

PICTS plc

(incorporated with limited liability in England and Wales with registration number 5235857)

£153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039

Picts plc (the **Issuer**) will issue the £153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039 (the **Notes**) on 1st October 2004 (or such later date as the Issuer may agree with the Arranger and the Manager (each as defined below)) (the **Closing Date**).

The Issuer has applied to the Irish Stock Exchange Limited (the **Irish Stock Exchange**) for the Notes to be admitted to the Official List of the Irish Stock Exchange. A copy of this Offering Circular, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with requirements of the European Communities (Stock Exchange) Regulations, 1984 (as amended) of Ireland (the **Regulations**), has been delivered to the Registrar of Companies in Ireland in accordance with the Regulations.

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

<u>Initial Principal Amount</u>	<u>Interest Rate per annum</u>	<u>Anticipated Ratings</u>	
		<u>S&P</u>	<u>Fitch</u>
£153,166,000.....	5.218%	AA	AA+

Interest on the Notes will be payable quarterly in arrear in pounds sterling on the 20th day of October, January, April and July in each year or if any such day is a non-Business Day on the next Business Day unless such day falls in the following calendar month, in which case it will be payable on the immediately preceding Business Day (each, a **Note Interest Payment Date**) at the rate per annum specified above. The first Note Interest Payment Date will be 20th January 2005.

The Notes will be subject to mandatory scheduled redemption in full in accordance with an amortisation schedule. Unless previously redeemed in full the Notes will mature on the Note Interest Payment Date falling in January 2039 (the **Final Maturity Date**).

If any withholding or deduction for or on account of tax is applicable to the Notes, payment of interest on, and principal and premium (if any) 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.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and are subject to U.S. tax law requirements. 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.

The Notes will initially be represented on issue by a temporary global note in bearer form (the **Temporary Global Note**), without interest coupons attached, which will be deposited on or about the Closing Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**), and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note**), without interest coupons or principal receipts attached, on or after the date which is expected to be 11th November 2004 upon customary certification as to non-U.S. beneficial ownership. Ownership interests in the Temporary Global Note and the Permanent Global Note (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. The Permanent Global Note will be exchangeable for definitive Notes in bearer form only in certain limited circumstances as set forth therein.

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

Arranger



Manager

UBS Investment Bank

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 HBOS TREASURY SERVICES PLC (THE **ARRANGER**), THE MANAGER, THE ANNUITY PROVIDER, THE BORROWER SECURITY TRUSTEE, THE ISSUER SECURITY TRUSTEE, THE NOTE TRUSTEE, THE BORROWER, ANY PARTNER, ANY PARENT, THE TENANT, THE TENANT GUARANTOR, THE CORPORATE SERVICES PROVIDER, THE SHARE TRUSTEE, THE PAYING AGENTS, OR THE ACCOUNT BANKS OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THEM.

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

The Borrower accepts responsibility for the information set out under the title “Valuation Report” and the Borrower and the Partners (together the **Obligors**) accept responsibility for the information set out under the titles “The Borrower” and “Description of the Property, the Lease, the Tenant and the Tenant Guarantor” contained in this Offering Circular. To the best of the knowledge and belief of the Obligors (which have taken all reasonable care to ensure that such is the case) the information contained in these sections is in accordance with the facts and does not omit anything likely to affect the import of such information.

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 Offering Circular 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 Arranger, the Manager, the Borrower Security Trustee, the Issuer Security Trustee, the Note Trustee, the Borrower, any Partner, any Parent, the Tenant, the Tenant Guarantor, the Corporate Services Provider, the Share Trustee, the Paying Agents, or the Account Banks or any of their respective affiliates or advisors. Neither the delivery of this Offering Circular 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 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 Offering Circular nor any other information supplied in connection with the Notes should be considered as a recommendation by the Arranger or the Manager that any recipient of this Offering Circular 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 Irish Stock Exchange of this Offering Circular as listing particulars in accordance with the requirements of the Regulations and the delivery of a copy of this Offering Circular to the Registrar of Companies in Ireland for registration in accordance with the Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Offering Circular see “Subscription and Sale” below.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Arranger, the Manager or any of them to subscribe for or purchase any of the Notes.

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

In connection with this issue, UBS Limited (in such capacity, the **Stabilisation Manager**) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilisation Manager or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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TRANSACTION SUMMARY

The information in this section is a summary of the principal features of the issue of the Notes and certain related transactions. This summary is not complete and should be read in conjunction with and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Offering Circular.

Capitalised terms used, but not defined in this section can be found in other sections of this Offering Circular, unless otherwise stated. An index of defined terms is contained at the end of this Offering Circular.

Summary of Transaction

On the Closing Date, the Issuer will issue the Notes and will use the issue proceeds on that date to make the Term Loan Facility available to the Borrower pursuant to and in accordance with the Credit Agreement between, amongst others, the Partners, the Issuer and the Borrower Security Trustee (each as defined herein) (the **Credit Agreement**). The Borrower will use the proceeds of the Term Loan Facility to refinance an existing bridge facility (including payment of any costs associated with terminating any interest rate hedging relating to such bridge facility) and to make a loan to the Annuity Provider under the Deposit Loan Agreement (each as described herein).

The Borrower will use the rental income received in respect of the property at 33 Old Broad Street, London EC2N 1HZ (the **Property**) as its primary source of funds to make payments of principal and interest to the Issuer under the Credit Agreement.

The Issuer will use receipts of principal and interest in respect of the Term Loan Facility to make payments of, among other things, principal and interest due in respect of the Notes.

The obligations of the Borrower under the Credit Agreement will be secured by, amongst other things, a first priority mortgage over the Property and certain other security interests (including security over the occupational lease and the rental income in respect thereof) in favour of the Borrower Security Trustee (for itself and on trust for the Issuer and the other Borrower Secured Creditors).

The Borrower is a Jersey limited partnership, whose activities are limited by the Limited Partnership Agreement under which it is recorded that “the purpose of the [Borrower] is to acquire, hold for investment purposes, manage, lease, exchange, invest in, deal with, buy, sell, mortgage, charge, grant any right or interest in, over or upon and dispose of real estate assets . . . and the [Borrower] will not carry on any other business or activity or acquire any other assets save in accordance with the [Limited Partnership Agreement]”.

The obligations of the Issuer under (amongst other things) the Notes will be secured by first priority fixed and floating security interests over all of the assets and undertakings of the Issuer (which will primarily comprise its rights in respect of the Borrower Security and the Credit Agreement) in favour of the Issuer Security Trustee (for itself and on trust for 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.

Refinancing

The Borrower will apply the proceeds of the Term Loan Facility to:

- (1) repay its debt obligation incurred to The Governor and Company of the Bank of Scotland (**BOS**) pursuant to a bridge facility provided by BOS to the Borrower on 14 July 2004 (the **Bridge Facility**);
- (2) pay break costs associated with the termination of an interest rate swap agreement entered between the Borrower and HBOS Treasury Services plc in connection with the Bridge Facility;
- (3) lend the Annuity Provider £4,603,658 in accordance with the terms of the Deposit Loan Agreement; and
- (4) pay the Issuer the Facility Fee (as defined below).

The Property is held through a limited partnership structure as follows: West Coast Capital 33 OBS Limited; Uberior Ventures 33 OBS Limited; and Prestbury 33 OBS Limited, (together the **Limited Partners**) are limited partners in the 33 Old Broad Street (Jersey) Limited Partnership (the **Borrower** or the **Partnership**). Each Limited Partner has contributed an equal amount to the capital

Summary of the key characteristics of the Notes

Principal Amount	£153,166,000
Denominations	A minimum denomination of £100,000 and thereafter in multiples of £10,000 and £1,000.
Issue price	100.001%
Annual Interest rate	5.218 per cent.
Interest accrual method	Actual/Actual
Note Interest Payment Dates	Quarterly in arrear on the note interest payment dates falling on the 20th day of October, January, April and July of each year or if such day is not a Business Day, on the next Business Day unless such day falls in the following calendar month, in which case, the preceding Business Day.
First Note Interest Payment Date	20th January 2005
Expected weighted average life	26.8 years
Mandatory redemption of principal	Quarterly on each Note Interest Payment Date from and including the Note Interest Payment Date falling in April 2014.
Final Maturity Date	The Note Interest Payment Date falling in January 2039.
Expected S&P Rating	AA
Expected Fitch Rating	AA+
Form at issue	Bearer
Listing	Application for listing with the Irish Stock Exchange
Clearing systems	Euroclear and Clearstream, Luxembourg
Common code	020241713
ISIN	XS00202417134
Debt Service Cover Ratio as at the Closing Date	1:1
Key transaction parties	
Issuer:	Picts plc (the Issuer), a public company incorporated in England and Wales with limited liability under registration number 5235857. The entire issued share capital of the Issuer is held on trust by the Share Trustee, under the terms of a discretionary trust for the benefit of one or more charities pursuant to a share trust deed (the Share Trust Deed) dated September 2004.
Borrower:	33 Old Broad Street (Jersey) Limited Partnership, a limited partnership registered (under registration number LP435) in Jersey on 19 November 2003 under the Limited Partnerships (Jersey) Law 1994 (as amended) pursuant to a limited partnership agreement which was amended and restated on 14 July 2004 and on 27 September 2004 (the Limited Partnership Agreement).
Limited Partners:	The Limited Partners of the Borrower are: West Coast Capital 33 OBS Limited, a company incorporated in England and Wales with limited liability under registration number 5194759; Uberior Ventures 33 OBS Limited, a company incorporated in England and Wales with limited liability under registration number 5194756; and Prestbury 33 OBS Limited a company incorporated in England and Wales with limited liability under registration number 04892238.

General Partners:	<p>The General Partners of the Borrower are:</p> <p>33 Old Broad Street 1 Limited, a company incorporated in Jersey under registration number 82845; and</p> <p>33 Old Broad Street 2 Limited, a company incorporated in Jersey under registration number 82846.</p>
Parents (of the Limited Partners):	<p>West Coast Capital Prestven Limited, a limited company incorporated in Scotland with limited liability under registration number SC220870 (the sole shareholder of the Limited Partner, Prestbury 33 OBS Limited);</p> <p>Uberior Ventures Limited (Uberior Ventures), a limited company incorporated in Scotland with limited liability under registration number SC235067 (the sole shareholder of the Limited Partner, Uberior Ventures 33 OBS); and</p> <p>New Prestbury Limited, a company incorporated in England and Wales with limited liability under registration number 03794420 (the sole shareholder of the Limited Partner Prestbury 33 OBS Limited).</p>
Tenant:	<p>Halifax plc, a public company incorporated in England and Wales with limited liability under registration number 2367076 which occupies the property pursuant to the terms of a lease entered into on 16 April 2004 (as varied by a deed of variation, dated 14 July 2004) (the Lease) as more particularly described in the section herein entitled “<i>The Property, the Lease, the Tenant and the Tenant Guarantor</i>”.</p>
Tenant Guarantor:	<p>HBOS plc (HBOS), a listed public company incorporated in Scotland with limited liability under registration number SC 218813.</p>
Note Trustee and Issuer Security Trustee:	<p>The Bank of New York, acting through its office at 48th Floor, One Canada Square, London, E14 5AL (in this capacity, the Note Trustee) will be trustee for the holders of the Notes under the Note Trust Deed and will act as security trustee in respect of the Issuer Security (in this capacity the Issuer Security Trustee) under the Issuer Deed of Charge.</p>
Borrower Security Trustee:	<p>The Bank of New York, acting through its office at 48th Floor, One Canada Square, London, E14 5AL (in this capacity, the Borrower Security Trustee) will be security trustee in respect of the Borrower Security pursuant to the Borrower Deed of Charge.</p>
Principal Paying Agent:	<p>The Bank of New York, acting through its office at 48th Floor, One Canada Square, London, E14 5AL (in this capacity, the Principal Paying Agent), will be principal paying agent) under the Paying Agency Agreement.</p>
Irish Paying Agent:	<p>AIB/BNY Fund Management (Ireland) Ltd acting through its office at Guild House, Guild Street, Dublin, Ireland, (the Irish Paying Agent) will be paying agent in Ireland under the Paying Agency Agreement. The Irish Paying Agent, the Principal Paying Agent and any other paying agent(s) which may be appointed pursuant to the Paying Agency Agreement are together referred to as the Paying Agents.</p>
Issuer Cash Manager:	<p>The Bank of New York, acting through its office at 48th Floor, One Canada Square, London, E14 5AL (in this capacity, the Issuer Cash Manager) will be cash manager to the Issuer under the Issuer Cash Management Agreement.</p>
Issuer Account Bank:	<p>The Governor and Company of the Bank of Scotland (BOS), acting through its branch at St James’s Gate, 14-16 Cockspur Street, London, SW1Y 5BL (in this capacity, the Issuer Account Bank) will be account bank to the Issuer under the Issuer Bank Account Agreement.</p>

Borrower Account Bank:	BOS, acting through its branch at St James's Gate, 14-16 Cockspur Street, London, SW1Y 5BL (in this capacity the Borrower Account Bank) will be account bank to the Borrower under the Borrower Bank Account Agreement. The Issuer Account Bank and the Borrower Account Bank are together referred to as the Account Banks .
Issuer Corporate Services Provider:	Structured Finance Management Limited, acting through its office at Blackwell House, Guildhall Yard, London EC2V 5AE (in this capacity the Issuer Corporate Services Provider) will provide certain corporate administration and secretarial services to the Issuer under the Issuer Corporate Services Agreement.
Share Trustee:	SFM Corporate Services Limited, acting through its office at Blackwell House, Guildhall Yard, London EC2V 5AE (the Share Trustee) will hold its interest in the shares of the Issuer on trust for charitable purposes under the terms of the Share Trust Deed.
Annuity Provider:	The Borrower will lend to HBOS Treasury Services plc (the Annuity Provider) the sum of £4,603,658 under the terms of a Deposit Loan Agreement between the Borrower, the Annuity Provider and the Borrower Security Trustee (the Deposit Loan Agreement). This loan will be repaid by the Annuity Provider in accordance with a schedule in order to meet anticipated payment shortfalls.

Key characteristics of the Credit Agreement

Term Loan Facility:	Upon the satisfaction of certain conditions precedent, the Issuer will make available a term loan facility in the principal amount of £153,166,000 (the Term Loan Facility and the loan thereunder the Term Loan) to the Borrower under the terms of the Credit Agreement. The Term Loan will be advanced at a premium of £1,532.
Purpose:	The purpose of the Term Loan Facility will be to enable the Borrower to: (1) refinance the Bridge Facility, (2) pay break costs associated with the termination of an interest rate swap agreement entered into between the Borrower and HBOS Treasury Services plc in connection with the Bridge Facility; (3) to make a loan to the Annuity Provider in accordance with the terms of the Deposit Loan Agreement; and (4) pay the Facility Fee to the Issuer. See further " <i>Refinancing</i> " above.
Quarterly Fee:	The Borrower will be required to pay the Issuer a quarterly fee for making available the Term Loan Facility of 0.01 % per annum of the rent due under the lease of the Property to the Occupational Tenants.
Facility Fee:	Upon the Issuer making available the Term Loan Facility to the Borrower, the Borrower will pay to the Issuer a Facility Fee of £150,000.
Repayment of the Term Loan Facility:	The Borrower will be required to repay the Term Loan Facility in part on each Loan Interest Payment Date, commencing on the Loan Interest Payment Date falling in April 2014, in the amounts set out in a pre-set schedule (each a Term Loan Facility Amortisation Amount) which will equal the aggregate amount required by the Issuer to enable it to pay the Scheduled Redemption Amount in respect of the Notes (as set out in " <i>Mandatory redemption in part</i> " below) on the next Note Interest Payment Date. The Term Loan Facility will be repayable in full on the Loan Interest Payment Date falling in January, 2039 (the Loan Maturity Date).
Voluntary prepayment:	Under the terms of the Credit Agreement, the Borrower will be entitled to prepay all or part of the Term Loan Facility on any Loan Interest Payment Date:

- (a) on not more than 60 nor less than 35 days' written notice to the Issuer and the Borrower Security Trustee; or
- (b) if the Property or means of access to the Property is damaged or destroyed so as to render it incapable of occupation.

Voluntary prepayments in part must be in a minimum principal amount of £1,000,000 and integral multiples of £500,000.

If the Borrower elects to make voluntary prepayments such prepayments will be required to be made at par together with (i) interest accrued on the amount prepaid, (ii) an amount equal to any additional amounts required by the Issuer to prepay the applicable Notes on the relevant Note Interest Payment Date (excluding any Prepayment Premium) and (iii) a Prepayment Premium (as defined below).

Mandatory prepayment:

The Borrower will be required to prepay all (in the case of **paragraph (c)** below) or all or part of the Term Loan Facility (in the case of **paragraphs (a), (b) or (d)**) in the following circumstances:

- (a) to the extent permitted by the Lease, out of insurance proceeds received in respect of the Property, unless the amount of such proceeds are less than £500,000 and the terms of the Lease requires the Borrower to apply such proceeds to rectifying any damage, loss or liability; or
- (b) if it becomes unlawful for (amongst other things) the Issuer to perform its obligations under a Transaction Document; or
- (c) on disposal of the property; or
- (d) if any part of the Property is compulsorily acquired.

Mandatory Prepayments under **paragraphs (a), (b), (c) and (d)** above will be required to be made at par together with (i) interest accrued on the amount prepaid, (ii) an amount equal to any additional amounts (excluding any Prepayment Premium) required by the Issuer to prepay the applicable Notes on the relevant Note Interest Payment Date and (iii) (except in the case of a prepayment under **paragraph (b)** above) a Prepayment Premium (as defined below).

Involuntary prepayment:

In the event that the Borrower's payments under the Term Loan Facility become subject to any withholding or deduction for or on account of tax or certain increased costs, the Borrower will have the option to prepay the Term Loan Facility in full.

Prepayment Premium:

The Prepayment Premium is an amount equal to the additional amount referred to in the section headed "*Principal features of the Notes — Payments upon Redemption*".

Application of prepayments:

Prepayments will be applied in whole to the Term Loan Facility so as to reduce future repayments or prepayments *pro rata*.

Loan Interest Payment Dates:

Interest on the Term Loan Facility will be paid on the 17th day of October, January, April and July in each year commencing on the Loan Interest Payment Date falling in January 2005. If a Loan Interest Payment Date falls on a non-Business Day, interest will be payable on the Term Loan Facility on the next Business Day unless such day falls in the following calendar month, in which case it will be payable on the immediately preceding Business Day (each a **Loan Interest Payment Date**). For the purposes of calculating interest on the Term Loan Facility any principal repaid or prepaid thereunder on a Loan Interest Payment Date will be deemed to remain outstanding until the corresponding Note Interest Payment Date.

Loan Interest Periods:

The Term Loan Facility will have successive interest periods of three calendar months. Each Loan Interest Period will run from and including a Note Interest Payment Date, to but excluding the next

following Note Interest Payment Date, except in the case of the first Loan Interest Period, which will run from and including the Closing Date, to but excluding the next following Note Interest Payment Date.

- Interest rates:** The rate of interest payable on the Term Loan Facility will be 5.218% per annum.
- Deposit Loan Agreement:** The Borrower will loan to the Annuity Provider, on the Closing Date, the sum of £4,603,658 from the proceeds of the advance of the Term Loan Facility. The Annuity Provider will repay this loan by way of fixed payments to the Borrower in accordance with a Schedule, such amounts to be applied to meet certain shortfalls in the funds available to the Borrower to pay interest under the Term Loan Facility.
- VAT Liability Account:** The Borrower will on or before the Closing Date deposit with the Borrower Account Bank the sum of £2,586,613. Such funds will not originate from the advance of the Term Loan Facility or the proceeds of the issue of the Notes. The Issuer Cash Manager will be authorised to utilise the proceeds of the VAT Liability Account to make payments to H.M. Customs & Excise in accordance with a set schedule detailed below under “*Credit Structure — 5. Borrower Accounts*”.
- Reserve Account:** The Issuer will on the Closing Date deposit with the Issuer Account Bank the sum of £150,000 in an interest bearing account to be designated the Reserve Account. On each Loan Interest Payment Date the balance of the Reserve Account will be available, to the extent that the balance standing to the credit of the Issuer Distribution Account is insufficient to pay in full items (a) to (f) (inclusive) of the Borrower Pre-Enforcement Priority of Payments (as defined in “*Credit Structure — 9. Borrower Priority of Payments*”), to be applied in accordance with the Borrower Pre-Enforcement Priority of Payments.
- The Reserve Account will be (to the extent possible) replenished on each Loan Interest Payment Date from the Borrower Pre-Enforcement Priority of Payments until the balance of the Reserve Account equals the Required Reserve Amount.
- To the extent that the balance standing to the credit of the Reserve Account exceeds the Required Reserve Amount, such excess will be transferred to the Issuer Distribution Account on each Loan Interest Payment Date and applied in accordance with the Borrower Pre-Enforcement Priority of Payments.
- Required Reserve Amount:** £300,000.
- Borrower Expenses:** The Issuer may on any Loan Interest Payment Date pay certain expenses on behalf of and at the request of the Borrower which comply with certain criteria detailed in the Credit Agreement. These expenses will be paid as part of the Borrower Pre-Enforcement Priority of Payment. See further “*Credit Structure — 6. Borrower Expenses*”.
- Issuer’s Expenses:** The Borrower will be required to pay to the Issuer on each Loan Interest Payment Date such amount as the Issuer requires to enable it to pay or provide for the amounts referred to in items (a) to (c) in the Issuer Pre-Enforcement Priority of Payment (the **Issuer Expenses**). Such payment will be made in accordance with the Borrower Pre-Enforcement Priority of Payments.
- Borrower Security:** As security for the Borrower’s obligations under the Credit Agreement, the Obligors will enter into a deed of charge and assignment governed by English law (the **Borrower Deed of Charge**) with, amongst others, the Borrower Security Trustee, the Issuer, the

Borrower Account Bank and the Property Manager (each a **Borrower Secured Creditor** and together, the **Borrower Secured Creditors**) under which the following security will be created:

(i) by the Borrower (acting by the General Partners as general partners of, and on behalf of, the Borrower):

(A) a fixed charge over the Borrower's right, title, interest and benefit, present and future, into and under the Property;

(B) an assignment by way of first fixed security of (or to the extent not assignable, a charge over) all of its right, title, interest and benefit, present and future, in to and under the (a) Deposit Loan Agreement; (b) Borrower Bank Account Agreement; and (c) BOS Guarantee;

(C) a fixed charge over all of the Borrower's interest in all amounts standing to the credit of the Borrower Accounts; and

(D) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge,

(ii) by each General Partner (acting on its own account and not as a general partner of the Borrower) pursuant to the Borrower Deed of Charge:

(A) a fixed charge over its right, title, interest and benefit, present and future, in and to the Borrower;

(B) a fixed charge over its right, title and interest in any partnership assets not effectively charged by the Borrower (acting by the General Partners); and

(C) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge,

(iii) by each Limited Partner pursuant to the Borrower Deed of Charge:

(A) a fixed charge over its right, title, interest and benefit, present and future, in and to the Borrower;

(B) a fixed charge over its right, title and interest in any partnership assets not effectively charged by the Borrower (acting by the General Partners); and

(C) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge.

Additionally, pursuant to security agreements governed by Jersey law dated on or about the Closing Date (the **Jersey Security Agreements**) each of the Limited Partners will charge or assign its shares in each of the General Partners and its economic interest (but not a full assignment of its limited partnership rights) in the Borrower to the Borrower Security Trustee in favour of the Borrower Secured Creditors. (The security granted under the Jersey Security Agreements, together with the security granted under the Borrower Deed of Charge, the **Borrower Security** and the Borrower Deed of Charge and the Jersey Security Agreements together, the **Borrower Security Documents**). See further "*Credit Structure — 3. Borrower Security*".

The Borrower Security will be held by the Borrower Security Trustee on trust for the Borrower Secured Creditors.

BOS Guarantee: By a Deed of Indemnity dated 14 July 2004 (the **Uberior Indemnity**) Uberior Ventures has agreed to indemnify the Borrower in respect of certain liabilities of the Partnership incurred prior to the restructuring of the Partnership conducted on or about 14 July 2004. By a Deed of Guarantee to be dated on or about the Closing Date, BOS will guarantee Uberior Ventures' performance of its obligations under the Uberior Indemnity. See further "*Credit Structure — 7. BOS Guarantee*".

Property Management: The Borrower will covenant under the Credit Agreement to maintain a property manager (the **Property Manager**) to perform certain limited management functions (being the preparation of invoices of amounts due to the Borrower and carrying out an annual property inspection). It is envisaged that at the Closing Date the Property Manager will be GVA Grimley. The Property Manager will not be permitted to receive payments of rent in respect of the property. Rent must be paid by the tenant directly into the Rent Account. See further "*Credit Structure — 15. — Property Management*".

Bank accounts: The Credit Agreement will require the Borrower to maintain certain bank accounts with the Borrower Account Bank. All revenue received in connection with the Property (including any rent) must be deposited into the Rent Account. The Rent Account will be subject to a fixed charge in favour of the Borrower Security Trustee. See further "*Credit Structure — 5. Borrower Accounts*".

Unless a Loan Default is then outstanding, on the day after cleared funds are received in the Rent Account all amounts standing to the credit of the Rent Account will be paid to the Issuer Distribution Account. No other payments are permitted to be made out of the Rent Account.

