

BROADGATE FINANCING PLC

(incorporated in England and Wales with limited liability under registration number 5316365)

£225,000,000 Class A1 Floating Rate Bonds due 2032

Issue Price: 100 per cent.

£315,000,000 Class A2 4.949 per cent. Bonds due 2031

Issue Price: 100 per cent.

£175,000,000 Class A3 4.851 per cent. Bonds due 2033

Issue Price: 100 per cent.

£400,000,000 Class A4 4.821 per cent. Bonds due 2036

Issue Price: 100 per cent.

£365,000,000 Class B 4.999 per cent. Bonds due 2033

Issue Price: 100 per cent. as to £260,580,000 initial principal amount and 100.68 per cent. as to £104,420,000 initial principal amount

£235,000,000 Class C1 Floating Rate Bonds due 2022

Issue Price: 100 per cent.

£215,000,000 Class C2 5.098 per cent. Bonds due 2035

Issue Price: 100 per cent.

£150,000,000 Class D Floating Rate Bonds due 2025

Issue Price: 100 per cent.

The £225,000,000 Class A1 Floating Rate Bonds due 2032 (the **Class A1 Bonds**), the £315,000,000 Class A2 4.949 per cent. Bonds due 2031 (the **Class A2 Bonds**), the £175,000,000 Class A3 4.851 per cent. Bonds due 2033 (the **Class A3 Bonds**), the £400,000,000 Class A4 4.821 per cent. Bonds due 2036 (the **Class A4 Bonds** and, together with the Class A1 Bonds, the Class A2 Bonds and the Class A3 Bonds, the **Class A Bonds**), the £365,000,000 Class B 4.999 per cent. Bonds due 2033 (the **Class B Bonds**), the £235,000,000 Class C1 Floating Rate Bonds due 2022 (the **Class C1 Bonds**), the £215,000,000 Class C2 5.098 per cent. Bonds due 2035 (the **Class C2 Bonds** and, together with the Class C1 Bonds, the **Class C Bonds**) and the £150,000,000 Class D Floating Rate Bonds due 2025 (the **Class D Bonds** and, together with the Class A Bonds, the Class B Bonds and the Class C Bonds, the **Bonds**) of Broadgate Financing PLC (the **Issuer**) will be issued at the issue prices stated above. The Class A1 Bonds, the Class C1 Bonds and Class D Bonds are together referred to as the **Floating Rate Bonds** and the Class A2 Bonds, the Class A3 Bonds, the Class A4 Bonds, the Class B Bonds and the Class C2 Bonds are together referred to as the **Fixed Rate Bonds**.

Interest on the Bonds is payable by reference to successive interest periods (each, an **Interest Period**). Interest will be payable quarterly in arrear in pounds sterling on 5 January, 5 April, 5 July and 5 October in each year (subject to adjustment as specified herein for non-business days) commencing on the Interest Payment Date falling on 5 April 2005. The first Interest Period will commence on (and include) 2 March 2005 (or such later date as may be agreed by the Issuer, Morgan Stanley & Co. International Limited (**Morgan Stanley**) and, in its capacity as a joint lead manager, together with The Royal Bank of Scotland plc and UBS Limited, the **Lead Managers**) and Capita IRG Trustees Limited (the **Band Trustee**) (the **Closing Date**) and end on (but exclude) the Interest Payment Date falling in April 2005. Each successive Interest Period in respect of the Floating Rate Bonds will (subject to adjustment as specified herein for non-business days) commence on (and include) the next (or first) Interest Payment Date and end on (but exclude) the following Interest Payment Date. Each successive Interest Period in respect of the Fixed Rate Bonds will commence on (and include) 5 July, 5 October, 5 January and 5 April in each year and will end on (but exclude) the following 5 October, 5 January, 5 April and 5 July respectively. Interest on the Floating Rate Bonds will accrue at an annual rate equal to the sum of the London interbank offered rate for three month (or, in the case of the first Interest Period, the linear interpolation of one and two month) sterling deposits (**LIBOR**), plus, in the case of the Class A1 Bonds, a margin of 0.16 per cent. per annum until (but excluding) the Interest Payment Date falling in April 2013 (the **Step-up Date**), and a margin of 0.40 per cent. per annum from (and including) the Step-up Date, in the case of the Class C1 Bonds, a margin of 0.48 per cent. per annum until (but excluding) the Step-up Date, and a margin of 0.96 per cent. per annum from (and including) the Step-up Date and, in the case of the Class D Bonds, a margin of 0.80 per cent. per annum, until (but excluding) the Step-up Date and a margin of 1.60 per cent. per annum from (and including) the Step-up Date subject as further described herein and as set out in Condition 4.5 of the terms and conditions of the Bonds (the **Conditions**) set out in "Terms and Conditions of the Bonds" herein. Interest on the Class A2 Bonds will accrue at the rate of 4.949 per cent. per annum, interest on the Class A3 Bonds will accrue at a rate of 4.851 per cent. per annum, interest on the Class A4 Bonds will accrue at the rate of 4.821 per cent. per annum, interest on the Class B Bonds will accrue at the rate of 4.999 per cent. per annum and interest on the Class C2 Bonds will accrue at the rate of 5.098 per cent. per annum, in each case as further described herein and as set out in Condition 4.2 of the Terms and Conditions of the Bonds.

The Bonds will mature on the Interest Payment Date falling, in the case of the Class A1 Bonds, in January 2032, in the case of the Class A2 Bonds, in April 2031, in the case of the Class A3 Bonds, in April 2033, in the case of the Class A4 Bonds, in July 2036, in the case of the Class B Bonds, in October 2033, in the case of the Class C1 Bonds, in January 2022, in the case of the Class C2 Bonds, in April 2035 and in the case of the Class D Bonds, in October 2025, in each case unless previously redeemed. The Bonds will be subject to mandatory partial redemption in part or in full, and may be subject to optional redemption in part or in full before such date in certain circumstances. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation".

All payments of interest and principal on the Bonds will be made subject to any applicable withholding taxes, and neither the Issuer, the Paying Agents (as defined herein) nor any other person will be obliged to pay any additional or further amounts as a consequence thereof. See "Terms and Conditions of the Bonds — Taxation".

The Bonds will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other person or entity. In particular, the Bonds will not be obligations of, and will not be guaranteed by, the Bond Trustee, the Issuer Security Trustee, the Liquidity Bank, the Managers, the Cash Manager, the Account Bank, the Swap Counterparty, the Agent Bank or the Paying Agents (each as defined herein) or Broadgate (Funding) 2005 Limited (the **Borrower**), any of the Property Companies (as defined herein), any of the Nominee Companies (as defined herein) or any other company in the group of companies of which the Borrower and the Property Companies are currently members (other than the Issuer). The Intercompany Loan (as defined herein) will be the obligation solely of the Borrower and will have the benefit of the Borrower Security (as defined herein) and, in particular, will not be the obligation of the Borrower Security Trustee.

The Class A Bonds (excluding the Class A1 Step-up Amount) are expected, on issue, to be assigned an AAA/Aaa/AAA rating by each of S&P, Moody's and Fitch respectively. The Class B Bonds are expected, on issue, to be assigned an AA/Aa2/AA rating by such rating agencies. The Class C Bonds (excluding the Class C1 Step-up Amount) are expected, on issue, to be assigned an A/A2/A rating by such rating agencies. The Class D Bonds (excluding the Class D Step-up Amount) are expected, on issue, to be assigned a BBB/Baa2/BBB rating by such rating agencies. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The Bonds of each class will initially be represented by one or more temporary global bonds 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 SA/N.V. as the operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), on or about the Closing Date. Each Temporary Global Bond relating to a class of Bonds will be exchangeable not earlier than 40 days after the Closing Date (and upon certification of non-U.S. beneficial ownership) for interests in a single 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**), and 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 Global Bonds.

Application has been made to the Financial Services Authority in its capacity as the UK Listing Authority for the Bonds to be admitted to the Official List. Application has also been made for the Bonds to be admitted to trading on the London Stock Exchange's market for listed securities.

Particular attention is drawn to the section entitled "Risk Factors".

MORGAN STANLEY
Joint Lead Manager and
Sole Bookrunner
(except for Class A4 Bonds)

THE ROYAL BANK OF SCOTLAND
Joint Lead Manager and
Joint Bookrunner for Class A4
Bonds

UBS INVESTMENT BANK
Joint Lead Manager

BARCLAYS CAPITAL

LLOYDS TSB BANK PLC

Co-Managers

The date of this Offering Circular is 23 February 2005

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

No person is or has been authorised to give any information or to make any representation concerning the issue and sale of the Bonds other than those contained in this Offering Circular. If any such information or representation is given or made by any broker, seller or any other person, it must not be relied upon as having been authorised by the Issuer or any of the Managers. Neither the delivery of this Offering Circular nor any offer, sale, allotment or solicitation 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, the Property Companies, the Nominee Companies or any member of the British Land Group or in the information contained herein since the date hereof or that the information contained herein is correct at any time subsequent to the date hereof.

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**). The Bonds are in bearer form and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered, directly or indirectly, in the United States or to any U.S. persons (as defined in *Subscription and Sale* below). The Bonds are being offered for sale outside the United States in accordance with Regulation S under the Securities Act (**Regulation S**). See *Subscription and Sale* below.

Other than the approval of this Offering Circular as listing particulars in accordance with the listing rules of the UK Listing Authority, no action has been taken under any regulatory or other requirements of any jurisdiction or will be so 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 of it) comes are required by the Issuer and the 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 the distribution of this document see *Subscription and Sale* below. Neither this document nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer or the Managers to subscribe for or purchase any of the Bonds. Neither this document nor any part hereof may be used for or in connection with an offer to, or a 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. A more detailed description of the restrictions on offers, sales and deliveries of the Bonds and the distribution of this Offering Circular is set out in *Subscription and Sale*.

Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this document nor any part of it 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 under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. References in this Offering Circular to **£, Sterling, sterling, pounds sterling or**

Pounds Sterling are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

*In connection with the issue of the Bonds, Morgan Stanley (in its capacity as **Stabilisation Manager**) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Bonds at a higher level than that which might otherwise prevail for a limited period. However there may be no obligation on the Stabilisation Manager (or any agent of the Stabilisation 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 in compliance with applicable laws regulations and rules.*

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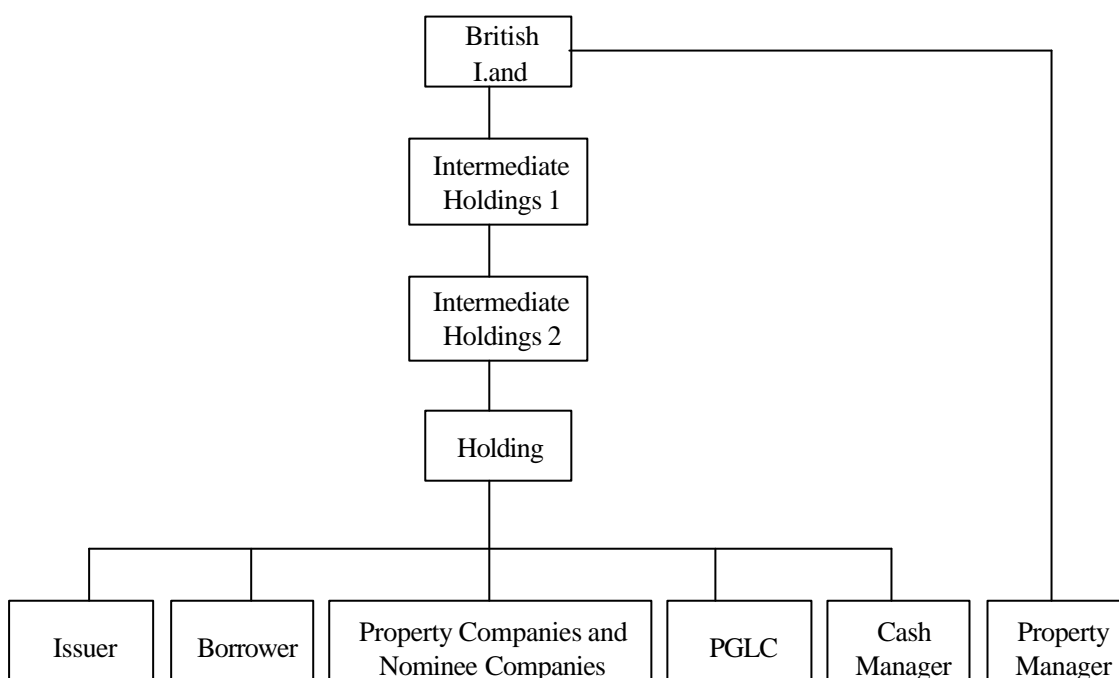
SUMMARY INFORMATION

The information in this section is a summary of the key features of the issue of the Bonds and does not purport to be complete. This summary should be read in conjunction with and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular.

An index of the defined terms used in this Offering Circular appears at the end of this document.

