park entrance, and are accessed from the main estate road.</p> <p>Built 1996.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Wolseley Plc for a term of 16 years from 30<sup>th</sup> April 1998. The lease was assigned from Danka (UK) Plc.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, with the next falling on 28<sup>th</sup> April 2008.</p>	£590,572	£600,000	£10,800,000



<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
Building 1240, Arlington Business Park, Reading	<p>The property comprises a three storey, air conditioned office building with a net internal area of 2,991.75 sq.m. (32,204 sq.ft.). Car parking is provided at a ratio of 1:19.7 sq.m. (1:212 sq.ft.).</p> <p>The property represents the fourth building in a series of four buildings known as Parkview, which have good visibility from the A4. They are located to the east of the Park entrance, and are accessed from the main estate road.</p> <p>Built 1996.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Vodafone Limited for a term of 16 years from 14<sup>th</sup> June 2000<sup>4</sup>.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the next falling on 14<sup>th</sup> June 2010.</p>	£861,861	£840,000	£15,560,000
Building 1310, Arlington Business Park, Reading	<p>The property comprises a three storey, air conditioned office building with a net internal area of 4,032.70 sq.m. (43,409 sq.ft.). Car parking is provided at a ratio of 1:18.5 sq.m. (1:199 sq.ft.).</p> <p>The property is one of a trio of buildings known as Waterside. They</p>	<p>The ground and 1<sup>st</sup> floors of the building are let to Clearswift Ltd for 7 years from 7<sup>th</sup> August 2002 at a rent of £828,130 per annum.</p> <p>The 2<sup>nd</sup> floor is let to Nvidia UK Ltd and Nvidia International Inc. for a term of 10 years from 25<sup>th</sup> September 2003, at a rent of £412,026 per annum, subject to review, the next falling on 12<sup>th</sup> December 2010.</p>	£1,240,156	£1,135,000	£17,590,000

4

This lease has now been assigned to Electronic Data Systems Limited.