Key characteristics of the Property

The Property: The Property upon which the Term Loan Facility will be secured comprises the building at 33 Old Broad Street, London EC2N 1HZ. The Property is a freehold property, leased in its entirety to Halifax plc (with a guarantee from HBOS) for a term of 35 years from 25 March 2004.

The Valuation: The open market value given to the Property by Jones Lang La Salle Limited (the **Valuer**) as at 9th July 2004 was £140,000,000. The rent receivable from the Property as at 9th July 2004 was £7,062,000 per annum, noting that the rent is subject to a yearly uplift and upwards only open market rent reviews in 2014 and 2024. For a summary description of the property and the terms of the Lease see "*Description of the Property, the Lease, the Tenant and the Tenant Guarantor*".

Rent Payment Dates: In accordance with the terms of the lease, Rent is payable in respect of the Property on the 25th March, 24th June, 29th September and 25th December in each year (each a **Rent Payment Date**). Interest at a rate of 3% above the base rate of National Westminster Bank plc is payable (from the due date until the date of payment) on any payment of Rent which is overdue by 5 working days or more.

Principal features of the Notes

Notes: The Notes will comprise £153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039.

The Notes will be constituted pursuant to a trust deed made between the Issuer and the Note Trustee dated on or before the Closing Date (the **Note Trust Deed**). The Notes will rank *pari passu* and rateably and without any preference among themselves.

Status and priority:	Notes will rank equally in the payment of interest and principal both before and after the enforcement of the Issuer Security. See “ <i>Credit Structure — 10. Issuer Priorities of Payments</i> ” below.
Form and denomination of the Notes:	The Notes will be in bearer form. The Temporary Global Note and the Permanent Global Note will be held by a common depositary for Euroclear and Clearstream, Luxembourg. The Notes will be issued in a minimum denomination of £100,000 and thereafter in integral multiples of £10,000 and £1,000.
Ratings:	It is expected that the Notes will, on issue, be assigned a rating of AA by S&P and AA+ by Fitch.
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.
Final redemption:	Unless previously redeemed in full, the Notes will mature on the Final Maturity Date.
Mandatory redemption in part:	Prior to the service of a Note Acceleration Notice, the Notes will be subject to mandatory redemption in part on each Note Interest Payment Date in accordance with the amortisation schedule set out in Condition 5.1 (Mandatory Redemption) under “ <i>Terms and Conditions of the Notes</i> ” below.
Redemption for Tax or other reasons:	<p>In the event of:</p> <ul style="list-style-type: none"> (a) certain tax changes affecting the Notes, including any change which requires or will require the Issuer to make any withholding or deduction from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction); or (b) it becoming unlawful for the Issuer to perform any of its material obligations under any of the Transaction Documents including to make or to continue to make advances available to the Borrower pursuant to the Term Loan Facility; or (c) certain tax changes affecting the amounts paid or to be paid to the Issuer under the Term Loan Facility, including any change which requires or will require the Borrower to make any withholding or deduction from payments in respect of the Term Loan Facility made available thereunder by the Issuer, <p>then the Issuer will be entitled (but not obliged):</p> <ul style="list-style-type: none"> (i) to arrange, with the prior written approval of the Note Trustee, for the substitution of another company as paying agent or principal debtor in respect of the Notes in an alternative jurisdiction (subject to certain conditions); or (ii) to (provided certain requirements, including notice requirements are met) redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest thereon. <p>See further Condition 5.2 (Redemption for Tax or other reasons) under “<i>Terms and Conditions of the Notes</i>” below.</p>
Redemption upon prepayment of the Term Loan Facility and Optional redemption:	<p>The Issuer may (at its discretion), and if the Issuer receives notice from the Borrower that:</p> <ul style="list-style-type: none"> (i) the Borrower intends to prepay all or part of the Term Loan Facility on or before the next Note Interest Payment Date; or (ii) the Borrower is obliged to prepay the Term Loan Facility under the terms of the Credit Agreement,

the Issuer must, upon giving not more than 60 and not less than 30 days' notice to the Noteholders, redeem the Notes in whole or in part on the next following Note Interest Payment Date at their respective Optional Redemption Amounts (together with accrued (but unpaid) interest on their Principal Amount Outstanding) provided that all amounts which have fallen due to be paid on or prior to that Note Interest Payment Date under the terms of the Issuer Deed of Charge and as described under items (a) to (c) of the Issuer Pre-Enforcement Priority of Payments have been paid out on the relevant Note Interest Payment Date.

In connection with a prepayment under (ii) above, the Principal Amount Outstanding to be redeemed must equal the principal amount of the Term Loan Facility prepaid. Otherwise the Principal Amount Outstanding to be redeemed must equal an aggregate amount of not less than £1,000,000 and thereafter in multiples of £500,000 (or, if less, the then Principal Amount Outstanding of the Notes to be redeemed).

See further **Condition 5.2 (Redemption upon Voluntary Prepayment of the Term Loan Facility)** and **Condition 5.4 (Optional Redemption)** under "*Terms and Conditions of the Notes*" below.

Payments upon Redemption:

Any redemption in the Notes resulting from the Issuer's repayment to the Noteholders due to an Optional Redemption shall be made in an amount described in Condition 5.4(b) as set out in "*Terms and Conditions of the Notes — Optional Redemption*" below.

Purchase of Notes by the Issuer:

The Issuer may purchase all or some of the Notes on any day subject to compliance by it with all applicable regulations of the Irish Stock Exchange and the Conditions. Any Notes so purchased will be cancelled and will not be reissued.

Further Notes, New Notes and Replacement Notes:

Pursuant to the Note Trust Deed, the Issuer will be entitled, without the consent of the Noteholders, to issue further debt securities, as follows:

- (a) notes which are consolidated and form a single series with the existing Notes (including any New Notes or Replacement Notes then in issue) (**Further Notes**);
- (b) notes which rank *pari passu* with or subordinate to the then existing Notes (**New Notes**); and
- (c) notes to replace all or any class of the then existing Notes (**Replacement Notes**).

Any issue of Further Notes, New Notes or Replacement Notes will be subject to, amongst other things, receipt by the Issuer and the Note Trustee of written confirmation from the Rating Agencies that the issue of such Further Notes, New Notes or Replacement Notes will not result in a downgrade of the then current rating of any Notes then outstanding and the satisfaction of certain other conditions precedent. See further **Condition 15 (Further Issues, Replacement Notes and New Notes)** under "*Terms and Conditions of the Notes*" below.

Interest rate:

The Notes will bear interest on their Principal Amount Outstanding at a rate of 5.218 per cent. per annum.

Interest on the Notes will be calculated on an Actual/Actual basis as outlined in "*Terms and Conditions of the Notes — 4.3 Calculation of Interest*".

Note Interest Payment Dates:

Interest will be payable on the Notes quarterly in arrear on the 20th day of October, January, April and July in each year or if any such day is a non-Business Day on the next Business Day unless such day

falls in the following calendar month, in which case it will be payable on the immediately preceding Business Day (each, a **Note Interest Payment Date**). The first Note Interest Payment Date will be 20 January 2005.

Prior to the enforcement of the Issuer Security, the Noteholders will be entitled to receive a payment of interest only in so far as sufficient funds are available to make payments in accordance with the Issuer Pre-Enforcement Priority of Payments (as described in “*Credit Structure — 10. Issuer Priorities of Payments*” below).

Issue price: The Notes will be issued at 100.001 per cent. of their aggregate initial Principal Amount Outstanding.

Withholding Tax: If any withholding tax or other deduction is imposed in respect of the Notes, the Issuer will make payments subject to such withholding tax or other 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*” for a description of certain aspects of the taxation of the Notes below.

Security for the Notes: The Notes, and certain other obligations of the Issuer, will be secured pursuant to a deed of charge and assignment made between the Issuer, the Issuer Security Trustee, the Note Trustee and the other Issuer Secured Creditors (other than the Noteholders) and dated on or prior to the Closing Date (the **Issuer Deed of Charge**).

The Issuer Security Trustee will hold the security granted under the Issuer Deed of Charge on trust for itself, any receiver, the Noteholders, the Paying Agents, the Issuer Corporate Services Provider, the Issuer Cash Manager, the Issuer Account Bank and the Borrower Secured Creditors other than the Issuer (together, the **Issuer Secured Creditors**).

The Issuer will grant the following security interests under or pursuant to the Issuer Deed of Charge (together, the **Issuer Security**):

- (a) an assignment by way of first fixed security of (or to the extent not assignable, a charge over) all of its right, title, interest and benefit, present and future, in to and under the (a) Credit Agreement; (b) Borrower Deed of Charge; (c) Issuer Cash Management Agreement; and (d) Issuer Corporate Services Agreement;
- (b) a fixed charge over all of the Issuer’s interest in any Eligible Investments made by it or on its behalf;
- (c) a fixed charge over all of the Issuer’s interest in all amounts standing to the credit of the Issuer Accounts; and
- (d) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge.

Prior to enforcement of the Issuer Security and service of a Note Acceleration Notice, payments in respect of the Notes will rank in accordance with the Issuer Pre-Enforcement Priority of Payments (as described in “*Credit Structure — 10. Issuer Priorities of Payment*”). Upon enforcement of the Issuer Security and service of a Note Acceleration Notice, payments in respect of the Notes will rank in accordance with the Issuer Post-Acceleration Priority of Payments (as described in “*Credit Structure — 10. Issuer Priorities of Payment*” 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 (except for the Jersey Security Agreements, which will be governed by Jersey law).

Transaction Documents will include:

- (a) the Credit Agreement;
- (b) the Subscription Agreement;
- (c) the Notes;
- (d) the Note Trust Deed;
- (e) the Borrower Deed of Charge;
- (f) the Issuer Deed of Charge;
- (g) the Jersey Security Agreements;
- (h) the Borrower Bank Account Agreement;
- (i) the Issuer Bank Account Agreement;
- (j) the Paying Agency Agreement;
- (k) the Issuer Cash Management Agreement;
- (l) the Issuer Corporate Services Agreement;
- (m) the Deposit Loan Agreement;
- (n) the BOS Guarantee; and
- (o) any other document designated as such by the Issuer, the Borrower, the Borrower Security Trustee and the Issuer Security Trustee.

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 the Notes. This summary is not intended to be exhaustive. Therefore, prospective Noteholders should also read the detailed information set out elsewhere in this Offering Circular 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 will have obligations to pay principal, premium (if any) and interest 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 Arranger, the Manager, the Borrower, any Partner, any Parent, the Note Trustee, the Issuer Security Trustee, the Borrower Security Trustee, the Issuer Cash Manager, the Share Trustee, the Paying Agents and the Issuer Corporate Services Provider or by any entity affiliated to any of the foregoing.

Limited resources of the Issuer

The Notes will be full recourse obligations of the Issuer. However, 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 Credit Agreement (see further “*B. Considerations relating to the Credit Agreement and the Property*” below). Other than the foregoing, and 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.

Upon enforcement of the security for the Notes, the Issuer Security Trustee or any receiver will, in practice, have recourse only to the Issuer’s interest in the Credit Agreement and the Borrower Security, and to any other assets of the Issuer then in existence as described in this document.

Ratings of the Notes

The ratings assigned to the Notes by the Rating Agencies are based on the Credit Agreement, the Borrower Security, the Property (including the Lease) and other relevant structural features of the transaction, including, among other things, the credit ratings of the Tenant and the Tenant Guarantor, the Annuity Provider and BOS as guarantor of the Uberior Indemnity. These ratings reflect only the views of the Rating Agencies.

The ratings assigned to the Notes address the likelihood of full and timely receipt by the Noteholders of interest on, and timely receipt of scheduled principal redemptions in respect of, the Notes. There can be no assurance that any rating attached to the Notes 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 judgement 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.

Credit rating agencies other than S&P and Fitch could seek to rate the Notes 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 S&P and Fitch, those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Notes. Unless otherwise specified, all references to ratings in this Offering Circular are to ratings assigned by the Rating Agencies (namely S&P and Fitch).

Ratings confirmations

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

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.

Withholding tax under the Notes

In the event that withholding taxes or other deductions are imposed by law, or otherwise applicable, in respect of payments to Noteholders of amounts payable in respect of the Notes, neither the Issuer nor any Paying Agent or 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 taxes or other deductions. The imposition of such withholding taxes or other deductions if the effect of such deductions or withholdings could not be avoided in the manner referred to in **Condition 5.2** would entitle (but not oblige) the Issuer to redeem the Notes at their then Principal Amount Outstanding (plus accrued interest) thereby shortening the average lives of the Notes.

Yield and prepayment considerations

The yield to maturity of the Notes will depend upon, among other things, the timing of receipt by the Issuer of amounts of principal in respect of the Term Loan Facility 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 Term Loan Facility.

The Borrower will have the option to prepay some or all of the Term Loan Facility. If the Borrower prepays the Term Loan Facility in whole or in part, the Issuer will be required to effect an optional redemption (under **Condition 5 (Redemption and Purchase)**) of the Notes in a corresponding principal amount of such prepayment together with any additional amounts required by the Issuer to redeem the Notes at their Optional Redemption Amounts.

B. Considerations relating to the Credit Agreement and the Property

Concentration of risk generally

The net proceeds of the Note issue proceeds will be on-lent to the Borrower. The Borrower's only material asset is the Property itself and it will therefore have access to no funds to service the Term Loan Facility other than those generated through its ownership and letting of the Property. If the Borrower were to be unable to make payment in full of the amounts due under the Term Loan Facility, this would adversely affect the ability of the Issuer to make payments due in respect of the Notes in full. See "*Borrower's dependence on Tenant*" below.

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 commercial 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, the availability of financing and yields of alternative investments. Commercial 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 Tenant

The ability of the Borrower to meet its obligations in respect of the Term Loan Facility will depend on the receipt of rental income due in accordance with the terms of the lease of the Property. Since the tenant under the lease is Halifax plc (the **Tenant**), the payments in respect of the Term Loan Facility and, ultimately, in respect of the Notes will be dependent on their performance as Tenant and on the performance of HBOS as Tenant Guarantor (or any future tenants or tenant guarantors of the property). Any deterioration in the financial condition of the Tenant or the Tenant Guarantor may affect the Issuer's ability to make payments in respect of the Notes.

Re-letting risk

If the Lease is determined prior to its scheduled term it may be necessary to lease all or part of the Property to new tenants (each a **New Tenant** and, together with the Tenant, the **Occupational Tenants**) in order for the Borrower to meet its obligations under the Term Loan Facility. It should be noted however that the Lease is not expressed to be terminable in any circumstance although

liquidation of the parties could give rise to termination. As all of the income from the Property is derived from rents, the Borrower's ability to make payments on the Term Loan Facility could therefore be adversely affected if the terms on which vacant space could be re-let to a New Tenant were less favourable than those currently or then existing.

The ability of the Borrower to attract New Tenants paying rent levels sufficient to allow the Borrower to make payments due under the Term Loan Facility will be dependent on demand for the Property, which can be influenced by a number of factors. See "*Concentration of risk generally*" above and "*Competition*" below. The Borrower may only let the Property to New Tenants with the prior consent of the Borrower Security Trustee.

Consequences of administration of the Tenant

The making of an administration order against the Tenant is a termination event under the Lease but, as a consequence of that order being made, the Borrower would be prohibited under section 11 of the Insolvency Act 1986 from taking any action against the Tenant for recovery of sums due or re-entry to the relevant premises. In addition, under section 9 of the Insolvency Act 2000, while an administration order is in force in relation to an Occupational Tenant which is a company (and upon the presentation of a petition for the making of an administration order), the statutory moratorium provided by section 11 has been extended such that a landlord requires the consent of a tenant's administrator or (and when a petition has been presented, only with) leave of court before it is able to enforce rights against that company as tenant to forfeit the tenant's lease by peaceable re-entry into the premises.

If the Tenant 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, it is possible that the court would refuse to grant such leave to re-enter to the landlord on the grounds that to do so would frustrate the purpose of the administration and, furthermore, that the court would do so notwithstanding that the administrator was only paying reduced or even no rent under the Initial Lease or new lease (each a **New Lease** and, together with the Initial Lease, the **Occupation Leases**).

This change in legislative approach could impact on the ability of the Borrower to make payment under the Term Loan Facility. However, there is no certainty at this time as to how the court will apply these new provisions.

Competition

The Property competes with other office buildings in the Greater London area, particularly in the City, Canary Wharf and the West End. The principal factors affecting a property's ability to attract and retain tenants are, amongst other things, the quality of the relevant building, the amenities and facilities offered, the convenience and location of the property, the amount of space available to be let, transport infrastructure (including availability and cost of parking) and the age of the building in comparison to competing properties. See also "*Borrower's dependence on Tenant*" above.

Privity of contract

The Landlord and Tenant (Covenants) Act 1995 (the **Covenants Act**) provides 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 lease entered into before that date), if a tenant under such a lease assigns that lease (having obtained all necessary consents (including consent of the landlord if required by the lease), that 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 outgoing 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 any subsequent assignees of that original assignee. The same principles apply to an assignee if it assigns the lease. It is not clear whether a guarantor of an outgoing tenant could be required to guarantee the obligations of the outgoing tenant in an authorised guarantee agreement.

The Lease was entered into after 1st of January, 1996 and contains provisions setting out specific criteria which any assignee must meet prior to being able to take the lease. In particular, the Lease provides that the Tenant may only assign its lease to an assignee which has or its guarantor has a long-term unsecured rating of not less than AA from S&P; and

- (a) Aa2 from Moody's Investor Services; or
- (b) AA from Fitch.

There can be no guarantee that if the Lease is terminated, the Borrower will be able to negotiate New Leases on similar terms or be able to let the Property to Occupational Tenants of a similar credit quality. See “*Re-Letting Risk*” above. The Borrower has, however, covenanted in the Credit Agreement that it will not, without the consent of the Borrower Security Trustee, consent to any surrender of the Lease.

Statutory rights of tenants

At the end of the term of the Lease, the occupational tenants of the Property may have legal rights to require the landlord of that property (i.e. the Borrower) to grant them tenancies, for example pursuant to the Landlord and Tenant Act 1954. 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 or being the same as those under the previous tenancy of the relevant premises. 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.

Late payment or non-payment of rent

There is a risk that rental payments due under the Occupational Leases 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 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 Term Loan Facility in full or at all. Such a default by the Borrower may result in an Issuer Event of Default as the Issuer will not have access to any other resources to cover any such shortfall.

No liquidity facility

As detailed above, the Borrower’s primary resource to meet payments due in respect of the Term Loan Facility are the rental payments due under any lease of the Property. There is no separate, designated “liquidity facility” available to meet payment shortfalls or timing mismatches between receipt of rent and payments of interest and principal due in respect of the Notes. In order to address a potential timing mismatch the Loan Interest Payment Dates fall approximately 21 days after Rent Payment Dates and Note Interest Payment Dates fall a further three days after Loan Interest Payment Dates. In addition there is a Reserve Account, amounts standing to the credit of which may be used to meet shortfalls in the payment of interest and principal on the Term Loan Facility although the Reserve Account will also be used to meet other amounts payable under the Borrower Pre-Enforcement Priority of Payments. The amounts standing to the credit of the Reserve Account may not be sufficient to remedy in full any shortfall in funds available to meet payments due in respect of the Term Loan Facility.

Reliance on Valuation Report

The valuation report (the **Valuation Report**) set out under the heading “*Valuation Report*” below is addressed to, among others, each of the Borrower, the Issuer, the Arranger, the Manager and the Trustee but may be relied on by each of them only as more fully set out therein.

The Valuer has valued the Property, as at 9th July 2004, at £140,000,000 (based on open market value). However, there can be no assurance that the market value of the Property will continue to be equal to or exceed such valuation. As the market value of the Property 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 Term Loan Facility and therefore such amounts due under the Notes. If the Property is sold following a default under the Credit Agreement, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the Term Loan Facility and therefore such amounts due under the Notes.

Security over Borrower Bank Accounts

Under the Credit Agreement, the Borrower will be required to procure that the Rental Income from the Property is paid into a designated rent account (the **Rent Account**).

The Issuer and the Borrower Security Trustee will have sole signing rights in relation to the Rent Account and the VAT Liability Account. The Issuer will delegate the operation of such accounts to the Issuer Cash Manager. The Issuer Cash Manager will be obliged to apply the moneys

in the Rent Account and the other Borrower Accounts in accordance with the Credit Agreement, the Borrower Deed of Charge and the Issuer Cash Management Agreement.

The security interests granted in favour of the Borrower Security Trustee over the Borrower Accounts will be expressed to be fixed charges. However, there is a risk under English law that a fixed charge may, in certain circumstances, take effect as a floating charge.

Although only the Borrower Security Trustee and the Issuer, will have signing rights over the Borrower Accounts and the Credit Agreement and the Borrower Deed of Charge will contain provisions requiring the funds in the Borrower Accounts to be used for specific purposes, see further “*Credit Structure – 5. Borrower Accounts*” below, there is a risk that if they or the Issuer Cash Manager do not exercise their signing rights and control over the Borrower Accounts then the fixed charges will only take effect as floating charges. In such circumstances rent paid into the Borrower Accounts could be diverted to pay preferential creditors were a liquidator or administrator to be appointed in respect of the Borrower. It should be noted, however, that there will be no provisions in the Credit Agreement or the Borrower Deed of Charge permitting the Borrower Security Trustee or the Issuer to relinquish such control to the Borrower or indeed for the Borrower to assume signing rights and control over the Rent Account.

Insurance

The Credit Agreement will provide that the Borrower Security Trustee is to have its interest (as co-insured and loss payee) noted on the insurance policies relating to the Property (the **Insurance Policies**). Under the terms of the Lease the Property is insured by the Tenant. Should a member of the HBOS Group (being any direct or indirect subsidiary of HBOS plc) cease to be the Tenant, the terms of the Credit Agreement will require the Borrower to insure, or procure the insurance of, the Property on terms and in such amounts as would a prudent company in the position of the Borrower.

On the Closing Date, the Issuer will possess, amongst other things, a beneficial interest in the Borrower Security (which includes the Borrower Security Trustee’s interests in the Insurance Policies). These interests will in turn form part of the Issuer Security. The Tenant (rather than the Borrower) is named as loss payee under the insurance policy and will therefore receive the insurance proceeds. The Initial Lease requires the Tenant to use all reasonable endeavours to reinstate the property following damage or destruction. If reinstatement is not possible, the tenant’s obligation to repair and insure comes to an end in respect of that portion of the Property which cannot be reinstated.

There are no provisions in the Initial Lease for the suspension of rent in the event of any damage or destruction. It is intended that should the Property be damaged or destroyed the insurance proceeds received would cover payments under the Notes, however this may not eventuate should the Insurer fail to pay or does not pay on a timely basis. As such, if a claim under an Insurance Policy is made, but the relevant Insurer fails to make payment in respect of that claim, this could prejudice the ability of the Borrower to make payments in respect of the Term Loan Facility, which would in turn prejudice the ability of the Issuer to make payments in respect of the Notes.

Uninsured losses

The Credit Agreement will also contain provisions requiring the Borrower (in circumstances where a member of the HBOS Group (being any direct or indirect subsidiary of HBOS plc) ceases to be the Tenant) to carry or procure the carrying of insurance with respect to the Property in accordance with specified terms (as to which, see further “*Credit Structure – 2. 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 may become subject to higher excesses and different exceptions 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 Term Loan Facility (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 Tenant pursuant to the terms of its Occupational Lease although the lease does provide for the Tenant to re-instate following damage whether caused by insured or uninsured risks.

VAT Liability of the Borrower

During the construction of the Property, the then owner (Scottish Amicable) claimed input tax credits associated with that construction. Rent in respect of the initial lease was liable for VAT. Following a transfer of the property to the Borrower the current lease (which is VAT exempt) was executed. As the building is now used for a VAT exempt purpose the tax position of the building has changed to VAT exempt. The Borrower is required to repay the claimed input tax credits, amounting to £2,586,613 to H.M. Customs & Excise, under the capital goods scheme.

As a condition precedent under the terms of the Credit Agreement the Borrower is required to (on or before the Closing Date) deposit £2,586,613 into the VAT Liability Account and will authorise the Issuer Cash Manager to draw upon that account to pay H.M. Customs & Excise in accordance with a payment schedule as detailed below under “*Credit Structure*”. It is not anticipated that the VAT Liability will be in excess of £2,586,613, however this assumes that the methods and information used to calculate the VAT Liability by the Borrower accord with the methods and information used by H.M. Customs & Excise. Should the VAT Liability be in excess of this amount and such excess was incurred prior to 14th July 2004, the additional liability will be covered under the terms of the Uberior Indemnity and/or the BOS Guarantee. However should Uberior Ventures or BOS fail to make payment in relation to such amounts then the Borrower may have insufficient funds to meet its obligations under the Credit Agreement and Noteholders may therefore suffer a loss.

Planning matters

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 Highway Authority including stopping up of access to the Property. The Certificate of Title confirms that the Solicitors issuing the Certificate of Title have been told by a representative of the HBOS plc group of companies that they are not aware that any development which has been carried out in relation to the Property is unlawful or has been carried out without any necessary consents or permissions being obtained, that no enforcement proceedings under the Town and Country Planning Legislation had been commenced or notices served and they are not aware that any such proceedings or notices have been proposed.

Outstanding sums due under planning obligations represent a charge on the land which may rank in priority to a first legal mortgage. However the Certificate of Title states that there are no planning obligations affecting the Property.

Environmental matters

Certain existing environmental legislation imposes liability for clean-up 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 the clean up costs incurred.