Diagrams

Ownership Structure

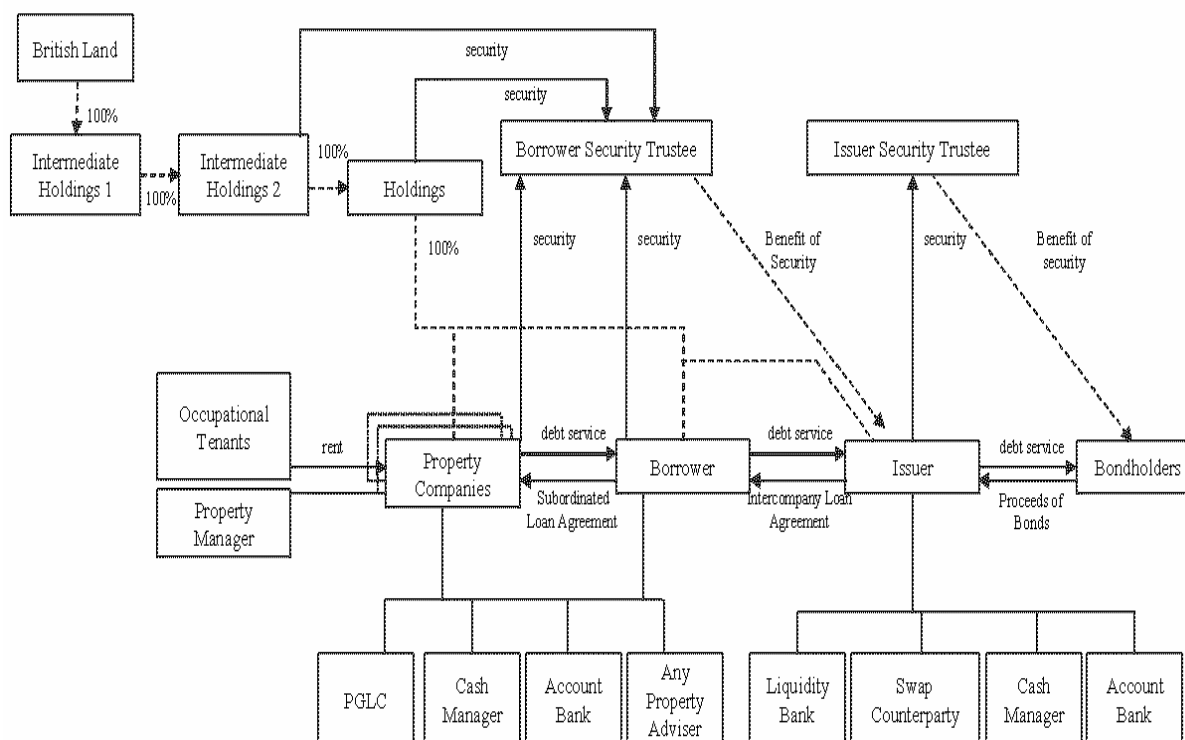


The diagram above illustrates the ownership structure of the principal parties to the transaction as at the Closing Date, as follows:

- The Issuer is a subsidiary of Holdings (save as to one share, which is held by the Cash Manager as nominee for Holdings) and is a special purpose vehicle incorporated for the purpose of the transactions described in this Offering Circular;
- Each of the Borrower and the New Property Companies is a wholly-owned subsidiary of Holdings and each is a special purpose vehicle incorporated for the purpose of the transactions described in this Offering Circular;

- Each of the Original Property Companies, PGLC and the Cash Manager is a wholly-owned subsidiary of Holdings and was originally incorporated for the purposes of the Original Financing but which will also be used for the purposes of the transaction described in this Offering Circular;
- The entire share capital of Holdings is held by Intermediate Holdings 2, the entire share capital of Intermediate Holdings 2 is held by Intermediate Holdings 1 and the entire issued share capital of Intermediate Holdings 1 is held by British Land.
- The Nominee Companies hold legal title to the Mortgaged Properties on behalf of the Property Companies.
- The Property Manager is a wholly-owned subsidiary of British Land.

Transaction Overview



The diagram above illustrates the transactions that will take place in connection with the issuance of the Bonds. On the Closing Date, the Issuer will issue the Bonds and enter into the Intercompany Loan Agreement with the Borrower relating to the advance of the Intercompany Loan in an amount equal to the aggregate principal amount of the Bonds. The tranches of the Intercompany Loan will correspond to the different classes of Bonds issued by the Issuer and the Borrower will pay interest on the Intercompany Loan at fixed rates of interest.

Also on the Closing Date, the Borrower will enter into the Subordinated Loan Agreement with the Property Companies relating to the advance of the Subordinated Loans in an aggregate amount equal to the aggregate principal amount of the Intercompany Loan. The advances of the Subordinated Loans will be used by some of the Property Companies to settle existing debt owed ultimately to MSMFB pursuant to the Original Financing and will be used by other Property Companies to settle debt owed ultimately to other subsidiaries of the British Land Group. Repayment of amounts due under the Subordinated Loan Agreement will be unsecured obligations of the Property Companies.

On the Closing Date, certain payments due from the Borrower to the Issuer may be netted against amounts due to the Borrower under the Intercompany Loan. Similarly, certain payments due from the Property Companies to the Borrower may be netted against amounts due under the Subordinated Loans.

The Issuer, the Borrower, each Property Company, Holdings, PGLC and the Cash Manager will also enter into intra-group loan arrangements under the terms of the Intra-Group Loan Deed,

pursuant to which PGLC will borrow from and make loans to the Property Companies to the extent that a Property Company suffers a shortfall in rental income which can be met from a surplus of rental income received by another Property Company. Pursuant to the Intra-Group Loan Deed, Holdings will also advance loans to the Property Companies and the Issuer and may also advance loans to the Borrower from time to time. Repayment of amounts due under the Intra-Group Loan Deed will be subordinated and unsecured obligations of the relevant parties.

The payment of rent from tenants occupying the Mortgaged Properties will be collected by the Cash Manager (on behalf of the Property Companies) and deposited into the Rental Receipts Account held in the name of the Cash Manager on trust for the Property Companies with the Account Bank.

On each Interest Payment Date, the Cash Manager will apply amounts standing to the credit of the Rental Receipts Account in accordance with the Borrower Pre-Enforcement Priority of Payments, which will include payment of Borrower Senior Expenses and payments of interest and principal then due to the Issuer under the Intercompany Loan Agreement. Failure by the Borrower to pay amounts due under the Intercompany Loan Agreement will, subject to a specified grace period and certain other conditions, result in a Loan Event of Default.

Any amounts applied by the Cash Manager in accordance with the Borrower Pre-Enforcement Priority of Payments will discharge *pro tanto* the obligations of the Property Companies to pay certain expenses of the Borrower and to pay principal and interest due to the Borrower under the Subordinated Loans.

The Issuer's obligation to pay interest and principal on the Bonds will be met primarily from payments of interest and principal received from the Borrower under the Intercompany Loan Agreement.

Under the terms of the Borrower Deed of Charge, the obligations of the Borrower under, *inter alia*, the Intercompany Loan Agreement will be secured in favour of the Borrower Security Trustee (on trust for the Borrower Secured Parties) by fixed and floating charges over all the property, undertaking and assets of the Borrower (including its rights as lender under the Subordinated Loan Agreement and its rights in any Chargor Accounts), the Property Companies and the Nominee Companies (including, in each case, their rights in the Mortgaged Properties). In addition, each of the Cash Manager, PGLC and Holdings will give fixed and floating charges over its assets and undertakings. In addition, Intermediate Holdings 2 will grant a first fixed charge over its shares in Holdings to secure the Intercompany Loan, but will not grant a floating charge.

Under the terms of the Issuer Deed of Charge, the obligations of the Issuer under, *inter alia*, the Bonds will be secured in favour of the Issuer Security Trustee (on behalf of the Issuer Secured Parties) by fixed and floating charges over all the property, undertaking and assets (including its rights as lender under the Intercompany Loan Agreement and as a beneficiary under the Borrower Deed of Charge) of the Issuer.

Other structural elements in this transaction will include:

- liquidity and hedging arrangements to be entered into between, among others, the Issuer and, as applicable, the Liquidity Bank and the Swap Counterparty;
- cash management and account bank arrangements to be entered into between, among others, the Issuer, the Borrower, the Property Companies and, as applicable, the Cash Manager and the Account Bank;
- property management arrangements to be entered into between, among others, the Property Companies and British Land Property Management Limited as Property Manager; and
- property advisory arrangements to be provided by a Property Adviser following a breach of Coverage Tests and in the event of limited non-payment events, on the terms set out in the Intercompany Loan Agreement.

Two of the Property Companies will have a subsidiary (such subsidiaries being 135 Bishopsgate Financing Limited and Barstep Limited, which will itself have a subsidiary, Broadgate (PHC 11), which is the previous owner of Exchange House). 135 Bishopsgate Financing Limited and Broadgate (PHC 11) will be previous owners of the relevant Mortgaged Properties as at the Closing Date.

Key Characteristics of the Bonds

	Class A1	Class A2	Class A3	Class A4	Class B	Class C1	Class C2	Class D
Principal Amount (£ millions):	225	315	175	400	365	235	215	150
Credit Enhancement:	Subordination of the Class B Bonds, the Class C Bonds and the Class D Bonds	Subordination of the Class B Bonds, the Class C Bonds and the Class D Bonds	Subordination of the Class B Bonds, the Class C Bonds and the Class D Bonds	Subordination of the Class B Bonds, the Class C Bonds and the Class D Bonds	Subordination of the Class C Bonds and the Class D Bonds	Subordination of the Class D Bonds	Subordination of the Class D Bonds	N/A
Interest Rate:	LIBOR + margin	4.949% p.a.	4.851% p.a.	4.821% p.a.	4.999% p.a.	LIBOR + margin	5.098% p.a.	LIBOR + margin
Margin:	0.16 % p.a. (0.40% p.a. from and including Step-up Date)	N/A	N/A	N/A	N/A	0.48% p.a. (0.96% p.a. from and including Step-up Date)	N/A	0.80% p.a. (1.60% p.a. from and including Step-up Date)
Interest Accrual Method:	Actual/365	30/360	30/360	30/360	30/360	Actual/365	30/360	Actual/365
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates falling in January, April, July and October in each year.							
Amortisation:	On each Interest Payment Date	On each Interest Payment Date	On each Interest Payment Date	None	On each Interest Payment Date	On each Interest Payment Date	On each Interest Payment Date	On each Interest Payment Date
First Interest Payment Date falls in:	April 2005	April 2005	April 2005	April 2005	April 2005	April 2005	April 2005	April 2005
Final Maturity Date:	2032	2031	2033	2036	2033	2022	2035	2025
Application for Exchange Listing:	UK Listing Authority and London Stock Exchange							
ISIN:	XS0213092066	XS0211897664	XS0211897821	XS0213092652	XS0211898043	XS0213093031	XS0211898126	XS0213093627
Common Code:	21309206	21189766	21189782	21309265	21189804	21309303	21189812	21309362
Expected Ratings (S&P/Moody's/Fitch):	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AA/Aa2/A A	A/A2/A	A/A2/A	BBB/Baa2/BBB

The Parties

Issuer:

Broadgate Financing PLC (the **Issuer**), a public company incorporated in England and Wales with limited liability under registration number 5316365, has been established for the limited purposes of the issue of the Bonds and the transactions and matters referred to in or contemplated by this Offering Circular. The Issuer is an indirect wholly-owned subsidiary of The British Land Company PLC (**British Land**). See further *The Issuer* below.

Borrower:

Broadgate (Funding) 2005 Limited (the **Borrower**), a private company incorporated in England and Wales with limited liability under registration number 5316374, has been established for the limited purposes of borrowing from the Issuer under the Intercompany Loan Agreement and the transactions referred to in or contemplated by this Offering Circular. The Borrower is an indirect wholly-owned subsidiary of British Land. See further *The Borrower* below.

Property Companies :

The **Property Companies** means each of the indirect wholly-owned subsidiaries of British Land specified as such in *The Property Group — Property Companies* below and any other property company which, after the Closing Date, provides third party security in respect of the obligations of the Borrower under the Intercompany Loan Agreement.

In consideration of the making of subordinated loans by the Borrower to each of the Property Companies (each a **Subordinated Loan**), each of the Property Companies will grant fixed and floating charges over its assets, including its beneficial interest in the relevant Mortgaged Property, to the Borrower Security Trustee to secure the Borrower's obligations under the Intercompany Loan. The Mortgaged Property beneficially owned by each Property Company is set out opposite its name in *The Property Group - Introduction* below.

Nominee Companies:

Nominee Companies means each of the indirect wholly-owned subsidiaries of British Land specified as such in *The Property Group — Nominee Companies* below and any other nominee company which, after the Closing Date, provides third party security in respect of the obligations of the Borrower under the Intercompany Loan Agreement.

Each of the Nominee Companies is a limited liability

company incorporated in Jersey established for the principal purpose of holding the legal title to a Mortgaged Property on trust for the relevant Property Company.

Each Nominee Company will grant an English law registered mortgage over its legal title to the relevant Mortgaged Property, together with an English law floating charge over its assets and undertakings not the subject of the legal mortgage, to the Borrower Security Trustee to secure the Borrower's obligations under the Intercompany Loan. The Mortgaged Property legally owned by each Nominee Company is set out opposite its name in *The Property Group — Nominee Companies* below.

Bond Trustee:

Capita IRG Trustees Limited (in this capacity, the **Bond Trustee**), acting through its office at Guildhall House, 81/87 Gresham Street, London EC2V 7QE, will act as trustee for the holders of the Bonds pursuant to the Bond Trust Deed constituting the Bonds.

Issuer Security Trustee:

Capita IRG Trustees Limited (in this capacity, the **Issuer Security Trustee**), acting through its office at Guildhall House, 81/87 Gresham Street, London EC2V 7QE, will act as security trustee for the Issuer Secured Parties pursuant to the Issuer Deed of Charge. For a description of the terms of the Issuer Deed of Charge see *Summary of Principal Documents — Issuer Deed of Charge* below.

Borrower Security Trustee:

Capita IRG Trustees Limited (in this capacity, the **Borrower Security Trustee**), acting through its office at Guildhall House, 81/87 Gresham Street, London EC2V 7QE, will act as security trustee for the Borrower Secured Parties pursuant to the Borrower Deed of Charge. For a description of the terms of the Borrower Deed of Charge see *Summary of Principal Documents — Borrower Deed of Charge* below.

Liquidity Bank:

The Royal Bank of Scotland plc (the **Liquidity Bank**), acting through its office at 135 Bishopsgate, London EC2M 3UR, will act as liquidity bank to the Issuer pursuant to the Liquidity Agreement. See further *The Liquidity Bank and Account Bank* below. For a description of the terms of the Liquidity Agreement see *Resources Available to the Issuer and the Borrower— General Liquidity Obligations* below. The Liquidity Agreement provides that there may be more than one Liquidity Bank at any given time in the future.