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	are located at the eastern end of the Park, and are accessed via an estate road running along the northern end of the lake.  Built 2000.  Freehold.	There is a tenant's break option on 25 <sup>th</sup> September 2008.			
Building 1320, Arlington Business Park, Reading	The property comprises a three storey, air conditioned office building with a net internal area of 1,741.97 sq.m. (18,751 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:206 sq.ft.).  The property is the middle building of a trio of buildings known as Waterside. They are located at the eastern end of the Park, and are accessed via an estate road running along the northern end of the lake.  Built 2000.  Freehold.	The property is let to E. Piphany (UK) Limited, for a term of 16 years from 29 <sup>th</sup> January 2001.  The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the next falling on 29 <sup>th</sup> January 2011.	£553,154.50	£490,000	£9,460,000
Building 1330, Arlington Business Park, Reading	The property comprises a three storey, air conditioned office building with a net internal area of 3,559.09 sq.m. (38,311 sq.ft.). Car	The property is let to Vodafone Limited, for a term of 16 years from 1 <sup>st</sup> March 2001.  The lease is drawn on fully repairing and insuring terms and is subject to five yearly	£1,111,019	£1,000,000	£19,500,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>parking is provided at a ratio of 1:19 sq.m. (1:205 sq.ft.).</p> <p>The property is one of a trio of buildings known as Waterside. They are located at the eastern end of the Park, and are accessed via an estate road running along the northern end of the lake.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>upward only rent reviews, the next falling on 1<sup>st</sup> March 2011.</p>			
Hays Building, Brunel Road, Arlington Business Park, Theale, Reading	<p>The property comprises a single storey, self-contained, cold storage distribution warehouse, with a detached two storey centrally heated office building and further detached single storey, centrally heated, vehicle workshop. The warehouse has a minimum eaves height of 6.9m (22ft 8in) and is served by 23 dock level loading doors. The concrete yard has a separate car parking area with 85 spaces. The accommodation extends to some 37,706.02 sq.m. (405,878 sq.ft.) net.</p> <p>The property is located at the eastern end of Brunel Road on the south western boundary of the Arlington</p>	<p>The entire property is let to Kuehne &amp; Nagel for a term of 10 years from 31<sup>st</sup> October 2003.</p> <p>The lease has been drawn on fully repairing and insuring terms, subject to a schedule of condition, dated September 2003. The lease is subject to a rent review dated 31 October 2008.</p> <p>The tenant has a rolling option to break, on 6 months prior written notice if the tenant's contract has expired, although this has been extended to 29 November 2008.</p>	£700,000	£750,000	£12,260,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>Business Park. The property is accessed from the A4, which connects directly with Junction 11 of the M4 motorway.</p> <p>Built 1984.</p> <p>Freehold.</p>				
Reading International Business Park, Reading	<p>The property comprises a self-contained, air conditioned office building configured as 6 "wings" connected together by full height glazed atrium "street" which runs along the entire front of the building. In addition, there is a listed farmhouse, a purpose-built single storey crèche building and a further single storey circular amenity building. There is car parking at a ratio of 1:28 sq.m. (1:297 sq.ft.) and the accommodation extends to some 37,706.02 sq.m. (405,878 sq.ft.) net.</p> <p>The property is located just off the A33 trunk road immediately to the north of Junction 11 of the M4 motorway on the southern outskirts of Reading.</p> <p>Built 2005.</p>	<p>Phase 1 of the property is let to Verizon UK Ltd on 2 co-terminus leases for terms of 20 years from 2<sup>nd</sup> October 2000.</p> <p>Phase 2 of the property is let to Verizon UK Ltd on 2 co-terminus leases for terms of 20 years from 1<sup>st</sup> October 2001 and a third lease for a term of 20 years from 23<sup>rd</sup> October 2000.</p> <p>The crèche is let to Jigsaw Day Nurseries Ltd for a term of 25 years from 6<sup>th</sup> September 2000.</p> <p>The leases have been drawn on fully repairing and insuring terms and are subject to 5 yearly, upward only rent reviews with the rent reviews for Verizon UK Ltd remaining outstanding from 23 October 2005, but having been settled at nil increase, but yet to be documented.</p>	£10,459,907	£9,975,930	£186,000,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	Freehold.				
Buildings 3000A and 3000B, Solent Business Park, Southampton	<p>The property comprises two, self-contained air conditioned headquarters office buildings, with net internal areas of 3,852.19 sq.m. (41,466 sq.ft.) and 5,435.20 sq.m. (58,506 sq.ft.) respectively. Car parking is provided at a ratio of 1:16.72 sq.m. (1:180 sq.ft.).</p> <p>The property is located in the north east corner of the Park, south of the Whitely Retail Village and opposite the recently constructed NATS buildings. The Solent Centre and the Forum Development are to the south.</p> <p>Built 1997.</p> <p>Freehold.</p>	<p>The buildings are let to Zurich Insurance Co. on two separate leases, for terms of 20 years from 5<sup>th</sup> September 1997.</p> <p>The leases are drawn on fully repairing and insuring terms, and are subject to five yearly upwards only rent reviews, the next falling on 4<sup>th</sup> September 2012.</p> <p>The current rents payable are £742,500 and £1,056,750 per annum, for Building 3000A and 3000B respectively.</p> <p>Subject to certain conditions, the tenant may determine the leases at the end of the 15<sup>th</sup> year of the term, upon giving not less than 13 months notice.</p>	£1,799,250	£1,799,250	£29,220,000
Building 1450, Solent Village, Solent Business Park, Southampton	<p>The property comprises a self-contained, three storey, air conditioned office building with car parking at a ratio of 1:17 sq.m. (1:185 sq.ft.). The accommodation extends to some 1,649.07 sq.m. (17,751 sq.ft.) net.</p>	<p>The property is let in its entirety to Matchtech Group Plc for a term of 16 years from 12<sup>th</sup> March 2001.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the next falling on</p>	£285,000	£285,000	£4,300,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>The property is located in the southern most part of Solent Business Park, opposite the Forum buildings. The property is set back from Parkway, opposite the Solent Village Green.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>12<sup>th</sup> March 2011.</p> <p>There was a tenant's break option on 11<sup>th</sup> March 2009, but this is no longer valid as it was personal to the former lessee.</p>			
Building 1460, Solent Village, Solent Business Park, Southampton	<p>The property comprises a self-contained, three storey, air conditioned office building with car parking at a ratio of 1:17 sq.m. (1:181 sq.ft.). The accommodation extends to some 1,653.01 sq.m. (17,857 sq.ft.) net.</p> <p>The property is located in the southern most part of Solent Business Park, opposite the Forum buildings. The property is set back from Parkway, opposite the Solent Village Green.</p> <p>Built 1998.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Cunningham Lindsey UK for a term of 20 years from 26<sup>th</sup> January 1999.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upwards only rent reviews, with the next falling on 26<sup>th</sup> January 2009, although there is a stepped rent increase on 26<sup>th</sup> January 2008 to £300,000 per annum.</p> <p>There is a tenant's option to break on 26<sup>th</sup> January 2014.</p>	£295,250	£300,000	£4,650,000
Building 1490, Solent	<p>The property comprises a self-</p>	<p>The property is let in its entirety to Volvo</p>	£104,310	£104,310	£1,560,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
Village, Solent Business Park, Southampton	<p>contained, two storey, centrally heated office building with car parking at a ratio of 1:17 sq.m. (1:183 sq ft). The accommodation extends to some 510.23 sq.m. (5,490 sq.ft.) net.</p> <p>The property is located in the southernmost part of Solent Business Park, opposite the Forum buildings. The property is set back from Parkway, opposite Solent Village Green.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>Event Management UK Ltd for a term of 3 years from 1<sup>st</sup> January 2007.</p> <p>The lease has been drawn on fully repairing and insuring terms but with no rent reviews.</p>			
Buildings 1,2,3, 4000, Parkway, Solent Business Park, Southampton	<p>The property comprises three air conditioned inter-communicating headquarters office buildings situated in their own landscaped grounds. The buildings inter-connect at each floor, although they are capable of being occupied and serviced individually.</p> <p>The buildings provide a total of 12,134.04 sq.m. (130,614 sq.ft.) net internal area of accommodation over ground and two upper floors. Car parking is provided at a ratio of 1:25.26 sq.m. (1:272 sq.ft.).</p>	<p>The buildings are let to NATS (En Route) Plc for a term of 20 years from 10<sup>th</sup> November 2003.</p> <p>The leases are drawn on fully repairing and insuring terms, and are subject to five yearly upwards only rent reviews, the next falling on 28<sup>th</sup> November 2008.</p> <p>The contracted rents are as follows</p> <p>Building 1      £756,080</p> <p>Building 2      £848,107</p>	£2,226,343	£2,401,500	£45,160,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>The property is located in the north east corner of the Park, at the end of Parkway. Access to the site is provided by a service road which has an electronically controlled barrier system in place.</p> <p>Built 2003.</p> <p>Freehold.</p>	<p>Building 3      £622,156</p>			
Buildings 4 & 5, 4000, Parkway, Solent Business Park, Southampton	<p>The property comprises two air conditioned, inter communicating headquarters office buildings situated in their own landscaped grounds. The buildings interconnect at each floor, although they are capable of being occupied and serviced individually. The buildings provide a total of 12,118.90 sq.m. (130,451 sq.ft.) net internal area of accommodation over ground and two upper floors. Car parking is provided at a ratio of 1:25.26 sq.m. (1:272 sq.ft.).</p> <p>The property is located in the north east corner of the park, at the end of the parkway. Access to the site is provided by a service road which</p>	<p>The buildings are let to NATS (En Route) Plc for a term of 18 years from 24<sup>th</sup> October 2005, but expiring on 9<sup>th</sup> November 2023, co-terminus with Buildings 1, 2 &amp; 3.</p> <p>The leases are drawn on fully repairing and insuring terms, and are subject to 5 yearly, upward only reviews, the next falling on 24<sup>th</sup> October 2010.</p> <p>The contracted rents are as follows:</p> <p>Building 4      £1,078,758</p> <p>Building 5      £1,272,876</p>	£2,351,634	£2,400,000	£45,020,000