If any environmental liability were to exist in respect of any Property, neither the Issuer nor the Borrower Security Trustee should incur responsibility for such liability prior to enforcement of the Borrower Security, unless it could be established that the relevant party had entered into possession of the Property or could be said to be in control of the Property. After enforcement, the Borrower Security Trustee or a receiver appointed on behalf of the Borrower Security Trustee (or, if the Issuer Security is enforced, the Issuer Security Trustee, or any receiver appointed on its behalf), if deemed to be a mortgagee in possession, could become responsible for environmental liabilities in respect of the Property. The Borrower Security Trustee will be indemnified 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 the Property and is not remedied, or is not capable of being remedied, this may result in an inability to sell the Property or in a reduction in the price obtained for the 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 the Property could result in personal injury or similar claims by private claimants.

Compulsory purchase

Any property in England and Wales (such as the Property) may at any time be compulsorily acquired by, among others, a local or public authority or a governmental department, generally in connection with proposed redevelopment or infrastructure projects. No such compulsory purchase proposals have been revealed in the Certificate of Title issued in relation to the Property. Under the Acquisition of Land Act 1981 an acquiring authority is required to serve notice of such on the owner and occupier of land. The Credit Agreement will require that notification of any compulsory acquisition of the Property be given to the Borrower Security Trustee and the Issuer.

If a compulsory purchase order is made in respect of the Property (or part of the Property), compensation would be payable on the basis of the open market value of all of the Borrower's and the Tenant's proprietary interests in the Property (or part thereof) at the time of the purchase. Following such a purchase the Tenant would cease to be obliged to make any further rental payments to the Borrower under the relevant occupational lease (or rental payments would be reduced to reflect the compulsory purchase of a part of the Property if applicable). Following payment of compensation, the Borrower will be required to prepay an equivalent amount under the Credit Agreement and the prepayment will be used by the Issuer to redeem the Notes (in whole or in part). The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold or leasehold estate of the Property may be less than the original value ascribed to the Property and less than the value of the Notes.

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

Frustration

In exceptional circumstances, a tenancy could be frustrated under English law, with the result that the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Frustration may occur where superseding events radically alter the effect of 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. If a tenancy granted in respect of the 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, the 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 Loan Event of Default.

Responsibility for receiver and mortgagee in possession liability

A receiver is deemed by law to be the agent of the relevant company until the company's liquidation, and thus, whilst acting within his powers, only incurs liability on behalf of that company. If, however, the Borrower Security Trustee unduly directed or interfered with or influenced the receiver's actions, a court might decide that the receiver was the Borrower Security Trustee's agent and that the Borrower Security Trustee should be responsible for the receiver's acts.

The Borrower Security Trustee, the Issuer or the Issuer Security Trustee (but in the case of the Issuer Security Trustee only if it has taken enforcement action against the Issuer) may be deemed to be a mortgagee in possession if there is physical entry into possession of the Property or an act of control or influence which may amount to possession (such as receiving rents directly from the relevant tenant or subtenant). A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

C. Issues concerning the administration of the Borrower

The Borrower is registered as a limited partnership under the Limited Partnerships (Jersey) Law 1994 (as amended) and is not a legal entity separate from its partners. As such it is not possible to appoint receivers or administrative receivers over its assets (which are held by the General Partners for the Borrower) in the same way as such receivers could be appointed in respect of the assets of a company (subject to certain prohibitions introduced by the Enterprise Act 2002 discussed below). However it may be possible for a receiver or administrative receiver to be appointed in relation to the

assets of the Partners (including the Partners' beneficial interest in the assets of the Borrower, although there are conflicting views regarding how such assets are held and the effect of an appointment of a receiver over the assets of the Partners). In the case of the General Partners, because these companies are incorporated in Jersey, it is not clear whether a receiver appointed over all the assets of such companies would constitute an administrative receiver. In any event, the appointment of administrative receivers over the assets of the Partners would not prevent an English administrator being appointed in respect of the Borrower (if the English court were to accept jurisdiction in this respect).

Whether the English court would appoint an administrator of the Borrower will depend on a number of factual matters (including the location of the "centre of main interests" of the Borrower for the purposes of the EC Regulation on Insolvency Proceedings and whether it has had, in the last three years, a principal place of business in England) but there is a high degree of risk that such an administrator could be appointed. The Borrower could also be subject to insolvency proceedings in Jersey.

If an English administrator were to be appointed in respect of the Borrower, the primary risk is one of timing. The Property and the Borrower's rights under the Lease (including its rights to rent) are expressed to be the subject of fixed security in favour of the Borrower Security Trustee. In the case of fixed security, the administration does not deprive the Borrower Security Trustee of its security, merely the right to control the realisation of the security. If such an administrator were appointed there might be delays in him accounting to the Issuer and/or the Borrower Security Trustee for the proceeds of the Borrower Security. This might lead to delays in the Issuer receiving payment under the Term Loan Facility, which in turn might lead to delays in payment of amounts due to Noteholders.

If an administrator were to be appointed in relation to the Borrower, the security given by the Borrower (acting by the General Partners) over the partnership assets would not be capable of enforcement without either the consent of the administrator or the leave of the court. In the event that an administrator of the Borrower refused to grant such consent, it would be open to the Borrower Security Trustee to apply to the court for leave to enforce the security given by the Borrower (acting by the General Partners) over the partnership assets. The administrator is not entitled to use the proceeds of fixed charge assets to meet administration expenses and has no right to dispose of fixed charge assets without the leave of the court; if the court does grant leave, it will be a condition of the court order that the net proceeds of disposal (with a top-up amount if such proceeds are less than open market value) are applied towards discharge of the secured liabilities.

Hence provided the security is construed as fixed charge security the administrator would seem to have little reason to dispose of the rental income (or interfere with the payments of rent into the Rent Account) and would not be entitled to use the proceeds of sale of the Property to fund the costs and expenses of the administration.

D. Dissolution of the Borrower and return of the capital contribution

The Borrower is a Jersey limited partnership and is registered under the Limited Partnerships (Jersey) Law 1994 (as amended) with a consent to the raising of money by the creation of partnership interests granted under the Control of Borrowing (Jersey) Order 1958 (**COBO Consent**). It is not, however, a legal entity separate from its partners and, as such, contracts through the General Partners.

The Borrower cannot, in the ordinary course, be dissolved by an act of one or more of the Limited Partners, unless and until a statement of dissolution signed by a General Partner is delivered to the Jersey Registrar of Limited Partnerships or a Limited Partner obtains an order from the Jersey Courts for the winding up of the Borrower. Further, the bankruptcy or liquidation of one or more of the Limited Partners will not, of itself, cause the dissolution of the Borrower but the dissolution, bankruptcy or withdrawal of both General Partners will (unless a new general partner is appointed within 90 days of such dissolution, bankruptcy or withdrawal). The Credit Agreement will provide an undertaking from the Partners not to dissolve the Partnership. If the Partners were to do so in breach of the Credit Agreement this would be a Loan Event of Default and would permit the Borrower Security Trustee to accelerate the Term Loan Facility. In these circumstances, it is possible that the Issuer would not have sufficient funds to make payments in respect of the Notes.

There are no provisions in the Limited Partnership Agreement for the return of the Limited Partners' capital contributions. However, if a Limited Partner was to attempt to withdraw its capital

contribution (in breach of a restriction in the Credit Agreement) the demand may affect the Borrower's ability to function and to make payments under the Credit Agreement. A Limited Partner's right to receive a return of its capital contribution is subordinated to the rights of creditors (including the Borrower Secured Creditors) and subject to claw back if the relevant payment is made to a Limited Partner in circumstances where the Borrower was insolvent at the time of or immediately following such payment.

E. General Considerations

European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in Economic and Monetary Union and that therefore the euro may 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 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 may 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 Term Loan Facility. The Borrower will not maintain hedging cover in respect obligations under the Term Loan Facility.

European Union Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, 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 will instead be 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). The Issuer is not obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction.

Proposed changes to the Basel Capital Accord

The Basel Committee on Banking Supervision (the **Committee**) has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The third consultative paper on the New Basel Capital Accord was issued on 29th April, 2003, with the consultation period ending on 31st July, 2003. The Committee announced on 11th May 2004 that it had achieved consensus on the remaining issues and published the text of the new Framework on 26th June 2004 under the title **Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework**. This Framework will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the new Framework. The Committee confirmed that it is currently intended that the various approaches under the Framework will be implemented in stages, some from year-end 2006; the most advanced at year-end 2007. If implemented in accordance with its current form, the Framework could affect risk weighting of the Notes in respect of certain investors if those investors are subject to the new Framework following its implementation. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the proposed implementation of the new Framework. No predictions can be made as to the precise effects of potential changes which might result if the Framework were adopted in its current form.

Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 came into force, amending certain provisions of the Insolvency Act 1986 (as amended, **the Insolvency Act**).

These provisions introduced significant reforms to corporate insolvency law. In particular, 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.

However, section 72B of 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 and the Borrower Security) which form part of a capital market arrangement (as defined in the Insolvency Act) and which involves both indebtedness of at least £50,000,000 (or, when the relevant security document (being in respect of the transactions described in this Offering Circular, the Issuer Deed of Charge and the Borrower Security Documents) 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 also 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 Issuer Security and the Borrower Security will fall within the 'capital market 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 market 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. It should also be noted that, for the reasons given above, an English administrative receiver could not be appointed in respect of the Borrower and there are uncertainties as to whether such a receiver could be appointed in respect of the General Partners as Jersey companies.

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. These provisions do not currently apply to partnerships (such as the Borrower) but are likely to be extended to such entities in the future. 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 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. These provisions do not currently apply to partnerships (such as the Borrower) but are likely to be extended to such entities in the future.

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 and the Borrower Security may be reduced by the operation of these “ring fencing” provisions.

Insolvency Act 2000

Under the Insolvency Act 2000 (the 2000 Act), 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.

These provisions are not expressly stated to apply to partnerships (such as the Borrower). However, as the 2000 Act modifies the Insolvency Act 1986 which is applied to partnerships by the Insolvent Partnerships Order 1994, it is likely that these provisions will also apply to the Borrower.

The position as to whether or not a company or partnership is a small company or partnership may change from time to time and consequently no assurance can be given that the Issuer or the Borrower, at any given time, be determined to be a small company or partnership. 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 market 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. While the Issuer is of the view that the Issuer and the Borrower should fall within the exceptions, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. 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 and/or the Borrower is determined to be a “small” company or partnership 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 by the Issuer Security Trustee 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 Offering Circular are based on English, Jersey and European laws and administrative practice in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to English, Jersey 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.

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 Offering Circular 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

The Issuer, Picts plc, was incorporated in England and Wales on 20th September 2004 (registered number 5235857), as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at Blackwell House, Guildhall Yard, London EC2V 5AE. The Issuer has no subsidiaries.

1. Principal Activities

The principal objects of the Issuer are set out in clause 4 of its memorandum of association and are, among other things, 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 the issue of the Notes, the making of the Term Loan Facility and certain related transactions described elsewhere in this document.

The Issuer has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company under the Companies Act 1985, the authorisation of the issue of the Notes and of the other documents and matters referred to or contemplated in this Offering Circular and matters which are incidental or ancillary to the foregoing.

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 Term Loan Facility, the exercise of related rights and powers and the other activities described in this document. See further **Condition 3.1 (Restrictions)**.

2. Directors and Secretary

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

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
SFM Directors Limited (registered number 3920254)	Blackwell House, Guildhall Yard, London EC2V 5AE	Company Director
SFM Directors (No.2) Limited (registered number 4017430)	Blackwell House, Guildhall Yard, London EC2V 5AE	Company Director

The company secretary of the Issuer is SFM Corporate Services Limited, a company incorporated in England and Wales (registered number 3920255), whose business address is Blackwell House, Guildhall Yard, London EC2V 5AE.

3. Capitalisation and Indebtedness

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

Share Capital

<i>Authorised Share Capital £</i>	<i>Issued Share Capital £</i>	<i>Value of each Share £</i>	<i>Shares Fully Paid Up</i>	<i>Shares Quarter Paid Up</i>	<i>Paid Up Share Capital £</i>
50,000	50,000	1	0	50,000	12,500

49,999 of the issued shares in the Issuer are held by the Share Trustee under the terms of a trust as nominee for the benefit of charitable institutions. The trust is made pursuant to a declaration of trust dated on or about 29th September, 2004. The remaining one share in the Issuer is held by SFM Nominees Limited (registered number 4115230) as nominee for the Share Trustee.

Loan Capital

5.218 per cent. Commercial Mortgage Backed Notes due 2039	£153,166,000
Total Loan Capital.....	£153,166,000

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 Offering Circular.

4. Accountants' Report

The following is the text of a report, extracted without material adjustment, received by the Issuer from BDO Stoy Hayward LLP who have been appointed as auditors and reporting accountants to the Issuer. BDO Stoy Hayward LLP are chartered accountants and registered auditors. The balance sheet contained in the report does not comprise the Issuer's statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since the Issuer's incorporation. The Issuer's accounting reference date will be 31 December and the first statutory accounts will be drawn up to 31 December 2004.



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
Emerald House
East Street
Epsom
Surrey KT17 1HS

The Manager:

The Directors
UBS Limited
1 Finsbury Avenue, London EC2M 2PP

The Issuer:

The Directors
Picts plc
Blackwell House, Guildhall Yard, London EC2V 5AE

1 October 2004

Dear Sirs

PICTS plc (the “Issuer”) £153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039.

We report on the financial information set out below. This financial information has been prepared for inclusion in the offering circular dated 1 October (the **Offering Circular**) of the Issuer.

The Issuer was incorporated on 20 September 2004 with the name of Picts plc. The Issuer has not yet commenced business, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

Basis of Preparation

The financial information set below is based on the non-statutory balance sheet (the “Balance Sheet”) of the Issuer as at 27 September 2004 prepared on the basis described below, to which no adjustments were considered necessary.

Responsibility

The Balance Sheet is the responsibility of the directors of the Issuer.

The directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included, except that the directors of the General Partners of the Borrower are responsible for the contents of the section of the Offering Circular titled “The Borrower”.

It is our responsibility to compile the financial information set out in our report from the Balance Sheet, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of Balance Sheet underlying the financial information and whether the accounting policies are appropriate to the Issuer’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Issuer as at 27 September 2004.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

	<i>Note</i>	<i>As at 27 September 2004 £</i>
<i>Current assets</i>		
Cash at bank and in hand		12,500
<i>Capital and reserves</i>		
Equity share capital – 50,000 £1 shares 25% paid up	1	12,500

Notes to the financial information

1. Share capital

On incorporation, the authorised share capital of the Issuer was £50,000, consisting of 50,000 ordinary shares of £1 each.

On 20 September 2004, one ordinary share was issued by the Issuer to SFM Nominees Limited and one ordinary share was issued to SFM Corporate Services Limited for cash consideration of £0.25 each. The two subscriber shares are one quarter paid up.

On 27 September 2004, 49,998 ordinary shares were issued by the Issuer to SFM Corporate Services Limited, one quarter paid-up, for a total consideration of £12,499.50.

2. Controlling party information

At 27 September 2004, the ultimate controlling party of the Issuer was SFM Corporate Services Limited, which is to hold its interest in the shares of the Issuer on trust for charitable purposes under the terms set out in the Offering Circular.

3. Post balance sheet events

The Issuer is to issue £153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039 (the “Notes”) on or about 1 October 2004 under the terms of an Offering Circular of the same date.

The Issuer has applied to the Irish Stock Exchange Limited for the Notes to be admitted to the Official List of the Irish Stock Exchange.

Under the terms of a credit agreement set out in the Offering Circular, it is proposed that the Issuer will use the proceeds of the issue to make a term loan facility available to 33 Old Broad Street (Jersey) Limited Partnership (the Borrower).

The Borrower is to apply the net proceeds of the term loan facility to refinance an existing bridge facility (including the payment of any costs associated with terminating any interest rate hedging relating to such bridge facility) and to make a loan to an annuity provider in accordance with the terms of the Deposit Loan Agreement, as referred to in the Offering Circular.

The Borrower will use rental income received in respect of its property at 33 Old Broad Street, London as its primary source of funds to make payments of principal and interest to the Issuer under the terms of the credit agreement. The property will be secured by way of a first priority mortgage.

The Issuer will use receipts of principal and interest in respect of the term loan facility to make payments of, among other things, principal and interest due in respect of the notes.

Yours faithfully

BDO Stoy Hayward LLP

Chartered Accountants

THE BORROWER

The Borrower was registered in Jersey on 19th November 2003 under the Limited Partnerships (Jersey) Law 1994 (as amended) (the **Law**), pursuant to a limited partnership agreement (the **Original Limited Partnership Agreement**) between the General Partners and The Prudential Assurance Company Limited (**PACL**) as the initial limited partner. On 22 December 2003 PACL transferred and assigned its interest as a limited partner in the Borrower to Uberior Investments plc (**Uberior Investments**), a wholly-owned subsidiary of HBOS.

On 14 July 2004, the terms of the Original Limited Partnership Agreement were amended and restated by an amendment agreement dated 14th July 2004 made between the General Partners and Uberior Investments. Subsequent to the amendment of the Original Limited Partnership Agreement, the Borrower acting by the General Partners entered into the Bridge Facility with BOS pursuant to which BOS made available to the Borrower a loan facility in the sum of £138,500,000 to enable the Borrower to make a distribution of profits and return of capital contribution (together, the **Distribution**) to Uberior Investments in connection with the refinancing of the Property.

Following the drawdown under the Bridge Facility and the making of the Distribution, on 14 July 2004 Uberior Investments transferred all of its interest as a limited partner in the Borrower and all of its rights and obligations under the Amended Limited Partnership Agreement to Uberior Ventures Limited (**Uberior Ventures**) pursuant to an assignment agreement dated 14th July 2004 and made between the General Partners, Uberior Investments and Uberior Ventures.

Subsequent to the admission of Uberior Ventures as a limited partner in the Borrower, on 14 July 2004, West Coast Capital Prestven Limited and New Prestbury Limited (together with Uberior Ventures, the **Parents**) were admitted to the Borrower as additional limited partners, pursuant to an amended and restated limited partnership agreement dated 14th July 2004 and made between the General Partners as general partners and the Parents as limited partners.

In respect of the Parents:

- Uberior Ventures is a holding company for investments arranged by BOS' Joint Ventures team (part of BOS Corporate Banking division with HBOS plc). Through this company investments are made on HBOS's own account in a broad range of business sectors. Uberior Ventures is ultimately a wholly owned subsidiary of HBOS plc.
- West Coast Capital is a private equity partnership established in March 2001 by Tom Hunter the former owner of Sports Division (one of the UK's premier sports retailers). It has led and concluded in excess of £2.5 billion worth of deals. West Coast Capital principally invests in retail and property activities.
- Prestbury Limited Holdings is 47% owned by CEO Nick Leslau, who has over 20 years experience in property investment. Since October 2000 Prestbury has transacted over £1.5 billion of property acquisition both on its own account and in a series of joint ventures (including several with West Coast Capital and two with BOS entities as a partner).

On 27th September 2004, each Parent transferred its interest in the Borrower to a newly created single purpose entity wholly owned by it and each of those new entities is referred to herein together as the Limited Partners. The limited partnership agreement was amended and restated on 27th September 2004 (the Limited Partnership Agreement) to provide for these changes.

The Borrower is not a legal entity separate from its partners and as such has no subsidiaries.

The General Partners, both of whom are wholly-owned (in equal shares) by the Limited Partners, are the only general partners of the Borrower and, as such, jointly manage the Borrower and have authority to enter into transactions on its behalf. The General Partners have unlimited liability for the obligations of the Borrower. Provided that the Limited Partners do not become involved with the management of the Borrower other than in the circumstances provided for in the Limited Partnership Agreement and/or the Law, the liability of the Limited Partners for the debts or obligations of the Borrower will be limited to the difference, if any between the amount which they have contributed to the Borrower and the amount which they have agreed to contribute to the Borrower.

No Limited Partner may sell, assign, transfer or exchange any part of its interest in the Borrower other than in accordance with the terms of the Limited Partnership Agreement or with the prior written consent of the other Limited Partners.

1. Principal Activities

The Borrower was formed “to acquire, hold for investment purposes, manage, lease, exchange, invest in, deal with, buy, sell, mortgage, charge, grant any right or interest in, over or upon and dispose of real estate assets (including contingent and reversionary interests in any real estate assets)” and in furtherance of the foregoing, to engage in such other activities and do such other things as are, or in the opinion of the General Partners may be, incidental or conducive to the purpose of the Partnership. (as per clause 2.3 Limited Partnership Agreement)

2. Partners

As at the date of this Offering Circular, the Limited Partners of the Borrower are:

- (a) Uberior Ventures 33 OBS Limited, a company incorporated in England and Wales with limited liability under registration number 5194756 with its registered office at Level 1, Citymark, 150 Fountainbridge, Edinburgh, EH3 9PE;
- (b) West Coast Capital 33 OBS Limited, a company incorporated in England and Wales with limited liability under registration number 5194759 with its registered office at Marathon House, Olympic Business Park, Drybridge Road, Dundonald, KA2 9AE; and
- (c) Prestbury 33 OBS Limited a company incorporated in England and Wales with limited liability under registration number 04892238 with its registered office at 11/12 Wigmore Place, London, W1U 2LU.

The General Partners of the Borrower are:

- (a) 33 Old Broad Street 1 Limited a company incorporated in Jersey under company registration number 82845 with its registered office at Pirouet House, Union Street, St Helier, Jersey JE1 3WF; and
- (b) 33 Old Broad Street 2 Limited a company incorporated in Jersey under company registration number 82846 with its registered office at Pirouet House, Union Street, St Helier, Jersey JE1 3WF;

Officers of the General Partners

The officers of the General Partners and their respective business addresses and other principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Sandy Gumm	C/- Pirouet House, Union Street, St Helier, Jersey JE1 3WF	Company Director
Nick Leslau	C/- Pirouet House, Union Street, St Helier, Jersey JE1 3WF	Company Director
Jim McMahon	C/- Pirouet House, Union Street, St Helier, Jersey JE1 3WF	Company Director
Bruce Anderson	C/- Pirouet House, Union Street, St Helier, Jersey JE1 3WF	Company Director
Iain Macintosh	C/- Pirouet House, Union Street, St Helier, Jersey JE1 3WF	Company Director

3. Capitalisation and Indebtedness

The Limited Partners have each contributed £1,183,333 to the Borrower and (under the Limited Partnership Agreement) have each undertaken to provide a further £150,000 to the Borrower within 5 business days of receipt of a written request from the General Partners. These moneys amounting to £450,000 have been requested by the General Partners and will be contributed to the Borrower on the Closing Date. The General Partners may also by notice to each Limited Partner, request that each Limited Partner advances additional capital contributions to the Borrower pro rata to their existing capital contributions. The Borrower has a Bridge Loan outstanding (which is to be refinanced by the proceeds of the Term Loan Facility) as follows:

Loan Capital

Bridge Facility £138,500,000

Except as set out above (and for a hedge agreement in respect of the Bridge Facility), the Borrower has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and the Borrower has not created any mortgages or charges nor has it given any guarantees as at the date of this Offering Circular.

4. Accountant’s report

The following is the text of a report, extracted without material adjustment, received by the Borrower from BDO Stoy Hayward LLP who have been appointed as auditors and reporting accountants to the Borrower. BDO Stoy Hayward LLP are chartered accountants and registered auditors. The Borrower’s accounting reference date will be 31 December and the first accounts will be drawn up to 31 December 2004.



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
Emerald House
East Street
Epsom
Surrey KT17 1HS

The Manager:

The Directors
UBS Limited
1 Finsbury Avenue, London EC2M 2PP

The General Partners of 33 Old Broad Street (Jersey) Limited Partnership:

The Directors
33 Old Broad Street 1 Limited
C/- Pirouet House, Union Street, St Helier, Jersey JE1 3WF

The Limited Partners of 33 Old Broad Street (Jersey) Limited Partnership:

The Directors
Uberior Ventures 33 OBS Limited
Level 1, Citymark, 150 Fountainbridge, Edinburgh, EH3 9PE

The Directors
West Coast Capital 33 OBS Limited
Marathon House, Olympic Business Park,
Drybridge Road, Dundonald, KA2 9AE

The Directors
Prestbury 33 OBS Limited
11/12 Wigmore Place, London, W1U 2LU

1 October 2004

Dear Sirs

33 Old Broad Street (Jersey) Limited Partnership (“the Borrower” or “the partnership”)
£153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039 of Picts plc (the “Issuer”).

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the offering circular dated 1 October 2004 (the **Offering Circular**) of the Issuer.

The Borrower was registered in Jersey on 19 November 2003 under the Limited Partnerships (Jersey) Law 1994 (as amended), pursuant to a limited partnership agreement, amended and restated and now dated 27 September 2004.

Basis of Preparation

The financial information set out below is based on the audited non-statutory financial statements (the “financial statements”) of the Borrower from the date of its registration under the Limited Partnerships (Jersey) Law 1994 (as amended) to 31 July 2004, to which no adjustments were considered necessary.

BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, Emerald House, East Street, Epsom, KT17 1HS, were the auditors of the Balance Sheet. Their audit report was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of the General Partners of the Borrower who approved their issue.

The directors of Picts plc (the “Issuer”) are responsible for the contents of the Offering Circular of which this report forms a part, except that the directors of the General Partners of the Borrower are responsible for the contents of the section of the Offering Circular titled “The Borrower” in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Borrower's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Borrower as at 31 July 2004 and of its results, cash flows and recognised gains and losses for the period then ended.