Swap Counterparty:

Morgan Stanley Capital Services Inc (the **Swap Counterparty**), acting through its office at 1585

Broadway, New York, New York 10036 USA, will provide hedging arrangements to the Issuer to protect the Issuer against any interest rate risk arising in respect of its LIBOR floating rate interest obligations under the Floating Rate Bonds. See further *The Swap Counterparty* below. For a description of the terms of the Swap Agreement see *Resources Available to the Issuer and the Borrower — Swap Agreement* below.

Property Group Lending Company:

Broadgate (Lending) Limited (**PGLC**) will, pursuant to the terms of the Intra-Group Loan Deed, borrow from and make loans to the Property Companies. PGLC was established for the limited purpose of acting as an intra - group lending company. See further *The Property Group* below.

Property Advisor:

In certain circumstances (described further in *Summary of the Principal Documents — The Intercompany Loan Agreement — Coverage Tests and Property Adviser* below), the Borrower and the Property Companies will be required to appoint a Property Adviser to be chosen with the prior consent of the Borrower Security Trustee.

Cash Manager:

Broadgate (Cash Management) Limited (the **Cash Manager**), will be appointed by the Issuer, the Borrower, the Property Companies and PGLC to provide cash management services under the terms of the Cash Management Agreement. The Cash Manager was originally established for the limited purpose of acting as cash manager in relation to the Original Financing. The Cash Manager will now act as cash manager for the Issuer, the Borrower, the Property Companies and PGLC. See further *The Property Group* below. For a description of the terms of the Cash Management Agreement see *Summary of Principal Documents — Cash Management Agreement* below.

Account Bank:

National Westminster Bank Plc, acting through its office at 88 Cromwell Road, London SW7 4EW (the **Account Bank**), will act as account bank for the Issuer, the Borrower and the Property Companies with respect to their respective accounts opened and maintained pursuant to the Bank Agreement. See further *The Liquidity Bank and Account Bank* below.

Paying Agents:

JPMorgan Chase Bank, N.A. will act as principal paying agent and agent bank in respect of the Bonds pursuant to the Agency Agreement.

Holdings:

Broadgate Property Holdings Limited (**Holdings**) will be

at the Closing Date the immediate holding company of *inter alia* each of the Borrower, the Property Companies, the Nominee Companies, the Cash Manager and PGLC (together with Holdings the **Property Group**). Holdings was established for the purposes of being a holding company. See further *The Property Group* below.

Intermediate Holding Companies:

British Land Broadgate 2005 Limited (**Intermediate Holdings 2**) will be at the Closing Date the immediate holding company of Holdings and British Land City 2005 Limited (**Intermediate Holdings 1**) will be at the Closing Date the immediate holding company of Intermediate Holdings 2 and a wholly-owned subsidiary of British Land, each of Intermediate Holdings 1 and Intermediate Holdings 2 having been established for the purposes of being a holding company. See further *The Property Group* below.

Property Manager:

British Land Property Management Limited (the **Property Manager**) will act as the property manager in respect of the Mortgaged Properties pursuant to the terms of the Property Management Agreement.

The Bonds

Description of the Bonds:

On or about 2 March 2005 (the **Closing Date**) the Issuer will issue the following Bonds:

- £225,000,000 Class A1 Floating Rate Bonds due 2032;
- £315,000,000 Class A2 4.949 per cent. Bonds due 2031;
- £175,000,000 Class A3 4.851 per cent. Bonds due 2033;
- £400,000,000 Class A4 4.821 per cent. Bonds due 2036;
- £365,000,000 Class B 4.999 per cent. Bonds due 2033;
- £235,000,000 Class C1 Floating Rate Bonds due 2022;
- £215,000,000 Class C2 5.098 per cent. Bonds due 2035; and
- £150,000,000 Class D Floating Rate Bonds due 2025.

The Class A1 Bonds, the Class C1 Bonds and the Class D

Bonds are together referred to as the **Floating Rate Bonds**. The Class A2 Bonds, the Class A3 Bonds, the Class A4 Bonds, the Class B Bonds and the Class C2 Bonds are together referred to as the **Fixed Rate Bonds**.

Status, form and denomination:

The Bonds will constitute secured, direct and unconditional obligations of the Issuer. The Bonds will be constituted by the Bond Trust Deed and will share the same security. The Class A Bonds will rank senior in priority to the Class B Bonds, the Class C Bonds and the Class D Bonds in point of security and (excluding any Class A1 Step-up Amount) as to payment of both interest and scheduled principal. The Class B Bonds will rank senior in priority to the Class C Bonds and the Class D Bonds in point of security and as to payment of both interest and scheduled principal. The Class C Bonds will rank senior in priority to the Class D Bonds in point of security and (excluding any Class C1 Step-up Amount) as to payment of both interest and scheduled principal. Certain debts of the Issuer, including certain amounts due under the Liquidity Agreement, the Swap Agreement and the Swap Agreement Credit Support Annex will rank senior in priority to the Bonds as set out in the relevant priority of payments of the Issuer (See further *Resources Available to the Issuer and the Borrower — Issuer Priorities of Payment*).

The obligations of the Issuer to pay any Class A1 Step-up Amount is subordinated to payments of other interest and principal on the Bonds, excluding any Class C1 Step-up Amount and the Class D Step-up Amount, in accordance with the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments. The obligations of the Issuer to pay any Class C1 Step-up Amount is subordinated to payments of other interest and principal on the Bonds, excluding the Class D Step-up Amount, in accordance with the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments.

Interests in each Temporary Global Bond will each be exchangeable for interests in the relevant Permanent Global Bond in bearer form for that class, without coupons or talons, not earlier than the Exchange Date upon certification by the Bondholders as to non-U.S. beneficial ownership. See further *Provisions relating to Bonds in Global Form* below.

The Permanent Global Bonds will also be deposited with the Common Depositary. Interests in the Permanent

Global Bonds will be exchangeable for definitive Bonds in bearer form only in very limited circumstances. For so long as the Bonds are represented by Temporary Global Bonds or Permanent Global Bonds, interests in the Bonds will be transferable in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg. See further *Provisions relating to Bonds in Global Form* below.

The Bond Trust Deed and the Issuer Deed of Charge will contain provisions requiring the Bond Trustee and the Issuer Security Trustee to have regard to the interests of the Class A Bondholders, the Class B Bondholders, the Class C Bondholders and the Class D Bondholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Bond Trustee or Issuer Security Trustee, as applicable, (except where expressly provided otherwise), but requiring, where there is (in the opinion of, as applicable, the Bond Trustee or the Issuer Security Trustee) a conflict of such interests, the Bond Trustee and the Issuer Security Trustee to have regard only to the interests of the class of Bondholders which ranks senior in point of priority to the other class or classes of Bondholders so involved in such conflict. See further *Risk Factors – Conflicts of Interest* and Condition 2.1 of the Bonds.

So long as any of the Bonds remain outstanding, the Issuer Security Trustee will not be required to have regard to the interests of any persons (other than the Bondholders) entitled to the benefit of the security constituted by the Issuer Deed of Charge.

The Bond Trust Deed and the Issuer Deed of Charge will contain provisions limiting the powers of the Bondholders which rank junior in priority to the Bonds of another class or classes, *inter alia*, to pass any Extraordinary Resolution or to request or direct the Bond Trustee or the Issuer Security Trustee, as applicable, to take any action which may affect the interests of the Bondholders of a class or classes of Bonds which rank senior in priority to that class or classes.

Interest:

Interest will be payable on the Bonds quarterly in arrear in pounds sterling on 5 January, 5 April, 5 July and 5 October in each year commencing on 5 April 2005 (in each case subject to adjustment for non-business days as specified in the Conditions). Interest will be payable on the Bonds by reference to successive Interest Periods.

Each successive Interest Period in respect of the Floating Rate Bonds will commence on (and include) the Closing Date (or Interest Payment Date) and end on (but exclude) the following Interest Payment Date. Each successive Interest Period in respect of the Fixed Rate Bonds will commence on (and include) 5 July, 5 October, 5 January and 5 April in each year and will end on (but exclude) the following 5 October, 5 January, 5 April and 5 July respectively.

Interest on each Bond will accrue on its Principal Amount Outstanding at the following rates:

- in the case of the Class A1 Bonds, the sum of LIBOR plus a margin of 0.16 per cent. per annum until (but excluding) the Step-up Date and a margin of 0.40 per cent. per annum from (and including) the Step-up Date;
- in the case of the Class A2 Bonds, 4.949 per cent. per annum;
- in the case of the Class A3 Bonds, 4.851 per cent. per annum;
- in the case of the Class A4 Bonds, 4.821 per cent. per annum;
- in the case of the Class B Bonds, 4.999 per cent. per annum;
- in the case of the Class C1 Bonds, the sum of LIBOR plus a margin of 0.48 per cent. per annum until (but excluding) the Step-up Date and a margin of 0.96 per cent. per annum from (and including) the Step-up Date;
- in the case of the Class C2 Bonds, 5.098 per cent. per annum; and
- in the case of the Class D Bonds, the sum of LIBOR plus a margin of 0.80 per cent. per annum until (but excluding) the Step-up Date and a margin of 1.60 per cent. per annum from (and including) the Step-up date, as more fully described in Condition 4.

Withholding Tax:

All payments in respect of the Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, levies, duties, imposts, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law

to make any payment in respect of the Bonds subject to any such withholding or deduction, in which event the Issuer or such Paying Agent shall make such payment after such withholding or deduction has been made. **Neither the Issuer nor any Paying Agent nor any other person will be obliged to pay additional amount in respect of any such withholding or deduction.**

Security for the Bonds:

The Issuer's obligations under the Bonds (together with its obligations to the other Issuer Secured Parties) will be secured over the assets of the Issuer by fixed and floating security created pursuant to the Issuer Deed of Charge. The Issuer Security Trustee will hold the Issuer Security on trust for the benefit of the Issuer Secured Parties (including the Bondholders), provided that amounts standing to the credit of the Standby Account (if any) will not be available, following acceleration of the Bonds, to the Issuer Secured Parties generally (see *Resources Available to the Issuer and The Borrower — General Liquidity Obligations*).

Cashflows of the Issuer:

The priorities of payment for the application of monies received by the Issuer prior to and following enforcement of the Issuer Deed of Charge are set out under *Resources Available to the Issuer and the Borrower — Issuer Priorities of Payments* below.

Final redemption:

Unless previously redeemed in full or purchased and cancelled, the Bonds of each class will mature at their then Principal Amount Outstanding on the Interest Payment Date falling in January 2032, in the case of the Class A1 Bonds, April 2031, in the case of the Class A2 Bonds, April 2033, in the case of the Class A3 Bonds, July 2036, in the case of the Class A4 Bonds, October 2033, in the case of the Class B Bonds, January 2022, in the case of the Class C1 Bonds, April 2035, in the case of the Class C2 Bonds and October 2025 in the case of the Class D Bonds.

The Principal Amount Outstanding of the Class A4 Bonds on the final Interest Payment Date will be, unless previously redeemed, £400,000,000 (the **Class A4 Residual Amount**). It is expected that the Class A4 Residual Amount will be redeemed on its redemption date from the proceeds of a refinancing or sale of part of the assets of the Property Group.

Mandatory redemption:

Prior to acceleration of the Intercompany Loan and acceleration of the Bonds and prior to enforcement of the

Issuer Security, the Bonds (other than the Class A4 Bonds) will be subject to mandatory *pro rata* redemption in part in Quarterly instalments commencing on the Interest Payment Date falling in April 2005 in an aggregate amount equal to the Bond Amortisation Amount for that Interest Payment Date set out against the relevant class of Bonds, as provided in Condition 6.2(a).

Following acceleration of the Intercompany Loan but prior to acceleration of the Bonds and prior to enforcement of the Issuer Security, monies received by the Issuer from the Borrower shall be applied in accordance with the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments.

Following enforcement of the Issuer Security but prior to acceleration of the Bonds, the Bonds will be subject to mandatory *pro rata* redemption in accordance with the Issuer Post-Enforcement/Pre-Acceleration Priority of Payments.

Following acceleration of the Bonds, the Bonds will be subject to mandatory *pro rata* redemption in accordance with the Issuer Post-Enforcement/Post-Acceleration Priority of Payments.

If (as is required in certain circumstances) a Property Company mandatorily prepays any part of a Subordinated Loan by reason of a receipt 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 Intercompany Loan and the Issuer will apply proceeds of such prepayment in redemption of the Bonds at par together with accrued but unpaid interest thereon in accordance with Condition 6.2(d).

On any Interest Payment Date, the Issuer may, in accordance with Condition 6.2(e), redeem the whole or part of the Bonds at their Principal Amount Outstanding together with accrued interest thereon if, by reason of a change of law, it has become unlawful for the Issuer to make, fund or allow to remain outstanding, the Intercompany Loan.

Optional redemption:

On any Interest Payment Date, the Issuer may, in accordance with Condition 6.3, redeem the whole or any part of any Class of Bonds at the prices specified in Condition 6.3(b).

Optional redemption for tax reasons:

On any Interest Payment Date, the Issuer may redeem all (but not some only) of the Bonds at their Principal Amount Outstanding together with accrued interest thereon in accordance with Condition 6.4 in the event that any amount for or on account of tax will be required to be deducted or withheld from any payment due from the Issuer under the Bonds, from the Borrower under the Intercompany Loan Agreement, from the Property Companies under the Subordinated Loan Agreement or from either the Issuer or the Swap Counterparty under the Swap Agreement (which withholding or deduction cannot be avoided by the appointment of a Paying Agent in another jurisdiction or the substitution of the Issuer with a company incorporated in another jurisdiction).

Further Bonds, Replacement Bonds and New Bonds:

Pursuant to the Bond 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 to issue Further Bonds, Replacement Bonds and New Bonds subject to fulfilment of the conditions set out in Condition 16.

