

# Premiertel plc

(incorporated in England and Wales with limited liability under registration number 4735431)

## £77,500,000 Class A 5.683 per cent. Bonds due 2029

## £208,707,000 Class B 6.175 per cent. Bonds due 2032

Premiertel plc (the “**Issuer**”) will issue the £77,500,000 Class A 5.683 per cent. Bonds due 2029 (the “**Class A Bonds**”) and the £208,707,000 Class B 6.175 per cent. Bonds due 2032 (the “**Class B Bonds**” and, together with the Class A Bonds, the “**Bonds**”), at the issue prices of 100.010 per cent. and 100.000 per cent. respectively of their initial principal amount, on 25 November 2003 (or such later date as may be agreed by the Issuer, the Joint Lead Managers (as defined herein) and the Bond Trustee (as defined below)) (the “**Closing Date**”).

Interest on the Bonds will be payable by reference to successive interest periods (each an “**Interest Period**”). Interest will be payable quarterly in arrear on 8 February, 8 May, 8 August and 8 November (subject to adjustment as Specified in Condition 4(b) for non-Business Days) (each an “**Interest Payment Date**”) in each year commencing in February 2004. Interest on the Class A Bonds will accrue at an annual rate of 5.683 per cent. and interest on the Class B Bonds will accrue at an annual rate of 6.175 per cent.

The Class A Bonds and the Class B Bonds will mature on 8 August 2029 and 8 May 2032 respectively, unless previously redeemed. The Bonds will be subject to mandatory redemption and/or optional redemption in whole or in part before such date in the circumstances, and subject to the conditions, described in the terms and conditions of the Bonds (the “**Conditions**”).

If any withholding or deduction for or on account of tax is applicable to the Bonds, payments of interest on, and principal and premium (if any) in respect of, the Bonds will be made subject to any such withholding or deduction, without the Issuer being obliged to pay any additional or further amounts as a consequence.

The Bonds will be obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person or entity. It should be noted, in particular, that the Bonds will not be obligations of, and will not be guaranteed by, the Bond Trustee, the Obligor Trustee, the Issuer Trustee, the Joint Lead Managers, the Liquidity Facility Provider, the Cash Manager, the Property Manager, the Paying Agents, the Calculation Agent, the Account Bank, or by any member of the Group. The proceeds of the issue of the Bonds will be on-lent by the Issuer to the Borrower and then by the Borrower to the Property Companies and secured over all of the assets and undertaking of the Issuer, the Borrower, the Parent and the Property Companies, all as more particularly described herein.

The Class A Bonds are expected, on issue, to be assigned an AA rating by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“**S&P**”) and Fitch Ratings Limited (“**Fitch**” and together with S&P the “**Rating Agencies**”). The Class B Bonds are expected, on issue, to be assigned an A- rating by S&P and an A rating by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Bonds of each class will initially be represented by a temporary global bond in bearer form (each a “**Temporary Global Bond**”), without coupons or talons, which will be deposited with a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on or about the Closing Date (or such later date as may be agreed by the Issuer, the Joint Lead Managers and ABN AMRO Trustees Limited (in such capacity, the “**Bond Trustee**”, which expression shall include its successors and assigns). Interests in each Temporary Global Bond will be exchangeable not earlier than 40 days from, but not including, the Closing Date (and upon certification as to non-U.S. beneficial ownership) for interests in a permanent global bond representing the Bonds of the relevant class (each a “**Permanent Global Bond**” and, together with each Temporary Global Bond, the “**Global Bonds**”), each in bearer form, without coupons or talons, which will also be deposited with the Common Depository. Save in certain limited circumstances, Bonds in definitive form will not be issued in exchange for the Global Bonds. See “Summary of Provisions Relating to the Bonds while in Global Form”.

Application has been made to the Financial Services Authority in its capacity as competent authority for listing in the United Kingdom (the “**UK Listing Authority**”) for the Class A Bonds and the Class B Bonds to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Bonds to be admitted to trading on the London Stock Exchange’s market for listed securities.

Admission to the Official List of the UK Listing Authority together with admission to trading on the London Stock Exchange’s market for listed securities constitutes official listing on a Stock Exchange. A copy of this document, which comprises Listing Particulars with regard to the Issuer and the Bonds has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 83 of the Financial Services and Markets Act 2000 (“**FSMA**”).

This Offering Circular contains particulars given in compliance with the listing rules made under Section 83 of the FSMA by the UK Listing Authority (the “**Listing Rules**”) for the purposes of giving information with regard to the Issuer and the Bonds.

*Particular attention is drawn to the section of this Offering Circular entitled “Risk Factors”.*

**Arranger**  
**ABN AMRO**

**Joint Lead Managers**

**ABN AMRO**

**UBS Investment Bank**

The date of this Offering Circular is 18 November 2003

The Issuer accepts responsibility for the information contained in this document (the “**Offering Circular**”). To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly. None of the Joint Lead Managers, the Liquidity Facility Provider, the Paying Agents, the Calculation Agent, the Cash Manager, the Account Bank, the Bond Trustee, the Obligor Trustee or the Issuer Trustee have independently verified any of the information contained herein (financial, legal or otherwise) and in making an investment decision, investors must rely on their own examination of the terms of this Offering Circular, including the merits and risks involved.

No person is or has been authorised in connection with the issue and sale of the Bonds to give any information or to make any representation not contained in this document 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 directors of the Issuer, the Borrower, any of the Property Companies, any other member of the Group, the Bond Trustee, the Obligor Trustee, the Issuer Trustee, the Joint Lead Managers, the Liquidity Facility Provider, the Paying Agents, the Calculation Agent, the Cash Manager or the Account Bank. Neither the delivery of this document nor any sale or allotment made in connection with the offering of any of the Bonds shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Borrower or any other member of the Group or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof.

The Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and the Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

Other than the approval of this document as listing particulars in accordance with the Listing Rules and the delivery of copies of this document to the Registrar of Companies in England and Wales as described above, no action has been or will be taken to permit a public offering of the Bonds or the distribution of this document in any jurisdiction where action for that purpose is required. The distribution of this document and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document (or any part hereof) comes are required by the Issuer and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of Bonds and distribution of this document, see “Subscription and Sale”. Neither this document nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer or the Joint Lead Managers to subscribe for or purchase any of the Bonds and neither this document, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this document nor any part hereof nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

References in this document to “£”, “STG”, “pounds” or “sterling” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

Capitalised terms contained in this document and defined herein have the meanings given to them on the page indicated in the Index of Defined Terms contained in Appendix 1 hereof.

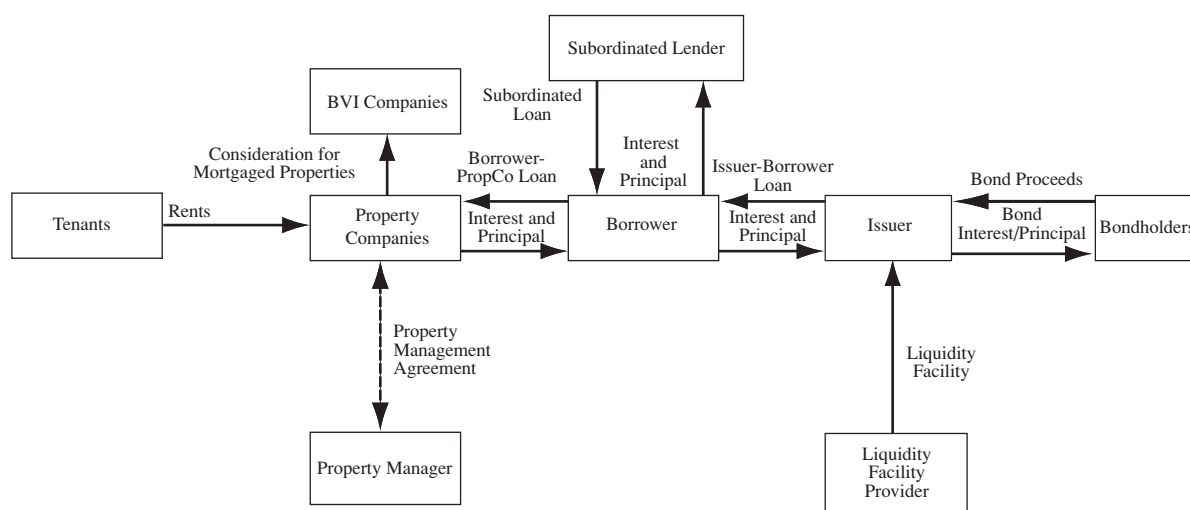
*In connection with the issue of the Bonds, UBS Limited as the stabilising institution (the “**Stabilising Manager**”) may over-allot or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be conducted in accordance with all applicable laws and rules.*

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## SUMMARY

### Transaction Structure

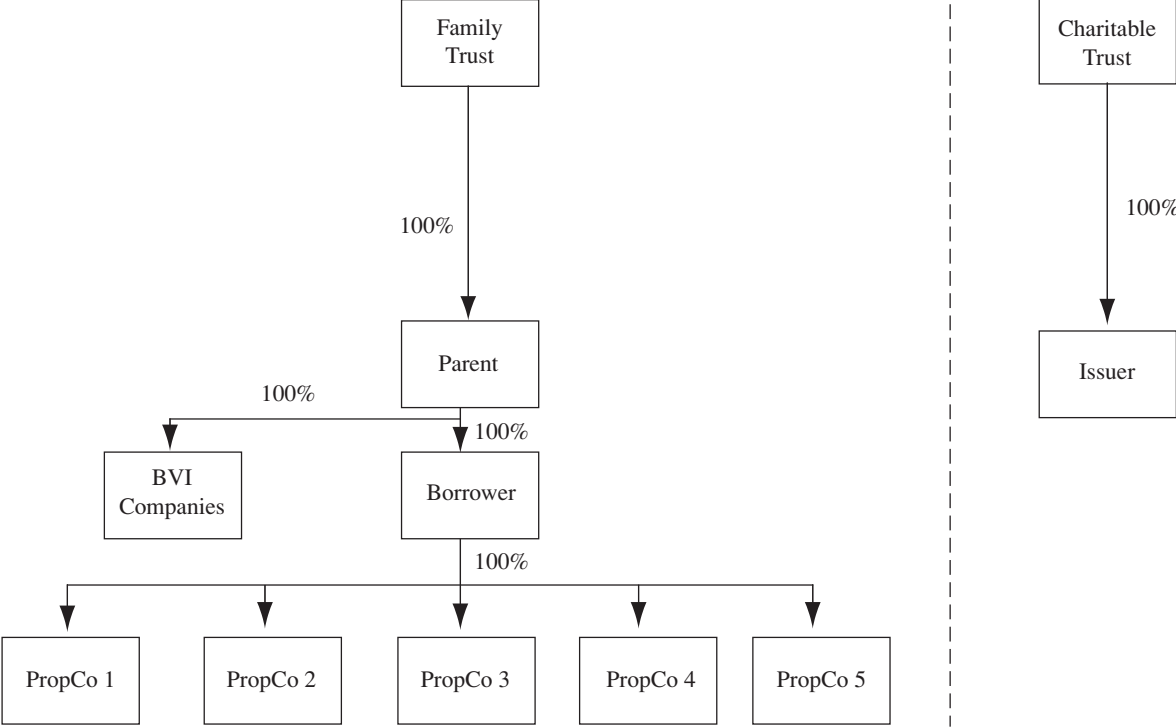


A brief overview of the transaction based on the diagram above is as follows:

- On the Closing Date, the Issuer will on-lend the proceeds of issue of the Bonds to the Borrower pursuant to the Issuer-Borrower Loan Agreement.
- The Borrower will on-lend amounts received by it under the Issuer-Borrower Loan (along with proceeds received by it under the Subordinated Funding Agreement) to the Property Companies pursuant to the Borrower-PropCo Loan Agreement.
- The Property Companies will use the proceeds of the advance from the Borrower under the Borrower-PropCo Loan to fund, in part, the purchase by the Property Companies of the Mortgaged Properties from the BVI Companies.
- The Property Companies will collect receipts received by them in respect of the Mortgaged Properties in the Rental Receipts Account (an account of the Borrower).
- The Borrower will use amounts received from the Property Companies in the Rental Receipts Account, after certain deductions have been made, to meet its obligations to pay interest, principal and other amounts due to the Issuer under the Issuer-Borrower Loan and, in 2032 to meet its obligations to pay amounts due to the Subordinated Lender under the Subordinated Funding Agreement).
- Each Property Company will guarantee the obligations of the Borrower under the Issuer-Borrower Loan Agreement.
- The Issuer's obligations to pay principal and interest on the Bonds will be met primarily from the payments of principal and interest received from the Borrower under the Issuer-Borrower Loan.
- Security will be granted by the Borrower, the Property Companies and the Parent in favour of the Obligor Trustee (for itself and on trust for the other Obligor Secured Parties) in respect of the obligations of the Borrower under the Issuer-Borrower Loan Agreement. The security granted will include a fixed charge over the Borrower's rights under the Borrower-PropCo Loan (being the Borrower's principal asset), fixed charges or standard securities over the Property Companies' interests in the Mortgaged Properties and equitable mortgages over the shares in the Borrower (held by the Parent) and in the Property Companies (held by the Borrower).
- The Issuer will assign by way of security its interest in the Obligor Security in favour of the Issuer Trustee under and pursuant to the Issuer Deed of Charge.

The above description is only a brief overview of the transaction more fully described in this Offering Circular. The above information does not purport to be 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.

**The Ownership Structure**



The above diagram illustrates the ownership structure of the principal parties to the transaction, being as follows:

- Each of PropCo 1, PropCo 2, PropCo 3, PropCo 4 and PropCo 5 is a wholly-owned subsidiary of the Borrower.
- Each of the Issuer, the Borrower and the Property Companies is a special purpose vehicle incorporated solely for the purpose of the transactions contemplated by this Offering Circular.
- The Borrower is a wholly-owned subsidiary of the Parent.
- The Parent is wholly-owned by a nominee on behalf of a family trust (the “**Family Trust**”).
- The BVI Companies are all wholly-owned subsidiaries of the Parent.

For a more detailed description of the parties to the structure, see “Summary — The Parties”.

## Key Characteristics of the Bonds

	<u>Class A Bonds</u>	<u>Class B Bonds</u>
Principal Amount (£) .....	77,500,000	208,707,000
Interest Basis .....	Fixed Rate	Fixed Rate
Interest Rate (%).....	5.683	6.175
Interest Accrual Method .....	Actual/Actual-ISMA	Actual/Actual-ISMA
Interest Payment Dates.....	8 February, 8 May, 8 August and 8 November	8 February, 8 May, 8 August and 8 November
First Interest Payment Date .....	8 February 2004	8 February 2004
Final Maturity Date .....	8 August 2029	8 May 2032
Expected Average Life (in years).....	19.3	22.5
Application for Exchange Listing London.....	London	London
ISIN .....	XS0180245515	XS0180245945
Common Code .....	018024551	018024594
Expected Ratings .....	AA (by S&P) AA (by Fitch)	A- (by S&P) A (by Fitch)

## The Parties

### The Issuer

Premiertel plc (the “**Issuer**”) is a public company with limited liability incorporated in England and Wales with registered number 4735431. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,999 of which are held by SFM Corporate Services Limited and one share of £1 which is held by Structured Finance Management Limited as nominee for SFM Corporate Services Limited. The interests of SFM Corporate Services Limited in such shares are held on trust for certain charities.

### The Borrower

Laudico Limited (the “**Borrower**”) is a private limited liability company incorporated in England and Wales with registered number 4735295. The Borrower is a wholly-owned subsidiary of the Parent. The proceeds of the issue of the Bonds will be lent by the Issuer to the Borrower under a loan facility to be made available by the Issuer on the Closing Date (the “**Issuer-Borrower Loan**”) pursuant to a loan agreement (the “**Issuer-Borrower Loan Agreement**”) to be entered into on the Closing Date between, *inter alios*, the Issuer, the Borrower, the Property Companies, the Parent and the Obligor Trustee.

### The Property Companies

Lardpam Limited (“**PropCo 1**”) is a private limited company incorporated in England and Wales with registered number 4735449. Alerun Limited (“**PropCo 2**”) is a private limited company incorporated in England and Wales with registered number 4735306. Beadtrek Limited (“**PropCo 3**”) is a private limited company incorporated in England and Wales with registered number 4735372. Firleigh Limited (“**PropCo 4**”) is a private limited company incorporated in England and Wales with registered number 4735405. Ranmia Limited (“**PropCo 5**”) is a private limited company incorporated in England and Wales with registered number 4735363. PropCo 1, PropCo 2, PropCo 3, PropCo 4 and PropCo 5 together are referred to as the “**Property Companies**” and each a “**Property Company**”.

The Property Companies are all wholly-owned subsidiaries of the Borrower.

On the Closing Date the Property Companies will acquire the Mortgaged Properties from the BVI Companies.

Sums received by the Borrower by way of the Issuer-Borrower Loan and Subordinated Loan will be on-lent by the Borrower to each of the Property Companies under an “**Intercompany Loan**” (the aggregate amount of the Intercompany Loans being referred to as the “**Borrower-PropCo Loan**”) pursuant to a loan agreement (the “**Borrower-PropCo Loan Agreement**”). Each Property Company will provide, in favour of the Obligor Trustee, fixed and floating charges pursuant to the Obligor Deed of Charge. In this document, where the context so requires, “**Property Companies**” also means any other subsidiary of the Borrower which subsequently provides security over an interest in real property to the Obligor Trustee.

### **The Parent**

Oak Haven Properties Limited (the “**Parent**”) is a company incorporated in the British Virgin Islands with registered number 502507. The Parent is wholly-owned by a nominee on behalf of the Family Trust. As of the Closing Date, the Parent’s principal asset will be its shares in the Borrower and in the BVI Companies.

### **The Family Trust**

One of the directors of the Issuer, the Borrower and the Property Companies, respectively, is also a beneficiary of the Family Trust which indirectly owns the Borrower and the Property Companies.

### **The BVI Companies**

Victoire Holdings Limited (incorporated in the British Virgin Islands with number 489457), Fleurir Holdings Limited (incorporated in the British Virgin Islands with number 489468), Danti Limited (incorporated in the British Virgin Islands with number 494289), Rozina Investments Limited (incorporated in the British Virgin Islands with number 492929) and Rosellie Investments Limited (incorporated in the British Virgin Islands with number 476371) (together, the “**BVI Companies**”, and each a “**BVI Company**”) are each wholly-owned subsidiaries of the Parent.

On the Closing Date, the BVI Companies (which, as at the date hereof, own the Mortgaged Properties) will sell and transfer beneficial and, subject to completion of the necessary registrations, legal title to the Mortgaged Properties to the Property Companies.

### **The Group**

For the purposes of this document, the “**Group**” means the Parent, the Borrower, the Property Companies, the BVI Companies and all other direct or indirect subsidiaries of the Parent.

### **The Borrower Group**

For the purposes of this document, the “**Borrower Group**” means the Borrower and the Property Companies.

### **The Obligor Trustee**

ABN AMRO Trustees Limited (the “**Obligor Trustee**”) will be appointed pursuant to the Obligor Deed of Charge.

### **The Issuer Trustee**

ABN AMRO Trustees Limited (the “**Issuer Trustee**”) will be appointed pursuant to the Issuer Deed of Charge.

### **The Bond Trustee**

ABN AMRO Trustees Limited (the “**Bond Trustee**”) will be appointed pursuant to a trust deed (the “**Trust Deed**”) to be entered into on the Closing Date between the Issuer and the Bond Trustee and pursuant to which the Bonds will be constituted. The principal office of the Bond Trustee is 82 Bishopsgate, London EC2N 4BN.

### **The Cash Manager**

ABN AMRO Bank N.V. (London Branch), acting through its branch at 82 Bishopsgate, London EC2N 4BN, (the “**Cash Manager**”) will be appointed by each of the Issuer, the Borrower, the Property Companies, the Issuer Trustee and the Obligor Trustee to act on its behalf in managing, inter alia, the application of monies standing to the credit of the PropCo Accounts, the Borrower Accounts and the Issuer Accounts, and by the Issuer, the Borrower and the Property Companies to act on their behalf in managing the application of monies under the Issuer-Borrower Loan Agreement and the Borrower-PropCo Loan Agreement and the calculation and application of monies payable by the Issuer in respect of the Bonds.

### **The Property Manager**

Prime Estates Property Management Limited will be appointed by each of the Property Companies under the terms of the Property Management Agreement as the property manager (the “**Property Manager**”), to act on their behalf in, *inter alia*, managing the collection of rents from tenants of Mortgaged Properties and ensuring compliance of the Property Companies with their obligations in respect of the Mortgaged Properties. The registered office of the Property Manager is 7th Floor, Leconfield House, Curzon Street, London W1J 5JA.

### **The Liquidity Facility Provider**

ABN AMRO Bank N.V., acting through its office at Gustav Mahlerlaan 10, 1082 PP, Amsterdam, The Netherlands, will provide the Liquidity Facility (as defined below) to the Issuer.

### **The Account Bank**

ABN AMRO Bank N.V. (London Branch), acting through its branch at 250 Bishopsgate, London EC2M 4AA, (the “**Account Bank**”) will open and maintain certain accounts on behalf of the Issuer, the Borrower and (if appointed) the Property Adviser.

### **The Property Adviser**

In certain circumstances, the Borrower and the Property Companies will be required to appoint a Property Adviser acceptable to the Obligor Trustee. For the circumstances in which such appointment may occur, see further “Summary of the Principal Documents relating to the Bonds — The Issuer-Borrower Loan Agreement — Coverage Tests and Appointment of a Property Adviser”.

### **The Portfolio**

#### **The Properties**

On the Closing Date, the Property Companies will acquire from the BVI Companies a portfolio of five properties (the “**Portfolio**”), as described below (each a “**Mortgaged Property**” and together the “**Mortgaged Properties**”):



BT Workstyle 2000, London Road, Hitchen Hatch Lane, Sevenoaks, England, (the “**Sevenoaks Property**”): Located 27 miles south-east of London within a commuter town, this property comprises a new headquarters office building constructed in October 2001 over lower ground, ground floor and two upper floors and incorporates its own 550 space car park. The building is of steel frame construction with a combination of brick and glass elevations and presents a modern office building capable of sub-division. Total net internal floor area is 137,595 sq. ft. The Market Value, as shown in the Valuation Report, is £58,300,000. See further “Valuation Report”.

BT Workstyle, London Road, Brentwood, England (the “**Brentwood Property**”): Located 24 miles north-east of London and within two miles of the M25, this property comprises an office building constructed in 1999 over ground floor and two upper floors. Internally, the property has been finished to include raised floors and air-conditioning. There are approximately 800 car parking spaces to the front of the property. Total net internal floor area is 164,169 sq. ft. The Market Value, as shown in the Valuation Report, is £62,200,000. See further “Valuation Report”.

Alexander Graham Bell House, Lochside View, Edinburgh, Scotland (the “**Edinburgh Property**”): Located seven miles west of Edinburgh city centre, this property comprises a purpose built headquarters office building completed in 1999 and incorporates a car park for 480 vehicles. The property is of steel frame construction with a combination of glazed curtain walling and anodised aluminium cladding. Total net internal floor area is 155,302 sq. ft. The Market Value, as shown in the Valuation Report, is £57,000,000. See further “Valuation Report”.

Alexander Bain House, 15 York Street, Glasgow, Scotland (the “**Glasgow Property**”): Located within the city centre and approximately one mile from the central business district, this property comprises a purpose designed headquarters office building constructed in late 1999 providing modern office accommodation over ground floor and five upper levels together with the basement car parking for 124 cars. The building is of steel frame construction with double glazed and silver anodised aluminium cladded elevations. Total net internal floor area is 175,588 sq. ft. The Market Value, as shown in the Valuation Report, is £56,900,000. See further “Valuation Report”.

Riverside Tower, Lanyon Place, Belfast, Northern Ireland (the “**Belfast Property**”): Located one-third of a mile from the traditional commercial centre of the city, this property comprises a 12 storey (plus basement) modern office building incorporating a car park for 130 vehicles. The building was constructed in 1998 and is of modern design providing air-conditioned office accommodation. Total net internal floor area is 155,302 sq. ft. The Market Value, as shown in the Valuation Report, is £42,350,000. See further “Valuation Report”.

A more detailed description of each Mortgaged Property is set out under “The Mortgaged Properties – The Leases”. Any existing security other than a charge in favour of the Secretary of State for Health affecting the Brentwood Property (which is subordinate to those created by the Property Companies under or in accordance with the Obligor Deed of Charge) (see further “The Mortgaged Properties — Brentwood Property”) over the Mortgaged Properties will be released on the Closing Date and the debt secured by such security discharged. In this document, where the context so requires, (a) the term “**Mortgaged Properties**” includes any property which forms part of the Obligor Charged Property; (b) the term “**Portfolio**” refers, in respect of any given date, to all the Mortgaged Properties on such date; and (c) the term “**Scottish Properties**” refers to the Glasgow Property and the Edinburgh Property together.

The Mortgaged Properties are let on broadly similar terms to British Telecommunications plc (“**BT**” or the “**Initial Tenant**”) for a term of 31 years expiring on 7 June 2032 (in the case of the Edinburgh Property and the Glasgow Property), 31 March 2032 (in the case of the Belfast Property) and 5 April 2032 (in respect of the Brentwood Property and Sevenoaks Property). The Leases are generally granted on a full repairing basis with the tenant insuring.

As at the date of this Offering Circular, the ratio of the proceeds of the Bonds to the value of the Portfolio (according to the Valuation Report) is 103.42 per cent.

## Property Management

The Mortgaged Properties are managed by the Property Manager under the terms of the Property Management Agreement. See further “Summary of the Principal Documents relating to the Bonds — The Property Management Agreement”.

## Transaction Overview

On the Closing Date, the gross proceeds of the issue of the Bonds less any applicable premium in connection with the issue of the Bonds will be applied by the Issuer towards making an advance to the Borrower of £286,207,000 in two tranches (each tranche corresponding to the similarly titled class of the Bonds (the “**Corresponding Class**”) pursuant to the terms of the Issuer-Borrower Loan Agreement. The amount payable by the Issuer will be netted against a fee, payable to the Issuer by the Borrower, which will be equal to the Issuer’s expenses incurred on the Closing Date in connection with the issue of the Bonds less any applicable premium in connection with the issue of the Bonds. The Borrower, in turn, will on-lend the proceeds of such advance (along with the proceeds received from the Subordinated Lender under the Subordinated Funding Agreement) to the Property Companies pursuant to the terms of the Borrower-PropCo Loan Agreement for the purpose of establishing certain reserves and purchasing the Mortgaged Properties from the BVI Companies which currently own them. The BVI Companies will apply the majority of the purchase price in repaying existing indebtedness owed to HBOS and any surplus in meeting expenses incurred or to be incurred in the ordinary course of business. See further “Summary of the Principal Documents relating to the Bonds — The Issuer-Borrower Loan Agreement”.

The Property Companies will use the rental income received in respect of the Mortgaged Properties to make payments of principal and interest (including a small profit margin) to the Borrower under the Borrower-PropCo Loan Agreement. Such payments will provide the primary source of funds for the Borrower to make payments of interest and other amounts and repayments of principal (including a small profit margin) to the Issuer pursuant to the Issuer-Borrower Loan Agreement. As more particularly set out under “Resources Available to the Borrower and the Issuer”, the Issuer will fund its obligations under the Bonds from payments of principal and interest and other amounts by the Borrower under the Issuer-Borrower Loan Agreement, interest earned on the Issuer Transaction Account, advances drawn from the Liquidity Facility Provider under the Liquidity Facility Agreement and the earnings and proceeds from Eligible Investments.

Pursuant to the Obligor Deed of Charge, the obligations of the Borrower under the Issuer-Borrower Loan Agreement will be secured in favour of the Obligor Trustee (for the benefit of the Obligor Secured Parties, one of which is the Issuer) by the Obligor Security, comprising fixed and floating charges over the property, undertaking and assets of the Borrower, each Property Company and the Parent (see further “Summary of the Principal Documents relating to the Bonds — The Obligor Deed of Charge”). On the Closing Date, the Property Companies, between them, will own all the relevant property interests in the Mortgaged Properties (except that ownership of the legal title is subject to completion of necessary registrations). On the Closing Date, the Parent and the Borrower will, under the Obligor Deed of Charge, each charge its shares in (in the case of the Parent) the Borrower and (in the case of the Borrower) the Property Companies in favour of the Obligor Trustee on trust for the Obligor Secured Parties by way of first equitable mortgage.

The Issuer will assign, by way of first fixed security, *inter alia*, all of its right, title, interest and benefit in and to the Obligor Deed of Charge and the Issuer-Borrower Loan Agreement, as part of the Issuer Security, in favour of the Issuer Trustee for the benefit of the Issuer Secured Parties, including the Bondholders, pursuant to the Issuer Deed of Charge (see further “Summary of the Principal Documents relating to the Bonds — The Issuer Deed of Charge”).

## The Bonds

Each class of Bonds will be constituted by the Trust Deed and each class of Bonds will be secured by the same security. The Class A Bonds will rank *pari passu* amongst themselves and senior to the Class B Bonds in point of security and as to payment of both interest and principal. The Class B Bonds will rank *pari passu* amongst themselves.

The Trust Deed will contain provisions requiring the Bond Trustee to have regard to the interests of the holders of the Class A Bonds (the “**Class A Bondholders**”) and the holders of the Class B Bonds (the “**Class B Bondholders**”) and, together with the Class A Bondholders, the “**Bondholders**”) as a single class, but where there is, in the Bond Trustee’s opinion, a conflict between such interests, the Trust Deed will require the Bond Trustee to have regard only to the interests of the Class A Bonds. The Trust Deed will contain provisions limiting the powers of the Class B Bondholders, inter alia, to pass any Extraordinary Resolution (as defined in the Trust Deed) or to request or direct the Bond Trustee to take any action which may affect the interests of the Class A Bondholders.

*The Bonds will be obligations of the Issuer only. The Bonds will not be obligations or responsibilities of, or guaranteed by, any person or entity other than the Issuer. In particular, the Bonds will not be obligations or responsibilities of, or guaranteed by, the Bond Trustee, the Obligor Trustee, the Issuer Trustee, the Joint Lead Managers, the Cash Manager, the Property Manager, the Liquidity Facility Provider, the Account Bank, the Paying Agents, the Calculation Agent or by any member of the Group. The proceeds of the issue of the Bonds will be on-lent to the Borrower and secured over the assets and undertaking of the Borrower, the Property Companies and the Parent.*

Each class of Bonds (each individual Bond of which (should definitive Bonds be issued) will be in the denomination of £1,000) will initially be represented by a single Temporary Global Bond in bearer form without coupons or talons attached. Interests in each Temporary Global Bond will, upon certification as to non-U.S. beneficial ownership, be exchangeable, subject as provided under “Summary of Provisions relating to the Bonds while in Global Form”, for interests in the relevant Permanent Global Bond in bearer form without coupons or talons attached upon the Further Exchange Date. The Permanent Global Bonds will not be exchangeable for definitive Bonds save in certain limited circumstances (for which see further “Summary of Provisions relating to the Bonds while in Global Form”).

### ***Interest***

Interest on the Bonds will be payable by reference to successive interest periods (each an “**Interest Period**”). Interest will be payable quarterly in arrear in pounds sterling on 8 February, 8 May, 8 August and 8 November (each an “**Interest Payment Date**”) in each year (subject to adjustment as specified in Condition 4(b) for non-Business Days) commencing in February 2004.

Interest on the Class A Bonds will accrue on their Principal Amount Outstanding at an annual rate of 5.683 per cent. Interest on the Class B Bonds will accrue on their Principal Amount Outstanding at an annual rate of 6.175 per cent. See further “Terms and Conditions of the Bonds”.

The Class A Bondholders will be entitled to receive payment of interest and principal (if any) on their respective Bonds on any Interest Payment Date in priority to payments of interest and principal (if any) due to the Class B Bondholders.

The Class B Bondholders will be entitled to receive payment of interest and principal (if any) on their respective Bonds on any Interest Payment Date only to the extent that the Issuer has funds available for the purpose after making payment on such Interest Payment Date of any liabilities ranking in priority to the Class B Bonds (including interest and principal (if any) payable on such Interest Payment Date in respect of the Class A Bonds). Any interest on any Class B Bond then outstanding not paid on an Interest Payment Date will itself accrue interest and will be paid to the relevant Class B Bondholder on subsequent Interest Payment Dates to the extent the Issuer has funds available for such purpose after making prior ranking payments on such Interest Payment Dates as aforesaid. See further “Terms and Conditions of the Bonds”.

### ***Withholding Tax***

All payments of principal, premium (if any) and interest in respect of the Bonds will be made subject to any applicable withholding taxes and none of the Bond Trustee, the Issuer or the Paying Agents will be obliged to pay any additional or further amounts as a consequence thereof. See “United Kingdom Taxation” for a description of certain aspects of the taxation of the Bonds.

### ***Final Redemption***

Unless previously redeemed in full or purchased and cancelled, the Class A Bonds and the Class B Bonds will mature at their then Principal Amount Outstanding, together with accrued interest thereon, on the Interest Payment Dates falling in August 2029 and May 2032 respectively.

### ***Mandatory Redemption***

- (a) Prior to the service of (i) an Issuer-Borrower Loan Enforcement Notice and (ii) a Bond Enforcement Notice (as defined in Condition 8(c)), the Bonds will be subject to mandatory *pro rata* redemption in part in quarterly instalments commencing on 8 August 2008 in an aggregate amount equal to the Bond Amortisation Amount (as defined in Condition 5(b)(i)) for that Interest Payment Date set out against the relevant class of Bonds, as provided in Condition 5(b)(i).
- (b) Following the service of an Issuer-Borrower Loan Enforcement Notice but prior to the service of a Bond Enforcement Notice, monies received by the Issuer from the Borrower shall be applied by the Issuer in accordance with the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments, as provided by Condition 5(b)(ii).
- (c) If (as is required in certain circumstances) a Property Company mandatorily prepays any part of the Borrower-PropCo Loan by reason of a receipt by it of an insurance payment in respect of a total loss of a Mortgaged Property, the Borrower will be required to apply the proceeds of such prepayment in repaying an equal amount of the Issuer-Borrower Loan and the Issuer will apply the proceeds of such prepayment in redemption of the Bonds in accordance with Condition 5(b)(iii).
- (d) If (as is required in certain circumstances) the Borrower mandatorily prepays any part of the Issuer-Borrower Loan following the release of a Mortgaged Property from the security created by the Obligor Deed of Charge, the Issuer will apply the proceeds of such prepayment in redemption of the Bonds in accordance with Condition 5(b)(iv).
- (e) If the Borrower exercises its option to prepay all or part of the Issuer-Borrower Loan and the Issuer receives the proceeds of such optional prepayment on an Interest Payment Date, the Issuer will apply the proceeds of such prepayment in redemption of the Bonds in accordance with Condition 5(b)(v).
- (f) If the Borrower prepays the Issuer-Borrower Loan in full pursuant to Clause 10 of the Issuer-Borrower Loan Agreement, the Issuer will apply the proceeds of such prepayment in redemption of the Bonds in accordance with Condition 5(b)(vi).
- (g) Following the service of a Bond Enforcement Notice, the Bonds will be subject to mandatory redemption pursuant to Condition 8(c).

### ***Optional Redemption***

- (a) The Issuer may, at its option and in accordance with Condition 5(e), redeem all of the Bonds on any Interest Payment Date in the event of certain tax changes affecting the Bonds (including in the event that the Issuer is obliged to make any withholding or deduction from payments in respect of the Bonds (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction)), or if the Borrower is obliged to make any withholding or deduction from payments in respect of the Issuer-Borrower Loan Agreement (although the Borrower is obliged to pay additional amounts in respect of such withholding or deduction) or if a Property Company is obliged to make any withholding or deduction from payments in respect of the Borrower-PropCo Loan Agreement (although such Property Company is obliged to pay additional amounts in respect of such withholding or deduction), as to which see further Condition 5(e). No single class of Bonds may be redeemed in these circumstances unless all of the other classes of Bonds (or such of them as are then outstanding) are also redeemed in full at the same time.
- (b) The Issuer may, at its option and in accordance with Condition 5(c), redeem on any Interest Payment Date some (but not less than an aggregate Principal Amount Outstanding of £1,000,000 and thereafter

in multiples of £100,000) or all of the Principal Amount Outstanding of the Bonds provided that the Issuer has certified to the Bond Trustee that it will have the necessary funds to pay all amounts which will fall due to be paid on that Interest Payment Date under the terms of the Issuer Deed of Charge or, as applicable, the Cash Management Agreement (including any amounts the payment of which has been deferred in accordance with Condition 16).

The amount (together with accrued interest) to be paid on any optional redemption of the Bonds will be as set out in Condition 5(c) or Condition 5(e), as applicable.

Upon any redemption of part only of the Bonds under Condition 5 (other than the payment of a Bond Amortisation Amount pursuant to Condition 5(b)(i)) the Cash Manager shall, in accordance with Condition 5(c), re-calculate the Bond Amortisation Amounts for each future Interest Payment Date in respect of the Bonds (and each such calculation shall be verified by the Calculation Agent) and cause notice thereof to be given to, *inter alios*, the Bondholders. See further “Terms and Conditions of the Bonds”.

### ***Purchase***

The Issuer may purchase all or any part of the Bonds on any day subject to compliance by it with all applicable regulations of the UK Listing Authority and the Terms and Conditions of the Bonds. Any Bonds so purchased will be cancelled and may not be reissued.

### ***Further, Additional and Replacement Bonds***

Pursuant to the Trust Deed and the Issuer Deed of Charge, the Issuer will be entitled (but not obliged) at its option from time to time on any date, without the consent of the Bondholders or the Couponholders, to issue further bonds (“**Further Bonds**”) and additional bonds (“**Additional Bonds**”) subject to, *inter alia*, receipt by the Issuer and the Bond Trustee of written confirmation from the Rating Agencies that the issue of the Further Bonds or Additional Bonds (as the case may be) will not result in a downgrade of the then current ratings of any class of Bonds by the Rating Agencies.

In addition, the Issuer will be entitled (but not obliged) at its option, from time to time on any date, without the consent of the Bondholders, the Couponholders or the Rating Agencies, to issue replacement bonds (“**Replacement Bonds**”) upon the optional redemption in whole of a class or classes of Bonds on the same terms, *mutatis mutandis*, as the class or classes being redeemed other than the interest rate (which must be no higher) and its first interest period in a like principal amount to the Bonds being so redeemed.

For further details, see Condition 14.

### ***Security for the Bonds***

The Bonds will be secured pursuant to the Issuer Deed of Charge by the Issuer Security, which will include, *inter alia*, an assignment of the Issuer’s rights against the Borrower, each of the Property Companies and the Parent under the Issuer-Borrower Loan Agreement and an assignment and assignation of (or fixed security over) the Issuer’s interest in the Obligor Security (and thereby the interests of the Property Companies in the Mortgaged Properties). Certain other obligations of the Issuer, including the amounts owing to the Bond Trustee and the Issuer Trustee and any receiver appointed by the Issuer Trustee, to the Liquidity Facility Provider under the Liquidity Facility Agreement, to the Paying Agents and the Calculation Agent under the Agency Agreement and to the Cash Manager under the Cash Management Agreement will also be secured by the Issuer Security. See “Summary of the Principal Documents relating to the Bonds — The Issuer Deed of Charge”.

The order of priority of payments for the Bonds upon enforcement of the Issuer Security under the Issuer Deed of Charge and acceleration of the Bonds is more particularly described in Condition 2(C).

### **The Issuer-Borrower Loan**

On the Closing Date, the Issuer will, under the terms of the Issuer-Borrower Loan Agreement, advance to the Borrower an amount equal to the gross proceeds of the issue of the Bonds. The amount payable by the Issuer will be netted against a fee payable by the Borrower to the Issuer equal to the Issuer's expenses in connection with the issue of the Bonds. The Borrower will commence payment of interest in respect of the Issuer-Borrower Loan on 8 February 2004 and will commence repayment of principal in respect of the Issuer-Borrower Loan on 8 August 2008.

The Borrower may (to the extent it has funds available for such purpose) prepay monies advanced and outstanding under any tranche of the Issuer-Borrower Loan, in whole or in part, on any Loan Interest Payment Date which payment will require the Issuer to effect a mandatory redemption of the Corresponding Class of Bonds.

The final repayment date under the Issuer-Borrower Loan Agreement is 8 May 2032.

All payments of principal and interest and other amounts in respect of the Issuer-Borrower Loan will be made free and clear of and without withholding or deduction for tax (if any) applicable to the Issuer-Borrower Loan in the United Kingdom unless such withholding or deduction is required by law. In that event, the Borrower will pay such additional amounts as will result in the receipt by the Issuer of such amounts as would have been received by it if no such withholding or deduction had been required.

The obligations of each of the Obligor under the Issuer-Borrower Loan will be guaranteed by each other Obligor (other than the Parent), and secured over the assets, property and undertaking of the Borrower, the Property Companies and the Parent. See "Summary of the Principal Documents relating to the Bonds – The Issuer-Borrower Loan Agreement" and "Summary of the Principal Documents relating to the Bonds – The Obligor Deed of Charge".

Until the occurrence of a Relevant Event, the service of an Issuer-Borrower Loan Enforcement Notice or 8 May 2032, the obligations of the Borrower under the Issuer-Borrower Loan Agreement will be limited recourse. To the extent a Relevant Shortfall occurs on a Loan Interest Payment Date, neither the Obligor Trustee, the Issuer nor any other person will be entitled to declare a default and/or acceleration of the Issuer-Borrower Loan provided that non-payment occurs only to the extent of such Relevant Shortfall. Payment in respect of the amount of such Relevant Shortfall will be deferred until the next Loan Interest Payment Date (when it may be so deferred again). Any amount so deferred will accrue interest at the relevant rate. Any amounts so deferred (including interest thereon) will become due and payable on the earlier of (i) the occurrence of a Relevant Event, (ii) the service of an Issuer-Borrower Loan Enforcement Notice and (iii) 8 May 2032. See further "Summary of the Principal Documents relating to the Bonds — The Issuer-Borrower Loan Agreement — Deferrals").

### **The Borrower-PropCo Loan**

The Property Companies will enter into an intercompany loan agreement (the "**Borrower-PropCo Loan Agreement**") with the Borrower pursuant to which the Borrower will on-lend to the Property Companies £286,207,000 (the "**Borrower-PropCo Loan**"). The amount payable by the Borrower to the Property Companies will be netted against an amount equal to the fee and certain other amounts payable on the Closing Date from the Property Companies to the Borrower under the Borrower-PropCo Loan Agreement.

The aggregate principal amount of the Borrower-PropCo Loan will correspond to the principal amount of the Issuer-Borrower Loan (which will itself correspond to the aggregate of the principal amount of the Bonds) and the proceeds received by the Borrower under the Subordinated Funding Agreement. There will be an obligation under the Borrower-PropCo Loan for the Property Companies to pay, in a proportion fixed under the Borrower-PropCo Loan Agreement, amounts due to the Borrower which are equal to or exceed all amounts which the Issuer is due to pay on the Bonds and which the Borrower is due to pay under the Subordinated Funding Agreement plus a small profit margin. Amounts payable under the Borrower-PropCo Loan which correspond to the principal amount of the Issuer-Borrower Loan will be repayable in the same circumstances as amounts payable under the Issuer-Borrower Loan (see further “Summary of the Principal Documents relating to the Bonds — The Issuer-Borrower Loan Agreement”). Amounts payable under the Borrower-PropCo Loan which correspond to amounts payable under the Subordinated Funding Agreement will be repayable on 8 May 2032. For further details see “Summary of the Principal Documents relating to the Bonds — The Borrower-PropCo Loan Agreement”.

Limited recourse provisions similar to those applicable to the Borrower’s obligations under the Issuer-Borrower Loan Agreement will apply to the obligations of the Property Companies under the Borrower-PropCo Loan Agreement.

### **The Liquidity Facility**

On the Closing Date, the Issuer and the Issuer Trustee will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider, pursuant to which, under certain circumstances, the Issuer may make drawings thereunder. For further details, see “Resources Available to the Borrower and the Issuer — The Liquidity Facility Agreement”.

### **The Cash Management Agreement**

On the Closing Date, the Issuer, the Borrower, the Property Companies, the Obligor Trustee and the Issuer Trustee will enter into a cash management agreement (the “**Cash Management Agreement**”) with the Cash Manager pursuant to which the Cash Manager will be appointed to manage, *inter alia*, amounts standing from time to time to the credit of the PropCo Accounts, the Borrower Accounts and the Issuer Accounts. For further details, see “Summary of the Principal Documents relating to the Bonds — The Cash Management Agreement”.

### **The Bank Mandates**

On or before the Closing Date, the Issuer, the Borrower and PropCo 1 will establish the Issuer Accounts, the Borrower Accounts and the PropCo Accounts, respectively, on the basis of mandates issued to the Account Bank (the “**Mandates**”). The mandates are issued on the basis that the Account Bank acknowledges that it will not take any action to recover any debts from the Issuer, the Borrower or the Property Companies until the earlier of 8 May 2033 and the Obligor Trustee and the Issuer Trustee confirming that the Obligor Security and the Issuer Security, respectively, have been discharged in full.

### **The Property Management Agreement**

On the Closing Date, the Property Companies and the Obligor Trustee will enter into a property management agreement (the “**Property Management Agreement**”) with the Property Manager. For further details, see “Summary of the Principal Documents Relating to the Bonds — The Property Management Agreement”.

## **RISK FACTORS**

*The following is a summary of certain aspects of the Bonds about which prospective Bondholders should be aware. This summary is not intended to be exhaustive and prospective Bondholders should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision.*

### **Liability under the Bonds**

The Bonds will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Bonds will not be obligations or responsibilities of and will not be guaranteed by, the Obligor Trustee, the Bond Trustee, the Issuer Trustee, the Paying Agents, the Calculation Agent, the Joint Lead Managers, the Cash Manager, the Property Manager, the Liquidity Facility Provider, the Account Bank or by any member of the Group. Furthermore, no person other than the Issuer will accept any liability whatsoever to Bondholders in respect of any failure by the Issuer to pay any amount due under the Bonds.

### **The Issuer's ability to meet its Obligations under the Bonds**

#### **Limited Resources of the Issuer**

The ability of the Issuer to meet its obligations under the Bonds will be dependent on the receipt by it of funds from the Borrower under the Issuer-Borrower Loan Agreement (see, in particular, "The Borrower's ability to meet its obligations in respect of the Issuer-Borrower Loan" below), the receipt of interest from the Issuer Transaction Account and interest on, and the proceeds from, any Eligible Investments. In the event that timely payments under the Issuer-Borrower Loan are not made in full, the Issuer will also have available to it (subject to satisfaction of the conditions for drawing — see "Availability of Liquidity Facility" below) drawings under the Liquidity Facility (see "Resources Available to the Borrower and the Issuer — The Liquidity Facility") except that such drawings will only be available to meet payments of interest and principal due on the Class A Bonds and, in certain limited circumstances, interest on the Class B Bonds. Other than the foregoing, prior to the enforcement of the Obligor Security, the Issuer will not have any other funds available to it to meet its obligations under the Bonds or in respect of any payment ranking in priority to, or *pari passu* with, the Bonds.

If, on any Interest Payment Date, there are insufficient funds available, after payment of all other claims ranking in priority to the Class A Bonds, to pay in full all principal and interest in respect of the Class A Bonds due on such date, and, accordingly, default is made, for a period of 10 Business Days, in the payment of any such amount of principal or interest, an event of default will occur with regard to the Bonds. Following such an event of default the Bond Trustee may (or, if directed by the Class A Bondholders in accordance with the Conditions, shall) declare the Bonds to become due and repayable. Following such a declaration, the Issuer Security shall become immediately enforceable.

In the event that the Issuer Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under the Bonds of each class under the Issuer Deed of Charge, to pay in full all principal and interest and other amounts whatsoever due in respect of the Bonds, then the assets of the Issuer may be insufficient to meet claims in respect of any such unpaid amounts. Prior to the final maturity of the Bonds, enforcement of the Issuer Security is the only remedy available for the purpose of recovering amounts owed in respect of the Bonds.