FINANCIAL INFORMATION

Basis of preparation and accounting policies

Basis of preparation

The financial information has been prepared under the historical cost convention, as modified by the revaluation of investment property from time to time to a current valuation prior to entry or exit of a partner(s) to/from the partnership.

The financial information has been prepared in accordance with accounting standards currently applicable in the United Kingdom.

Accounting policies

The following principal accounting policies have been adopted by the partnership and have been applied consistently in dealing with items which are considered material in relation to the financial information:

Turnover

Turnover represents rents receivable from an investment property during the period, excluding value added tax where applicable to rents received in the period.

Investment property

The investment property is included in the balance sheet at its valuation.

Any permanent diminution in the value of the property would be charged directly to the net income statement.

Deferred taxation

As the partnership is not treated as a separate legal entity under The Limited Partnerships (Jersey) Law 1994, it is not subject to direct taxation and accordingly no corporation or deferred tax amounts are recorded in the partnership accounts.

Financial instruments

The partnership does not trade in derivative financial instruments. Hedging instruments are used to protect the partnership's exposure to movements in interest rates. Gains or losses are deferred until the related interest in the hedging instrument is realised.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

Loan issue and hedging costs

Where material, costs relating to the raising of bank and other loan facilities, including any costs associated with the purchase of hedging instruments, will be amortised over the life of the loan or hedging instrument in accordance with United Kingdom Financial Reporting Standard 5, "Capital Instruments".

Loan issue and hedging costs are charged to the net income statement as part of the partnership's other financing costs.

The bank loan is disclosed net of any capitalised loan issue and hedging costs that have not been amortised to date.

Net income statement

	<i>Note</i>	<i>Period from 19 November 2003 to 31 July 2004 £</i>
Turnover	1	4,668,451
Cost of sales – direct property costs		—
Gross income before partnership expenses and interest		4,668,451
Partnership expenses		(43,399)
Gross income before interest and other financing costs		4,625,052
Interest receivable and similar income		6,608
Interest payable and other financing costs.....	4	(607,397)
Net income for the period prior to distributions		4,024,263
Distributions of net income in the period.....		4,159,531
Net deficit for the period after distributions		(135,268)

All amounts relate to continuing activities.

Statement of total recognised gains and losses

	<i>Note</i>	<i>19 November 2003 to 31 July 2004 £</i>
Net income for the period prior to distributions		4,024,263
Investment property valuation surpluses in the period	5	13,000,000
Total recognised gains and losses for the period		17,024,263

Distributions of net income and capital profits and returns of capital contributions

	<i>Note</i>	<i>£</i>	<i>19 November 2003 to 31 July 2004 £</i>
Distributions of net income			
Net income of the partnership available for distribution	9		4,024,263
Distributions in the period			
Distribution of net income to Uberior Investments plc.....	9	4,159,531	
Total distributions of income in the period			4,159,531
Net deficit for the period after distributions	9		(135,268)
Distributions of capital profits and returns of capital contributions			
To Uberior Investments plc:			
Return of capital contribution	9		127,000,000
Capital profit distribution	5		13,000,000
Total distributions of capital profits and returns of capital contributions in the period			140,000,000

Balance sheet

	<i>Note</i>	<i>31 July 2004 £</i>	<i>31 July 2004 £</i>
Fixed assets			
Investment property	5		142,586,613
Current assets			
Cash at bank	7	3,600,643	
Creditors: amounts falling due within one year	6	(140,877,229)	
Net current liabilities			(137,276,586)
Total assets less current liabilities			5,310,027
Creditors: amounts falling due after more than one year....	7		(1,895,296)
Net assets			3,414,731
Partnership capital			
Limited Partners' capital accounts	9		3,549,999
Limited Partners' current accounts	9		(135,268)
General Partners' current accounts	9		—
Partners' interests			3,414,731

Cash flow statement

	<i>Note</i>	<i>Period from 19 November 2003 to 31 July 2004 £</i>	<i>Period from 19 November 2003 to 31 July 2004 £</i>
Net cash inflow from operating activities	12		5,703,566
Returns on investments and servicing of finance			
Interest received		6,608	
Interest and other financing costs paid		—	
Distributions and returns of capital		(144,159,531)	
Net cash outflow from returns on investment and servicing of finance			(144,152,923)
Capital expenditure and financial investment			
Purchase of fixed assets			—
Cash outflow before management of liquid resources and financing			(138,449,357)
Management of liquid resources			
Net transfers to short term deposits.....			(—)
Financing			
Capital contributions received from Limited Partners.....		3,550,000	
Bridging Facility drawn down (net of issue costs: £nil).....		138,500,000	
Cash inflow from financing			142,050,000
Increase in cash	14		3,600,643

Notes to the financial information

1. Turnover

Turnover is wholly attributable to rental income receivable from the partnership's investment property activities and arises solely in the United Kingdom.

2. Employees

The partnership had no employees in the period and as a result incurred no staff costs.

3. Partners' fees for management services

No partner received any fees from the partnership in respect of any management services provided to the partnership in the period.

4. Interest payable and other financing costs

	<i>Period from 19 November 2003 to 31 July 2004 £</i>
Interest payable on bank loan and hedging instruments	450,782
Other financing costs	156,615
	<u>607,397</u>

5. Investment property

	<i>Freehold land and buildings £</i>
<i>Cost or valuation</i>	
Capital contribution by a former partner	127,000,000
Revaluations in the period	13,000,000
Additions – irrecoverable VAT on granting of a new lease in the period.....	2,586,613
At 31 July 2004.....	<u>142,586,613</u>

The partnership's investment property was valued at £140,000,000 on an open market basis (on specific assumption that no stamp duty is applicable) by Jones Lange Lasalle, Chartered Surveyors, as at 9 July 2004. This valuation was performed to enable a distribution of capital to be made to a partner exiting the partnership on 14 July 2004. The General Partners consider that the carrying value of the investment property at 31 July 2004, as stated above, is reflective of its value to the partnership at that date.

At 31 July 2004, the investment property was unsecured.

6. Creditors: Amounts falling due within one year

	<i>31 July 2004 £</i>
Bank loan	138,500,000
VAT creditor	691,317
Other creditor	1
Accruals and deferred income	1,685,911
	<u>140,877,229</u>

The short term VAT creditor is payable on 28 February 2005 (see also note 7).

The bank loan was drawn down on 14 July 2004 under the terms of a Bridge Facility Agreement (“the Bridge Facility”) provided by The Governor and Company of the Bank of Scotland.

The bank loan, which has a final maturity date of 10 January 2005, was unsecured at the balance sheet date except in respect of the secured cash balances referred to in note 7 below.

The bank loan bears interest at three months LIBOR plus a lender’s margin of 1% and the lender’s mandatory cost. Interest has been fixed by way of the purchase of an interest rate swap.

7. Creditors: Amounts falling due after more than one year

	31 July 2004 £
VAT creditor	1,895,296

The long term VAT creditor is payable in two equal instalments of £947,648 on 28 February 2006 and 28 February 2007. If settled by these dates then no interest charge will be levied.

Cash at bank at 31 July 2004 includes £2,586,613 of cash balances in relation to the short and long term VAT creditors, which are secured under the Bridge Facility.

8. Financial instruments

The partnership’s strategy in respect of the use of financial instruments is to hedge future interest rate risk to ensure that expected bank loan or other similar debt balances are fully hedged over their entire duration.

The following financial instrument was in place at 31 July 2004:

	<i>Protected rate %</i>	<i>Expiry</i>
£141.8 million interest rate swap (accreting).....	5.585%	10 January 2039

The initial notional amount of the swap accretes quarterly to £148.2m as at 8 January 2014. Thereafter the notional amount amortises to zero by 10 January 2039 (see note 15 - post balance sheet events).

The interest rate swap was entered into with HBOS Treasury Services plc in connection with the Bridge Facility.

The market values of hedging products change with interest rate fluctuations, but the exposure of the partnership to movements in interest rates is protected by way of the hedging product described above.

All of the partnership’s monetary assets and liabilities are denominated in sterling.

9. Partnership capital

	<i>West Coast Capital Prestven Limited £</i>	<i>New Prestbury Limited £</i>	<i>Uberior Ventures Limited £</i>	<i>Uberior Investments plc* £</i>
Limited Partners' capital accounts				
Capital introduced and returned:				
Initial capital introduced on 21.11.2003*	—	—	—	1
Capital contribution of property on 17.12.2003*	—	—	—	127,000,000
Return of capital on 14.7.2004	—	—	—	(127,000,000)
	—	—	—	1
Assignment of partnership interest on 14.7.2004	—	—	1	(1)
Reclassification to creditors	—	—	(1)	—
Capital contributions in cash on 14.07.2004.....	1,183,333	1,183,333	1,183,333	—
	<u>1,183,333</u>	<u>1,183,333</u>	<u>1,183,333</u>	<u>—</u>
Property revaluations and capital profit distributions:				
Property revaluation on 22.12.2003*	—	—	—	2,650,206
Property revaluation on 24.06.2004	—	—	—	10,349,794
Capital profit distribution on 14.7.2004.....	—	—	—	(13,000,000)
	—	—	—	—
Total capital accounts at 31.7.2004	<u><u>1,183,333</u></u>	<u><u>1,183,333</u></u>	<u><u>1,183,333</u></u>	<u><u>—</u></u>

* The initial capital introduced and the capital contribution of property were by The Prudential Assurance Company Limited. In accordance with the terms of a Deed of Adherence dated 22 December 2003 between The Prudential Assurance Company Limited and Uberior Investments plc, the capital account of The Prudential Assurance Company Limited was assigned to Uberior Investments plc on that date. On the same date The Prudential Assurance Company Limited received £129,650,206 from Uberior Investments plc for its partnership interest.

	<i>West Coast Capital Prestven Limited £</i>	<i>New Prestbury Limited £</i>	<i>Uberior Ventures Limited £</i>	<i>Uberior Investments plc* £</i>
Limited Partners' current accounts				
Net income available for distribution up to 14.7.2004	—	—	—	4,314,320
Net income distribution on 14.07.2004	—	—	—	(4,159,531)
Net income retained after initial distribution	—	—	—	154,789
Allocation of surplus - pro-rata basis on 14.7.2004	51,596	51,596	51,597	(154,789)
Net income/(loss) allocated to current accounts for the period from 14.7.2004 to 31.07.2004** ..	(96,685)	(96,686)	(96,686)	—
Total current accounts at 31.7.2004.....	<u><u>(45,089)</u></u>	<u><u>(45,090)</u></u>	<u><u>(45,089)</u></u>	<u><u>—</u></u>

** As the net income statement is in deficit for the period from 14 July 2004 to 31 July 2004 there is no General Partner profit share allocation to be made. As a result, at 31 July 2004, the General Partners have no partnership capital.

See note 11 for details of changes to the Limited Partners since the balance sheet date.

No amounts within the partnership capital balances are interest bearing.

Allocation of income and capital profits and losses and distributions:

The General Partners of the partnership are entitled to share an amount equal to 0.001% of the net income of the partnership “prior to distributions” in respect of each period. Otherwise, the General Partners have no entitlement to share in the income or capital profits of the partnership.

The net income of the partnership for a period, after the General Partners’ profit share, is then available for distribution to the Limited Partners on a *pro rata* basis in accordance with their respective capital contributions. Any capital proceeds are similarly to be allocated between the Limited Partners.

The pro-rated net income and capital proceeds allocations are to be promptly distributed to the Limited Partners, from time to time, provided that the General Partners shall not make any distribution which would render the partnership unable to meet its existing and future liabilities.

Rights and duties of the General Partners:

Details of the rights and duties of the General Partners are set out in the Amended and Restated Limited Partnership Agreement dated 27 September 2004.

10. Related party transactions

Uberior Ventures Limited has been a Limited Partner of the partnership since 14 July 2004. Uberior Investments plc was a Limited Partner from 22 December 2003 until 13 July 2004.

During the period, the partnership has expensed interest payable of £450,782 and other financing costs of £156,615, which are all included in accruals and deferred income and are all liabilities due to members of the HBOS plc group. Both Uberior Ventures Limited and Uberior Investments plc are entities that are ultimately controlled by HBOS plc.

11. Controlling party information

At 31 July 2004, 33 Old Broad Street (Jersey) Limited Partnership was owned directly and equally by its three Limited Partners at that time, being Uberior Ventures Limited, West Coast Capital Prestven Limited and New Prestbury Limited, all United Kingdom incorporated companies.

On 27 September 2004, each of the above companies transferred its interest in the partnership to a newly created single purpose entity wholly owned by it. Each of those new entities became the immediate controlling parties and the Limited Partners of the partnership from that date.

12. Reconciliation of gross income before interest to net cash inflow from operating activities

	<i>Period from 19 November 2003 to 31 July 2004 £</i>
Gross income before interest and other financing costs.....	4,625,052
Increase in creditors.....	1,078,514
Net cash inflow from operating activities.....	<u>5,703,566</u>

13. Reconciliation of net cash flow to movement in net debt

	<i>Period from 19 November 2003 to 31 July 2004 £</i>
Increase in cash in the period	3,600,643
Cash inflow from increase in debt	<u>(138,500,000)</u>
Change in net debt resulting from cash flows	(134,899,357)
Net debt at start of period	<u>—</u>
Net debt at end of period (note 14)	<u><u>(134,899,357)</u></u>

14. Analysis of net debt

	<i>At 19 November 2003 £</i>	<i>Cash flow £</i>	<i>Non-cash movements £</i>	<i>At 31 July 2004 £</i>
Cash at bank	—	3,600,643	—	3,600,643
Liquid resources	—	—	—	—
Cash and liquid resources	—	3,600,643	—	3,600,643
Debt due within one year	—	(138,500,000)	—	(138,500,000)
Prepaid finance fees	—	—	—	—
Financing	—	<u>(138,500,000)</u>	—	<u>(138,500,000)</u>
Total net debt	<u>—</u>	<u>(134,899,357)</u>	<u>—</u>	<u>(134,899,357)</u>

15. Post balance sheet events

As the bank loan has a final maturity date of 10 January 2005, the General Partners, in accordance with clause 17.15 (a) of the Bridge Facility Agreement entered into with the Governor and Company of the Bank of Scotland, have been using their best endeavours to arrange a suitable refinancing of the property.

Under terms set out in the Offering Circular of even date, it is proposed that a term loan facility is to be provided to the Borrower by the Issuer. The Borrower is to apply the net proceeds of the term loan facility to:

- repay its debt obligation incurred under the Bridge Facility to The Governor and Company of the Bank of Scotland;
- pay break costs, estimated at £8,135,000, associated with the termination of its interest rate swap referred to in note 8; and
- lend £4,603,658 to an annuity provider in accordance with the terms of the Deposit Loan Agreement as referred to in the Offering Circular.

On 1 October 2004, the Limited Partners of the Borrower each contributed an additional £150,000 equity to the Borrower as called for under The Limited Partnership Agreement.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

DESCRIPTION OF THE PROPERTY, THE LEASE, THE TENANT AND THE TENANT GUARANTOR

THE PROPERTY

The property, which consists of high quality office space, is situated at 33 Old Broad Street, in the city of London.

Photographs of the property are included in schedule 1 of this Offering Circular.

Property condition

The Property was constructed in 1997 and was designed by *EPR Architects Ltd* to provide office accommodation arranged around a full height glazed atrium. The property is entered through a reception area off Old Broad Street.

The development comprises approximately 17,865 sq.m. (192,301 sq. ft.) of high quality air conditioned office and ancillary accommodation arranged over basement, lower ground, ground and nine upper floors with 24 car parking spaces.

Property location

The property is located in the heart of the City on the eastern side of Old Broad Street close to its junction with London Wall. Transport links are provided by Liverpool Street and Bank underground stations which are both nearby. In recent years the adjoining buildings have been redeveloped. These include Tower 42, formerly known as the Natwest Tower, 99 *Bishopsgate*, a comprehensive refurbishment by Hammerson plc, and 55 *Bishopsgate*, which was developed by Kumagai Gumi.

Property layout

The property provides the following approximate Net Internal Floor Areas:

<u>Description</u>	<u>Use</u>	<u>sq m</u>	<u>sq ft</u>
Ninth.....	Offices	620.0	6,674
Eighth.....	Offices	1,300.8	14,002
Seventh.....	Offices	1,540.5	16,582
Sixth.....	Offices	1,832.8	19,728
Fifth.....	Offices	1,907.8	20,536
Fourth.....	Offices	1,955.4	21,048
Third.....	Offices	1,962.4	21,123
Second.....	Offices	1,944.7	20,933
First.....	Offices	1,675.8	18,038
Ground.....	Reception	317.2	3,414
Ground.....	Offices	1,172.1	12,616
Lower Ground.....	Offices	865.8	9,319
Lower Ground.....	Storage	493.6	5,313
Basement.....	Storage	276.4	2,975
Total Net Internal Area.....		<u>17,865.2</u>	<u>192,301</u>

There are 24 basement car parking spaces accessed via a ramp and 2 car lifts adjacent to 27 Old Broad Street.

Other Property features

- Four pipe fan coil air conditioning
- Metal perforated suspended ceilings
- Category II lighting providing 400 Lux
- Raised access floors providing a 200mm void on ground to third floors and 150mm on the upper floors

- Floor to ceiling heights of 2.9m (9ft 6”) on ground to third floors with 2.6m (8ft 10”) on the remaining upper floors
- Column grid, 9m x 7.5m
- 1.5m planning grid
- 6 x 21 person passenger lifts
- 1 x 1800 kg goods lift

THE LEASE

Term

35 years from 25th March, 2004

Leased Property

The whole of the property known as 33 Old Broad Street, London EC2.

Initial Rent

The Lease contains a Rent Payment Schedule setting out the minimum annual rent payable under the Lease as follows:

Years 1 – 5	£7,062,000
Years 6 – 10	£8,013,416
Years 11 – 15	£9,093,012
Years 16 – 20	£10,318,056
Years 21 – 25	£11,708,140
Years 26 – 30	£13,285,504
Years 31 – 35	£15,075,372

Rent Review

The Lease, provides that in addition to the fixed increases there will be upwards only reviews to open market rent on 25th March in each of 2014 and 2024 to the highest of (a) the fixed rent, (b) the open market rent at such date and (c) the rent payable immediately before the rent review.

The open market rent is to be calculated on the basis of standard assumptions and matters to be disregarded but including assumptions that:

- (i) the notional lease will be for a term of ten years;
- (ii) the notional lease will mirror the Lease save that all references to the fixed rent will be excluded and the ratings test for the assignee referred to below will be omitted from the notional lease;
- (iii) immediately before the review date the property has been fitted out by the landlord in accordance with the Category A Specification attached to the Lease; and
- (iv) the net internal areas are as set out in an attachment to the lease.

If the parties cannot agree the rent, it will be determined by an independent person who shall act as an expert or an arbitrator as the landlord shall specify.

Rent Intervals

Rent is payable quarterly in advance, on the 25th March, 24th June, 29th September and 25th December of each year. Rent is to be paid without set-off, whether legal or equitable.

Interest on late rent

Interest of 3% above the base rate (or its equivalent) of National Westminster Bank plc is payable on rent or any payment due under the lease overdue by 5 working days (or 10 working days in the case of payments due on demand) for the whole period from the date the sum ought to be have been paid until the date of payment.

Rents net of additional charges, costs and expenses

The tenant is responsible for the payment of all existing and future rates, taxes, charges, impositions, assessments and outgoings whether local or otherwise which are now or may in the future be payable in respect of the property or any part of it.

Repairs

The tenant is to repair and keep the property in good and substantial repair and condition (or if the property cannot be repaired, to rebuild the same). In particular, the tenant must decorate the interior of the property at least once every 5 years, and in the last 3 months of the term, and must decorate the exterior of the property at least once every 3 years, and in the last 3 months of the term.

Alterations

There is an absolute prohibition against building any additional structure onto the exterior of the property or changing the external appearance or height of the property (subject to some minor exclusions). Alterations to the exterior of the property at ground floor level in connection with the use of the ground floor for purposes within Class A2 is allowed, subject to the landlord's prior consent which is not to be unreasonably withheld. The landlord's consent is not to be unreasonably withheld to any other alterations including structural alterations to the interior of the property which do not adversely impact on the structural integrity of the property.

The tenant is allowed to extend the second and/or third floors by the construction of a floor or floors across the atrium, with the prior consent of the landlord which is not to be unreasonably withheld. The landlord can require (but only if it is reasonable to so require) all alterations or additions made during the term to be reinstated by giving at least 6 months notice prior to the end of the term.

Yielding Up

At the end or sooner determination of the Lease, the tenant is to yield up the property to the landlord in accordance with the Category A Specification attached to the Lease together with all fixtures and fittings improvements and additions in or about the property. The tenant is to yield up certain tenant's fixtures as set out in the Lease which will then belong to the landlord.

Permitted use

Parts of the basement are to be used for the parking of motor vehicles. Part of the basement and lower ground floor are to be used for storage and use of plant and other apparatus and equipment. The remainder of the property is to be used as offices within Class B1 of the Town and Country Planning (Use Classes) Order 1987. Any part or parts of the lower ground floor and up to 3,000 square feet in total of the ground floor can be used for the preparation and consumption of hot and cold food and drinks by the tenant or any undertenant where such use is ancillary to the use of the property as offices. Halifax plc or any group company may use the ground floor for purposes within Class A2 of the 1987 order. No automatic telling machines may be installed other than in positions previously approved by the landlord. No other uses are permitted.

Transfer/Underletting

The tenant may not assign part of the property. It may only assign the whole of the property with the landlord's consent, such consent not to be unreasonably withheld and not to be withheld where the other terms of the alienation covenant have been complied with. The tenant may not assign the property except to an assignee "of sufficient financial standing to enable it to comply with the tenant covenants and which has or its guarantor has a long-term unsecured rating of not less than: (a) AA from Standard and Poor's; and (b) Aa2 from Moody's Investor Services or AA from Fitch Ratings (or the nearest equivalent if the rating system changes)."

Any outgoing tenant will need to enter into an authorised guarantee agreement. The Lease provides that on an assignment any guarantor of the tenant can be required to guarantee the obligations of the tenant under the authorised guarantee agreement (AGA) but only "if it shall be lawful so to require".

Underlettings: The tenant may underlet the whole or any part of the property (except for part of a floor where the subdivision so created is not in compliance with fire regulations and statutory requirements). The tenant may not sublet part of the basement but the Lease does not appear to be

clear as to whether they could sublet the whole of the basement. Any subletting of part of a floor is to be outside the security of tenure provisions of the Landlord and Tenant Act 1954. There may not be more than 20 underleases of parts of the property (or 19 if the tenant continues to be in occupation of any part of the property). Except in the case of an underletting during the last 10 years of the term, the landlord's consent is not required to any underletting. Except for any underleases granted during the last 10 years of the term there is no requirement for underleases to be granted at an open market rent or to incorporate provisions for upwards only rent reviews. No consent is required for the tenant to charge the lease.

Security of tenure

The Landlord and Tenant Act 1954 has not been excluded. The tenant therefore has security of tenure under that regime.

Insurance

The tenant is to insure the property (including fixed glass and plant) against insured risks being damage by fire, storm, tempest, flood, lightning, explosion, impact by aircraft and aerial devices and articles dropped therefrom, riot and civil commotion, malicious damage, damage caused by terrorism, impact by vehicles or otherwise, earthquake, bursting and overflowing of pipes, plant and machinery, strikes, labour and political disturbances, accidental damage to underground water, oil and gas pipes and such other risks and insurances as the landlord shall from time to time at its reasonable discretion so require (although the tenant can exclude such risks as the tenant reasonably decides where insurance cover is not for the time being generally available in the London insurance market).

The tenant is required to insure in the joint names of the landlord and the tenant (albeit with the tenant named as loss payee). The insurance policy is either to allow the interest of the landlord's mortgagees to be noted or provide for the interest of such mortgagees to be noted generally or at the point of a claim arising.

The tenant is to use all reasonable endeavours to reinstate the property following damage or destruction whether or not due to an insured risk. The tenant is obliged to provide the landlord with warranties from the professional team in connection with such reinstatement. The warranties are to be in a form approved by the landlord, such approval not to be unreasonably withheld or delayed. The tenant's obligation to reinstate is qualified so that the obligation does not apply if the tenant is prevented from reinstating by circumstances outside its control. The tenant is to notify the landlord of any material change in the terms of the policy or if notified by the insurers that they are no longer prepared to insure any risk which had previously been an insured risk.

The lease states that if the property is destroyed by an insured risk and cannot be reinstated, the parties will request that the insurer pays the insurance proceeds into a joint account. The proceeds will then be divided between the landlord and the tenant in accordance with the value of their interests at the time the damage occurred.

If reinstatement is not possible, the tenant's repairing and insuring obligations come to an end but only in relation to any part of the building where reinstatement is impossible. It would need to continue repairing and insuring any part of the building that remained.

Where the property can be reinstated, the landlord expressly consents to the insurers paying all policy monies to the tenant to enable the tenant to reinstate. The tenant is also to have conduct of any claims under any policy of insurance where re-instatement is possible but it is to keep the landlord informed of any such claims.

There are no provisions for the suspension of rent in the event of any damage or destruction.

Forfeiture

The landlord can forfeit the Lease on the occurrence of any of the following:

- (a) non-payment of rent for 21 days after it becomes payable; or
- (b) breach of any tenant covenant; or
- (c) the tenant and any surety's insolvency (including meetings with creditors or presentation of a petition for an administration order or for winding-up).