Ratings:

It is expected that, when issued, the Bonds will be assigned the ratings set out above in *Key Characteristics of the Bonds* by the Rating Agencies.

A 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 agency if, in its judgement, circumstances so warrant.

Payment of the Class A1 Step-up Amount, the Class C1 Step-up Amount and the Class D Step-up Amount will not be rated. See further *Risk Factors —Ratings of Bonds*.

Listing:

Application has been made to the Financial Services Authority in its capacity as the UK Listing Authority for the Bonds to be listed on the Official List. Application has also been made for the Bonds to be traded on the London Stock Exchange's market for listed securities.

Governing law:

The Bonds will be governed by English law.

The Intercompany Loan

The Initial Term Loans:

On the Closing Date, the Issuer will, under the terms of the Intercompany Loan Agreement, advance to the Borrower an amount equal to the initial aggregate Principal Amount Outstanding of the Bonds. The Initial Term Loans will consist of a Term A1 Loan, a Term A2 Loan, a Term A3 Loan, a Term A4 Loan, a Term B Loan,

a Term C1 Loan, a Term C2 Loan and a Term D Loan, which in aggregate will equal the principal amount of the Class A1 Bonds, the Class A2 Bonds, the Class A3 Bonds, the Class A4 Bonds, the Class B Bonds, the Class C1 Bonds, the Class C2 Bonds and the Class D Bonds, respectively.

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

Such prepayment by the Borrower will be at the principal amount outstanding of the Intercompany Loan (or the relevant part thereof) (together, in the case of the Term A2 Loan, the Term A3 Loan, the Term A4 Loan, the Term B Loan and the Term C2 Loan, with a premium equal to any premium payable by the Issuer on the redemption of an identical amount of the corresponding class of Bonds), together with accrued interest (including stepped-up interest). In respect of the Term A1 Loan, the Term C1 Loan and the Term D Loan (together the **Swap Related Loans**), the relevant prepayment amount will be adjusted to take account of the Corresponding Swap Amount.

The final repayment date under the Intercompany Loan Agreement is the Interest Payment Date falling in:

January 2030, in the case of the Term A1 Loan;

- April 2029, in the case of the Term A2 Loan;
- April 2031, in the case of the Term A3 Loan;
- July 2033, in the case of the Term A4 Loan;
- October 2031, in the case of the Term B Loan;
- January 2020, in the case of the Term C1 Loan;
- April 2033, in the case of the Term C2 Loan; and
- October 2023, in the case of the Term D Loan,

All payments of principal and interest in respect of the Intercompany Loan will be made free and clear of and without withholding or deduction of tax (if any) applicable to the Intercompany 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.

If the Borrower would be required to make any withholding or deduction in respect of United Kingdom taxes from payments in respect of the Intercompany Loan, then the Borrower will have the right to prepay the Intercompany Loan at its principal amount outstanding together with accrued interest (including stepped-up interest), provided that in respect of the Swap Related Loans the relevant prepayment will be adjusted to take account of any Corresponding Swap Amount.

Use of Proceeds:

On the Closing Date, the Borrower will use the proceeds of the Intercompany Loan to make the Subordinated Loans to the Property Companies.

Loan Events of Default:

A Loan Event of Default will arise in the circumstances described under *Summary of Principal Documents – Intercompany Loan Agreement – Events of Default*. It should be noted that non-payment up to a specified threshold will not always result in a Loan Event of Default. See further *Summary of Principal Documents – Intercompany Loan Agreement – Coverage Tests and Property Adviser* and *– Loan Events of Default*.

Security for the Intercompany Loan:

The Borrower's obligations under the Intercompany Loan Agreement (together with its obligations to certain other Borrower Secured Parties) will be secured over the assets of the Chargors by English law fixed and floating security created pursuant to the Borrower Deed of Charge. The Borrower Security Trustee will hold the Borrower Security on trust for the benefit of the Borrower Secured Parties (including the Issuer).

Chargors:

Each of the Borrower, the Property Companies, the Nominee Companies, PGLC, Holdings, Intermediate Holdings 2 and the Cash Manager (the **Chargors**) will give security pursuant to the Borrower Deed of Charge.

Property Adviser:

The Intercompany Loan Agreement will set out the Coverage Tests (being the Gross Coverage Ratio and the Net Coverage Ratio), which will be undertaken by or on behalf of the Borrower and notified to the Borrower Security Trustee on each Calculation Date. If the Net Coverage Ratio or the Gross Coverage Ratio falls below specified thresholds, the Borrower will be required to appoint a Property Adviser and the powers of the Property Adviser will vary according to the level of the Coverage Ratios. See further *Summary of Principal Documents –*

Intercompany Loan Agreement — Coverage Tests and Property Adviser below.

Cashflows of the Borrower:

The priorities of payment for the application of monies received by the Borrower prior to and following enforcement of the Borrower Security are set out under *Resources Available to the Issuer and the Borrower — Borrower Priorities of Payments* below.

The Broadgate Estate

The Broadgate estate is currently a 30-acre development comprising 15 office buildings and related retail, leisure and ancillary space totalling over four million square feet and one development site (the **Estate**). All the properties on the Estate are owned (freehold or long leasehold) by the group of companies of which British Land is a member (the **British Land Group**). The Mortgaged Properties (as more fully described under *The Mortgaged Properties*) are held by the Nominee Companies on long leases on trust for the Property Companies.

The Occupational Tenants include financial organisations such as ABN Amro, Allianz Dresdner, Ambac Assurance, Bank of Scotland, Barclays Bank, Baring Investment Services, Calyon, Dai Ichi, Deutsche Bank, EBRD, F&C Management, Henderson Administration, Lehman Brothers, National Westminster Bank, The Norinchukin Bank, Prebon Marshall Yamane, SBCI (a subsidiary of UBS), Société Générale, Sumitomo, Mitsubishi Securities International and Western Asset, as well as legal firms Herbert Smith and Ashurst.

With the exception of 10 Exchange Square all the buildings currently forming the Estate were constructed between 1984 and 1991 following detailed research into occupiers' property needs and were designed by leading architects Arup Associates of London (**Arup Associates**) and Skidmore Owings & Merrill of Chicago to provide regular and efficient working space of the highest standard and large floor plates suitable for open plan working, whilst retaining flexibility to be divided if required. 10 Exchange Square, which was constructed on the site of Hamilton House, was completed in 2004 to the same high standards as the other buildings comprising the Estate.

The flexibility built into the design of the buildings and services readily allows occupiers to change floor layouts, create additional working space or install the latest technology in order to adapt to changing work needs. This flexibility has been evidenced by refurbishments carried

out by the occupiers such as at 1 and 2 Finsbury Avenue, 3 Finsbury Avenue, 1 and 2 Broadgate, 8-12 Broadgate and 100 Liverpool Street, 135 Bishopsgate and 1 Appold Street.

The development of the Estate created three new London squares: Broadgate Circle, Exchange Square and Finsbury Avenue Square. Each of these, surrounded by the Broadgate offices, creates a unique working environment served by restaurants, pubs, wine bars, shops and health clubs as well as a five star hotel and provides a vibrant and lively area enjoyed by many. In winter, the open air ice rink in Broadgate Circle provides a focal point for spectators and skaters alike. In summer, numerous open air events take place in the squares for the entertainment of those who work in and around Broadgate. The quality of the environment and the amenity value of the associated leisure and restaurant facilities available at Broadgate have made a significant contribution to the success of the Estate. The amenities have been further improved following the completion of British Land's recent programme of public space enhancements to the Estate areas.

The Estate has excellent public transport facilities and is served by Liverpool Street Station, one of the City's major transport interchanges, which provides main line train services and four underground lines, as well as good bus and taxi services.

As stated above, the British Land Group is the owner of the whole of the Estate. The acquisition (for approximately £1 billion) by the British Land Group of Broadgate Properties Plc was completed in January 1996 at which time the British Land Group already owned the Finsbury Avenue buildings. The British Land Group has since added to its investment in Broadgate through: the acquisition of Broadwalk House; the acquisition of the ground rent interests of Railtrack Plc (**Railtrack**); the purchase of the head lease interests in 155 and 175 Bishopsgate; the purchase of 8-12 Broadgate and 100 Liverpool Street; the purchase from Railtrack and subsequent redevelopment of Hamilton House (now known as 10 Exchange Square); and the purchase of Deutsche Bank AG's head leasehold interest in 1 Appold Street.

The Mortgaged Properties:

The buildings to be included in the securitised portfolio on the Closing Date (the **Mortgaged Properties**) together

with the names of the principal Occupational Tenants in each building are more fully described under *The Mortgaged Properties* below, and the aggregate open market value of the Mortgaged Properties is set out in the *Valuation Report* below.

Each owner of a building which abuts certain common areas within the Estate (i.e. Broadgate Circle, Exchange Square and the common areas which are associated with buildings which front onto Bishopsgate) has an interest in a part of the land forming an adjacent common area. Each of such parts of these common areas have been leased by way of a long lease at a peppercorn rent to a management company there being three separate management companies for three distinct common areas. Control provisions in the management company leases and, in the case of Finsbury Avenue Square, in the leases to the Occupational Tenants (each, an **Occupational Lease**), are intended to ensure that the unique quality and characteristics of the common areas will be preserved. The shares in such management companies (attributable to each Mortgaged Property) are held on trust for the Property Companies which own the Mortgaged Properties with an interest in a part of the relevant common area. Each management company has subcontracted the management of the common areas for which it is responsible to Broadgate Estates Limited (the **Broadgate Management Company**). The security given by each Property Company will extend to its beneficial interest in the shares in and rights against the relevant management company for the common area adjacent to its building, other rights under the relevant estate management agreement and the reversionary interest in the relevant part of the land forming part of the common area. The costs to each Property Company of funding the management of the common areas are, although obligations of the Property Companies, passed through, pursuant to the terms of the Occupational Leases, to the Occupational Tenants, although the Property Companies must fund any costs attributable to unlet space.

Property management for the Mortgaged Properties:

In accordance with the Property Management Agreement, the Property Manager (which is, at the date of this document, a wholly-owned subsidiary of British Land) is responsible for all property management for the Mortgaged Properties including *inter alia*, collection of rents, implementing rent reviews, letting policy, lease renewals and improvements. The day-to-day management

of the multi-let buildings comprised in the Mortgaged Properties is currently undertaken on behalf of the Property Manager by the Broadgate Management Company, which is also a wholly-owned subsidiary of British Land.

Insurances:

Each Property Company will covenant in the Intercompany Loan Agreement (subject to certain exceptions) to insure and keep insured, or procure that there is kept insured, its interest in the Mortgaged Properties.

Pursuant to the Intercompany Loan Agreement, each Property Company will covenant to use its best endeavours to procure that each relevant insurance policy is noted with the interest of the Borrower Security Trustee in such policy by way of an endorsement.

The principal insurance policies currently in place in respect of the Mortgaged Properties were placed by insurance brokers Willis Limited and include (a) in relation to “all risks” insurance, the British Land Group’s collective policy placed with Norwich Union as lead underwriter and (b) in relation to third party liability insurance, the British Land Group’s primary layer placed with Royal & Sun Alliance Insurance Plc and further cover effected through various excess liability policies.

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 the obligation solely of the Issuer 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, British Land, any company in the same group of companies as, or affiliated to, British Land (except for the Issuer), the Bond Trustee, the Issuer Security Trustee, the Paying Agents or the Agent Bank under the Agency Agreement, the Managers, the Cash Manager, the Liquidity Bank, the Swap Counterparty, the Account Bank or any other party.

The Issuer's ability to meet its obligations under the Bonds

Limited resources

The ability of the Issuer to meet its obligations under the Bonds will be dependent on the receipt by it of principal and interest from the Borrower under the Intercompany Loan and the receipt of funds (if due) from the Swap Counterparty under the Swap Agreement. Amounts standing to the credit of the Cash Reserve Account will be used by the Issuer to the extent the Issuer has insufficient funds to make payments in respect of paragraphs (a) to (k) of the Issuer Pre-Enforcement Priorities of Payments and the Issuer Post-Enforcement/Pre-Acceleration Priority of Payments (subject to certain limits as described in *Resources Available to the Issuer and the Borrower — General Liquidity Obligations*). In the event that timely payment under the Intercompany Loan is not made in full (after applying all amounts available under the Cash Reserve Account), the Issuer will also have available to it drawings under the Liquidity Agreement. The availability of amounts standing to the credit of the Cash Reserve Account and pursuant to the Liquidity Facility are subject to certain limits (see further *Resources Available to the Issuer and the Borrower – General Liquidity Obligations*, below). Other than the foregoing, prior to the enforcement of the Issuer Security, the Issuer is not expected to have any other funds available to it to meet its obligations under the Bonds and in respect of making any payment ranking in priority to, or *pari passu* with, the Bonds.

Subordination

Save as provided in the Conditions, payments of scheduled principal and interest on the Class A Bonds (excluding any Class A1 Step-up Amount) will be made in priority to payments of scheduled principal and interest on the Class B Bonds, the Class C Bonds and the Class D Bonds. Similarly, payments of scheduled principal and interest on the Class B Bonds will be made in priority to payments of scheduled principal and interest on the Class C Bonds and the Class D Bonds. Likewise, payments of scheduled principal and interest on the Class C Bonds

(excluding any Class C1 Step-up Amount) will be made in priority to payments of scheduled principal and interest on the Class D Bonds.

The obligation of the Issuer to pay any Class A1 Step-up Amount is subordinated to payments of other interest and scheduled principal on the Bonds, excluding any Class C1 Step-up Amount and any Class D Step-up Amount, in accordance with Condition 15.2 and the Issuer Priorities of Payments. The obligation of the Issuer to pay any Class C1 Step-up Amount is subordinated to payments of other interest and scheduled principal on the Bonds, excluding any Class D Step-up Amount, in accordance with Condition 15.2 and the Issuer Priorities of Payments.