#### **Subordination and Credit Enhancement**

After enforcement of the Issuer Security, save as provided in the Conditions, payments of principal and interest on the Class A Bonds will be made in priority to payments of principal and interest on the Class B Bonds.

If, on any Interest Payment Date, there are insufficient funds available, after payment of all other claims ranking in priority to the Class B Bonds, to pay in full all principal and interest in respect of the Class B



Bonds due on such date, the Issuer's liability to pay such interest and principal will be deferred until the next Interest Payment Date, when it may be deferred again and so on until final maturity of the relevant class of Bonds, and even then, the Issuer's assets may be insufficient to enable it to pay such amounts in full.

There will be no such deferral of any amounts due and payable to the Class A Bondholders.

*Class B Bondholders should, therefore, have regard to the risk factors identified herein in determining the likelihood or extent of any such shortfall.*

### **Conflicts of Interest**

In the exercise and performance of its duties, powers and discretions, the Trust Deed provides that the Bond Trustee shall have regard to the interests of the Bondholders as a class but requires the Bond Trustee, in the event of a conflict, in the Bond Trustee's opinion, between the interests of the Class A Bondholders and/or the Class B Bondholders to have regard only to the interests of the Class A Bondholders.

### **Availability of Liquidity Facility**

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Facility Provider will provide a committed facility for drawings to be made in the circumstances (subject to the restrictions set out under "Resources Available to the Borrower and the Issuer — The Liquidity Facility") where other funds have been exhausted. The facility available under the Liquidity Facility Agreement (being, on the Closing Date, £16,000,000) may only be used for meeting payments of amounts of interest and principal, due on the Class A Bonds and, in certain limited circumstances, interest on the Class B Bonds (all as more fully described in "Resources Available to the Borrower and the Issuer — The Liquidity Facility"). The Liquidity Facility will not be available after a Bond Enforcement Notice has been served.

### **Absence of Secondary Market — Limited Liquidity**

There can be no assurance that a secondary market in the Bonds will develop or, if it does, that it will provide Bondholders with liquidity of investment, or that it will continue for the life of the Bonds, although application has been made to the UK Listing Authority to admit the Bonds to the Official List. In addition, the market value of certain of the Bonds may fluctuate with changes in prevailing rates of interest. Consequently, any sale of the Bonds by Bondholders in any secondary market which may develop may be at a discount to the original purchase price of such Bonds.

### **Ratings of Bonds**

The ratings assigned to the Bonds by the Rating Agencies are based on the Mortgaged Properties, the identity of the Initial Tenant and other relevant structural features of the transaction, including, *inter alia*, the short-term unsecured, unguaranteed and unsubordinated debt rating of the Liquidity Facility Provider, and reflect only the views of the Rating Agencies. The ratings of the Class B Bonds, in particular, are dependent on the long-term, unsecured, unguaranteed and unsubordinated debt ratings of the Initial Tenant (and accordingly any downgrade in such debt ratings may result in a downgrade of the Class B Bonds).

The ratings address the likelihood of full and timely payment to the relevant Bondholders of all payments of interest and principal on the Bonds on each Interest Payment Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgment, circumstances so warrant. Rating agencies other than the Rating Agencies could seek to rate the Bonds and if such "**unsolicited ratings**" are lower than the comparable ratings assigned to the Bonds by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Bonds. For the avoidance of doubt and unless the context otherwise requires any references to "**ratings**" or "**rating**" in this Offering Circular are to ratings assigned by the Rating Agencies only. Future events, including events affecting the Liquidity Facility Provider or the Initial Tenant and/or circumstances relating to the Mortgaged Properties and/or the property market generally, could also have an adverse impact

on the ratings of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agencies.

## **The Borrower's ability to meet its Obligations in respect of the Issuer-Borrower Loan**

### **Limited Resources of the Borrower**

The Property Companies' ability to meet their obligations under the Borrower-PropCo Loan Agreement and, consequently, the Borrower's ability to meet its obligations under the Issuer-Borrower Loan Agreement will be dependent on the performance of the Mortgaged Properties and, in particular, the payment by the tenants of rents pursuant to their Leases and, following a Tenant Event, the ability of the Property Companies to find tenants for any premises that may, in future, become vacant over the life of the Bonds.

### **Borrower Default**

The Issuer-Borrower Loan will not be insured or guaranteed by the Issuer, the Obligor Trustee, the Bond Trustee, the Issuer Trustee, the Paying Agents, the Calculation Agent, the Joint Lead Managers, the Cash Manager, the Property Manager, any member of the Group (other than as described below), the Liquidity Facility Provider, the Account Bank or by any other person or entity save that it will be guaranteed by, and secured over the assets of, the Property Companies and the Borrower and save that the Parent will grant an equitable mortgage over its shares in the Borrower as third party security. Amounts received in respect of the Mortgaged Properties following a default on the Issuer-Borrower Loan, including proceeds of any sale or other disposal of the Mortgaged Properties, could be insufficient to pay in full outstanding amounts of principal, interest and other amounts due under the Issuer-Borrower Loan, in which case Bondholders may ultimately suffer a loss.

The value of the Mortgaged Properties may be adversely affected by risks generally incidental to interests in real or heritable property, including: changes in political and economic conditions; declines in property values; declines in rental rates; increases in interest rates; changes in rental terms and increases in operating expenses; fluctuation in the availability of property financing for properties such as the Mortgaged Properties; changes in governmental rules, regulations and fiscal policies; terrorism; acts of God; and other factors which are beyond the control of the Borrower, the Issuer, the Cash Manager, the Property Companies, any other member of the Group, the Obligor Trustee, the Bond Trustee, the Issuer Trustee, the Joint Lead Managers, the Liquidity Facility Provider, the Cash Manager, the Paying Agents, the Calculation Agent, or the Account Bank.

### **Enforcement of Remedies**

The Borrower's obligations to the Issuer under the Issuer-Borrower Loan Agreement are secured against the Obligor Charged Property. Enforcement under the Obligor Deed of Charge may not result in immediate realisation of the Obligor Charged Property, and a significant delay could be experienced in recovery by the Obligor Trustee of amounts owed on the Issuer-Borrower Loan and any other amounts due to the Obligor Secured Parties. There can be no assurance that the Obligor Trustee would recover all amounts secured upon enforcement of the Obligor Security, and accordingly sufficient funds may not be realised or available to make all required payments to the Bondholders.

### **Taxation of the Group**

Under current tax law and practice (which may change in the future (see "Change of Law")) the rental income of the Property Companies and the interest income of the Borrower and/or the Property Companies is taxable income, whilst the interest costs of the Borrower and the Property Companies associated with the issue of the Bonds, with the borrowing by the Borrower under the Issuer-Borrower Loan Agreement and with the borrowing by the Property Companies from the Borrower and the accruing interest in the Borrower and/or the Property Companies in respect of the Subordinated Loan should in general be deductible under current law and practice against their respective taxable income. Repayment of the principal amount borrowed by the Property Companies from, ultimately, the Bondholders cannot, however, be set against the

income received or amortised over the life of the Bonds thus leaving the Property Companies with a potential mismatch for tax purposes to the extent that the income exceeds the interest costs. The Property Companies believe that, on the basis of activities planned for them (including, *inter alia*, the borrowings under the Borrower-PropCo Loan Agreement) the Property Companies will have sufficient income on an after-tax basis to enable full and timely payment of interest and principal due under the Borrower-PropCo Loan Agreement.

United Kingdom tax law and practice imposes liability for certain overdue taxes of companies on other companies which are or have been members of the same group or are or have been under common control with the company having the overdue tax liability. Certain members of the Group have entered into the Tax Deed of Covenant under which they have given undertakings to the Obligor Trustee and the Issuer Trustee with the aim of minimising the likelihood of certain of such secondary liabilities affecting the Borrower or the Property Companies but the possibility of such liabilities arising cannot be entirely eliminated.

### **Receivership**

On the occurrence of an event of default under the Issuer-Borrower Loan Agreement, a number of different remedies are available to the Obligor Trustee. One such remedy is the appointment of a receiver over specific property or over all, or part, of the Mortgaged Properties (although note that in Scotland a receiver may only be appointed over all of the assets which are subject to a floating charge and not over a part of those assets).

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 the company. If, however, the Obligor Trustee unduly directed or interfered with or influenced the receiver's actions, a court may decide that the receiver was the Obligor Trustee's agent and that the Obligor Trustee should be responsible for the receiver's acts and liabilities.

Payments to the Obligor Trustee, the Issuer Trustee and the Bond Trustee (each of which is entitled to receive remuneration, reimbursement for its expenses and an indemnity for its potential liabilities) will rank ahead of the interest and principal due under the Bonds. Accordingly, should the Obligor Trustee, the Issuer Trustee or the Bond Trustee become liable for acts of the receiver, the amount of cash that would otherwise be available for payment to the Bondholders may be reduced.

### **Mortgagee in Possession Liability**

If the Obligor Trustee has taken enforcement action against the Property Companies, it may be deemed to be a mortgagee or heritable creditor in possession if there is physical entry into possession of any Mortgaged Property or an act of control or influence which may amount to possession (such as receiving rents directly from the relevant tenant or sub-tenant). A mortgagee or heritable creditor 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.

The Obligor Trustee is not obliged to take any action under the Transaction Documents, including becoming a mortgagee or heritable creditor in possession in respect of any Mortgaged Property, unless it is satisfied at that time that it is adequately indemnified. Protection or enforcement of the Obligor Security may be delayed as a result. Subject to being adequately indemnified, the Obligor Trustee must appoint an administrative receiver, but otherwise has absolute discretion as to whether and, if so, when and how to enforce the Obligor Security. Under the terms of the Obligor Deed of Charge and the Cash Management Agreement, the Obligor Trustee ranks first in point of priority payments, both prior to and following an Issuer-Borrower Loan Event of Default, in respect of payment of any amounts owed to it under its indemnity, including in respect of the liabilities described in the previous paragraph.

## **Insurance**

The Property Companies will covenant in the Issuer-Borrower Loan Agreement to ensure that the Tenants of the Mortgaged Properties maintain insurance cover in accordance with the terms of the Leases. See “The Mortgaged Properties — The Leases — Summary of the Terms of the Leases — Insurance” for further information. It should be noted that in relation to the Belfast Property terrorism is excluded from the insurance policies (but note also that under the Criminal Damage (Compensation) (Northern Ireland) Order 1977 (the “**Criminal Damage Order**”) there is a compensation scheme in relation to damage to property in Northern Ireland resulting from terrorist acts). Any breach of such covenant will, if not remedied within the applicable grace period, constitute an Issuer-Borrower Loan Event of Default. See further “Summary of the Principal Documents relating to the Bonds — The Issuer-Borrower Loan Agreement — Covenants”.

## **No Independent Investigation of Warranties**

None of the Issuer, the Bond Trustee or the Obligor Trustee have conducted any independent investigations of the accuracy of the various representations and warranties to be given by the Borrower and the Property Companies in the Issuer-Borrower Loan Agreement, the Obligor Deed of Charge and the Tax Deed of Covenant.

## **Risks relating to the Mortgaged Properties**

### **Dependence on BT as Initial Tenant**

The ability of the Issuer to make interest payments on, and repayments of principal of, the Bonds is dependent on the payments made by the Borrower under the Issuer-Borrower Loan Agreement. The ability of the Borrower to make interest payments on, and repayments of principal of, the Issuer-Borrower Loan is dependent on payments being made by the Property Companies in respect of the Borrower-PropCo Loan. The Property Companies will apply the Rental Income generated in respect of the Leases to make payments under the Borrower-PropCo Loan. Since the Initial Tenant is BT, the payments in respect of the Issuer-Borrower Loan and, ultimately, in respect of the Bonds will be dependent on the performance of BT, so long as it is the tenant in respect of one or more Mortgaged Properties. Although the transaction provides for certain protection mechanisms in the event of a Tenant Event (see “Summary of Principal Documents relating to the Bonds – Occurrence of a Tenant Event and appointment of a Property Adviser”), any deterioration in the financial condition of BT, so long as it is the tenant in respect of one or more Mortgaged Properties, could affect the Issuer’s ability to make payments in respect of the Bonds.

### **Assignment**

In all cases, the Leases of the Mortgaged Properties can be assigned to third parties subject to the landlord’s consent being given (such consent not to be unreasonably withheld). There are requirements in the Leases to protect the landlord’s position which seek to ensure that assignees or their guarantors enjoy equivalent or better credit ratings than BT at the time of any assignment.

After assignment of any of the Leases BT will generally cease to be liable for any future breaches of the terms of the relevant Lease except to the extent that it has entered into a guarantee of the assignee’s obligations. If that assignee then assigns the Lease again all benefits of the BT Covenant will be lost in relation to breaches of the terms of the relevant Lease after the second such assignment.

For further information on assignment see “The Mortgaged Properties — The Leases — Summary of the Leases — Alienation”.

### **Reports**

Apart from the Reports referred to in “Risk Factors – Reports on Title”, the environmental reports referred to in “Risk Factors – Environmental Risks”, the financial reports of Baker Tilly and the Valuation Report, no reports have been prepared specifically for the purpose of this Offering Circular or the transactions contemplated herein and none of the Issuer, the Joint Lead Managers, the Obligor Trustee, the Issuer Trustee

or the Bond Trustee has made any independent investigation of any of the matters stated therein except as disclosed in this Offering Circular.

### **Default of Payment Obligations under the Leases**

There is a risk that rental payments due under the Leases on or before the relevant Loan Interest Payment Date will not be paid on the due date therefor or not paid at all. In the event of a late payment of rent which is not received on or prior to the immediately following Loan Interest Payment Date, and if any resultant shortfall is not otherwise compensated for from other resources of the Property Companies, the Property Companies may fail to pay the amount due under the Borrower-PropCo Loan and, consequently, the Borrower may fail to pay the amount due on the next Loan Interest Payment Date within the grace period for payment under the Issuer-Borrower Loan Agreement. Such failure to pay may not of itself cause an Event of Default under the Bonds since the Issuer will have access to, *inter alia*, the Liquidity Facility to cover (to the extent funds are available) certain shortfalls under the Issuer-Borrower Loan Agreement (although it should be noted that the Liquidity Facility is only available to cover shortfalls in respect of payments of interest and principal, on the Class A Bonds and, in certain limited circumstances, interest on the Class B Bonds) (see “Resources Available to the Borrower and the Issuer – The Liquidity Facility”). No assurance can, however, be given that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that an Event of Default under the Bonds will not in fact occur as a result of the late payment of rent.

### **Default of Other Obligations under the Leases**

Under the Leases, substantially all of the economic liabilities arising in relation to the insurance, upkeep and operation of the demised premises are borne by the Tenant. There can be no assurance that the Tenant under each of the respective Leases will comply with its obligations thereunder and the relevant Property Company may suffer a loss as a result.

### **Set-Off**

In each Lease the relevant Property Company covenants or undertakes with the relevant tenant, *inter alia*, to allow such Tenant quiet enjoyment of the premises demised, to perform certain specified obligations and to provide certain specified services in relation to the relevant Mortgaged Property. A breach by the relevant Property Company of any of these covenants or undertakings could give rise to a dispute with the Tenant, and the Tenant might seek to withhold rental payments notwithstanding the contractual prohibition contained in the Leases against the Tenant exercising any such set-off. Accordingly there is a risk that the full Rental Income may not be received. It is expected that any receiver of the Mortgaged Properties will (subject to adequate resources) perform these obligations and the Borrower and the Property Companies will covenant to procure that they are otherwise performed.

### **Dependence on Re-Letting following a Tenant Event**

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

Prior to any permitted assignment or to the occurrence of a Tenant Event the performance of the Mortgaged Properties and the Property Companies is dependent on rents received from BT as Initial Tenant. Following the occurrence of a Tenant Event, it may be necessary to lease the Mortgaged Properties to new tenants in order for the Property Companies to meet their obligations under the Borrower-PropCo Loan. As substantially all of the income from the Mortgaged Properties is derived from rents, the Property Companies' ability to make payments on the Borrower-PropCo Loan could therefore be adversely affected if the terms on which vacant space could be re-let were less favourable than those currently or then existing.

Following the occurrence of a Tenant Event, the ability of the Property Manager to attract new tenants paying rent levels sufficient to allow the Property Companies to make payments due under the Borrower-PropCo Loan will be dependent on demand for the Mortgaged Properties, which can be influenced by a number of factors, including relative prices of competing properties, availability of suitable space and demand for space.

There can be no assurance that any vacant Mortgaged Properties will be relet or that new Leases will be on terms as favourable to the relevant Property Companies as those in the Leases or that the tenants under any new lease will be as creditworthy as any tenants under existing Leases.

### **Reports on Title**

The Mortgaged Properties, comprising freehold and leasehold property, will form part of the Obligor Security pursuant to the Obligor Deed of Charge. Reports on Title (the "**Reports**") in respect of the Mortgaged Properties will be given on the Closing Date by Linklaters (in relation to the Sevenoaks Property and the Brentwood Property), Fyfe Ireland (in relation to the Edinburgh Property and the Glasgow Property) and Elliott Duffy Garrett (in relation to the Belfast Property).

### **Valuation**

The valuation of the Mortgaged Properties as of 1 November 2003, as set out in the valuation report dated 18 November 2003 prepared by Cushman & Wakefield Healey & Baker (the "**Valuation Report**"), on the basis of Market Value, valued the Portfolio at £276,750,000 (the "**Original Portfolio Value**") (see "Valuation Report"). However, there can be no assurance that the Market Value of the Mortgaged Properties will continue to be valued at a level equal to or in excess of such valuation. To the extent that the Market Value of the Mortgaged Properties fluctuates, there is no assurance that the Market Value of the Mortgaged Properties will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Issuer-Borrower Loan Agreement. If any Mortgaged Property is sold following a recommendation of the Property Adviser or an Issuer-Borrower Loan Event of Default, there is no assurance that the net proceeds of such sale will be sufficient to pay in full all or any amounts due under the Issuer-Borrower Loan Agreement.

### **Environmental risks**

Under environmental legislation, regulatory authorities can require a person who has caused or knowingly permitted hazardous or toxic substances to be present on or in land, or the current owner or occupier of property affected by such substances to investigate and/or clean-up contamination at or emanating from such property. These persons may sometimes also be obliged to pay for property damage and for investigation and clean-up costs incurred by others in connection with such substances. Such laws typically impose primary responsibility and liability for clean-up on persons who knew of or caused the presence of the substances. Usually it is only where such persons cannot be found, that a current owner or occupier will be required to pay for clean-up even though it has not caused, or knowingly permitted the contamination. Even if more than one person may have been responsible for the contamination, a person coming within the ambit of the relevant environmental laws may be held responsible for all of the clean-up costs incurred if other responsible persons cannot be found.

If an environmental liability arises in relation to one of the Mortgaged Properties and it is not remedied, or is not capable of being remedied, this may result in the market value of that Mortgaged Property being reduced or in the property becoming unmarketable. Although unlikely in respect of the Mortgaged Properties

given the reviews, investigations, method statements, valuations and assessments prepared by ENVIRON UK Limited and WSP Environmental Limited between 1997 and 2003 (and upon which the Property Companies can rely), it is possible that a material environmental liability could result in the affected property having a negative value. In addition, though equally unlikely, third parties may bring legal proceedings against a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site under the common law of torts. Such damages and costs may be substantial. The presence of substances on a property could also result in personal injury or similar claims by private plaintiffs or pursuers.

If any environmental liability were to exist or arise in respect of any Mortgaged Property, the Obligor Trustee should not incur any such liability prior to enforcement of the Obligor Deed of Charge, unless it could be established that the Obligor Trustee had entered into possession of the relevant Mortgaged Property(ies) or had both knowledge of the presence of the contaminating substance and the right to take action to address it in circumstances where no other person who knew of or had caused the presence of the substances could be found. After enforcement, the Obligor Trustee, if deemed to be a mortgagee or heritable creditor in possession, or a receiver appointed on behalf of the Obligor Trustee, could become responsible for environmental liabilities in respect of a Mortgaged Property. If the Obligor Trustee unduly directed or interfered with the actions of the directors of the legal owners of the Mortgaged Properties or directed or interfered with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Obligor Trustee. However, see "The Borrower's ability to meet its Obligations in respect of the Issuer-Borrower Loan -Mortgagee in Possession Liability" above.

The Borrower and each of the Property Companies will warrant in the Issuer-Borrower Loan Agreement in respect of each of the Mortgaged Properties as to environmental matters as summarised in "Summary of Principal Documents relating to the Bonds — The Issuer-Borrower Loan Agreement — Representations and Warranties". It will be an Issuer-Borrower Loan Event of Default if there is a breach of any of the environmental representations and warranties contained in the Issuer-Borrower Loan Agreement which has a Material Adverse Effect.

### **Property Management**

The net cash flow realised from the Mortgaged Properties may be affected by management decisions. The Property Manager will be responsible for property management pursuant to the terms of the Property Management Agreement of the Mortgaged Properties (subject as otherwise set out in "Summary of the Principal Documents Relating to the Bonds — The Issuer-Borrower Loan Agreement — Occurrence of a Tenant Event and Appointment of a Property Adviser").

The Obligor Trustee will have the ability to replace the Property Manager in certain circumstances including following service of an Issuer-Borrower Loan Enforcement Notice. Each Property Company will covenant to procure that the Property Manager (including any replacement property manager appointed other than by the Obligor Trustee) manages the Mortgaged Properties to a standard consistent with that of a prudent and experienced manager of commercial properties and in accordance with the principles of good estate management. Following enforcement of the Obligor Security, the Obligor Trustee (or any receiver) will be entitled to enforce the rights of the Property Companies against the Property Manager.

While the Property Manager is experienced in managing commercial property, there can be no assurance that it will continue to act in that capacity. The appointment of any successor property manager in respect of any of the Mortgaged Properties by a Property Company is subject to satisfaction of the Rating Condition. There is no assurance that an appropriate successor property manager could be engaged, or engaged on appropriate terms. The Obligor Trustee has no obligation to act as property manager.

### **Appointment of the Property Adviser**

Although the Issuer-Borrower Loan Agreement provides that in certain circumstances a Property Adviser shall be appointed, no assurance can be given that in such circumstances an individual or entity willing to act as such on terms acceptable to the Obligor Trustee, or willing to act at all, could be found.

## **Delegation**

Except to the limited extent described herein, none of the Obligor Trustee, the Issuer Trustee, the Bond Trustee nor any Bondholder has any right to participate in the management or affairs of the Issuer, the Borrower or any Property Company. In particular, such parties cannot supervise the functions relating to the management or operation of the Mortgaged Properties and the leasing and re-leasing of the space within the Mortgaged Properties or otherwise. The Issuer, the Borrower and the Property Companies each have no executive management resources of their own and, as such, the Issuer, the Borrower and the Property Companies will each rely upon, *inter alia*, the Cash Manager, the Property Manager and other service providers for all asset servicing, executive and administrative functions. Failure by any such party to perform its obligations could have a material adverse effect upon the Issuer's ability to repay the Bonds. There can be no assurance that, were any such party to resign or its appointment be terminated, a suitable replacement service provider could be found or found in a timely manner, and engaged on terms acceptable to the Issuer Trustee or the Obligor Trustee, as applicable. In either case this might cause a downgrading in the then current ratings of the Bonds by the Rating Agencies. Neither of the Issuer Trustee and the Obligor Trustee has any obligation to perform any of these services in such circumstances.

## **Compulsory Purchase**

Any property in the United Kingdom may at any time be compulsorily acquired by, *inter alia*, a local authority or a Government Department (for example the Department of Transport), generally in connection with proposed redevelopment or infrastructure projects. No such compulsory purchase proposals have been revealed in respect of the investigation of title carried out in respect of the Mortgaged Properties for the Reports which includes replies to local authority search enquiries made by the solicitors referred to in "Reports on Title" above.

In the event of a compulsory purchase order being made in respect of a Mortgaged Property, compensation would be payable on the basis of the market value of all owners' and tenants' proprietary interests in the Mortgaged Property at the time of the related purchase. In the case of an acquisition of the whole of the Mortgaged Property, the relevant freehold, heritable or leasehold estate and any Leases would both be acquired and the Tenants would cease to be obliged to make any further rental payments to the relevant Property Company under the relevant Leases. The amount received from the proceeds of the compulsory sale of the relevant freehold, heritable or leasehold estate may be less than the Original Value of the relevant Mortgaged Property.

There is often a delay between the compulsory purchase of a property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on value. Should such a delay occur in the case of any Mortgaged Property, then, unless the Borrower has other funds available to it, the Borrower may fail to make timely payment under the Issuer-Borrower Loan Agreement. Following the payment of compensation, the Borrower will be required to prepay all or such part of the Issuer-Borrower Loan as is equivalent to the compensation payment received, such prepayment being used by the Issuer to redeem the Bonds (or part thereof) at their Principal Amount Outstanding together with accrued interest in accordance with Condition 5(b)(iv).

In the case of an acquisition of part of a Mortgaged Property where the relevant tenant's obligation to pay rent under its Lease remains unchanged, the payment of compensation to the Borrower will be used in prepaying the Issuer-Borrower Loan.

## **Frustration**

An occupational lease in respect of a Mortgaged Property could, in exceptional circumstances, be frustrated under English law, Northern Irish law or, as the case may be, Scots law. Frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue. If a Lease were so frustrated and the relevant Property Company were not able to re-let the premises concerned, the relevant Property Company may suffer a loss.



## Other Risks

### Change of Law

The structure of the issue of the Bonds and the ratings which have been or are expected to be assigned to them are based on English law or, where relevant, Scots or Northern Irish law, in effect as at the date of this document. No assurance can be given as to the impact of any possible judicial decision or change to English (or other relevant) law or administrative practice after the date of this document.

### Insolvency Act 2000

The Insolvency Act 2000 received Royal Assent on 30 November 2000. The Act amends Part I of the Insolvency Act 1986 so that the directors of a company which meets certain eligibility criteria (an “**eligible company**”) can take steps to obtain a moratorium the effect of which, *inter alia*, would prevent any creditor enforcing security or taking proceedings to recover its debt for the period in which the moratorium is in force (the “**relevant provisions**”).

The relevant provisions came into force on 1 January 2003. However, prior to bringing the provisions into force, the Secretary of State amended the eligibility criteria by way of statutory instrument in such a way that special purpose vehicles such as the Issuer could no longer be considered to be eligible companies. It is possible that the Secretary of State could in the future extend the eligibility criteria. With limited exceptions (in relation to disqualification of directors) this Act does not extend to Northern Ireland.

### Enterprise Act 2002

On 7 November 2002 the Enterprise Act (the “**Enterprise Act**”) received Royal Assent. The Enterprise Act contains various provisions which amend corporate insolvency law in the UK. These provisions were brought into force on 15 September 2003 (the “**appointed date**”).

The Enterprise Act amends Section 72 of the Insolvency Act 1986 (the “**Insolvency Act**”) as follows. Under Section 72A of the Insolvency Act a secured lender will not have the power to appoint an administrative receiver unless it has a qualifying floating charge which is taken prior to the appointed date or falls within an exception set out in Sections 72B to 72G of the Insolvency Act (the “**exceptions**”). In particular, Section 72B sets out an exception in relation to capital market transactions (the “**capital market exception**”).

The Issuer Deed of Charge and the Obligor Deed of Charge fall within the capital market exception on the following basis.

First, the Issuer Deed of Charge and the Obligor Deed of Charge include qualifying floating charges and are each part of a “capital market arrangement”.

Secondly, the Notes will constitute “capital market investments”.

Thirdly, debt of more than £50 million will be incurred under the Notes.

The Enterprise Act also removes the Crown's preferential rights in all insolvencies and makes provision to ensure that unsecured creditors take the benefit of this change. Under this latter provision the unsecured creditors will have recourse to the floating charge assets up to a fixed amount (the “**prescribed part**”) in priority to the holder of the floating charge concerned if the floating charge assets are worth at least £10,000. The prescribed part will be 50% of the first £10,000 of floating charge assets; then 20% of the remaining floating charge assets until the prescribed part reaches a maximum of £600,000. The prescribed part will apply to all floating charges created on or after the appointed date regardless as to whether they fall within one of the exceptions or not. However, if a company is subject to substantial restrictions on its activities it will only have a limited ability to incur unsecured liabilities in any event.

## **Withholding Tax under the Bonds**

In the event withholding taxes are imposed by law in respect of payments to Bondholders of amounts due pursuant to the Bonds, the Issuer is not obliged to gross-up or otherwise compensate Bondholders for the reduction in the amounts the Bondholders will receive as a result of the imposition of withholding taxes.

## **European Monetary Union**

It is possible that prior to the maturity of the Bonds the United Kingdom may become a participating member state in the European Economic Monetary Union and therefore the euro may become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of the Bonds may become payable in euro and applicable provisions of law may allow the Issuer to redenominate respectively each class of Bonds in euro and take additional measures in respect of the Bonds. If the Bonds are outstanding at a time when the euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Bonds in accordance with the then prevailing market practice of payment on such debts. It cannot be said with certainty what effect the adoption of the euro by the United Kingdom (if it occurs) would have on investors in the Bonds.

*The Issuer and the Borrower believe that the risks described above are the principal risks inherent in the transactions described herein for Bondholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons and the Issuer and the Borrower do not represent that the above statements regarding the risks of holding the Bonds are exhaustive. Although the Issuer and the Borrower believe that the various structural elements described in this Offering Circular lessen some of these risks for Bondholders, there can be no assurance that these measures will be sufficient to ensure payment to Bondholders of interest, principal or any other amounts on or in connection with the Bonds on a timely basis or at all.*

## SUMMARY OF THE PRINCIPAL DOCUMENTS RELATING TO THE BONDS

*The following is intended only to be a summary of certain provisions of the documents relating to the Bonds.*

### **The Issuer-Borrower Loan Agreement**

#### **Initial Advance**

The Issuer-Borrower Loan Agreement will be entered into between, *inter alios*, the Issuer, the Borrower, the Property Companies, the Parent and the Obligor Trustee on the Closing Date. Under the terms of the Issuer-Borrower Loan Agreement, the Issuer will agree to advance to the Borrower, on the Closing Date, an amount equal to the gross proceeds of the issue of the Bonds, less any applicable premium in connection with the issue of the Bonds, in two tranches (each an “**Advance**”): the “**Class A Advance**” (in an aggregate principal amount of £77,500,000) and the “**Class B Advance**” (in an aggregate principal amount of £208,707,000), respectively. The amount payable by the Issuer will be netted against a fee, payable to the Issuer by the Borrower, which will be equal to the Issuer’s expenses incurred on the Closing Date in connection with the issue of the Bonds less any applicable premium in connection with the issue of the Bonds. Amounts received from the Issuer under the Issuer-Borrower Loan Agreement will be on-lent by the Borrower (along with the proceeds received by the Borrower under the Subordinated Funding Agreement) to the Property Companies for the purposes of establishing certain reserves in the PropCo Accounts (see “The Cash Management Agreement — The Cash Collateral Account” below) and purchasing the Mortgaged Properties from the BVI Companies which currently own them. Such amounts will be netted against (i) a fee payable by the Property Companies to the Borrower which will be equal to the fee payable by the Borrower to the Issuer under the Issuer-Borrower Loan Agreement and (ii) an amount to enable the Borrower to establish certain reserves in the Borrower Accounts — see “The Cash Management Agreement — The Rental Receipts Account” and “The Cash Management Agreement — The Interest Shortfall Reserve Account” below). The BVI Companies will apply the purchase price in repaying existing indebtedness.

The rights arising under the Issuer-Borrower Loan Agreement, together with the Issuer’s interest in the Obligor Security and the Liquidity Facility Agreement, will be the Issuer’s principal assets. Interest will be payable under the Issuer-Borrower Loan quarterly in arrear on 8 February, 8 May, 8 August and 8 November in each year (or, if any such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day) (each a “**Loan Interest Payment Date**”) in respect of the Loan Interest Period ending immediately prior thereto, with the first Loan Interest Payment Date falling in February 2004 (the period from and including the Closing Date to (but excluding) 8 February 2004 and each subsequent period from (and including) 8 February, 8 May, 8 August and 8 November in any year to (but excluding) the next 8 May, 8 August, 8 November and 8 February, respectively, being a “**Loan Interest Period**”). Amounts of principal owing under the Issuer-Borrower Loan Agreement will be repayable in instalments during the term of the Issuer-Borrower Loan on each Loan Interest Payment Date, commencing on 8 August 2008, with the final instalment falling due in May 2032.

#### **Increase in Facility/Additional Facility**

If the Issuer issues Further Bonds, the Borrower may request an increase in the commitment of the Issuer under the Issuer-Borrower Loan up to an amount equal to the principal amount of the Further Bonds.

In addition, the Borrower may at any time request from the Issuer a further term loan facility. The granting of such further facility will be subject to the satisfaction of certain conditions including conditions as to the rating of Additional Bonds issued by the Issuer to finance such further facility and as to there being no downgrade of the existing classes of Bonds as a result of such issue of Additional Bonds.

## Payment of Interest and Repayment of Principal

The Issuer-Borrower Loan Agreement will contain provisions for determining the amount of interest payable on each Loan Interest Payment Date in respect of each Advance (until any such Advance is repaid) (each a “**Scheduled Interest Amount**” and, in aggregate, the “**Scheduled Interest Payment**”) and a schedule setting out the amount of principal payable on each such date in respect of the relevant Advance (each a “**Scheduled Principal Amount**” and, in aggregate, the “**Scheduled Principal Payment**”). Interest on the Class A Advance will accrue at an annual rate of 5.693 per cent. per annum and interest on the Class B Advance will accrue at an annual rate of 6.185 per cent. per annum (both such amounts including an amount representing a small profit margin). The Issuer-Borrower Loan Agreement will contain provisions requiring the Borrower to pay to the Issuer, on each Loan Interest Payment Date, an amount (the “**Scheduled Fee Payment**”) to enable the Issuer to meet scheduled payments of fees, costs and expenses payable to, *inter alia*, the Issuer Trustee, the Bond Trustee, the Paying Agents, the Calculation Agent, the Issuer’s auditors, the Cash Manager, the Liquidity Facility Provider and the Account Bank. No later than four Business Days prior to each Loan Interest Payment Date (each such date, a “**Loan Determination Date**”) the Cash Manager will calculate the Scheduled Interest Payment, the Scheduled Principal Payment and the Scheduled Fee Payment due on the next following Loan Interest Payment Date and it will determine amounts standing to the credit of the PropCo Accounts and the Borrower Accounts on such Loan Determination Date.

The Scheduled Interest Payment, Scheduled Principal Payment and Scheduled Fee Payment payable on a particular Loan Interest Payment Date are herein together referred to as the “**Scheduled Payment**”. If any prepayment of any Advance of the Issuer-Borrower Loan is made in part (as to which see “**Prepayment of the Issuer-Borrower Loan**” below) the Cash Manager will re-calculate (and such calculations will be verified by the Calculation Agent) the Scheduled Principal Amount due in respect of such Advance on subsequent Loan Interest Payment Dates by reducing, *pro rata*, the relevant Scheduled Principal Amount and notifying the Issuer, the Borrower and the Obligor Trustee thereof forthwith. Reference in this document to a “**Scheduled Principal Payment**” or to a “**Scheduled Principal Amount**” shall include reference to such amounts recalculated as aforesaid.

Where any amount of the Scheduled Payment has not been received by the Issuer on or before a Loan Interest Payment Date, the Borrower will, on the following Loan Interest Payment Date, pay to the Issuer a fee in an amount which is equal to the amount of interest accrued on any drawing under the Liquidity Facility made as a result of such non-receipt (each such amount being an “**Additional Amount**”). The Borrower will also pay, by way of additional fee on each Loan Interest Payment Date, such amounts as are necessary to pay or provide for any liabilities of the Issuer not provided for in the calculation of the Scheduled Payment (the “**Additional Fee Payment**” and, together with the Scheduled Fee Payment, a “**Loan Fee Payment**”). If any such liability is not deductible in computing the Issuer’s profits for United Kingdom tax purposes, the additional fee that is attributable to that liability shall be grossed up by such an amount that, after deduction of the United Kingdom corporation tax that will be payable on that additional fee, the Issuer will be left with a net amount that is equal to that liability.

All payments of principal, fees and other amounts in respect of the Issuer-Borrower Loan will be made free and clear of, and without withholding or deduction for, tax (if any) applicable to and in respect of such Loan or the Bonds in the United Kingdom unless such withholding or deduction is required by law. In that event, the Borrower will be obliged to pay such additional amounts as will result in the receipt by the Issuer of such amounts as would have been received by it if no such withholding or deduction had been required.

## Deferrals

The Borrower’s obligation on any Loan Interest Payment Date to make a payment on the Issuer-Borrower Loan which would otherwise fall due for payment shall be qualified if, prior to the occurrence of a Relevant Event, service of an Issuer-Borrower Loan Enforcement Notice or 8 May 2032, the Available Funds in respect of such Loan Interest Payment Date are insufficient to meet Adjusted Debt Service on such Loan Interest Payment Date (the amount of such shortfall being the “**Relevant Shortfall**”). For the avoidance of doubt, the term “**Relevant Shortfall**” does not include any shortfall in the funds available to the Borrower on a Loan Interest Payment Date due to the payment by or on behalf of the Borrower, any Property Company

or the Issuer of any tax, including any withholding tax (other than any corporation tax payable by the Borrower or the Issuer in respect of its profits for an accounting period to the extent such profits do not exceed an amount equal to 0.01 per cent. of (in the case of the Borrower) the principal amount outstanding under the Borrower-PropCo Loan from time to time during that accounting period or (in the case of the Issuer) the principal amount outstanding under the Issuer-Borrower Loan from time to time during that accounting period). To the extent that a Relevant Shortfall occurs on a particular Loan Interest Payment Date, neither the Issuer, the Obligor Trustee, nor any other person will be entitled to declare a default under, and/or an acceleration of, the Issuer-Borrower Loan provided that non-payment occurs only to the extent of such Relevant Shortfall. Payment in respect of the amount of such Relevant Shortfall will be deferred until the next Loan Interest Payment Date (when it may be so deferred again). Any amount so deferred will accrue interest at the relevant rate (accrued interest being payable in arrear on Loan Interest Payment Dates). Any amounts so deferred will become due and payable on the earlier of (i) the occurrence of a Relevant Event, (ii) the service of an Issuer-Borrower Loan Enforcement Notice and (iii) 8 May 2032.

### **Prepayment of the Issuer-Borrower Loan**

The Borrower may prepay any Advance under the Issuer-Borrower Loan, in whole or in part, on any Loan Interest Payment Date in an amount sufficient to enable the Issuer to redeem the equivalent amount of the Corresponding Classes of Bonds and the proceeds thereof will be applied by the Issuer in mandatory redemption of the Corresponding Classes of Bonds in accordance with Condition 5(b)(v). The prepayment of any Advance in whole or in part will be subject to a premium equal to any premium payable by the Issuer on the redemption of a like amount of the Corresponding Classes of Bonds in accordance with Condition 5(b)(v). After any such prepayment, subsequent Scheduled Payments will be recalculated, as described under “Payment of Interest and Repayment of Principal” above.

### **Guarantee**

Each of the Property Companies will guarantee the payment obligations owed by the Borrower to the Issuer pursuant to the terms of the Issuer-Borrower Loan Agreement.

### **Application of Funds Available to the Issuer and the Borrower**

Notwithstanding the tranching of the payments to be made by the Borrower to the Issuer under the Issuer-Borrower Loan Agreement, all of such amounts (whether comprising any Scheduled Interest Payment, any Scheduled Fee Payment or any Scheduled Principal Payment) will, upon payment to the Issuer, be aggregated in the hands of the Issuer and will be utilised, without priority between any such amounts, in the manner more particularly set out under “Resources Available to the Borrower and the Issuer — Issuer Priorities of Payment”.

After the service of an Issuer-Borrower Loan Enforcement Notice but before the acceleration of the Issuer-Borrower Loan, amounts standing to the credit of the Rental Receipts Account as at a Loan Interest Payment Date will be applied on such Loan Interest Payment Date in accordance with the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments.

### **Conditions Precedent**

It will be a condition precedent to the Issuer advancing any amounts to the Borrower under the Issuer-Borrower Loan Agreement on the Closing Date that, *inter alia*:

- (i) the Bonds have been issued and the subscription proceeds have been received by or on behalf of the Issuer;
- (ii) delivery is made of the Reports and the Valuation Report;
- (iii) deeds of release and discharge are duly executed in respect of all the existing security and any other security affecting the Mortgaged Properties or any of them;

- (iv) delivery is made of solvency certificates from each of the Borrower, the Parent and the Property Companies;
- (v) each of the Transaction Documents is duly executed by the parties thereto; and
- (vi) all documentation required to vest the Mortgaged Properties in the Property Companies has been duly executed.

### **Representations and Warranties**

No independent investigation with respect to the matters represented and warranted in the Issuer-Borrower Loan Agreement will be made by the Issuer, the Obligor Trustee, the Issuer Trustee or the Bond Trustee. However, the following searches will be conducted on, or, in the case of land registry priority searches, before (to the extent possible in relation to the Land Registry of Northern Ireland), the Closing Date: (i) a search against the Issuer, the Borrower and each Property Company in the relevant file held by the Registrar of Companies in England and Wales; (ii) a search against the Issuer, the Borrower and each Property Company at the Central Registry of Winding-Up Petitions in the High Court; and (iii) a search against the Mortgaged Properties at H.M. Land Registry, the Land Register of Scotland or, as the case may be, the Land Registry of Northern Ireland. Apart from such searches, in relation to such matters, the Issuer, the Obligor Trustee, the Issuer Trustee and the Bond Trustee will rely entirely on the representations and warranties to be given by the Borrower and each Property Company to be contained in the Issuer-Borrower Loan Agreement. These will include representations and warranties as to the following and other matters, namely, in respect of the Borrower and each Property Company, as applicable:

1. That it is a limited liability company duly incorporated and validly existing under the laws of England and Wales.
2. That it has the power and all necessary material governmental and other consents, approvals, licences and authorisations to own its property and assets and carry on its business as it is being conducted and enter into and perform the Transaction Documents to which it is a party and it has complied with such consents, approvals, licences and authorisations in all material respects and none of the aforesaid has been revoked or otherwise terminated.
3.
  - (a) That it has the necessary corporate power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, the Transaction Documents to which it is a party and the transactions contemplated by those documents;
  - (b) no limit on its powers will be exceeded as a result of the borrowing, or granting of security, contemplated by the Transaction Documents; and
  - (c) the entry into and performance by it of the transactions contemplated by the Transaction Documents to which it is a party will not conflict with its constitutional documents.
4. Each Transaction Document to which it is a party constitutes a legal, valid and binding obligation of it (subject to the reservations set out in the legal opinions as to English, Scottish and Northern Irish law to be delivered in connection with the transactions contemplated herein).
5.
  - (a) No event of default or potential event of default is outstanding under any document which is binding on it or any of its assets or would result from the entry into, performance and delivery of the Transaction Documents or the creation of the security for the Borrower's and each Property Company's obligations under the Issuer-Borrower Loan Agreement; and
  - (b) no other event is outstanding which constitutes a default under any document which is binding on it or any of its assets to an extent or in a manner which has a Material Adverse Effect.

6. It did not have, at the date as of which the accounts of the Borrower and each Property Company were last prepared (to the extent such accounts have been prepared), any material liabilities (contingent or otherwise) which were not disclosed thereby (or by the notes thereto) or reserved against therein, nor were there at that date any material unrealised anticipated losses arising from commitments entered into by it which were not so reserved or disclosed against, which non-disclosure, failure to reserve or unrealised anticipated losses would have a Material Adverse Effect.
7. There has been no material adverse change since the date of preparation of the last accounts of the Borrower and each Property Company (to the extent such accounts have been prepared) in its financial condition or business which would have a Material Adverse Effect.
8. No litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened against it or any of the assets or properties of any of them, which could reasonably be expected to be determined adversely to it and, if adversely determined, to have a Material Adverse Effect. For the purposes of this warranty, a reference to litigation, arbitration or administrative proceedings being “pending” shall include, without limitation, circumstances where a writ, summons or other instrument necessary to commence such proceedings has to the knowledge of the Borrower or any Property Company been issued by the appropriate court, arbitrator or official body but has not been served on a member of the Group.
9.
  - (a) All written factual information supplied by it to the Issuer and the Obligor Trustee in connection with the Transaction Documents is true, accurate and, save where expressed or implied in the relevant Transaction Documents, complete in all material respects as at its date;
  - (b) the information referred to in paragraph 9(a) above did not omit as at its date any information concerning the Group or its assets which, if disclosed, might reasonably be expected adversely to affect the decision of a person considering whether or not to enter into the Issuer-Borrower Loan Agreement; and
  - (c) nothing has occurred since the date the information referred to in paragraph 9(a) above was provided which renders that information untrue or misleading in any material respect and which has not been disclosed prior to the date of the Issuer-Borrower Loan Agreement and if disclosed, might reasonably be expected adversely to affect the decision of a person considering whether or not to enter into the Issuer-Borrower Loan Agreement.
10.
  - (a) Subject to completion of the registration of the dispositions of the Mortgaged Properties from the BVI Companies to the relevant Property Company at H.M. Land Registry, the Land Register of Scotland or the Land Registry of Northern Ireland as the case may be, each Property Company:
    - (i) will become the legal and sole beneficial owner of its interest in each Mortgaged Property set against its name in the Obligor Deed of Charge over which it has purported to create a security interest in favour of the Obligor Trustee under or pursuant to the Obligor Deed of Charge; and
    - (ii) will have a good and marketable title to that interest or those interests, as the case may be,  
  
in each case free from security interests, tenancies, interests which override first registration or registered dispositions, undertakings, servitudes, burdens, wayleaves, adverse claims or ownership interests or licences and free from restrictions and onerous covenants (in each case, other than as permitted or contemplated by the Transaction Documents) in each case which affects or might affect materially and adversely the value of that Mortgaged Property save as disclosed in the Reports and all deeds and documents necessary to show good and marketable title to that Mortgaged Property have been duly and properly stamped or adjudicated not

chargeable to stamp duty and have been submitted to the appropriate land registers in England, Scotland or Northern Ireland and with direction that the relevant evidence of title be returned to the Obligor Trustee.

- (b) As far as the Borrower and each Property Company are aware, having made all reasonable enquiries,
  - (i) the information provided to the solicitors who prepared each Report for the purpose of that Report was true and accurate in all material respects at the date it was expressed to be given;
  - (ii) the information referred to in sub-paragraph (b)(i) above was not, at the date it was expressed to be given, misleading in any material respect by reason of any omission; and
  - (iii) since the date of any information referred to in sub-paragraph (b)(i) above, nothing has occurred which renders that information untrue or misleading in any material respect.
- (c) It is the absolute sole legal and/or, as the case may be, beneficial owner of all assets (other than the relevant Mortgaged Property) charged by it under or pursuant to the Obligor Deed of Charge including, without limitation, the rents payable in relation to its Mortgaged Property, all other receivables arising from or in connection with its Mortgaged Property and any bank account charged pursuant to the Obligor Deed of Charge.

11.

- (a) All information provided to the valuer of the Mortgaged Properties (the “**Valuer**”) by the Group for the purposes of any valuation of a Mortgaged Property by the Valuer (a “**Valuation**”) was accurate as corrected or updated prior to the date of such Valuation in all material respects and, as far as the Borrower and each Property Company are aware, having made all reasonable enquiries, no information was omitted by the Group which would make that information misleading in any material respect; and
- (b) there has been no material adverse change to the information provided pursuant to paragraph (a) above in respect of each of the Valuations between the date such information was provided and the date of the Issuer-Borrower Loan Agreement.