Value added tax

The Landlord covenants not to make an election to waive exemption in relation to VAT.

Indemnity

The tenant indemnifies the landlord in respect of any liability arising out of: the state of repair or condition of the property, any act omission or negligence of the tenant or any persons at the property with the authority of the tenant, any works of repair construction or alteration to the property carried out by or on behalf of the tenant or any subtenant, the use of the property, anything attached to or brought onto the property by the tenant or any persons at the property with the authority of the tenant, the use of vehicles on the property by the tenant or any persons at the property with the authority of the tenant, or any breach of covenant on the part of the tenant or any condition contained in the lease.

THE TENANT AND TENANT GUARANTOR

The property is let in its entirety to Halifax plc (the **Tenant**) (with a guarantee from HBOS (in such capacity the **Tenant Guarantor**)) for a term of thirty five years from 25 March 2004. The lease is drawn on a full repairing and insuring basis with additional characteristics intended to enhance the security of the rental income. There are fixed uplifts every five years which increase the rent by 13.47% every five years reflecting 2.56% per annum compounded over five years.

The Tenant Guarantor (as principal debtor and as a surety) guarantees to and indemnifies the Borrower (as Landlord) in respect of:

- the Tenant's payment of the rent and all other sums payable under the lease;
- the Tenant's due performance and observance of the covenants and obligations contained in the Lease; and
- any losses, costs, damages and expenses sustained by the Borrower (as Landlord) through the default of the Tenant.

Halifax plc

Halifax plc is a wholly owned subsidiary of HBOS and is public limited company (with company number 2367076) registered under the FSMA. Information with respect to Halifax plc can be found at its website, www.halifax.co.uk.

Historically, Halifax Building Society was founded in 1853 as the Halifax Permanent Benefit Building and Investment Society. In 1928, it merged with Halifax Equitable Building Society to form Halifax Building Society. On 2nd June, 1997 Halifax Building Society, at that time the UK's largest building society, transferred its business to Halifax plc, which on that date became authorised under the UK Banking Act 1987. Upon completion of the transfer, Halifax Building Society ceased to exist. On 4th December, 1996 Halifax plc re-registered as a public limited company. Halifax Group plc acquired and became the holding company of Halifax plc. On 1st July, 2002 Halifax plc became a directly held subsidiary undertaking of HBOS having formerly been a subsidiary undertaking of Halifax Group plc. As at 31st December, 2003 it had total consolidated assets of £159,787 million. Profit on ordinary activities before tax for the year ended 31st December, 2003 was £1,213 million.

HBOS plc

HBOS is a public limited company incorporated in Scotland with company number SC218813 and is traded on the London Stock Exchange. It is the ultimate holding company for Halifax plc, BOS and a number of other companies carrying on business in the financial services industry. Information (including financial statements) on HBOS can be found at its website www.hbosplc.com.

On 10th September, 2001 Halifax Group plc and BOS were acquired by a new holding company, HBOS plc. HBOS is the fourth largest banking group in the UK in terms of assets and is the UK's largest savings banking group. HBOS was incorporated in Scotland on 3rd May, 2001. HBOS had total consolidated assets of £408,413 million at 31st December, 2003. HBOS's consolidated profit from ordinary activities before tax for the year ended 31st December, 2003 was £3,766 million.

Please note that the web addresses referred to above do not form part of this Offering Circular.

VALUATION REPORT

The following valuation report has been included in this Offering Circular with the consent of the Valuer who has authorised its contents.



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tel +44 (0) 20 7493 6040 fax +44 (0) 20 7408 0220
www.joneslanglasalle.co.uk

HBOS Treasury Services plc
33 Old Broad Street
London EC2

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

Picts plc (the Issuer)
Blackwell House
Guildhall Yard
London EC2V 5AE

The Bank of New York
48th Floor, One Canada Square
London E14, 5AL

33 Old Broad Street (Jersey) Limited Partnership
Pirouet House
Union Street, St. Helier
Jersey JE1 3WF

30 September 2004

Dear Sirs

VALUATION OF 33 OLD BROAD STREET, LONDON EC2

Instructions

In accordance with the instructions of Picts plc (the "Issuer") we have valued the freehold interest in 33 Old Broad Street, London EC2, with the benefit of the lease to Halifax plc.

Purpose of Valuation

We understand that our valuation is required in connection with the issue of £153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039 which are to be secured. This "Valuation Report" has been prepared for the purpose of the inclusion in a circular to investors (the "Circular"). We can confirm that we have prepared this advice as external valuers as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards (5th Edition).

This Valuation Report, which should be read in conjunction with our full valuation report, dated 9 July 2004 (of which this is an accurate summary). There have been no material changes to the facts as stated in that report which would lead us to amend that report (in any material way) or the valuation contained therein.

Property

The property can be summarised as follows:

33 Old Broad Street comprises a high specification landmark office building located in the core of the City of London. The property was completed in 1997 and provides 192,301 Sq Ft of offices arranged over basement, lower ground, ground and nine upper floors. The building is completed to full institutional specification, including four pipe fan coil air conditioning, suspended metal tile ceilings, full access raised floors, and category II lighting.

Lease

The property is let to Halifax plc (with HBOS plc as surety) for a term of 35 years from 25th March 2004. The rent payable is fixed in accordance with a fixed rental payment schedule attached to the lease, with provision for upwards only Open Market rent reviews on 10th and 20th anniversaries

of the lease. The initial rental is £7,062,000 per annum, which is increased 5 yearly on the basis of 2.56% compound per annum fixed uplift.

In the event of damage or destruction of the premises there is no provision for the suspension of rent.

The lease prohibits assignments to a tenant with a Standard and Poor's rating of less than AA or with a rating of both less than Aa2 from Moody's Investor Services and AA from Fitch.

Basis of Valuation and Assumptions

We set out below the basis and assumptions we have used in preparing our advice.

Our valuation has been made on the basis of Market Value in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5th Edition). Attached to this certificate is a detailed schedule with a description of the property.

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 had each acted knowledgeably, prudently and without compulsion.”

We can confirm that our valuation has also been undertaken in accordance with the relevant provisions of Chapter 18 of the Listing Rules issued by the United Kingdom Listing Authority (“The Listing Rules”) and has been undertaken by Jones Lang LaSalle acting as External Valuers.

Valuations

i) Market Value

On the basis outlined in this Valuation Report, we are of the opinion that the Market Value as at 9 July 2004 of the freehold interest in 33 Old Broad Street, with special assumption that the value is gross of Stamp Duty, is:-

£140,000,000

(One Hundred and Forty Million Pounds)

This price reflects a net initial yield of approximately 5.0% after allowing for purchaser's costs of 0.88125% (0.5% agents fee, 0.25% legal fee, both subject to VAT at 17.5%).

As instructed this is on the specific assumption of no Stamp Duty being applicable.

ii) Market Value on basis of Stamp Duty at 4.0% being applicable

On the basis outlined in this Valuation Report, we are of the opinion that the Market Value as at 9 July 2004 of the freehold interest in 33 Old Broad Street with Stamp Duty at 4.0% is:-

£134,700,000

(One Hundred and Thirty Four Million and Seven Hundred Thousand Pounds)

This price reflects a net initial yield of approximately 5.0% after allowing for purchaser's costs of 4.88125% (0.5% agents fee, 0.25% legal fee, both subject to VAT at 17.5% and Stamp Duty at 4.0%).

iii) Market Value (assuming Vacant Possession)

On the basis outlined in this Valuation Report, we are of the opinion that the Market Value (assuming Vacant Possession) as at 9 July 2004 of the freehold interest in 33 Old Broad Street is:-

£91,000,000

(Ninety One Million Pounds)

Realisation Costs

Our valuation is exclusive of VAT and no allowances have been made for any expenses of realisation nor for taxation, which might arise in the event of a disposal of the property. Our valuation is however net of purchaser's acquisition costs.

Net Annual Rents Receivable

We have undertaken our valuation on the basis of the fixed rental payment schedule, which is attached to the lease and which is referred to under the section “Initial Rent” of the report on the lease in the Offering Circular.

The initial rent is £7,062,000 per annum.

Estimated Net Annual Rental Value

We have calculated the current estimated net annual rent for the property as our opinion of the best rent at which a new letting of an interest in property would have been completed at the date of valuation assuming:-

- a. a willing landlord;
- b. that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the letting;
- c. that the state of the market, levels of value and other circumstances were, on any earlier assumed date of entering into an agreement for lease, the same as on the valuation date;
- d. that no account is taken of any additional bid by a prospective tenant with a special interest;
- e. that where relevant the length of term and principal conditions assumed to apply to the letting and other tenants terms are the same as those set out in the rent review clause contained in the occupational lease which we confirm are not exceptionally onerous or beneficial for letting of the type and class of the subject property and;
- f. that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

We have calculated the estimated net annual rental value for the subject property as at 9th July 2004 and as defined above to be £8,000,000 per annum.

Assumptions and Sources of Information

Inspection

We inspected the property on 26th February 2004.

Floor Areas

As instructed, we have relied upon the measured floor area schedule undertaken by Plowman Craven Associates, which areas are referred to under “Property Layout” in the description of the property in the Offering Circular. We have assumed that these are accurate and understand that they have been measured in accordance with the RICS/ISVA Code of Measuring Practice.

Plant and Machinery

No specialist tests have been carried out on any of these service systems and for the purposes of our valuation we have assumed that all are in good working order and in compliance with relevant statute bylaw or regulation.

Environmental Investigations and Ground Conditions

We have not been instructed to carry out a site survey or environmental assessment nor have we investigated any historical records, to establish whether the land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we have assumed that the property is not, nor likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the property.

We were not instructed to carry out a structural survey of the property and have valued on the basis that no deleterious materials have been used in the construction of the property.

Planning

We have made oral Town Planning enquiries only. In the course of our enquiries, we are advised by the Local Planning Authority that there are no adverse Town Planning, Highway or other schemes or proposals. Information supplied to us by Planning Officers is however, given without

liability on their part and we cannot therefore accept responsibility for incorrect information or material omissions in the information supplied.

We have not seen planning consents and have assumed that the property has been erected and is being occupied and used in accordance with all necessary consents and that there are no outstanding statutory notices. We have assumed that the building complies with all statutory and Local Authority requirements including building, fire and health and safety regulations. These assumptions are not contradicted by the Certificate of Title referred to below.

Tenure and Tenancies

We have had sight of the Certificate of Title dated 30 September 2004 prepared by Hammonds and the overview report prepared by Allen & Overy LLP, the Solicitors of the Issuer and have made the following assumptions:

- a. Where we have relied upon information provided to us by the Issuer, such information is not inconsistent with the certificate;
- b. We have assumed that, save as may be disclosed by the Certificate of Title, the Property possesses good and marketable title free from any encumbrances, restrictions or obligations;
- c. We have assumed, save as may be disclosed by the Certificate of Title, nothing would be revealed by the local search or replies to usual enquires of the seller which would materially adversely affect the value of the property;
- d. No account has been taken of any mortgages, debentures or other security which may now or in the future exist over any of the property unless indicated in the relevant Certificate of Title.

VAT

We understand that the building is VAT exempt and the landlord has covenanted in the occupational lease not to make an election to waive exemption in relation to VAT.

Responsibility

The contents of this Valuation Certificate are confidential to the addressees as set out on the first page of the Valuation Certificate for the specific purpose to which they refer and for their use only in connection with the issue of the Notes and the Offering Circular. Consequently and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of the contents beyond that owed to the addressees and to those persons (including Noteholders) who may rely on our Valuation Certificate and the schedule in reliance of our authorisation under Section 79 (3) of the Financial Services and Markets Act.

We confirm that neither the whole nor any part of this valuation certificate or any reference thereto may be included in any other published document, circular or statement, or published in any way without our written approval of the form and context in which it is to appear.

Yours faithfully

National Director and Chartered Surveyor
For and on behalf of Jones Lang LaSalle Limited

CREDIT STRUCTURE

1. Refinance

The proceeds of the Term Loan Facility will be applied by the Borrower to:

- (1) repay its debt obligation incurred to The Governor and Company of the Bank of Scotland (**BOS**) pursuant to the Bridge Facility;
- (2) pay break costs associated with the termination of an interest rate swap agreement entered between the Borrower and BOS in connection with the Bridge Facility;
- (3) to make a loan of £4,603,658 to the Annuity Provider in accordance with the terms of the Deposit Loan Agreement; and
- (4) pay the Issuer the Facility Fee.

Title and Other Investigation

A certificate of title (the **Certificate of Title**) being substantially in the City of London Law Society's standard form was issued by Hammonds (a firm of solicitors), for the benefit, among others, of the Borrower Security Trustee and the Issuer.

The investigation required to provide the Certificate of Title included the usual review of title documentation and Land Registry entries together with all usual Land Registry, Local Authority and other appropriate searches. In addition, the Occupational Lease affecting the Property was reviewed and its principal terms (including, among other things, details of contractual up-lift and rent reviews) included in the Certificate of Title.

The Arranger's solicitors have reviewed the form of the Certificate of Title issued by Hammonds and confirmed the adequacy of the form and content of the Certificate of Title.

Hammonds has ensured that the Valuer was provided with a copy of the Certificate of Title and have cross checked and verified the accuracy of basic details relating to the property as referred to in the relevant valuation.

Registration of Security

Following drawdown of the Term Loan Facility, the solicitors acting for the Borrower will ensure that all necessary registrations in connection with the Borrower Security are attended to within all applicable time periods and appropriate notices served (where required by the terms of the Credit Agreement and the Borrower Deed of Charge). The title deeds in relation to the Property will be held by or to the order of the Borrower Security Trustee.

2. The Credit Agreement

On the Closing Date the Issuer, the Borrower (acting through the General Partners), the Partners and the Borrower Security Trustee will enter into the Credit Agreement. The Credit Agreement will be governed by English Law. A summary of the principal terms of the Credit Agreement is set out below.

Loan amount and drawdown

On the Closing Date the Issuer will make available the Term Loan Facility to the Borrower under the Credit Agreement in the Principal Amount of £153,166,000. The Term Loan will be advanced at a premium of £1,532. The Term Loan Facility will be drawn down by the Borrower in full on the Closing Date and applied as detailed above.

Conditions Precedent

The Issuer's obligation to make available the Term Loan Facility under the Credit Agreement will be subject to each of the Arranger, the Manager and the Borrower Security Trustee first having received, in the usual manner, certain documents as conditions precedent to funding in form and substance satisfactory to it. The documentation required will include, among other things: constitutional documents, the Limited Partnership Agreement, partnership resolutions for the Borrower and board minutes for each Partner, a valuation in respect of the Property, evidence of appropriate insurance cover in respect of the Property and evidence that the Borrower Security Trustee has its interest noted under the Insurance Policies, evidence that the VAT Liability Account has been funded as described herein, all title documents relating to the Borrower's interest in the Property, copies of the Initial Lease and title searches relating to the Property, due execution of the Borrower Deed of

Charge and the Jersey Security Documents, evidence of the release of any existing Security, all appropriate UK and other tax clearances, the Certificate of Title, and all relevant legal and tax opinions and notices in connection with the assignment of rental income and charging of bank accounts.

Interest, amortisation and prepayment

Interest on the Term Loan Facility will be payable on each Loan Interest Payment Date in respect of successive Loan Interest Periods.

The Credit Agreement will require the Borrower to repay the Term Loan Facility Amortisation Amounts on the applicable Loan Interest Payment Date in accordance with a pre-set amortisation schedule.

The Credit Agreement will permit the Borrower to prepay the Term Loan Facility, in whole or in part on any Loan Interest Payment Date:

- (a) on not more than 60 nor less than 35 days' written notice to the Issuer and the Borrower Security Trustee; or
- (b) if the Property or means of access to the Property is damaged or destroyed so as to render it incapable of occupation.

Such prepayment is a minimum principal amount of £1,000,000 and thereafter integral multiples of £500,000 (each a **Voluntary Prepayment**).

The Borrower will be required to pay the Issuer the Prepayment Premium on the date of prepayment of all or any part of the Term Loan Facility prepaid pursuant to a Voluntary Prepayment made under paragraphs (a) and (b) above. The amount of prepayment premium in respect of any particular principal amount of the Term Loan Facility to be prepaid will be the difference between the Principal Amount Outstanding of the Notes then to be redeemed and their Optional Redemption Amount (the **Prepayment Premium**).

The Credit Agreement will also permit the Borrower to give notice to the Issuer requesting that the Borrower prepay the Term Loan Facility if any deduction or withholding for and on account of tax is imposed on payments made under the Term Loan Facility, or if any Increased Costs or costs relating to the European Central Bank are imposed in respect of the Term Loan Facility (**Involuntary Prepayment**). Involuntary Prepayments will not attract any Prepayment Premium.

Increased Cost means any additional or increased cost or a reduction in the rate of return from a Term Loan Facility which is incurred or suffered by the Issuer and is attributable to the Issuer having entered into and performed its obligations under any Transaction Document.

The Credit Agreement will require the Borrower to prepay all of the Term Loan Facility (in the case of **paragraph (d)** below) or all or part of the Term Loan Facility (as applicable) in the case of **paragraphs (a), (b) and (c)** below) on the last day of the applicable Loan Interest Payment Date (or, if earlier a date agreed in writing between the Borrower, the Issuer and the Borrower Security Trustee) in the following circumstances (each a **Mandatory Prepayment**):

- (a) to the extent permitted by the Lease, out of insurance proceeds received in respect of the property unless the amount of such proceeds are less than £500,000 and the terms of any Occupational Lease requires it to apply such proceeds to rectifying the liability, loss or defect in respect of which such proceeds were recovered; or
- (b) if it becomes unlawful in any jurisdiction for the Issuer to perform any of its obligations under a Transaction Document; or
- (c) if any part of the Property is compulsorily acquired by the State, a local authority or any other government entity or
- (d) on disposal of the property.

Any prepayment under paragraphs (a), (c) or (d) above will attract a Prepayment Premium.

Any amounts prepaid under the Credit Agreement will be required to be applied to prepay the Term Loan Facility so as to reduce future repayments or prepayments *pro rata*.

On each Loan Interest Payment Date, moneys will be debited from the Issuer Distribution Account (and credited to the Issuer Transaction Account) in order to discharge any interest, principal or premium payments due under the Term Loan Facility and any other sums due under the Credit Agreement.

Representations and warranties

The representations and warranties to be given by the Borrower and the Partners under the Credit Agreement (which will in certain cases be qualified by reference to knowledge and/or a breach of which will be subject to a Material Adverse Effect threshold), as of the date of the Credit Agreement, the date of drawdown and on the first day of each Loan Interest Period, will include, among other things, the following matters:

- (a) in the case of the Borrower that it is registered as a limited partnership under the Limited Partnerships (Jersey) Law 1994 (as amended) and has the power and authority to enter the transaction;
- (b) in the case of the Partners, due incorporation and corporate power;
- (c) the validity of the Transaction Documents;
- (d) no conflict with (in the case of the Borrower) the Limited Partnership Agreement or (in the case of the Partners) their respective constitutional documents;
- (e) no conflict with any applicable law or regulation (whether of England or otherwise) or any binding document;
- (f) there being no outstanding Loan Event of Default or event which would be (with the expiry of a grace period, the giving of notice or the making of any determination under the Transaction Documents or any combination of them) a Loan Event of Default (a **Loan Default**);
- (g) the General Partners hold the Property as an asset of the Borrower and the General Partners have good and marketable title to the Property, in each case free from any security interests (other than those set out in the Borrower Deed of Charge) and restrictions and onerous covenants (other than as set out in the Certificate of Title);
- (h) the security conferred by the Borrower Security Documents constitutes a first priority security interest over the assets referred to in those agreements and there is no prohibition in respect of the taking of security in respect thereof;
- (i) the Borrower has not traded or carried on business since the date of its establishment except for the ownership of the Property and the Limited Partners have not traded or carried on business since their respective dates of incorporation except for activities related to the Borrower and the Property;
- (j) all information supplied by the Borrower and the Partners to the Initial Valuer for the purposes of the Initial Valuation was true, complete and accurate in all material respects as at its date and did not omit any information which might adversely affect the Initial Valuation in any material respect;
- (k) all licences, consents, approvals and authorisations required by the Borrower (and if appropriate the Partners) in connection with the Property have been obtained or effected (as appropriate) and are in full force and effect; and
- (l) the Tenant is not in breach of the Lease where such breach would have a Material Adverse Effect.

Undertakings

The Borrower and the Partners will give various undertakings under the Credit Agreement which will take effect so long as any amount is outstanding under the Credit Agreement. These undertakings will include, among other things, the following:

- (a) to notify the Borrower Security Trustee of any Loan Default;
- (b) not to make any loans or provide any other form of credit or to give any guarantee or indemnity to any person. The Partners will covenant not to withdraw their capital contributions to the Borrower however there are certain payments of surplus funds which may be distributed to the Partners after all other relevant payments (including in respect of the Credit Agreement) have been made;
- (c) not to enter into any contracts other than the Transaction Documents or any other contract expressly allowed by the Borrower Security Trustee and necessary for the good management of the Property.

- (d) if a member of the HBOS Group (being a direct or indirect subsidiary of HBOS plc) ceases to be the Tenant, to procure such new tenant to insure the Property (and the plant and machinery on the Property) on a full reinstatement basis (in an amount and form acceptable to the Issuer) together with third party liability insurance and insurance against acts of terrorism and to procure that the Borrower Security Trustee is named as co-insured and loss-payee on all relevant insurance policies;
- (e) to appoint and maintain a property manager on arms' length commercial terms acceptable to the Borrower Security Trustee and the Issuer;
- (f) restrictions on entering into, granting, amending, waiving, surrendering and forfeiting leases and consenting to assignments, subleases and rent reviews (subject to agreed exceptions);
- (g) to provide information in respect of the Property to the Issuer and the Borrower Security Trustee, including copies of management accounts, details of arrears of rent or services charges and details of any proposed capital expenditure.

Material Adverse Effect means any effect which in the opinion of the Borrower Security Trustee:

- (a) is likely to be materially adverse to:
 - (i) the value of the Property; or
 - (ii) the ability of the Borrower or the Partners (taken as a whole) to perform in a timely manner all or any of their obligations under any Transaction Documents; or
 - (iii) any right or remedy of the Borrower Security Trustee and/or the Issuer in respect of a Transaction Document; or
- (b) results in any Transaction Document being not legal, valid and binding or not enforceable against any party thereto in any material respect or the security over the assets expressed to be secured thereby not being valid or enforceable in any material respect, as applicable.

Loan Events of default

The Credit Agreement will contain usual events of default entitling the Borrower Security Trustee (subject always to the terms of the Borrower Deed of Charge and, in certain cases, to customary grace periods and materiality thresholds) to accelerate the Term Loan Facility and/or enforce the Borrower Security, including, among other things:

- (a) failure to pay on the due date any amount due under the Transaction Documents;
- (b) breach of other specified obligations under the Transaction Documents;
- (c) any representation or warranty was incorrect in any material respect at the date it was given;
- (d) the Borrower is unable to pay its debts or is deemed to be insolvent or other insolvency acts or events occur (including, among other things, the commencement of insolvency proceedings against the Borrower, the appointment of any liquidator or administrative receiver in respect of the Borrower or the attachment or sequestration of any asset of the Borrower); and
- (e) an event occurs which has a Material Adverse Effect on the Borrower's or a Partner's ability to comply with any of the Transaction Documents or its business, financial condition or assets (including, among other things, cessation of the Borrower's business, the unlawfulness of any obligations under the Transaction Documents, the unenforceability of the Borrower Deed of Charge or the Jersey Security Agreements).

In relation to non-payment and breaches of other obligations, the Credit Agreement will include customary grace periods.

3. Borrower Security

On the Closing Date the Obligors, the Issuer, the Borrower Account Bank, the Borrower Security Trustee and others will enter into the Borrower Deed of Charge. In addition the Limited Partners will enter into various Jersey Security Agreements pursuant to which they will charge their economic interest in the Borrower to the Borrower Security Trustee (as trustee for the Borrower Secured Creditors).

The following security will be granted under the terms of the Borrower Deed of Charge (which will be governed by English law):

- (i) by the Borrower (acting by the General Partners as general partners of, and on behalf of, the Borrower) pursuant to the Borrower Deed of Charge:

- (A) a fixed charge over the Borrower's right, title, interest and benefit, present and future, in to and under the Property;
 - (B) an assignment by way of first fixed security of (or to the extent not assignable, a charge over) all of its right, title, interest and benefit, present and future, in to and under the (a) Deposit Loan Agreement; (b) Borrower Bank Account Agreement; and (c) BOS Guarantee;
 - (C) a fixed charge over all of the Borrower's interest in all amounts standing to the credit of the Borrower's Accounts (however please see Risk Factors – Security over Borrower Bank Accounts as to the effect if this charge is to take effect as a floating charge rather than a fixed charge); and
 - (D) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge,
- (ii) by each General Partner (acting on its own account and not as a general partner of the Borrower) pursuant to the Borrower Deed of Charge:
- (A) a fixed charge over its right, title, interest and benefit, present and future, in and to the Borrower;
 - (B) a fixed charge over its right, title and interest in any Partnership Assets not effectively charged by the Borrower (acting by the General Partners); and
 - (C) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge,
- (iii) by each Limited Partner pursuant to the Borrower Deed of Charge:
- (A) a fixed charge over its right, title, interest and benefit, present and future, in and to the Borrower;
 - (B) a fixed charge over its right, title and interest in any partnership assets not effectively charged by the Borrower (acting by the General Partners); and
 - (C) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge.