If, upon final redemption of the Class B and/or Class C and/or Class D Bonds or upon enforcement of the security for the Class B Bonds and/or the Class C Bonds and/or the Class D Bonds, there are insufficient funds available after payment of all other claims ranking in priority to or *pari passu* with the Class B Bonds and/or the Class C Bonds and/or the Class D Bonds to pay in full all principal and interest (including any shortfalls of interest and interest thereon) in respect of the Class B Bonds (but so that interest in respect of the Class B Bonds will always be paid before principal) and/or the Class C Bonds (but so that interest in respect of the Class C Bonds will always be paid before principal) and/or the Class D Bonds (but so that interest in respect of the Class D Bonds will always be paid before principal), the Issuer's assets may be insufficient to pay such amounts. Class B Bondholders, Class C Bondholders and the Class D Bondholders should, therefore, have regard to the risk factors identified herein in determining the likelihood or extent of any such shortfall.

Payments of principal and interest under the Liquidity Facility (excluding Subordinated Liquidity Facility Amounts) will be made to the Liquidity Bank in priority to payments being made in respect of any class of Bonds.

Payments of amounts due to the Swap Counterparty under the Swap Agreement in respect of a particular class of Floating Rate Bonds will be made in priority to payments of principal being made in respect of that class of Bonds, other than certain amounts referred to in the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments.

Interest rate risk

The debt profile (as regards principal and maturity) of each Term Loan under the Intercompany Loan Agreement corresponds to the debt profile (on a class-by-class basis) of the Bonds. The rate of interest payable in respect of each Term Loan is fixed at the rates specified under *Summary of Principal Documents – Intercompany Loan Agreement*. However, each Floating Rate Bond bears interest at a rate based on LIBOR plus a margin. Accordingly, if the level of LIBOR payable in respect of a class of Floating Rate Bonds exceeds the relevant fixed rate payable in respect of the corresponding Term Loan, it will be the case that less interest accrues in a particular period in respect of such Term Loan than is payable in respect of the corresponding Class of Floating Rate Bonds, with the result that the Issuer would not have sufficient available funds to enable it to meet interest payments due in respect of the Bonds.

In order to mitigate this risk, the Issuer will enter into the Swap Agreement. In the event of a termination of the Swap Agreement as a result of a default or a termination event thereunder, and

if no replacement swap agreement were to be entered into (the Issuer being obliged to find a replacement swap counterparty), the Bondholders would become subject to interest rate risk although potential investors should also have regard to the matters described under *Risk Factors – Subordination* above for a description of structural features designed to mitigate this risk.

Availability of Available Liquidity Funds

Pursuant to the terms of the Liquidity Agreement, the Liquidity Bank will provide a committed facility for drawings to be made in circumstances where the Issuer has not received sufficient amounts under the Intercompany Loan and insufficient funds are available from certain other sources (including the Cash Reserve Account, as described in *Resources Available to the Issuer and the Borrower – Available Funds and their Priority of Application – Funds available to the Issuer*) to meet the items referred to in paragraphs (a) to (k) inclusive of the Issuer Pre-Enforcement Priorities of Payments. It should be noted that the Available Liquidity Funds will not be available to meet payments in respect of amounts of principal on the Class A4 Bonds or the Class D Bonds and will be available only up to certain limits to meet payments of interest and principal on the Class B Bonds and the Class C Bonds and payments of interest on the Class D Bonds. See further *Resources available to the Issuer and the Borrower – General Liquidity Obligations* below.

Conflicts of interest

Each of the Bond Trust Deed and the Issuer Deed of Charge contains provisions requiring the Bond Trustee or the Issuer Security Trustee, as applicable, to have regard to the interests of the Class A Bondholders, Class B Bondholders, Class C Bondholders and the Class D Bondholders as a single class, as regards all powers, trusts, authorities, duties and discretions of, as the case may be, the Bond Trustee or the Issuer Security Trustee (except where expressly provided otherwise), but requiring the Bond Trustee or the Issuer Security Trustee, as the case may be, in any such case to have regard only to (i) (for so long as there are any Class A Bonds outstanding) the interests of the Class A Bondholders if, in the Bond Trustee's or the Issuer Security Trustee's opinion (as applicable), there is a conflict between the interests of (a) the Class A Bondholders and (b) the other Bondholders and any other Issuer Secured Parties under the Issuer Deed of Charge or (ii) (if there are no Class A Bonds outstanding) the interests of the Class B Bondholders if, in the Bond Trustee's or the Issuer Security Trustee's opinion (as applicable), there is a conflict between the interests of (a) the Class B Bondholders and (b) the Class C Bondholders and/or the Class D Bondholders and/or any other Issuer Secured Parties under the Issuer Deed of Charge or (iii) (if there are no Class A Bonds or Class B Bonds outstanding) the interests of the Class C Bondholders if, in the Bond Trustee's or the Issuer Security Trustee's opinion (as applicable), there is a conflict between the interests of (a) the Class C Bondholders and (b) the Class D Bondholders and any other Issuer Secured Parties under the Issuer Deed of Charge or (iv) (if there are no Class A Bonds, Class B Bonds or Class C Bonds outstanding) the interests of the Class D Bondholders if, in the Bond Trustee's or the Issuer Security Trustee's opinion (as applicable), there is a conflict between the interests of (a) the Class D Bondholders and (b) any other Issuer Secured Parties under the Issuer Deed of Charge.

Limited recourse

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.

Absence of secondary market; limited liquidity

There can be no assurance that a secondary market in the Bonds will develop or, if one does develop, that it will provide Bondholders with liquidity of investment, or that it will continue for the life of the Bonds. Application has been made to the Financial Services Authority in its capacity as the UK Listing Authority for the Bonds to be admitted to the Official List. Application has also been made for the Bonds to be admitted to trading on the London Stock Exchange's market for listed securities. In addition, the market value of certain of the Bonds may fluctuate with changes in prevailing rates of interest. Consequently, any sale of 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 primarily based on the Intercompany Loan and on the Mortgaged Properties and other relevant structural features of the transaction, including, *inter alia*, the short-term unsecured and unsubordinated debt rating of the Liquidity Bank and the Swap Counterparty, and reflects only the views of the Rating Agencies.

The ratings address the views of the relevant Rating Agency as to the likelihood of full and timely payment to the Bondholders of each class of all payments of interest on the Bonds on each Interest Payment Date (other than any Class A1 Step-up Amount, any Class C1 Step-up Amount and any Class D Step-up Amount, which are subordinated to other payments of interest and scheduled principal on the Bonds and are unrated) and the full and ultimate payment of principal on the final redemption date for the applicable class of Bonds. 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 the unavailability of information or if, in the Rating Agencies' judgement, 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 rating assigned to the Bonds by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Bonds. Unless the context otherwise requires, any references to "ratings" or "rating" in this Offering Circular are to ratings assigned by the Rating Agencies only. The Class A1 Step-up Amount, the Class C1 Step-up Amount and the Class D Step-up Amount will not be rated by the Rating Agencies.

Future events, including events affecting the Liquidity Bank, the Swap Counterparty and/or circumstances relating to the Mortgaged Properties and/or the Estate and/or the property market generally, could also have an adverse impact on the ratings of the Bonds.

The Rating Agencies' ratings take into consideration the credit quality of the Mortgaged Properties, structural and legal aspects associated with the Bonds and the Intercompany Loan, and the extent to which the payments of rent made by the tenants occupying the Mortgaged Properties (the **Occupational Tenants**) (and any other sources of liquidity expressly provided for in the transaction) are adequate to make payments required under the Bonds.

In certain circumstances described elsewhere in this document where the consent of the Bond Trustee is required under the Bond Trust Deed, or of the Issuer Security Trustee under the Issuer Deed of Charge, or of the Borrower Security Trustee under the Borrower Deed of Charge, the Bond Trustee, the Issuer Security Trustee or the Borrower Security Trustee, as the case may be, will be required to give its consent if the Rating Condition is satisfied. In addition, the Bond Trustee, the Issuer Security Trustee or the Borrower Security Trustee, as the case may be, will be entitled, for the purposes of exercising any power, trust, authority, duty or discretion or the giving of any consent or waiver under or in relation to the Issuer Documents or the Borrower Documents (together, the **Transaction Documents**) to which it is a party or in respect of which it has security, to have regard to the then current ratings of the Bonds and any reaffirmation thereof if, in any particular circumstance, it considers that this is an appropriate test or the only appropriate test to apply in that circumstance in exercising any such power, trust, authority, duty or discretion or, as the case may be, in giving the relevant consent.

The **Rating Condition** is satisfied where the Rating Agencies have confirmed that a proposed course of action will not result in the then current ratings of the Bonds being materially adversely affected to the extent that it causes the Bonds to be downgraded below the then current ratings of such Bonds.

Any such affirmation may or may not be given at the sole discretion of the Rating Agencies. It should be noted that, depending on the timing of the delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide their affirmation in the time available or at all. The Rating Agencies will not be responsible for the consequences of failure or delay in responding to any request for a reaffirmation of the ratings of the Bonds.

Any such affirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction since the Closing Date. An affirmation of ratings represents only a restatement of the opinions given at the Closing Date or (as the case may be) the last date on which ratings affirmations were given, and cannot be construed as advice for the benefit of any parties to the transaction. In particular, Bondholders should be aware that the Rating Agencies owe no duties whatsoever to any parties to the transaction (including the Bondholders) in providing or withdrawing any affirmation of ratings. A modification to the Transaction Documents or the taking of any other steps which is undertaken on the basis of satisfaction of the Rating Condition may not be beneficial to Bondholders. There can be no assurance that the Rating Agencies will agree to reaffirm any ratings and, accordingly, the Chargors may not be able to make a modification to or gain a consent or waiver in respect of the Transaction Documents. This may affect the Chargors' ability to meet their obligations under the Transaction Documents.

Bondholders should note that any rating affirmation given by a Rating Agency:

- (a) addresses only the effect of any relevant event, matter or circumstance on the then current ratings assigned by the relevant Rating Agency to the Bonds;
- (b) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents; and
- (c) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to the interests of, some or all of the Bondholders or any class of them.

Bondholders must not assume otherwise.

Furthermore, there can be no assurance that the Rating Agencies will take the same view as each other in relation to a request for any ratings reaffirmation. This may affect the Issuer's ability to adapt the structure of the transaction to changes in the market over the long term.

Withholding tax under the Bonds

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Bonds, neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to the Bondholders or, if Definitive Bonds are issued, couponholders or to otherwise compensate Bondholders or couponholders for the reduction in the amounts the Bondholders or couponholders will receive as a result of such withholding or deduction.

If such a withholding or deduction is required to be made, the Issuer will have the option (but not the obligation) of redeeming all outstanding Bonds in full at their principal amount outstanding (together with accrued interest) pursuant to Condition 6.4(a). For the avoidance of doubt, neither the Bond Trustee nor Bondholders nor, if Definitive Bonds are issued, couponholders will have the right to require the Issuer to redeem the Bonds in these circumstances.

Refinancing risk at final maturity of the Class A4 Residual Amount

The ability of the Issuer to redeem in full the Class A4 Residual Amount by way of a single instalment on the Interest Payment Date falling in July 2036 will be dependent on either:

- (a) a refinancing of the Intercompany Loan; or
- (b) a sale of part of the assets of the Property Group (the proceeds of which would be applied to repay the Term A4 Loan).

No assurance can be given that the foregoing will result in an amount sufficient to repay the principal amount of the Class A4 Residual Amount on the Interest Payment Date falling in July 2036.

It should be noted, however, that the Term A4 Loan is due to be repaid in July 2033, three years before the redemption date for the Class A4 Bonds, giving the Chargors more opportunity to effect an adequate refinancing or sale. Also, the other classes of Bonds are already expected to

have matured before the due date for repayment of the Term A4 Loan. The Class A4 Bonds are expected therefore to be the only Bonds in respect of which payments are to be made during this three-year period, increasing the resources available to redeem the Class A4 Bonds in accordance with the Issuer Priorities of Payment.

The Borrower's ability to meet its obligations under the Intercompany Loan

Limited resources of the Borrower

The Property Companies' ability to meet their obligations under the Subordinated Loans and, consequently, the ability of the Borrower to meet its obligations under the Intercompany Loan will be primarily dependent on the performance of the Mortgaged Properties and in particular the payment of rents by Occupational Tenants pursuant to their Occupational Leases and the Property Companies' ability to find tenants for any premises in the Mortgaged Properties which may, in future, become vacant over the life of the Intercompany Loan. The main determinants of the Mortgaged Properties' performance are their ability to generate rental income from tenants of the Mortgaged Properties. Factors which will affect the ability of the Mortgaged Properties to generate such rental income are described below in *Risk Factors – Risks relating to the Mortgaged Properties – Re-letting Risk*.

No independent investigation of warranties

Neither the Borrower Security Trustee, nor the Issuer Security Trustee, nor the Issuer, has conducted any independent investigations of the accuracy of the various representations and warranties given by the Chargors in the Intercompany Loan Agreement, the Borrower Deed of Charge or the Tax Deed of Covenant.

Withholding tax under the Intercompany Loan

Based on advice received, the directors of the Issuer believe that, under current law, all payments made under the Intercompany Loan Agreement can be made without deduction or withholding for or on account of any United Kingdom tax. In the event that any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under the Intercompany Loan Agreement, the amount of that payment will be increased so that, after that withholding or deduction has been made, the Issuer will receive a cash amount equal to that which it would have received had no such withholding or deduction been required to be made. In addition, the Borrower will have the option (but not the obligation) in the circumstances described in *Summary of Principal Documents – Intercompany Loan Agreement Prepayment* to prepay all outstanding Term Loans made under the Intercompany Loan Agreement in full at their principal amount outstanding together with accrued interest (including stepped up interest), taking into account the addition or deduction of any Corresponding Swap Amount arising in respect of the Term A1 Loan, the Term C1 Loan or the Term D Loan. If the Borrower chooses to prepay the Intercompany Loan, the Issuer will then be obliged to redeem the Bonds. If the Borrower does not have sufficient funds to enable it to make such increased payments to the Issuer, the Issuer's ability to meet its payment obligations under the Bonds could be adversely affected.