12. As far as the Borrower and each Property Company are aware, having made all reasonable enquiries,

- (a) it is and has, and each of the BVI Companies has, been in material compliance with all applicable Environmental Laws and there are no circumstances known to it that may prevent or interfere with such compliance in the future where in any such case non-compliance would be reasonably likely to have a Material Adverse Effect and there are no circumstances known to it that could reasonably be expected to give rise to any liability under Environmental Laws which liability would have a Material Adverse Effect;
- (b) it, and each of the BVI Companies, has been and it is in material compliance with the terms of any Environmental Licences necessary for the ownership and operation of its facilities and businesses as presently owned and operated where in any such case non-compliance with or the lack of any such Environmental Licences would be reasonably likely to have a Material Adverse Effect;
- (c) there is, to the best of its knowledge, having made due enquiry, no Environmental Claim pending or threatened against it, and there are no past or present acts, omissions, events or circumstances which are reasonably likely to form the basis of any Environmental Claim against it and which in any such case would be reasonably likely to have a Material Adverse Effect. For the purposes of this paragraph (c) a reference to an Environmental Claim being “pending” shall include circumstances where a writ, summons or other instrument necessary to commence an Environmental Claim has been issued by the appropriate court, arbitrator,



- official body, governmental or regulatory authority or third party but has not been served on the Borrower or, as applicable, the relevant Property Company; and
- (d) no dangerous substance has been used, disposed of, generated, stored, transported, dumped, deposited, buried or emitted at, on, from or under any Mortgaged Property which would have a Material Adverse Effect.
13. It is not insolvent nor unable to pay its debts (within the meaning of Section 123 of the Insolvency Act 1986 or Article 103 of the Insolvency (NI) Order 1989) and it has not taken any action nor, so far as it is aware, having made all reasonable enquiry, have any steps been taken or legal proceedings been started or threatened against it for winding-up, dissolution or reorganisation, the enforcement of any encumbrance over its assets or for the appointment of a receiver, administrative receiver or administrator, trustee or similar officer of it or of any or all of its assets or revenues.
14. Each of the Property Companies is a wholly-owned subsidiary of the Borrower which is itself a wholly-owned subsidiary of the Parent.
- 15.
- (a) There subsists no breach of any law (including, without limitation, any Environmental Law) or regulation which affects or might reasonably be expected to affect materially and adversely the aggregate value of the Mortgaged Properties or income or rent produced thereby;
- (b) there are no agreements, stipulations, reservations, conditions, interests, rights or other matters whatsoever which are not permitted or contemplated by the Transaction Documents and which materially and adversely affect the aggregate value of the Mortgaged Properties or income or rent produced thereby;
- (c) no facility necessary for the use of any Mortgaged Property for its current use is enjoyed on terms entitling any person to terminate or curtail its use which are not permitted or contemplated by the Transaction Documents; and
- (d) it has not received any notice of any adverse claim by any person in respect of the ownership of any Mortgaged Property or any interest in any Mortgaged Property, nor has any acknowledgement of an adverse claim been given to any person in respect of any Mortgaged Property which in either case might reasonably be expected to affect materially and adversely the aggregate value of the Mortgaged Properties.
16. It has complied with all taxation laws in the United Kingdom to the extent that no penalties have been incurred and are outstanding (save where the applicability of any such laws, any payment due under any such law or any penalties, are being disputed in good faith) relating to the non-compliance with such taxation laws (save to the extent that it is indemnified against the applicability of any such laws or any penalties).
17. It is solely resident in the United Kingdom for United Kingdom tax purposes.
18. It has no branch, business establishment or other fixed establishment outside the United Kingdom.
19. As at the Closing Date, none of the Property Companies or the Borrower: (i) has traded or carried on any business since its date of incorporation except as disclosed in this Offering Circular; or (ii) has incurred any indebtedness (other than any indebtedness that will be repaid or discharged on the Closing Date) for any borrowed monies whatsoever, other than as referred to herein or pursuant to or as envisaged in, the Transaction Documents.
20. So far as it is aware, there is no material breach of, or material non-compliance with, the terms of any Lease.
21. The Mortgaged Properties are not subject to any adverse occupation right or interest or right of pre-emption or to any wayleave save as disclosed in the Reports.

22. There are no breaches of planning permission in respect of the Mortgage Properties and no enforcement action is pending in relation thereto save as disclosed in the Reports.
23. So far as it is aware, none of the following has affected any Mortgaged Property:
  - (a) structural defects;
  - (b) flooding; or
  - (c) subsidence.
24. So far as it is aware, no materials have been used in the construction of the Mortgaged Properties which were generally accepted at the time as, or reasonably suspected of:
  - (a) being deleterious in themselves;
  - (b) becoming deleterious when used in a particular situation or in combination with other materials; or
  - (c) damaging any structure to which they were incorporated or affixed.
25. No Lease is terminable upon the termination of Prime Estates Property Management Limited's appointment as Property Manager.
26. All of the Mortgaged Properties are intended exclusively for the provision of office space and any purposes ancillary thereto.
27. Except as otherwise permitted by applicable law or regulation, no tenant under a Lease is entitled to exercise any right of set-off or counterclaim with regard to any amounts payable by the tenant to the landlord under such Lease.
28. As at the date of their issue, the Reports did not disclose any matter which would cause a reasonably prudent lender to decline to make an advance on the terms set out in the Issuer-Borrower Loan Agreement with regard to the Initial Advances.
29. Other than as set out in the Issuer-Borrower Loan Agreement, there is no outstanding obligation on the Issuer to advance amounts to the Borrower.

The representations and warranties in the Issuer-Borrower Loan Agreement will be given on the Closing Date, and, in certain cases only, will be repeated on each Loan Interest Payment Date and on the date of any substitution of an Old Property for a New Property, of an Old Property for Cash Collateral or of Cash Collateral for a New Property with reference to the circumstances subsisting on such date.

The insolvency representation referred to in paragraph 13 above will, in respect of the Property Companies only, be restricted to Sections 123(1)(b) and (e) and 123(2) of the Insolvency Act 1986 on repetition.

The Parent will give certain representations and warranties, including, *inter alia*, representations and warranties in substantially the same form as those referred to in paragraphs 1, 2, 3, 4, 5, 6, 7, 8, 10(c), 13, 14, 16 and 18 above.

Breach of representations or warranties will, subject to a cure period, constitute an Issuer-Borrower Loan Event of Default and the Issuer and the Obligor Trustee shall have no other rights in respect of such breach.

## **Covenants**

The Borrower and each Property Company will, as applicable, undertake, amongst other things:

1. To provide certain information to the Obligor Trustee, the Issuer, the Borrower, the Cash Manager, the Rating Agencies and the Principal Paying Agent (including a quarterly report in a specified form (the "**Quarterly Report**")), information given to shareholders in their capacity as such and to creditors

generally and information relating to threatened or actual litigation which would have a Material Adverse Affect if the same were to be adversely determined) and annual audited accounts.

2. To notify the Cash Manager, the Obligor Trustee and the Rating Agencies of (i) events of default and potential events of default under the Issuer-Borrower Loan Agreement and of the steps being taken to remedy the same; and (ii) the service of an Issuer-Borrower Loan Enforcement Notice.
3. To deliver compliance certificates (signed by two directors) on each Loan Interest Payment Date as to non-breach or compliance or otherwise as appropriate in respect of obligations of it under the Transaction Documents, a breach of which would have a Material Adverse Effect.
4. To use reasonable efforts to obtain and to maintain all required licences, registrations, consents and authorisations to enable it to perform its obligations under the Transaction Documents or for the validity or enforceability of the Obligor Security.
5. Not to create or suffer or permit to subsist any mortgage, charge, standard security, sub-charge, pledge, sub-standard security, assignation, lien, hypothecation or other security interest whatsoever over any of its assets, present or future (including uncalled capital) (other than Permitted Encumbrances or arising by operation of law).
6. Not to dispose of the legal title to or beneficial interest in or declare a trust over any Mortgaged Property or Cash Collateral or interests therein or otherwise take any steps to allow any legal or beneficial interest to subsist in any other person in any such case save in accordance with the Transaction Documents or upon satisfaction of the Rating Condition and receipt of the prior written consent of the Obligor Trustee (which consent will be given upon satisfaction of the Rating Condition), provided that a Property Company may:
  - (a) transfer legal title to the relevant Mortgaged Property to another Property Company, so long as such Mortgaged Property remains subject to the Obligor Security or such Property Company grants equivalent security and so long as an amount (in addition to any amounts otherwise due under the Transaction Documents) sufficient to cover any potential stamp duty liability arising from such transfer is deposited in the Cash Collateral Account and credited to a separate ledger (the “**Stamp Duty Reserve Ledger**”) and is only released from the Cash Collateral Account for the purpose of meeting such stamp duty liability or upon receipt of an adjudication of no stamp duty being payable in respect of such transfer; or
  - (b) transfer any part or parts of the Mortgaged Properties to third parties pursuant to any obligations or options requiring such transfers as are referred to in the Reports.
7.
  - (a) Not to agree to any material amendment to, or material waiver of any term of, any Lease unless:
    - (i) (A) a valuer or a surveyor who is a member of RICS certifies to the relevant Property Company, the Borrower and the Obligor Trustee either that not agreeing to such amendment or waiver would result in a reduction in the Market Value of the relevant Mortgaged Property or that agreeing to such amendment or waiver would lead to an increase in the Market Value of the relevant Mortgaged Property; and
    - (B) agreeing to such amendment or waiver would not result in any of the following:
      - (a) having regard to the valuation prepared for the purposes of (A) above, a reduction in the anticipated MP Net Rental Income in respect of the Mortgaged Property to which such Lease relates in any future calendar year before its expiry;

- (b) the bringing forward in time of any Lease break date in respect of such Lease or the final maturity date of such Lease; and
      - (c) a material increase in the landlord's repairing obligations under such Lease; or
    - (ii) the Rating Condition is satisfied and the prior written consent of the Obligor Trustee is obtained (which consent will be given upon satisfaction of the Rating Condition); and
  - (b) not to agree, except where a Tenant Event has occurred which has not been cured, to any surrender or renunciation of any Lease or to terminate any Lease before its scheduled expiry date unless the Rating Condition is satisfied and the prior written consent of the Obligor Trustee is obtained (which consent will be given upon satisfaction of the Rating Condition).
8. In the event that a tenant carries out any works of a development nature (a "**Development**") in respect of a Mortgaged Property or land adjacent to a Mortgaged Property (the "**Developed Property**") which the relevant Property Company wishes to purchase or the value of which it wishes to rentalise:
  - (a) to procure that:
    - (i) where the Development is on land adjacent to a Mortgaged Property, the Development shall be funded by a company which is not a Property Company; or
    - (ii) where the Development is on land already owned by a Property Company, the Development may be funded by the tenant or a company which is not a Property Company, or by a Property Company with Permitted Borrowings;
  - (b) on completion of the Development, if the Developed Property is (if not already owned and charged to the Obligor Trustee by it) purchased by a Property Company or a company which will become a Property Company, to procure that such Developed Property is charged by way of security to the Obligor Trustee and that a certificate of title satisfactory to the Obligor Trustee is delivered to it in respect of the relevant Developed Property;
  - (c) to procure that the funding for the purchase of the Developed Property is met by the Borrower or the relevant Property Company through Permitted Borrowings;
  - (d) to procure that the Property Company will, after such purchase, lease back the Developed Property to the tenant and/or enter into a variation of the existing lease, such that (in either case) the Leasing Parameters (as amended, supplemented, modified or removed from time to time) will be complied with; and
  - (e) in the event that undertaking such Development is likely to cause a reduction in the Rental Income generated from such Mortgaged Property, to procure that the Rating Condition is satisfied.
9. (i) Not to enter into any letting, licensing or similar arrangement (including an option) in respect of any Mortgaged Property other than:
  - (a) a lease in respect of a New Property which complies with the Leasing Parameters;
  - (b) upon the determination of a Lease due to the effluxion of time or through early termination by the tenant only, a renewal or replacement of such Lease with the same counterparty (whether or not pursuant to the provisions of the Landlord and Tenant Act 1954 or the Business Tenancies (Northern Ireland) Order 1996 (the "**Business Tenancies Order**")) which complies with the Leasing Parameters;
  - (c) a lease, the entry into of which satisfies the Rating Condition and complies with the Leasing Parameters; or
  - (d) as necessary for the purposes of any Development; and

- (ii) following the occurrence of a Tenant Event which has not been cured, not (unless the Rating Condition is otherwise satisfied) grant a new lease in respect of a Mortgaged Property unless the relevant proposed tenant (or its guarantor) has a credit rating assigned by each of Fitch & S&P for its long-term, unsecured, unsubordinated and unguaranteed debt obligations of at least BBB or is otherwise acceptable to the Rating Agencies.
- 10. To ensure no material change is made to the general nature or scope of its Business from that carried on at the Closing Date, where “**Business**” means activities in relation to the financing (long- and short-term), refurbishment, reconfiguring, maintenance, management, ownership and letting of property.
- 11. Not to consolidate or merge with any person or convey or transfer its properties or assets in whole or in part to any other person (save as permitted or contemplated by the Transaction Documents) without satisfaction of the Rating Condition and the prior written consent of the Obligor Trustee (which consent will be given upon satisfaction of the Rating Condition).
- 12. Not to incur any indebtedness for borrowed monies whatsoever, other than Permitted Borrowings and not to lend any money to another Group company other than on a fully subordinated basis.
- 13. Not to enter into any joint venture, partnership or profit sharing arrangement (which, for the avoidance of doubt, shall not include profit-sharing arrangements in relation to the provision of ancillary services, including telephony and vending) in relation to the Mortgaged Properties without satisfaction of the Rating Condition and the prior written consent of the Obligor Trustee (which consent will be given upon satisfaction of the Rating Condition).
- 14. Insofar as is permitted by applicable law, to execute such further documents and do all such acts and things as may be necessary to give effect to the Transaction Documents (including amending documents to ensure effective subordination of intra-group debt).
- 15. To make annual returns to Companies House, as required by the Companies Act 1985.
- 16. To maintain each of the PropCo Accounts and the Borrower Accounts and any further accounts that are necessary or incidental to the arrangements contemplated by the Transaction Documents and not to have an interest in any bank account other than the Borrower Accounts or the PropCo Accounts (as the case may be), unless such account or interest therein is charged to the Obligor Trustee on terms acceptable to the Obligor Trustee.
- 17. To permit access for the Obligor Trustee, the Property Adviser and their respective agents and advisers to the Mortgaged Properties at all reasonable times and on reasonable prior notice, subject to any rights of, and agreements with, the tenants or other occupiers.
- 18. To comply with the provisions of the Tax Deed of Covenant.
- 19. (a) Not to make, or consent to the making of, structural alterations to a Mortgaged Property, save to the extent that:
  - (i) if such structural alteration is a Material Structural Alteration, the Rating Condition is satisfied; or
  - (ii) if such structural alteration is not a Material Structural Alteration:
    - (A) the same would, in the opinion of the relevant Property Company (acting reasonably), maintain or increase the Rental Income (on both a long- and short term basis) in respect of such Mortgaged Property. For the purpose of determining whether the Rental Income will be maintained or increased, no account shall be taken of any Rental Income to be received after May 2032; and
    - (B) the same would not, while such alteration is being carried out, cause, in the opinion of the relevant Property Company (acting reasonably), a reduction in the

Rental Income generated from such Mortgaged Property or the Rating Condition is satisfied; and

- (iii) such alterations are permitted without landlord's consent pursuant to the Leases in place at the Closing Date; and
    - (iv) the relevant Property Company would be in breach of its obligations under the Leases if consent to such alterations is not given; and
  - (b) to include details of all structural alterations undertaken in the Quarterly Report.
20. To procure that the Property Manager will manage the Mortgaged Properties to a standard consistent with that of a prudent and experienced manager of commercial property and in accordance with the principles of good estate management and further to procure that any change in the identity of the Property Manager satisfies the Rating Condition and has the prior written consent of the Obligor Trustee (which consent will be given upon satisfaction of the Rating Condition).
- 21.
- (a) To deposit all monies received by it in respect of damage or total loss of a Mortgaged Property (whether received pursuant to any insurance, the terms of the Leases or otherwise) in the Insurance Proceeds Account and to apply such sums in accordance with paragraphs (b) and (c) below;
  - (b) subject to paragraph (c) below, to apply all monies received by it under any insurance in respect of damage to a Mortgaged Property towards repairing such damage where applicable in accordance with the terms of the Leases; and
  - (c) to apply all monies received or receivable by it under any insurance in respect of the total loss of such Mortgaged Property towards reinstating the relevant Mortgaged Property where applicable in accordance with the terms of the Leases and to use all reasonable endeavours to reinstate such Mortgaged Property within three years of the date of the total loss or, failing which (but subject to any obligations to the contrary contained in any applicable Lease), to apply such monies towards prepayment in part of the Borrower-PropCo Loan.
22. To ensure that all Leases entered into after the Closing Date are effected on the basis that (for so long as the relevant tenanted premises are within the Mortgaged Property) the tenant is instructed to pay, or procure the payment of, all sums due under the relevant Lease into the Rental Receipts Account.
23. In respect of a New Property that is subject to a Lease, to give, or procure the giving of, notice to each tenant irrevocably authorising and instructing it (for so long as the relevant tenanted New Property is a Mortgaged Property) to pay all sums due under its Lease into the Rental Receipts Account.
24. Itself to, and to procure that the Property Manager and each of its subsidiaries, affiliates or agents shall:
- (a) in their dealings in or with respect to the Mortgaged Properties, act in good faith and in the interests of the Bondholders and the Group as a single class;
  - (b) not unfairly discriminate against the Mortgaged Properties in any marketing to prospective tenants; and
  - (c) in exercising their discretion and in allocating the resources of the Group, ensure that the Mortgaged Properties are treated consistently with the treatment of all other properties within the ownership or management of the Group.
25. To pay or cause to be paid all rates, taxes, levies, assessments, impositions and outgoings for which they are respectively liable affecting, *inter alia*, the Mortgaged Properties as and when the same shall become payable (subject to having sufficient funds to meet the same) (provided that the same is not in respect of a liability for tax which is primarily the liability of another person).

26. To the extent that the obligation to maintain the relevant Mortgaged Property does not rest with the relevant Property Company, to enforce to the fullest extent possible all maintenance and repairing covenants or undertakings in the relevant Lease.
27. Not to consent to any assignment or assignation of a Lease by the tenant thereunder unless:
- (a) the Rating Condition is satisfied;
  - (b) the tenant seeking such consent has a rating from the Rating Agencies and the assignee has a rating from the Rating Agencies which is equal to or greater than that of the tenant seeking such consent; or
  - (c) the tenant seeking such consent has provided to the landlord all financial information relating to the proposed assignee which it is reasonable for the landlord to request (on terms that it may be supplied to the Rating Agencies) and the Borrower or relevant Property Company has supplied all such information to the Rating Agencies,
- provided in each case that such consent may be granted without satisfying the conditions set out in paragraphs 27(a), 27(b) and 27(c) above if withholding it would breach the terms of the relevant Lease.
- 28.
- (a) To observe and perform all restrictive and other covenants, undertakings, stipulations and obligations now or at any time affecting any Mortgaged Property insofar as the same are subsisting, capable of having effect and are the responsibility of the Property Companies;
  - (b) to take all reasonable steps to ensure that the Mortgaged Properties are or remain fully let at the best possible terms achievable in the market place for properties of their respective type, age and character;
  - (c) upon the determination of a Lease due to the effluxion of time or through early termination by the tenant only, to use reasonable endeavours to renew such Lease with the same counterparty or, failing which, to use reasonable endeavours to enter into a new Lease with such counterparty;
  - (d) where any Mortgaged Property or part thereof or access thereto is occupied by adverse possession of the Property Company, to use all reasonable endeavours to perfect its title to that land including any necessary application to H.M. Land Registry, the Land Register of Scotland or the Land Registry of Northern Ireland for possessory title; and
  - (e) to comply with planning law and any conditions attached to a planning permission relating to any Mortgaged Property in so far as the Property Companies remain responsible for such compliance.
29. Following the occurrence of a Tenant Event (which has not been cured) to procure that the Property Manager shall use its best efforts to meet the Property Strategy Objective.
- 30.
- (a) To use reasonable endeavours to obtain, on each assignment of a Lease of the Sevenoaks Property or the Brentwood Property (except an assignment following a Tenant Event in relation to the outgoing tenant of the relevant Mortgaged Property), an AGA from the outgoing tenant and a guarantee (if any) of each such AGA from the guarantor of each such outgoing tenant;
  - (b) to use reasonable endeavours to obtain, on each assignment of a Lease of the Belfast Property, the Edinburgh Property or the Glasgow Property, a guarantee or Scottish Lease Guarantee from the assignor of the assignee's obligations under the relevant Lease and a guarantee of the assignor's obligations under each such guarantee from the guarantor of each such assignor (if any) under the relevant Lease.

31. In the case of the Borrower, following the occurrence of a Tenant Event which is continuing and has not been cured but prior to the enforcement of the Obligor Security, to produce, on or prior to the following Loan Interest Payment Date, a Coverage Ratio Projection and, if and to the extent that (i) such a Coverage Ratio Projection shows a Shortfall for one or more future Loan Interest Payment Dates and (ii) there is a Surplus, to deposit, from the Rental Receipts Account, on such Loan Interest Payment Date the Surplus in the Rental Surplus Account up to an amount equal to the Required Rental Surplus Amount for application by the Borrower on the next or any subsequent Loan Interest Payment Date in remedying such Shortfall or in the repayment of all or some of the Issuer-Borrower Loan in accordance with the provisions described in “Application of Surpluses” below.
32. To ensure that at the time of substitution of an Old Property by a New Property, the then aggregate Market Value of the Portfolio taken as a whole (net of any capital gains tax liability related thereto) is not materially adversely affected by the making of such substitution.
33. In the case of the Borrower, following the occurrence of a Tenant Event which is continuing and has not been cured but prior to the enforcement of the Obligor Security, if, on any Loan Interest Payment Date, the Class A Coverage Ratio is less than 375 per cent. and the funds standing to the credit of the Class A Advance Coverage Reserve Account are less than the principal amount outstanding of the Class A Advance, to deposit, from the Rental Receipts Account, on such Loan Interest Payment Date, an amount equal to the Class A Advance Coverage Amount in the Class A Advance Coverage Reserve Account for application by the Borrower as described under “Resources Available to the Borrower and the Issuer – Available Funds – Funds Available to the Borrower”.
34. As regards each relevant Property Company, to pay, when due, all amounts payable by it under each lease or fee farm grant under which it holds its interest in the Belfast Property, the Edinburgh Property or the Glasgow Property (each such lease or fee farm grant being a “**Head Lease**”), to perform and observe all of its covenants and undertakings under each Head Lease and not to commit a material breach of any of the provisions of any Head Lease.

### **Events of Default**

The Issuer-Borrower Loan Agreement contains a number of events of default (each an “**Issuer-Borrower Loan Event of Default**”), including, *inter alia*, any non-payment (subject to the provisions applicable to deferrals), insolvency or liquidation of the Borrower, any Property Company or the Parent, breach by the Borrower, any Property Company or the Parent of any of the representations, warranties or covenants given or made by the Borrower, each Property Company or the Parent pursuant to the Issuer-Borrower Loan Agreement (subject in certain cases to having a Material Adverse Effect), a Property Company failing to comply with a recommendation of the Property Adviser when it is required to do so, the failure to appoint a Property Adviser when such appointment is required and commencement of litigation.

The occurrence of an Issuer-Borrower Loan Event of Default will, upon notice being given by the Obligor Trustee (an “**Issuer-Borrower Loan Enforcement Notice**”), result in: (i) the floating charges granted by the Borrower, the Parent and the Property Companies and contained in the Obligor Deed of Charge crystallising to the extent permissible under applicable law so as to become fixed charges; (ii) the Borrower no longer being entitled to defer, when due, payments of interest, principal and other amounts under the Issuer-Borrower Loan (as described under “Deferrals” above); and (iii) the applicable Borrower Priority of Payments becoming the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments (as described under “Resources Available to the Borrower and the Issuer — Borrower Priorities of Payments — Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments”).

### **Mandatory Lease**

Pursuant to the Issuer-Borrower Loan Agreement, all Leases in respect of the Mortgaged Properties granted after the Closing Date must comply with the Leasing Parameters except where such Leases are renewals of Leases existing at the Closing Date where the Court may determine the terms of a new lease.



**“Leasing Parameters”** (as the same may be amended, supplemented, modified or removed from time to time in accordance with the Transaction Documents) means, in respect of the relevant lease:

- (a) it shall not include any downward rent review;
- (b) it shall include full internal repairing covenants and full external and structural repairing covenants of the tenant subject to, if required by the tenant and agreed to by the relevant Property Company, no tenant’s liability for latent or inherent defects;
- (c) it shall include a full insurance obligation or liability to reimburse the whole or an appropriate portion of insurance costs on the tenant (except that there shall be no obligation to insure against terrorist acts in respect of a Mortgaged Property in Northern Ireland during any period when terrorism is excluded from insurance policies in Northern Ireland);
- (d) in the case of a lease of part of a Mortgaged Property, it shall include a cost contribution of the tenant for external common areas;
- (e) assignments of all of the lease shall only be permitted with the relevant Property Company’s consent (not to be unreasonably withheld);
- (f) no assignment of part of the lease shall be permitted;
- (g) it shall require use of the majority of a Mortgaged Property as office premises; and
- (h) it shall include otherwise commercial terms which in the open market at the time of the grant of the lease are not unusual.

The Leasing Parameters may only be amended, supplemented, modified or removed if (i) the Rating Condition is satisfied and such amendment, supplement, modification or removal is approved by the Obligor Trustee (which approval will be given upon satisfaction of the Rating Condition) or (ii) where it becomes necessary to do so because of a change of law which takes effect after the Closing Date.

#### **Release of Mortgaged Properties — Substitution Properties Provided**

Subject to the giving of at least 90 days’ notice to the Obligor Trustee and the Rating Agencies and:

- (i) satisfaction of the Property/Property Substitution Conditions;
- (ii) the counterparty to the Lease in respect of the New Property (for the purposes of this section “Release of Mortgaged Properties”, the “**New Lease**”) being the same entity as the counterparty to the Lease in respect of the Old Property (for the purposes of this section “Release of Mortgaged Properties” and the following section “Property/Property Substitution Conditions”, the “**Existing Lease**”);
- (iii) (having regard to the valuation prepared for the purposes of paragraph (i) of the definition of “**Property/Property Substitution Conditions**” below) the anticipated MP Net Rental Income in respect of the New Property for any future calendar year until the scheduled expiry of the Existing Lease not being less than the anticipated MP Net Rental Income which would be obtainable from the Old Property in respect of the same calendar year if the proposed substitution did not take place (assuming, for the purposes of these calculations, that the applicable rate of inflation is zero);
- (iv) the next available break date under the New Lease on which the tenant would be entitled to terminate the New Lease not being earlier than the next available break date under the Existing Lease on which the tenant would be entitled to terminate the Existing Lease;
- (v) the repairing obligations of the landlord in respect of the New Property being not materially greater than the repairing obligations of the landlord in respect of the Old Property; and
- (vi) satisfaction of the Rating Condition and receipt of the prior written consent of the Obligor Trustee (which consent will be given upon satisfaction of the Rating Condition),

the Borrower and the relevant Property Company will be entitled to release a Mortgaged Property (an “**Old Property**”) from the Obligor Security and to mortgage or grant security in respect of, in substitution therefor, another property or other properties (to be designated a Mortgaged Property or Mortgaged Properties) (each a “**New Property**”).

“**Property/Property Substitution Conditions**” means:

- (i) the Obligor Trustee consents to the substitution (such consent to be given only on satisfaction of the Rating Condition); or
- (ii) (a) prior to the occurrence of a Tenant Event or following a Tenant Event which has been cured:
  - (A) a Current Value, Current Vacant Value and Current Site Value has been prepared and:
    - (x) the Current Value, Current Vacant Value and Current Site Value of the New Property will be not less than the corresponding value of the Old Property in each case as at the date of the proposed substitution; or
    - (y) the Current Value of the New Property will not be less than the Current Value of the Old Property as at the date of the substitution, the aggregate of the Current Vacant Values of the Portfolio after the date of the substitution, and assuming the substitution has occurred, will not be less than the aggregate of the Current Vacant Values of the Portfolio as of the date of the Original Valuations and the aggregate of the Current Site Values of the Portfolio after the date of the substitution, and assuming the substitution has occurred, will not be less than the aggregate of the Current Site Values of the Portfolio as at the date of the Original Valuations;
  - (B) a certificate of title satisfactory to the Obligor Trustee has been prepared in respect of the New Property;
  - (C) the lease relating to the New Property meets the Leasing Parameters;
  - (D) all covenants of the landlord have been complied with and no breach exists at the proposed date of substitution which would cause any tenant of the New Property to withhold payment of rent;
  - (E) the value of minimum contracted rental income per Rental Period in respect of the New Property is not less than that of the Old Property;
  - (F) all amounts due and payable by the Borrower under the Issuer-Borrower Loan Agreement (disregarding any right of the Borrower to defer payment) have been paid in full and a certificate has been delivered by the Borrower confirming compliance with the above provisions relating to substitution;
  - (G) the New Property is fully let to a tenant on the basis of a BT Covenant and on terms which contain a “Qualifying Assignee” assignment provision in a form substantially similar to that set out in the Existing Lease; and
  - (H) the whole of the New Property has the benefit of planning consent as office space within Class B1(a) of the Town and Country Planning (Use Classes) Order 1987, Class 4 of the Schedule to the Town and Country Planning (Use Classes) (Scotland) Order 1997 or Class 3 of the Schedule to the Planning (Use Classes) Order (NI) 1989 in relation to a New Property in Northern Ireland; and
- (b) following the occurrence of a Tenant Event which is continuing and has not been cured either:
  - (i) each of the Rating Agencies has confirmed that the then current rating of the Bonds will not be reduced as a result of the proposed substitution; or

- (ii) (A) the tenant of the New Property is rated:
  - (x) at least two rating levels higher than the tenant of the Old Property. For these purposes, in respect of any tenant which has different ratings from different rating agencies, references to the rating of a tenant mean references to the lowest of such ratings; or
  - (y) at least AA by each of the Rating Agencies; and
- (B) the criteria set out in paragraphs (A), (B), (C), (D), (E) and (H) of sub-paragraph (a) above are satisfied.

For the purpose of paragraph (ii)(a) above, the terms “Current Value”, “Current Vacant Value”, “Current Site Value”, “value” and “contracted rental income” shall refer to the aggregate of such values and amounts where two or more New Properties are being substituted for one or more Old Properties or where two or more Old Properties are being replaced by one or more New Properties.

### **Release of Mortgaged Properties — Cash Collateral Provided**

Subject to satisfaction of the Property/Cash Substitution Conditions, the Borrower and the relevant Property Company will be entitled, upon at least 90 days’ notice to the Obligor Trustee and the Rating Agencies, to release an Old Property from the Obligor Security and to charge, in substitution therefor as security for the Bonds, Cash Collateral (a “**Cash Substitution**”).

“**Property/Cash Substitution Conditions**” means that after such Cash Substitution takes place, the aggregate value of Cash Collateral held by the Borrower and the Property Companies as a result of all Cash Substitutions is not greater than 35 per cent. of the then Current Portfolio Value and:

- (a) the Rating Condition is satisfied; or
- (b) the relevant Property Company or the Borrower has, in accordance with the Transaction Documents, provided (in addition, and without regard, to any amounts previously provided) an amount of Cash Collateral equal to the Required Cash Collateral Amount determined in respect of the relevant Old Property.

### **Mortgaged Property or Cash Collateral Withdrawals**

A Property Company may, upon at least 90 days’ notice to the Obligor Trustee and the Rating Agencies, withdraw (each a “**Withdrawal**”) a Mortgaged Property (an “**Old Property**”) or Cash Collateral (“**Old Cash Collateral**”) from the Obligor Security, provided that the Rating Condition is satisfied and the Obligor Trustee consents in writing to such Withdrawal (which consent will be given upon satisfaction of the Rating Condition).

After the release and discharge of all Mortgaged Properties and all Cash Collateral owned by a Property Company from the Obligor Security in accordance with the provisions above, the Obligor Trustee will release the relevant Property Company from its obligations (and the Obligor Security created by it under and pursuant to the Obligor Deed of Charge).

### **Release of Cash Collateral — Substitution Properties Provided**

Subject to the satisfaction of the provisions set out under “Release of Mortgaged Properties — Substitution Properties Provided” above (references in such provisions to “**Old Property**” being construed for these purposes as references to the Mortgaged Property for which the relevant Cash Collateral was previously substituted) the Borrower and the relevant Property Company will be entitled, on any Loan Interest Payment Date, to a release of Old Cash Collateral and for a Property Company to mortgage or grant security in respect of, in substitution therefor, a New Property.

### **Partial release of Cash Collateral — Substitution Properties Provided**

In addition, where Cash Collateral has been substituted for a Mortgaged Property, part of that Cash Collateral may be substituted by a New Property (such part being the “**Released Part**”). The Released Part will be the Relevant Percentage of the Cash Collateral and the “**Relevant Percentage**” means the lower of (i) the percentage which is obtained by dividing the Current Value of the New Property as at the date of the proposed substitution by the Original Value of the Mortgaged Property or Mortgaged Properties for which the relevant Cash Collateral was originally provided by way of substitution and (ii) the percentage which is obtained by dividing the Current Vacant Value of the New Property as at the date of the proposed substitution by the Original Vacant Value of the Mortgaged Property or Mortgaged Properties for which the relevant Cash Collateral was originally provided by way of substitution.

Otherwise, the conditions will be the same as specified in “Release of Cash Collateral — Substitution Properties Provided” above.

### **General provisions for releases, substitutions etc.**

Where on a release of Mortgaged Properties there have been substitute Mortgaged Properties provided and in addition Cash Collateral has been provided to meet any test not otherwise met, references to a subsequent release of such Mortgaged Property and references to value shall include references to the value of such Cash Collateral (such value being the market value if the market value is less than par or, otherwise, par).

References to sale of a Mortgaged Property also include a disposal by the Borrower of the relevant Property Company.

In addition to the covenant given by each of the Borrower and the relevant Property Company in respect of the Leasing Parameters described above, the Issuer-Borrower Loan Agreement contains certain other conditions which are required to be satisfied before a New Property is admitted to the Obligor Security, including (without limitation):

- (a) that the valuer providing the valuation of the New Property shall, to the extent reasonably practicable, be the valuer of the Old Property;
- (b) provision of solvency certificates and legal opinions addressed to the Obligor Trustee demonstrating, *inter alia*, the validity of the fixed charge or fixed security for the New Property substantially in the form or forms of those provided on the Closing Date, evidence of compliance with the insurance obligations contained in the Issuer-Borrower Loan Agreement and confirmation that the company owning the New Property is subject to the same covenants, undertakings, restrictions and provisions as those relating to the then current Property Companies;
- (c) verification of all required calculations will need to be provided by the auditors of the Property Companies or by an independent firm of accountants of national repute;
- (d) to the extent that a building on a New Property has not yet previously been occupied, confirmation that a completion certificate issued by an architect or surveyor in respect of such property has been delivered and that a full structural survey has been conducted and the results of the survey taken into account by the valuers for the purposes of valuation;
- (e) the New Property complies with all covenants contained in the Issuer-Borrower Loan Agreement regarding maintenance of all required licences, consents and approvals;
- (f) an amount (in addition to any amounts otherwise due under the Transaction Documents) sufficient to cover the potential stamp duty liability arising from the purchase of the New Property is deposited in the Cash Collateral Account and credited to the Stamp Duty Reserve Ledger and the relevant Property Company undertakes to release such amount from the Cash Collateral Account only for the purpose of meeting such stamp duty liability or upon receipt of an adjudication of no stamp duty being payable in respect of such transfer;
- (g) no substitution may be undertaken if the Coverage Ratio falls below 100 per cent.; and

- (h) no substitution may be undertaken so long as any holding company of the Parent is then subject to any proceedings under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or a receiver is appointed in relation to, or an encumbrancer takes possession of, or a distress or execution or diligence or other process is levied or enforced upon or sued out against, the whole or any part of the undertaking or assets of such company.

### **Occurrence of a Tenant Event and Appointment of a Property Adviser**

Following the occurrence of a Tenant Event, the Property Manager is obliged to notify the Obligor Trustee.

Upon notification by the Property Manager that a Tenant Event has occurred the Obligor Trustee has the right (provided that each of the Rating Agencies confirms that to do so would not cause a downgrade of its then current ratings of the Bonds) to determine that such Tenant Event shall be deemed not to have occurred. However, such determination does not prevent the Obligor Trustee from determining at a later date that a Tenant Event has occurred, provided that the circumstances constituting a Tenant Event are still continuing at the time such determination is made.

#### **A. *The initial phase (Phase A)***

Following the occurrence of a Tenant Event which has not been cured, the following provisions (the “**Phase A Provisions**”) will apply from the Loan Interest Payment Date following such Tenant Event (such Interest Payment Date being the “**Phase A Commencement Date**” provided that in the case of a Tenant Event falling within paragraph (b) of the definition thereof, if the default in making the relevant payment is not remedied within 30 days after its due date, the Phase A Commencement Date will be deemed to have occurred on the Interest Payment Date following the occurrence of such default).

During the application of the Phase A Provisions the Borrower and each Property Company will be required to procure that:

- (i) the Property Manager, acting prudently, will devise an appropriate property management strategy (the “**Property Strategy**”) which the Property Manager reasonably believes would result in the achievement of the Property Strategy Objective. “**Property Strategy Objective**” means, in respect of the management of the Mortgaged Properties, satisfying the Obligor Trustee that for any one or more future Interest Payment Dates the Coverage Ratio (re-calculated to disregard any rent-free periods and on the assumption that rents are in fact payable during such periods) would not be less than 100 per cent.;
- (ii) the Property Manager will produce a report (the “**Property Manager’s Report**”) within 30 days from the Phase A Commencement Date setting out the Property Strategy to achieve the Property Strategy Objective and deliver copies of such report to the Obligor Trustee and the Rating Agencies; and
- (iii) on the second Loan Determination Date following the Phase A Commencement Date the Property Manager will be required to report to the Obligor Trustee on the progress which has been made towards achieving the Property Strategy Objective.

So long as the Property Manager is acting prudently in respect of achieving the Property Strategy Objective (subject to the recommendations by the Property Adviser during the application of the Phase C Provisions or the Phase D Provisions), the Obligor Trustee will not be entitled to give the Property Manager instructions in respect of achieving the Property Strategy Objective. Failure by the Borrower or the Property Companies to procure compliance by the Property Manager of its duties specified above will be a breach of covenant (constituting an Issuer-Borrower Loan Event of Default).

The Phase A Provisions shall cease to apply:

- (a) if, on the second Loan Determination Date following the Phase A Commencement Date, or at any time thereafter whilst the Phase A Provisions apply, the Property Strategy Objective has been achieved during the two Calculation Periods preceding such Loan Determination Date;
- (b) if by the Loan Interest Payment Date following the second Loan Determination Date after the Phase A Commencement Date, or on any Loan Interest Payment Date thereafter whilst the Phase A Provisions apply, the Post Tenant Event Threshold is not met (such date, the “**Phase B Commencement Date**”), in which case the provisions set out in “**The second phase (Phase B)**” below (the “**Phase B Provisions**”) shall apply; or
- (c) if the Phase B Provisions, the Phase C Provisions or the Phase D Provisions cease to apply pursuant to section B.(a), section C.(a) and section D.(a) below, respectively, and the Obligor Trustee is satisfied that the Property Strategy Objective will continue to be achieved for a further Calculation Period.

However, the Phase A Provisions shall not cease to apply if, on the second Loan Determination Date following the Phase A Commencement Date, the Property Strategy Objective has not been achieved, irrespective of whether or not the Post Tenant Event Threshold has been met.

**B. *The second phase (Phase B)***

The Phase B Provisions will apply with effect from the Phase B Commencement Date. If the Phase B Provisions apply, the Borrower and each Property Company will be required to appoint a property adviser (the “**Property Adviser**”) acceptable to the Obligor Trustee (any agreement documenting terms of its engagement being a “**Property Advisory Agreement**”). If the Borrower and the Property Companies fail to appoint a Property Adviser within 14 days of the Phase B Commencement Date then the Obligor Trustee will be entitled to appoint a Property Adviser on their behalf.

During the application of the Phase B Provisions the Borrower and the Property Companies will be required to procure that:

- (i) the Property Manager will, as soon as reasonably practicable, provide the Property Adviser with any information which the Property Manager has (and which is not subject to confidentiality restrictions) concerning the Mortgaged Properties and the current Property Strategy to enable the Property Adviser to review the Property Strategy;
- (ii) the Property Adviser will prepare a report (a “**Property Adviser’s Report**”) within 30 days of its appointment (or such longer period as it may, acting reasonably, require) recommending what (if any) steps the relevant Property Companies should take in respect of the Mortgaged Properties to achieve the Property Strategy Objective. Such recommendations will include the operating and letting and, if the Property Manager deems necessary to achieve the Property Strategy Objective, the sale of the Mortgaged Properties; and
- (iii) the Property Manager takes due consideration of the steps recommended in the Property Adviser’s Report. However, as long as the Property Manager acts prudently, the Property Manager is not obliged to adopt any recommendations given by the Property Adviser.

The Phase B Provisions will cease to apply:

- (a) if, on the second Loan Determination Date following the Phase B Commencement Date, or at any time thereafter whilst the Phase B Provisions apply, the Property Strategy Objective has been achieved during two successive Calculation Periods, then the Phase A Provisions shall re-apply and, if the Obligor Trustee is satisfied that the Property Strategy Objective will continue to be achieved for a further Calculation Period, then the Phase A Provisions shall cease to apply provided that if the Property Strategy Objective has not been achieved at the end of such further Calculation Period, the Phase B Provisions will re-apply;

- (b) if, on the second Loan Determination Date following the Phase B Commencement Date, or on any Loan Interest Payment Date thereafter whilst the Phase B Provisions apply, the Post Tenant Event Threshold is met but the Property Strategy Objective has not been achieved then the Phase A Provisions will re-apply; or
- (c) if, on the Loan Interest Payment Date following the second Loan Determination Date after the Phase B Commencement Date, or on any Loan Interest Payment Date thereafter whilst the Phase B Provisions apply, the Post Tenant Event Threshold is not met (such date, the “**Phase C Commencement Date**”), then the provisions set out in “The third phase (Phase C)” below (the “**Phase C Provisions**”) will apply.

**C. The third phase (Phase C)**

The Phase C Provisions will apply with effect from the Phase C Commencement Date. If the Phase C Provisions apply, the Property Adviser appointed pursuant to the Phase B Provisions will be entitled, acting prudently, to change the Property Strategy devised by the Property Manager. Any recommendations and suggestions given by the Property Adviser that form part of the changed Property Strategy will be binding on the Property Manager, except that the Property Adviser may not require the Property Manager to dispose of Mortgaged Properties, unless such disposal is part of the Property Strategy originally devised by the Property Manager. The Property Adviser shall be required to produce an updated Property Adviser’s Report at the end of each Calculation Period.

The Phase C Provisions will cease to apply:

- (a) if, on the second Loan Determination Date following the Phase C Commencement Date, or at any time thereafter whilst the Phase C Provisions apply, the Property Strategy Objective has been achieved, then the Phase A Provisions shall re-apply and if the Obligor Trustee is satisfied that the Property Strategy Objective will continue to be achieved for a further Calculation Period, then the Phase A Provisions shall cease to apply and the remaining Phases shall not apply provided that, if the Property Strategy Objective has not been achieved at the end of such further Calculation Period, the Phase C Provisions will re-apply;
- (b) if, on the Loan Interest Payment Date following the second Loan Determination Date after the Phase C Commencement Date, or on any Loan Interest Payment Date thereafter whilst the Phase C Provisions apply, the Post Tenant Event Threshold is met but the Property Strategy Objective has not been achieved, then the Phase A Provisions will re-apply; or
- (c) if, on the second Loan Determination Date after the Phase C Commencement Date, or on any Loan Interest Payment Date thereafter whilst the Phase C Provisions apply, the Post Tenant Event Threshold is not achieved (such day, the “**Phase D Commencement Date**”), then the provisions set out in “The fourth phase (Phase D)” below (the “**Phase D Provisions**”) will apply.

**D. The fourth phase (Phase D)**

If the Phase D Provisions apply, any recommendations given by the Property Adviser will be binding on the Property Manager and the Property Companies. In particular, the Property Adviser will be permitted to require disposal of all or part of the Mortgaged Properties in circumstances as specified in the Issuer-Borrower Loan Agreement, including the demonstration to the satisfaction of the Obligor Trustee that there is little likelihood of generating sufficient Gross Rental Income to enable the Borrower to repay the Class A Advance and Class B Advance in full.

If the Property Adviser recommends disposal of all or part of the Mortgaged Properties, it will (at the request of the relevant Property Company) be required to have such recommendation reviewed and confirmed by at least one of two independent experts required to be appointed by the Property Adviser (acceptable to the Obligor Trustee). Such independent experts will have 30 days, or such longer period

as they may require, to make a determination. If at least one of such experts confirms such recommendation, then such recommendation shall stand.

A review and confirmation by independent experts will not be required if the recommended disposal is envisaged by the Property Strategy devised by the Property Manager and set out in the Property Manager's Report or where the relevant Mortgaged Property has been vacant for a period exceeding 12 months after the Property Adviser recommended a sale of such Mortgaged Property and such recommendation was rejected by the independent experts.

In the event that any amounts payable in respect of the Issuer-Borrower Loan remain unpaid as at the Loan Interest Payment Date falling on 8 May 2030 then the Property Adviser will be required to recommend a sale of the Mortgaged Properties and the relevant Property Company will have no entitlement in these circumstances to require referral of such recommendation to the independent experts.

The Phase D Provisions will cease to apply:

- (a) if, on the second Loan Determination Date following the Phase D Commencement Date, or at any time thereafter whilst the Phase D Provisions apply, the Property Strategy Objective has been achieved, then the Phase A Provisions will re-apply and, if the Obligor Trustee is satisfied that the Property Strategy Objective will continue to be achieved for a further Calculation Period, then the Phase A Provisions shall cease to apply provided that, if the Property Strategy Objective has not been achieved at the end of such further Calculation Period, the Phase D Provisions shall re-apply;
- (b) if, on the Loan Interest Payment Date immediately following the second Loan Determination Date after the Phase D Commencement Date, or on any Loan Interest Payment Date thereafter whilst the Phase D Provisions apply, the Post Tenant Event Threshold is met but the Property Strategy Objective has not been achieved, then the Phase D Provisions shall cease to apply and the Phase A Provisions will re-apply provided that, if on the second Loan Determination Date following the Phase D Commencement Date, or on any Loan Interest Payment Date thereafter whilst the Phase D Provisions apply, the Post Tenant Event Threshold is not met, then the Phase D Provisions will continue to apply; or
- (c) upon the earlier of (i) the date on which the Issuer-Borrower Loan has been repaid in full and (ii) the final scheduled Loan Interest Payment Date.

Where a Tenant Event has occurred and the phases (or some of them) have applied but have since ceased to apply then the terms of the Phase A Provisions, the Phase B Provisions, the Phase C Provisions or the Phase D Provisions, as the case may be, may be re-applied in succession in the manner described above, if on any subsequent Loan Interest Payment Date the Post Tenant Event Threshold has not been met.

The Property Adviser may, acting reasonably, deliver additional Property Adviser's Reports and may modify or revoke any prior recommendations made by it in any previously delivered Property Adviser's Reports.

Upon a sale of one or more Mortgaged Properties following a recommendation of the Property Adviser (confirmed by the independent expert(s)), the Borrower will be required if and to the extent that, on the following Loan Interest Payment Date, it has sufficient funds available to make such payments after meeting all prior ranking payment obligations in the applicable Borrower Priorities of Payments, to apply on that Loan Interest Payment Date an amount equal to the net sale proceeds of the relevant Mortgaged Property in repaying to the Issuer the Class A Advance, and if the Class A Advance has been repaid in full, the Class B Advance pursuant to the Issuer-Borrower Loan Agreement, on the following Loan Interest Payment Date. For the avoidance of doubt, no early repayment premium will be payable in respect of any such prepayment. Any such prepayment will be used by the Issuer to redeem the Bonds (or part thereof) at their Principal Amount Outstanding together with accrued interest in accordance with Condition 5(b)(iv).



### ***Voluntary disposals of Mortgaged Properties following a Tenant Event***

If a Property Company wishes to dispose of a Mortgaged Property (or dispose of the shares of the Property Company which owns such Mortgaged Property) while any of the Phase A Provisions, the Phase B Provisions, the Phase C Provisions or the Phase D Provisions are applicable, the Obligor Trustee will be required to consent to such disposal and the release of such Mortgaged Property (and, if applicable, shares) from the Obligor Security upon completion of such sale provided that, if the proposed disposal occurs while the Phase A Provisions or the Phase B Provisions are applicable, the proposed disposal is first approved by the Property Adviser or, in the event that a Property Adviser has not been appointed, by such other independent expert as may be approved by the Obligor Trustee (such approval to be given if the Property Adviser or the independent expert, as the case may be, is satisfied that re-letting the relevant Mortgaged Property will not be in the best interests of the Bondholders).