Pursuant to the Jersey Security Agreements (which will be governed by Jersey law), each Limited Partner will charge or assign its shareholding in each General Partner and will grant a charge or assignment of its economic interest in the Borrower (but will not make a full assignment of each Limited Partner's rights in the Borrower).

Some of the security given by the Borrower which is expressed to be by way of fixed charge may, as a matter of law, take effect as a floating charge due to the Borrower Security Trustee not having the requisite degree of control over the assets purported to be charged by way of a fixed charge.

The Issuer's interest in the Borrower Security will be assigned (by the Issuer) by way of first fixed security to the Issuer Security Trustee pursuant to the Issuer Deed of Charge. See "*Issuer Security*" below.

In addition, the Borrower, each Partner, and each Borrower Secured Creditor will covenant in favour of the Borrower Security Trustee, broadly, that while any amounts remain due and outstanding under the Credit Agreement and/or in the case of the Issuer, the Notes that it will not take any steps or pursue any action for the purpose of recovering debts due or owing to it by any Obligor or the Issuer or appoint an administrative receiver in respect of each company.

Each of the Borrower Secured Creditors (other than the Borrower Security Trustee) will agree that it will not take any steps or pursue any action whatsoever for the purpose of recovering any debts owing to it by any Obligor to petition or procure the petitioning for the winding-up or administration of any Obligor or the appointment of any administrative receiver in respect of any such Obligor. At any time after the amounts outstanding under the Credit Agreement shall have become due and repayable or the security created pursuant to the Borrower Security Documents shall have become enforceable, none of the Borrower Secured Creditors (other than the Borrower Security Trustee), will be entitled to proceed directly against the Issuer or prove in the liquidation or winding-up of the Issuer unless the Borrower Security Trustee, having become bound so to proceed, fails to do so within a reasonable period of being so bound and such failure is continuing.

The Borrower Security will become enforceable upon the occurrence of a Loan Event of Default.

Upon the enforcement of the Borrower Security pursuant to the terms of the Borrower Deed of Charge, all payments under or arising from the Transaction Documents (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 Deed of Charge or available at law or in equity will be exercisable by the Borrower Security Trustee. The Borrower Security Trustee will be entitled (under the terms of the Credit Agreement) to accelerate payment of all sums due under that document. The enforcement of the Borrower Security will not of itself cause an Issuer Event of Default under the Notes.

4. Issuer Security

Under the terms of a deed of charge and assignment to be dated on or about the Closing Date (the **Issuer Deed of Charge**), the Issuer will grant the following security interests (together, the **Issuer Security**) on the Closing Date in favour of the Issuer Security Trustee to secure its obligations (the **Issuer Secured Obligations**) to the Noteholders, the Note Trustee, the Paying Agents, the Issuer Corporate Services Provider, the Issuer Cash Manager, the Issuer Account Bank and the Borrower Secured Creditors other than the Issuer (together, the **Issuer Secured Creditors**). The Issuer Security Trustee will hold the following security on trust for the benefit of itself, any receiver appointed under the Issuer Deed of Charge and the other Issuer Secured Creditors):

- (i) an assignment by way of first fixed security of (or to the extent not assignable, a charge over) all of its right, title, interest and benefit, present and future, in to and under the (a) Credit Agreement; (b) Borrower Deed of Charge; (c) Issuer Cash Management Agreement; and (d) Issuer Corporate Services Agreement;
- (ii) a fixed charge over all of the Issuer's interest in any Eligible Investments made by it or on its behalf;
- (iii) a fixed charge over all of the Issuer's interest in all amounts standing to the credit of the Issuer's Accounts; and
- (iv) a floating charge in respect of any property, assets and undertakings not effectively charged by way of a fixed charge.

The Issuer Security will become enforceable upon the occurrence of the events described in **Condition 2.2 (Issuer Security and Priority of Payments)**.

Some of the security given by the Issuer which are expressed to be by way of fixed charge may, as a matter of law, take effect as a floating charge due to the Issuer Security Trustee not having the requisite degree of control over the assets purported to be charged by way of a fixed charge.

The Borrower Secured Creditors (other than the Issuer) have assigned to the Issuer Security Trustee their interest in the Rent and the moneys standing to the credit of the Rent Account, in return for becoming Issuer Secured Creditors and being paid out of the moneys standing to the credit of the Issuer Distribution Account.

5. Borrower Accounts

The Rent Account and the VAT Liability Account, together with all other accounts established in accordance with the Credit Agreement and charged as security for the Term Loan Facility are referred to herein as the **Borrower Accounts**.

Rent Account

Under the Credit Agreement the Borrower will be required to establish a Rent Account into which the Rental Income (as defined below) generated by the Property will be paid. The Rent Account will be operated by the Issuer Cash Manager (under the terms of the Issuer Cash Management Agreement). The Borrower Security Trustee and the Issuer will have sole signing rights over the Borrower Accounts. The Issuer will be permitted to delegate this function to the Issuer Cash Manager.

The Borrower will be required to apply amounts standing to the credit of the Rent Account on each day falling one day after cleared funds are received in the Rent Payment Date to the Issuer Distribution Account (which payment will be given effect to by the Issuer Cash Manager). No other withdrawals may be made from the Rent Account without the prior written consent of the Borrower Security Trustee.

For more detailed information see “9. *Borrower Priorities of Payments*” below.

Rental Income means the aggregate of all amounts paid or payable to or for the account of the Borrower in connection with the letting of any part of the Property.

Rent Payment Date (is defined in the Lease to mean) 25th March, 24th June, 29th September and 25th December in each year.

VAT Liability Account

The Borrower will on or before the Closing Date deposit with the Borrower Account Bank the sum of £2,586,613. Such funds will not originate from the advance of the Term Loan Facility or the proceeds of the Notes. The Issuer Cash Manager will be authorised to draw upon the VAT Liability Account to deposit funds into the Issuer Distribution Account which will then be used to make payments to H.M. Customs & Excise under the Capital Goods Scheme as follows:

- £691,317.00 payable on 28th Feb 2005;
- £947,648.00 payable on 28th Feb 2006; and
- £947,648.00 payable on 28th Feb 2007,

or on such other dates as agreed between the Borrower, the Borrower Security Trustee and H.M. Customs & Excise. Any interest earned on this account (if any) will be paid to the Issuer Distribution Account from which it will be distributed to the Limited Partners. Following satisfaction of all amounts due to H.M. Customs & Excise in relation to the VAT Liability incurred by the Borrower, any amounts remaining in the VAT Liability Account will be paid to the Issuer Distribution Account from which it will be distributed at the direction of the Limited Partners.

The Rent Account and the VAT Liability Account will each be subject to fixed charge security as detailed (and with the qualifications outlined) above.

6. Borrower Expenses

If the Borrower is required to meet any expenses, it may request the Issuer to make such payments for and on its behalf on any Loan Interest Payment Date. In making such a request certain criteria as detailed in the Credit Agreement must be complied with. These criteria require such expenses to have been principally incurred in relation to the maintenance and upkeep of the Property. If the Issuer is (acting reasonably) satisfied that the criteria are met it will direct the Issuer Account Bank to pay the sum from the Issuer Distribution Account, and to the extent of any shortfall, from the Reserve Account (in each case to the extent there are sufficient funds therein) in accordance with the Borrower Pre-Enforcement Priority of Payments. The Issuer will be entitled to delegate this function to the Issuer Cash Manager. The balance of the Reserve Account will be applied to the Issuer Distribution Account on each Loan Interest Payment Date to ensure that such payments can be made.

7. BOS Guarantee

Under a Deed of Indemnity, dated 14 July 2004, Uberior Ventures (one of the Parents) indemnifies the Borrower in respect of “all liabilities (including contingent liabilities and without limitation, any stamp duty payable in respect of any documents on which the Partnership would seek to rely on to prove either title to the Property or the composition of the Partnership) of the Partnership incurred prior to the restructure of the Partnership which occurred on or about 14 July 2004 which are not set out in the Partnership Balance Sheet.” The indemnity does not apply to any liability which would not have arisen but for a voluntary act or omission carried out by (or on behalf of) the Borrower after 14 July 2004, unless the act was in the ordinary course of business or the Borrower was legally committed to do it.

BOS will guarantee to the Borrower the performance by Uberior Ventures of its obligations under the deed of indemnity and will agree to make payment of an amount equivalent to the amount required to be paid by Uberior Ventures to it.

8. Issuer Account Bank

Issuer Distribution Account

Pursuant to the Issuer Bank Account Agreement, the Issuer Account Bank will open and maintain the Issuer Distribution Account. Prior to the service of a Note Acceleration Notice, the Issuer Cash Manager will, on behalf of the Issuer, make payments from the Issuer Distribution Account in accordance with the Borrower Pre-Enforcement Priority of Payments contained in the

Issuer Cash Management Agreement and detailed below. The Issuer Cash Manager will make all other payments required to be made on behalf of the Issuer from the Issuer Distribution Account in accordance with the Issuer Cash Management Agreement and the Issuer Deed of Charge.

Issuer Transaction Account

Pursuant to the Issuer Bank Account Agreement, the Issuer Account Bank will open and maintain the Issuer Transaction Account. Prior to the service of a Note Acceleration Notice, the Issuer Cash Manager will, on behalf of the Issuer, transfer all amounts of principal and interest and all other amounts due under the Credit Agreement to the Issuer Transaction Account. The Issuer Cash Manager will make all other payments required to be made on behalf of the Issuer from the Issuer Transaction Account in accordance with the Issuer Cash Management Agreement and the Issuer Deed of Charge and the Conditions of the Notes.

Reserve Account

The Issuer will on the Closing Date deposit with the Issuer Account Bank the sum of £150,000 in an interest bearing account to be designated the Reserve Account. Such funds will originate from the proceeds of the issue of the Notes. On each Loan Interest Payment Date the balance of the Reserve Account will be available, to the extent that the balance standing to the credit of the Issuer Distribution Account is insufficient to pay in full items (a) to (f) (inclusive) of the Borrower Pre-Enforcement Priority of Payments, to be applied in accordance with the Borrower Pre-Enforcement Priority of Payments. The Reserve Account will be (to the extent possible) replenished on each Loan Interest Payment Date from the Borrower Pre-Enforcement Priority of Payments until the balance of the Reserve Account equals the Required Reserve Amount.

The aim of the Reserve Account is to provide a fund by which any shortfall in the funds available to make payments under the Borrower Pre-Enforcement Priority of Payments (including the repayment of principal and interest under the Term Loan Facility) can, to the extent of the funds available in the Reserve Account be remedied.

The Reserve Account will be (to the extent possible) replenished on each Loan Interest Payment Date from the Borrower Pre-Enforcement Priority of Payments until the balance of the Reserve Account equals the Required Reserve Amount. To the extent that the balance standing to the credit of the Reserve Account exceeds the Required Reserve Amount, such excess will be transferred to the Issuer Distribution Account on each Loan Interest Payment Date and applied in accordance with the Borrower Pre-Enforcement Priority of Payments.

Following the occurrence of a Loan Event of Default and the acceleration of the Term Loan Facility, the moneys standing to the credit of the Reserve Account will be applied by the Issuer (which function may be delegated to the Issuer Cash Manager) in accordance with the Borrower Post-Enforcement Priority of Payments.

9. Borrower Priorities of Payments

Payments paid out of the Issuer Distribution Account prior to enforcement of the Borrower Security

The following priority of payments is the Borrower Pre-enforcement Priority of Payments (**Borrower Pre-Enforcement Priority of Payments**). Prior to the enforcement of the Borrower Security funds will be paid from the Issuer Distribution Account (other than amounts standing to the credit thereof which represent amounts transferred from the VAT Liability Account) and, to the extent required, from the Reserve Account on each Loan Interest Payment Date in the following order:

- (a) in or towards satisfaction of all amounts due and payable on such Loan Interest Payment Date to the Borrower Security Trustee or any of its appointees in respect of amounts payable under or in connection with the Borrower Deed of Charge;
- (b) in or towards satisfaction of all amounts due and payable by the Borrower on such Loan Interest Payment Date to, *pari passu* and *pro rata*:
 - (i) the Property Manager; and
 - (ii) the Borrower Account Bank under the Borrower Bank Account Agreement;
- (c) (by payment to the Issuer Transaction Account) any sums necessary to discharge the payments required to be made under paragraphs (a), (b) or (c) of the Issuer Pre-Enforcement Priority of Payments;

- (d) (by payment to the Issuer Transaction Account) in or towards payment of all amounts due (other than interest, principal and premium (if any)) under the Credit Agreement;
- (e) (by payment to the Issuer Transaction Account) in or towards payment of all amounts of interest, principal and premium (if any) due or overdue in respect of the Term Loan Facility;
- (f) or towards payment or discharge of sums due to third parties as Borrower Expenses;
- (g) (by payment to the Reserve Account) paying the lesser of all remaining amounts or such amount as will cause the balance of the Reserve Account to be equal to the Required Reserve Amount to the Reserve Account; and
- (h) any surplus is to be paid to the General Partners, or if so directed by the General Partners, the Limited Partners.

Payments paid after enforcement of the Borrower Security

Following the enforcement of the Borrower Security and the acceleration of the Term Loan Facility, all monies received or recovered by the Borrower Security Trustee (or a receiver on its behalf) will be applied in the following order of priority (the **Borrower Post-Enforcement 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 Borrower Deed of Charge:

- (a) in or towards satisfaction of all amounts due and payable to the Borrower Security Trustee, any Receiver appointed under the Borrower Deed of Charge and any other appointee of the Borrower Security Trustee;
- (b) in or towards satisfaction of any amounts due and payable by the Borrower to the Borrower Account Bank under the Borrower Bank Account Agreement;
- (c) in or towards satisfaction of all amounts due and payable to the Property Manager;
- (d) in or towards payment of all amounts of interest, principal and premium (if any) due or overdue in respect of the Term Loan Facility until the Principal Amount outstanding under the Term Loan Facility is reduced to zero;
- (e) in or towards payment of all other amounts due in respect of the Credit Agreement (which, for the avoidance of doubt, includes any sums necessary to discharge the payments required to be made under paragraphs (a) and (b) of the Issuer Post-Acceleration Priority of Payments);
- (f) in or towards payment or discharge of sums due to third parties as Borrower Expenses;
- (g) (by payment to the Issuer Security Trustee) any sums necessary to discharge the payments required to be made under paragraph (d) of the Issuer Post-Acceleration Priority of Payments; and
- (h) any surplus is to be paid to the General Partners, or if so directed by the General Partners, the Limited Partners.

10. Issuer Priorities of Payments

Payments paid out of the Issuer Transaction Account pre-enforcement of the Notes

Prior to service of a Note Acceleration Notice, on each Note Interest Payment Date, Issuer Available Receipts (as defined below) will be applied from the Issuer Accounts in the following order of priority (the **Issuer Pre-Enforcement 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 all amounts due and payable by the Issuer on such Note Interest Payment Date to the Note Trustee, the Issuer Security Trustee and any appointee of either of them;
- (b) in or towards satisfaction of all amounts due and payable by the Issuer on such Note Interest Payment Date to, *pari passu* and *pro rata*:
 - (i) the Paying Agents under the Paying Agency Agreement;
 - (ii) the Issuer Cash Manager under the Issuer Cash Management Agreement;
 - (iii) the Issuer Corporate Services Provider under the Issuer Corporate Services Agreement; and
 - (iv) the Issuer Account Bank under the Issuer Bank Account Agreement; and
 - (v) the Rating Agencies;

- (c) in or towards payment or discharge of sums due to third parties (other than those set out under paragraphs (a) and (b) above and (d) below) under obligations incurred in the course of the Issuer's business, including provision for any such obligations expected to come due prior to the next Note Interest Payment Date and the payment of the Issuer's liability (if any) to value added tax and to corporation tax;
- (d) in or towards payment of all amounts of interest, principal and premium (if applicable) due or overdue (and all interest due on such overdue interest) on the Notes; and
- (e) any surplus is to be paid at the direction of the Issuer.

Payments paid out of the Issuer Transaction Account after acceleration of the Notes

The Issuer Security will become enforceable upon the occurrence of the events described in **Condition 2.2 (Issuer Security and Priority of Payments)**. Upon the Note Trustee giving a Note Acceleration Notice, the Issuer Security, the Issuer Security Trustee (or a receiver on its behalf) will be required to apply all funds received or recovered by it in accordance with the following order of priority (the **Issuer Post-Acceleration 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 all amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Note Trustee, the Issuer Security Trustee, any receiver appointed under the Issuer Deed of Charge and any other appointee of either of them;
- (b) in or towards satisfaction of all amounts due and payable by the Issuer to, *pari passu* and *pro rata*,
 - (i) the Paying Agents in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Paying Agency Agreement together with any other amounts due to the Paying Agents pursuant to the Paying Agency Agreement;
 - (ii) the Issuer Cash Manager pursuant to the Issuer Cash Management Agreement;
 - (iii) the Issuer Corporate Services Provider under the Issuer Corporate Services Agreement;
 - (iv) the Issuer Account Bank under the Issuer Bank Account Agreement; and
 - (v) the Rating Agencies;
- (c) in or towards payment of all amounts of interest and principal due or overdue on the Notes and all other amounts due in respect of the Notes until the Principal Amount Outstanding of the Notes is reduced to zero; and
- (d) in or towards payment or discharge of sums due to third parties (other than those set out under paragraphs (a) and (b) above) under obligations incurred in the course of the Issuer's business, including provision for any such obligations expected to come due prior to the next Note Interest Payment Date and the payment of the Issuer's liability (if any) to value added tax and to corporation tax; and
- (e) any surplus is to be paid at the direction of the Issuer.

11. Issuer Cash Manager

Pursuant to the Issuer Cash Management Agreement, The Bank of New York (in this capacity, the **Issuer Cash Manager**) will provide (amongst others things) the following services for and on behalf of the Issuer:

- (a) three Business Days before each Note Interest Payment Date (each a **Note Calculation Date**), the Issuer Cash Manager will determine the amount of Issuer Available Receipts to be applied to pay interest, principal and premium (if applicable) on the Notes on the following Note Interest Payment Date and to pay amounts due to other creditors of the Issuer;
- (b) prior to the service of a Note Acceleration Notice, the Issuer Cash Manager will, on behalf of the Issuer, manage the applicable Issuer Accounts in accordance with the Issuer Cash Management Agreement and apply Issuer Available Receipts (as defined below) in accordance with the Issuer Pre-Enforcement Priority of Payments;
- (c) prior to the enforcement of the Borrower Security, the Issuer Cash Manager will, on behalf of the Issuer, manage the applicable Borrower Accounts and the Reserve Account in accordance with the Credit Agreement and the Issuer Cash Management Agreement; and

- (d) the Issuer Cash Manager will provide the Issuer, the Borrower and the Issuer Security Trustee and the Rating Agencies with quarterly reports in relation to the Issuer.

Issuer Available Receipts comprise:

- (a) all monies standing to the credit of the Issuer Transaction Account; and
(b) any interest accrued upon the Issuer Accounts and paid into the Issuer Transaction Account together with the proceeds of any Eligible Investments made by or on behalf of the Issuer.

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 Note Interest Payment Date and the short-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 “A-1+” by S&P and “F1+” by Fitch 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.

Compensation of Issuer Cash Manager

The Issuer Cash Manager will be paid a fee for its services which will be paid in four equal instalments quarterly in arrear on each Note Interest Payment Date. The rate is inclusive of VAT. The fees will be subject to adjustment if the applicable rate of VAT changes.

In addition, the Issuer Cash Manager will be entitled to be reimbursed for any expenses or other amounts properly incurred by it in carrying out its duties. The Issuer Cash Management Agreement will be governed by English law.

12. Issuer Account Bank

Pursuant to the Issuer Bank Account Agreement, The Governor and Company of the Bank of Scotland (in this capacity, the **Issuer Account Bank**) will open and maintain the Issuer Transaction Account, the Issuer Distribution Account and the Reserve Account in the name of the Issuer. The Issuer Account Bank will agree to comply with any direction of the Issuer Cash Manager or the Issuer (prior to the service of a Note Acceleration Notice) or the Issuer Security Trustee (after the service of a Note Acceleration Notice) to effect payments from the Issuer Accounts if such direction is made in accordance with the mandate governing the applicable account.

The Issuer will pay all bank and other charges incurred in respect of the Issuer Accounts in accordance with the Issuer Priorities of Payments.

Termination of Appointment of the Issuer Account Bank

The Issuer Bank Account Agreement will provide that the Issuer Account Bank be, except in certain limited circumstances, a bank which is an Authorised Entity. If the Issuer Account Bank ceases to be an Authorised Entity, it will be required to give written notice of such event to the Issuer, the Issuer Cash Manager and the Issuer Security Trustee and will, within a reasonable time after having obtained the prior written consent of the Issuer, the Issuer Cash Manager and the Issuer Security Trustee and subject to establishing substantially similar arrangements to those contained in the Issuer Bank Account Agreement, procure the transfer of the relevant accounts to a bank which is an Authorised Entity. The Issuer Account Bank will be required to use all reasonable efforts to ensure that such a transfer will take place within 30 days of its ceasing to be an Authorised Entity. If at the time when a transfer of such account or accounts would otherwise have to be made, there is no other bank which is an Authorised Entity or if no Authorised Entity agrees to such a transfer, the accounts need not be transferred until such time as there is a bank which is an Authorised Entity or an Authorised Entity which so agrees, as the case may be.

An **Authorised Entity** is an entity the short-term unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least at “A-1+” (or its equivalent) by S&P and “F1+” (or its equivalent) by Fitch or such other short term debt rating as is commensurate with the ratings assigned to the Notes from time to time (subject to such entity’s short-term unsecured, unguaranteed and unsubordinated debt obligations being rated at least “A-1” (or its equivalent) by S&P and “F1” (or its equivalent) by Fitch) or, if at the relevant time there is no such entity, any entity approved in writing by the Issuer Security Trustee or the Borrower Security Trustee (as applicable).

13. Borrower Account Bank

Pursuant to the Borrower Bank Account Agreement, The Governor and Company of the Bank of Scotland (in this capacity, the **Borrower Account Bank**) will open and maintain the VAT Liability Account and the Rent Account in the name of the Borrower. The Borrower Account Bank will agree to comply with any direction of the Issuer Cash Manager or the Issuer (prior to the enforcement of the Borrower Security) or the Borrower Security Trustee (after enforcement of the Borrower Security) to effect payments from the Borrower Accounts if such direction is made in accordance with the mandate governing the applicable account.

The Borrower will pay all bank and other charges incurred in respect of the Borrower Accounts in accordance with the Borrower Priority of Payments.

Termination of Appointment of the Borrower Account Bank

The Borrower Bank Account Agreement will provide that the Borrower Account Bank be, except in certain limited circumstances, a bank which is an Authorised Entity (as defined above). If the Borrower Account Bank ceases to be an Authorised Entity, it will be required to give written notice of such event to the Borrower, the Borrower Cash Manager and the Borrower Security Trustee and will, within a reasonable time after having obtained the prior written consent of the Borrower, the Issuer, the Borrower Cash Manager and the Borrower Security Trustee and subject to establishing substantially similar arrangements to those contained in the Borrower Bank Account Agreement, procure the transfer of the relevant accounts to a bank which is an Authorised Entity. The Borrower Account Bank will be required to use all reasonable efforts to ensure that such a transfer will take place within 30 days of its ceasing to be an Authorised Entity. If at the time when a transfer of such account or accounts would otherwise have to be made, there is no other bank which is an Authorised Entity or if no Authorised Entity agrees to such a transfer, the accounts need not be transferred until such time as there is a bank which is an Authorised Entity or an Authorised Entity which so agrees, as the case may be.

14. Annuity Provider

Pursuant to the Deposit Loan Agreement, the Borrower will loan to HBOS Treasury Services plc (as **Annuity Provider**) the sum of £4,603,658. The Annuity Provider will make fixed payments to the Borrower (which payments will be made direct to the Issuer Distribution Account) in accordance with a set schedule in order to meet certain predicted shortfalls in the funds available to pay interest under the Term Loan Facility.

The Deposit Loan Agreement is not in the nature of a liquidity facility and does not constitute another resource which would enable the Borrower to meet payments under the Term Loan Facility in circumstances where it does not (for example) receive rental payments on the Property owing to default by the Tenant.

Termination of Appointment of the Annuity Provider

The Deposit Loan Agreement will provide that the Annuity Provider be, except in certain limited circumstances, an Authorised Entity (as defined above). If the Annuity Provider ceases to be an Authorised Entity, within 30 days thereafter the Annuity Provider will procure the transfer of the Deposit Loan to another Authorised Entity, the identity of which shall have been approved in writing by the Borrower and the Borrower Security Trustee.

15. Property Management

The Credit Agreement will require the Borrower to ensure that there will be at all times a Property Manager engaged on arms' length terms in respect of the Property and detail in broad terms the role that such property manager may undertake, including a prohibition on it receiving collections of Rent in respect of the Property.

The Property Manager as at closing will be GVA Grimley of 10 Stratton Street, London W1J 8JR. The Borrower will pay the Property Manager a fee for its services which will be rendered on an adhoc basis and not under a formal property management agreement. The Borrower will reimburse any out-of-pocket costs and expenses properly and reasonably incurred by it in the carrying out of its duties. The Property Manager will be paid in priority to amounts due under the Credit Agreement.