Non-payment under the Intercompany Loan

If, on an Interest Payment Date, the Borrower has insufficient funds to enable it to make scheduled payments of principal and interest to the Issuer under the Intercompany Loan Agreement, the Borrower will have the benefit of a grace period before any Loan Event of Default arises where the amount which the Borrower fails to pay to the Issuer on such Interest Payment Date is less than 10 per cent. of the amount of principal, interest and other amounts due under the Intercompany Loan Agreement on that Interest Payment Date (the **shortfall**).

This will in turn reduce monies available to the Issuer to pay amounts of interest and/or principal due under the Bonds. In these circumstances, the Issuer is required to make a drawing under the Liquidity Agreement. See *Risk Factors – The Issuer’s ability to meet its obligations under the Bonds -Availability of Liquidity Facility* for a summary of investment considerations relating to the Liquidity Agreement.

A grace period with respect to non-payment under the Intercompany Loan Agreement will initially continue until the next succeeding Interest Payment Date. If on such succeeding Interest Payment Date, the Borrower:

- (a) pays to the Issuer all scheduled amounts of interest and/or principal due under the Intercompany Loan on such following Interest Payment Date (excluding, for these purposes, the shortfall, but including interest due as a result of any drawing under the Liquidity Agreement); and
- (b) reduces the shortfall by making payment to the Issuer over and above that required by (a) above,

then such grace period may be further extended, subject to the obligations referred to in paragraphs (a) and (b) being satisfied on each subsequent Interest Payment Date. A grace period may continue to be so extended on each Interest Payment Date until:

- (i) the next Interest Payment Date on which the shortfall is reduced to zero;
- (ii) the next Interest Payment Date on which the Borrower fails to satisfy the conditions set out in paragraphs (a) and (b) above; or
- (iii) the final maturity date of the Intercompany Loan,

whichever comes first.

It is therefore possible that a shortfall may remain outstanding as at the final maturity date of the Intercompany Loan and that therefore a corresponding amount may be outstanding under the Liquidity Agreement as at such date. Any amounts owed by the Issuer to the Liquidity Bank (excluding Subordinated Liquidity Facility Amounts) will rank senior to payments of interest and/or principal due under the Bonds pursuant to the Issuer Priorities of Payments and will therefore reduce the monies available to the Issuer for making such payments under the Bonds.

In circumstances where there is a shortfall, the Borrower will be required to appoint a Property Adviser as more fully described under *Summary of Principal Documents – Intercompany Loan Agreement– Coverage Tests and Property Adviser*.

Increase in collateralisation

In the event that there is a significant increase in the rental income received in respect of the Mortgaged Properties or in the value of such Mortgaged Properties or a significant decrease in the amount owed by the Borrower to the Issuer under the Intercompany Loan, then the effect may be an increase in collateralisation of the transaction described in this Offering Circular. A significant increase in collateralisation may or may not result in:

- (a) the Chargors withdrawing some of the Borrower Security in accordance with the Borrower Documents; or
- (b) the issuance of New Bonds or Further Bonds.

Bondholders should not assume that either of the above possibilities is more likely to occur than the other. Because of the potential ability of the transaction to accommodate the circumstances referred to in paragraphs (a) and (b) above, there can be no assurance that any increase in collateralisation would lead to an upgrade of the ratings of any class of Bonds.

Risks relating to the Swap Agreement

Withholding tax

In the event that any withholding taxes are imposed in respect of payments due by either party to the Swap Agreement, under the terms of the Swap Agreement, neither party will be obliged to gross-up or otherwise compensate the other party for the lesser amounts that other party will receive as a result of the imposition of withholding taxes. If the Issuer were to receive a payment net of withholding taxes under the Swap Agreement this could result in the Issuer having insufficient funds available to meet its floating rate interest obligations under the Floating Rate Bonds. The Swap Agreement will provide that if, due to any action taken by a relevant taxing authority or brought in a court of competent jurisdiction, or any change in tax law, either party will, or there is a substantial likelihood that it will, receive a payment from which an amount is required to be deducted or withheld for or on account of such tax, then the Swap Agreement can be terminated by the party receiving such reduced payment

Swap Counterparty Risks.

If the Swap Counterparty fails to provide the Issuer with amounts equal to the full amount of interest due on the relevant Floating Rate Bonds on any Interest Payment Date or if the Swap Agreement is otherwise terminated, then the Issuer may have insufficient funds to make payments due on the Bonds. There are certain obligations imposed on the Swap Counterparty under the Swap Agreement in the event of it being subject to a ratings downgrade. See *Resources Available to the Issuer and the Borrower –Ratings Downgrade of Swap Counterparty*.

Ranking of Payments

Prior to termination of the Swap Agreement, the obligation of the Issuer to pay any net amount to the Swap Counterparty will rank ahead of the Issuer's obligation to make payments in respect of the Bonds.

Termination of the Swap Agreements

Any termination payment due by the Issuer to the Swap Counterparty on termination of the Swap Agreement (except following a default by the Swap Counterparty) and any related costs will rank ahead of all payments due to the Bondholders. In addition, any payment (each, an **Additional Payment**) due by the Issuer to the Swap Counterparty following a partial redemption of the Floating Rate Bonds in accordance with Bond Conditions 6.2(c), 6.2(d) or 6.3 will rank ahead of all payments due to the Bondholders. The Issuer may not have sufficient funds available to it to make any such termination payment or Additional Payment, but if it does make such termination payment or Additional Payment, this may affect its ability to make subsequent payments of principal and interest in respect of the Bonds.

However, certain payments to the Swap Counterparty will be subordinated to scheduled payments to be paid by the Issuer under the Bonds pursuant to the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments, as further described in *Resources Available to the Issuer and the Borrower - Issuer Priorities of Payment – Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments*.

In addition, if a Swap Transaction is terminated by reason of an Event of Default or Additional Termination Event (each as defined in the Swap Agreement) in respect of which the Swap Counterparty is the Defaulting Party or, as the case may be, the sole Affected Party under an Additional Termination Event (each as defined in such Swap Agreement) and the relevant termination payment is payable by the Issuer to the Swap Counterparty, the Issuer's obligation to make such payment will be subordinated to its obligations in respect of all classes of Bonds.

Risks relating to certain additional tax matters

Tax mismatch in the Property Companies

Under current tax law and practice the rental income of the Property Companies is taxable income, whilst the interest costs of those companies associated with their borrowings from the Borrower under the Subordinated Loans can be deducted from their taxable income. The principal amount borrowed by the Property Companies from the Borrower (and, ultimately, the Bondholders) cannot, however, be set against their taxable income, thus leaving the Property Companies with a potential mismatch for tax purposes to the extent that rental income exceeds those interest costs.

Therefore, unless the Property Companies have available to them sufficient relief for interest on the borrowings from Holdings under the Infra-Group Loan Deed (or sufficient losses or other reliefs which are allowable for tax purposes) so as to relieve such tax mismatch, then rental income of the Property Companies which is intended to be used to pay amounts of interest and repay amounts of principal may be reduced by corporation tax liabilities, resulting ultimately in

the possibility of the Issuer having insufficient resources to meet its obligations under the Bonds. The directors of the Borrower believe that, on the basis of current law and practice and of the activities planned for the Property Companies, the Property Companies will have available to them sufficient relief for interest on the borrowings from Holdings under the Infra-Group Loan Deed (or sufficient losses or other reliefs which are allowable for tax purposes) so as to relieve such tax mismatch in respect of rental income used to service repayments of principal and payments of interest on the Bonds.

United Kingdom corporation tax on chargeable gains

The Mortgaged Properties and the shares in 135 Bishopsgate Financing Limited and Barstep Limited have been or will have been acquired by the Property Companies by way of infra-group disposals for the purposes of United Kingdom corporation tax on chargeable gains. This is on the basis that the disponors and the Property Companies are all members of the same group for those purposes, of which the principal member is British Land. Each Property Company is treated as if it had acquired the relevant shares or Mortgaged Property for such a consideration as ensures that neither a gain nor a loss accrues to the disponsor. Save in certain limited circumstances which are generally unlikely to be relevant, if any Property Company ceases to be a member of that group within six years of its acquisition of the relevant shares or a Mortgaged Property without having previously disposed of those shares or that property, that Property Company will be treated as disposing of those shares or that property in the accounting period in which it ceases to be a member of that group at its market value at the time that the Property Company originally acquired it. This could give rise to a corporation tax liability on chargeable gains for that Property Company, which could reduce the resources of that Property Company. This would ultimately result in the possibility of the Issuer having insufficient resources to meet its obligations under the Bonds. However, in respect of certain of the Property Companies, the possibility of any corporation tax liability arising as a result of the matters referred to in this paragraph ceased on 17 February 2005 or, in the case of one Property Company, will cease on 10 March 2005.

Each of British Land, Intermediate Holdings 1, Intermediate Holdings 2 and Holdings will covenant with each Property Company not to do anything which would cause such a tax liability to arise unless, prior to the taking of any steps giving rise to such a tax liability, it pays to each Property Company in respect of which such a liability to tax will arise an amount equal to the amount of any such liability, such liability to tax being calculated after taking into account the making of such tax elections as British Land determines to be appropriate to reduce, transfer or extinguish such liability to tax. British Land will covenant pursuant to the Tax Deed of Covenant to procure that any other intermediate holding company which may be interposed between British Land and Holdings after the Closing Date will covenant with each Property Company in similar terms. The Property Companies have charged the benefit of such covenants (and have covenanted to charge in the future the benefit of any further such covenants) in favour of the Borrower Security Trustee as security for the Borrower's obligations under the Intercompany Loan. The directors of the Issuer believe that such covenants are such as to provide adequate protection (on the basis of current law and practice) to the Issuer.

A similar corporation tax liability on chargeable gains to that described above could arise where:

- (a) any Property Company having acquired a further Mortgaged Property in substitution for an initial Mortgaged Property by way of intra-group disposal, ceased to be a member of the group within six years of its acquisition of that further Mortgaged Property; or
- (b) any company in the group having acquired a property by way of intra-group disposal and having become a Property Company (such that the property held by that company becomes a Mortgaged Property) in substitution for another Property Company, ceased to be a member of the group within six years of its acquisition of that property.

As described above, such a liability could reduce the resources of the relevant Property Company. This could ultimately result in the possibility of the Issuer having insufficient resources to meet its obligations under the Bonds. Accordingly, the acquisition by a Property Company of a further Mortgaged Property in substitution for an initial Mortgaged Property by way of intra-group disposal, or any company in the group becoming a Property Company in substitution for another Property Company, will be conditional upon British Land and Holdings (and any intermediate holding company between British Land and Holdings) giving to the relevant Property Company covenants similar to those described above (to the satisfaction of the Borrower Security Trustee), and the Property Company charging the benefit of the covenants in favour of the Borrower Security Trustee as security for the Borrower's obligations under the Intercompany Loan (and covenanting to charge in the future the benefit of any further such covenants). The directors of each of the Borrower and the Issuer believe that the covenants will be such as to provide adequate protection (on the basis of current law and practice) to the Issuer.

Contingent Stamp Duty Land Tax Liabilities

The New Property Companies have acquired or will acquire Mortgaged Properties from other companies which were, at the time of the acquisition, or (in relation to any such acquisition that has not yet taken place) will be, at the time of such acquisition, members of the same stamp duty land tax group. As a consequence, those New Property Companies may have a contingent liability to pay United Kingdom stamp duty land tax, which liability will become an actual liability to pay stamp duty land tax if (broadly) that New Property Company ceases to be a member of the relevant tax group within a period specified by statute unless the company from which it acquired the Mortgaged Property leaves the relevant tax group at the same time and the Property Company and the company from which it acquired the Mortgaged Property continue to maintain the relationship required by statute.

Each of British Land, Intermediate Holdings 1, Intermediate Holdings 2 and Holdings will covenant with each Property Company not to do anything which would cause such a tax liability to arise unless, prior to the taking of any steps giving rise to such a tax liability, it pays to each Property Company in respect of which such a liability to tax will arise an amount equal to the amount of any such liability, such liability to tax being calculated after taking into account the making of such tax elections as British Land determines to be appropriate to reduce, transfer or extinguish such liability to tax.

Were such a contingent liability to pay tax to become an actual liability to pay tax, the discharge of that tax liability could reduce the resources of that New Property Company. This would

ultimately result in the possibility of the Issuer having insufficient resources to meet its obligations under the Bonds.

Change of tax law

The statements in relation to United Kingdom taxation set out in this Offering Circular are based on current law and the practice of the Inland Revenue, H.M. Customs & Excise and other relevant authorities in force or applied in England and Wales at the date of this Offering Circular. If there were changes in such law or practice, there might be a material adverse effect on the financial position of the Issuer or the Property Group.

Risks relating to the introduction of International Financial Reporting Standards

The UK corporation tax position of the Issuer depends to a significant extent on the accounting treatment applicable to it. Although from 1 April 2005, the consolidated accounts of British Land will be required to comply with International Financial Reporting Standards (**IFRS**), it is currently intended that the applicable accounting treatment for the Issuer will continue to be determined by UK generally accepted accounting principles. The Issuer will be required to comply from 1 April 2005 with new UK Financial Reporting Standards which incorporate certain IFRS standards into UK GAAP (**new UK GAAP**)

It is not certain at present how new UK GAAP will affect the UK corporation tax position of the Issuer. However, draft legislation has been published which may be included in the Finance Act 2005 and which, if enacted, would require a “securitisation company” to prepare tax computations for accounting periods ending not later than 31 March 2006 on the basis of UK GAAP as applicable up to 31 December 2004, notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP. The Issuer is likely to be a “securitisation company” for these purposes on the basis of the current draft legislation.