If a Property Company completes such a disposal, then such Property Company will be required to apply the net proceeds of such disposal in satisfying its payment obligations under the Borrower-PropCo Loan Agreement and the Borrower will apply the proceeds of such payment in repaying to the Issuer the Class A Advance or if the Class A Advance has been repaid in full, the Class B Advance pursuant to the terms of the Issuer-Borrower Loan Agreement. For the avoidance of doubt, no early repayment premium will be payable in respect of any such prepayment. Any such prepayment will be used by the Issuer to redeem the Bonds (or part thereof) at their Principal Amount Outstanding together with accrued interest in accordance with Condition 5(b)(iv)

In addition, the Obligor Trustee will not be required to give such consent unless it is satisfied that the net disposal proceeds will be so applied by the relevant Property Company and the Borrower.

### ***Terms of Appointment of the Property Adviser***

The terms of appointment of the Property Adviser will include provisions that:

- (i) the standard of care required of the Property Adviser will be at least the standard of care which would be required if it were the administrative receiver of the appointing companies (that is, the Borrower and the Property Companies);
- (ii) the Property Adviser, in forming its recommendations, will owe a duty of care to the Obligor Trustee and the appointing companies and will be required to act in accordance with the best interests (bearing in mind the need to ensure timely payment of interest amounts and timely repayment of principal due in respect of the Bonds) of the Bondholders, taken as a whole, except in the event of a conflict between the interests of separate classes of the Bondholders, when it will be required to act in accordance with the best interests of the most senior ranking Class; and
- (iii) the Property Companies will, if the Property Adviser recommends a disposal of all or part of one or more Mortgaged Properties and such advice has been confirmed (if required) by an independent expert or experts (as described above), undertake to appoint the Property Adviser as their attorney to carry out on its behalf the steps required to effect such a disposal.

The Issuer-Borrower Loan Agreement will provide that the proper and reasonable fees and expenses of the Property Adviser (including the proper and reasonable fees and expenses of any experts consulted by it), together with VAT thereon (if applicable), will be payable by the Borrower out of the Rental Receipts Account in accordance with the applicable Borrower Priority of Payments. The Issuer-Borrower Loan Agreement will also provide that neither the Property Adviser, nor any of the independent experts nor any of their affiliates or other parties connected to any of them, is to have any opportunity to benefit from any disposal of any of the Mortgaged Properties or any letting thereof.

The Issuer-Borrower Loan Agreement will be governed by English law provided that terms which are particular to the laws of Scotland or Northern Ireland shall be governed by Scots Law and Northern Irish Law respectively.

## Application of Surpluses

If on any Loan Determination Date:

- (i) a Tenant Event has occurred and is continuing; and
- (ii) no steps to enforce the Obligor Security have been taken,

then the Borrower will be required to produce, on or prior to the following Loan Interest Payment Date (each a “**Relevant Loan Interest Payment Date**”), a projection (calculated on the basis of the contractual rental income in respect of the Mortgaged Properties and on the assumption that any tenant’s break option will be exercised at the earliest possible opportunity) of the expected Coverage Ratio for each future Loan Interest Payment Date until the expected final repayment date of the Issuer-Borrower Loan (each a “**Coverage Ratio Projection**”) and a projection of the expected Class A Coverage Ratio for each such Loan Interest Payment Date (each a “**Class A Coverage Ratio Projection**”).

If (i) on the Relevant Loan Interest Payment Date the Coverage Ratio Projection for any one or more future Loan Interest Payment Dates is less than 100 per cent. (in each case the amount which would be required to be added to the Gross Rental Income used for the purpose of the calculation of such Coverage Ratio Projection in order to procure that such Coverage Ratio Projection was equal to 100 per cent. being a “**Shortfall**”) and (ii) to the extent that on such Relevant Loan Interest Payment Date the Borrower has funds available for this purpose after meeting all relevant prior ranking payment obligations in the applicable Borrower Priorities of Payments (the “**Surplus**”), then the Borrower will be required to deposit an amount up to but not exceeding the Surplus in the Rental Surplus Account up to an amount equal to the Required Rental Surplus Amount for application by the Borrower on any future Loan Interest Payment Dates (at its option) in remedying any Shortfalls or in repayment of all or part of the Class A Advance and, if the Class A Advance has been repaid in full, all or part of the Class B Advance so that the Coverage Ratio Projection (re-calculated to take into account the effect of such proposed prepayment) for each future Loan Interest Payment Date shall not be less than 100 per cent.

Any amounts credited to the Rental Surplus Account may be subsequently invested in Cash Collateral provided that such amounts must be invested in (a) cash on deposit with an Eligible Bank or (b) in Eligible Investments which mature prior to the date of such projected Shortfall.

If, on any Loan Interest Payment Date, the balance standing to the credit of the Rental Surplus Account (after making all withdrawals required to be then made) exceeds the Required Rental Surplus Amount the Obligor Trustee will, upon request by the Borrower, release an amount equal to such excess from the Obligor Security and such amount will be transferred to the Rental Receipts Account.

## Miscellaneous Definitions relating to the Issuer-Borrower Loan Agreement

“**Adjusted Debt Service**” means, on any Loan Interest Payment Date, the Debt Service payable in respect of such Loan Interest Payment Date disregarding (i) any amounts owing to the Cash Manager in respect of any tax liabilities of the Borrower (other than any corporation tax payable by the Borrower in respect of its profits for an accounting period to the extent such profits do not exceed an amount equal to 0.01 per cent. of the principal amount outstanding under the Borrower-PropCo Loan from time to time during that accounting period) or the Property Companies met by the Cash Manager and (ii) any amounts to be paid to the Issuer to enable the Issuer to meet amounts owing to the Cash Manager in respect of any tax liabilities of the Issuer (other than any corporation tax payable by the Issuer in respect of its profits for an accounting period to the extent such profits do not exceed an amount equal to 0.01 per cent. of the principal amount outstanding under the Issuer-Borrower Loan from time to time during that accounting period) met by the Cash Manager.

“**Allocated Debt Amount**” means, at the time a Mortgaged Property is to be substituted (the “**Relevant Time**”), an amount determined as follows:

- (a) if at the Relevant Time the aggregate Current Vacant Value of the Mortgaged Properties in the Portfolio (as determined in an independent valuation which is no more than six months old at the Relevant Time) is greater than the aggregate Current Vacant Value of the Mortgaged Properties

comprised in the Portfolio as at the Closing Date (as determined in the Original Valuations) the amount which is calculated as follows:

$$\frac{MV}{OMV} \times N; \text{ and}$$

- (b) if at the Relevant Time the aggregate Current Vacant Value of the Mortgaged Properties in the Portfolio (as determined in an independent valuation which is no more than six months old at the Relevant Time) is less than or equal to the aggregate Current Vacant Value of the Mortgaged Properties comprised in the Portfolio as at the Closing Date (as determined in the Original Valuations), the amount which is calculated as being the higher of:

$$\frac{MV}{OMV} \times N; \text{ and}$$

$$\frac{VV}{OVV} \times N;$$

where, in each case:

MV = the Market Value of the specified Mortgaged Property as at the date of the relevant Original Valuation;

OMV = the aggregate of the Market Values as at the dates of the Original Valuations of the Mortgaged Properties in the Portfolio at the Relevant Time;

VV = the Vacant Value of the specified Mortgaged Property as at the date of the relevant Original Valuation;

OVV = the aggregate of the Vacant Values as at the dates of the Original Valuations of the Mortgaged Properties in the Portfolio at the Relevant Time; and

N = the aggregate of the Class A Advance and the Class B Advance outstanding at the Relevant Time,

provided that, in respect of a New Property or New Properties later substituted into the Obligor Security, the Allocated Debt Amount in relation to such New Property will be calculated on the basis that “MV” or “VV”, as the case may be, is equal to such amount as determined in respect of the Mortgaged Property being released from the Obligor Security as a result of such substitution or where such substitution is to replace Cash Collateral, as determined in respect of the Mortgaged Property for which such Cash Collateral was substituted.

“**Anticipated Rent**” means, in respect of the period for which the same is being measured:

- (a) all amounts of rent due under the Leases; and
- (b) income and redemption amounts (other than final redemption amounts) to be generated from Cash Collateral,

in each case to the extent that such amounts are capable of being determined on the date the relevant calculation of Anticipated Rent is being made.

“**Available Funds**” means, in respect of a particular Loan Interest Payment Date, the aggregate of: (i) any amounts standing to the credit of the Rental Receipts Account as at the immediately preceding Loan Determination Date; (ii) any amounts transferred into the Rental Receipts Account on such Loan Interest Payment Date from another Borrower Account or a PropCo Account; and (iii) any amount standing to the credit of the Interest Shortfall Reserve Account, the Rental Surplus Account or the Class A Advance Coverage Reserve Account and which are in each case available on such Loan Interest Payment Date to make payments in accordance with the terms of the Cash Management Agreement.

“**BT Covenant**” means a direct, unconditional and unsubordinated obligation of BT, other than an obligation arising in respect of an AGA or a Scottish Lease Guarantee or a guarantee by BT on an assignment to a party which is not a Qualifying Assignee in relation to the Belfast Property.

“**Calculation Period**” means (in respect of the first such period) the period from (and including) the Closing Date to (but excluding) the next Loan Determination Date and (in respect of subsequent Calculation Periods) the period from (and including) a Loan Determination Date to (but excluding) the next Loan Determination Date.

“**Cash Collateral**” means:

- (a) cash on deposit with an Eligible Bank; and
- (b) Eligible Investments.

“**Class A Coverage Ratio**” means, in respect of any Loan Interest Payment Date, the ratio (expressed as a percentage) of (i) Gross Rental Income received during the Calculation Period ending immediately prior to such Loan Interest Payment Date to (ii) Senior Debt Service on such Loan Interest Payment Date.

“**Class B Coverage Ratio**” means, in respect of any Loan Interest Payment Date, the ratio (expressed as a percentage) of (i) Gross Rental Income received during the Calculation Period ending immediately prior to such Loan Interest Payment Date less Senior Debt Service on such Loan Interest Payment Date to (ii) Junior Debt Service on such Loan Interest Payment Date.

“**Coverage Ratio**” means, in respect of any Loan Interest Payment Date, the ratio (expressed as a percentage) of:

- (a) Gross Rental Income received during the Calculation Period ending immediately prior to such Loan Interest Payment Date; to
- (b) Debt Service on such Loan Interest Payment Date.

“**Current Portfolio Value**” means, on any date, the aggregate Current Value of all the Mortgaged Properties comprising the Portfolio on such date.

“**Current Site Value**” means, on any date and in respect of a Mortgaged Property, the Site Value of such Mortgaged Property (or as the case may be of the relevant Property Company’s leasehold interest therein pursuant to a Head Lease) as determined by a valuation using valuation methods which are considered appropriate at the time by a prudent investor in property of a similar nature to the Mortgaged Properties prepared in respect of the Mortgaged Property by a valuer or surveyor who is a member of RICS and completed no more than six months prior to such date.

“**Current Vacant Value**” means, on any date and in respect of a Mortgaged Property, the value of such Mortgaged Property (or as the case may be of the relevant Property Company’s leasehold interest therein pursuant to a Head Lease) assuming full vacant possession as determined by a valuation using valuation methods which are considered appropriate at the time by a prudent investor in property of a similar nature to the Mortgaged Properties prepared in respect of the Mortgaged Property by a valuer or surveyor who is a member of RICS and completed no more than six months prior to such date.

“**Current Value**” means, on any date and in respect of a Mortgaged Property, the Market Value of such Mortgaged Property (or as the case may be of the relevant Property Company’s leasehold interest therein pursuant to a Head Lease) as determined by a valuation using valuation methods which are considered appropriate at the time by a prudent investor in property of a similar nature to the Mortgaged Properties prepared in respect of the Mortgaged Property by a valuer or surveyor who is a member of RICS and completed no more than six months prior to such date.

“**Dangerous Substance**” means any radioactive emissions and any natural or artificial substance (whether in solid or liquid form or in the form of a gas or vapour and whether alone or in combination with any other substance) capable of causing harm to man or any other living organism or capable of damaging the

environment or public health including any controlled, special, hazardous, toxic, radioactive or dangerous waste.

“**Debt Service**” means, on any Loan Interest Payment Date, the aggregate amounts due to be paid on that date under items (i) to (x) (but excluding item (viii)) of the Borrower Pre-Enforcement Priority of Payments or, as applicable, the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments.

“**Eligible Bank**” means an authorised institution under the Financial Services and Markets Act 2000 whose short-term debt obligations are rated A-1+ by S&P and F1 by Fitch, or is otherwise acceptable to the Rating Agencies.

“**Environmental Claim**” means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, notices of non-compliance or violation, investigations, proceedings, consent orders or consent agreements relating in any way to any Environmental Law or any Environmental Licence (“**Claims**”), including without limitation:

- (a) any and all Claims by governmental or regulatory authorities for enforcement, clean-up, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law; and
- (b) any and all Claims by any third party or parties seeking damages, contribution, indemnification, cost recovery, compensation, injunctive relief or interdict arising from alleged injury or threat to health, safety or the environment.

“**Environmental Law**” means any law or regulation concerning the protection of human health or the environment or the conditions of the work place or the generation, transportation, storage, treatment or disposal of Dangerous Substances.

“**Environmental Licence**” means any permit, licence, authorisation, consent or other approval required by any Environmental Law.

“**Gross Rental Income**” means, in respect of the period for which the same is being measured, the aggregate of:

- (a) the Rental Income received by the Property Companies or the Borrower in respect of the Mortgaged Properties, but not including any amount comprised in such Rental Income in respect of VAT;
- (b) income and redemption amounts (other than final redemption amounts) generated from Cash Collateral substituted for Mortgaged Properties or otherwise held;
- (c) other income of the Borrower (excluding interest, principal and other amounts paid by the Property Companies under the Borrower-PropCo Loan) and the Property Companies; and
- (d) any additional funds made available to a Property Company or the Borrower to enable the Borrower to make payments under the Issuer-Borrower Loan,

provided that, for the avoidance of doubt, Gross Rental Income shall not include funds standing to the credit of, or to be made available to the Borrower from, the Interest Shortfall Reserve Account, the Rental Surplus Account or the Class A Advance Coverage Reserve Account.

“**Junior Debt Service**” means Debt Service less Senior Debt Service.

“**Market Value**” means, in respect of a Mortgaged Property, the “Market Value” of such Mortgaged Property (or as the case may be of the relevant Property Company’s leasehold interest therein pursuant to a Head Lease) as such term is defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards published in May 2003, as subsequently amended.

“**Material Adverse Effect**” means a material adverse effect:

- (a) on the ability of the Borrower or any Property Company to perform its payment obligations under the Issuer-Borrower Loan Agreement or, as applicable, the Borrower-PropCo Loan Agreement; or

- (b) on the aggregate value and Gross Rental Income of the Mortgaged Properties or the ability of the Borrower to obtain any benefit receivable therefrom.

“**Material Structural Alteration**” means, in respect of a Mortgaged Property, a structural alteration, the cost of which is greater than five per cent. of the Market Value of such Mortgaged Property, as certified in the most recent valuation prepared by a valuer or surveyor who is a member of RICS.

“**MP Net Rental Income**” means, in respect of a Mortgaged Property and in respect of the period for which the same is being measured:

- (a) the Rental Income receivable, less
- (b) Permitted Operating Costs incurred and the Property Management Fee payable in respect of or attributable to such Mortgaged Property.

“**Non-Monetary Tenant Event**” means an event which would constitute a Tenant Event but in respect of which two directors of the Borrower certify that a breach by the Tenant of its obligations as tenant under a Lease is not material in the context of the relevant Tenant’s ability to pay the rent on, or cover insurance and repairs in respect of, the Mortgaged Property and in respect of the value of the reversion of the Mortgaged Property.

“**Original Vacant Value**” means:

- (a) in respect of a Mortgaged Property in the Portfolio on the Closing Date, the value given on the assumption of “Market Value with Full Vacant Possession” as given for the relevant Mortgaged Property in Appendix 1 of the Valuation Report on the basis described in the Valuation Report; and
- (b) in respect of a property which becomes a Mortgaged Property subsequent to the Closing Date, the Current Vacant Value at the time it becomes a Mortgaged Property.

“**Original Valuations**” means: (i) in respect of the Portfolio as at the Closing Date, the Market Values given for the Mortgaged Properties as at 1 November 2003, as set out in the Valuation Report; and (ii) in respect of any New Property, the most recent valuation of such New Property prior to the date of substitution assessed on the same basis as the Original Valuations.

“**Original Value**” means:

- (a) in respect of a Mortgaged Property in the Portfolio on the Closing Date, the value given on the basis of “Market Value” as given for the relevant Mortgaged Property in Appendix 1 of the Valuation Report; and
- (b) in respect of a property which becomes a Mortgaged Property subsequent to the Closing Date, the Current Value at the time it becomes a Mortgaged Property.

“**Permitted Borrowings**” means:

- (a) Subordinated Borrowings;
- (b) debt outstanding pursuant to and in accordance with the Transaction Documents;
- (c) debt incurred by one Property Company in favour of another Property Company where the Property Company providing the indebtedness is unsecured, unguaranteed and fully subordinated to the rights of the Obligor Secured Parties and the terms of which include non-petition provisions acceptable to the Rating Agencies and the Obligor Trustee;
- (d) indebtedness reasonably incurred by, or on behalf of, a Property Company in respect of the deferred purchase price of assets or services purchased in the ordinary course of business as Permitted Operating Costs and the terms of which include non-petition provisions acceptable to the Rating Agencies and the Obligor Trustee;

- (e) indebtedness reasonably incurred by, or on behalf of, a Property Company in the ordinary course of business under finance leases or hire purchase agreements, provided that such indebtedness does not exceed an aggregate amount outstanding of £100,000 at any one time; and
- (f) other indebtedness incurred by the Borrower or any Property Company which satisfies the Rating Condition, where the provider of the indebtedness is unsecured, unguaranteed and fully subordinated to the rights of the Obligor Secured Parties and the terms of which include non-petition provisions acceptable to the Rating Agencies and the Obligor Trustee.

**“Permitted Encumbrance”** means:

- (a) liens arising solely under statute or by operation of law and in the ordinary course of any Property Company’s business securing obligations not more than 90 days overdue;
- (b) rights of set-off existing in the ordinary course of business activities between any Property Company and its suppliers, contractors or tenants;
- (c) any retention of title of goods supplied to any Property Company where such retention is required by the supplier or contractor in the ordinary course of the Property Company’s activities and on customary terms and the goods in question are supplied on credit;
- (d) any encumbrance (other than by way of mortgage, charge or standard security over any Mortgaged Property) securing any deferred purchase arrangements (to the extent permitted by the Issuer-Borrower Loan Agreement) entered into in the ordinary course of trading;
- (e) an encumbrance arising under the Transaction Documents;
- (f) any encumbrance (other than by way of mortgage, charge or standard security over any Mortgaged Property) arising under finance leases, hire purchase agreements, conditional sale agreements or the agreements for the acquisition of assets on deferred payment terms to the extent that the relevant Property Company is permitted to have any such agreements pursuant to the terms of the Transaction Documents; and
- (g) any other encumbrance created which satisfies the Rating Condition and which has the prior written consent of the Obligor Trustee (which consent will be given upon satisfaction of the Rating Condition).

**“Permitted Operating Costs”** means all reasonable costs, properly incurred either directly by the Property Manager or through contracting with third parties, of management and administration and ancillary services in relation to the Mortgaged Properties (including insurance costs) but, for the avoidance of any doubt, does not include (i) any element of costs incurred by the Property Manager that relates to the central provision of its services not specifically incurred in respect of a particular Mortgaged Property and (ii) the Property Management Fee provided that the Permitted Operating Costs (excluding insurance costs) shall not exceed £150,000.

**“Post Tenant Event Threshold”** means, on any Loan Interest Payment Date, the Class A Coverage Ratio (calculated on the immediately preceding Loan Determination Date) is greater than or equal to 100 per cent. and the Class B Coverage Ratio (as so calculated) is greater than or equal to 37.5 per cent.

**“Property Management Fee”** means the fee, as agreed from time to time by the Property Companies and the Property Manager, payable to the Property Manager pursuant to the Property Management Agreement on each Loan Interest Payment Date.

**“Property Portfolio Proportion”** means, in respect of a Mortgaged Property, the Original Value of such Mortgaged Property divided by the Original Portfolio Value.

**“Rating Condition”** means, in relation to a particular matter, prior written confirmation from the Rating Agencies that the undertaking of such matter will not have an adverse effect on the then current ratings of the Bonds.

**“Relevant Event”** means the occurrence of liquidation, administration (or the presentation of a petition in respect thereof) or receivership in respect of the Borrower or any Property Company.

**“Rental Income”** means all amounts payable to or for the benefit of any Property Company or the Borrower arising from the letting, use or occupation of the Mortgaged Properties, including (but without double counting):

- (a) rents, licence fees and equivalent sums reserved or made payable;
- (b) any other monies payable in respect of use and/or occupation;
- (c) proceeds of insurance (or compensation under the Criminal Damage Order) in respect of loss of rent;
- (d) receipts from or the value of consideration given for the surrender or variation of any letting;
- (e) proceeds paid by way of reimbursement of expenses incurred or on account of expenses to be incurred in the management, maintenance and repair of, and the payment of insurance premiums for any Mortgaged Property;
- (f) proceeds paid for a breach of covenant or undertaking under any Lease and for expenses incurred in relation to any such breach;
- (g) any contribution to a sinking fund paid by an occupational tenant, licensee or guarantor;
- (h) interest, damages or compensation in respect of any of the items in this definition; and
- (i) any value added tax on any sum mentioned in this definition.

**“Rental Period”** means the period from and including the Loan Determination Date immediately prior to a Loan Interest Payment Date falling in February, to but excluding the Loan Determination Date immediately prior to the Loan Interest Payment Date falling in February in the following year.

**“Required Cash Collateral Amount”** means, in respect of an Old Property, the higher of:

- (a) the Allocated Debt Amount (which must be capable, to the satisfaction of the Obligor Trustee, of generating, if invested in Cash Collateral, funds having the yield and maturity characteristics set out in paragraph (b) below) in respect of that Old Property; and
- (b) the amount determined by the Borrower (or the Cash Manager on its behalf) and approved by the Obligor Trustee to be the amount which, if invested in Cash Collateral, would generate receipts (receivable prior to each Loan Determination Date) (either by way of yield or partial redemptions of Cash Collateral from time to time) at least equal to the scheduled quarterly net rental payments receivable in respect of that Old Property immediately prior to the time of the relevant substitution but so that the final redemption amount thereof (which must be in addition to such quarterly receipts and be payable on or prior to the Loan Interest Payment Date falling in May 2032) shall not be less than such Allocated Debt Amount (such approval of the Obligor Trustee to be given having regard solely to scheduled payments in respect of the same and no other factors) provided that, for the avoidance of doubt, any determination by the Cash Manager of an amount in respect of this definition shall not constitute any form of guarantee as to the amount of such receipts or such final redemption amount.

**“Required Rental Surplus Amount”** means, on any Relevant Loan Interest Payment Date, the aggregate of the Shortfalls for all future Loan Interest Payment Dates, determined by way of a Coverage Ratio Projection on such Relevant Loan Interest Payment Date.

**“RICS”** means the Royal Institution of Chartered Surveyors.

**“Senior Debt Service”** means, on any Loan Interest Payment Date, the Debt Service for that Loan Interest Payment Date less the amounts payable by the Borrower in respect of items (ix) and (x) under the Borrower Pre-Enforcement Priority of Payments on that Loan Interest Payment Date.



“**Site Value**” means, in respect of a Mortgaged Property, the Market Value on the special assumption that the site of such Mortgaged Property has been cleared and is fully serviced in preparation for redevelopment.

“**Subordinated Borrowings**” means:

- (a) the Subordinated Loan; or
- (b) any debt provided by any member of the Group or any direct or indirect subsidiary of any such member, the terms of which fully subordinate (both pre- and post-liquidation), and prohibit submission of proofs in respect of, claims in respect of the same and which include non-petition provisions acceptable to the Rating Agencies and the Obligor Trustee.

“**Tenant Event**” means:

- (a) an application has been presented, or an order has been made by a court, or any meeting is called to consider, the winding-up or dissolution of a tenant of any Lease of a Mortgaged Property (a “**Tenant**”) or a petition for an administration order is made, or an administrative or other receiver is appointed or other similar event has occurred (save for a solvent winding-up of a Tenant in connection with a reorganisation, on terms approved by the Obligor Trustee) (but disregarding frivolous or vexatious applications and petitions);
- (b) a Tenant is in default in the payment of at least £100,000 which is due under a Lease in respect of a Mortgaged Property and such default continues for 30 days after its due date; or
- (c) a Tenant is in material breach of its obligations as tenant under a Lease (a breach is material if it would be considered so by a prudent property investor) and the breach has not been certified as being a Non-Monetary Tenant Event and such breach continues for 30 days after notice from the landlord requesting remedy.

“**Vacant Value**” means, in respect of a Mortgaged Property, the Market Value on the assumption of full vacant possession of such Mortgaged Property.

“**VAT**” means value added tax or any similar tax or tax replacing the same.

### **The Obligor Deed of Charge**

The obligations of the Borrower under the Issuer-Borrower Loan Agreement will be secured by the assets of the Borrower, of each Property Company and the Parent pursuant to a deed of charge (the “**Obligor Deed of Charge**”, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified, including any standard securities and/or rental assignments entered into pursuant thereto) to be entered into on the Closing Date by, *inter alios*, the Borrower, the Issuer, the Parent, the Obligor Trustee and each of the Property Companies.

Under the Obligor Deed of Charge, the Borrower, each of the Property Companies and the Parent (each an “**Obligor**”) will agree to provide the Obligor Trustee, on trust for itself, the Issuer, the Property Manager, the Cash Manager, the Corporate Services Provider and any Property Adviser (together, the “**Obligor Secured Parties**”) and any receiver appointed under the Obligor Deed of Charge with the following security (the “**Obligor Security**”) over their respective property, assets and undertaking (the “**Obligor Charged Property**”):

- (a) the Borrower:
  - (i) first fixed security interests over all of the assets of the Borrower, including:
    - (A) the rights of the Borrower under:
      - (1) the Borrower-PropCo Loan Agreement;
      - (2) the Corporate Services Agreement;

- (3) the Cash Management Agreement;
  - (4) the Issuer-Borrower Loan Agreement;
  - (5) any Property Advisory Agreement;
  - (6) the Subordination Deed;
  - (7) the Subordinated Funding Agreement; and
  - (8) the Subscription Agreement,
- and all other contracts and agreements, present and future, to which the Borrower is, or may become, a party;
- (B) the rights of the Borrower in respect of the Borrower Accounts and over any Eligible Investments made or acquired from time to time by, or on behalf of, the Borrower from those accounts; and
  - (C) the rights of the Borrower over any Cash Collateral purchased or acquired from time to time by, or on behalf of, the Borrower;
- (ii) a first fixed equitable mortgage over all its right, title and interest in its shares in each of the Property Companies; and
  - (iii) a floating charge over the whole or substantially the whole of its assets and undertaking;
- (b) each Property Company:
- (i) a first legal mortgage (in respect of interests in the Mortgaged Properties), first-priority fixed charges or, as appropriate, first ranking and only standard securities, or, as the case may be, assignments or, as appropriate, assignations by way of security of or over the assets of the Property Companies, including, *inter alia*:
    - (1) all its respective interest in the Mortgaged Properties;
    - (2) all rental income (and any guarantee of such income) from the Mortgaged Properties;
    - (3) its interest in the amounts standing to the credit of the PropCo Accounts and over any Eligible Investments made or acquired from time to time by, or on behalf of, the Property Companies with funds standing to the credit of those accounts;
    - (4) insurances or insurance proceeds, licences, consents and authorisations (statutory or otherwise) held by the Property Companies in connection with the Mortgaged Properties or the use of the Mortgaged Properties and the right to recover and receive all compensation which may be payable in respect of them;
    - (5) fixtures, plant and machinery located at the Mortgaged Properties either owned by a Property Company or in which any Property Company has an interest;
    - (6) rights under any management contracts in respect of the Mortgaged Properties;
    - (7) all its respective interests in and under the Transaction Documents to which it is a party and all other contracts and agreements, present and future, to which it is, or may become, a party; and
    - (8) rights to compensation under the Criminal Damage Order; and
  - (ii) a floating charge over the whole or substantially the whole of its assets and undertaking;
- (c) the Parent:
- (i) a first equitable mortgage of all of its right, title and interest in its shares in the Borrower; and

- (ii) a floating charge over the whole or substantially the whole of its assets and undertaking.

Upon the service of an Issuer-Borrower Loan Enforcement Notice pursuant to the terms of the Obligor Deed of Charge, all payments under or arising from the Issuer-Borrower Loan Agreement will be required to be made to the Obligor Trustee or to its order (except as otherwise provided for in the Obligor Deed of Charge).

The Issuer Trustee, as chargee and assignee under the Issuer Deed of Charge, will, as part of the Issuer Security, hold the benefit of a security interest over the Issuer's interest in the Obligor Security on trust for the benefit of itself and certain creditors of the Issuer upon and subject to the terms thereof (see "The Issuer Deed of Charge"). All proceeds of realisation of the Obligor Security received by the Obligor Trustee will be applied in accordance with the applicable Borrower Post-Enforcement Priority of Payments.

The Issuer, the Cash Manager, the Property Manager, any Property Adviser, any receiver appointed under the Obligor Deed of Charge and the Obligor Trustee will agree that, unless an Issuer-Borrower Loan Enforcement Notice has been served, it will not take any steps whatsoever to enforce the Obligor Security nor will it take any steps or pursue any action whatsoever for the purpose of recovering any debts due or owing to it by the Borrower or any Property Company or to petition or procure the petitioning for the winding-up or administration of the Borrower or any Property Company or the appointment of an administrative receiver in respect of the Borrower or any Property Company.

The Obligor Deed of Charge provides that the Obligor Trustee shall have regard to the interests of the Obligor Secured Parties as a class but requires the Obligor Trustee, in the event of a conflict, in the opinion of the Obligor Trustee, between the interests of the other Obligor Secured Parties and those of the Issuer to have regard to the interests of the Issuer. It also provides that, in having regard to the interests of the Issuer, the Obligor Trustee shall, for so long as the interests of the Issuer under the Obligor Deed of Charge are the subject of the security created by the Issuer Deed of Charge, have regard to the interests of the Issuer Secured Parties in place of those of the Issuer.

The Obligor Deed of Charge will be governed by English law provided that any charge or standard security, rent assignment or other fixed security granted in respect of a Mortgaged Property situated in Scotland or Northern Ireland, as applicable, will be governed by Scots law and Northern Irish law respectively.

### **The Issuer Deed of Charge**

The Issuer, the Issuer Trustee, the Bond Trustee, the Liquidity Facility Provider, the Cash Manager, the Paying Agents, the Account Bank and the Calculation Agent (together with the Bondholders, but excluding the Issuer, the "**Issuer Secured Parties**") will enter into a deed of charge (the "**Issuer Deed of Charge**", which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) on the Closing Date.

Under the Issuer Deed of Charge, the Issuer will grant the following security (the "**Issuer Security**") over its property, assets and undertaking (the "**Issuer Charged Property**") in favour of the Issuer Trustee who will hold such security on trust for the benefit of the Issuer Secured Parties (and any receiver appointed under the Issuer Deed of Charge):

- (i) an assignment by way of first fixed security of its rights, title, interest and benefit, present and future, in, to and under the Issuer-Borrower Loan Agreement and any deeds or agreements supplemental thereto;
- (ii) an assignment by way of first fixed security of its rights, title, interest and benefit, present and future, in, to and under the Obligor Deed of Charge and any deeds or agreements supplemental thereto;
- (iii) an assignment by way of first fixed security of its rights, title, interest and benefit, present and future, in, to and under:
  - (a) the Liquidity Facility Agreement;
  - (a) the Cash Management Agreement;

- (b) the Subscription Agreement;
- (c) the Agency Agreement; and
- (d) the Corporate Services Agreement,

and all other contracts and agreements, present and future, to which the Issuer is, or may become, a party;

- (iv) an assignment by way of first fixed security over the amounts from time to time standing to the credit of the Issuer Transaction Account and the Standby Account;
- (v) a first fixed charge over the Eligible Investments of the Issuer (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and
- (vi) a first ranking floating charge over all assets and undertaking of the Issuer not effectively charged by the first ranking fixed security interests referred to above but extending over all of the Issuer's assets and undertaking situated in Scotland and Northern Ireland, as applicable, or otherwise governed by Scots law or Northern Irish law.

To the extent that the Issuer's beneficial interest in the Obligor Security is not validly charged and assigned under English law or Northern Irish law, the Issuer will assign such interest pursuant to an assignation in security under Scots law comprised in the Issuer Deed of Charge.

The proceeds of enforcement of the Issuer Security will be applied in accordance with the Issuer Post-Enforcement Priority of Payments, except that all amounts standing to the credit of the Standby Account (and the proceeds of any Eligible Investments representing such amounts) will be applied in or towards payment of all amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement. For further details, see "Resources Available to the Borrower and the Issuer — Issuer Priorities of Payments".

The Issuer Deed of Charge provides that the Issuer Trustee shall have regard to the interests of the Issuer Secured Parties as a class but requires the Issuer Trustee, in the event of a conflict, in the opinion of the Issuer Trustee, between the interests of the Bondholders and the interests of the Issuer Secured Parties or any of them, to have regard only to the interests of the Bondholders or to those of the Class A Bondholders in the event of a conflict, in the opinion of the Bond Trustee, between the interests of the Class A Bondholders and the Class B Bondholders.

The Obligor Trustee, the Issuer Trustee or the Bond Trustee shall have regard respectively to the interests of the Obligor Secured Parties, the Issuer Secured Parties, the Bondholders or any class of them as a class and not to the interests of any individual member of the class.

Each of the Obligor Deed of Charge and the Issuer Deed of Charge provide that if different entities act as trustee of the Obligor Deed of Charge, the Issuer Deed of Charge and the Trust Deed or any of them, each of the Obligor Trustee and the Issuer Trustee shall assume that any request, instruction, authorisation or the like given by the Issuer Trustee or the Bond Trustee, respectively, is given or made in the interests of the Issuer Secured Parties in the case of the Issuer Trustee and the interests of the Bondholders in the case of the Bond Trustee.

The Issuer Deed of Charge will be governed by English law, provided that certain security interests comprised therein and granted pursuant thereto will be governed by Scots or, as applicable, Northern Irish law.

### **The Borrower-PropCo Loan Agreement**

On the Closing Date, the Property Companies will enter into the Borrower-PropCo Loan Agreement with the Borrower.

The aggregate principal amount of the Borrower-PropCo Loan will correspond to the aggregate principal amounts of the Issuer-Borrower Loan (which will itself correspond to the aggregate of the principal amount of the Bonds) and the Subordinated Loan. If the Issuer issues Further Bonds and pays the Borrower the corresponding further advance, the Borrower shall advance to the Property Companies by way of loan an amount equal to the principal amount of such Further Bonds. There will be an obligation under the Borrower-PropCo Loan for the Property Companies to pay amounts due to the Borrower which are equal to or exceed all amounts which the Borrower is due to pay under the Issuer-Borrower Loan and the Subordinated Loan plus a small profit margin.

The Borrower-PropCo Loan Agreement will also provide for the accession of additional Property Companies as borrowers and for assumptions (or repayments and redrawings) of the Borrower-PropCo Loan by remaining Property Companies when Property Companies leave the security structure relating to the issue of the Bonds.

The Borrower-PropCo Loan Agreement will be governed by English law provided that terms which are particular to the laws of Scotland or Northern Ireland shall be governed by Scots Law and Northern Irish Law respectively.

### **The Bank Account Mandates**

The Issuer, the Cash Manager, the Borrower and PropCo 1 will each issue account mandates to the Account Bank on or about the Closing Date in connection with the maintenance of certain bank accounts for PropCo 1, the Borrower and the Issuer and the waiver by the Account Bank of all rights of set-off in relation thereto. PropCo 1 will declare a trust in favour of all the Property Companies (including PropCo 1) in respect of amounts standing to the credit of the PropCo Accounts.

The Account Bank will open and, for so long as it is an Eligible Bank, maintain:

- (a) interest-bearing deposit accounts in the name of PropCo 1 (the “**Insurance Proceeds Account**” and “**Cash Collateral Account**”, being together the “**PropCo Accounts**”);
- (b) a current account (the “**Rental Receipts Account**”) and an interest-bearing deposit account (the “**Interest Shortfall Reserve Account**”) and, following the occurrence of a Tenant Event, two interest-bearing deposit accounts (the “**Class A Advance Coverage Reserve Account**” and the “**Rental Surplus Account**”, being, together with the Rental Receipts Account and the Interest Shortfall Reserve Account, the “**Borrower Accounts**”), each in the name of the Borrower; and
- (c) a current account (the “**Issuer Transaction Account**”) and, (under certain circumstances) in the event that a Standby Drawing is made under the Liquidity Facility Agreement, an interest-bearing deposit account (the “**Standby Account**” and, together with the Issuer Transaction Account, the “**Issuer Accounts**”), each in the name of the Issuer.

If the Issuer or the Cash Manager (in the case of the Issuer Accounts), the Borrower or the Cash Manager (in the case of the Borrower Accounts) or any Property Company or the Cash Manager (in the case of the PropCo Accounts) become aware that the Account Bank is no longer an Eligible Bank, the relevant person shall notify each of the other parties to the Cash Management Agreement and the Issuer, the Borrower or the Property Companies, as the case may be, shall, as soon as practicable thereafter and in any event within 25 Business Days, transfer the relevant Account to another Eligible Bank or, in the event that no bank is then an Eligible Bank, to a bank in respect of which the relevant criteria set out in the definition of “**Eligible Bank**” (in the reasonable opinion of the Issuer Trustee (in the case of an Issuer Account) or the Obligor Trustee (in the case of a Borrower Account or a PropCo Account)) are closest to being satisfied.

The PropCo Accounts and the Borrower Accounts will be subject to the charges given by the Property Companies and the Borrower to the Obligor Trustee in the Obligor Deed of Charge and the Issuer Accounts will be subject to the charges given by the Issuer to the Issuer Trustee in the Issuer Deed of Charge.

Neither the Borrower nor the Property Companies may, without the prior consent of the Obligor Trustee, withdraw any monies from the PropCo Accounts or the Borrower Accounts, as applicable, otherwise than in

accordance with the provisions of the account mandates, the Cash Management Agreement and the Obligor Deed of Charge. Pursuant to the account mandates, the Account Bank will be entitled to act only on the instructions of the Cash Manager (acting as agent of the Obligor Trustee) or of the Obligor Trustee (and any receiver appointed by it) and not on the instructions of the Borrower or any of the Property Companies (unless the Obligor Trustee otherwise consents). After the service of an Issuer-Borrower Loan Enforcement Notice, the Account Bank will be entitled to act only on the instructions of the Obligor Trustee.

The Issuer may not, without the prior consent of the Issuer Trustee, withdraw any monies from the Issuer Transaction Account otherwise than in accordance with the provisions of the account mandates, the Cash Management Agreement and the Issuer Deed of Charge. Pursuant to the account mandates, the Account Bank will be entitled to act only on the instructions of the Cash Manager (acting as agent of the Issuer Trustee) or of the Issuer Trustee (and any receiver appointed by it) and not on the instructions of the Issuer (unless the Issuer Trustee otherwise consents). After the service of a Bond Enforcement Notice, the Account Bank will be entitled to act only on the instructions of the Issuer Trustee.

### **The Cash Management Agreement**

On the Closing Date, the Issuer, the Borrower, the Obligor Trustee, the Issuer Trustee and each Property Company will enter into a cash management agreement (the “**Cash Management Agreement**”) with the Cash Manager pursuant to which the Cash Manager will have responsibility for, *inter alia*, the day-to-day cash management and certain administrative requirements of the Borrower, the Issuer and the Property Companies. The Cash Manager will:

- (a) acting as agent of the Obligor Trustee, arrange for all payments out of the PropCo Accounts and the Borrower Accounts;
- (b) acting as agent of the Property Companies, arrange all payments of interest, principal and fees on the Borrower-PropCo Loan and invest in Eligible Investments;
- (c) acting as agent of the Borrower, arrange all payments of interest, principal and fees on the Issuer-Borrower Loan and invest in Eligible Investments;
- (d) acting as agent of the Issuer Trustee, arrange for all payments out of the Issuer Accounts; and
- (e) acting as agent of the Issuer, make drawings under the Liquidity Facility Agreement, make arrangements for the payment of certain fees and expenses and invest in Eligible Investments.

The Issuer will covenant to pay certain fees and expenses to the Cash Manager for the provision of such services.

The Cash Manager will be required, on each Loan Determination Date, to calculate the Coverage Ratio, the Class A Coverage Ratio and the Class B Coverage Ratio (the “**Coverage Test**”) and forward details of the same to the Obligor Trustee, the Issuer Trustee and the Bond Trustee. The Cash Manager will also report each quarter to the Bond Trustee, the Obligor Trustee and the Rating Agencies on certain specified matters relating to the Bonds.

Pursuant to the terms of the Cash Management Agreement, the appointment of the Cash Manager may be terminated upon not less than two months’ notice provided that, except in certain circumstances, a successor cash manager acceptable to, *inter alios*, the Obligor Trustee and the Issuer Trustee will be appointed upon the termination and provided that the then current ratings of the Bonds are not adversely affected by such change. The appointment of the Cash Manager may also be terminated following the occurrence of certain termination events.

The Cash Manager will be appointed to act as the agent of the Obligor Trustee and the Issuer Trustee for the better protection and perfection of the security constituted by and pursuant to the Obligor Deed of Charge and the Issuer Deed of Charge. Neither the Obligor Trustee nor the Issuer Trustee shall have any duty to monitor or supervise the performance by the Cash Manager of its duties and obligations under the Transaction Documents (and each shall be entitled to assume that the Cash Manager is properly performing

its duties and obligations thereunder until it has actual knowledge to the contrary) nor shall either of the Obligor Trustee and the Issuer Trustee have any liability to the Issuer, any Obligor, the Obligor Secured Parties, the Issuer Secured Parties or any of them for any loss resulting from the acts or omissions of the Cash Manager. Each of the Obligor Trustee and the Issuer Trustee shall be entitled to be indemnified out of the Obligor Charged Property and the Issuer Charged Property in respect of any loss, liability, claim or demand which it may suffer as a result, directly or indirectly of the actions of the Cash Manager in priority to payment of all amounts due to any of the Obligor Secured Parties, the Issuer Secured Parties, the Issuer or the Obligors notwithstanding any other provision (express or implied) of the Transaction Documents relating to the liability of the Obligor Trustee and/or the Issuer Trustee for their acts or omissions.

The Cash Management Agreement will be governed by English law.

The Cash Manager will manage monies held in the PropCo Accounts and the Borrower Accounts in the manner set out below.

### **The Rental Receipts Account**

On the Closing Date the relevant Property Company will direct the tenants of the Mortgaged Properties to pay all rent payable by them in respect of the relevant Mortgaged Properties into the Rental Receipts Account.

On each Loan Interest Payment Date, the Cash Manager will apply amounts standing to the credit of the Rental Receipts Account on the immediately preceding Loan Determination Date in accordance with the applicable Borrower Priority of Payments. See further “Resources Available to the Borrower and the Issuer — Borrower Priorities of Payments”.

### **The Insurance Proceeds Account**

Amounts representing the proceeds of any insurance payments (or compensation payments under the Criminal Damage Order in relation to the Belfast Property) including amounts recovered from the Tenant pursuant to the insurance provisions in the Leases in respect of the damage or destruction of any Mortgaged Properties (but not loss of rent insurance proceeds or compensation under the Criminal Damage Order for loss of rent) will be deposited in the Insurance Proceeds Account. The Cash Manager will, subject to the terms of the Transaction Documents, (a) use funds standing to the credit of the Insurance Proceeds Account to indemnify the Property Manager in respect of amounts spent by the Property Manager towards reinstating the relevant Mortgaged Property or (b) transfer amounts standing to the credit of the Insurance Proceeds Account relating to such Mortgaged Property to the Rental Receipts Account to be applied towards a partial prepayment of the Issuer-Borrower Loan subject to senior amounts payable in accordance with the applicable Borrower Priority of Payments. See further “The Mortgaged Properties – The Leases – Summary of the Terms of the Leases – Insurance” (and Criminal Damage Order in Northern Ireland).

### **The Cash Collateral Account**

All amounts of Cash Collateral (if any) will be paid into the Cash Collateral Account. On each Loan Interest Payment Date, the Cash Manager will transfer sums standing to the credit of the Cash Collateral Account to the Rental Receipts Account in accordance with the Transaction Documents.

In addition, the Property Companies will be required to deposit into the Cash Collateral Account on the Closing Date certain amounts sufficient to cover potential stamp duty liabilities in respect of the reorganisation of the holding of certain property interests in the Mortgaged Properties taking place on the Closing Date. Such amounts will only be released from the Cash Collateral Account for the purposes of meeting such stamp duty liability or on (and to the extent of) the relevant transfer or disposition being adjudicated not chargeable with stamp duty and each of the Obligor Trustee and the Rating Agencies receiving confirmation of such adjudication. The amounts required to be maintained in the Cash Collateral Account for the purposes of covering potential stamp duty liabilities will be recorded by the Cash Manager on the Stamp Duty Reserve Ledger. The Property Companies intend to arrange for the submission of the

documents necessary for adjudication that such transactions are not chargeable with stamp duty as soon as is reasonably practicable after the Closing Date.

### **The Interest Shortfall Reserve Account**

The Borrower will be required, on the Closing Date, to deposit an amount equal to £4,560,000 into the Interest Shortfall Reserve Account. Such deposit will be funded by the Property Companies pursuant to the Borrower-PropCo Loan Agreement by the Borrower withholding an equal amount from funds advanced to the Property Companies under the Borrower-PropCo Loan on the Closing Date. On any Interest Payment Date falling on or after the Closing Date, and to the extent that there are insufficient funds available in the Rental Receipts Account:

- (a) prior to the occurrence of a Tenant Event, to meet in full items (i) to (vi) and item (ix); or
- (b) on or after the occurrence of a Tenant Event, to meet in full items (i) to (vii),

of the Borrower Pre-Enforcement Priority of Payments, the Cash Manager will apply amounts standing to the credit of the Interest Shortfall Reserve Account in satisfying such shortfall (to the extent that sums are available in the Interest Shortfall Reserve Account).

### **The Rental Surplus Account**

If, following the occurrence of a Tenant Event but prior to the enforcement of the Obligor Security, a Shortfall is shown by a Coverage Ratio Projection, then the Cash Manager will be required to deposit all or part of the Surplus (if any) on the relevant Loan Interest Payment Date in an account to be opened by the Cash Manager in the name of the Borrower (the “**Rental Surplus Account**”). Amounts standing to the credit of the Rental Surplus Account will be available to the Borrower to be used as described in “Summary of Principal Documents relating to the Bonds – Application of Surpluses” above and “Resources Available to the Borrower and the Issuer – Available Funds – Funds Available to the Borrower” below.

### **The Class A Advance Coverage Reserve Account**

If, following the occurrence of a Tenant Event but prior to the enforcement of the Obligor Security, on any Loan Interest Payment Date the Class A Coverage Ratio is less than 375 per cent. and the funds standing to the credit of the Class A Advance Coverage Reserve Account are less than the principal amount outstanding of the Class A Advance, the Borrower will be required to deposit an amount equal to the Class A Advance Coverage Amount in an account to be opened by the Cash Manger in the name of the Borrower (the “**Class A Advance Coverage Reserve Account**”).

Amounts standing to the credit of the Class A Advance Coverage Reserve Account will be available to the Borrower as described under “Resources Available to the Borrower and the Issuer – Available Funds – Funds Available to the Borrower”.