<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	has an electronically controlled barrier system in place.  Built in 2005.  Freehold.				
The Quays, Oxford Road, Uxbridge	The property comprises a self-contained, 4 storey, air conditioned office building with car parking at a ratio of 1:28 sq.m. (1:303 sq.ft.). The accommodation extends to some 8,060.2 sq.m. (86,759 sq.ft.) net.  The property is located on the north side of Oxford Road, adjoining the Grand Union Canal, also at the junction of Sanderson Road, which leads to Uxbridge Business Park to the north.  Built 1991.  Freehold.	The property is let in its entirety to Parexel International Ltd for a term of 20 years from 17 <sup>th</sup> May 2002.  The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 17 <sup>th</sup> May 2007.	£2,109,670	£2,109,670	£39,600,000
Building 1, Uxbridge Business Park, Uxbridge	The property comprises a self-contained, 3 storey, air conditioned office building with car parking at a ratio of 1:36 sq.m. (1:387 sq.ft.). The accommodation extends to some 8,011.2 sq.m. (86,232 sq.ft.) net.	The property is let in its entirety to Amgen Ltd for a term 16 years from 7 <sup>th</sup> December 2005.  The lease has been drawn on fully repairing and insuring terms and is subject to 5 yearly upward only rent reviews, the first falling on	£0	£2,470,220	£47,000,000