The draft legislation remains subject to change and withdrawal until enacted and as currently drafted does not apply to accounting periods ending after 31 March 2006. The stated view of the Inland Revenue is that the tax neutrality of securitisation special purpose companies in general should not be disrupted as a result of the transition to IFRS and that they are working with participants in the securitisation industry to identify appropriate means of preventing any such disruption. However, if the draft legislation is changed or if further extensions or measures are not introduced by the Inland Revenue to deal with accounting periods ending after 31 March 2006, then profits or losses could arise in the Issuer as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the Issuer and therefore Bondholders.

EU Savings Directive

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted EC Council Directive 2003/48/EC (the **Directive**) regarding the taxation of savings income. The Directive is scheduled to be applied from 1 July 2005 by countries that are members of the European Union (each, a **Member State**), provided that certain non-EU countries adopt similar measures from the same date. Under the Directive, each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid

by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the Directive is to be implemented by Member States and to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

If, following implementation of the Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts to Bondholders or, if Definitive Bonds are issued, couponholders, or to otherwise compensate Bondholders or couponholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. If a withholding tax is imposed on payments made by a Paying Agent following implementation of the Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive (if such a Member State exists).

Corporation tax reform

In December 2004, the Inland Revenue issued a technical note entitled “Corporation tax reform: the next steps” following on from the technical note of December 2003 on the same subject matter. These documents contained a number of proposals for consultation as to how the current corporation tax system might be reformed and include draft legislation in respect of some of the suggested reforms. It is not currently known whether or in precisely what form each of the changes arising from the consultation on corporation tax reform will be enacted, although certain of the proposals in the 2003 document have already been enacted in the Finance Act 2004, including those relating to transfer pricing and relief for management expenses. It is possible that, as these changes are enacted, they may affect the taxation treatment of the Issuer and the Chargors, and could consequently affect the ability of the Issuer to repay amounts under the Bonds.

Risks relating to Insolvency Considerations

Insolvency Act 2000

Significant changes to the United Kingdom insolvency regime have recently been enacted, including the Insolvency Act 2000. The Insolvency Act 2000 allows certain “small” companies to seek protection from their creditors for a period of 28 days, for the purposes of putting together a company voluntary arrangement, with the option for creditors to extend the moratorium for a further two months. A “small” company is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £5.6 million, (ii) its balance sheet total is not more than £2.8 million and (iii) the number of employees is not more than 50. Whether or not a company is a “small” company may change from period to period and consequently no assurance can be given that the Issuer or a Chargor will not, at any given time, be determined to be a “small” company. The United Kingdom Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for “small” companies and can

make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Bondholders.

Secondary legislation has now been enacted which excludes certain special purpose companies in relation to capital markets transactions from the optional moratorium provisions. Such exceptions include (i) a company which at the time of filing for a moratorium is a party to an agreement which is or forms part of a capital market arrangement (as defined in the secondary legislation) under which a party has incurred, or when the agreement was entered into was expected to incur, a debt of at least £10 million and which involves the issue of a capital market investment (also defined, but generally, a rated, listed or traded bond) and (ii) a company which, at the time of filing for a moratorium, has incurred a liability (including a present, future or contingent liability and a liability payable wholly or partly in foreign currency) of at least £10 million. While the Issuer, the Borrower and each Property Company are expected to fall within one of the exceptions, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exception. No assurance can be given that any modification of the exceptions will not be detrimental to the interest of Bondholders. Correspondingly, if the Issuer, the Borrower or any Property Company is determined to be a “small” company and does not fall within one of the exceptions, then certain actions in respect of the Issuer, the Borrower or such Property Company, as the case may be, may, for a period, be prohibited by the imposition of a moratorium.

If the Issuer, the Borrower or any Property Company is determined to be a “small” company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the Issuer Security by the Issuer Security Trustee or the Borrower Security by the Borrower Security Trustee, as the case may be, may, for a period, be prohibited by the imposition of a moratorium.

Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 came into force, amending certain provisions of the Insolvency Act 1986 (as amended, the **Insolvency Act**). These provisions introduced significant reforms to corporate insolvency law. In particular the reforms restrict the right of the holder of a floating charge created after 15 September 2003 to appoint an administrative receiver (unless an exception applies) and instead gives primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company (such as the Issuer Security Trustee under the Issuer Deed of Charge and the Borrower Security Trustee under the Borrower Deed of Charge) had the ability to block the appointment of an administrator by appointing an administrative receiver, who would primarily act in the interests of the floating charge holder appointing him.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security (such as the Issuer Security and the Borrower Security) that form part of a capital markets arrangement (as defined in the Insolvency Act) that involves indebtedness of at least £50,000,000 (or, when the relevant security document was entered into (being in respect of the

transactions described in this document, the Issuer Deed of Charge and the Borrower Deed of Charge), a party to the relevant transaction (such as the Issuer or the Borrower) was expected to incur a debt of at least £50,000,000) and the issue of a capital markets investment (also defined but generally a rated, listed or traded bond). The Secretary of State for Trade and Industry may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not adversely affect payments on the Bonds. In addition, as the provisions of the Enterprise Act have never been considered judicially, no assurance can be given as to whether the Enterprise Act could have a detrimental effect on the transaction described in this document or on the interests of Bondholders.

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

The new administration provisions of the Insolvency Act give primary emphasis to the rescue of the company as a going concern. The purpose of realising property to make a distribution to one or more secured creditors is subordinated to the primary purposes of rescuing the company as a going concern or achieving a better result for the creditors as a whole than would be likely if the company were wound up. No assurance can be given that the primary purposes of the new provisions will not conflict with the interests of Bondholders were the Issuer or a Chargor ever subject to administration.

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, Section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's net property is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The prescribed part is defined in The Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, provided that such amount may not exceed £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for

an order that the provisions of Section 176A of the Insolvency Act should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits.

Floating charge realisations upon the enforcement of the Issuer Security or the Borrower Security may be reduced by the operation of these ring-fencing provisions.

Security over bank accounts

The charges granted over the bank accounts by virtue of the Issuer Deed of Charge and the Borrower Deed of Charge will be expressed to be fixed charges. However it is possible that these charges may be held by a court to constitute floating charges. In these circumstances, any preferential creditors and liquidation expenses in respect of the relevant charging company would be payable in priority to the Issuer Secured Parties or the Borrower Secured Parties (as appropriate). In addition, as described under *Enterprise Act 2002* above, in respect of each such charging company a fund of up to £600,000 would be set aside in order to make payments due to any unsecured creditors of that company. In any such circumstance, this could reduce amounts available to the Issuer to make payments due in respect of the Bonds. The Borrower will covenant, in the Intercompany Loan Agreement, not to bring into the transaction any additional Property Company if to do so would result in the number of Property Companies exceeding 20 (or such greater number in respect of which the Rating Condition is then satisfied).

Risks relating to the Mortgaged Properties

General

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

During the term of the Intercompany Loan Agreement, all the existing Occupational Leases which are in place at the Closing Date will come to the end of their respective contractual terms. There can be no assurance that Occupational Tenants will renew their respective Occupational Leases or, if they do not, that new Occupational Tenants will be found to take up replacement Occupational Leases. Furthermore, even if such renewals are effected or replacement Occupational Leases are granted, there can be no assurance that such renewals or replacement Occupational Leases will be on terms (including rental levels) as favourable to the Property Company as those which exist now or before such termination, nor that the covenant status of either Occupational Tenants who renew their Occupational Leases or new Occupational Tenants who replace them will be the same as, or equivalent to, those now existing or existing before such termination.

Occupational Tenants' statutory renewal rights

In certain circumstances, on the expiration of the term granted by their existing lease, the Occupational Tenants may have legal rights to require a Property Company to grant them a new lease pursuant to the terms of the Landlord and Tenant Act 1954. Should such a right arise, the Property Company may not have its normal freedom to negotiate the terms of the new lease with the Occupational Tenant because, if it is unable to agree the terms it desires with the Occupational Tenant and an application goes to the court, the terms imposed by the court (which, save as to the amount of rent, will usually be the same as, or similar to, those under the previous lease of the relevant premises) may not be as satisfactory to the Property Company as those that it desired to agree with the Occupational Tenant. This may adversely affect the ability of the Property Company to meet its obligations under the Subordinated Loan Agreement and therefore the Borrower's ability to meet its obligations under the Intercompany Loan Agreement and, ultimately, the Issuer's ability to meet its obligations under the Bonds.

Default under Occupational Leases

Ultimately, payments in respect of the Bonds will be dependent primarily on the due performance by the Occupational Tenants of their obligations to pay all rental income. The obligation to make payments under a lease in respect of the Mortgaged Properties is or, as applicable, will be an obligation on the part of the relevant tenant. Save as disclosed in the Certificates of Title, each of the occupational leases is or, as applicable, will be a "fully repairing and insuring" lease (an **FRI Lease**), that is, substantially all of the economic liabilities arising in relation to the upkeep and operation of the relevant leased premises are borne by the tenant, including the costs of repairing, maintaining and insuring the relevant premises subject to certain limited exceptions.

Certain Occupational Leases in respect of the Mortgaged Properties, as at the Closing Date, were entered into before 1 January 1996 (or after that date but pursuant to an agreement entered into before that date) (**an old tenancy**). Where an original tenant, under an old tenancy, assigns such lease, the original tenant will remain liable under the lease notwithstanding any subsequent assignments, subject to any express releases of the tenant's covenant on assignment.

However, pursuant to the Landlord and Tenant (Covenants) Act 1995 (the **Covenants Act**), where any leases in respect of the Mortgaged Properties were granted on or after 1 January 1996 (otherwise than pursuant to an agreement entered into before that date) (**a new tenancy**), if the original tenant under such a lease assigns such lease that tenant's liability to the landlord ceases (unless the tenant has given an authorised guarantee as defined in the Covenants Act). The Covenants Act has no retrospective effect in respect of old tenancies. The provisions of the Covenants Act cannot be waived. The Covenants Act provides that any agreement relating to a tenancy is void to the extent that it would have the effect of excluding, modifying or otherwise frustrating the operation of any provision of the Covenants Act. This also applies to any agreement that provides that a lease will come to an end or that the tenant will suffer any disability, penalty or liability if any provision in the Covenants Act operates.

In relation to a new tenancy, the Covenants Act provides that arrangements can be entered into whereby, on assignment of a lease by the original tenant or a subsequent assignee, such party, if

the lease so provides, must enter into an authorised guarantee of its assignee's obligations to the landlord. Such guarantee would lapse on subsequent assignment of the lease by such assignee but may be replaced by a new authorised guarantee from the then assignor where the lease so provides and the landlord so requires.

Certain of the existing leases in respect of old tenancies provide for an express release of the tenant from liability on assignment. Nearly all of the existing leases in respect of new tenancies entitle the landlord as of right to require an authorised guarantee.

Save as disclosed in the Certificates of Title, each existing lease of a Mortgaged Property prohibits the relevant tenant from assigning without the landlord's previous consent, which is not to be unreasonably withheld. However, whilst it will be reasonable to refuse consent to assign where the new tenant clearly cannot afford to pay the rent or perform the covenants, there can be no assurance that any assignee of a lease of a Mortgaged Property (or any part thereof), nor any subsequent assignees, will be of a similar credit quality to the existing tenants. Moreover, the Covenants Act is unclear as to whether the guarantor of a tenant under a new tenancy can also be required, at the time when it enters into that guarantee, to guarantee or to commit to guarantee the obligations of that tenant under an authorised guarantee when that tenant himself assigns. Therefore there can be no assurance, in the absence of clarifying court decisions, that any guarantor of an existing tenant can be required to guarantee an authorised guarantee given by that existing tenant on assignment.

In each Occupational Lease, the relevant Nominee Company (as landlord) has covenanted or, as applicable, will covenant, with the relevant tenant or other occupier, *inter alia*, to allow such tenant or other occupier quiet enjoyment of that part of the Mortgaged Property which is leased to it and to perform certain specified obligations and/or provide certain specified services in relation to the relevant Mortgaged Property. A breach by the relevant Nominee Company of any of these covenants could give rise to a dispute with the tenant or other occupier, and the tenant or other occupier might seek to withhold rental payments.

Certain of the current Occupational Leases contain no clear wording requiring payment of rents without set-off. Clear wording is needed to exclude a tenant's remedy of an equitable right of set-off and certain of the Occupational Leases contain such clear wording. If a tenant did seek to exercise a set-off right, that might reduce rental receipts available to the relevant Property Company, thereby reducing its ability to make the required payments under the relevant Subordinated Loan. Given the nature of the restrictions on the activities of the Nominee Companies under the Borrower Documents, the only liabilities they are likely to have to the tenants which can be set off are their liabilities under the landlord covenants in the Occupational Leases. The Nominee Companies are required, under the declarations of trust (the **Declarations of Trust**) made by each of them in favour of the relevant Property Company to take such action and commence such proceedings in respect of the Mortgaged Properties as the relevant Property Company requests and which the Nominee Company is lawfully entitled to take or commence, and in this respect are indemnified by the relevant Property Company.

Terms of FRI Lease

Whilst each Property Company has covenanted that, in relation to the leasing of vacant space or releasing of currently tenanted space within the Mortgaged Properties, certain mandatory lease terms will be contained within any such lease (as to which see *Summary of Principal Documents – Intercompany Loan Agreement*, below), any of such covenants may be dispensed with or amended as described in such section where the directors of the Borrower and the relevant Property Company are of the opinion that they could properly give a Certificate of Expediency if they were asked to do so. They will not in fact have to produce a Certificate of Expediency each time such a dispensation or amendment is made, but they will be required to deliver an annual Certificate of Expediency as described under *Summary of Principal Documents – Intercompany Loan Agreement – Mandatory lease provisions*. There can therefore be no assurance that market practice in respect of FRI Leases and/or the demands of prospective tenants over the life of the Bonds will not subject the relevant Property Company (as landlord) to more onerous covenants on its part or that tenant obligations under such FRI Leases will not diminish. If either of these events occurred this may have an adverse effect on the value of, or income from, the Mortgaged Properties.