Any amounts credited to the Class A Advance Coverage Reserve Account may be subsequently invested in Cash Collateral provided that such amounts must be invested in (a) cash on deposit with an Eligible Bank or (b) in Eligible Investments which mature prior the next Loan Interest Payment Date.

“**Class A Advance Coverage Amount**” means the amount by which the funds standing to the credit of the Class A Advance Coverage Reserve Account are less than the principal amount outstanding of the Class A Advance.



## **The Property Management Agreement**

On the Closing Date, the Property Manager will be appointed by the Property Companies on arm's length commercial terms pursuant to the Property Management Agreement. The Property Manager will be obliged to carry out the following tasks: (a) manage the Mortgaged Properties to a standard consistent with that of a prudent and experienced manager of commercial properties and in accordance with the principles of good estate management; (b) carry out comprehensive property management services (either directly or through sub-contractors) including, *inter alia*, collecting the rent payable in respect of the Mortgaged Properties, dealing with tenant queries, calculating the service charge amounts and conducting rent reviews; (c) monitor the tenants' performance of their obligations to insure the Mortgaged Properties and to put in place insurance if the tenants fail to do so; (d) monitor the tenants' performance of their covenants in the Leases and to supervise enforcement of such covenants where necessary; (e) keep records of all of its activities; and (f) ensure that the Mortgaged Properties comply with planning and environmental law.

The Property Manager's obligations include dealing with applications for consent to assign by tenants of the Mortgaged Properties. The Property Manager is specifically prevented from granting consent to any assignment to an assignee that is not a Qualifying Assignee without the consent of the Obligor Trustee.

In relation to the Sevenoaks Property and the Brentwood Property the Property Manager is obliged to use its best endeavours to obtain an AGA from the assignor of the assignee's obligations under the Lease and a guarantee of the assignor's obligations under such AGA in the event that such assignor's obligations under the relevant Lease are guaranteed.

In relation to the Belfast Property, the Edinburgh Property and the Glasgow Property, the Property Manager must use its best endeavours upon any assignment of a Lease of the Mortgaged Properties to obtain a guarantee of the assignee's obligations under the relevant Lease by the assignor and where possible, to procure that the assignor's obligations under such guarantee are guaranteed by the assignor's guarantor (if any) under the relevant Lease.

It should be noted that the Property Companies' ability to require AGAs, guarantees and further guarantees is set out in the Leases as described in "The Mortgaged Properties – The Leases – Summary of the Terms of the Leases – Alienation".

There are circumstances where the Property Manager's duties in relation to alienation of the Leases extend beyond what the Property Companies are entitled to require under the Leases.

The Property Companies will assign their rights with respect to the Property Management Agreement by way of security to the Obligor Trustee, pursuant to the terms of the Obligor Deed of Charge.

Following the occurrence of a Tenant Event, the Property Manager will be obliged to devise and implement a Property Strategy in order to achieve the Property Strategy Objective. The Property Strategy will be set out in the Property Manager's Report, copies of which will be delivered to the Obligor Trustee and the Rating Agencies. The Property Manager will be entitled to take such steps as it deems necessary to achieve the Property Strategy Objective and the Post Tenant Event Threshold. If, following the implementation of the Property Strategy the Post Tenant Event Threshold is not met, a Property Adviser will be appointed to prepare a Property Adviser's Report setting out its recommended steps to achieve the Property Strategy Objective and, if necessary, giving recommendations in respect of the disposal of the Mortgaged Properties. The Property Manager will assist the Property Adviser to achieve the Property Strategy Objective by providing information and complying with recommendations of the Property Adviser in the circumstances specified in the Property Management Agreement. See further "Summary of Principal Documents relating to the Bonds – Occurrence of a Tenant Event and Appointment of a Property Adviser" above.

The Property Companies may terminate the Property Manager's appointment by jointly serving notice of termination on the occurrence of any of the events specified in the Property Management Agreement. The Obligor Trustee may terminate the Property Manager's appointment by serving notice of termination on the Property Companies and the Property Manager on the occurrence of any of the events specified in the Property Management Agreement. The Property Manager may terminate its appointment by serving not less than two months' notice on each Property Company. No termination by the Property Companies or the

Property Manger shall take effect until a successor property manager has been appointed on terms to which the Obligor Trustee has given its prior written consent (which consent shall be given upon prior written confirmation from the Rating Agencies that such terms would not adversely affect the then current ratings of the Bonds).

Pursuant to the Issuer-Borrower Loan Agreement, the Property Companies will be required to use best endeavours to ensure that there is at all times a Property Manager engaged (on arm's length commercial terms) on terms substantially similar (but having regard to then available property management services) to the terms of the Property Management Agreement.

The Property Management Agreement will be governed by English law provided that terms which are particular to the laws of Scotland and Northern Ireland shall be governed by Scots Law and Northern Irish Law respectively.

### **The Tax Deed of Covenant**

The Parent, the Borrower, the Issuer, each Property Company, the Issuer Trustee and the Obligor Trustee will enter into a deed of covenant (the "**Tax Deed of Covenant**") on the Closing Date.

Pursuant to the Tax Deed of Covenant, each of the Parent, the Borrower and each Property Company will make certain representations and covenants in relation to tax matters (including secondary tax liabilities) for the benefit of the Obligor Trustee and the Issuer Trustee.

The Tax Deed of Covenant will be governed by English law.

The Issuer-Borrower Loan Agreement, the Bonds, the Agency Agreement, the Subscription Agreement, the Trust Deed, the Cash Management Agreement, the Issuer Deed of Charge, the Liquidity Facility Agreement, the Borrower-PropCo Loan Agreement, the Property Management Agreement, the Tax Deed of Covenant, the Subordination Deed, the Obligor Deed of Charge, any Property Advisory Agreement, the Subordinated Funding Agreement, the Corporate Services Agreement and the Mandates are, together, the "**Transaction Documents**".

## RESOURCES AVAILABLE TO THE BORROWER AND THE ISSUER

*The following is intended only to be a summary of certain provisions of the documents relating to the Bonds and is qualified in its entirety by the detailed provisions set forth elsewhere in this document and in the Transaction Documents.*

### The Liquidity Facility

The Trust Deed contains a covenant requiring the Issuer to maintain, save as described below, a liquidity facility (the “**Liquidity Facility**”) provided by a bank with the Requisite Rating on terms which satisfy the Rating Condition. The Liquidity Facility Agreement will be entered into on the Closing Date and will be a 364-day revolving facility under which a liquidity drawing may be made on any Interest Payment Date in the circumstances further set out below and under “Available Funds — Funds Available to the Issuer”.

Pursuant to the Liquidity Facility Agreement, the aggregate principal amount available under the Liquidity Facility will be either: (i) £16,000,000, up to, but excluding, the Interest Payment Date falling in August 2029 (the “**Step-Down Date**”); or (ii) £5,000,000, with effect from, and including, the Step-Down Date (the “**Liquidity Facility Commitment**”).

The commitment made available under the Liquidity Facility Agreement will be available to be drawn, pursuant to the terms of the Liquidity Facility Agreement, as follows:

- (a) prior to the Step-Down Date, to meet items (i) to (v) inclusive and, prior to the occurrence of a Tenant Event, item (vi) (provided that the amount available to meet item (vi) shall: (A) only be available if the directors of the Borrower have certified to the provider of the Liquidity Facility (the “**Liquidity Facility Provider**”) that no Relevant Event has occurred or is likely to occur; and (B) be limited to an amount equal to £5,000,000); and
- (b) from (and including) the Step-Down Date to meet items (i) and (ii) and, if no Tenant Event has occurred and is continuing, item (vi),

in each case of the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments or, as applicable, the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments provided that no Bond Enforcement Notice has been served and there is, or there will be, insufficient revenue available to the Issuer on any Interest Payment Date.

The Issuer will repay each drawing under the Liquidity Facility upon receipt of the unpaid amount of the relevant Scheduled Payment (together with any Additional Amount) paid under the Issuer-Borrower Loan Agreement. Amounts repaid may, subject to various conditions for drawing, be redrawn.

If:

- (a) the short-term, unsecured, unsubordinated and unguaranteed debt of the Liquidity Facility Provider ceases to be rated A-1+ by S&P and F1+ by Fitch (such ratings being the “**Requisite Rating**” for the purposes hereof); or
- (b) the Liquidity Facility Provider elects not to renew the Liquidity Facility within 10 days after receipt of a request to renew the Liquidity Facility (which may be made not more than 60 and not later than 30 days prior to the end of its 364-day term),

then the Issuer shall either (i) request the Liquidity Facility Provider to advance a drawing (a “**Standby Drawing**”) of that part of its commitment under the Liquidity Facility Agreement then available for drawing under the Liquidity Facility or (ii) replace the Liquidity Facility Provider with a party having the Requisite Rating (whether by means of the novation of the Liquidity Facility Agreement or the entry into of a new liquidity facility with a qualifying entity having the Requisite Rating). The Standby Drawing will generally be repayable only if the Liquidity Facility Provider is re-rated with the Requisite Rating or the Liquidity Facility Provider is replaced with an entity having the Requisite Rating (whether by means of the novation of the Liquidity Facility Agreement or the entry into of a new liquidity facility agreement with a qualifying entity having the Requisite Rating). The proceeds of the Standby Drawing will be placed in an account of

the Issuer (the “**Standby Account**”) which shall be an account with the Liquidity Facility Provider if the event leading to the making of a Standby Drawing is of the type described in (b) above and otherwise with the Account Bank. In each case, the Issuer will grant security over the Standby Account in favour of the Issuer Secured Parties pursuant to the Issuer Deed of Charge. Subject to the Issuer Deed of Charge, prior to a Bond Enforcement Notice being served, the amount of any Standby Drawing standing to the credit of the Standby Account will be available to the Issuer for utilisation in the circumstances provided in the Liquidity Facility Agreement. After the service of a Bond Enforcement Notice, all amounts standing to the credit of the Standby Account will be applied in or towards payment of all amounts due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement. The Issuer Deed of Charge will provide that upon service of a Bond Enforcement Notice such amounts will not be available to the Issuer or any Issuer Secured Party (other than the Liquidity Facility Provider).

Any replacement liquidity facility may contain more restrictive conditions, in relation to making drawings thereunder, than the Liquidity Facility Agreement or the then expiring Liquidity Facility.

Interest will accrue on any drawing under the Liquidity Facility Agreement at annual rates specified by reference to three-month LIBOR until such drawing is repaid. Interest so accrued on drawings other than Standby Drawings will be funded through Additional Amounts payable pursuant to the Issuer-Borrower Loan Agreement.

In addition to the interest payment referred to above, the Issuer will pay to the Liquidity Facility Provider an annual commitment fee on the undrawn, uncanceled amount of the Liquidity Facility Commitment.

On enforcement of the Issuer Security, all indebtedness outstanding to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than Subordinated Liquidity Facility Amounts) will rank in priority to, *inter alia*, the Bonds.

The Issuer Trustee will be authorised to make drawings under the Liquidity Facility on behalf of the Issuer.

The Liquidity Facility Agreement will be governed by English law.

### **Eligible Investments**

Pursuant to the Cash Management Agreement, amounts held in the PropCo Accounts, the Borrower Accounts and the Issuer Accounts may be invested from time to time in Eligible Investments at the direction of the Cash Manager.

“**Eligible Investments**” will be, at the option of the Cash Manager: (i) sterling denominated government securities; (ii) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper); (iii) deposits the subject of a guaranteed investment contract; or (iv) money market funds, provided that in all cases such investments will mature at least one Business Day prior to the next 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 or other deposits are made (being a bank or licensed EU credit institution) are, at the time when such investments are made, rated A-1+ by S&P and F1+ by Fitch, or are otherwise acceptable to the Rating Agencies.

### **Subordinated Funding Agreement**

On the Closing Date, a third party lender (the “**Subordinated Lender**”) will lend £13,750,000 (the “**Subordinated Loan**”) to the Borrower pursuant to the terms of an agreement to be entered into between the Borrower and the Subordinated Lender (the “**Subordinated Funding Agreement**”).

Repayment of amounts due under the Subordinated Funding Agreement will be subordinated to all amounts payable in respect of the Issuer-Borrower Loan Agreement pursuant to a deed to be entered into between, *inter alios*, the Borrower and the Subordinated Lender (the “**Subordination Deed**”).

## Available Funds

### Funds Available to the Borrower

Funds which the Borrower has available to it to enable it, on each Loan Interest Payment Date, to perform its obligations under the Issuer-Borrower Loan Agreement (and to meet other costs and expenses) will include, *inter alia*:

- (a) all amounts of Rental Income deposited in the Rental Receipts Account;
- (b) redeemed or repaid Eligible Investments made by or on behalf of the Borrower from amounts standing to the credit of the Rental Receipts Account, together with any interest accrued thereon;
- (c) any interest which may accrue on the Rental Receipts Account;
- (d) amounts (if any) transferred into the Rental Receipts Account from the Insurance Proceeds Account and the Cash Collateral Account in accordance with the Cash Management Agreement;
- (e) amounts (if any) available in certain circumstances from the Interest Shortfall Reserve Account, the Rental Surplus Account and Class A Advance Coverage Reserve Account; and
- (f) amounts, if any, of any Subordinated Borrowings.

If the Borrower is required to open a Rental Surplus Account, the Rental Surplus Account will be subject to the fixed security granted in favour of the Obligor Trustee pursuant to the Obligor Deed of Charge. To the extent that, on any Loan Interest Payment Date before the enforcement of the Obligor Security, the Borrower has insufficient funds available to it to enable it to make payment in respect of paragraphs (i) to (x) (but excluding item (viii)) of the Borrower Pre-Enforcement Priority of Payments or, as applicable, the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments, the Cash Manager will be required to withdraw from the Rental Surplus Account an amount equal to the relevant shortfall (to the extent that sufficient funds are available in the Rental Surplus Account) for the purposes of satisfying such shortfall (see also “Summary of Principal Documents relating to the Bonds – Application of Surpluses” above).

If, on any Loan Interest Payment Date, the balance standing to the credit of the Rental Surplus Account (after making all withdrawals required to be then made) exceeds the Required Rental Surplus Amount the Obligor Trustee will, upon request by the Borrower, release an amount equal to such excess from the Obligor Security and such amount will be transferred to the Rental Receipts Account.

If the Borrower is required to open a Class A Advance Coverage Reserve Account, the Class A Advance Coverage Reserve Account will be subject to the fixed security granted in favour of the Obligor Trustee pursuant to the Obligor Deed of Charge. To the extent that, on any Loan Interest Payment Date before the enforcement of the Obligor Security, the Borrower has insufficient funds available to it to enable it to make payments in respect of paragraphs (i) to (vii) (inclusive) of the Borrower Pre-Enforcement Priority of Payments or, as applicable, the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments, the Borrower will be required to withdraw from the Class A Advance Coverage Reserve Account an amount equal to the relevant shortfall (to the extent that sums are available in the Class A Advance Coverage Reserve Account) for the purposes of satisfying such shortfall (see “Summary of Principal Documents relating to the Bonds – The Cash Management Agreement – The Class A Advance Coverage Reserve Account” above).

If on any Loan Interest Payment Date, the balance standing to the credit of the Class A Advance Coverage Reserve Account (after making all withdrawals required to be then made) exceeds the principal amount outstanding of the Class A Advance, the Cash Manager shall transfer, or procure the transfer of, such excess amount to the Rental Receipts Account.

## **Funds Available to the Issuer**

Prior to the service of a Bond Enforcement Notice, funds which the Issuer has available to it to enable it to perform its obligations under or in respect of the Bonds (subject to prior ranking items in the relevant Issuer Priority of Payments having been satisfied) on each Interest Payment Date (the “**Pre-Enforcement Available Issuer Revenue**”) will comprise:

- (a) all monies paid to it under the Issuer-Borrower Loan Agreement (and no distinction will be made between Scheduled Interest Payments, Scheduled Fee Payments, Scheduled Principal Payments, or any other payments made thereunder by the Borrower) (such monies being paid by the Borrower into the Issuer Transaction Account);
- (b) interest accruing on the Issuer Accounts;
- (c) redeemed or repaid Eligible Investments made by or on behalf of the Issuer, together with any interest accrued thereon; and
- (d) to the extent that the aggregate of the foregoing items (a) to (c) are insufficient to pay or provide for items (i) to (v) and, in certain circumstances, item (vi) (prior to the Step-Down Date) or items (i) and (ii) and, in certain circumstances item (vi) (from (and including) the Step-Down Date) of the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments or, as applicable, the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments (as more fully described in, and subject to the conditions described under, “Resources Available to the Borrower and the Issuer – The Liquidity Facility” above), a drawing under the Liquidity Facility Agreement equal to the lesser of:
  - (i) the relevant shortfall; and
  - (ii) the undrawn balance of the Liquidity Facility Commitment.

After the service of a Bond Enforcement Notice, revenue available to the Issuer (“**Post-Enforcement Available Issuer Revenue**”) will comprise items (a) to (c) of Pre-Enforcement Available Issuer Revenue.

## **Borrower Priorities of Payments**

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

Prior to the service of an Issuer-Borrower Loan Enforcement Notice, the priority of application on any Loan Interest Payment Date of amounts standing to the credit of the Rental Receipts Account on the immediately preceding Loan Determination Date (plus any amounts transferred to the Rental Receipts Account from any other Borrower Account or PropCo Account on or immediately before such Loan Interest Payment Date) (together with funds (if any) available for this purpose standing to the credit of the Interest Shortfall Reserve Account, the Rental Surplus Account and the Class A Advance Coverage Reserve Account) will be as follows (such order being the “**Borrower Pre-Enforcement Priority of Payments**”):

- (i) *first, pro rata* according to the respective amounts thereof, in and towards payment of: (a) the remuneration, costs, expenses of, and other amounts due to, the Obligor Trustee then payable under the Transaction Documents; and (b) an amount to the Issuer as a Loan Fee Payment to enable it to meet the remuneration, costs, expenses of, and other amounts due to, the Bond Trustee and the Issuer Trustee then payable under the Transaction Documents;
- (ii) *secondly*, in and towards payment on behalf of the Property Companies of the remuneration, costs and expenses of any Property Adviser then payable;
- (iii) *thirdly*, in and towards payment of an amount to the Issuer as a Loan Fee Payment sufficient to enable it to meet the remuneration, costs and expenses of, and other amounts due to, the Paying Agents, the Calculation Agent, the Cash Manager, the Account Bank and the Liquidity Facility Provider (other than: (a) any Subordinated Liquidity Facility Amounts; and (b) amounts representing repayments of drawings (including Standby Drawings) under the Liquidity Facility Agreement and interest thereon) then payable;

- (iv) *fourthly, pro rata* according to the respective amounts thereof, in or towards payment: (a) to the Property Manager on behalf of the Property Companies of an amount equal to the Property Management Fee then due and of any amounts owing in respect of Permitted Operating Costs and in respect of which the Property Manager has not been previously reimbursed; and (b) of the audit fees, banking expenses, amounts owed to the Rating Agencies, expenses arising in connection with the maintenance of its corporate existence, amounts due to Structured Finance Management Limited (the “**Corporate Services Provider**”) under the corporate services agreement (the “**Corporate Services Agreement**”) to be entered into on or prior to the Closing Date between the Issuer, the Borrower and the Corporate Services Provider pursuant to which the Corporate Services Provider will agree to provide certain corporate services to the Issuer and any corporation and other taxes of the Property Companies, the Borrower and the Issuer to the parties to whom such amounts are owed;
- (v) *fifthly*, in or towards payment of an amount to the Issuer sufficient to enable it to pay all amounts due to the Liquidity Facility Provider, other than Subordinated Liquidity Facility Amounts (to the extent not paid under (iii) above);
- (vi) *sixthly*, in or towards payment of all amounts of interest due or overdue in respect of the Class A Advance;
- (vii) *seventhly*, in or towards payment of all amounts of principal due or overdue in respect of the Class A Advance;
- (viii) *eighthly*, if on such Loan Interest Payment Date: (a) a Tenant Event has occurred and is continuing; (b) the then Class A Coverage Ratio is less than 375 per cent.; and (c) the funds standing to the credit of the Class A Advance Coverage Reserve Account are less than the principal amount outstanding of the Class A Advance, in or towards depositing in the Class A Advance Coverage Reserve Account, for application by the Borrower on future Loan Interest Payment Dates in accordance with the provisions described in “Resources Available to the Borrower and the Issuer – Available Funds – Funds Available to the Borrower” an amount equal to the Class A Advance Coverage Amount;
- (ix) *ninthly*, in or towards payment of all amounts of interest due or overdue in respect of the Class B Advance;
- (x) *tenthly*, in or towards payment of all amounts of principal due or overdue in respect of the Class B Advance;
- (xi) *eleventhly*, in or towards payment of an amount to the Issuer as an Additional Fee Payment sufficient to enable it to pay all Subordinated Liquidity Facility Amounts due;
- (xii) *twelfthly*, following the occurrence of a Tenant Event which is continuing and has not been cured, in depositing the Surplus in the Rental Surplus Account up to an amount equal to the Required Rental Surplus Amount for application by the Borrower on future Loan Interest Payment Dates in accordance with the provisions described in “Summary of Principal Documents relating to the Bonds – Application of Surpluses” and “Resources Available to the Borrower and the Issuer – Available Funds – Funds Available to the Borrower”; and
- (xiii) *thirteenthly*, in or towards payment of all amounts due or overdue in respect of the Subordinated Loan.

If no event of default or potential event of default is outstanding under the Issuer-Borrower Loan Agreement, and the Obligor Trustee determines that there is more than £5,000 remaining after the payment of the liabilities then due under the Obligor Deed of Charge (for which purpose it may rely on a report prepared by the Cash Manager), such excess over £5,000 may be paid to or to the order of the Borrower.

“**Subordinated Liquidity Facility Amounts**” means any additional amounts in respect of withholding taxes, Additional Percentage (as defined in the Liquidity Facility Agreement) and increased costs payable to the Liquidity Facility Provider in excess of 0.20 per cent. per annum on the maximum aggregate amount available to be drawn under the Liquidity Facility.

## **Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments**

After the service of an Issuer-Borrower Loan Enforcement Notice, but prior to the acceleration of the Issuer-Borrower Loan, the Obligor Trustee will, on each Loan Interest Payment Date, apply monies received by it as follows (such order being the “**Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments**”):

- (i) *first*, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of: (a) the remuneration, costs, expenses and other amounts then payable to the Obligor Trustee under the Transaction Documents, together with VAT thereon (if applicable) and together with any interest thereon; (b) the remuneration, costs and expenses then payable to any receiver appointed in respect of the Borrower, any Property Company or the Parent, together with VAT thereon (if applicable) and together with any interest thereon; and (c) an amount to the Issuer as a Loan Fee Payment to enable it to pay the remuneration, costs, expenses and other amounts then payable to the Bond Trustee and the Issuer Trustee under the Transaction Documents, together with VAT thereon (if applicable) and together with any interest thereon;
- (ii) *secondly*, in and towards payment on behalf of the Property Companies of the remuneration, costs and expenses of any Property Adviser then payable;
- (iii) *thirdly*, in and towards payment of an amount to the Issuer as a Loan Fee Payment sufficient to enable it to meet the remuneration, costs and expenses of, and other amounts due to, the Paying Agents, the Calculation Agent, the Cash Manager, the Account Bank and the Liquidity Facility Provider (other than: (a) Subordinated Liquidity Facility Amounts; and (b) amounts representing repayments of drawings (including Standby Drawings) under the Liquidity Facility Agreement and interest thereon) then payable;
- (iv) *fourthly*, *pro rata* according to the respective amounts thereof, in or towards payment: (a) to the Property Manager on behalf of the Property Companies of an amount equal to the Property Management Fee then due and of any amounts owing in respect of Permitted Operating Costs and in respect of which the Property Manager has not been previously reimbursed; and (b) of the audit fees, banking expenses, amounts owed to the Rating Agencies, expenses arising in connection with the maintenance of its corporate existence, amounts due to the Corporate Services Provider under the Corporate Services Agreement and any corporation and other taxes of the Property Companies, the Borrower and the Issuer to the parties to whom such amounts are owed;
- (v) *fifthly*, in or towards payment of an amount to the Issuer sufficient to enable it to pay all amounts due to the Liquidity Facility Provider, other than Subordinated Liquidity Facility Amounts (to the extent not paid under (iii) above);
- (vi) *sixthly*, in or towards payment of all amounts of interest due or overdue in respect of the Class A Advance;
- (vii) *seventhly*, in or towards payment of all amounts of principal due or overdue in respect of the Class A Advance;
- (viii) *eighthly*, if on such Loan Interest Payment Date: (a) a Tenant Event has occurred and is continuing; (b) the then Class A Coverage Ratio is less than 375 per cent.; and (c) the funds standing to the credit of the Class A Advance Coverage Reserve Account are less than the principal amount outstanding of the Class A Advance, in or towards depositing in the Class A Advance Coverage Reserve Account, for application by the Borrower on future Loan Interest Payment Dates in accordance with the provisions described in “Resources Available to the Borrower and the Issuer – Available Funds – Funds Available to the Borrower” an amount equal to the Class A Advance Coverage Amount;
- (ix) *ninthly*, in or towards payment of all amounts of interest due or overdue in respect of the Class B Advance;
- (x) *tenthly*, in or towards payment of all amounts of principal due or overdue in respect of the Class B Advance;



- (xi) *eleventhly*, in or towards payment of all amounts of principal outstanding on the Class A Advance together with an amount to enable the Issuer to pay any applicable redemption premium payable on the Class A Bonds (after taking into account all amounts paid under item (vii) above);
- (xii) *twelfthly*, in or towards payment of all amounts of principal outstanding on the Class B Advance together with an amount to enable the Issuer to pay any applicable redemption premium payable on the Class B Bonds (after taking into account all amounts paid under item (x) above);
- (xiii) *thirteenthly*, in or towards payment of an amount to the Issuer as an Additional Fee Payment sufficient to enable it to pay all Subordinated Liquidity Facility Amounts due;
- (xiv) *fourteenthly*, in or towards payment of all amounts due or overdue in respect of the Subordinated Loan; and
- (xv) *fifteenthly*, the surplus to or to the order of the Borrower.

### **Borrower Post-Enforcement (Post-Acceleration) Priority of Payments**

After the service of an Issuer-Borrower Loan Enforcement Notice, the service of a Bond Enforcement Notice and the acceleration of the Issuer-Borrower Loan, the Obligor Trustee will apply monies received by it as follows (such order being the “**Borrower Post-Enforcement (Post-Acceleration) Priority of Payments**” and, together with the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments, the “**Borrower Post-Enforcement Priorities of Payments**”, the Borrower Post-Enforcement Priorities of Payments being, together with the Borrower Pre-Enforcement Priority of Payments, the “**Borrower Priorities of Payments**”):

- (i) *first*, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of: (a) the remuneration, costs, expenses and other amounts then payable to the Obligor Trustee under the Transaction Documents, together with VAT thereon (if applicable) and together with any interest thereon; (b) the remuneration, costs and expenses then payable to any receiver appointed in respect of the Borrower, any Property Company or the Parent, together with VAT thereon (if applicable) and together with any interest thereon; and (c) an amount to the Issuer as a Loan Fee Payment to enable the Issuer to pay (A) the remuneration, costs, expenses and other amounts then payable to the Bond Trustee and the Issuer Trustee under the Transaction Documents, together with VAT thereon (if applicable) and together with any interest thereon and (B) the remuneration, costs and expenses then payable to any receiver appointed in respect of the Issuer, together with VAT thereon (if applicable) and together with any interest thereon;
- (ii) *secondly*, in and towards payment on behalf of the Property Companies of the remuneration, costs and expenses of any Property Adviser then payable;
- (iii) *thirdly*, in and towards payment of an amount to the Issuer as a Loan Fee Payment sufficient to enable it to meet the remuneration, costs and expenses of, and other amounts due to, the Paying Agents, the Calculation Agent, the Cash Manager, the Account Bank and the Liquidity Facility Provider (other than: (a) Subordinated Liquidity Facility Amounts; and (b) amounts representing repayments of drawings (including Standby Drawings) under the Liquidity Facility Agreement and interest thereon) then payable;
- (iv) *fourthly*, *pro rata* according to the respective amounts thereof, in or towards payment: (a) to the Property Manager on behalf of the Property Companies of an amount equal to the Property Management Fee then due and of any amounts owing in respect of Permitted Operating Costs and in respect of which the Property Manager has not been previously reimbursed; and (b) of the audit fees, banking expenses, amounts owed to the Rating Agencies, expenses arising in connection with the maintenance of its corporate existence, amounts due to the Corporate Services Provider under the Corporate Services Agreement and any corporation and other taxes of the Property Companies, the Borrower and the Issuer to the parties to whom such amounts are owed;

- (v) *fifthly*, in or towards payment of an amount to the Issuer sufficient to enable it to meet any amounts owing to the Liquidity Facility Provider under the Liquidity Facility Agreement other than any Subordinated Liquidity Facility Amounts (to the extent not paid under (iii) above);
- (vi) *sixthly*, in or towards payment of: (a) all amounts of interest (calculated in accordance with the Issuer-Borrower Loan Agreement) due or overdue in respect of the Class A Advance; and thereafter (b) all amounts of principal due or overdue in respect of the Class A Advance (to the extent not already accounted for in item (v) above);
- (vii) *seventhly*, in or towards payment of: (a) all amounts of interest (calculated in accordance with the Issuer-Borrower Loan Agreement) due or overdue in respect of the Class B Advance; and thereafter (b) all amounts of principal due or overdue in respect of the Class B Advance;
- (viii) *eighthly*, in or towards payment of an amount to the Issuer sufficient as an Additional Fee Payment to enable it to pay all Subordinated Liquidity Facility Amounts due;
- (ix) *ninthly*, in or towards payment of all amounts due or overdue in respect of the Subordinated Loan; and
- (x) *tenthly*, the surplus to or to the order of the Borrower.

### **Issuer Priorities of Payments**

#### **Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments**

Prior to the service of an Issuer-Borrower Loan Enforcement Notice and a Bond Enforcement Notice, the priority of application on each Interest Payment Date of cash in the Issuer Transaction Account will be as follows (such order being the “**Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments**”):

- (i) *first*, in or towards satisfaction, on a *pro rata* basis according to the respective amounts thereof, of the remuneration, costs, expenses of, and other amounts due to, the Bond Trustee and the Issuer Trustee then payable under the Transaction Documents, together with VAT thereon (if applicable) and together with any interest thereon;
- (ii) *secondly*, in or towards satisfaction, on a *pro rata* basis according to the respective amounts thereof, of the remuneration, costs and expenses of, and other amounts due to, the Paying Agents, the Calculation Agent, the Cash Manager, the Account Bank and the Liquidity Facility Provider (other than: (a) Subordinated Liquidity Facility Amounts; and (b) amounts representing repayments of drawings (including Standby Drawings) under the Liquidity Facility Agreement and interest thereon);
- (iii) *thirdly*, to the Liquidity Facility Provider in or towards all amounts payable to the Liquidity Facility Provider under the Liquidity Facility Agreement other than any Subordinated Liquidity Facility Amounts (to the extent not paid under (ii) above);
- (iv) *fourthly*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest due or overdue in respect of the Class A Bonds;
- (v) *fifthly*, in or towards payment of all amounts of principal due or overdue in respect of the Class A Bonds;
- (vi) *sixthly*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest due or overdue in respect of the Class B Bonds;
- (vii) *seventhly*, in or towards payment, of all amounts of principal due or overdue in respect of the Class B Bonds;
- (viii) *eighthly*, to the Liquidity Facility Provider in respect of any Subordinated Liquidity Facility Amounts due;

- (ix) *ninthly*, in or towards payment of the amount of any tax refund received by the Issuer in respect of the Borrower's obligation to gross up for tax under the Issuer-Borrower Loan Agreement due from the Issuer to the Borrower under the Issuer-Borrower Loan Agreement; and
- (x) *tenthly*, if no Event of Default or potential Event of Default is outstanding under the Bonds, any surplus to the Issuer.

#### **Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments**

After the service of an Issuer-Borrower Loan Enforcement Notice but prior to the acceleration of the Issuer-Borrower Loan and the service of a Bond Enforcement Notice, the priority of application on each Interest Payment Date of cash in the Issuer Transaction Account will be as follows (such order being the “**Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments**”):

- (i) *first*, in or towards satisfaction, on a *pro rata* basis according to the respective amounts thereof, of the remuneration, costs, expenses of, and other amounts due to, the Bond Trustee and the Issuer Trustee then payable under the Transaction Documents, together with VAT thereon (if applicable) and together with any interest thereon;
- (ii) *secondly*, in or towards satisfaction, on a *pro rata* basis according to the respective amounts thereof, of the remuneration, costs and expenses of, and other amounts due to, the Paying Agents, the Calculation Agent, the Cash Manager, the Account Bank and the Liquidity Facility Provider (other than: (a) Subordinated Liquidity Facility Amounts; and (b) amounts representing repayments of drawings (including Standby Drawings) under the Liquidity Facility Agreement and interest thereon);
- (iii) *thirdly*, to the Liquidity Facility Provider in or towards all amounts payable to the Liquidity Facility Provider under the Liquidity Facility Agreement other than any Subordinated Liquidity Facility Amounts (to the extent not paid under (ii) above);
- (iv) *fourthly*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest due or overdue in respect of the Class A Bonds;
- (v) *fifthly*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of principal due or overdue in respect of the Class A Bonds;
- (vi) *sixthly*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest due or overdue in respect of the Class B Bonds;
- (vii) *seventhly*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of principal due or overdue in respect of the Class B Bonds;
- (viii) *eighthly*, in or towards payment of all amounts of principal outstanding on the Class A Bonds together with any applicable redemption premium payable on the Class A Bonds arising as a result of such redemption, in accordance with Condition 5(b)(ii) (after taking into account all amounts paid under item (v) above);
- (ix) *ninthly*, in or towards payment of all amounts of principal outstanding on the Class B Bonds together with any applicable redemption premium payable on the Class B Bonds arising as a result of such redemption, in accordance with Condition 5(b)(ii) (after taking into account all amounts paid under item (vii) above);
- (x) *tenthly*, to the Liquidity Facility Provider in respect of any Subordinated Liquidity Facility Amounts due;
- (xi) *eleventhly*, in or towards payment of the amount of any tax refund received by the Issuer in respect of the Borrower's obligation to gross up for tax under the Issuer-Borrower Loan Agreement due from the Issuer to the Borrower under the Issuer-Borrower Loan Agreement; and
- (xii) *twelfthly*, if no Event of Default or potential Event of Default is outstanding under the Bonds, any surplus to the Issuer.

### **Issuer Post Enforcement Priority of Payments**

After the service of a Bond Enforcement Notice, the priority of application of the proceeds of enforcement of the Issuer Security will be that set out in Condition 2(C) (such order being the “**Issuer Post-Enforcement Priority of Payments**” and, together with the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments and the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments, the “**Issuer Priorities of Payments**”).

## THE MORTGAGED PROPERTIES

### Introduction

On the Closing Date, the Property Companies will acquire from the BVI Companies the freehold interests in the Sevenoaks Property, the Brentwood Property and the Belfast Property and long leasehold interests in the Edinburgh Property and the Glasgow Property.

### The Leases

All Mortgaged Properties are subject to occupational leases (the “**Leases**”). The current tenant under the Leases of all the Mortgaged Properties is British Telecommunications public limited company (“**BT**” or the “**Initial Tenant**”). Brief details of terms of the Leases are set out below under “Summary of the Terms of the Leases”. The Leases have been amended on a number of occasions by way of deeds of variation and supplemental deeds. The description of the Leases in this section, “The Mortgaged Properties”, is of the Leases as amended as at the Closing Date.

### Summary of the Terms of the Leases

#### *Insurance (and Criminal Damage Order in Northern Ireland)*

The Tenant is obliged to insure the Mortgaged Properties against the insured risks listed in the Leases. The list of insured risks includes acts of terrorism (but in relation to the Belfast Property terrorism is currently excluded from the insurance policies).

The insurance effected by the Tenant must:

- (a) be taken out in the name of the Tenant with the interests of the landlord and any mortgagee of the landlord noted on the policy;
- (b) be taken out with an insurance company rated by either A.M. Best, Moody’s or S&P as not less than A; and;
- (c) be in the full cost of reinstatement of the premises including shoring up demolition and site clearance, professional fees, VAT and allowance for building costs increases.

The insured risks expressly exclude “such risks as the insurers or underwriters have refused to insure”.

In addition to the above the Tenant is required to insure (for the benefit of the landlord) against loss of rent payable pursuant to the Leases arising from damage to the premises by the insured risks referred to above. The period of the loss of rent cover must be the period reasonably determined by the landlord as being necessary for the reinstatement of the premises and in no event shall be less than three years.

The Tenant must also insure against property owner’s third party and various other public liabilities.

In relation to the Mortgaged Properties in England and Scotland the landlord’s reinstatement covenants only apply in relation to circumstances where the premises have been destroyed or damaged by an insured risk and where certain notices have been served on the landlord requiring reinstatement of the premises. Where this is not the case the Tenant must reinstate the premises. In Northern Ireland the landlord’s reinstatement covenants also apply where such notices have been served in circumstances where a claim for compensation arises under the Criminal Damage Order (generally terrorist acts).

If the premises are destroyed or damaged by an insured risk (or in Northern Ireland in circumstances where a claim for compensation arises under the Criminal Damage Order) and the relevant notices requiring reinstatement served then the landlord is obliged to reinstate as quickly as is reasonably practicable. The rebuilt premises must be as convenient and commodious as reasonably practicable but do not need to be identical to the previous premises. If the sums insured (or compensation awarded under the Criminal Damage Order in Northern Ireland) prove to be insufficient to meet the landlord’s reinstatement obligations

the shortfall must be made up by the Tenant. If no such notices are served the Tenant must, at its own cost, reinstate the premises.

If during the term of the Leases the premises are rendered unfit for occupation and use as a result of damage by an insured risk then the rent (or a fair proportion of it) will be suspended until they are again fit for occupation and use or until the proceeds of the loss of rent insurance have been exhausted, whichever occurs first. In respect of the Mortgaged Property in Northern Ireland there is no rent suspension for damage by act or event giving rise to a claim for compensation under the Criminal Damage Order.

If the premises are not rebuilt or reinstated in accordance with the terms of the Leases within three years from the date of notice to reinstate by the Tenant to the landlord (or in Northern Ireland within the same period from damage or destruction by an act or event giving rise to a claim for compensation under the Criminal Damage Order), then either the landlord or the Tenant may serve notice on the other in writing to terminate the relevant Lease. Upon service of such notice the Lease will immediately terminate (without prejudice to any pre-existing rights and remedies that may have accrued to either party) and all money received in respect of insurance effected by the Tenant (or compensation payable under the Criminal Damage Order) in respect of the premises shall belong to the landlord absolutely.

The Tenant gives normal covenants not to vitiate the insurance policies and to comply with the requirements of insurers.

#### *VAT*

The VAT provisions in the Leases enable the landlord to charge VAT on all rents and all other taxable supplies made.

The landlord will also be entitled to be reimbursed an amount equal to any unrecoverable input tax incurred by it in respect of supplies made to it in connection with the Leases.

In the event that the Tenant makes any supplies to the landlord it will also be entitled to charge VAT and be reimbursed in respect of any irrecoverable VAT expended.

#### *Rent and Rent Review*

Under the Leases the Tenant gives a covenant to pay the rent on the dates set out in the lease without any deduction, set-off or counter-claim. Rent under the Leases is payable monthly in advance on the first business day of each calendar month.

The amount of each monthly payment is set out in a schedule attached to the Lease (as varied).

A schedule of rental increases setting out the annual increase in the rents payable under the Leases is set out in Appendix 3 to the Valuation Report.

#### *Repair, Decoration and Maintenance*

Under the terms of the Leases, the Tenant covenants to keep the premises in good and substantial repair and condition.

In the lease of the Belfast Property there is a further covenant by the Tenant to carry out works of repair and rebuilding where a right arises under the Criminal Damage Order to apply for compensation in respect of the costs of the work so incurred.

Subject as described below in relation to Leases of the Scottish Properties, repair includes renewal and replacement so long as that would not involve the Tenant giving back to the landlord something wholly different to what was demised. The Tenant would only be obliged to repair any latent defect insofar as it caused disrepair and the only way to remedy the disrepair would be to correct the latent defect.

The repairing covenant in the Leases of the Edinburgh Property and the Glasgow Property requires the Tenant to keep the premises demised in good and substantial repair and condition and (where necessary and

in the nature of repair) to renew and rebuild such premises irrespective of the cause of damage thereto or destruction thereof. Repair has a more restrictive meaning in the Leases of the Edinburgh Property and the Glasgow Property. The above limitation on the Tenant's obligation to carry out works of renewal and rebuilding such that the Tenant only has to carry them out if they are "in the nature of repair" may limit the Tenant's obligations to keep the fabric of the relevant premises in good repair. In addition to this repairing covenant, the Tenant undertakes to reinstate all damage or destruction to or as the case may be of the relevant Mortgaged Property unless in the case of insured risks a notice is served requiring the landlord to reinstate (as to which see above).

There are certain self-help provisions which would enable the landlord to enter the premises and notify the Tenant of items of disrepair. If the Tenant fails to commence and proceed with any repairs notified to it within three calendar months the landlord may enter the premises to effect the repairs in question at the cost of the Tenant.

### *Alterations*

The Tenant is prohibited from the following:

- (a) erecting a new or replacement building at the premises or making any addition or extension to the existing building;
- (b) joining the premises with any other premises; or
- (c) making any structural alterations save for internal structural alterations which do not affect the structural integrity of the premises which are discussed below.

The Tenant may carry out the following without the Landlord's consent:

- (a) erect, install, remove or reposition internal demountable partitioning;
- (b) cutting cable holes in internal and external walls of the premises and affixing cables to the same; or
- (c) carrying out internal non-structural alterations or internal structural alterations which do not affect the structural integrity of the premises.

For so long as the tenant under the Leases is BT or a subsidiary or subsidiary undertaking of the holding company of BT (together, the "**BT Group**") it may carry out any alterations or additions or other works to the premises notwithstanding the alterations provisions described above. This exemption is subject (where reasonably and properly required by the landlord) to the tenant reinstating such alterations at the expiry or sooner determination of the term insofar as the same might adversely affect the future letting or residual value of the premises. Where the tenant under the Leases is any party other than BT or a BT Group company it will be obliged to reinstate alterations upon the expiry or determination of the term which might adversely affect the future letting or residual values of the premises. There is no requirement on the part of the landlord to serve notice requiring such reinstatement whereas this would be the case if BT or a BT Group company were the tenant at the expiry or sooner determination of the term.

In the absence of detailed licences and construction documents relating to the Property the landlord will not easily be able to identify works carried out by the Tenant which might need to be reinstated at the end of the term.

### *Alienation*

In this section the following definitions are used:

"**AGA**" means an authorised guarantee agreement (as defined in section 16 of the Covenants Act) in such form as the landlord shall reasonably require.

"**Covenants Act**" means the Landlord and Tenant (Covenants) Act 1995.

**“Qualifying Assignee”** means an assignee whose senior unsecured unsubordinated and unguaranteed long term debt is rated (or whose proposed senior unsecured unsubordinated and unguaranteed long term debts is indicatively rated) equal or equivalent to or better than the rating by both of Moody’s and S&P at the time of the proposed assignment applicable to the senior unsecured unsubordinated and unguaranteed long term debt of BT and whose credit rating has not been placed on the credit watch list or has not been accorded a negative or developing outlook or equivalent (other than with a view to a possible up-grade) by either S&P or Moody’s at the date immediately prior to completion of the proposed assignment.

**“Scottish Lease Guarantee”** means a guarantee by an assigning tenant under a Lease of a Mortgaged Property in Scotland (but not also by, or supported in turn by a guarantee from, any guarantor of such assigning tenant's Lease obligations) whereby such assigning tenant guarantees the obligations of its direct assignee (but not of any second or subsequent assignee) as tenant under that Lease, such guarantee to be on terms which meet criteria set out in the Leases of the Mortgaged Properties in Scotland.

The Tenant covenants not to assign, charge, underlet or otherwise deal with its interest in the premises except as set out below.

#### **Assignment – Sevenoaks Property and Brentwood Property**

The Tenant covenants not to assign part only of the premises.

The Tenant may without the consent of the landlord assign the premises to a Qualifying Assignee within the BT Group. In these circumstances BT must enter into an AGA which shall only take effect if the assignee ceases to be a member of the BT Group and the assignee’s credit rating falls below what it was upon assignment of the Lease to it.

The Tenant may assign the premises to any assignee provided that the prior written consent of the landlord is obtained (such consent not to be unreasonably withheld or delayed). The landlord can as a condition to granting its consent require that the Tenant enters into an AGA unless the obligations of the proposed assignee are guaranteed by a party which satisfies the criteria applying to a Qualifying Assignee.

After the first assignment of the premises by BT the landlord may withhold its consent to any assignment otherwise than to a Qualifying Assignee.

Upon any assignment the assignee must first covenant by deed with the landlord (in such form as the landlord may reasonably require) that with effect from the date of the assignment and until the first subsequent assignment (which is not an excluded assignment as defined in the Covenants Act) such assignee will pay the rent and observe and perform the Tenant’s covenants and conditions contained in the Lease and further that it will register its interest in the premises at H.M. Land Registry. The lenders should note that there is nothing to prevent any assignee from degrouping after assignment of the lease to it.

If an AGA is entered into by BT or another assignor it will be required to guarantee the obligations of its assignee under the relevant Lease. The assignor’s liability under an AGA will only extend to its immediate assignee’s obligations and not those of any subsequent assignees.

If BT or any of its successors in title assign their interest in a Lease they will not be liable in respect of any future breaches of the terms of the Lease by their assignees except where they have entered into an AGA. Upon assignment of a Lease by BT or any of its successors the Borrower will not be in a position to recover from the assigning tenant losses arising from future breaches of the Lease arising after such assignment save to the extent it is permitted to do so under any AGA.

There are no change of control provisions in the Leases preventing change of ownership of a tenant entity.

#### **Assignment – Edinburgh Property and Glasgow Property**

The Tenant covenants not to assign part only of the premises.

The Tenant may without the consent of the landlord assign the premises to a Qualifying Assignee within the BT Group. In these circumstances BT must enter into a Scottish Lease Guarantee which shall only take effect



if the assignee ceases to be a member of the BT Group and the assignee's credit rating falls below what it was upon assignment of the Lease to it.

The Tenant may assign the premises to any assignee provided that the prior written consent of the landlord is obtained (such consent not to be unreasonably withheld or delayed). The landlord can as a condition to granting its consent to a proposed assignment to a party which does not satisfy the criteria applying to a Qualifying Assignee require that the Tenant grants a Scottish Lease Guarantee unless the obligations of the proposed assignee are guaranteed by a party which satisfies the criteria applying in respect of a Qualifying Assignee.

After the first assignment of the premises by BT the landlord may withhold its consent to any assignment otherwise than to a Qualifying Assignee.

Upon any assignment the assignee must first covenant by deed with the landlord (in such form as the landlord may reasonably require) that with effect from the date of the assignment and until the first subsequent assignment such assignee will pay the rent and observe and perform the Tenant's covenants and conditions contained in the Lease and further that it will register its interest in the premises at Land Register of Scotland. It should be noted that there is nothing to prevent any assignee from degrouping after assignment of the lease to it.

If BT or any of its successors in title assign their interest in a Lease they will not be liable in respect of any future breaches of the terms of the Lease by their assignees except where they have granted a Scottish Lease Guarantee. Upon assignment of a Lease by BT or any of its successors the Borrower will not be in a position to recover from the assigning tenant losses arising from future breaches of the Lease arising after such assignment save to the extent it is permitted to do so under any Scottish Lease Guarantee.

There are no change of control provisions in the Leases preventing change of ownership of a tenant entity.

### **Assignment – Belfast Property**

In relation to the Mortgaged Property in Northern Ireland the Covenants Act does not apply and there are no statutory provisions in Northern Ireland permitting AGAs. However the lease of the Belfast Property is to a large extent similar to those of the Mortgaged Properties in England in its effect. On an assignment to a party which is not a Qualifying Assignee the landlord can require the Tenant to enter into a deed guaranteeing the obligations of its assignee only until the next subsequent assignment and make the grant of consent subject to any additional reasonable conditions not specified in the lease.