<u>Address</u>	<u>Description, Age &amp; Tenure</u>	<u>Terms Of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Rental Value</u>	<u>Market Value</u>
	<p>The property is located on the south side of Uxbridge Business Park, at the northern end of Sanderson Road, which leads to Oxford Road. The Grand Union Canal runs along the western elevation.</p> <p>Built 2005.</p> <p>Freehold.</p>	<p>7<sup>th</sup> December 2010.</p> <p>There is a tenant's break option with effect from 25<sup>th</sup> December 2015, with a break penalty of 12 months rent.</p> <p>The property is currently subject to a rent free period. The contracted rent of £2,470,220 per annum commences on 7<sup>th</sup> June 2007.</p>			
Building 2, Uxbridge Business Park, Uxbridge	<p>The property comprises a self-contained, 3 storey, air conditioned office building with car parking at a ratio of 1:35 sq.m. (1:379 sq.ft.). The accommodation extends to some 5,912.5 sq.m. (63,643 sq.ft.) net.</p> <p>The property is located on the south side of Uxbridge Business Park, at the northern end of Sanderson Road, which leads to Oxford Road. The Grand Union Canal runs along the western elevation.</p> <p>Built 2005.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Bristol Myers Squibb Pharmaceuticals Ltd for a term 15 years from 7<sup>th</sup> March 2005.</p> <p>The is drawn on fully repairing and insuring terms and is subject to 5 yearly upward only rent reviews, the first falling on 7<sup>th</sup> March 2010.</p> <p>There is a tenant's option to break on 24<sup>th</sup> March 2015.</p>	£1,664,171	£1,721,625	£34,000,000