The Property Manager will be obliged to manage the Property as would a prudent manager of a commercial property and to manage the Property in accordance with the principles of good

management. It will be responsible for conducting an annual inspection of the Property and providing the Borrower with a report based on such inspection, issuing invoices for the payment of rent to tenants of the property and such other tasks as are reasonable for the good and prudent management of the Property.

The Property Manager must be a party to the Borrower Deed of Charge and at any time the Issuer and Borrower Security Trustee may (acting reasonably) require that a formal property management agreement be executed.

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted because the Term Loan Facility can be prepaid 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 Occupational Tenant continues to pay the rent under the Lease;
- (b) the Lease is in effect for its full term of 35 years from 25th March 2004;
- (c) the Term Loan Facility does not default, is not prepaid (in whole or in part) nor is it enforced and no loss arises; and
- (d) the Closing Date is 1st October 2004,

then the average lives of the Notes would be 26.8 years.

Assumptions (a), (b) and (c) relate to circumstances which are not predictable.

The average lives of the Notes are 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 proceeds from the issue of the Notes will be approximately £153,167,532. The net proceeds from the issue of the Notes will be approximately £153,167,532. The net proceeds will be applied by the Issuer towards the making of the Term Loan Facility available to the Borrower on the Closing Date pursuant to the Credit Agreement. The Borrower will be required under the terms of the Credit Agreement to reimburse the Issuer for the fees, commissions and expenses incurred by it in connection with the issue of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes in the form (subject to modification) in which they will be set out in the Note Trust Deed. The terms and conditions set out below will apply to the Notes in global form:

The issue of the £153,166,000 5.218 per cent. Commercial Mortgage Backed Notes due 2039 (the **Notes**) by Picts plc (the Issuer) was authorised by a resolution of the Board of Directors of the Issuer passed on 29th September 2004.

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 1st October 2004 (the **Closing Date**) and made between the Issuer and The Bank of New York as trustee (in such capacity, 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 Note Trustee may retire at any time (without reason or responsibility for any liabilities incurred by reason of such retirement) by giving not less than three months' prior written notice to the Issuer. In addition the Noteholders may, by Extraordinary Resolution (as defined in the Note Trust Deed), remove any Note Trustee. The Issuer undertakes that in the event of the only Note Trustee which is a Trust Corporation (as defined in the Note Trust Deed) giving notice of its intention to retire or being removed by Extraordinary Resolution of the Noteholders it will use its best endeavours to procure that a new trustee (being a Trust Corporation) approved by Extraordinary Resolution of the Noteholders be appointed as soon as is reasonably practicable thereafter. The retirement or removal of any Note Trustee will not become effective until a successor note trustee being a Trust Corporation is appointed. If no appointment of a new note trustee has become effective within three months of the date of such notice or Extraordinary Resolution, a Note Trustee shall be entitled to appoint a Trust Corporation as note trustee, but no such appointment shall take effect unless previously approved by Extraordinary Resolution as provided above.

The Noteholders are subject to and have the benefit of a paying agency agreement (as amended and/or supplemented from time to time, the **Paying Agency Agreement**) dated the Closing Date and made between the Issuer Security Trustee (as defined below), the Issuer, The Bank of New York 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 AIB/BNY Fund Management (Ireland) Ltd 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 and assignment under English law (the **Issuer Deed of Charge**, which expression includes such deed of charge and assignment 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, The Bank of New York as security trustee (in such capacity, the **Issuer Security Trustee** which expression includes its successors as trustee or any further or other trustee(s) under the Issuer Deed of Charge as trustee(s) for the Issuer Secured Creditors) and the Note Trustee.

The Noteholders 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 Paying Agency Agreement and the Issuer Deed of Charge applicable to them and all the provisions of the other Transaction Documents (being the Credit Agreement, the Borrower Deed of Charge, the Jersey Security Agreements, the Issuer Bank Account Agreement, the Borrower Bank Account Agreement, the Issuer Cash Management Agreement, the Deposit Loan Agreement, the Issuer Corporate Services Agreement and the BOS Guarantee (each as defined in the master definitions schedule signed for identification by, among others, the Issuer and the Note Trustee on or about the Closing Date (the **Master Definitions Schedule**)) and the Master Definitions Schedule applicable to them.

The statements in these Terms and Conditions (these Conditions) include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Paying Agency Agreement, the Issuer Deed of Charge and the other Transaction Documents.

Terms used in these Conditions but not otherwise defined shall have the meanings set out in the Master Definitions Schedule. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions Schedule.

Copies of the Transaction Documents are available for inspection by Noteholders at the specified office of each of the Principal Paying Agent and the Irish Paying Agent.

1. Global Notes

- (a) The Notes are initially represented by a temporary global note (the **Temporary Global Note**) in the aggregate principal amount on issue of £153,166,000. The Temporary Global Note has been deposited on behalf of the subscribers of the Notes with a common depository (the **Common Depository**) for Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and Euroclear Bank SA/N.V., as operator of the Euroclear System (**Euroclear**) on the Closing Date. Upon deposit of the Temporary Global Note, Clearstream, Luxembourg and Euroclear credited each subscriber of Notes with the principal amount of Notes equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date (the **Exchange Date**), upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes** and each a **Global Note**). The Permanent Global Note has also been deposited with the Common Depository. Title to the Global Notes will pass by delivery.
- (b) Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as the case may be.
- (c) The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (**Definitive Notes**) (free of charge to the persons entitled to them) only:
 - (i) upon the happening of any event defined in **Condition 9** as an Issuer Event of Default; or
 - (ii) if either Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence; or
 - (iii) if as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Note Interest Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of the Notes represented by the Permanent Global Note which would not be required were the Notes in definitive form.
- (d) These Conditions, the Note Trust Deed and the other Transaction Documents will be amended in such manner as the Note Trustee and Issuer Security Trustee require to take account of the issue of Definitive Notes.
- (e) Upon the happening of any of the events specified in sub-paragraphs (c)(i) or (ii) above the holder of the Permanent Global Note (acting on the instructions of one or more of the Noteholders) or the Note Trustee may give notice to the Issuer, and upon the happening of any event specified in sub-paragraph (c)(iii) above the Issuer may give notice to the Note Trustee and the Noteholders in accordance with **Condition 14 (Notice to Noteholders)**, of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Permanent Global Note Exchange Date (as defined below).
- (f) On or after the **Permanent Global Note Exchange Date** the holder of the Permanent Global Note may, or in the case of sub-paragraph (c)(iii) above shall, surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of Definitive Notes (having attached to them all principal receipts in respect of Scheduled Redemption Amounts which have not already been paid and all interest coupons in respect of interest which has not already been paid in each case on the Permanent Global Note and, if necessary, talons for further principal receipts or interest coupons), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set

out in the Note Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant Definitive Notes.

For these purposes, Permanent Global Note Exchange Date means a day specified in the notice requiring exchange falling not less than 30 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to sub-paragraph (c)(ii) above, in the place in which the relevant clearing system is located.

- (g) Definitive Notes (which, if issued, will be in a minimum denomination of £100,000 and in integral multiples of £10,000 and £1,000 thereafter) will be serially numbered and will be issued in bearer form.
- (h) **Noteholder** means each person (other than Clearstream, Luxembourg or Euroclear itself) who is for the time being shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes) and such person shall be treated by the Issuer, the Note Trustee, the Issuer Security Trustee and all other persons as the holder of such principal amount of Notes for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Note Trustee, the Issuer Security Trustee and all other persons, solely in the bearer of the relevant Global Note in accordance with and subject to its terms (and for which purpose **Noteholder** means the bearer of the relevant Global Note); and **holder of Notes** and related expressions shall be construed accordingly.
- (i) As used in these Conditions Euroclear or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Note Trustee.

2. Status, Security and Priority of Payment

2.1 *Status and relationship between Notes*

- (a) The Notes constitute direct, secured and unconditional 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 (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 rank *pari passu* and rateably without any preference or priority amongst themselves.
- (b) The Note Trust Deed and the Issuer Deed of Charge contain provisions requiring the Note Trustee and the Issuer Security Trustee, respectively, to have regard to the interests of Noteholders as follows:
 - (i) where either the Note Trustee or the Issuer Security Trustee is required to have regard to the interests of the Noteholders, it shall have regard to the interests of the Noteholders as a group 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 neither the Note Trustee nor the Issuer Security Trustee shall be entitled to require, nor shall any Noteholders be entitled to claim, from the Issuer, the Note Trustee, the Issuer Security Trustee, or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders;
 - (ii) except where expressly provided otherwise, have regard only to the interests of the Noteholders and neither the Note Trustee nor the Issuer Security Trustee shall be required to have regard to the interests of any other Issuer Secured Creditor or any other person or to act upon or comply with any direction or request of any other Issuer Secured Creditor or any other person whilst any amount remains owing to any Noteholder.
- (c) In the event of an issue of Further Notes (as defined in **Condition 15.1 (Further Issues)**) or Replacement Notes (as defined in **Condition 15.2 (Replacement Notes)**) or New Notes (as defined in **Condition 15.3 (New Notes)**), the provisions of the Note Trust Deed, these Conditions, the Paying Agency Agreement and the Issuer Deed of Charge, including those concerning:

- (i) the basis on which the Note Trustee and the Issuer Security Trustee will be required to exercise their respective rights, powers, trusts, authorities, duties and discretions;
- (ii) the circumstances in which the Note Trustee will become bound to take action, including as referred to in **Condition 9 (Issuer Events of Default)**;
- (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
- (iv) the order of priority of payments both prior to, and upon, enforcement of the Issuer Security,

will be modified in such manner as the Note Trustee or, as the case may be, the Issuer Security Trustee considers necessary to reflect the issue of such Further Notes, Replacement Notes or, as the case may be, New Notes and the ranking thereof in relation to the Notes. If any New Notes are issued and the Notes are then listed on the Irish Stock Exchange, the Issuer will immediately advise the Irish Stock Exchange accordingly, procure the publication of a notice of the issue in a leading newspaper having general circulation in Dublin, file a new offering circular in respect of the issue of the New Notes with the Irish Stock Exchange and make such offering circular and any related agreements available in Dublin at the specified office of the Irish Paying Agent.

As used in these Conditions:

Issuer Secured Creditors means the Issuer Security Trustee, any receiver or other appointee of the Issuer Security Trustee, the Note Trustee, any appointee of the Note Trustee, the Issuer Cash Manager, the Corporate Services Provider, the Annuity Provider, the Issuer Account Bank, the Principal Paying Agent, any other Paying Agent and the Noteholders along with the Borrower Secured Creditors (other than the Issuer) being the Borrower Security Trustee, the Property Manager and the Borrower Account Bank.

2.2 Issuer Security and Priority of Payments

- (a) The Issuer Security in respect of the Notes and the payment obligations of the Issuer under the Transaction Documents are set out in the Issuer Deed of Charge.
- (b) The Issuer Security will become enforceable on the giving of a Note Acceleration Notice pursuant to **Condition 9 (Issuer Events of Default)** or upon any failure by the Issuer to pay the full amount due and payable on a redemption of the Notes pursuant to or under **Condition 5.2 (Redemption for Tax or other Reasons)**, **Condition 5.3 (Redemption upon Voluntary Prepayment of the Term Loan Facility)** or **Condition 5.6 (Redemption on Maturity)** or (if all of the Notes are to be redeemed), **Condition 5.4 (Optional redemption)**.
- (c) 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 (or any appointee on its behalf) will not be entitled to dispose of the assets comprising the Issuer Charged Property 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, 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 may be selected by the Issuer Security Trustee, that the cash flow 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 Charged Property in jeopardy,

and, in any event, the Issuer Security Trustee has been secured and/or indemnified to its satisfaction.

3. Covenants

3.1 Restrictions

Save with the prior written consent of the Note 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 remains outstanding:

- (a) Negative Pledge:
create or permit to subsist any mortgage, sub-mortgage, charge, sub-charge, assignment, 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 present or future (including the Issuer Charged Property) or any interest, estate, right, title or benefit therein;
- (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 (other than the Issuer Accounts) 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 on terms acceptable to it;
 - (iii) have any subsidiaries or any subsidiary undertaking (each as defined in the Companies Act 1985);
 - (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 whatsoever, 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 assets and undertakings of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of England and Wales, the objects of which include the power to lend money, to borrow money and to grant security over its property for the performance of its obligations or for the payment of money, and who shall expressly assume, by an instrument supplemental to each of the Transaction Documents, in form and substance satisfactory to the Note Trustee, the obligation to make due and punctual payment of all moneys 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 Issuer Event of Default (as defined in **Condition 9 (Issuer Events of Default)**) shall have occurred;
 - (iii) such consolidation, merger, conveyance or transfer has been approved by Extraordinary Resolution of the Noteholders;
 - (iv) all persons required by the Note Trustee or the Issuer Security Trustee shall have executed and delivered such documentation as the Note Trustee or, as the case may be, the Issuer Security Trustee may require;

- (v) the Issuer shall have delivered to each of the Note Trustee and the Issuer Security Trustee a legal opinion of English lawyers acceptable to the Note Trustee or as the case may be the Issuer Security Trustee in a form acceptable to the Note Trustee or as the case may be 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; and
 - (vi) the then current ratings of the Notes are not downgraded, withdrawn or put on negative credit watch as a result of 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 Security 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;
 - (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) Surrender of Group Relief:
offer or consent to surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988; or
 - (j) 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.

In giving any consents to, or exercising any other discretion in respect of, the foregoing, the Note Trustee or, as the case may be, 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 Note Trustee or, as the case may be, 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 Note Trustee or, as the case may be, the Issuer Security Trustee that the then applicable ratings of the Notes will not be qualified, downgraded or withdrawn as a result of such modifications or additions.

4. Interest

4.1 Period of Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation in accordance with **Condition 6 (Payments)**, 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.

4.2 Interest Rate and Note Interest Payment Dates

The Notes will bear interest on their respective Principal Amounts Outstanding from and including the Closing Date at the rate of 5.218 per cent. per annum.

Interest on the Notes is payable quarterly in arrear on the 20th day of October, January, April and July in each year (each a **Regular Date**) or if any such day is not a Business Day, on the next Business Day unless such day falls in the following calendar month in which case it will be payable on the immediately preceding Business Day (each, a **Note Interest Payment Date**) in respect of the Accrual Period (as defined below) ended immediately prior thereto.

4.3 Calculation of Interest

Interest in respect of an Accrual Period shall be calculated by applying the relevant rate of interest to the Principal Amount Outstanding multiplied by the Day Count Fraction.

Day Count Fraction means:

- (i) if the Accrual Period is equal to or shorter than the Regular Period in which it begins the sum of: the number of days in the Accrual Period divided by the product of (x) the number of days in such Regular Period and (y) four; and
- (ii) if the Accrual Period is longer than the Regular Period, the sum of:
 - (A) the number of days in such Accrual Period falling in the following Regular Period divided by the product of (x) the number of days in such Regular Period and (y) four; and
 - (B) the number of days in such Accrual Period falling in the Regular Period divided by the product of (x) the number of days in such Regular Period and (y) four.

Accrual Period means the relevant period for which interest is to be calculated from and including the first day in such period but excluding the last day in such period.

Regular Period means each period from and including a Regular Date in any year to but excluding the next Regular Date.

5. Redemption and Purchase

5.1 Mandatory Redemption

Prior to the service of a Note Acceleration Notice and subject to **Conditions 5.2 (Redemption for Tax or other Reasons)**, **5.3 (Redemption upon Voluntary Prepayment of the Term Loan Facility)** and **5.4 (Optional Redemption)**, on each Note Interest Payment Date, the Issuer shall redeem each Note in the amount (each, a **Scheduled Redemption Amount**) set out below in column B (together with the scheduled interest payment set out below in column C):

<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
<i>Note Interest</i>	<i>Scheduled</i>	<i>Note Scheduled</i>	<i>Note Remaining</i>
<i>Payment Date falling</i>	<i>Redemption</i>	<i>Interest Payment</i>	<i>Principal Amount</i>
<i>in:</i>	<i>Amount per £1,000 Note</i>	<i>per £1,000 Note</i>	<i>Outstanding per £1,000 Note</i>
Jan-05	0.00	15.74	1,000.00
Apr-05	0.00	13.05	1,000.00
Jul-05	0.00	13.05	1,000.00
Oct-05	0.00	13.05	1,000.00
Jan-06	0.00	13.05	1,000.00
Apr-06	0.00	13.05	1,000.00
Jul-06	0.00	13.05	1,000.00
Oct-06	0.00	13.05	1,000.00
Jan-07	0.00	13.05	1,000.00
Apr-07	0.00	13.05	1,000.00
Jul-07	0.00	13.05	1,000.00
Oct-07	0.00	13.05	1,000.00
Jan-08	0.00	13.05	1,000.00
Apr-08	0.00	13.05	1,000.00
Jul-08	0.00	13.05	1,000.00
Oct-08	0.00	13.05	1,000.00

<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
<i>Note Interest Payment Date falling in:</i>	<i>Scheduled Redemption Amount per £1,000 Note</i>	<i>Note Scheduled Interest Payment per £1,000 Note</i>	<i>Note Remaining Principal Amount Outstanding per £1,000 Note</i>
Jan-09	0.00	13.05	1,000.00
Apr-09	0.00	13.05	1,000.00
Jul-09	0.00	13.05	1,000.00
Oct-09	0.00	13.05	1,000.00
Jan-10	0.01	13.05	999.99
Apr-10	0.00	13.04	999.99
Jul-10	0.00	13.04	999.99
Oct-10	0.00	13.04	999.99
Jan-11	0.01	13.04	999.98
Apr-11	0.00	13.04	999.98
Jul-11	0.00	13.04	999.98
Oct-11	0.00	13.04	999.98
Jan-12	0.01	13.04	999.97
Apr-12	0.00	13.04	999.97
Jul-12	0.00	13.04	999.97
Oct-12	0.00	13.04	999.97
Jan-13	0.01	13.04	999.96
Apr-13	0.00	13.04	999.96
Jul-13	0.00	13.04	999.96
Oct-13	0.00	13.04	999.96
Jan-14	0.01	13.04	999.95
Apr-14	1.71	13.04	998.24
Jul-14	1.67	13.02	996.57
Oct-14	1.34	13.00	995.23
Jan-15	1.83	12.98	993.40
Apr-15	1.79	12.96	991.61
Jul-15	1.76	12.94	989.85
Oct-15	1.42	12.91	988.43
Jan-16	1.91	12.89	986.52
Apr-16	1.88	12.87	984.64
Jul-16	1.85	12.84	982.79
Oct-16	1.50	12.82	981.29
Jan-17	2.00	12.80	979.29
Apr-17	1.98	12.77	977.31
Jul-17	1.94	12.75	975.37
Oct-17	1.58	12.72	973.79
Jan-18	2.10	12.70	971.69
Apr-18	2.07	12.68	969.62
Jul-18	2.05	12.65	967.57
Oct-18	1.66	12.62	965.91
Jan-19	2.20	12.60	963.71
Apr-19	4.18	12.57	959.53
Jul-19	4.17	12.52	955.36
Oct-19	3.80	12.46	951.56
Jan-20	4.39	12.41	947.17
Apr-20	4.39	12.36	942.78
Jul-20	4.39	12.30	938.39
Oct-20	4.00	12.24	934.39
Jan-21	4.62	12.19	929.77
Apr-21	4.61	12.13	925.16
Jul-21	4.62	12.07	920.54
Oct-21	4.22	12.01	916.32
Jan-22	4.85	11.95	911.47
Apr-22	4.85	11.89	906.62

<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
<i>Note Interest Payment Date falling in:</i>	<i>Scheduled Redemption Amount per £1,000 Note</i>	<i>Note Scheduled Interest Payment per £1,000 Note</i>	<i>Note Remaining Principal Amount Outstanding per £1,000 Note</i>
Jul-22	4.86	11.83	901.76
Oct-22	4.45	11.76	897.31
Jan-23	5.09	11.71	892.22
Apr-23	5.10	11.64	887.12
Jul-23	5.11	11.57	882.01
Oct-23	4.69	11.51	877.32
Jan-24	5.36	11.44	871.96
Apr-24	7.63	11.37	864.33
Jul-24	7.67	11.28	856.66
Oct-24	7.27	11.18	849.39
Jan-25	7.99	11.08	841.40
Apr-25	8.02	10.98	833.38
Jul-25	8.08	10.87	825.30
Oct-25	7.66	10.77	817.64
Jan-26	8.40	10.67	809.24
Apr-26	8.44	10.56	800.80
Jul-26	8.50	10.45	792.30
Oct-26	8.07	10.34	784.23
Jan-27	8.83	10.23	775.40
Apr-27	8.89	10.12	766.51
Jul-27	8.95	10.00	757.56
Oct-27	8.49	9.88	749.07
Jan-28	9.29	9.77	739.78
Apr-28	9.35	9.65	730.43
Jul-28	9.42	9.53	721.01
Oct-28	8.95	9.41	712.06
Jan-29	9.77	9.29	702.29
Apr-29	12.41	9.16	689.88
Jul-29	12.52	9.00	677.36
Oct-29	12.07	8.84	665.29
Jan-30	12.95	8.68	652.34
Apr-30	13.06	8.51	639.28
Jul-30	13.18	8.34	626.10
Oct-30	12.71	8.17	613.39
Jan-31	13.63	8.00	599.76
Apr-31	13.75	7.82	586.01
Jul-31	13.87	7.64	572.14
Oct-31	13.39	7.46	558.75
Jan-32	14.34	7.29	544.41
Apr-32	14.46	7.10	529.95
Jul-32	14.60	6.91	515.35
Oct-32	14.11	6.72	501.24
Jan-33	15.08	6.54	486.16
Apr-33	15.23	6.34	470.93
Jul-33	15.37	6.14	455.56
Oct-33	14.85	5.94	440.71
Jan-34	15.88	5.75	424.83
Apr-34	18.94	5.54	405.89
Jul-34	19.14	5.29	386.75
Oct-34	18.64	5.05	368.11
Jan-35	19.74	4.80	348.37
Apr-35	19.95	4.54	328.42
Jul-35	20.14	4.28	308.28
Oct-35	19.63	4.02	288.65

<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
<i>Note Interest Payment Date falling in:</i>	<i>Scheduled Redemption Amount per £1,000 Note</i>	<i>Note Scheduled Interest Payment per £1,000 Note</i>	<i>Note Remaining Principal Amount Outstanding per £1,000 Note</i>
Jan-36	20.78	3.77	267.87
Apr-36	20.99	3.49	246.88
Jul-36	21.21	3.22	225.67
Oct-36	20.68	2.94	204.99
Jan-37	21.86	2.67	183.13
Apr-37	22.10	2.39	161.03
Jul-37	22.32	2.10	138.71
Oct-37	21.78	1.81	116.93
Jan-38	23.02	1.53	93.91
Apr-38	23.25	1.23	70.66
Jul-38	23.50	0.92	47.16
Oct-38	22.94	0.62	24.22
Jan-39	24.22	0.32	0.00

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

5.2 *Redemption for Tax or other Reasons*

If:

- (a) by reason of a change in tax law (or the application or official interpretation or administration thereof), which change becomes effective on or after the Closing Date, on the next Note Interest Payment Date, the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal, premium (if any) or interest on the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of the Notes) any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein;
- (b) by reason of a change in law, which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to perform any of its material obligations under a Transaction Document or to fund or allow to remain outstanding all or any advances made by it under the Credit Agreement or to remain the Issuer of the Notes; or
- (c) by reason of a change in tax law (or the application or official interpretation or administration thereof), which change becomes effective on or after the Closing Date, on the next Loan Interest Payment Date, the Borrower would be required to deduct or withhold from any payment of principal, interest or other sum due and payable pursuant to the Transaction Documents any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or the Borrower is required to pay the Issuer any Increased Costs or any additional amounts in respect of complying with the minimum reserve requirement of the European Central Bank;

then the Issuer shall, if the same would avoid the effect of the relevant event described in **paragraphs (a), (b) or (c)** above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident for the purposes of United Kingdom taxation in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and as lender under the Credit Agreement, provided that the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in **paragraph (a), (b) or (c)** above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Note Interest Payment Date and having given, in the case of **paragraph (b) or (c)** above not more than 60 nor less than 30 days' notice (or, in the case of an event described in **paragraph (a)** above, such shorter period expiring on or before the latest date permitted by relevant law) to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)**

and to the Note Trustee and having certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Note Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Note Interest Payment Date, redeem all, but not some only, of the Notes at their respective Principal Amount Outstanding together with accrued but unpaid interest up to but excluding the date of redemption.