### **Underletting**

The Tenant may with the landlord's consent (not to be unreasonably withheld or delayed):

- (a) underlet the whole of the premises; or
- (b) underlet a Permitted Part of the premises;

A "**Permitted Part**" is defined as being one or more whole floors or designated parts of floors of the premises excluding only those areas required for the common use of any undertenant and any other occupier of the premises.

All underlettings are subject to the following conditions:

- (a) The undertenant must covenant by way of deed with the landlord (in such form as the landlord may reasonably require) that it will observe and perform all of the provisions of the underlease to be observed and performed by the undertenant and the tenant's covenants and conditions contained in the Lease with effect from the date of the underlease and during the term of the underlease in the case of the Belfast Property, the Edinburgh Property or the Glasgow Property or, in the case of the Sevenoaks Property and Brentwood Property, until released pursuant to the Covenants Act;
- (b) the underlease must be in a form which:

- (i) is granted without fine or premium;
- (ii) reserves a rent that is not less than open market rent for the premises in question;
- (iii) incorporates rent review provisions which are consistent with established market practice for a rack rented lease of similar premises at the time of grant of the underlease;
- (iv) is (in the case of the Mortgaged Properties in England) contracted out of the provisions of Sections 24-28 of the Landlord & Tenant Act 1954 where the premises are of less than a whole floor at the premises and certain conditions are met relating to the nature of the underlet premises and their effect on the premises as a whole; and
- (v) is on terms consistent with established market practice for a rack rented lease of the premises or a permitted part of them at the time of grant of such underlease.

In relation to (iv) above, it is not possible in Northern Ireland to contract out of the security of tenure provisions of the Business Tenancies Order and consequently underlessees can seek renewal of their underleases pursuant to the Business Tenancies Order.

Underleases may only be granted at open market rent.

The Tenant is obliged to use all reasonable endeavours to enforce the provisions of any underlease.

The Tenant may share occupation of the premises with any entity in which it has a shareholding or other interest that enables it to block a special resolution by the shareholders of such entity provided that:

- (a) no relationship of landlord and tenant is created;
- (b) no security of tenure arises in favour of the party with whom occupation is shared; and
- (c) no relationship is created that would prevent vacant possession of the premises being given.

The sharing of occupation may continue until such time as the entity with whom occupation is being shared fails the tests set out in the preceding paragraph.

The Tenant must notify the landlord of any sharing of occupation of the premises within 10 business days of the commencement of such occupation.

#### *Forfeiture and Distress*

The forfeiture provisions are in a standard form and apply in the event of non-payment of rent, breach of tenant's covenants and a standard set of insolvency events.

The landlord may only re-enter the premises by court action.

The landlord is prohibited from exercising any rights of distress or distraint.

#### *Outgoings*

The Tenant will be responsible for paying all rates, taxes, water rates and all other outgoings in connection with the premises.

#### *Yielding Up*

At or before the expiry of the term the Tenant must yield up the premises in accordance with the terms of the Leases to the reasonable satisfaction of the landlord.

#### *User*

The Tenant may only use the premises as offices.

### *Payment of Landlord's Costs*

The Tenant is obliged to pay all of the landlord's reasonable and proper costs, fees, charges, disbursements and expenses:

- (a) in connection with the proper contemplation and enforcement of the provisions of the Leases;
- (b) in connection with the recovery or attempted recovery of arrears of rent due from the Tenant;
- (c) in procuring the remedying of any breach of covenant by the Tenant; and
- (d) in connection with any application for consent made pursuant to the Leases.

### *Statutory Requirements*

The Tenant is responsible for complying with all statutory requirements applicable in connection with the premises.

### *Planning*

The Tenant is obliged to comply with all planning legislation relating to the premises and to indemnify the landlord in respect of any breach of the same.

The Tenant is not prohibited from making an application for planning permission.

### *Indemnities*

The Tenant indemnifies the landlord against all damages, losses, costs, expenses, actions, demands, proceedings, claims and liabilities made against or suffered or incurred by the landlord arising from the breach or non-observance by the Tenant of its covenants in the Leases.

### *Title*

The Tenant is obliged by way of indemnity to perform and comply with all rights, easements, privileges, restrictions, covenants and other matters (of whatever nature) affecting the premises.

The Initial Tenant's obligations described in the preceding paragraph only extend so far as the landlord is itself subject to enforcement action taken by a person with the benefit of a right or rights to enforce any of the matters referred to.

### **The Initial Tenant**

BT is a public limited company incorporated in 1984 in England and Wales with registered number 1800000.

BT Group plc is the listed holding company for the BT Group of companies. BT is a wholly-owned subsidiary and is the principal trading company of the BT Group with a number of separately managed businesses. BT's principal activities include local, long distance and international telecommunications services, internet services and IT solutions.

BT has not been involved in the preparation of, and does not accept responsibility for, this Offering Circular.

### **Construction Issues**

No collateral warranties will be assigned to the Property Companies when they acquire the Mortgaged Properties. The Property Companies will have to rely on the repairing obligations set out in the Leases if defects arise in the Mortgaged Properties. No investigations into construction issues have been carried out by the lawyers preparing the Reports.

## Environmental Issues

No environmental warranties will be available to the Property Companies when they acquire the Mortgaged Properties. No investigations into environmental issues have been carried out by the lawyers preparing the Reports.

The Property Companies have arranged for various environmental reports prepared for previous owners of the Mortgaged Properties to be readdressed to the Property Companies. The reports do not reveal any issues which have a material effect on the value of the Mortgaged Properties.

Table 1: The Leases

<u>Mortgaged Property</u>	<u>Tenant</u>	<u>Term (years)</u>	<u>Expiry Date</u>
Sevenoaks Property	BT	31	5 April 2032
Brentwood Property	BT	31	5 April 2032
Edinburgh Property	BT	31	7 June 2032
Glasgow Property	BT	31	7 June 2032
Belfast Property	BT	31	31 March 2032

### The Sevenoaks Property

Located 27 miles south-east of London within a commuter town, this property comprises a new headquarters office building constructed in October 2001 over lower ground, ground floor and two upper floors and incorporates its own 550 space car park. The building is of steel frame construction with a combination of brick and glass elevations and presents a modern office building capable of sub-division. Total net internal floor area is 137,595 sq. ft. The Market Value, as shown in the Valuation Report, is £58,300,000.

The Sevenoaks Property is freehold and is registered with title absolute at H.M. Land Registry under title number K794880.

The Sevenoaks Property adjoins a railway.

All mining and mineral rights are excluded from the Sevenoaks Property as these were retained by Railtrack plc at the time of a previous sale of the Sevenoaks Property. Railtrack plc and its successors are however prevented from working mines and extracting minerals at the Sevenoaks Property.

Upon a sale of the Sevenoaks Property the purchaser must enter into a deed of covenant with Telereal Services Limited pursuant to which the purchaser covenants not to vary the insurance, repair and various other terms of the Lease of the Sevenoaks Property.

### The Brentwood Property

Located 24 miles north-east of London and within two miles of the M25, this property comprises an office building constructed in 1999 over ground floor and two upper floors. Internally, the property has been finished to include raised floors and air-conditioning. There are approximately 800 car parking spaces to the front of the property. Total net internal floor area is 164,169 sq. ft. The Market Value, as shown in the Valuation Report, is £62,200,000.

The Brentwood Property is freehold and is registered with title absolute at H.M. Land Registry under title number Ex559785.

The Brentwood Property is subject to a restriction and charge preventing disposal of the property without the consent of the Secretary of State for Health. This restriction protects clawback provisions under which the Secretary of State for Health is entitled to participate in 50 per cent. of the uplift in value of the Property in the event that planning permission is obtained for an alternative use during the 15 year period commencing on 14 November 1997. The necessary formalities have been complied with in relation to the transfer of this Property to the relevant Property Company. The charge in favour of the Secretary of State for

Health will be subordinate to those created by the Property Companies under or in accordance with the Obligor Deed of Charge.

Upon a sale of the Brentwood Property the purchaser must enter into a deed of covenant with Telereal Services Limited pursuant to which the purchaser covenants not to vary the insurance, repair and various other terms of the Lease of the Brentwood Property.

### **The Edinburgh Property**

Located seven miles west of Edinburgh city centre, this property comprises a purpose built headquarters office building completed in 1999 and incorporates a car park for 480 vehicles. The property is of steel frame construction with a combination of glazed curtain walling and anodised aluminium cladding. Total net internal floor area is 110,061 sq. ft. The Market Value, as shown in the Valuation Report, is £57,000,000. The Edinburgh Property is leasehold and is registered without exclusion of indemnity in the Land Register of Scotland under title number MID12155. Principal terms of the head lease are:

*Duration:* 175 years from 8 June 2001. No options to terminate early and/or to extend.

*Alienation/Charging Rights:* No requirement for landlord's consent – freely alienable subject to (i) giving notice of any dealing (which will include the grant of security); and (ii) entering into a deed of covenant with Telereal Services Limited pursuant to which the purchaser covenants not to vary the insurance, repair and various other provisions of the Lease of the Edinburgh Property or the alienation covenants in the Head Lease.

*Annual Rent:* £2 (no review).

The holding of the head lease interest should carry with it a shareholding in a management company which operates common parts of the business park of which the Edinburgh Property forms part. Arrangements for the transfer of such shareholding from BT to the relevant Property Company are as yet not completed.

### **The Glasgow Property**

Located within the city centre and approximately one mile from the central business district, this property comprises a purpose designed headquarters office building constructed in late 1999 providing modern office accommodation over ground floor and five upper levels together with the basement car parking for 124 cars. The building is of steel frame construction with double glazed and silver anodised aluminium clad elevations. Total net internal floor area is 175,588 sq. ft. The Market Value, as shown in the Valuation Report, is £56,900,000. The Glasgow Property is leasehold and is registered without exclusion of indemnity in the Land Register of Scotland under title number GLA157916. Principal terms of the head lease are:

*Duration:* 175 years from 8 June 2001. No options to terminate early and/or to extend.

*Alienation / Charging Rights:* No requirement for landlord's consent – freely alienable subject to (i) giving notice of any dealing (which will include the grant of security); and (ii) entering into a deed of covenant with Telereal Services Limited pursuant to which the purchaser covenants not to vary the insurance, repair and various other provisions of the Lease of the Glasgow Property or the alienation covenants in the Head Lease.

*Annual Rent:* £2 (no review).

### **The Belfast Property**

Located one-third of a mile from the traditional commercial centre of the city, this property comprises a 12 storey (plus basement) modern office building incorporating a car park for 130 vehicles. The building was constructed in 1998 and is of modern design providing air-conditioned office accommodation. Total net internal floor area is 155,302 sq. ft. The Market Value, as shown in the Valuation Report, is £42,350,000.

The Belfast Property is freehold and is registered with an absolute freehold title in the Land Registry of Northern Ireland under folio number AN 51935 County Antrim subject to the covenants and conditions

contained in a Fee Farm Grant dated 30 June 1999 made between Laganside Corporation, Lanyon Place Management Company Limited and BT Property Limited (the “**Fee Farm Grant**”).

The Fee Farm Grant is, in effect, a perpetual lease. Fee farm grants are common in Northern Ireland and are treated as freeholds but imposing certain covenants. The Fee Farm Grant reserves, in this case, a yearly fee farm rent of £1.00 (if demanded). This rent is similar to an English rent charge.

The Fee Farm Grant also reserves a service charge representing 18 per cent. of the annual expenditure for services which is payable by the grantee (i.e. the landlord of the relevant Lease, being the relevant Property Company) as an additional rent in each financial year in advance. The annual service charge for the last full service charge year was in excess of £50,000 plus VAT. The Lease of the Belfast Property as varied includes an express covenant requiring the Tenant to reimburse this cost to the landlord/the relevant Property Company.

The Fee Farm Grant expressly excludes all rights of re-entry and forfeiture of the Property by the grantor.

Upon a sale of the Belfast Property the purchaser must enter into a deed of covenant with Telereal Services Limited pursuant to which the purchaser covenants not to vary the insurance, repair and various other terms of the Lease of the Belfast Property.

### **Insurance**

Insurance for the Mortgaged Properties is provided pursuant to a policy (the “**Policy**”) supplied by Zurich Insurance Company Limited, 90 Fenchurch Street, London EC3M 4JX, providing coverage in respect of loss or damage to property owned, leased or hired by the BT Group on an all risks basis, including full UK terrorism cover (except as previously stated in relation to the Belfast Property where terrorism is currently excluded and there exists a statutory compensation scheme under the Criminal Damage Order in respect of damage to property in Northern Ireland resulting from terrorist acts). The Policy is renewable annually.

## USE OF PROCEEDS

The gross proceeds from the issue of the Bonds will be £286,214,750. On the Closing Date, the Issuer will apply an amount equal to the gross proceeds of the Bonds less any premium, if any, in connection with the issue of the Bonds to make, subject to and in accordance with the Issuer-Borrower Loan Agreement, the Issuer-Borrower Loan of £286,207,000 to the Borrower. The amount payable by the Issuer will be netted against a fee, payable to the Issuer by the Borrower, which will be equal to the Issuer's expenses incurred on the Closing Date in connection with the issue of the Bonds less any premium, if any, in connection with the issue of the Bonds. The Borrower will, in turn, on-lend an amount equal to £286,207,000 along with the amount received by it under the Subordinated Funding Agreement (in an amount of £13,750,000) to the Property Companies (which amounts will be netted against (i) a fee payable by the Property Companies to the Borrower which will be equal to the fee payable by the Borrower to the Issuer under the Issuer-Borrower Loan Agreement and (ii) an amount to enable the Borrower to establish certain reserves in the Borrower Accounts) which will apply them towards establishing certain reserves in the PropCo Accounts and purchasing the Mortgaged Properties from the BVI Companies which currently own them. The BVI Companies will apply the majority of the purchase price in repaying existing indebtedness and any surplus in meeting expenses incurred in the ordinary course of business. Accordingly, the net proceeds from the issue of the Bonds will be £286,214,750. The fees and expenses (including the Joint Lead Managers' commissions) relating to the issue of the Bonds are estimated not to exceed £5,250,000 and will be met on the Closing Date by the Issuer from the fee payable to it by the Borrower and from the premium received by the Issuer in connection with the issue of the Bonds.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales on 15 April 2003 (registered number 4735431) 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 authorised share capital of the Issuer is £50,000, divided into 50,000 ordinary shares of £1 each, all of which are fully paid up and held by SFM Corporate Services Limited, except for one share which is held by Structured Finance Management Limited (as nominee for SFM Corporate Services Limited). The Issuer has no subsidiaries.

### Principal Activities

The principal objects of the Issuer are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to issue securities, financial instruments, investments and derivative contracts, and to raise or borrow money and to grant security over its assets for such purposes and to lend money with or without security.

The Issuer 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 change of its name, the change of its address, the authorisation of the issue of the Bonds and of the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the advance of the Issuer-Borrower Loan, the taking of security for repayment of the Issuer-Borrower Loan and the grant of security for the repayment of the Bonds to the Issuer Trustee under the Issuer Deed of Charge), the receipt and disbursement of certain payments under the Bonds and other documents referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in Condition 3.

### Directors and Secretary

The directors of the Issuer (both of whom are executive directors) and their respective business addresses and other principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Other Principal Activities</u>
SFM Directors Limited	Blackwell House, Guildhall Yard, London EC2V 5AE	Director of special purpose vehicles
SFM Directors (No. 2) Limited	Blackwell House, Guildhall Yard, London EC2V 5AE	Director of special purpose vehicles

SFM Directors Limited is chairman of the Issuer. The company secretary of the Issuer is SFM Corporate Services Limited of Blackwell House, Guildhall Yard, London EC2V 5AE.

The Issuer has no employees.

The directors of SFM Directors Limited, SFM Directors (No. 2) Limited and SFM Corporate Services Limited are Jonathan Keighley, James Macdonald and Robert Berry.



## Capitalisation and Indebtedness Statement

The capitalisation of the Issuer as at the date of this document, adjusted for the Bonds to be issued on the Closing Date, is as follows:

### Share capital

Authorised and issued	£
50,000 ordinary shares of £1 each all of which have been issued fully paid.....	50,000

### Loan capital

£77,500,000 Class A 5.683 per cent. Bonds due 2029 (now being issued).....	77,500,000
£208,707,000 Class B 6.175 per cent. Bonds due 2032 (now being issued).....	208,707,000
Total capitalisation and indebtedness .....	<u>286,257,000</u>

The Issuer will enter into the Liquidity Facility Agreement described under “Summary of Principal Documents relating to the Bonds” on the Closing Date to enable the Issuer to borrow monies in order to fund certain liquidity shortfalls. As at the date of this document no amount had been drawn under this facility.

All loan capital referred to above will be secured over the assets of the Issuer as described herein.

Save for the foregoing, at the date of this document, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

### Accountants’ Report on the Issuer

The following is the text of a report received by the directors of the Issuer from Baker Tilly, the registered auditors of the Issuer. The balance sheet contained therein 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 incorporation. The Issuer’s accounting reference date is 31 May with the first statutory accounts to be drawn up to 31 May 2004.



The Directors  
Premiertel plc  
Blackwell House  
Guildhall Yard  
London EC2V 5AE

Baker Tilly  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

and

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

18 November 2003

Dear Sirs

**Premiertel plc (the “Issuer”) £77,500,000 Class A 5.683 per cent. Bonds due 2029 and £208,707,000 Class B 6.175 per cent. Bonds due 2032 (together the “Bonds”)**

We report on the financial information set out below. This financial information has been prepared for the inclusion in the offering circular dated 18 November 2003 of the Issuer (the “Offering Circular”).

### **Basis of Preparation**

The financial information set out below has been extracted from the financial records of the Issuer from incorporation to 18 November 2003 prepared on the basis described in note 2.1.

### **Responsibility**

Such financial records are the responsibility of the directors of the Issuer.

The directors of the Issuer are responsible for the financial records and the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, 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 judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’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 18 November 2003.

### 1. Balance Sheet

Balance sheet as at 18 November 2003

	£
<b>Current assets</b>	
Solicitors Client Account .....	50,000
<b>Capital and reserves</b>	
Called up equity share capital called and fully paid.....	50,000

### 2. Notes

#### 2.1 Accounting Policies

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

#### 2.2. Trading Activity

The Issuer has not yet commenced business (other than as referred to in 2.5 below), no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

#### 2.3 Share Capital

The Issuer was incorporated and registered as a public limited company on 15 April 2003, with the name Premiartel plc.

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

On 15 April 2003, one ordinary share was issued by the Issuer to each of the subscribers, namely Robert Tchenguiz and Julian Holy. On 10 April 2003, these shares were transferred to each of SFM Corporate Services Limited and Structured Finance Management Limited. On 24 October 2003, a further 49,998 ordinary shares were issued by the Issuer to SFM Corporate Services Limited.

#### 2.4 Auditors

Messrs Baker Tilly were appointed auditors to the Issuer on 24 October 2003.

#### 2.5 Material Contracts

On 18 November 2003 the Issuer authorised and/or approved the issue of the Bonds and the other documents and matters referred to or contemplated in the Offering Circular to which it is or will be a party including, *inter alia*, the commitment to the advance of the Issuer-Borrower Loan (as defined in the Offering Circular) and the taking of security in respect of its repayment and the grant of security for the repayment of the Bonds.

Yours faithfully

**Baker Tilly**  
Chartered Accountants  
Registered Auditors

## THE BORROWER

### Introduction

The Borrower was incorporated in England and Wales on 15 April 2003 (registered number 4735295) as a private company with limited liability under the Companies Act 1985. The registered office of the Borrower is at 7th Floor, Leconfield House, Curzon Street, London W1J 5JA. The authorised share capital of the Borrower is £100, divided into 100 ordinary shares of £1 each, of which two have been issued, are fully paid and are held by the Parent.

### Principal Activities

The principal objects of the Borrower are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to raise or borrow money and to grant security over its assets for such purposes and to lend money with or without security.

The Borrower has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a private limited company under the Companies Act 1985, the authorisation of the Issuer-Borrower Facility Agreement and the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the borrowing of the Issuer-Borrower Loan, the borrowing of the Subordinated Loan, the giving of security for repayment of the Issuer-Borrower Loan under the Obligor Deed of Charge and the on-lending of the proceeds of the Issuer-Borrower Loan and the Subordinated Loan to the Property Companies), the receipt and disbursement of certain payments under the Issuer-Borrower Loan Agreement and the Subordinated Funding Agreement and other documents referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

The Borrower will covenant to observe certain restrictions on its activities in accordance with the terms of the Issuer-Borrower Loan Agreement and the Subordinated Funding Agreement.

### Directors and Secretary

The directors of the Borrower (both of whom are executive directors) and their respective business addresses and other principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Other Principal Activities</u>
Robert Tchenguiz	Leconfield House, Curzon Street, London W1J 5JA	Director of real estate companies, Rotch Property Group Limited, other companies within the same group as Rotch Property Group Limited and other companies
Mark Grunnell	Leconfield House, Curzon Street, London W1J 5JA	Property Financier

Robert Tchenguiz is chairman of the Borrower. The company secretary of the Borrower is Michael Ingham, whose business address is Leconfield House, Curzon Street, London W1J 5JA.

The Borrower has no employees.

## Capitalisation and Indebtedness Statement

The capitalisation of the Borrower as at the date of this document, adjusted for the Issuer-Borrower Loan and the Subordinated Loan to be drawn on the Closing Date, is as follows:

### Share capital

Authorised and issued	£
100 ordinary shares of £1 each, of which two shares have been issued and are fully paid up .....	2

### Loan capital

£77,500,000 Class A Advance (now being drawn) .....	77,500,000
£208,707,000 Class B Advance (now being drawn) .....	208,707,000
£13,750,000 in respect of the Subordinated Loan (now being drawn) .....	13,750,000
Total capitalisation and indebtedness .....	<u>299,957,002</u>

All loan capital referred to above, other than the Subordinated Loan, will be secured over the assets of the Borrower as described herein.

The obligations of the Borrower in respect of the Class A Advance and the Class B Advance are guaranteed by each Property Company.

Save for the foregoing, at the date of this document, the Borrower has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

### Accountants' Report on the Borrower

The following is the text of a report received by the directors of the Borrower from Baker Tilly, the registered auditors of the Borrower. The balance sheet contained therein does not comprise the Borrower's statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. The Borrower's accounting reference date is 31 May with the first statutory accounts to be drawn up to 31 May 2004.

The Directors  
Premiertel plc  
Blackwell House  
Guildhall Yard  
London EC2V 5AE

Baker Tilly  
140 London Road  
The Clock House  
Guildford  
Surrey GU1 1UW

The Directors  
Laudico Limited  
7th Floor  
Leconfield House  
Curzon Street  
London W1J 5JA

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

and

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

18 November 2003

Dear Sirs

**Laudico Limited (the “Borrower”)**

We report on the financial information set out below. This financial information has been prepared for the inclusion in the offering circular dated 18 November 2003 of Premiertel plc (the “**Issuer**”) (the “**Offering Circular**”).

**Basis of Preparation**

The financial information set out below has been extracted from the financial records of the Borrower from incorporation to 18 November 2003 prepared on the basis described in note 2.1.

**Responsibility**

Such financial records are the responsibility of the directors of the Borrower.

The directors of the Borrower are responsible for the financial records and the directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, 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 judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’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 18 November 2003.

### 1. Balance Sheet

Balance sheet as at 18 November 2003

	£
<b>Fixed Assets</b>	
Investments in subsidiaries .....	10
<b>Current assets</b>	
Cash at Bank and in hand .....	2
<b>Current Liabilities (due within one year)</b>	
Other creditors .....	10
<b>Current assets less current liabilities</b> .....	<u>(8)</u>
<b>Net assets</b> .....	<u>2</u>
<b>Capital and reserves</b>	
Called up equity share capital .....	
called and fully paid.....	<u>2</u>

### 2. Notes

#### 2.1 Accounting Policies

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

#### 2.2. Trading Activity

The Borrower has not yet commenced business (other than as referred to in 2.6 below), no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

#### 2.3 Investments in Subsidiaries

These represent the Borrower's investments in the five Property Companies, details of which are set out in the Offering Circular.

#### 2.4 Share Capital

The Borrower was incorporated and registered as a private limited company on 15 April 2003, with the name Laudico Limited.

On incorporation the authorised share capital of the Borrower was divided into 100 shares of £1 each.

On 15 April 2003, one ordinary share was issued by the Borrower to each of the subscribers, namely Robert Tchenguiz and Julian Holy. On 24 October 2003, both of these shares were transferred to Oak Haven Properties Limited.

#### 2.5 Auditors

Messrs Baker Tilly were appointed auditors to the Borrower on 24 October 2003.

## **2.6 Material Contracts**

On 17 November 2003 the Borrower authorised and/or approved the Issuer-Borrower Loan Agreement (as defined in the Offering Circular) and the other documents and matters referred to or contemplated in the Offering Circular to which it is or will be a party including, *inter alia*, the borrowing of the Issuer-Borrower Loan (as defined in the Offering Circular) and the giving of security in respect of its repayment.

Yours faithfully

**Baker Tilly**  
Chartered Accountants  
Registered Auditors



## THE PROPERTY COMPANIES

### 1 Lardpam Limited (“PropCo 1”)

#### Introduction

PropCo 1 was incorporated in England and Wales on 15 April 2003 (registered number 4735449) as a private company with limited liability under the Companies Act 1985. The registered office of PropCo 1 is at 7th Floor, Leconfield House, Curzon Street, London W1J 5JA. The authorised share capital of PropCo 1 is £100, divided into 100 ordinary shares of £1 each, of which two have been issued, are fully paid and are held by the Borrower.

#### Principal Activities

The principal objects of PropCo 1 are set out in Clause 3 of its Memorandum of Association, and are, *inter alia*, to purchase or acquire any property (real or personal) or assets, to lease its property for such consideration as it may think fit, to borrow and raise money and to grant security over its assets for such purposes and to guarantee or provide security over its assets for the performance of any obligations of any company including a holding company.

PropCo 1 has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a private limited company under the Companies Act 1985, the authorisation of the Borrower – PropCo Loan Agreement and the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the borrowing of the Intercompany Loan, the giving of security for repayment of the Intercompany Loan under the Obligor Deed of Charge), the receipt and disbursement of certain payments under the Borrower-PropCo Loan Agreement and other documents referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

PropCo 1 will covenant to observe certain restrictions on its activities in accordance with the terms of the Borrower-PropCo Loan Agreement.

#### Directors and Secretary

The directors of PropCo 1 (both of whom are executive directors) and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Robert Tchenguiz	Leconfield House, Curzon Street, London W1J 5JA	Director of real estate companies, Rotch Property Group Limited, other companies within the same group as Rotch Property Group Limited and other companies
Mark Grunnell	Leconfield House, Curzon Street, London W1J 5JA	Property Financier

Robert Tchenguiz is chairman of PropCo 1. The company secretary of PropCo 1 is Michael Ingham, whose business address is Leconfield House, Curzon Street, London W1J 5JA.

PropCo 1 has no employees.

**Capitalisation and Indebtedness Statement**

The capitalisation of PropCo 1 as at the date of this document, adjusted for the Intercompany Loan to be drawn on the Closing Date, is as follows:

**Share capital**

Authorised and issued	£
100 ordinary shares of £1 each, of which two shares have been issued and are fully paid up	2

**Loan capital**

£60,292,206.32 in respect of the Issuer-Borrower Loan .....	60,292,206.32
£2,896,567.30 in respect of the Subordinated Loan .....	2,896,567.30
Total capitalisation and indebtedness .....	<u>63,188,775.62</u>

All loan capital referred to above will be secured over the assets of PropCo 1 as described herein.

None of the loan capital referred to above is guaranteed.

Save for the foregoing, at the date of this document, PropCo 1 has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

**Accountants’ Report on PropCo 1**

The following is the text of a report received by the directors of PropCo 1 from Baker Tilly, the registered auditors of PropCo 1. The balance sheet contained therein does not comprise PropCo 1’s statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. PropCo 1’s accounting reference date is 31 May with the first statutory accounts to be drawn up to 31 May 2004.

The Directors  
Premiertel plc  
Blackwell House  
Guildhall Yard  
London EC2V 5AE

Baker Tilly  
The Clock House  
140 London Road  
Guildford  
Lardpam Limited  
Surrey GU1 1UW

The Directors  
7th Floor  
Leconfield House  
Curzon Street  
London W1J 5JA

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

and

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

18 November 2003

Dear Sirs

**Lardpam Limited (“PropCo 1”)**

We report on the financial information set out below. This financial information has been prepared for the inclusion in the offering circular dated 18 November 2003 of Premiertel plc (the “**Issuer**”) (the “**Offering Circular**”).

**Basis of Preparation**

The financial information set out below has been extracted from the financial records of PropCo 1 from incorporation to 18 November 2003 prepared on the basis described in note 2.1.

**Responsibility**

Such financial records are the responsibility of the directors of PropCo 1.

The directors of PropCo1 are responsible for the financial records and the directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, 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 judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’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 PropCo 1 as at 18 November 2003.

**1. Balance Sheet**

Balance sheet as at 18 November 2003

	£
<b>Current assets</b>	
Cash at Bank and in hand .....	2
	<hr/>
<b>Capital and reserves</b>	
Called up equity share capital called and fully paid.....	2
	<hr/>

**2. Notes**

**2.1 Accounting Policies**

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

**2.2. Trading Activity**

PropCo 1 has not yet commenced business (other than as referred to in 2.5 below), no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

**2.3 Share Capital**

PropCo 1 was incorporated and registered as a private limited company on 15 April 2003, with the name Lardpam Limited.

On incorporation the authorised share capital of PropCo 1 was divided into 100 shares of £1 each.

On 10 April 2003, one ordinary share was issued by PropCo 1 to each of the subscribers, namely Robert Tchenguiz and Julian Holy. On 24 October 2003, both of these shares were transferred to Laudico Limited.

**2.4 Auditors**

Messrs Baker Tilly were appointed auditors to PropCo 1 on 24 October 2003.

**2.5 Material Contracts**

On 17 November 2003 PropCo 1 authorised and/or approved the Borrower-PropCo Loan Agreement (as defined in the Offering Circular) and the other documents and matters referred to or contemplated in the Offering Circular to which it is or will be a party including, *inter alia*, the borrowing of the Intercompany Loan (as defined in the Offering Circular) and the giving of security in respect of its repayment.

Yours faithfully

**Baker Tilly**  
Chartered Accountants  
Registered Auditors

## 2 Alerun Limited (“PropCo 2”)

### Introduction

PropCo 2 was incorporated in England and Wales on 15 April 2003 (registered number 4735306) as a private company with limited liability under the Companies Act 1985. The registered office of PropCo 2 is at 7th Floor, Leconfield House, Curzon Street, London W1J 5JA. The authorised share capital of PropCo 2 is £100, divided into 100 ordinary shares of £1 each, of which two have been issued, are fully paid and are held by the Borrower.

### Principal Activities

The principal objects of PropCo 2 are set out in Clause 3 of its Memorandum of Association, and are, *inter alia*, to purchase or acquire any property (real or personal) or assets, to lease its property for such consideration as it may think fit, to borrow and raise money and to grant security over its assets for such purposes and to guarantee or provide security over its assets for the performance of any obligations of any company including a holding company.

PropCo 2 has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a private limited company under the Companies Act 1985, the authorisation of the Borrower-PropCo Loan Agreement and the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the borrowing of the Intercompany Loan, the giving of security for repayment of the Intercompany Loan under the Obligor Deed of Charge), the receipt and disbursement of certain payments under the Borrower-PropCo Loan Agreement and other documents referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

PropCo 2 will covenant to observe certain restrictions on its activities in accordance with the terms of the Borrower-PropCo Loan Agreement.

### Directors and Secretary

The directors of PropCo 2 (both of whom are executive directors) and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Robert Tchenguiz	Leconfield House, Curzon Street, London W1J 5JA	Director of real estate companies, Rotch Property Group Limited, other companies within the same group as Rotch Property Group Limited and other companies
Mark Grunnell	Leconfield House, Curzon Street, London W1J 5JA	Property Financier

Robert Tchenguiz is chairman of PropCo 2. The company secretary of PropCo 2 is Michael Ingham, whose business address is Leconfield House, Curzon Street, London W1J 5JA.

PropCo 2 has no employees.

**Capitalisation and Indebtedness Statement**

The capitalisation of PropCo 2 as at the date of this document, adjusted for the Intercompany Loan to be drawn on the Closing Date, is as follows:

**Share capital**

Authorised and issued	£
100 ordinary shares of £1 each, of which two shares have been issued and are fully paid up	2

**Loan capital**

£64,325,475.70 in respect of the Issuer-Borrower Loan .....	64,325,475.70
£3,090,334.24 in respect of the Subordinated Loan .....	3,090,334.24
Total capitalisation and indebtedness .....	<u>67,415,811.94</u>

All loan capital referred to above will be secured over the assets of PropCo 2 as described herein.

None of the loan capital referred to above is guaranteed.

Save for the foregoing, at the date of this document, PropCo 2 has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

**Accountants’ Report on PropCo 2**

The following is the text of a report received by the directors of PropCo 2 from Baker Tilly, the registered auditors of PropCo 2. The balance sheet contained therein does not comprise PropCo 2’s statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. PropCo 2’s accounting reference date is 31 May with the first statutory accounts to be drawn up to 31 May 2004.

The Directors  
Premiertel plc  
Blackwell House  
Guildhall Yard  
London EC2V 5AE

Baker Tilly  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

The Directors  
Alerun Limited  
7th Floor  
Leconfield House  
Curzon Street  
London W1J 5JA

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

and

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

18 November 2003

Dear Sirs

**Alerun Limited (“PropCo 2”)**

We report on the financial information set out below. This financial information has been prepared for the inclusion in the offering circular dated 18 November 2003 of Premiertel plc (the “**Issuer**”) (the “**Offering Circular**”).

**Basis of Preparation**

The financial information set out below has been extracted from the financial records of PropCo 2 from incorporation to 18 November 2003 prepared on the basis described in note 2.1.

**Responsibility**

Such financial records are the responsibility of the directors of PropCo 2.

The directors of PropCo 2 are responsible for the financial records and the directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, 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 judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’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 PropCo 2 as at 18 November 2003.

**1. Balance Sheet**

Balance sheet as at 18 November 2003

	<b>£</b>
<b>Current assets</b>	
Cash at Bank and in hand .....	2
<b>Capital and reserves</b>	
Called up equity share capital called and fully paid.....	2

**2. Notes**

**2.1 Accounting Policies**

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

**2.2. Trading Activity**

PropCo 2 has not yet commenced business (other than as referred to in 2.5 below), no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

**2.3 Share Capital**

PropCo 2 was incorporated and registered as a private limited company on 15 April 2003, with the name Alerun Limited.

On incorporation the authorised share capital of PropCo 2 was divided into 100 shares of £1 each.

On 10 April 2003, one ordinary share was issued by PropCo 2 to each of the subscribers, namely Robert Tchenguiz and Julian Holy. On 24 October 2003, both of these shares were transferred to Laudico Limited.

**2.4 Auditors**

Messrs Baker Tilly were appointed auditors to PropCo 2 on 24 October 2003.

**2.5 Material Contracts**

On 17 November 2003 PropCo 2 authorised and/or approved the Borrower-PropCo Loan Agreement (as defined in the Offering Circular) and the other documents and matters referred to or contemplated in the Offering Circular to which it is or will be a party including, *inter alia*, the borrowing of the Intercompany Loan (as defined in the Offering Circular) and the giving of security in respect of its repayment.

Yours faithfully

**Baker Tilly**  
Chartered Accountants  
Registered Auditors



### 3 Beadtrek Limited (“PropCo 3”)

#### Introduction

PropCo 3 was incorporated in England and Wales on 15 April 2003 (registered number 4735372) as a private company with limited liability under the Companies Act 1985. The registered office of PropCo 3 is at 7th Floor, Leconfield House, Curzon Street, London W1J 5JA. The authorised share capital of PropCo 3 is £100, divided into 100 ordinary shares of £1 each, of which two have been issued, are fully paid and are held by the Borrower.

#### Principal Activities

The principal objects of PropCo 3 are set out in Clause 3 of its Memorandum of Association, and are, *inter alia*, to purchase or acquire any property (real or personal) or assets, to lease its property for such consideration as it may think fit, to borrow and raise money and to grant security over its assets for such purposes and to guarantee or provide security over its assets for the performance of any obligations of any company including a holding company.

PropCo 3 has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a private limited company under the Companies Act 1985, the authorisation of the Borrower-PropCo Loan Agreement and the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the borrowing of the Intercompany Loan, the giving of security for repayment of the Intercompany Loan under the Obligor Deed of Charge), the receipt and disbursement of certain payments under the Borrower-PropCo Loan Agreement and other documents referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

PropCo 3 will covenant to observe certain restrictions on its activities in accordance with the terms of the Borrower-PropCo Loan Agreement.

#### Directors and Secretary

The directors of PropCo 3 (both of whom are executive directors) and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Robert Tchenguiz	Leconfield House, Curzon Street, London W1J 5JA	Director of real estate companies, Rotch Property Group Limited, other companies within the same group as Rotch Property Group Limited and other companies
Mark Grunnell	Leconfield House, Curzon Street, London W1J 5JA	Property Financier

Robert Tchenguiz is chairman of PropCo 3. The company secretary of PropCo 3 is Michael Ingham, whose business address is Leconfield House, Curzon Street, London W1J 5JA.

PropCo 3 has no employees.

**Capitalisation and Indebtedness Statement**

The capitalisation of PropCo 3 as at the date of this document, adjusted for the Intercompany Loan to be drawn on the Closing Date, is as follows:

**Share capital**

Authorised and issued	£
100 ordinary shares of £1 each, of which two shares have been issued and are fully paid up	2

**Loan capital**

£58,947,783.20 in respect of the Issuer-Borrower Loan .....	58,947,783.20
£2,831,978.32 in respect of the Subordinated Loan .....	2,831,978.32
Total capitalisation and indebtedness .....	<u>61,779,763.52</u>

All loan capital referred to above will be secured over the assets of PropCo 3 as described herein.

None of the loan capital referred to above is guaranteed.

Save for the foregoing, at the date of this document, PropCo 3 has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

**Accountants’ Report on PropCo 3**

The following is the text of a report received by the directors of PropCo 3 from Baker Tilly, the registered auditors of PropCo 3. The balance sheet contained therein does not comprise PropCo 3’s statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. PropCo 3’s accounting reference date is 31 May with the first statutory accounts to be drawn up to 31 May 2004.

The Directors  
Premiertel plc  
Blackwell House  
Guildhall Yard  
London EC2V 5AE

Baker Tilly  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

The Directors  
Beadtrek Limited  
7th Floor  
Leconfield House  
Curzon Street  
London W1J 5JA

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

and

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

18 November 2003

Dear Sirs

**Beadtrek Limited (“PropCo 3”)**

We report on the financial information set out below. This financial information has been prepared for the inclusion in the offering circular dated 18 November 2003 of Premiertel plc (the “**Issuer**”) (the “**Offering Circular**”).

**Basis of Preparation**

The financial information set out below has been extracted from the financial records of PropCo 3 from incorporation to 18 November 2003 prepared on the basis described in note 2.1.

**Responsibility**

Such financial records are the responsibility of the directors of PropCo 3.

The directors of PropCo 3 are responsible for the financial records and the directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, 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 judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’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 PropCo 3 as at 18 November 2003.

**1. Balance Sheet**

Balance sheet as at 18 November 2003

	<b>£</b>
<b>Current assets</b>	
Cash at Bank and in hand .....	2
<b>Capital and reserves</b>	
Called up equity share capital	
called and fully paid.....	2

**2. Notes**

**2.1 Accounting Policies**

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

**2.2. Trading Activity**

PropCo 3 has not yet commenced business (other than as referred to in 2.5 below), no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

**2.3 Share Capital**

PropCo 3 was incorporated and registered as a private limited company on 15 April 2003, with the name Beadtrek Limited.

On incorporation the authorised share capital of PropCo 3 was divided into 100 shares of £1 each.

On 10 April 2003, one ordinary share was issued by PropCo 3 to each of the subscribers, namely Robert Tchenguiz and Julian Holy. On 24 October 2003, both of these shares were transferred to Laudico Limited.

**2.4 Auditors**

Messrs Baker Tilly were appointed auditors to PropCo 3 on 24 October 2003.

**2.5 Material Contracts**

On 17 November 2003 PropCo 3 authorised and/or approved the Borrower-PropCo Loan Agreement (as defined in the Offering Circular) and the other documents and matters referred to or contemplated in the Offering Circular to which it is or will be a party including, *inter alia*, the borrowing of the Intercompany Loan (as defined in the Offering Circular) and the giving of security in respect of its repayment.

Yours faithfully

**Baker Tilly**  
Chartered Accountants  
Registered Auditors

## 4 Firleigh Limited (“PropCo 4”)

### Introduction

PropCo 4 was incorporated in England and Wales on 15 April 2003 (registered number 4735405) as a private company with limited liability under the Companies Act 1985. The registered office of PropCo 4 is at 7th Floor, Leconfield House, Curzon Street, London W1J 5JA. The authorised share capital of PropCo 4 is £100, divided into 100 ordinary shares of £1 each, of which two have been issued, are fully paid and are held by the Borrower.

### Principal Activities

The principal objects of PropCo 4 are set out in Clause 3 of its Memorandum of Association, and are, *inter alia*, to purchase or acquire any property (real or personal) or assets, to lease its property for such consideration as it may think fit, to borrow and raise money and to grant security over its assets for such purposes and to guarantee or provide security over its assets for the performance of any obligations of any company including a holding company.

PropCo 4 has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a private limited company under the Companies Act 1985, the authorisation of the Borrower-PropCo Loan Agreement and the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the borrowing of the Intercompany Loan, the giving of security for repayment of the Intercompany Loan under the Obligor Deed of Charge), the receipt and disbursement of certain payments under the Borrower-PropCo Loan Agreement and other documents referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

PropCo 4 will covenant to observe certain restrictions on its activities in accordance with the terms of the Borrower-PropCo Loan Agreement.

### Directors and Secretary

The directors of PropCo 4 (both of whom are executive directors) and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Robert Tchenguiz	Leconfield House, Curzon Street, London W1J 5JA	Director of real estate companies, Rotch Property Group Limited, other companies within the same group as Rotch Property Group Limited and other companies
Mark Grunnell	Leconfield House, Curzon Street, London W1J 5JA	Property Financier

Robert Tchenguiz is chairman of PropCo 4. The company secretary of PropCo 4 is Michael Ingham, whose business address is Leconfield House, Curzon Street, London W1J 5JA.

PropCo 4 has no employees.

**Capitalisation and Indebtedness Statement**

The capitalisation of PropCo 4 as at the date of this document, adjusted for the Intercompany Loan to be drawn on the Closing Date, is as follows:

**Share capital**

Authorised and issued	£
100 ordinary shares of £1 each, of which two shares have been issued and are fully paid up	2

**Loan capital**

£58,844,366.03 in respect of the Issuer-Borrower Loan .....	58,844,366.03
£2,827,009.94 in respect of the Subordinated Loan .....	2,827,009.94
Total capitalisation and indebtedness .....	<u>61,671,377.97</u>

All loan capital referred to above will be secured over the assets of PropCo 4 as described herein.

None of the loan capital referred to above is guaranteed.

Save for the foregoing, at the date of this document, PropCo 4 has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

**Accountants’ Report on PropCo 4**

The following is the text of a report received by the directors of PropCo 4 from Baker Tilly, the registered auditors of PropCo 4. The balance sheet contained therein does not comprise PropCo 4’s statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. PropCo 4’s accounting reference date is 31 May with the first statutory accounts to be drawn up to 31 May 2004.

The Directors  
Premiertel plc  
Blackwell House  
Guildhall Yard  
London EC2A 5AE

Baker Tilly  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

The Directors  
Firleigh Limited  
7th Floor  
Leconfield House  
Curzon Street  
London W1J 5JA

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

and

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

18 November 2003

Dear Sirs

**Firleigh Limited (“PropCo 4”)**

We report on the financial information set out below. This financial information has been prepared for the inclusion in the offering circular dated 18 November 2003 of Premiartel plc (the “**Issuer**”) (the “**Offering Circular**”).

**Basis of Preparation**

The financial information set out below has been extracted from the financial records of PropCo 4 from incorporation to 18 November 2003 prepared on the basis described in note 2.1.

**Responsibility**

Such financial records are the responsibility of the directors of PropCo 4.

The directors of PropCo 4 are responsible for the financial records and the directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, 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 judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’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 PropCo 4 as at 18 November 2003.

**1. Balance Sheet**

Balance sheet as at 18 November 2003

<b>Current assets</b>	£
Cash at Bank and in hand .....	2
	<hr/> <hr/>
<b>Capital and reserves</b>	
Called up equity share capital	
called and fully paid.....	2
	<hr/> <hr/>

**2. Notes**

**2.1 Accounting Policies**

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

**2.2. Trading Activity**

PropCo 4 has not yet commenced business (other than as referred to in 2.5 below), no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

**2.3 Share Capital**

PropCo 4 was incorporated and registered as a private limited company on 15 April 2003, with the name Firleigh Limited.

On incorporation the authorised share capital of PropCo 4 was divided into 100 shares of £1 each.

On 10 April 2003, one ordinary share was issued by PropCo 4 to each of the subscribers, namely Robert Tchenguiz and Julian Holy. On 24 October 2003, both of these shares were transferred to Laudico Limited.

**2.4 Auditors**

Messrs Baker Tilly were appointed auditors to PropCo 4 on 24 October 2003.

**2.5 Material Contracts**

On 17 November 2003 PropCo 4 authorised and/or approved the Borrower-PropCo Loan Agreement (as defined in the Offering Circular) and the other documents and matters referred to or contemplated in the Offering Circular to which it is or will be a party including, *inter alia*, the borrowing of the Intercompany Loan (as defined in the Offering Circular) and the giving of security in respect of its repayment.

Yours faithfully

**Baker Tilly**  
Chartered Accountants  
Registered Auditors



## 5 Ranmia Limited (“PropCo 5”)

### Introduction

PropCo 5 was incorporated in England and Wales on 15 April 2003 (registered number 4735363) as a private company with limited liability under the Companies Act 1985. The registered office of PropCo 5 is at 7th Floor, Leconfield House, Curzon Street, London W1J 5JA. The authorised share capital of PropCo 5 is £100, divided into 100 ordinary shares of £1 each, of which two have been issued, are fully paid and are held by the Borrower.

### Principal Activities

The principal objects of PropCo 5 are set out in Clause 3 of its Memorandum of Association, and are, *inter alia*, to purchase or acquire any property (real or personal) or assets, to lease its property for such consideration as it may think fit, to borrow and raise money and to grant security over its assets for such purposes and to guarantee or provide security over its assets for the performance of any obligations of any company including a holding company.

PropCo 5 has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a private limited company under the Companies Act 1985, the authorisation of the Borrower-PropCo Loan Agreement and the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the borrowing of the Intercompany Loan, the giving of security for repayment of the Intercompany Loan under the Obligor Deed of Charge), the receipt and disbursement of certain payments under the Borrower-PropCo Loan Agreement and other documents referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

PropCo 5 will covenant to observe certain restrictions on its activities in accordance with the terms of the Borrower-PropCo Loan Agreement.

### Directors and Secretary

The directors of PropCo 5 (both of whom are executive directors) and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Robert Tchenguiz	Leconfield House, Curzon Street, London W1J 5JA	Director of real estate companies, Rotch Property Group Limited, other companies within the same group as Rotch Property Group Limited and other companies
Mark Grunnell	Leconfield House, Curzon Street, London W1J 5JA	Property Financier

Robert Tchenguiz is chairman of PropCo 5. The company secretary of PropCo 5 is Michael Ingham, whose business address is Leconfield House, Curzon Street, London W1J 5JA.

PropCo 5 has no employees.