## INDEX OF DEFINED TERMS

£.....	3	Class of Notes.....	143
ABPP.....	61	Clearing Systems.....	144
Acceleration Date.....	89	Clearstream, Luxembourg.....	3, 144
Acceleration Notice.....	161	Closing Date.....	1, 142
Accountholder.....	144	Common Depository.....	144
Act.....	172	Conditions.....	143
Adjusted Available Issuer Income.....	118	Controlling Class Representative.....	135, 152
Administration Period.....	103, 105, 107	Controlling Party.....	134, 152
Agency Agreement.....	124, 142	Corporate Services Agreement.....	124
Agent Bank.....	11, 142	Corporate Services Provider.....	12
Allocated Debt Amount.....	100	Counterparty Requisite Ratings.....	89
Amounts recoverable on contracts.....	9	Couponholders.....	142
Appraisal Reduction.....	119	Coupons.....	145
Arlington Securities.....	61	Covenants Act.....	32
Authorised Entity.....	124	Credit Agreement.....	7
Available Issuer Income.....	118	CSA Account.....	89
Bank Account Agreement.....	123	Deferred Interest.....	157
Banks.....	137	Definitive Notes.....	145
Basic Terms Modification.....	165	Deposit Account.....	87
Borrower.....	10, 48	Deposited Amounts.....	87
Borrower Account Bank.....	12	Development.....	98
Borrower Beneficiary Undertaking.....	104	Disposal Proceeds.....	103, 105, 107
Borrower Group Security Document.....	108	Disposal Proceeds Account.....	88
Borrower Property Trust.....	103	Drawdown Date.....	18
Borrower Property Trust Deed.....	102	EC Insolvency Regulation.....	42
Borrower Security Trustee.....	11	Eligible Investments.....	120
Borrower Trust Property.....	102	English Partnership Debenture.....	7, 14, 109
Borrowing Group.....	11	English Property Trustee 1.....	10, 54
Borrowing Group Accounts.....	86	English Property Trustee 2.....	10, 55
Borrowing Group Security.....	108	English Property Trustees.....	10
Business Day.....	154	English SPC Debenture.....	8, 15, 110
Business Park Property.....	80	English Unit Trustee Debenture.....	8, 15, 110
Calculation Date.....	131	Enterprise Act.....	40
Centre of Main Interests.....	91	ERV.....	17
Certification.....	144	Eurohypo.....	38, 129
Class A Notes.....	1, 142	Exchange Date.....	144
Class B Deferred Interest.....	157	Existing Loan.....	7
Class B Notes.....	1, 142	Extension Refusal.....	119
Class C Deferred Interest.....	157	Extraordinary Resolution.....	165
Class C Notes.....	1, 142	Facility Agent.....	11
Class D Deferred Interest.....	157	Final Maturity Date.....	1, 157
Class D Notes.....	1, 142	Finance Documents.....	85
Class E Deferred Interest.....	157	Finance Parties.....	12
Class E Notes.....	1, 142	Financial Guarantee.....	170
Class F Deferred Interest.....	157	Financial Regulatory in Ireland.....	1
Class F Notes.....	1, 142	financial statements.....	3

Fitch .....	1, 168	Jersey Bank Account Security	
Foreign Obligors .....	41	Agreements .....	8, 111
Framework .....	40	Jersey Property Trustee 1.....	10, 56
FRI Leases.....	17	Jersey Property Trustee 2.....	10, 57
FSMA.....	19, 176	Jersey Property Trustees .....	10
Further Notes .....	170	Jersey Property Unit Trusts .....	8
General Account .....	86	Jersey Share Security Agreements.....	111
General Partner .....	10, 51	Jersey Unit Security Agreements.....	111
Glasgow Beneficiary Undertaking.....	108	Joint Arrangers.....	1
Glasgow Property Trust .....	107	JPUT Properties .....	16
Glasgow Property Trust Deed.....	106	Knight Frank.....	17
Glasgow Trust Property .....	106	Lead Managers.....	1, 175
Glasgow Trust Property Obligations.....	107	Lease Code.....	34
Glasgow Unit Trust.....	60	Lease Document .....	87
Glasgow Unit Trust Trustee.....	10, 60	Lenders .....	12
Global Note .....	144	LIBOR .....	1
Global Notes .....	3	Limited Partners.....	10
Group .....	1	Liquidation Fee.....	133
Guarantee .....	13	Liquidity Bank.....	12
Guarantors.....	13	Liquidity Downgrade Event .....	119
Holdco.....	11, 52	Liquidity Drawings.....	118
holder of Notes.....	144	Liquidity Facility .....	118
Income Deficiency .....	118	Liquidity Facility Agreement .....	21, 118
Income Deficiency Drawing .....	118	Liquidity Facility Commitment.....	118
Initial Excess Amount.....	88	Liquidity Loan .....	118
Initial Investment Adviser.....	18	Liquidity Requisite Ratings .....	120
Initial Lender.....	7	Liquidity Stand-by Account .....	119
Initial Operator .....	19	Liquidity Stand-by Drawing.....	119
Initial Property Adviser.....	18	Liquidity Subordinated Amounts .....	120
Initial Valuation .....	19	Loan A .....	7
Initial Valuation Date.....	19	Loan Arrangers .....	12
Insolvency Act .....	33	Loan B .....	7
Insurance Policies .....	35	Loan C .....	7
Interest Cover.....	114	Loan D .....	7
Interest Determination Date.....	153	Loan E.....	7
Interest Payment.....	153	Loan F.....	7
Interest Payment Date .....	1, 153	Loan Hedge Counterparties .....	12
Interest Period .....	153	Loan Hedging Arrangement .....	16
Irish Paying Agent .....	11, 142	Loan Interest Payment Date.....	13
Irish Stock Exchange .....	1	Loan Interest Period.....	13
Issuer .....	1, 10	Loan Maturity Date.....	13
Issuer Account Bank .....	12	Loan Security.....	8
Issuer Charged Property.....	146, 148	Loan to Value .....	114
Issuer Deed of Charge.....	121, 142	Loans.....	7
Issuer Principal Account .....	124	Margin.....	22
Issuer Revenue Account.....	124	Master Definitions Schedule.....	125, 143
Issuer Secured Creditors .....	121, 147	Moody's .....	1, 168
Issuer Security.....	122, 146	Most Senior Class of Notes .....	143
Issuer Security Trustee.....	11, 143	NatWest .....	137
Issuer Share Capital Account.....	124	New Notes .....	171