5.3 *Redemption upon Voluntary Prepayment of the Term Loan Facility*

- (a) If the Issuer receives a notice from the Borrower that the Borrower intends to prepay all or part of the Term Loan Facility on or before the next Loan Interest Payment Date:
 - (i) pursuant to **Clause 7.1(a)(i)** of the Credit Agreement, the Issuer will having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** and to the Note Trustee redeem on the next following Note Interest Payment Date the whole or part of each Note;
 - (ii) pursuant to **Clause 7.1(a)(ii)** of the Credit Agreement, the Issuer will having given not less than 30 days' notice to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** and to the Note Trustee redeem on the next following Note Interest Payment Date the whole or part of each Note.
- (b) In connection with a prepayment of part of the Term Loan Facility under **Condition 5.3(a)** the specified Principal Amount Outstanding (excluding premium (if any)) to be redeemed must be at least £1,000,000 in aggregate Principal Amount Outstanding of the Notes and thereafter in multiples of £500,000. The principal amount to be redeemed must be such that the Principal Amount Outstanding of each Note to be redeemed is not a fraction of a penny. The Principal Amount Outstanding to be redeemed must equal the principal amount of the Term Loan Facility prepaid.
- (c) Any Note to be redeemed in whole or in part pursuant to **Condition 5.3(a)** will be redeemed at an amount equal to its Optional Redemption Amount as defined in **Condition 5.4(c)** (rounding the resulting figure to the nearest penny, half a penny being rounded upwards) together with, in each case, accrued and unpaid interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.
- (d) The Principal Amount Outstanding (or in the case of redemption in part, the redeemed principal amount) of any Note redeemed or purchased and cancelled pursuant to **Condition 5.2, 5.3(a), 5.4, or and 5.7** (as applicable) (excluding (where relevant) any premium payable in accordance with **Condition 5.3(c)** or **5.4** and the Scheduled Redemption Amount (if any) due in respect of such Note on the date of redemption pursuant to **Condition 5.1**) shall be applied to reduce the remaining Scheduled Redemption Amounts in respect of such Note, on a pro rata basis; and the reduced Scheduled Redemption Amounts shall, if necessary, be rounded upwards or downwards to the nearest penny, at the discretion of the Issuer, but so that the sum of the reduced Scheduled Redemption Amounts, as so rounded, is equal to the Principal Amount Outstanding of the relevant Note following its redemption or purchase and cancellation pursuant to **Condition 5.2, 5.3(a), 5.4, or, as the case may be, 5.7.**

5.4 *Optional redemption*

- (a) The Issuer may (at its discretion), and if the Issuer receives a notice from the Borrower that the Borrower intends or is obliged to prepay all or part of the Term Loan Facility on or before the next Note Interest Payment Date pursuant to **clauses 7.3(a) and/or 7.4 and/or 7.5** of the Credit Agreement, must, having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** and to the Note Trustee redeem on the next following Note Interest Payment Date the whole or part of each Note provided that:
 - (i) on or prior to the Note Interest Payment Date on which such notice expires, no Note Acceleration Notice has been served; and
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal, premium (if any) and interest due in respect of the Notes on the relevant Note Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Note Interest Payment Date in accordance with the Issuer Deed of Charge.

- (b) In connection with a prepayment of the Term Loan Facility the specified Principal Amount Outstanding to be redeemed under **Condition 5.4(a)** will equal the principal amount of the Term Loan Facility being prepaid. In connection with any other partial redemption not connected with a prepayment of the Term Loan Facility such partial redemption must be of at least £1,000,000 in aggregate Principal Amount Outstanding of the Notes and thereafter in multiples of £500,000. The principal amount to be redeemed must be such that the Principal Amount Outstanding of each Note to be redeemed is not a fraction of a penny.
- (c) Any Note redeemed pursuant to **Condition 5.4(a)** will be redeemed at an amount equal to its Optional Redemption Amount as set out below (rounding the resulting figure to the nearest penny, half a penny being rounded upwards) together with, in each case, accrued and unpaid interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

Optional Redemption Amount means, in respect of a Note that is to be redeemed in full or in part the greater of:

- (i) the Principal Amount Outstanding of that Note, or in the case of partial redemption only, the principal amount of the Note to be redeemed; and
- (ii) that price (as reported in writing to the Issuer and the Note Trustee by a financial adviser approved in writing by the Note Trustee) expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the relevant Note on the Relevant Date is equal to the Gross Redemption Yield at 3.00p.m. (London time) on that date of the Benchmark Gilt on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Benchmark Gilt quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the Relevant Date plus 0.25 per cent.

For the purpose of sub-paragraph (ii):

Reference Market Makers means three brokers and/or London gilt-edged market makers approved in writing by the Note Trustee;

Relevant Date means the date which is the third business day in London prior to the date of redemption pursuant to Condition 5.3(a) or 5.4(a) (as relevant);

Gross Redemption Yield means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8/6/1998 and updated 15/1/2002); and

Benchmark Gilt means such United Kingdom government stock as the Note Trustee, with the advice of three brokers and/or gilt-edged market makers or such other three persons as the Note Trustee may approve in writing, shall determine to be a benchmark gilt the maturity of which most closely matches the remaining average life of the Notes as calculated by a financial adviser approved in writing by the Note Trustee).

5.5 *Principal Amount Outstanding*

The **Principal Amount Outstanding** of a Note on any date shall be its original principal amount less the aggregate amount of all Scheduled Redemption Amounts and principal payments (excluding any premium payable in accordance with Condition 5.4(c)) in respect of such Note which have become due and payable since the Closing Date except if and to the extent that any such payment has been improperly withheld or refused and such Note has been presented or as the case may be, surrendered or purchased and cancelled pursuant to Condition 5.7.

5.6 *Redemption on Maturity*

Save to the extent otherwise redeemed in full or purchased and cancelled in accordance with this **Condition 5** the Issuer shall redeem the Notes at their Principal Amount Outstanding plus interest accrued and unpaid on the Note Interest Payment Date which falls in January 2039; (the Final Maturity Date).

5.7 *Purchase*

The Issuer may at any time purchase Notes provided that:

- (a) no Note Acceleration Notice has been served; and
- (b) the Issuer has complied with all applicable regulations of the Irish (or other) Stock Exchange on which the Notes are listed.

5.8 *Notice of Redemption*

Any such notice as is referred to in **Conditions 5.2, 5.3 or 5.4** above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes in the amounts specified in these Conditions.

5.9 *Cancellation*

All Notes redeemed in full or purchased by the Issuer will be cancelled forthwith and may not be reissued or resold.

All Notes purchased by the Borrower under the terms of the Credit Agreement will be surrendered to the Issuer and cancelled forthwith.

6. **Payments**

6.1 *Payments in respect of Notes*

- (a) Payments in respect of principal, premium (if any) and interest in respect of any Note will be made only against presentation of the relevant Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** for such purpose, subject, in the case of the Temporary Global Note, to certification of non-US beneficial ownership as provided in the Temporary Global Note. A record of each payment of principal, premium (if any) or interest made in respect of a Global Note will be made on the Global Note by or on behalf of the Principal Paying Agent or such other Paying Agent as aforesaid and such record shall be prima facie evidence that the payment in question has been made. No person appearing from time to time in the records of Clearstream, Luxembourg or of Euroclear as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.

6.2 *Method of Payment*

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

6.3 *Payments subject to Applicable Laws*

Payments in respect of principal, premium (if any) and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

6.4 *Payment only on a Presentation Date*

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

Presentation Date means a day which (subject to **Condition 7 (Prescription)**):

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

In this **Condition 6.4, Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

6.5 *Initial Paying Agents*

- (a) The names of the initial Paying Agents and their initial specified offices are set out 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 any Paying Agent and to appoint additional or other Paying Agents provided that:
 - (i) there will at all times be a Principal Paying Agent;
 - (ii) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which, so long as the Notes are listed on the Irish Stock Exchange, shall be in Dublin; and
 - (iii) 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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.
- (b) Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with **Condition 14 (Notice to Noteholders)**.

7. **Prescription**

- (a) Claims in respect of principal, premium (if any) and interest on the Notes shall become void unless presented for payment within a period of 10 years from the Relevant Date (in respect of principal and premium) and five years from the Relevant Date (in respect of interest).
- (b) In this **Condition 7**, the **Relevant Date** means the date on which a payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)**.

8. **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 (but this will be without limitation to the Issuer's obligations under **Condition 5.2 (Redemption for Tax or other reasons)**).

9. **Issuer Events of Default**

- (a) The Note Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Notes or so directed by an Extraordinary Resolution of the holders of the Notes shall, (subject in each case to its being secured and/or indemnified to its satisfaction) give notice in writing (a **Note Acceleration Notice**) to the Issuer declaring the Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events (each, an **Issuer Event of Default**):
 - (i) default being made in the payment of any principal, premium or interest due in respect of the Notes then outstanding and the default continues for a period of five days in the case of principal, interest or premium; or
 - (ii) breach by the Issuer of any representation or warranty made by it in the Note Trust Deed or any of the other Transaction Documents to which it is a party and (except in any case where the Note Trustee or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or

such longer period as the Note Trustee or, as the case may be, the Issuer Security Trustee may permit) following the service by the Note Trustee or, as the case may be, the Issuer Security Trustee on the Issuer of notice requiring the same to be remedied ; or

- (iii) the Issuer failing to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Note Trustee or, as the case may be, the Issuer Security Trustee may permit) following the service by the Note Trustee or, as the case may be, the Issuer Security Trustee on the Issuer of notice 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 **sub-paragraph (v)** 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 the Issuer being (or being deemed to be) unable to pay its debts as and when they fall due; or
- (v) 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 Notes then outstanding; or
- (vi) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation 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), liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial 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 or other similar laws or making a conveyance or assignment for the benefit of its creditors generally,

provided that in the case of each of the events described in **sub-paragraphs (ii), (iii) and (iv)** of this **paragraph (a)**, the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Notes.

- (b) Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with this **Condition 9**, all Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Note Trust Deed and the Issuer Security shall become enforceable.

10. Enforcement

- (a) Each of the Note Trustee and the Issuer Security Trustee may, at any time, at its discretion and without notice, take such proceedings or other action against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Note Trust Deed (including these Conditions) or (in the case of the Issuer Security Trustee) the Issuer Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and at any time after the Issuer Security has become enforceable, the Issuer Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Issuer Security, but neither of them shall be bound to take any such proceedings, action or steps unless:
 - (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Notes or so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Notes; and
 - (ii) in all cases, 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 any of the Transaction Documents unless the Note Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.
- (c) If the Issuer Security Trustee has taken enforcement action under the Issuer Deed of Charge and distributed all of the resulting proceeds (including the proceeds of realising the security thereunder), to the extent that any amount is still owing to any Noteholder (a **Shortfall**), any such Noteholder shall be entitled to proceed directly against the Issuer in order to claim such Shortfall and neither the Issuer Security Trustee nor the Note Trustee shall be responsible for any liability occasioned thereby, nor shall it vouch for the validity of such claim.

11. Meetings of Noteholders, Modification, Waiver, Substitution and Note Trustee's Discretions

- (a) The Note Trust Deed contains provisions for convening meetings of the Noteholders 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.
- (b) Subject as provided below, the quorum at any meeting of Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of the Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder (whatever the aggregate Principal Amount Outstanding of the Notes held by or represented by them).
- (c) The quorum at any meeting of Noteholders for passing an Extraordinary Resolution to sanction a modification of the date of maturity of the Notes or which would have the effect of postponing any day for payment of principal, premium or interest thereon, reducing or cancelling the amount of principal or premium or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, altering the quorum or majority required in relation to this exception or modifying the Issuer Security in any material respect (each, a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes.
- (d) The Note Trustee or, as the case may be, the Issuer Security Trustee, may agree, without the consent of the Noteholders or any other Issuer Secured Creditor:
 - (i) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents, to which it is a party, which, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, is not materially prejudicial to the interests of the Noteholders; or
 - (ii) to any modification which, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, is 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 or is of a formal, minor or technical nature.
- (e) The Note Trustee may also, without the consent of the Noteholders, determine that an Issuer Event of Default shall not, or shall not subject to specified conditions, be treated as such.
- (f) Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and other Issuer Secured Creditors 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 as soon as practicable thereafter in accordance with **Condition 14 (Notice to Noteholders)**.
- (g) In connection with any such substitution of principal debtor referred to in **Condition 5.2 (Optional redemption for Tax or other reasons)**, the Note Trustee and the Issuer Security Trustee may also agree, without the consent of the Noteholders or any other Issuer Secured Creditor, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents to which it is a party, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, be materially prejudicial to the interests of the Noteholders.
- (h) The Note Trustee and the Issuer Security Trustee shall be entitled to assume, 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, that such exercise or

performance will not be materially prejudicial to the interests of the Noteholders if the Rating Agencies have confirmed that the then current ratings of the Notes would not be downgraded, withdrawn or put on negative credit watch by such exercise or performance and, if the rating of the Notes has been downgraded previously, that such exercise or performance will not prevent the restoration of the original rating of the Notes.

12. Indemnification and Exoneration of the Note Trustee

- (a) The Note Trust Deed and the Issuer Deed of Charge contain 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 action or, in the case of the Issuer Security Trustee, enforcing the Issuer Security constituted by the Issuer Deed of Charge unless indemnified and/or secured to their satisfaction.
- (b) The Note Trust Deed and the Issuer Deed of Charge also contain provisions pursuant to which the Note Trustee and the Issuer Security Trustee are entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and/or any Obligor whose obligations are comprised in the Issuer Security or, in any such case, any affiliate thereof and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents and/or any Obligor whose obligations are comprised in the Issuer Security or, in any such case, any affiliate thereof, (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, or consequences for, 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.

13. Replacement of the 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 Depository 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.

14. Notice to Noteholders

- (a) Any notice to the Noteholders shall be validly given if published (a) in one leading London daily newspaper (which is expected to be the *Financial Times*) and (b) (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 having a 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 in accordance with Condition 14(d).
- (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 after the day of such delivery.

- (c) A copy of each notice given in accordance with this **Condition 14 (Notice to Noteholders)** shall be provided to each of Fitch Ratings Ltd (**Fitch**) and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P** and, together with Fitch, 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). 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.
- (d) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or a 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.

15. Further Issues, Replacement Notes and New Notes

15.1 Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders, but subject always to the provisions of these Conditions and the Note Trust Deed to create and issue further Notes (the **Further Notes**) in bearer form carrying the same terms and conditions in all respects (except in relation to the issue date, the first Accrual Period and the first Note Interest Payment Date) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Notes, provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is not less than £10 million;
- (b) any Further Notes are assigned the same ratings by the Rating Agencies as are then applicable to Notes then outstanding;
- (c) the Rating Agencies confirm that the respective ratings of the Notes at that time outstanding will not be downgraded as a result of such issue of Further Notes;
- (d) 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;
- (e) such encumbrances necessary to maintain the then current ratings referred to in (c) above or to obtain the necessary ratings for the Further Notes are given in favour of the Issuer Security Trustee, the Borrower Security Trustee, and/or the Issuer by the Borrower at the date of issue of the Further Notes (if applicable);
- (f) no Loan Event of Default has occurred and is continuing;
- (g) the Issuer's liabilities in respect of such Further Notes are hedged to the satisfaction of the Rating Agencies then rating the Notes;
- (h) no Issuer Event of Default has occurred and is continuing or would occur as a result of such issue of Further Notes; and
- (i) application will be made to list the Further Notes on the Irish Stock Exchange, or if the Notes then issued are no longer listed on the Irish Stock Exchange, on such exchange, if any, on which the Notes then issued are then listed.

15.2 Replacement Notes

The Issuer may, without the consent of the Noteholders, issue replacement notes (**Replacement Notes**) which shall have terms and conditions which may differ from the terms and conditions of the Notes which they replace and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Notes which they replace, provided that the Notes to be replaced are redeemed in full in accordance with **Condition 5.4 (Optional redemption)** and the conditions to the issue of Further Notes as set out in **Condition 15.1(a), (b), (c) and (e) to (i)** are satisfied, *mutatis mutandis*, in respect of such issue of Replacement Notes.

15.3 New Notes

The Issuer shall be at liberty, without the consent of the Noteholders (but subject always to the provisions of the Note Trust Deed), to raise further funds from time to time and on any date by the creation and issue of new notes (the **New Notes**) in bearer form which may rank *pari passu* with or

behind the Notes and which do not form a single series with the Notes provided that the conditions to the issue of Further Notes as set out in **Condition 15.1(a)**, and **(c) to (i)** are met, *mutatis mutandis*, in respect of the issue of such New Notes as if reference therein to Further Notes were references to New Notes.

15.4 *Supplemental trust deeds and security*

Any such Further Notes, Replacement Notes and New Notes will be constituted by a further deed or deeds supplemental to the Note Trust Deed and have the benefit of the Issuer Security pursuant to the Deed of Charge as described in **Condition 2.1 (Status and relationship between Notes)**.

16. Rights of Third Parties

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

17. Governing Law

The Note Trust Deed, the Notes, these Conditions and the Transaction Documents (other than the Jersey Security Agreements, which are governed by Jersey law) 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 Inland Revenue practice as at the date of this Offering Circular relating to certain aspects of the United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of Notes. Some aspects do not apply to certain classes of taxpayer (such as dealers and persons connected with the Issuer). 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.

1. Withholding tax on payments of interest on the Notes

For so long as the Notes are and continue to be listed on a “*recognised stock exchange*” within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the **Act**) (the Irish Stock Exchange is such a “*recognised stock exchange*” for this purpose – under a United Kingdom Inland Revenue interpretation, the Notes will satisfy this requirement if they are listed by the competent authority in Ireland and are admitted to trading by the Irish Stock Exchange) interest payments on each of the Notes will be treated as a “*payment of interest on a quoted Eurobond*” within the meaning of section 349 of the Act. In these circumstances, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether the Notes are in global form or in definitive form.

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 to a person who belongs in the United Kingdom for United Kingdom tax purposes 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 is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the 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 lower 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 in practice to the benefit of the European Council Directive 2003/49/EC, the Inland Revenue 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 the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes. These provisions will apply whether or not the interest has been paid subject to withholding or deduction on account of United Kingdom income tax and whether or not the payee or person entitled to the interest is resident in the United Kingdom for tax purposes.

3. Direct assessment of non-UK resident holders of Notes to UK tax on interest

Interest on the Notes has a UK source. Accordingly, payments of interest on the Notes will in principle be within the charge to UK tax even if paid without withholding or deduction. However, such payments will not be chargeable to UK tax in the hands of a Noteholder who is not resident for tax purposes in the UK unless such Noteholder carries on a trade, profession or vocation through a branch or agency (or, in the case of a Noteholder which is a company, which carries on a trade through a permanent establishment) in the UK in connection with which the payments are received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent such as some brokers and investment managers) tax may be levied on the UK branch or agency or permanent establishment.

4. Taxation of returns: companies within the charge to UK corporation tax

In general, Noteholders who are within the charge to UK corporation tax (other than authorised unit trusts) will normally be subject to tax on all profits and gains, including interest and profit and gains attributable to currency fluctuations, arising on or in connection with the Notes under the loan relationship rules. Any such profits and gains will generally fall to be calculated in accordance with the statutory accounting treatment of the Notes in the hands of the relevant Noteholder, and will generally be charged to tax as income in respect of each accounting period to which they are allocated, in accordance with that accounting treatment. Relief may be available in respect of losses or for related expenses on a similar basis.

5. Taxation of returns: other Noteholders

Noteholders who are not within the charge to UK corporation tax and who are resident or ordinarily resident in the UK for tax purposes or who carry on a trade, profession or vocation in the UK through a branch or agency in connection with which interest on the Notes is received or to which the Notes are attributable will generally be liable to UK tax on the amount of any interest received in respect of the Notes.

It is expected that the Notes will be regarded by the Inland Revenue as constituting “qualifying corporate bonds” within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of any of these Notes by such Noteholders as described above is not expected to give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

A disposal of Notes by such Noteholders as described above may also give rise to a charge to tax on income in respect of an amount representing interest accrued on the Notes since the preceding payment date.

6. Stamp duty and stamp duty reserve tax

No UK stamp duty or stamp duty reserve tax is payable on the issue or transfer of the Notes.

7. EU Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economic and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, 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, Austria, Belgium and Luxembourg will be required (unless during that period they direct otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

UBS Limited of 1 Finsbury Avenue London EC2M 2PP (the **Manager**), pursuant to a subscription agreement dated on or about 1 October 2004 (the **Subscription Agreement**), between the Arranger, the Manager, the Issuer, the Borrower, the Partners and the Parents (being the companies which own the Limited Partners) have agreed, jointly and severally, subject to certain conditions, to subscribe and pay for the Notes at 100.001 per cent. of the initial principal amount of such Notes.

The Issuer has agreed to reimburse HBOS Treasury Services plc (the **Arranger**), and the Manager for certain of their expenses in connection with the issue of the Notes. The Borrower has agreed to pay the Arranger a fee for arranging the issue of the Notes and the related transactions and the Manager a fee for underwriting the issue of the Notes. The Subscription Agreement is subject to a number of conditions and may be terminated by the Manager in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Manager and the Arranger against certain liabilities in connection with the offer and sale of the Notes.

United States of America

The Manager 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 certain transactions exempt from the registration requirements of the Securities Act. The Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (for the purposes only of this section "*Subscription and Sale*", the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. Persons and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

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

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 of 1986 and regulations thereunder.

United Kingdom

The Manager has represented and agreed that:

- (a) 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 business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (**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

The Manager has represented and agreed that:

- (a) other than in circumstances which do not constitute an offer or sale to the public in Ireland or elsewhere by means of a prospectus within the meaning of the Companies Acts, 1963 to 2001 of Ireland (i) prior to application for listing of the Notes being made and the Irish Stock Exchange having approved this Offering Circular in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, by means of any document or other means of visual reproduction, including electronic means, any of the Notes, (ii) subsequent to application for listing of the Notes being made and the Irish Stock Exchange approving this Offering Circular in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, any of the Notes by means of any document or other means of visual reproduction, including electronic means, other than this Offering Circular (or any document including electronic means of visual reproduction approved as aforesaid, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations) and only where this Offering Circular (or such other listing particulars as aforesaid) is accompanied by an application form or an application form is issued which indicates where this Offering Circular (or such other listing particulars as aforesaid) can be obtained or inspected and (iii) it has not issued and will not issue at any time, in Ireland or elsewhere any application form for any of the Notes unless the application form is accompanied by this Offering Circular (or a document including electronic means of visual reproduction, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations and approved by the Irish Stock Exchange) or the application form indicates where this Offering Circular or such listing particulars can be obtained or inspected;
- (b) it has not made and will not make at any time any offer of any of the Notes in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply;
- (c) it will not sell any Notes pursuant to this Offering Circular and it will not take any proceedings on applications made pursuant to this Offering Circular until the fourth business day in Ireland after the date of this Offering Circular;
- (d) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts, 1995 to 2000 of Ireland (as amended) 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 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 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Acts 1995 to 2000, of Ireland (as amended) and, in the case of a 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 (as amended); and
- (e) in respect of an offer of the Notes to the public in Ireland or elsewhere within the meaning of the Companies Acts, 1963 to 2001 of Ireland, it will comply with the requirements of the section 56 and 57 of the Companies Act, 1963 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 Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Offering Circular 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 Offering Circular 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.

The Manager 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 29 September 2004.
2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 1st October 2004, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.
3. On 24th September 2004 the Issuer was granted a certificate under s.117 of the Company Act 1985 entitling it to do business and to borrow.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with Common Code 020241713 and ISIN, XS0 0202417134.
5. 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 Paying Agent in Dublin. The Issuer does not publish interim accounts.
6. 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.
7. 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 the date of its registration, a Material Adverse Effect.
8. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement, being a contract entered into other than in its ordinary course of business.
9. BDO Stoy Hayward LLP, auditors of the Issuer and the Borrower, has given and not withdrawn their written consent to the inclusion in this Offering Circular of their Accountants Report as contained in part 4 of the sections entitled "The Issuer" and "The Borrower" and references to their name in the form and context in which they are included and have authorised the contents of that part of this Offering Circular for the purposes of section 46 of the Irish Companies Act, 1963 (as amended).
10. Save as disclosed herein, since 20th September 2004 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the trading or financial position of the Issuer.
11. Save as disclosed herein, since 31 July 2004 (being the date of the Balance Sheet of the Borrower included in the Accountants' Report), there has been (a) no material adverse change in the financial position or prospects of the Borrower, and (b) no significant change in the trading or financial position of the Borrower.
12. The Issuer Deed of Charge and the Borrower Deed of Charge will provide that the Issuer Security Trustee and the Borrower Security Trustee (as applicable) may rely on reports or other information from professional advisors or other experts in accordance with the Issuer Deed of Charge and the Borrower Deed of Charge (as applicable), whether or not such report or other information, engagement letter or other document entered into by the Issuer Security Trustee or the Borrower Security Trustee (as applicable) and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.
13. Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at Blackwell House, Guildhall Yard, London EC2V 5AE and at the specified offices of the Irish Paying Agent in Dublin during the period of 14 days from the date of this document:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Limited Partnership Agreement of the Borrower;

- (c) the balance sheet of the Issuer as at 27 September 2004 and the auditors report thereon;
- (d) the balance sheet of the Borrower as at 31 July 2004 and the auditors report thereon;
- (e) a draft of the Subscription Agreement referred to in **paragraph 7** above; and
- (f) drafts (subject to modification) of the following documents:
 - (i) the Credit Agreement;
 - (ii) the Note Trust Deed;
 - (iii) the Notes;
 - (iv) the Issuer Deed of Charge;
 - (v) the Borrower Deed of Charge;
 - (vi) the Jersey Security Agreements;
 - (vii) the Issuer Bank Account Agreement;
 - (viii) the Issuer Cash Management Agreement;
 - (ix) the Borrower Bank Account Agreement;
 - (x) the Deposit Loan Agreement;
 - (xi) the BOS Guarantee;
 - (xii) the Paying Agency Agreement;
 - (xiii) the Issuer Corporate Services Agreement;
 - (xiv) the Share Trust Deed; and
 - (xv) the Master Definitions Schedule.

SCHEDULE 1
PHOTOGRAPHS OF THE PROPERTY



33 Old Broad Street (the Property)



Reception Area



Central Atrium

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