**Capitalisation and Indebtedness Statement**

The capitalisation of PropCo 5 as at the date of this document, adjusted for the Intercompany Loan to be drawn on the Closing Date, is as follows:

**Share capital**

Authorised and issued	£
100 ordinary shares of £1 each, of which two shares have been issued and are fully paid up	2

**Loan capital**

£43,797,168.74 in respect of the Issuer-Borrower Loan .....	43,797,168.74
£2,104,110.21 in respect of the Subordinated Loan.....	2,104,110.21
Total capitalisation and indebtedness .....	<u>45,901,280.95</u>

All loan capital referred to above will be secured over the assets of PropCo 5 as described herein.

None of the loan capital referred to above is guaranteed.

Save for the foregoing, at the date of this document, PropCo 5 has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

**Accountants’ Report on PropCo 5**

The following is the text of a report received by the directors of PropCo 5 from Baker Tilly, the registered auditors of PropCo 5. The balance sheet contained therein does not comprise PropCo 5’s statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. PropCo 5’s accounting reference date is 31 May with the first statutory accounts to be drawn up to 31 May 2004.

The Directors  
Premiertel plc  
Blackwell House  
Guildhall Yard  
London EC2V 5AE

Baker Tilly  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

The Directors  
Ranmia Limited  
7th Floor  
Leconfield House  
Curzon Street  
London W1J 5JA

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

and

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

18 November 2003

Dear Sirs

### **Ranmia Limited (“PropCo 5”)**

We report on the financial information set out below. This financial information has been prepared for the inclusion in the offering circular dated 18 November 2003 of Premiertel plc (the “**Issuer**”) (the “**Offering Circular**”).

### **Basis of Preparation**

The financial information set out below has been extracted from the financial records of PropCo 5 from incorporation to 18 November 2003 prepared on the basis described in note 2.1.

### **Responsibility**

Such financial records are the responsibility of the directors of PropCo 5.

The directors of PropCo 5 are responsible for the financial records and the directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, 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 judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’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 PropCo 5 as at 18 November 2003.

**1. Balance Sheet**

Balance sheet as at 18 November 2003

	<b>£</b>
<b>Current assets</b>	
Cash at Bank and in hand .....	2
<b>Capital and reserves</b>	
Called up equity share capital called and fully paid.....	2

**2. Notes**

**2.1 Accounting Policies**

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

**2.2. Trading Activity**

PropCo 5 has not yet commenced business (other than as referred to in 2.5 below), no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

**2.3 Share Capital**

PropCo 5 was incorporated and registered as a private limited company on 15 April 2003, with the name Ranmia Limited.

On incorporation the authorised share capital of PropCo 5 was divided into 100 shares of £1 each.

On 10 April 2003, one ordinary share was issued by PropCo 5 to each of the subscribers, namely Robert Tchenguiz and Julian Holy. On 24 October 2003, both of these ordinary shares were transferred to Laudico Limited.

**2.4 Auditors**

Messrs Baker Tilly were appointed auditors to PropCo 5 on 24 October 2003.

**2.5 Material Contracts**

On 17 November 2003 PropCo 5 authorised and/or approved the Borrower-PropCo Loan Agreement (as defined in the Offering Circular) and the other documents and matters referred to or contemplated in the Offering Circular to which it is or will be a party including, *inter alia*, the borrowing of the Intercompany Loan (as defined in the Offering Circular) and the giving of security in respect of its repayment.

Yours faithfully

**Baker Tilly**  
Chartered Accountants  
Registered Auditors

## VALUATION REPORT

The Directors  
ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA

The Directors  
ABN AMRO Trustees Limited  
82 Bishopsgate  
London  
EC2N 4BN

The Directors  
UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

The Directors  
Premiertel Plc  
Blackwell House  
Guildhall Yard  
London EC2V 5AE  
(the “**Issuer**”)

The Directors  
Laudico Limited  
7th Floor  
Leconfield House  
Curzon Street  
London W1J 5JA  
(the “**Borrower**”)

The Directors  
Lardpam Limited  
Alerun Limited  
Beadtrek Limited  
Firleigh Limited  
Ranmia Limited  
all of  
7th Floor  
Leconfield House  
Curzon Street  
London  
W1J 5JA  
(the “**Property Companies**”)

18 November 2003

Dear Sirs

**Sevenoaks – 160 London Road**  
**Brentwood – 1 London Road**  
**Edinburgh – Alexander Graham Bell House, Lochside View**  
**Glasgow – Alexander Bain House, 15 York Street**  
**Belfast – Riverside Tower, 5 Lanyon Place**  
(together, the “**Mortgaged Properties**”)

In accordance with your instructions, we have pleasure in reporting to you as follows:

### **1 Scope of Instructions**

- 1.1 We have considered the Mortgaged Properties detailed in Appendix 1, which we understand are to be acquired by the Property Companies.
- 1.2 We have been appointed to undertake a valuation of the Mortgaged Properties on behalf of the Issuer for the purposes of inclusion in the Offering Circular (the “**Offering Circular**”) to be published in connection with an issue of bonds by the Issuer and the making of a secured loan by the Issuer to the Borrower.
- 1.3 The effective date of the valuation (the “**Valuation Date**”) is 1 November 2003.

- 1.4 We are instructed to provide our opinion of value of the Mortgaged Properties on the basis of Market Value (as defined in paragraph 1 of Appendix 2).
- 1.5 You have instructed us in addition to provide our opinion of Market Value, subject to the special assumption that the Mortgaged Properties are not subject to any occupational leases and are therefore available with full vacant possession.
- 1.6 Our valuation has been undertaken in accordance with the relevant provisions of Chapter 18 of the Listing Rules and has been prepared in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors. Our valuation has been prepared by a valuer who conforms to the requirements as set out in the RICS Appraisal and Valuation Standards, acting in the capacity of independent valuer.

## **2 Basis of Valuation**

As instructed and in accordance with the requirements of the RICS Appraisal and Valuation Standards, our valuation has been prepared on the basis of Market Value and Market Rent as defined in the RICS Appraisal and Valuation Standards and set out in Appendix 2.

## **3 General Comments**

- 3.1 Our valuation has been carried out in accordance with the definitions, assumptions and comments as detailed in Appendix 2.
- 3.2 Capitalised terms in this Valuation Report shall, except where otherwise defined herein, bear the meanings ascribed to them in the Offering Circular dated the date hereof.

## **4 Valuation**

- 4.1 Subject to the foregoing, based on values current as at the Valuation Date, we are of the opinion that the Market Value of the freehold interests held in the Mortgaged Properties is the total sum of £162,850,000 (one hundred and sixty two million, eight hundred and fifty thousand pounds) and the Market Value of the long leasehold interests held in the Mortgaged Properties is the total sum of £113,900,000 (one hundred and thirteen million, nine hundred thousand pounds).
- 4.2 Subject to the foregoing, based on values current as at the Valuation Date, we are of the opinion that the Market Value of the interests held in the Mortgaged Properties on the special assumption of full vacant possession is the total sum of £152,000,000 (one hundred and fifty-two million pounds).
- 4.3 We have included in Appendix 1 individual values for each of the Mortgaged Properties.
- 4.4 The valuation stated above represents the aggregate of the current values attributable to the individual properties and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

The contents of this Valuation Report are intended to be confidential to the addressees and to be used for the specific purpose stated above. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Valuation Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates the special assumptions referred to herein. For

avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Valuation Report is combined with others.

Yours faithfully

For and on behalf of Cushman & Wakefield Healey & Baker

**D V TITTLE BSc FRICS**

**R N H DODSON BSc FRICS**

## **APPENDIX 1: SUMMARY DETAILS**

### **BT WORKSTYLE 2000 BUILDING, 160 LONDON ROAD, HITCHEN HATCH LANE, SEVENOAKS, KENT, TN13 3BE**

#### **Location and Situation**

Sevenoaks is situated approximately 27 miles south east of London, 18 miles west of Maidstone and 13 miles north of Royal Tunbridge Wells. Sevenoaks is a commuter town benefiting from an excellent transport infrastructure. The subject property is situated on the corner of London Road and Hitchin Hatch Lane directly opposite the town's main line railway station.

#### **Description**

The property comprises a new headquarters office building constructed in 2001 and arranged over lower ground, ground and two upper floors and incorporates its own 550 space car park. The property is of steel frame construction with a combination of brick and glass elevations and presents a modern office building capable of subdivision. The property represents a considerable amount of office space for the M25 market and more specifically the Sevenoaks sub-market.

#### **Accommodation**

Total net internal floor area excluding reception:

12,783m<sup>2</sup> (137,595 sq ft).

#### **Tenure**

Freehold.

#### **Tenancy**

The property is let entirely to British Telecommunications public limited company ("BT") for a term of 31 years from 6 April 2001. The Lease is drawn on full repairing and insuring terms and is subject to monthly indexation of the passing rent at a rate equivalent to 3 per cent. per annum payable monthly in advance until 1 April 2026 when the rent is fixed at the then prevailing level until the end of the Lease.

#### **Net Current Income**

From 1 November 2003 to 31 October 2004:

£3,276,003 exclusive (three million, two hundred and seventy-six thousand and three pounds exclusive).

We have set out the rents received annually throughout the term in Appendix 3.

#### **Market Rent**

£2,550,000 per annum exclusive (two million, five hundred and fifty thousand pounds per annum exclusive).

#### **Market Value**

£58,300,000 (fifty-eight million, three hundred thousand pounds).

#### **Market Value with Full Vacant Possession**

£27,800,000 (twenty-seven million, eight hundred thousand pounds).



**BT WORKSTYLE, BRITISH TELECOM, ONE LONDON ROAD,  
BRENTWOOD, CM14 4QP**

**Location and Situation**

Brentwood is situated approximately 24 miles north east of London, just off the A12 dual carriageway. The town is well located being within two miles of the M25 and thereby giving convenient access to the national motorway network. The property is situated fronting London Road approximately one mile south west of the town centre.

**Description**

Constructed in 1999, the property comprises an office building arranged over ground and two upper floors. The property is of frame construction beneath a flat corrugated roof. Internally, the property has been finished to a high standard including raised floors and air-conditioning. There are approximately 800 car parking spaces to the front of the property.

**Accommodation**

Total net internal floor area excluding reception:

15,251m<sup>2</sup> (164,169sq ft).

**Tenure**

Freehold.

**Tenancy**

The property is let entirely to BT for a term of 31 years from 6 April 2001. The Lease is drawn on full repairing and insuring terms and is subject to monthly indexation of the passing rent at a rate equivalent to 3 per cent. per annum payable monthly in advance until 1 April 2026 when the rent is fixed at the then prevailing level until the end of the Lease.

**Net Current Income**

From 1 November 2003 to 31 October 2004:

£3,462,297 exclusive (three million, four hundred and sixty-two thousand, two hundred and ninety-seven pounds exclusive).

We have set out the rents received annually throughout the term in Appendix 3.

**Market Rent**

£2,950,000 per annum exclusive (two million, nine hundred and fifty thousand pounds per annum exclusive).

**Market Value**

£62,200,000 (sixty-two million, two hundred thousand pounds).

**Market Value with Full Vacant Possession**

£33,450,000 (thirty-three million, four hundred and fifty thousand pounds).

**ALEXANDER GRAHAM BELL HOUSE, LOCHSIDE VIEW,  
EDINBURGH PARK, EDINBURGH, EH12 9DH**

**Location and Situation**

Edinburgh is situated approximately 40 miles east of Glasgow and 90 miles north of Newcastle upon Tyne. The property is situated within a modern business park known as Edinburgh Park located in the South Gyle area approximately seven miles west of Edinburgh city centre. The subject property is located on the eastern side of Lochside View at its junction with Lochside Avenue.

**Description**

The subject property comprises a purpose built headquarters office building completed in 1999 providing modern accommodation over ground and two upper levels and incorporates its own 480 space car park. The property is of steel frame construction with a combination of glazed curtain walling and anodised aluminium cladding.

**Accommodation**

Total net internal floor area excluding reception:

10,225 m<sup>2</sup> (110,064 sq ft).

**Tenure**

Leasehold for a term of 175 years from 8th June 2001 at the fixed rent of £2 per annum.

**Tenancy**

The property is let entirely to BT for a term of 31 years from 8 June 2001. The Lease is drawn on full repairing and insuring terms and is subject to monthly indexation of the passing rent at a rate equivalent to 3 per cent. per annum payable monthly in advance until 1 April 2026 when the rent is fixed at the then prevailing level until the end of the Lease.

**Net Current Income**

From 1 November 2003 to 31 October 2004:

£3,145,011 exclusive (three million, one hundred and forty-five thousand and eleven pounds exclusive).

We have set out the rents received annually throughout the term in Appendix 3.

**Market Rent**

£2,475,000 per annum exclusive (two million, four hundred and seventy-five thousand pounds per annum exclusive).

**Market Value**

£57,000,000 (fifty-seven million pounds).

**Market Value with Full Vacant Possession**

£31,400,000 (thirty-one million, four hundred thousand pounds).

## **ALEXANDER BAIN HOUSE, 15 YORK STREET, ATLANTIC QUAY, GLASGOW, G2 8JH**

### **Location and Situation**

Glasgow is situated approximately 40 miles west of Edinburgh and 30 miles south west of Stirling. The subject property is located on the western side of York Street and is further bounded by Broomielaw and James Watt Street to its southern and western boundaries respectively. Atlantic Quay lies within the city centre approximately one mile from the office Central Business District (CBD).

### **Description**

The subject property comprises a purpose designed headquarters office building constructed in late 1999 providing modern office accommodation over ground and five upper levels together with basement car parking for approximately 124 cars. The building is of steel frame construction with double glazed and silver anodised aluminium cladded elevations under a three bay pitched glazed roof.

### **Accommodation**

Total net internal floor area excluding reception:

16,313 m<sup>2</sup> (175,588 sq ft).

### **Tenure**

Leasehold for a term of 175 years from 8 June 2001 at the fixed rent of £2 per annum.

### **Tenancy**

The property is let entirely to BT for a term of 31 years from 8 June 2001. The Lease is drawn on full repairing and insuring terms and is subject to monthly indexation of the passing rent at a rate equivalent to 3 per cent. per annum payable monthly in advance until 1 April 2026 when the rent is fixed at the then prevailing level until the end of the Lease.

### **Net Current Income**

From 1 November 2003 to 31 October 2004:

£3,135,486 exclusive (three million, one hundred and thirty-five thousand, four hundred and eighty-six pounds exclusive).

We have set out the rents received annually throughout the term in Appendix 3.

### **Market Rent**

£3,000,000 per annum exclusive (three million pounds per annum exclusive).

### **Market Value**

£56,900,000 (fifty-six million, nine hundred thousand pounds).

### **Market Value with Full Vacant Possession**

£36,600,000 (thirty-six million, six hundred thousand pounds).

## **RIVERSIDE TOWER, 5 LANYON PLACE, BELFAST, NORTHERN IRELAND, B21 3BT**

### **Location and Situation**

Belfast is Northern Ireland's administrative and commercial capital located on the eastern coast of the province. The subject property is situated in a prime riverfront location approximately one third of a mile from the traditional commercial centre of the city and occupies one of the showcase sites of the Laganside Development Area.

### **Description**

The subject property comprises a 12 storey (plus basement) modern office building incorporating a covered car park for 130 vehicles. The building was constructed in 1998 and is of modern design providing top quality air-conditioned office accommodation.

### **Accommodation**

Total net internal floor area excluding reception:

14,428 m<sup>2</sup> (155,302 sq ft).

### **Tenure**

Freehold.

### **Tenancy**

The property is let entirely to BT for a term of 31 years (less 5 days) from 6 April 2001. The Lease is drawn on full repairing and insuring terms and is subject to monthly indexation of the passing rent at a rate equivalent to 3 per cent. per annum payable monthly in advance until 1 April 2026 when the rent is fixed at the then prevailing level until the end of the Lease.

### **Net Current Income**

From 1 November 2003 to 31 October 2004:

£2,356,623 exclusive (two million, three hundred and fifty-six thousand, six hundred and twenty-three pounds exclusive).

We have set out the rents received annually throughout the term in Appendix 3.

### **Market Rent**

£1,865,000 per annum exclusive (one million, eight hundred and sixty-five thousand pounds per annum exclusive).

### **Market Value**

£42,350,000 (forty-two million, three hundred and fifty thousand pounds).

### **Market Value with Full Vacant Possession**

£22,750,000 (twenty-two million, seven hundred and fifty thousand pounds).

## APPENDIX 2: BASIS OF VALUATION

### 1 Basis of Valuation

As instructed and in accordance with the requirements of the RICS Appraisal and Valuation Standards, the valuation has been prepared on the basis of Market Value and Market Rent, defined respectively in PS 4.1 and PS 3.4 of the RICS Appraisal and Valuation Standards (the “**Red Book**”) as:

“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”; and

“The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion”.

### 2 Tenure and Tenancies

- 2.1 We have not had access to the title deeds in respect of the Mortgaged Properties and our valuation has been based on the information which the Borrower has supplied to us as to tenure, tenancies and statutory notices. We have reviewed the Reports in respect of each of the Mortgaged Properties and copies of all occupational leases affecting the Mortgaged Properties.
- 2.2 We confirm we have seen and considered the variations to the Leases documented in the deeds of variation and can confirm they have been taken into account in assessing our opinion of market value as set out in the Offering Circular.
- 2.3 Unless disclosed to us to the contrary and recorded in the relevant Appendix, our valuation is on the basis that the Property Companies possess title to the Mortgaged Properties as set out in the Reports.

### 3 Town Planning

- 3.1 We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the relevant Local Planning Authority and information set out in the Reports.
- 3.2 Our valuation is on the basis that the Mortgaged Properties have been erected either prior to planning control or in accordance with a valid planning permission and are being occupied and used without any breach of that.

### 4 Structure

- 4.1 We have neither carried out a structural survey of the Mortgaged Properties, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure and services. However, our valuation takes into account any information supplied to us and any defects noted during our inspection. Otherwise, our valuation is on the basis that there are no latent defects, wants of repair or other structural matters which would materially affect our valuation.
- 4.2 We have not inspected those parts of the Mortgaged Properties which are covered, unexposed or inaccessible and our valuation is on the basis that they are in good repair and condition.
- 4.3 We have not investigated the presence or absence of high alumina cement, calcium chloride, asbestos and other deleterious materials. In the absence of information to the contrary, our

valuation is on the basis that no hazardous or suspect materials and techniques have been used in the construction of the Mortgaged Properties.

## **5 Site and Contamination**

- 5.1 We have not investigated ground conditions/stability and our valuation is on the basis that all buildings have been constructed, having appropriate regard to existing ground conditions.
- 5.2 We have not carried out any investigations or tests. However, we have reviewed the executive summary of the environment due diligence assessment which has been prepared in respect of each property by WSP Environmental Limited and in each case the summary contains a conclusion that: “no environmental issues have been identified in relation to the continued use of the buildings as commercial offices which are likely to:
- Result in a statutory or third party liability for the freehold/long leasehold owner
  - Affect the health or safety of the site occupiers
  - Affect the structural integrity of the buildings, or
  - Result in other significant capital or revenue expenditure requirements.”

Based on the WSP Environmental reports, and in the absence of any other information to the contrary, we have assumed that no contamination or other adverse environmental matters exist in relation to the Mortgaged Properties, sufficient to affect value. Other than referred to above we have not made any investigations to establish whether there is any contamination or potential for contamination to the Mortgaged Properties. Our valuation has been prepared on the basis that the information provided is correct and complete and that there are no other matters which would materially affect our valuation.

## **6 Plant and Machinery**

- 6.1 Landlord’s fixtures such as lifts and central heating have been treated as belonging to the landlord upon reversion of the leases or, as applicable, underleases.
- 6.2 Process related plant/machinery and tenants’ fixtures/trade fittings have been excluded from our valuation.

## **7 Inspections**

- 7.1 We have inspected the Mortgaged Properties internally and externally from ground level between 4 July and 10 July 2002. We have relied upon the floor plans and floor areas calculations commissioned by the Borrower. Any references to those and any reference to the age of buildings are approximate.

## **8 General Principles**

- 8.1 Our valuation is based on the information which either you have supplied to us, or which has been supplied to us by the Borrower, or which we have obtained from our enquiries. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation.
- 8.2 In respect of the covenant status of BT, whilst we have taken into account information of which we are aware, we have not received a formal report on its financial status. We have not been supplied with any information to indicate that there are material arrears or that BT, as tenant, is unable to meet its commitment under the leases. Our valuation is on the basis that this is correct.

- 8.3 No allowances have been made for any expenses of realisation or any taxation liability arising from a sale or development of the Mortgaged Properties.
- 8.4 No allowance has been made for the existence of a mortgage, or similar financial encumbrance on or over the Mortgaged Properties.
- 8.5 Our valuation is exclusive of any Value Added Tax.
- 8.6 A purchaser of the Mortgaged Properties is likely to obtain further advice or verification relating to certain matters referred to above before proceeding with a purchase. You should therefore note the conditions on which this valuation has been prepared. The valuation of the Mortgaged Properties has been undertaken by D V Tittle, BSc FRICS of Cushman & Wakefield Healey & Baker, 43/45 Portman Square, London W1A 3BG.

**APPENDIX 3: SCHEDULE OF ANNUAL RENTAL INCREASES  
IN RESPECT OF THE MORTGAGED PROPERTIES**

<b>Month Commencing</b>	<b>Glasgow</b>	<b>Edinburgh</b>	<b>Belfast</b>	<b>Brentwood</b>	<b>Sevenoaks</b>	<b>Total</b>
Income 12 months to 01/11/04 .....	£3,135,486	£3,145,011	£2,356,623	£3,462,297	£3,276,003	£15,375,420
Income 12 months to 01/11/05.....	£3,229,550	£3,239,362	£2,427,321	£3,566,166	£3,374,283	£15,836,683
Income 12 months to 01/11/06.....	£3,326,437	£3,336,542	£2,500,141	£3,673,151	£3,475,511	£16,311,783
Income 12 months to 01/11/07.....	£3,426,230	£3,436,639	£2,575,145	£3,783,346	£3,579,777	£16,801,137
Income 12 months to 01/11/08.....	£3,529,017	£3,539,738	£2,652,400	£3,896,846	£3,687,170	£17,305,171
Income 12 months to 01/11/09.....	£3,634,887	£3,645,930	£2,731,972	£4,013,752	£3,797,785	£17,824,326
Income 12 months to 01/11/10.....	£3,743,934	£3,755,308	£2,813,931	£4,134,164	£3,911,719	£18,359,056
Income 12 months to 01/11/11.....	£3,856,252	£3,867,967	£2,898,349	£4,258,189	£4,029,070	£18,909,827
Income 12 months to 01/11/12.....	£3,971,939	£3,984,006	£2,985,299	£4,385,935	£4,149,942	£19,477,122
Income 12 months to 01/11/13.....	£4,091,098	£4,103,526	£3,074,858	£4,517,513	£4,274,441	£20,061,436
Income 12 months to 01/11/14.....	£4,213,831	£4,226,632	£3,167,104	£4,653,038	£4,402,674	£20,663,279
Income 12 months to 01/11/15.....	£4,340,245	£4,353,431	£3,262,117	£4,792,629	£4,534,754	£21,283,177
Income 12 months to 01/11/16.....	£4,470,453	£4,484,034	£3,359,981	£4,936,408	£4,670,797	£21,921,672
Income 12 months to 01/11/17.....	£4,604,566	£4,618,555	£3,460,780	£5,084,500	£4,810,921	£22,579,323
Income 12 months to 01/11/18.....	£4,742,703	£4,757,112	£3,564,603	£5,237,035	£4,955,248	£23,256,702
Income 12 months to 01/11/19.....	£4,884,985	£4,899,825	£3,671,541	£5,394,146	£5,103,906	£23,954,403
Income 12 months to 01/11/20.....	£5,031,534	£5,046,820	£3,781,688	£5,555,971	£5,257,023	£24,673,035
Income 12 months to 01/11/21.....	£5,182,480	£5,198,224	£3,895,138	£5,722,650	£5,414,734	£25,413,226
Income 12 months to 01/11/22.....	£5,337,954	£5,354,171	£4,011,993	£5,894,330	£5,577,176	£26,175,623
Income 12 months to 01/11/23.....	£5,498,093	£5,514,796	£4,132,352	£6,071,159	£5,744,491	£26,960,892
Income 12 months to 01/11/24.....	£5,663,036	£5,680,240	£4,256,323	£6,253,294	£5,916,826	£27,769,719
Income 12 months to 01/11/25.....	£5,832,927	£5,850,647	£4,384,013	£6,440,893	£6,094,330	£28,602,810
Income 12 months to 01/11/26.....	£5,973,300	£5,991,447	£4,489,516	£6,595,897	£6,240,994	£29,291,154
Income 12 months to 01/11/27.....	£5,985,541	£6,003,725	£4,498,717	£6,609,414	£6,253,784	£29,351,181
Income 12 months to 01/11/28.....	£5,985,541	£6,003,725	£4,498,717	£6,609,414	£6,253,784	£29,351,181
Income 12 months to 01/11/29.....	£5,985,541	£6,003,725	£4,498,717	£6,609,414	£6,253,784	£29,351,181
Income 12 months to 01/11/30.....	£5,985,541	£6,003,725	£4,498,717	£6,609,414	£6,253,784	£29,351,181
Income 12 months to 01/11/31.....	£5,985,541	£6,003,725	£4,498,717	£6,609,414	£6,253,784	£29,351,181



## SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Each Temporary Global Bond and Permanent Global Bond contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this document. The following is a summary of certain of those provisions:

### 1 Exchange

Each class of Temporary Global Bond is exchangeable in whole or in part for interests in a Permanent Global Bond of the relevant class on or after a date which is expected to be 5 January 2004 upon certification as to non-U.S. beneficial ownership in the form set out in the relevant Temporary Global Bond. Each class of Permanent Global Bond is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the Definitive Bonds described below (i) if the relevant Permanent Global Bond is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) if the Issuer would suffer a material disadvantage in respect of the Bond as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 which would not be suffered were the Bond in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Principal Paying Agent for display to Bondholders, by such holder giving notice to the Principal Paying Agent, or (unless a default notice has been given as referred to in "Default" below) by the Issuer giving notice. Thereupon the holder may give notice to the Principal Paying Agent of its intention to exchange the Permanent Global Bond for Definitive Bonds on or after the Exchange Date specified in the notice.

If principal in respect of any Bonds is not paid when due and payable the holder of the relevant class of Permanent Global Bond may by notice to the Principal Paying Agent require the exchange of a specified principal amount of the Permanent Global Bond (which may be equal to or (provided that, if the Permanent Global Bond is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Bonds represented thereby) for Definitive Bonds on or after the Exchange Date specified in such notice.

In the case of the exchange of a Permanent Global Note as referred to above, on or after the Exchange Date the holder of a Permanent Global Bond may surrender such Permanent Global Bond or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for a Permanent Global Bond, or the part thereof to be exchanged, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Bonds (having attached to them all Coupons in respect of interest and principal which has not already been paid on the Permanent Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange in full of the Permanent Global Bond, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Bonds.

"**Exchange Date**" means a day falling not less than 60 days, or in the case of exchange pursuant to (ii) above 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

### 2 Payments

No payment will be made on the Temporary Global Bond representing any class of Bonds unless exchange for an interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal, premium and interest in respect of Bonds represented by the Global Bond representing a class of Bonds will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, surrender of the Global Bonds to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Bond, which endorsement will be prima facie

evidence that such payment has been made in respect of the Bonds. Condition 6(g)(iii) and Condition 7(d) will apply to the Definitive Bonds only.

### **3 Notices**

So long as the Bonds are represented by the Global Bonds and the Global Bonds are held on behalf of a clearing system, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that so long as the Bonds are listed on the London Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*).

### **4 Prescription**

Claims against the Issuer in respect of principal, premium and interest on the Bonds while the Bonds are represented by the Global Bonds will become void unless they are presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 10).

### **5 Meetings**

The holder of the Global Bonds will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Bondholders and, at any such meeting, as having one vote in respect of £1.00 in principal amount of Bonds for which the Global Bonds may be exchanged.

### **6 Purchase and Cancellation**

Cancellation of any Bond required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Bond representing the class of Bonds of which such Bond forms part.

### **7 Default**

The Global Bonds provide that the holder may request the Bond Trustee to cause the Global Bond representing a class of Bonds or a portion of the relevant Global Bond to become due and payable in the circumstances described in Condition 8 by stating in the notice to the Bond Trustee the principal amount of Bonds which is being declared due and payable.

### **8 Bond Trustee's Powers**

In considering the interests of Bondholders while the Global Bonds are held on behalf of a clearing system the Bond Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Bonds and may consider such interests as if such accountholders were the holder of the Global Bonds.

## TERMS AND CONDITIONS OF THE BONDS

*The following are the Terms and Conditions (the “Conditions” and any reference to a “Condition” shall be construed accordingly) of the Bonds in the form (subject to amendment) in which they will be set out in the Trust Deed.*

The issue of the £77,500,000 Class A 5.683 per cent. Bonds due 2029 (the “**Class A Bonds**”) of Premiartel plc (the “**Issuer**”) and the £208,707,000 Class B 6.175 per cent. Bonds due 2032 of the Issuer (the “**Class B Bonds**”) and, together with the Class A Bonds the “**Bonds**”) was authorised by a resolution of the Board of Directors of the Issuer on 18 November 2003. The Bonds are constituted by a Trust Deed (the “**Trust Deed**”) dated 25 November 2003 (the “**Closing Date**”) between the Issuer and ABN AMRO Trustees Limited (in such capacity, the “**Bond Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds (the “**Bondholders**”). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds, the principal and interest coupons and the talons relating to them.

By an agency agreement dated the Closing Date (the “**Agency Agreement**”, which expression includes such agency agreement 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) and made between, *inter alios*, the Issuer, the Bond Trustee, ABN AMRO Bank N.V. (London Branch) as principal paying agent (the “**Principal Paying Agent**” and together with any further or other paying agents for the time being appointed in respect of the Bonds, the “**Paying Agents**”) and ABN AMRO Bank N.V. (London Branch) as calculation agent (the “**Calculation Agent**”), provision is made for, *inter alia*, the payment of principal and interest in respect of the Bonds.

The security for the Bonds is created pursuant to, and on terms set out in, a deed of charge and assignment (the “**Issuer Deed of Charge**”, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated the Closing Date and made between, *inter alios*, the Issuer and ABN AMRO Trustees Limited (in such capacity, the “**Issuer Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Issuer Deed of Charge).

Copies of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge, the master definitions schedule referred to therein (the “**Master Definitions Schedule**”) and the other Transaction Documents are available for inspection during usual business hours at the principal office of the Bond Trustee (presently at 82 Bishopsgate, London EC2N 4BN) and at the specified offices of the Paying Agents.

The Bondholders and the holders of the Coupons (whether or not attached to the relevant Bonds) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Issuer Deed of Charge and the Master Definitions Schedule and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

Words and expressions defined in the Trust Deed or the Master Definitions Schedule but not herein shall have the same meaning where used in these terms and conditions.

### **1 Form, Denomination and Title**

#### **(a) Form and denomination**

Each class of Bonds is serially numbered and in bearer form in the denominations of £1,000 each with interest coupons, principal coupons (severally or together “**Coupons**”, which expression includes the Talons referred to below, except where the context otherwise requires) and talons (“**Talons**”) attached on issue.

**(b) Title**

Title to the Bonds, Coupons and Talons passes by delivery. The holder of any Bond, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

**2 Status, Security and Priority**

**2(A) Status And Relationship Between The Bonds**

- (a) The Class A Bonds and the Coupons and Talons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other Bonds. The Class A Bonds rank *pari passu* without preference or priority amongst themselves.
- (b) The Class B Bonds and the Coupons and Talons relating thereto constitute direct, secured and conditional obligations of the Issuer and are secured by the same security that secures the other Bonds. The Class B Bonds rank *pari passu* without preference or priority amongst themselves but the Class A Bonds will rank in priority to the Class B Bonds in the event of the Issuer Security (as defined below) being enforced. Prior to enforcement of the Issuer Security, payments of principal and interest on the Class B Bonds are subordinated to, *inter alia*, payments of principal and interest on the Class A Bonds as provided herein. The rights of the Class B Bonds in respect of priority of payment of interest and principal are set out in Condition 2(C).
- (c) The Trust Deed contains provisions requiring the Bond Trustee to have regard to the interests of the holders of Class A Bonds (the “**Class A Bondholders**”) and the Class B Bonds (the “**Class B Bondholders**”), as regards all powers, trusts, authorities, duties and discretions of the Bond Trustee, respectively (except where expressly provided otherwise and subject to the provisions of Condition 12), but requiring the Bond Trustee, if in its opinion there is a conflict between the interests of the Class A Bondholders and/or the Class B Bondholders, to have regard only to the interests of that class which ranks most senior.
- (d) The Trust Deed contains provisions limiting the powers of the Class B Bondholders, *inter alia*, to request or direct the Bond Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Bondholders or, as the case may be, the Class B Bondholders. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the Class A Bondholders, or if there are no Class A Bonds outstanding, the Class B Bondholders, the exercise of which will be binding on the Class B Bondholders irrespective of the effect thereof on their interests.

**2(B) Security**

As security for the payment of all monies payable in respect of the Bonds and the Coupons and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Bond Trustee), and for the payment of certain other amounts, the Issuer has entered into the Issuer Deed of Charge creating the following security (the “**Issuer Security**”) in favour of the Issuer Trustee for itself and on trust for the other persons to whom secured amounts are owing:

- (a) an assignment by way of first fixed security of the Issuer’s rights, title, interest and benefit, present and future, in, to and under the Issuer-Borrower Loan Agreement;

- (b) an assignment by way of first fixed security of the Issuer’s rights, title, interest and benefit, present and future, in, to and under the Obligor Deed of Charge and any deeds or agreements supplemental thereto;
- (c) an assignment by way of first fixed security of the Issuer’s rights, title, interest and benefit, present and future, in, to and under:
  - (i) the Liquidity Facility Agreement;
  - (ii) the Cash Management Agreement;
  - (iii) the Subscription Agreement;
  - (iv) the Corporate Services Agreement; and
  - (v) the Agency Agreement,
 and all other contracts and agreements, present and future to which the Issuer is, or may become, a party;
- (d) an assignment by way of first fixed security over the amounts from time to time standing to the credit of the Issuer Transaction Account and the Standby Account;
- (e) a first fixed charge over the Eligible Investments of the Issuer (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and
- (f) a first floating charge over all the assets and undertaking of the Issuer not effectively charged by the first ranking fixed security interests referred to above but extending over all of the Issuer’s assets and undertaking situated in Scotland and Northern Ireland, as applicable, or otherwise governed by Scots law or Northern Irish law,

all as more particularly set out in the Issuer Deed of Charge.

To the extent that the Issuer’s beneficial interest in the Obligor Security is not validly charged and assigned under English law or Northern Irish law, the Issuer will assign such interest pursuant to an assignation in security under 2(C) Scots law comprised in the Issuer Deed of Charge.

## **2(C) Priority Upon Acceleration**

After the service of a Bond Enforcement Notice, the Issuer Trustee is required to apply monies received by it and available for distribution (other than those standing to the credit of the Standby Account and the proceeds of any Eligible Investments representing funds standing to the credit of the Standby Account, all of which will be applied towards amounts owing to the Liquidity Facility Provider, with the balance to be applied as set out below) in or towards the satisfaction of the following amounts in the following order of priority in each case only to the extent that items of a higher priority have been paid or provided for in full:

- (a) *first*, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of
  - (i) the remuneration, costs, expenses of, and other amounts then payable under the Transaction Documents to, the Bond Trustee, together with value added tax (“VAT”) thereon (if applicable) and together with any interest thereon as provided in the Trust Deed and (ii) the remuneration, costs and expenses of, and other amounts then payable under the Transaction Documents to, the Issuer Trustee and any receiver appointed in respect of the Issuer together with VAT thereon (if applicable) and together with any interest thereon;
- (b) *secondly*, on a *pro rata* basis according to the respective amounts thereof, in or towards payment of the Paying Agents (in respect of amounts properly paid by such persons to

the Bondholders and not reimbursed by the Issuer) and payment of the remuneration costs, expenses and other amounts due to the Paying Agents, the Account Bank, the Calculation Agent, the Cash Manager and the Liquidity Facility Provider (other than: (a) Subordinated Liquidity Facility Amounts; and (b) amounts representing repayments of drawings (including Standby Drawings) under the Liquidity Facility Agreement and interest thereon) then payable;

- (c) *thirdly*, in or towards payment of all amounts (including principal and/or interest) due or overdue to the Liquidity Facility Provider other than any Subordinated Liquidity Facility Amounts (to the extent not paid under (b) above);
- (d) *fourthly*, in or towards payment, *pro rata* according to the respective amounts thereof, of (i) all amounts of interest due or overdue in respect of the Class A Bonds and, thereafter (ii) all amounts of principal due or overdue in respect of the Class A Bonds;
- (e) *fifthly*, in or towards payment, *pro rata* according to the respective amounts thereof, of (i) all amounts of interest due or overdue in respect of the Class B Bonds and, thereafter (ii) all amounts of principal due or overdue in respect of the Class B Bonds;
- (f) *sixthly*, in or towards payment to the Liquidity Facility Provider in respect of any Subordinated Liquidity Facility Amounts;
- (g) *seventhly*, in or towards payment due to the Borrower under the Issuer-Borrower Loan Agreement in respect of the amount of any tax refund received by the Issuer in respect of amounts withheld by the Borrower on account of tax from payments under the Issuer-Borrower Loan Agreement; and
- (h) *eighthly*, the surplus (if any) to the Issuer or other persons entitled thereto.

If Additional Bonds are issued by the Issuer in accordance with these Conditions, the above priority of payments will be amended to account for the payments to be made by the Issuer in respect of the same as agreed by the Issuer Trustee and the Bond Trustee.

The Issuer Security will become enforceable upon the Bond Trustee giving a Bond Enforcement Notice (as defined in Condition 8) to the Issuer provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Bonds, the Issuer Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Bondholders and the Couponholders and any amounts required under the Issuer Deed of Charge and/or the Cash Management Agreement to be paid *pari passu* with, or in priority to, the Bonds or (ii) the Bond Trustee is of the opinion, which shall be binding on the Bondholders and the Couponholders, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Bond Trustee upon which the Bond Trustee shall be entitled to rely, 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 relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Bondholders and any amounts required under the Issuer Deed of Charge and/or Cash Management Agreement to be paid *pari passu* with, or in priority to, the Bonds. In respect of all powers, trusts, authorities, duties and discretions of the Issuer Trustee (except where expressly provided otherwise), the Issuer Trustee will be obliged to consider the interests of the Bondholders and (save as specified below) so long as any of the Bonds are outstanding, the Issuer Trustee shall, as regards all powers, trusts, duties and discretions of the Issuer Trustee (except where expressly provided otherwise), have no regard to the interests of, and will be relieved of all duties and liabilities to, the persons entitled to the benefit of the Issuer Security (other than the Bondholders).

### 3 Covenants

#### (a) Restrictions

Save with the prior written consent of the Bond Trustee or unless otherwise provided in or envisaged by these Conditions or the Transaction Documents, the Issuer shall not, so long as any Bond remains outstanding:

##### (i) *Negative Pledge*

create or permit to subsist any mortgage, standard security, sub-mortgage, sub-standard security, charge, sub-charge, pledge, assignation in security, lien (unless arising by operation of law) hypothecation or other security interest whatsoever over any of its assets, present or future (including any uncalled capital) or sell or otherwise dispose of the whole or any part of its assets (including any uncalled capital) or its undertaking, present or future, or the Issuer Security;

##### (ii) *Restrictions on Activities*

- (A) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (B) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises; or
- (C) amend, supplement or otherwise modify its Memorandum and Articles of Association;

##### (iii) *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;

##### (iv) *Dividends or Distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Issuer Deed of Charge;

##### (v) *Borrowings*

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except in respect of the Bonds or any Further Bonds, Additional Bonds or Replacement Bonds or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;

##### (vi) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

##### (vii) *Other*

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 terms of, the Trust Deed, these Conditions, the Issuer Deed of Charge or any of the other Transaction Documents, or permit any party to any of the Transaction Documents or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations, or dispose of any part of the Issuer Security, save as envisaged in the Transaction Documents;

(viii) *VAT*

apply to become part of any group with any other company or group of companies for the purposes of Section 43 of the Value Added Tax Act 1994, 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, unless required to do so by law;

(ix) *Bank accounts*

have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Issuer Trustee on terms acceptable to the Bond Trustee;

(x) *Surrender of group relief*

offer or consent to surrender to any company any amounts which are available:

- (A) for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988, except on arm's-length terms (including terms for full payment at the current applicable rate of corporation tax applied to the surrendered amount); or
- (B) to be treated pursuant to Section 102 Finance Act 1989 as amounts of corporation tax or interest paid by another company.

(xi) *Tax residence*

do any act or thing, the effect of which would be to make the Issuer resident in any jurisdiction other than the United Kingdom as a result of which any withholding or similar tax or deduction would be imposed on payments by the Borrower to the Issuer under the Issuer-Borrower Loan Agreement;

(xii) *Group Payment Arrangements*

enter into arrangements with other companies and/or the Inland Revenue providing for the discharge of any other company's corporation tax liability by it; or

(xiii) *Notional transfer of capital gains disposals*

enter into any election or other arrangements with any company and/or the Inland Revenue for the purposes of corporation tax on chargeable gains:

- (A) for the deemed transfer to it and/or deemed disposal by it of any asset; or
- (B) for the reallocation to it of a gain accruing to another company under Section 179 of the Taxation of Chargeable Gains Act 1992.

In giving any consent to the foregoing, the Bond 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 Bond Trustee may deem expedient (in its absolute discretion) in the interests of the Bondholders, provided that the rating agencies then



rating the Bonds confirm in writing to the Bond Trustee that such modifications or additions do not cause any downgrade in the then current ratings of any class of the Bonds assigned by the rating agencies then rating the Bonds.

**(b) Cash Manager**

So long as any of the Bonds remains outstanding, the Issuer will procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Issuer Accounts, the Borrower Accounts and the PropCo Accounts and any other account of the Issuer, the Borrower or the Property Companies from time to time. Any appointment of a cash manager will be on the basis that such cash manager is appointed to act as agent of the Obligor Trustee and the Issuer Trustee. The Cash Manager will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Issuer Trustee. The appointment of the Cash Manager may be terminated by the Issuer Trustee if, *inter alia*, and subject to any grace period applicable thereto, the Cash Manager defaults in any material respect in the observance and performance of any obligation imposed on it under the Cash Management Agreement which default is not remedied within 30 Business Days after written notice of such default shall have been served on it by the Issuer or the Bond Trustee. “**Business Day**” means a day on which commercial banks and foreign exchange markets are generally open to settle payments in London.

**4 Interest**

**(a) Period of Accrual**

Each Bond shall bear interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Bond (or in the case of the redemption of part only of a Bond, that part only of such Bond) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any judgment) at the rate applicable to such Bond up to (but excluding) the date on which, on presentation of such Bond, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 15 or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

In respect of the First Interest Period and whenever it is necessary to compute an amount of interest in respect of any Bond for any period (other than an Interest Period) such interest shall be calculated by applying the applicable Interest Rate to the Principal Amount Outstanding of the relevant class of Bonds and multiplying such sum by the Day-Count Fraction and rounding the resultant figure downward to the nearest penny.

“**Accrual Period**” means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last).

“**Day-Count Fraction**” means:

- (i) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (ii) if the Accrual Period is longer than one Determination Period, the sum of:
  - (A) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such

Determination Period and (2) the number of Determination Periods normally ending in any year; and

- (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

“**Determination Period**” means the period from (and including) 8 February, 8 May, 8 August and 8 November in any year to (but excluding) the next 8 May, 8 August, 8 November and 8 February, respectively.

**(b) Interest Payment Dates and Interest Periods**

Interest on the Bonds is payable quarterly in arrear on 8 February, 8 May, 8 August and 8 November in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day) (each an “**Interest Payment Date**”) in respect of the Interest Period (as defined below) ending immediately prior thereto, with the first Interest Payment Date falling in February 2004.

In these Conditions, “**Interest Period**” shall mean the period from (and including) the Closing Date to (but excluding) 8 February 2004 (the “**First Interest Period**”) and, thereafter, the period from (and including) 8 February, 8 May, 8 August and 8 November in any year to (but excluding) the next 8 May, 8 August, 8 November and 8 February, respectively.

**(c) Rate of Interest – Class A Bonds**

The Class A Bonds bear interest on their Principal Amount Outstanding (as defined below) at the rate of 5.683 per cent. per annum (the “**Class A Interest Rate**”) payable in respect of each Interest Period in arrear on each Interest Payment Date.

**(d) Rate of Interest – Class B Bonds**

The Class B Bonds bear interest on their Principal Amount Outstanding (as defined below) at the rate of 6.175 per cent. per annum (the “**Class B Interest Rate**”) and each of the Class A Interest Rate and the Class B Interest Rate being an “**Interest Rate**”) payable in respect of each Interest Period in arrear on each Interest Payment Date.

**(e) Interest Amounts**

The amount of interest (the “**Interest Amount**”) payable in respect of each Interest Period in respect of each class of Bonds, save in the case of the First Interest Period, shall be calculated by applying the applicable Interest Rate to the then Principal Amount Outstanding of the Class A Bonds or the Class B Bonds, as the case may be, and dividing the resultant figure by four and rounding the resultant figure downward to the nearest penny.

**5 Redemption, Purchase and Cancellation**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled in full as provided in this Condition, the Issuer shall redeem the Class A Bonds and the Class B Bonds at their Principal Amount Outstanding together with accrued interest on the Interest Payment Dates falling in August 2029 and May 2032 respectively. The Issuer may not redeem Bonds in whole or in part prior to that date except as provided in Condition 5(b), (c) or (e) but without prejudice to Condition 8.

(b) **Mandatory Redemption from Scheduled Principal Payments and Prepayment of the Issuer-Borrower Loan**

- (i) Prior to the service of a Bond Enforcement Notice (as defined in Condition 8) following an Event of Default in respect of the relevant class of Bonds, the Issuer shall (subject to Condition 5(c) and (e)) apply in redemption of the Bonds (except in respect of Bonds cancelled pursuant to Condition 5(h)) an aggregate amount equal to the Scheduled Principal Payment due under the Issuer-Borrower Loan Agreement. The Scheduled Principal Payment will be applied on each relevant Interest Payment Date in the redemption of the Bonds in the aggregate principal amounts specified for each class of Bonds (each a “**Bond Amortisation Amount**”) set out below opposite each Interest Payment Date. The figures set out below show the Bond Amortisation Amounts per £1,000 denomination of each Bond of each such class. In these Conditions, the term “**Bond Amortisation Amount**” shall mean the Bond Amortisation Amount as adjusted or recalculated pursuant to the penultimate paragraph of Condition 5(c).