New Operator.....	19	Regulation S.....	1
Note Event of Default .....	161	relevant date.....	161
Note Trust Deed.....	121, 142	Rent Account.....	86
Note Trustee.....	11, 142	Replacement Notes .....	170
Noteholders .....	142, 144	Reserve Account.....	87
Notes .....	1, 142	Revised Excess Amount .....	88
Obligors.....	2	S&P.....	1, 168
Occupational Leases .....	17	Scottish Assignment of Collateral	
Park .....	77	Warranties.....	29, 112
Partnership Agreement.....	10	Scottish Assignment of Rent .....	111
Partnership Properties .....	16	Scottish Beneficiaries Assignment .....	112
Partnerships Act.....	48	Scottish Property.....	16
Paying Agents .....	11, 142	Scottish Standard Security .....	15, 111
Payment Day .....	160	Screen Rate .....	154
Payments on Account .....	9	Securities Act.....	1, 175
Permanent Global Note.....	3, 144	Service Charge Account.....	87
Post-Enforcement Priority of Payments....	127	Servicer .....	12
pounds .....	3	Servicing Agreement .....	129
pounds sterling .....	3	Servicing Fee .....	133
Pre-Enforcement Principal Priority of		Servicing Standard.....	129
Payments .....	126	Servicing Termination Event.....	134
Pre-Enforcement Revenue Priority of		Share Trust Deed .....	12
Payments .....	125	Share Trustee .....	12
Principal Amount Outstanding.....	152	small companies.....	42
Principal Paying Agent .....	11, 142	Special Servicer .....	12
Priority Amounts.....	125	Special Servicing Event.....	130
Priority of Payments.....	127	Special Servicing Fee .....	133
Projected Costs Report.....	88	Special Servicing Priority of Payments .....	81
Properties .....	16	Stabilising Manager .....	4
Property Protection Drawing .....	118	sterling .....	3
Property Protection Loan .....	90	Stock Exchange .....	155
Property Trustees .....	10	Sub G1 .....	10, 58
Prospectus .....	1	Subco .....	11, 53
Prospectus Directive .....	1	Subordinated Creditors .....	112
Rate of Interest.....	153	Subordinated Debt .....	112
Rating Agencies .....	1, 168	Subordination Deed .....	112
Rating Event.....	90	Subscription Agreement .....	175
RBS .....	38, 137	Talons .....	145
RBSG .....	137	TEFRA D Rules.....	175
Reading Beneficiary Undertaking.....	106	Temporary Global Note.....	3, 144
Reading Property.....	16	Transaction Documents .....	143
Reading Property Trust.....	105	Trust Property Obligations .....	103, 105
Reading Property Trust Deed.....	104	UNCITRAL Regulations .....	42
Reading Property Trust Deed.....	7	Underlying Documents.....	102, 104, 106
Reading Trust Property .....	104	Unit Trust Trustees .....	2, 10
Reading Unit Trust.....	59	Valuation Report.....	34
Reading Unit Trust Trustee.....	10, 59	Valuer .....	19
Reference Banks .....	154	Workout Fee .....	134

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