Interest Payment Date	Class A Bond Amortisation Amount £	Class B Bond Amortisation Amount £
8 February 2004 .....	0.00	0.00
8 May 2004 .....	0.00	0.00
8 August 2004 .....	0.00	0.00
8 November 2004 .....	0.00	0.00
8 February 2005 .....	0.00	0.00
8 May 2005 .....	0.00	0.00
8 August 2005 .....	0.00	0.00
8 November 2005 .....	0.00	0.00
8 February 2006 .....	0.00	0.00
8 May 2006 .....	0.00	0.00
8 August 2006 .....	0.00	0.00
8 November 2006 .....	0.00	0.00
8 February 2007 .....	0.00	0.00
8 May 2007 .....	0.00	0.00
8 August 2007 .....	0.00	0.00
8 November 2007 .....	0.00	0.00
8 February 2008 .....	0.00	0.00
8 May 2008 .....	0.00	0.00
8 August 2008 .....	0.02	0.00
8 November 2008 .....	0.20	0.09
8 February 2009 .....	0.39	0.17
8 May 2009 .....	0.57	0.27
8 August 2009 .....	0.76	0.36
8 November 2009 .....	0.97	0.46
8 February 2010 .....	1.16	0.55
8 May 2010 .....	1.37	0.66
8 August 2010 .....	1.58	0.76
8 November 2010 .....	1.80	0.86
8 February 2011 .....	2.01	0.97
8 May 2011 .....	2.24	1.08
8 August 2011 .....	2.46	1.19
8 November 2011 .....	2.70	1.31
8 February 2012 .....	2.94	1.42
8 May 2012 .....	3.18	1.54
8 August 2012 .....	3.43	1.66

8 November 2012 .....	3.69	1.79
8 February 2013 .....	3.94	1.91
8 May 2013 .....	4.21	2.04
8 August 2013 .....	4.48	2.18
8 November 2013 .....	4.75	2.30
8 February 2014 .....	4.72	2.57
8 May 2014 .....	4.99	2.71
8 August 2014 .....	5.26	2.86
8 November 2014 .....	5.55	3.01
8 February 2015 .....	5.83	3.17
8 May 2015 .....	6.12	3.32
8 August 2015 .....	6.42	3.49
8 November 2015 .....	6.72	3.66
8 February 2016 .....	7.03	3.82
8 May 2016 .....	7.35	4.00
8 August 2016 .....	7.67	4.17
8 November 2016 .....	7.99	4.35
8 February 2017 .....	8.34	4.54
8 May 2017 .....	8.67	4.72
8 August 2017 .....	9.02	4.91
8 November 2017 .....	9.38	5.10
8 February 2018 .....	9.74	5.31
8 May 2018 .....	10.10	5.50
8 August 2018 .....	10.49	5.71
8 November 2018 .....	10.86	5.92
8 February 2019 .....	10.51	6.41
8 May 2019 .....	10.88	6.64
8 August 2019 .....	11.26	6.87
8 November 2019 .....	11.64	7.11
8 February 2020 .....	12.04	7.35
8 May 2020 .....	12.44	7.59
8 August 2020 .....	12.85	7.84
8 November 2020 .....	13.26	8.10
8 February 2021 .....	13.69	8.36
8 May 2021 .....	14.13	8.63
8 August 2021 .....	14.56	8.89
8 November 2021 .....	15.01	9.17
8 February 2022 .....	15.47	9.45
8 May 2022 .....	15.94	9.73
8 August 2022 .....	16.41	10.03
8 November 2022 .....	16.90	10.32
8 February 2023 .....	17.38	10.62
8 May 2023 .....	17.89	10.93
8 August 2023 .....	18.40	11.24
8 November 2023 .....	18.93	11.57
8 February 2024 .....	18.06	12.40
8 May 2024 .....	18.56	12.75
8 August 2024 .....	19.08	13.10
8 November 2024 .....	19.59	13.45
8 February 2025 .....	20.13	13.83
8 May 2025 .....	20.67	14.19
8 August 2025 .....	21.21	14.57
8 November 2025 .....	21.78	14.96
8 February 2026 .....	22.34	15.35
8 May 2026 .....	22.85	15.69

8 August 2026 .....	23.18	15.93
8 November 2026 .....	23.54	16.17
8 February 2027 .....	23.88	16.41
8 May 2027 .....	24.25	16.66
8 August 2027 .....	24.60	16.90
8 November 2027 .....	24.98	17.17
8 February 2028 .....	25.35	17.42
8 May 2028 .....	25.73	17.68
8 August 2028 .....	26.11	17.94
8 November 2028 .....	20.39	20.49
8 February 2029 .....	20.70	20.80
8 May 2029 .....	21.00	21.11
8 August 2029 .....	21.33	21.43
8 November 2029 .....	0.00	29.79
8 February 2030 .....	0.00	30.25
8 May 2030 .....	0.00	30.72
8 August 2030 .....	0.00	31.20
8 November 2030 .....	0.00	31.67
8 February 2031 .....	0.00	32.17
8 May 2031 .....	0.00	32.66
8 August 2031 .....	0.00	33.16
8 November 2031 .....	0.00	33.68
8 February 2032 .....	0.00	34.19
8 May 2032 .....	0.00	20.85

For the purposes of the foregoing, “**Scheduled Principal Payment**” means the amount of principal due and payable to the Issuer pursuant to Clause 7.1 of the Issuer-Borrower Loan Agreement.

- (ii) Prior to the service of a Bond Enforcement Notice, if, on any Interest Payment Date, there are monies received by the Issuer from the Borrower subsequent to the service of an Issuer-Borrower Loan Enforcement Notice pursuant to the terms of the Obligor Deed of Charge, such monies shall be applied by the Issuer in accordance with the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments, as set out in the Cash Management Agreement, including, without limitation, all amounts then due to be paid in redemption of the Bonds pursuant to Condition 5(b)(i) on such Interest Payment Date, together with any applicable redemption premium payable pursuant to Condition 5(c) calculated as if the “**Relevant Date**” were the second London dealing day in the gilt-edged market prior to such Interest Payment Date.
- (iii) If the Borrower is obliged to prepay part of the Issuer-Borrower Loan and, to the extent that the proceeds of such mandatory prepayment of part of the Issuer-Borrower Loan to the Issuer arise from a receipt by a Property Company of an insurance payment in respect of the total loss of a Mortgaged Property, the Issuer shall be obliged to repurchase or redeem, pro tanto, the Corresponding Class or Corresponding Classes of Bonds in addition to the amounts redeemed pursuant to Condition 5(b)(i) (but subject to the provisions of the Cash Management Agreement regulating the priority of application of payments in such circumstances). The provisions of Condition 5(c) shall apply to any such mandatory redemption, save that the amount payable to Bondholders shall be the amount set out in Condition 5(c)(i), together with accrued interest up to but excluding the date of payment.
- (iv) If the Borrower is obliged to prepay part of the Issuer-Borrower Loan and, to the extent that the proceeds of such mandatory prepayment of part of the Issuer-Borrower Loan to the Issuer arise from or as a result of the release of a Mortgaged Property from the security created by or pursuant to the Obligor Deed of Charge, the Issuer shall be

obliged to redeem, pro tanto, the Corresponding Class or Corresponding Classes of Bonds in addition to the amounts redeemed pursuant to Condition 5(b)(i) (but subject to the provisions of the Cash Management Agreement regulating the priority of application of payments in such circumstances). The provisions of Condition 5(c) shall apply to any such mandatory redemption (but the notice requirement pursuant to Condition 5(c) and the Minimum Threshold shall not apply), save that the amount payable to Bondholders shall be the amount set out in Condition 5(c)(i), together with accrued interest up to but excluding the date of payment.

- (v) If the Borrower exercises its option to prepay all or part of the Issuer-Borrower Loan and to the extent that the Issuer receives the proceeds of a prepayment of all or part of the Issuer-Borrower Loan following such optional prepayment thereof by the Borrower on an Interest Payment Date, the Issuer shall, on the relevant Interest Payment Date, redeem, pro tanto, the Corresponding Class or Corresponding Classes of Bonds in addition to the amounts redeemed pursuant to Condition 5(b)(i) (but subject to the provisions of the Cash Management Agreement regulating the priority of payments in such circumstances), together with any applicable redemption premium payable pursuant to Condition 5(c).
- (vi) To the extent that the Issuer receives the proceeds of a prepayment in full of the Issuer-Borrower Loan following prepayment thereof by the Borrower pursuant to Clause 10 of the Issuer-Borrower Loan Agreement, the Issuer shall, on the relevant Interest Payment Date, redeem all, but not some only, of the Bonds, in each case at their Principal Amount Outstanding together with accrued but unpaid interest thereon.

(c) **Optional redemption**

On giving not more than 60 nor less than 30 days' notice to the Bond Trustee and to the Bondholders in accordance with Condition 15 and provided that, on the Interest Payment Date on which such notice expires, no Bond Enforcement Notice in relation to the relevant class of Bonds has been served following an Event of Default, and further provided that it has, prior to giving such notice, certified to the Bond Trustee to the effect that it will have the necessary funds to discharge any amounts required under the Issuer Deed of Charge or, as applicable, the Cash Management Agreement to be paid on such Interest Payment Date which certificate shall be conclusive and binding, the Issuer may redeem on any Interest Payment Date some (but not less than an aggregate Principal Amount Outstanding of £1,000,000 (the "**Minimum Threshold**") and thereafter in multiples of £100,000) or all of the Principal Amount Outstanding of the Bonds at a price equal to whichever is the higher of the following:

- (i) the Principal Amount Outstanding of the relevant class of Bonds to be redeemed on the relevant Interest Payment Date; and
- (ii) that price (as reported in writing to the Issuer and the Bond Trustee by a financial adviser appointed by the Issuer and approved by the Bond Trustee (the "**Financial Adviser**") 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 Bonds on the Relevant Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on that date, of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on 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 where, for the purposes of this Condition 5(c)(ii), "**Reference Market Makers**" means three brokers and/or gilt-edged market makers selected by the Financial Adviser and approved by the Bond Trustee or such other three persons operating in the gilt-edged market as are selected by the Financial Adviser and approved by the Bond Trustee; "**Relevant Date**" means the date which is the second London dealing day in the gilt-

edged market prior to the date of despatch of the notice of redemption referred to in this Condition 5(c); “**Gross Redemption Yield**” means a yield calculated on the basis indicated 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” (published 8/6/1998 as amended from time to time, if relevant); and “**Relevant Treasury Stock**” means such government stock as the Financial Adviser shall reasonably determine to be the benchmark gilt the maturity of which most closely matches the then average life of the relevant class of Bonds as calculated by the Financial Adviser.

Any amounts not applied in redemption of the whole of the classes of Bonds pursuant to Condition 5(b)(ii), Condition 5(b)(iii) or this Condition 5(c) will be applied in part redemption of the classes of Bonds *pro rata* so as to reduce the relevant Bond Amortisation Amounts (if any) due under Condition 5(b)(i) in respect of the classes of Bonds on the Interest Payment Dates following such redemption. The Principal Amount Outstanding of any Bonds purchased and cancelled pursuant to Conditions 5(g) and 5(h) respectively shall reduce *pro tanto* the Bond Amortisation Amounts (if any) due under Condition 5(b)(i) in respect of the Bonds on the Interest Payment Dates following such purchase and cancellation. The Cash Manager shall forthwith re-calculate the Bond Amortisation Amounts (so far as is possible, such recalculation shall ensure that the period during which the Bonds of each class amortise ends on the same date that it would have, but for such recalculation) in respect of the Bonds to take account of such redemption or, as the case may be, purchase and cancellation (which recalculation shall be verified by the Calculation Agent and shall, having been so verified and in the absence of wilful default, bad faith or manifest error, be binding on the Bondholders) and shall notify forthwith the Bond Trustee, the rating agencies then rating the Bonds, the Paying Agents and (for so long as the Bonds are admitted to trading on the market for listed securities of the London Stock Exchange plc (the “**London Stock Exchange**”) the Financial Services Authority in its capacity as competent authority for listing in the United Kingdom (the “**UK Listing Authority**”) of such recalculation and shall cause notice thereof to be given in accordance with Condition 15.

Following the occurrence of a Tenant Event which has not been cured, any redemption of Bonds pursuant to this Condition 5(c) shall be made at the Principal Amount Outstanding, and Condition 5(c)(ii) shall not apply.

**(d) Bond Principal Payments and Principal Amount Outstanding**

The principal amount (if any) to be redeemed in respect of each Bond of a particular class (the “**Bond Principal Payment**”) on any Interest Payment Date under Conditions 5(b)(ii), 5(b)(iii), 5(b)(iv) and/or 5(b)(v) and/or Condition 5(c) above, as applicable, shall, in relation to the Bonds of a particular class, be a *pro rata* share of the aggregate amount required to be applied in redemption of the Bonds of that class on such Interest Payment Date under Conditions 5(b)(ii), 5(b)(iii), 5(b)(iv) and/or 5(b)(v) and/or Condition 5(c) above, as applicable (rounded down to the nearest penny), provided always that no such Bond Principal Payment may exceed the Principal Amount Outstanding of the relevant Bond.

Two Business Days before each Interest Payment Date (each a “**Calculation Date**”), the Cash Manager shall determine (i) the amount of any Bond Principal Payment due on the next following Interest Payment Date and (ii) the Principal Amount Outstanding (as defined below) of each Bond of each class on the next following Interest Payment Date (after deducting any Bond Principal Payment and any Bond Amortisation Amount to be made on that Interest Payment Date). Each determination by the Cash Manager of any Bond Principal Payment and the Principal Amount Outstanding of a Bond shall, in the absence of wilful default, bad faith or manifest error, be final and binding on all persons.

The “**Principal Amount Outstanding**” of a Bond of any class on any date shall be £1,000 less the aggregate amount of all Bond Principal Payments and Bond Amortisation Amounts in respect of a Bond of the relevant class that have become due and payable since the Closing Date and on or prior to such date (whether or not paid).

The Issuer (or the Cash Manager on its behalf) will: (i) on each Calculation Date cause each determination of a Bond Principal Payment and Principal Amount Outstanding to be notified to the Bond Trustee, the Paying Agents, the rating agencies then rating the Bonds and (for so long as the Bonds are admitted to trading on the London Stock Exchange’s market for listed securities) the UK Listing Authority and (ii) on each Calculation Date, or as soon as possible thereafter, cause notice of each determination of a Bond Principal Payment and Principal Amount Outstanding to be given in accordance with Condition 15. If a Bond Principal Payment is to be made on the Bonds of a particular class or classes on an Interest Payment Date, a notice to this effect will be given by the Issuer to the Bondholders.

If the Issuer or the Cash Manager on behalf of the Issuer does not at any time for any reason determine a Bond Principal Payment or the Principal Amount Outstanding in accordance with the preceding provisions of this paragraph, such Bond Principal Payment and Principal Amount Outstanding may be determined by the Bond Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

**(e) Optional Redemption for Tax Reasons**

If the Issuer at any time satisfies the Bond Trustee immediately prior to giving the notice referred to below that by virtue of a change in tax law (or the application or official interpretation thereof) from that in effect on the Closing Date, on the next Interest Payment Date the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Bond (other than where the relevant holder or beneficial owner has some connection with the United Kingdom other than the holding of Bonds or Coupons), or the Borrower would be required to deduct or withhold from any payment of principal or interest in respect of the Issuer-Borrower Loan Agreement, or the Property Companies would be required to deduct or withhold from any payment of principal or interest in respect of the Borrower-PropCo Loan Agreement, in each case 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 authority thereof or therein, then the Issuer shall inform the Bond Trustee accordingly and shall, in order to avoid the relevant event described above, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Bond Trustee (which approval shall be granted, without the need for the Bond Trustee to obtain the prior approval of Bondholders, upon prior confirmation from each of the rating agencies then rating the Bonds that such substitution would not have an adverse effect on the then current ratings of the Bonds and subject as more particularly described in the Trust Deed) as principal debtor under the Bonds. If the Issuer is unable to arrange such a substitution which would have the result of avoiding the events described above then the Issuer may, on any Interest Payment Date on which the relevant event described above is continuing, having given not more than 60 nor less than 30 days’ notice to the Bond Trustee and to the Bondholders in accordance with Condition 15, redeem all, but not some only, of the Bonds, in each case at their Principal Amount Outstanding together with accrued but unpaid interest thereon.

**(f) Notice of Redemption**

Any such notice as is referred to in Condition 5(c) or Condition 5(e) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Bonds in the amounts specified in such notice (provided such amounts are in compliance with these Conditions).



**(g) Purchase by Issuer**

The Issuer may purchase Bonds on any day in the open market or otherwise at any price which, together with the expenses of purchase, does not exceed their Principal Amount Outstanding plus accrued interest and in relation to such purchase shall, for so long as the Bonds of the relevant class or classes are admitted to trading on the London Stock Exchange's market for listed securities, comply with all applicable regulations of the UK Listing Authority.

**(h) Cancellation**

All Bonds redeemed in full or purchased pursuant to the foregoing provisions will be cancelled forthwith, together with any unmatured and unused Coupons and Talons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

**6 Payments**

**(a) Method of Payment**

Payments of principal, premium and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Bonds or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent (subject to paragraph (b) below) by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London. Payments of interest due in respect of any Bond other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond.

**(b) Paying Agent outside the U.S.**

No payment with respect to any Bond will be made at an office of any Paying Agent in the United States or by mail to an address in the United States or by transfer to an account in the United States.

**(c) Payments subject to laws**

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

**(d) Surrender of unmatured Coupons and Talons**

Each Bond should be presented for redemption together with all unmatured Coupons and Talons relating to it, failing which the amount of any such missing unmatured Coupon or Talon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon or Talon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon or Talon not later than 10 years after the Relevant Date (as defined in Condition 10) for the relevant payment of principal.

**(e) Unmatured Coupons and Talons**

Upon the due date for redemption of any Bond, unmatured Coupons and Talons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Bond is presented for redemption without all unmatured Coupons and Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

**(f) Payments on business days**

A Bond or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a sterling account, in London). No further interest or other payment will be made as a consequence of the day on which the relevant Bond or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition “**business day**” means a day on which commercial banks and foreign exchange markets are open in the relevant city.

**(g) Paying Agents**

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right at any time with the approval of the Bond Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it/they will maintain (i) a Principal Paying Agent, (ii) Paying Agents having specified offices in at least two major European cities approved by the Bond Trustee (including London, so long as the Bonds are admitted to trading on the London Stock Exchange’s market for listed securities) and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Bondholders.

**(h) Further Coupon Sheets**

On or after the Interest Payment Date specified on each final Coupon forming part of any Coupon sheet, the Talon may be surrendered at any specified office of any Paying Agent in exchange for a further Coupon sheet (including a further Talon but excluding any Coupon which shall have become void).

**(i) Interest on Deferred Amounts**

If the interest is not paid in respect of a Bond of any class on the date when due and payable (other than because the due date is not a Business Day or by reason of non-compliance with Condition 6(a)), then such unpaid interest shall itself bear interest at the Class A Interest Rate (in respect of the Class A Bonds) and the Class B Interest Rate (in respect of the Class B Bonds), in each case applicable from time to time until such interest and interest thereon is available for payment and notice thereof has been duly given in accordance with Condition 15.

**(j) Change of Currency**

(i) If at any time there is a change in the currency of the United Kingdom such that the Bank of England recognises a different currency or currency unit or more than one currency or currency unit as the lawful currency of the United Kingdom, then references in, and obligations arising under, the Bonds outstanding at the time of any such change and which are expressed in sterling shall be translated into, and/or any amount becoming payable under the Bonds thereafter as specified in these Conditions shall be paid in, the new currency or currency unit of the United Kingdom or, if there is more than one such currency or currency unit the currency or currency unit selected by the Issuer, and in the manner designated by the Principal Paying Agent.

Any such translation shall be made at the official rate of exchange recognised for that purpose by the Bank of England.

(ii) Where such a change in currency occurs, the Global Bonds in respect of the Bonds then outstanding and the Conditions relating to such Bonds shall be amended in the manner

agreed by the Issuer and the Bond Trustee so as to reflect that change and, so far as practicable, to place the Issuer, the Bond Trustee and the Bondholders in the same position each would have been in had no change in currency occurred (such amendments to include, without limitation, changes required to reflect any modification to Business Day or other conventions arising in connection with such change in currency). All amendments made pursuant to this Condition 6(j) will be binding upon holders of such Bonds.

- (iii) Notification of the amendments made to Bonds pursuant to Condition 6(j) will be made in accordance with Condition 15 which will state, *inter alia*, the date on which such amendments are to take or took effect, as the case may be.

## 7 Taxation

All payments of principal and interest in respect of the Bonds and the Coupons by the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall account to the relevant authorities for the amount to be withheld or deducted and shall make such payment of principal or interest, as the case may be, after such withholding or deduction has been made.

The Issuer will not be obliged to make any additional payments to Bondholders or Couponholders in respect of any such withholding or deduction.

## 8 Events of Default

### (a) Class A Bondholders

For so long as any Class A Bonds are outstanding, the Bond Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Bonds, or if so directed by or pursuant to an Extraordinary Resolution of the Class A Bondholders (subject, in each case, to being indemnified to its satisfaction) shall, give notice (a “**Class A Enforcement Notice**”) to the Issuer declaring the Bonds to be due and repayable at any time after the occurrence of any of the following events (each, in respect of the Class A Bonds, an “**Event of Default**”):

#### (i) *Non-payment*

default is made for a period of 10 Business Days in the payment of the principal of, and/or interest on, any Class A Bond, when and as the same ought to be paid in accordance with these Conditions; or

#### (ii) *Breach of other obligations*

default is made by the Issuer in the performance or observance of any other obligation binding upon it under any of the Bonds, the Trust Deed, the Issuer Deed of Charge or the other Transaction Documents to which it is party and, in any such case (except where the Bond Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required) such default continues for a period of 21 days following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or

#### (iii) *Insolvency*

the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 8(a)(iv), ceases or, through an official action of the board of

directors of the Issuer, threatens to cease to carry on business or (in the opinion of the Bond Trustee) a substantial part of its business or the Issuer is or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1) and (2) of the Insolvency Act 1986 (as that section may be amended); or

(iv) *Winding-up*

an order is made or an effective resolution is 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 by the Bond Trustee in writing or by an Extraordinary Resolution of the Class A Bondholders; or

(v) *Insolvency Proceedings*

proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings are not, in the opinion of the Bond Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order shall be granted or an administrative receiver or other receiver, liquidator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or (in the opinion of the Bond Trustee) any substantial part of the undertaking or assets of the Issuer, or an encumbrancer shall take possession of the whole or (in the opinion of the Bond Trustee) any substantial part of the undertaking or assets of the Issuer, or a distress, diligence or execution or other process is levied or enforced upon or sued out against the whole or (in the opinion of the Bond Trustee) any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) is not be discharged or otherwise ceases to apply within 30 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally,

provided that, in the case of each of the events described in Condition 8(a)(ii), the Bond Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Bondholders.

**(b) Class B Bondholders**

This Condition 8(b) shall not apply as long as any Class A Bonds are outstanding. Subject thereto, for so long as any Class B Bonds are outstanding, the Bond Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class B Bonds or if so directed by or pursuant to an Extraordinary Resolution of the Class B Bondholders, (subject, in each case, to being indemnified to its satisfaction) shall, give notice (a “**Class B Enforcement Notice**”) to the Issuer declaring the Bonds to be due and repayable at any time after the happening of any of the following events (each, in respect of the Class B Bonds, an “**Event of Default**”):

(i) *Non-payment*

default being made for a period of 10 Business Days in the payment of the principal of, and/or interest on, any Class B Bond, when and as the same ought to be paid in accordance with these Conditions; or

(ii) *Other Events*

the occurrence of any of the events in Condition 8(a)(ii), (iii), (iv) or (v) above provided that references in the said Condition 8(a)(ii), (iii), (iv) or (v) to Class A Bonds and Class A Bondholders shall be construed as references to Class B Bonds and Class B Bondholders and provided further that, in the case of each of the events described in Condition 8(a)(ii), the Bond Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class B Bondholders.

(c) **General**

For the avoidance of doubt, upon any declaration being made by the Bond Trustee in accordance with Condition 8(a) or (b) above that the Bonds are due and repayable, all classes of the Bonds then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed. As used in these Conditions, “**Bond Enforcement Notice**” shall mean a Class A Enforcement Notice or a Class B Enforcement Notice, as the case may be.

## 9 Enforcement Of Bonds

Subject, in the case of the Class B Bonds, to the provisions of Condition 16, the Bond Trustee may at its discretion and without notice take such proceedings against the Issuer or any other person as it may think fit to enforce the provisions of the Bonds (other than, in the case of the Class B Bonds, proceedings for the winding up or administration of the Issuer) and the Transaction Documents and may, at any time after the Issuer Security has become enforceable, at its discretion and without notice, require the Issuer Trustee to take such steps as it may think fit to enforce the Issuer Security, but the Bond Trustee shall not be bound to take any such proceedings or require the Issuer Trustee to enforce the Issuer Security unless:

- (a) it has been so directed:
  - (i) by an Extraordinary Resolution of the Class A Bondholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Bonds; or
  - (ii) in the event that no Class A Bonds remain outstanding, by an Extraordinary Resolution of the Class B Bondholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class B Bonds; and
- (b) each of the Bond Trustee and the Issuer Trustee have been indemnified to its satisfaction.

No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Bond Trustee and/or the Issuer Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing provided that no Class B Bondholder shall be entitled to take proceedings for the winding up or administration of the Issuer. The Issuer Trustee cannot, while any of the Bonds are outstanding, be required to enforce the Issuer Security at the request of any other Issuer Secured Parties (as defined in the Issuer Deed of Charge) under the Issuer Deed of Charge.

## 10 Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

“**Relevant Date**” means, for the purposes of this Condition 10, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in London by the Principal Paying Agent or the Bond Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders. Any reference in

these Conditions to principal, premium and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed.

## **11 Replacement of Bonds, Coupons and Talons**

If any Bond or Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Paying Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

## **12 Meetings of Bondholders, Modification and Waiver**

- (a) The Trust Deed contains provisions for convening meetings of the Bondholders of any class to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.
- (b) An Extraordinary Resolution passed at any meeting of the Class A Bondholders shall be binding on all Class B Bondholders irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of the date of maturity of the Bonds or any class thereof or which would have the effect of postponing or advancing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or any class thereof, altering the currency of payment of the Bonds or any class thereof, or as the case may be, the Coupons, altering the method of calculating the amount of any payment in relation to the Bonds or the date of any such payment or altering the quorum or majority required in relation to this exception (a “**Basic Terms Modification**”), which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class B Bondholders or it shall not, in the opinion of the Bond Trustee, be materially prejudicial to the interests of the Class B Bondholders.

An Extraordinary Resolution passed at any meeting of Class B Bondholders shall not be effective for any purpose while the Class A Bonds remain outstanding unless either:

- (i) the Bond Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Bondholders; or
  - (ii) it is sanctioned by an Extraordinary Resolution of the Class A Bondholders.
- (c) Subject as provided below, the quorum at any meeting of the Bondholders of any class for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in Principal Amount Outstanding of the Bonds of such class or, at any adjourned meeting, two or more persons being or representing Bondholders of such class whatever the Principal Amount Outstanding of the Bonds of such class so held or represented.

The quorum at any meeting of the Bondholders of any class for passing an Extraordinary Resolution in respect of a Basic Terms Modification shall be two or more persons holding or representing not less than 75 per cent. or, at any adjourned such meeting, 25 per cent. in Principal Amount Outstanding of the Bonds of such class for the time being outstanding.

If any Class A Bonds are outstanding, it shall be necessary for the effectiveness of a Basic Terms Modification that it be sanctioned by Extraordinary Resolution of the Class A Bondholders and the Class B Bondholders passed at separate class meetings convened for that purpose unless a Bond Enforcement Notice (as defined in Condition 8(c)) has been served by the Bond Trustee, in which case a Basic Terms Modification can be sanctioned by an Extraordinary Resolution of the Class A Bondholders only passed at a separate meeting. Subject to Condition 12(b), if all Class A Bonds have

been redeemed in full, it shall be necessary for the effectiveness of a Basic Terms Modification that it be sanctioned by Extraordinary Resolution of the Class B Bondholders passed at a separate meeting convened for that purpose unless a Bond Enforcement Notice has been served by the Bond Trustee, in which case a Basic Terms Modification can be sanctioned by an Extraordinary Resolution of the Class B Bondholders only passed at a separate meeting. The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on the resolution.

The Trust Deed provides that a resolution passed at a meeting of the Bondholders shall include a resolution in writing signed by or on behalf of the holders of at least 75 per cent. in aggregate Principal Amount Outstanding of the relevant class of Bonds then outstanding. Such resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more Bondholders.

- (d) If the Bond Trustee is of the opinion that a proposed Basic Terms Modification in respect of any particular class or classes of Bonds is not materially prejudicial to the interests of any other class or classes of Bondholders in respect of which such Basic Terms Modification has not been proposed, such Basic Terms Modification can be sanctioned by an Extraordinary Resolution of the Bondholders only of the class or classes of Bonds in respect of which such Basic Terms Modification is proposed passed at a separate meeting or meetings.
- (e) The Bond Trustee may agree, without the consent of the Bondholders or Couponholders, (i) to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of any breach or proposed breach of, these Conditions or any of the Transaction Documents which, in the opinion of the Bond Trustee, is not materially prejudicial to the interests of the Bondholders or (ii) to any modification of these Conditions or any of the Transaction Documents which, in the opinion of the Bond Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Bond Trustee may also, without the consent of the Bondholders or the Couponholders, determine that an Event of Default shall not, subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and the Couponholders and, unless the Bond Trustee agrees otherwise, any such modification shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15.
- (f) Except where expressly provided otherwise, the Bond Trustee shall have regard to the interests of the Class A Bondholders and the Class B Bondholders as a class, provided that if in the opinion of the Bond Trustee there is a conflict between the interests of the Class A Bondholders and/or the Class B Bondholders, the Bond Trustee shall have regard to the interests of that class which ranks most senior but so that this proviso shall not apply in the case of powers, authorities or discretions in relation to which it is expressly stated that they may be exercised by the Bond Trustee only if in its opinion the interests of all the Bondholders would not be materially prejudiced thereby.
- (g) Subject to Condition 12(f), where it is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Class A Bondholders and the Class B Bondholders equally, the Bond Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without prejudice to the generality of the foregoing, the Bond Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Bond Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders or Couponholders.
- (h) The Bond Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Bondholders if each of the rating agencies then rating the Bonds has confirmed that the then current ratings of the Bonds would not be adversely affected by such exercise.

- (i) The Bond Trustee may retire on giving three months' written notice to the Issuer and the Bondholders may remove the Bond Trustee by Extraordinary Resolution. However, if the Bond Trustee is a sole trust corporation then any such retirement or removal shall not be effective until a successor Bond Trustee is appointed.

### **13 Indemnification and Exoneration of the Bond Trustee, the Issuer Trustee and the Obligor Trustee**

The Trust Deed, the Obligor Deed of Charge and the Issuer Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Bond Trustee, the Obligor Trustee and the Issuer Trustee, respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking enforcement proceedings or, in the case of the Issuer Trustee, enforcing the Issuer Security and, in the case of the Obligor Trustee, enforcing the Obligor Security, unless indemnified to the relevant trustee's satisfaction.

The Bond Trustee, the Issuer Trustee and the Obligor Trustee and their related companies are entitled to enter into business transactions with the Issuer and any affiliates of the Issuer without accounting for any profit resulting therefrom.

None of the Bond Trustee, the Obligor Trustee or the Issuer Trustee will be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security or the Obligor Security or any deeds or documents of title thereto being uninsured or inadequately insured or being held by or to the order of clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Issuer Trustee or the Obligor Trustee.

ABN AMRO Trustees Limited (the "**Initial Trustee**") is acting as Bond Trustee under the Trust Deed, as Issuer Trustee under the Issuer Deed of Charge and as Obligor Trustee under the Obligor Deed of Charge (and while doing so the Initial Trustee and any successor which acts in all such capacities are referred to in this Condition as the "**Trustee**"). No entity may act as a trustee in any such capacity unless it is also the Trustee or unless the Trustee agrees otherwise or unless the Trustee resigns its office as trustee in one or more of such capacities. In its capacity as Trustee, the Trustee will not be liable to any Bondholder for any loss which he may suffer by reason of any conflict which may arise between the interests of the Bondholders and any other person to whom the Trustee owes duties as a result of the Trustee acting in all such capacities.

Neither the Initial Trustee nor any of its successors has any responsibility to Bondholders for the validity, sufficiency or enforceability of the security created under the Transaction Documents (which the Initial Trustee has not investigated) and shall accept such title and interest as any chargor or mortgagor has without responsibility for investigating the same or any defect there may be therein. Neither the Initial Trustee nor any of its successors are responsible for monitoring the performance by any person of its obligations to the Issuer, the Borrower or any Property Company (as defined under any of the Transaction Documents) and each may assume until it has actual knowledge to the contrary that such obligations are being duly performed.



## 14 Further, Additional and Replacement Issues

### (a) Further Issues

The Issuer shall be at liberty, without the consent of the Bondholders or Couponholders, but provided that (i) the rating agencies then rating the Bonds have confirmed in writing to the Bond Trustee that to do so would not lead to a downgrade in the then current ratings of the Bonds and (ii) the Additional Further Issuance Conditions are met, to raise further funds, from time to time, on any Interest Payment Date (subject to certain conditions contained in the Trust Deed being met), by the creation and issue of (i) further Class A Bonds (the “**Further Class A Bonds**”) and (ii) further Class B Bonds (the “**Further Class B Bonds**”) and, together with the Further Class A Bonds, the “**Further Bonds**”) in bearer form carrying the same terms and conditions in all respects (other than the issue date, the first Interest Period, the first Interest Payment Date, the amount of the first Interest Payment and the first Bond Amortisation Amount) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, and share the same security as, the relevant class of Bonds.

“**Additional Further Issuance Conditions**” means (i) with respect to an issue of Further Bonds which is not accompanied by an increase in the number of Mortgaged Properties in the Portfolio, that the Projected Coverage Ratio is not lower than 100 per cent. as a result of the issue of such Further Bonds and (ii) with respect to an issue of Further Bonds which is accompanied by an increase in the number of Mortgaged Properties in the Portfolio, that the Projected Coverage Ratio as a result of the issue of such Further Bonds and the addition of such additional Mortgaged Properties to the Portfolio is not lower than the lower of (x) 100 per cent. and (y) the Projected Coverage Ratio as it would be were such Further Bonds not issued and were such additional Mortgaged Properties not added to the Portfolio.

“**Anticipated Debt Service**” means the Debt Service payable in respect of the relevant period on the assumption that: (i) no Property Adviser has been appointed; (ii) no fees, costs, expenses or taxes are payable by or on behalf of the Property Companies, the Borrower or the Issuer other than those which are capable of being determined on the date the relevant calculation of Anticipated Debt Service is being made; and (iii) no deferrals are permitted.

“**Projected Coverage Ratio**” means, with respect to the Relevant Projection Period, the ratio (expressed as a percentage) of (i) Anticipated Rent in respect of the Corresponding Rental Period (assuming, where applicable, that the additional Mortgaged Properties are added to the Portfolio) to (ii) Anticipated Debt Service during such Relevant Projection Period, assuming the relevant Further Bonds are issued (disregarding any amounts deferred prior to such Relevant Projection Period).

“**Relevant Projection Period**” means the date from (but excluding) the Interest Payment Date on which the relevant Further Bonds are to be issued, to (and including) the Interest Payment Date falling in the same calendar month of the next calendar year.

“**Corresponding Rental Period**” means the period from (and including) the Loan Determination Date immediately prior to the Interest Payment Date on which the relevant Further Bonds are to be issued, to (but excluding) the Loan Determination Date falling in the same calendar month of the next calendar year.

### (b) Additional and replacement issues

- (i) The Issuer shall be at liberty to issue, without the consent of the Bondholders or Couponholders but provided the rating agencies then rating the Bonds have confirmed in writing to the Bond Trustee that to do so would not lead to a downgrade in the then current ratings (assigned by such rating agencies) of the Bonds (subject to further conditions in the Trust Deed being met) to issue one or more classes of additional Bonds (the “**Additional Bonds**”) on terms which may differ from the then outstanding Bonds.

- (ii) If the Issuer exercises its option to redeem in whole one or more classes of Bond pursuant to Condition 5(c), the Issuer shall have the right without the consent of the Bondholders or the rating agencies then rating the Bonds to issue one or more classes of replacements Bonds (the “**Replacement Bonds**”) which carry the same terms and conditions, mutatis mutandis, in all respects (except in relation to (aa) the first Interest Period and (bb) the rate of interest applicable to the Replacement Bonds (which must be no higher than the rate of interest applicable to the equivalent class of Bonds being redeemed)) as the class or classes of Bonds which are to be so redeemed, such Replacement Bonds on issue to be in an amount which in aggregate does not exceed the then aggregate Principal Amount Outstanding of the class or classes to be or which have been so redeemed (and subject to further conditions in the Trust Deed being met).

**(c) Supplemental Trust Deeds and security**

Any such Further Bonds, Additional Bonds or Replacement Bonds will (unless each of the rating agencies then rating the Bonds has confirmed in writing to the Bond Trustee that to do so would lead to a downgrade in the then current ratings assigned by such rating agencies to such Bonds) be constituted by a further deed or deed supplemental to the Trust Deed and have the benefit of security pursuant to the Issuer Deed of Charge as described above in Condition 2.

**(d) Listing of Further Bonds**

Application will be made to the UK Listing Authority for any Further Bonds to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange for such Further Bonds to be admitted to trading on the London Stock Exchange’s market for listed securities. Admission to the Official List and the London Stock Exchange’s market for listed securities, constitutes official listing on the London Stock Exchange. It shall be a condition precedent to the issue of any Further Bonds (i) that such Further Bonds will be supported by such arrangements as would enable such Further Bonds to be assigned the same ratings as the then current ratings of the Bonds (assigned by the rating agencies then rating such Bonds) and any previously issued Further Bonds, (ii) that such Further Bonds are assigned the same ratings as are then applicable to the existing Bonds and (iii) that the ratings of the Bonds and of any previously issued Further Bonds will not be adversely affected by such issue. All references in these Conditions to the “**Class A Bonds**” and the “**Class B Bonds**” shall include any Further Class A Bonds and Further Class B Bonds respectively in issue from time to time. All references in these Conditions to the Bonds shall include any Further Bonds in issue from time to time.

## **15 Notices**

Notices to Bondholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if in the opinion of the Bond Trustee such publication is not practicable, in an English language newspaper of general circulation in Europe. Any such notice 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 is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

## **16 Subordination**

**(a) Interest**

In the event that, on any Interest Payment Date, the Pre-Enforcement Issuer Available Revenue (as defined in the Master Definitions Schedule), after deducting the amounts referred to in items (i) to (v) of the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments

or, as applicable, the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments (the “**Interest Residual Amount**”) is not sufficient to satisfy in full the aggregate amount of interest due, subject to this Condition 16(a), on the Class B Bonds, on such Interest Payment Date, there shall instead be payable on such Interest Payment Date, by way of interest on each Class B Bond only an equal *pro rata* share of the Interest Residual Amount attributable to the Class B Bonds or Coupons thereon on such Interest Payment Date calculated by dividing the Interest Residual Amount by the number of Class B Bonds outstanding.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid in respect of the Class B Bonds on any Interest Payment Date in accordance with this Condition 16(a) falls short of the aggregate amount of interest payable in respect of the Class B Bonds on that date pursuant to Condition 4. Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class B Bonds and shall be payable together with such accrued interest on any succeeding Interest Payment Date only if and to the extent that on such Interest Payment Date, the Pre-Enforcement Issuer Available Revenue, after deducting the amounts referred to in items (i) to (v) of the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments or, as applicable, the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments is sufficient to make such payment.

**(b) Principal**

In the event that, on any Interest Payment Date, the Pre-Enforcement Issuer Available Revenue, after deducting the amounts referred to in items (i) to (vi) inclusive of the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments or, as applicable, the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments (the “**Principal Residual Amount**”) is not sufficient to pay in full the aggregate amount of principal due, subject to this Condition 16(b), on the Class B Bonds on such Interest Payment Date, there shall instead be payable on such Interest Payment Date, by way of principal on each Class B Bond only an equal *pro rata* share of the Principal Residual Amount on such Interest Payment Date calculated by dividing the Principal Residual Amount by the number of Class B Bonds then outstanding.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of principal paid on the Class B Bonds on any Interest Payment Date in accordance with this Condition 16(b) falls short of the aggregate amount of principal payable on the Class B Bonds on that date pursuant to Condition 5. Such shortfall shall accrue interest at the same rate as that payable in respect of the Class B Bonds and shall be payable together with such accrued interest on any succeeding Interest Payment Date only if and to the extent that on such Interest Payment Date the Pre-Enforcement Issuer Available Revenue, after deducting the amounts referred to in items (i) to (vi) inclusive of the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments or, as applicable, the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments is sufficient to make such payment.

**(c) General**

Any amounts of principal or interest in respect of the Bonds otherwise payable under these Conditions which are not paid by virtue of this Condition 16 together with accrued interest thereon shall in any event become payable on 8 May 2032 or on such earlier date as the Bonds become immediately due and repayable under Condition 8.

**(d) Notification**

As soon as practicable after becoming aware that any part of a payment of interest or principal on the Class B Bonds will be deferred or that a payment previously deferred will be made in accordance with this Condition 16 the Issuer will give notice thereof to the Class B

Bondholders in accordance with Condition 15 and, so long as the Class B Bonds are admitted to trading on the London Stock Exchange, to the UK Listing Authority.

**17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

**18 Governing Law**

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

## UNITED KINGDOM TAXATION

*The comments below are of a general nature based on current law and practice in the United Kingdom. They relate only to the position of persons who are the absolute beneficial owners of Bonds and may not apply to certain classes of persons such as dealers. The comments below relate, unless otherwise stated, to the Bonds. Any Bondholders who are in doubt as to their personal tax position should consult their professional advisers.*

### **1 Taxation of Interest Paid**

While the Bonds continue to be listed on a recognised stock exchange within the meaning of Section 841 of the Income and Corporation Taxes Act 1988 payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax. Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where the Issuer (and any person by or through whom interest on the Bonds is paid) reasonably believes that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest at the time the payment is made, provided that the Inland Revenue has not given a direction that the interest should be paid under deduction of tax. In other cases, interest will generally be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary by the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any appropriate double taxation treaty. If interest is paid under deduction of United Kingdom income tax, the Issuer will not be obliged to pay any additional amount in respect of the Bonds.

Persons in the United Kingdom: (i) paying interest to or receiving interest on behalf of another person; or (ii) paying amounts due on redemption of any Bonds which constitute relevant discounted securities as defined in Schedule 13 to the Finance Act 1996 or receiving such amounts on behalf of another person, may be required to provide certain information to the United Kingdom Inland Revenue regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

The interest has a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of holders of the Bonds who are not resident in the United Kingdom, except where the holder carries on a trade, profession or vocation through a branch or agency, or in the case of a corporate holder, a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Bonds are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency or permanent establishment.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Bonds lost their listing), Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

### **2 EU Directive on the Taxation of Savings Income**

The European Union has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

### **3 Disposal (Including Redemption)**

#### **(a) Corporate Bondholders**

Bondholders within the charge to United Kingdom corporation tax will be subject to tax as income on all profits and gains arising from the Bonds broadly in accordance with their statutory accounting treatment. Such Bondholders will generally be charged in each accounting period by reference to interest and any profit or loss which, in accordance with such Bondholder's authorised accounting method, is applicable to that period.

#### **(b) Other Bondholders**

##### *(i) Disposal*

Under current United Kingdom Inland Revenue practice, as the Bonds contain a euro redenomination clause, the Bonds will not constitute qualifying corporate bonds within the meaning of Section 117 of Chargeable Gains Act 1992. Therefore, disposal of a Bond by a Bondholder resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bond is attributable may give rise to a chargeable gain or allowable loss for the purposes of taxation of capital gains.

##### *(ii) Accrued Income Scheme*

A transfer of a Bond by a Bondholder resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the Bond is attributable may give rise to a charge to tax on income in respect of an amount representing interest on the Bond which has accrued since the preceding interest payment date. The amount will be taken into account in determining any capital gain or loss arising on the disposal of the Bond.

### **4 United Kingdom Stamp Duty and Stamp Duty Reserve Tax**

No United Kingdom Stamp Duty or Stamp Duty Reserve Tax is payable on the issue or transfer by delivery of a Bond or on its redemption.

## SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., London Branch and UBS Limited (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement dated 18 November 2003 between the Joint Lead Managers, the Issuer, the Property Companies and the Borrower (the “**Subscription Agreement**”), agreed, jointly and severally, subject to certain conditions, to procure subscribers and failing which themselves to subscribe and pay for:

- (i) the Class A Bonds at an issue price of 100.010 per cent. of the principal amount thereof; and
- (ii) the Class B Bonds at 100.000 per cent. of the principal amount thereof.

The Issuer has agreed to pay to the Joint Lead Managers a selling and underwriting commission of 0.500 per cent. of the aggregate principal amount of the Class A Bonds and a selling and underwriting commission of 0.625 per cent. of the aggregate principal amount of the Class B Bonds.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers in certain circumstances prior to payment for the Bonds to the Issuer. The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds.

### United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

- (a) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Bonds, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) 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 Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“**Regulation S**”).

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

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement it will not offer, sell or deliver the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales

of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

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

### **General**

Except for the application to the UK Listing Authority for admission to the Official List, the application for admission of the Bonds to trading on the London Stock Exchange's market for listed securities and the delivery of copies of this Offering Circular to the Registrar of Companies in England and Wales, no action is being taken by the Issuer or the Joint Lead Managers in any jurisdiction which would or is intended to permit a public offering of the Bonds, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Bonds in any country or jurisdiction where action for that purpose is required.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this document nor any other circular, prospectus, form of application, advertisement or other material in connection with the Bonds may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations of any such country or jurisdiction.

Each of the Joint Lead Managers has undertaken that it will not, directly or indirectly, offer or sell any Bonds, or distribute this document or any other material relating to the Bonds in or from any country or jurisdiction except in circumstances that will result in compliance with applicable law and regulation.



## GENERAL INFORMATION

- (1) The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer passed on 18 November 2003.
- (2) It is expected that admission of the Bonds to the Official List and to trading on the London Stock Exchange's market for listed securities will be granted on or around 20 November 2003, subject only to issue of the Temporary Global Bonds. The admission of the Bonds will be cancelled if the Temporary Global Bonds 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. Prior to the official listing, however, dealings in the Bonds will be permitted by the London Stock Exchange in accordance with its rules.
- (3) The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for the Class A Bonds is 018024551 and the ISIN is XS0180245515 and the Common Code for the Class B Bonds is 018024594 and the ISIN is XS0180245945.
- (4) Other than as contained in this Offering Circular, no statutory or non-statutory accounts within the meaning of Section 240(5) of the Companies Act 1985 in respect of any financial year of the Issuer or the Borrower have been prepared. So long as any of the Bonds are admitted to trading on the London Stock Exchange's market for listed securities, the most recently published audited annual accounts of each of the Issuer and Borrower from time to time will be available at the specified office of the Principal Paying Agent. Neither the Issuer nor the Borrower publishes interim accounts.
- (5) The Issuer is not, nor has it been, involved in any legal or arbitration proceedings which may have, or have had, since the date of its incorporation a significant effect on its financial position, nor is the Issuer aware that any such proceedings are pending or threatened. The Borrower Group is not, nor has it been, involved in any legal or arbitration proceedings which may have, or have had, since the date of its incorporation a significant effect on its financial position, nor is the Borrower aware that any such proceedings are pending or threatened.
- (6) Baker Tilly and Cushman & Wakefield Healey & Baker have given and not withdrawn their written consent to the inclusion in this Offering Circular of their reports and references herein to their respective names in the form and context in which they are included and have authorised the contents of that part of the listing particulars for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2000.
- (7) Save as disclosed herein, since the date of its incorporation, there has been: (i) no material adverse change in the financial position or prospects of the Issuer; and (ii) no significant change in the trading or financial position of the Issuer. Save as disclosed herein, since the date of its incorporation, there has been: (i) no material adverse change in the financial position or prospects of the Borrower Group; and (ii) no significant change in the trading or financial position of the Borrower Group.
- (8) Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays and public holidays) at the registered office of the Issuer and at the offices of ABN AMRO Bank N.V. (London Branch) (the "**Principal Paying Agent**") at 82 Bishopsgate, London EC2N 4BN during the period of 14 days from the date of this document:
  - (i) the Memorandum and Articles of Association of the Issuer and the Borrower Group;
  - (ii) the accountants' report in relation to the Issuer;
  - (iii) the accountants' reports in relation to the Borrower Group;
  - (iv) the consent letter from Baker Tilly in relation to the Offering Circular;
  - (v) the Valuation Report of Cushman & Wakefield Healey & Baker dated 18 November 2003;

- (vi) the consent letter from Cushman & Wakefield Healey & Baker in relation to the Offering Circular;
- (vii) the Subscription Agreement; and
- (viii) drafts (subject to modification) of:
  - (a) the Trust Deed;
  - (b) the Agency Agreement;
  - (c) the Issuer Deed of Charge;
  - (d) the Cash Management Agreement;
  - (e) the Obligor Deed of Charge;
  - (f) the Liquidity Facility Agreement;
  - (g) the Issuer-Borrower Loan Agreement;
  - (h) the Borrower-PropCo Loan Agreement;
  - (i) the Property Management Agreement;
  - (j) the Tax Deed of Covenant;
  - (k) the Master Definitions Schedule;
  - (l) the Subordinated Funding Agreement;
  - (m) the Subordination Deed; and
  - (n) the Corporate Services Agreement.

## APPENDIX 1 – INDEX OF DEFINED TERMS

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