Late payment of rent

There is a risk that rental payments due under the Occupational Leases on or before the relevant Interest Payment Date will not be paid on the due date or will not be paid at all. In the event of a late payment of rent there may be insufficient cash available to make payment on the Intercompany Loan in full or at all.

Rent stop provisions

To avoid the waiver by a Nominee Company (at the direction of the related Property Company) of any breach by Occupational Tenants of the covenants contained in the relevant Occupational Leases by virtue of the relevant Nominee Company or the Property Manager on its behalf accepting payment of rent from such defaulting Occupational Tenant, the Intercompany Loan Agreement contains provisions allowing the relevant Nominee Company, at its option, to decline payments of rent where an Occupational Tenant is in breach of the terms of the relevant Occupational Lease. Accordingly, in such circumstances, such Property Company's ability to meet its obligations under the Subordinated Loan Agreement and therefore the Borrower's ability to meet its obligations under the Intercompany Loan Agreement could be affected by short-term shortfalls in rental income.

Re-letting risk

The performance of the Mortgaged Properties depends on rents received from the Occupational Tenants. Following expiry or early termination of a lease or in other circumstances, it may be necessary to lease the relevant Mortgaged Property or part thereof to new tenants in order for the relevant Property Company to meet its obligations under its Subordinated Loan. As substantially all of the income from the Mortgaged Properties is derived from rents, the Property Companies' ability to make payments on the Subordinated Loans could be adversely affected if occupancy

levels were to fall, or if the terms on which vacant space could be re-let were less favourable to the relevant Property Companies than those currently, or then, existing.

The ability to attract tenants paying rent levels sufficient to allow the Property Companies to make payments due under the Subordinated Loans will be dependent on demand for the Mortgaged Properties, which can be influenced by a number of factors.

The economic conditions within London, the United Kingdom and, with the multinational nature of the tenants within the Estate, internationally, can affect the ability of and the desire for tenants to lease premises within the Mortgaged Properties. The extent to which this competition arises will be dependent on a variety of factors. Such factors include the extent to which technological change reduces the need for financial service organisations to concentrate in a single area.

The availability of space, and the cost thereof, both within the City of London and elsewhere, can affect demand. The extent to which tenants choose to be located within the Mortgaged Properties can depend on matters such as the desire to be located in London and specifically the City of London, and the ability to move to other premises within the United Kingdom, in Europe or elsewhere. Additionally, rental levels, the quality of the relevant buildings, the amenities and facilities offered, the convenience and location of the Mortgaged Properties, the amount of space available, transport infrastructure, and the age of the buildings in comparison to the alternatives, are all factors which influence tenant demand.

No assurance can be given as to how these various considerations and competitive pressures will affect the level of prospective tenant demand for the Mortgaged Properties.

Market risks on enforcement

In the event of enforcement of the Borrower Security, it may be necessary to offer to re-let or, as appropriate, sell one or more Mortgaged Properties. Amounts received in respect of the Mortgaged Properties by way of rent or sales proceeds following a re-letting or sale could be insufficient to pay accrued interest (including stepped-up interest) on, and to repay principal of, the Intercompany Loan in full, in which case ultimately the Issuer may have insufficient funds to pay interest and principal due on the Bonds. The rent at which any Mortgaged Property could be re-let or the liquidation value of the Mortgaged Properties may be adversely affected by the same sorts of risks as those referred to in *Risks relating to the Mortgaged Properties–Re-letting risk*, above.

Destruction or damage by an Insured Risk

Many of the Occupational Leases of the offices grant the parties the option, if the Mortgaged Property is destroyed or damaged by an insured risk so as to make the relevant Mortgaged Property inaccessible or wholly unfit for occupation or use, to terminate the tenancy if works necessary to make the premises fit for occupation and use have not been completed within the period in respect of which the Property Company has the benefit of loss of rent insurance. The Occupational Leases require such cover to be available for periods of between three and seven years. In many of the Occupational Leases of the offices, the Occupational Tenants are not required to pay the annual rent and, in some cases, the insurance charge or service charge (or a proportion of them) after the date of destruction or damage until the reinstatement works have

been completed or, if earlier, the expiry of the period for which loss of rent insurance is maintained. Insurance cover has been taken out in respect of the Mortgaged Property to cover the shortfall of rent whilst such works are being carried out for a period which is currently five years.

If reinstatement of the premises the subject of the relevant Occupational Lease does not take place, then the proceeds of any monies paid out under the terms of the insurance policy effected in respect of the Mortgaged Property will belong to the Property Company (save as disclosed in the Certificates of Title and except in certain cases where the Occupational Tenant may be entitled to receive certain sums in respect of items which it has installed at its own expense but which have nevertheless become part of the premises as a matter of property law). In this case, the Property Company may choose to use such proceeds to repay the Subordinated Loans and the Borrower may choose to repay the Intercompany Loan. In any case, the proceeds of such insurance, together with any proceeds from the sale of the land, might not be sufficient to permit the Property Company to repay all outstanding amounts under its Subordinated Loan. It should also be noted that if the landlord fails to expend the proceeds of such insurance on reinstating the Mortgaged Property when not prevented from doing so by unavoidable circumstances the landlord may be subject to claims from Occupational Tenants as a result of that failure.

Uninsured Loss

The Intercompany Loan Agreement requires the Property Companies to insure or procure insurance of the Mortgaged Properties in accordance with the terms set out in the Intercompany Loan Agreement (subject to certain exceptions). There are, however, certain types of losses (such as losses resulting from war, terrorism, nuclear radiation, radioactive contamination, heave or settling of structures) which, from time to time, may be or become either uninsurable or not economically insurable, or which for other reasons are not covered by the required insurance policies or are not required to be covered by the Intercompany Loan Agreement. The Property Companies' ability to repay the Subordinated Loans and, consequently, the Borrower's ability to make payments on the Intercompany Loan, might be affected adversely if such an uninsured or uninsurable loss were to occur, to the extent that such loss is not the responsibility of the Occupational Tenants pursuant to the Occupational Leases.

Reinstatement obligation on damage by an uninsured risk

Under the various leases to SBCI, if the property is destroyed or damaged by uninsured risks but can reasonably be expected to be reinstated within 12 months from the date of damage, then the Nominee Company as landlord will be obliged to use its own monies (which, it is expected, would be provided by the relevant Property Company) to reinstate the property. If however the landlord cannot reasonably be expected to reinstate within 12 months then the landlord may elect within a 13-month period from the date of that damage to reinstate the property. If the election is made, the landlord must carry out and complete those works at its own cost with all reasonable speed. If the landlord does not make the election then the tenant may elect to reinstate at its own cost. If the tenant does make the election but does not rebuild the property to the reasonable satisfaction of the landlord within five years from the date of the tenant's election then the landlord may determine the lease. SBCI is the principal tenant at 1 and 2 Finsbury Avenue, 8-12 Broadgate and 100 Liverpool Street. No assurance can be given that the relevant Nominee

Company will have sufficient funds to reinstate the relevant Mortgaged Property which may give rise to a dispute with the tenant, who might be entitled to damages for breach of covenant.

Certain of the other Occupational Leases provide that where the property is destroyed or damaged by an uninsured risk the Nominee Company as landlord is to decide within a certain period of a few months whether or not it wishes to reinstate the property. If the Nominee Company decides (at the direction of the relevant Property Company) not to reinstate (or makes no decision within the relevant period) then the Occupational Lease may be determined. If the Nominee Company decides (at the direction of the relevant Property Company) to reinstate it must do so at its own cost (which, it is expected, would be provided by the relevant Property Company). The Occupational Leases provide for a full or significant rent cesser during the period commencing with the date of the damage or destruction until the property is reinstated. The Occupational Leases provide for determination in the event of reinstatement not having commenced or completed within certain specified periods.

Insurance - noting of interest

The Intercompany Loan Agreement will require each Property Company to use reasonable endeavours to procure that all insurance policies relating to its Mortgaged Property are noted with the interest of the Borrower Security Trustee by way of an endorsement on such policies.

The Intercompany Loan Agreement will require each Property Company to use reasonable endeavours to obtain an undertaking in relation to the insurance policies relating to its Mortgaged Property from the insurer to give not less than 30 days' prior notice to the Borrower Security Trustee of cancellation or termination of such insurance policies (unless such cancellation or termination has been caused by a material fraud or a material mis-description by the insured in obtaining the policies) and to give to the Borrower Security Trustee information in connection with such policies and copies of the same and to notify renewals made or material variations made to the terms thereof. The noting of an interest does not give the party so noted proprietary rights in the insurance policies. Any such rights would only occur where co-insurance was obtained (which would give the two co-insureds separate insurable interests in the subject matter of the policy) and potentially if there is a joint policy (where each of the insured parties under the one insurance policy shares an identical interest in the subject matter of the policy). Where co-insurance has not been obtained and reliance is placed on the noting of an interest, the party whose interest is noted does not have a right of action if the insurer fails to notify the interested party in the event of the policy being cancelled, and the party whose interest is noted should take continuing steps to ensure that requisite insurance cover is being maintained. However, specific security is granted for the Borrower's obligations under the Intercompany Loan Agreement over the insurances in respect of the Mortgaged Properties, which creates, in respect of the Intercompany Loan, an equitable proprietary right.

Environmental risks

Various laws may require current and previous owners, occupiers and operators of property to investigate and/or clean-up hazardous or toxic substances at, under, in or which are migrating or have migrated from such property via the ground, water, atmosphere or which are present in buildings. These owners, occupiers and operators may 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 clean-up responsibility and liability having regard to whether an owner occupier or operator caused, or knew of, the presence or escape of the substances. Even if more than one person may have been responsible or liable for the contamination, each person coming within the ambit of the relevant environmental laws may, depending on the provisions concerned, be held responsible for all of the clean-up costs incurred. Environmental liabilities may also be addressed through contractual agreements such as indemnities between relevant parties.

If an environmental liability arises in relation to the Mortgaged Properties and is not remedied, or is not capable of being remedied, this may result in the Mortgaged Properties either being sold at a reduced sale price or becoming unsellable. In addition, 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 which are migrating or have migrated from that site onto or under third party property. These damages and costs may be substantial. The presence of substances on a property could also result in personal injury or similar claims by private claimants.

Owners and occupiers may also have liabilities at common law, and a local authority has power to serve an abatement notice where it considers a statutory nuisance exists. In addition, owners and occupiers may have to conduct clean-up of property by virtue of contractual obligations pursuant to a lease or other agreement.

If any environmental liability were to exist in respect of any Mortgaged Property, the Borrower Security Trustee and the Borrower should not incur any such liability prior to enforcement of the Borrower Deed of Charge, unless it could be established that the Borrower Security Trustee or the Borrower had entered into possession of the relevant Mortgaged Property(ies) or had exercised a significant degree of control or of management of either the relevant Mortgaged Property(ies) or the relevant environmental problem(s). After enforcement, the Borrower Security Trustee or the Borrower, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Borrower Security Trustee or the Borrower could become responsible for environmental liabilities in respect of a Mortgaged Property, and any such liability could ultimately affect the amounts available to the Issuer to make payments under the Bonds. If the Borrower Security Trustee or the Borrower unduly directed or interfered with the actions or the directors of the legal owners of the Mortgaged Properties or 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 Borrower Security Trustee or the Borrower. Even if either of them could incur such a liability solely by virtue of being the owner and/or occupier and/or lessor of such Mortgaged Property(ies) they might be able to obtain an indemnity from the relevant tenant in possession.

It should be noted that no environmental survey or assessment has been carried out in respect of the Mortgaged Properties prior to the Closing Date.

The Mortgaged Properties are situated in whole or in part on or over an area which is now or was formerly used as an operational railway. Parts of the Mortgaged Properties are constructed upon a Phase Deck which oversails operational railway land comprising the Liverpool Street

passenger station. The directors of the Property Companies believe that, in the construction of all the current buildings on the Mortgaged Properties other than 10 Exchange Square (including, in the case of those parts of the Mortgaged Properties which oversail Liverpool Street Station, the supporting columns and foundations of the Phase Deck) between 1984 and 1991, environmental laws in force at that time would have been adhered to. In the case of 1, 2 and 3 Broadgate and Broadgate Circle, 4 Broadgate, 6 Broadgate, 100 Liverpool Street, 8-12 Broadgate, 1 Appold Street and the Broadgate Club, 1, 2 and 3 Finsbury Avenue and Broadwalk House, the directors of the relevant Property Companies believe that the construction of the current buildings on each Mortgaged Property would have involved substantial excavation of surface and subsoil to create subterranean areas so as to reduce the risk of any contaminated land remaining. With regard to the more recent works involving disturbance or excavation of subsoil, the construction of 10 Exchange Square (completed in 2004) and the public space enhancement works (completed in 2003), the directors of the relevant Property Companies confirm that all relevant environmental law requirements in force at the relevant time were complied with. In the case of 10 Exchange Square, little excavation was carried out because much of the basement of the old Hamilton House was re-used but, in the case of the public space enhancement works in Finsbury Avenue Square, a significant amount of excavation and removal of soil was carried out to create a new basement restaurant so as to reduce further the risk of any contaminated land remaining.

Mortgagee in possession liability

The Borrower Security Trustee may become a mortgagee in possession if it takes possession of the secured property (which, in the case of any Mortgaged Property, may be the case if there is physical entry into possession, or an act of control or influence which may amount, in effect, to possession).

A mortgagee in possession may incur liabilities to third parties in nuisance, equity and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. For further details as to potential liabilities under environmental legislation, see *Environmental risks* above.

The Borrower Security Trustee will have the absolute discretion, at any time, to refrain from taking any action under the Borrower Deed of Charge (as defined in *Summary of Principal Documents — Borrower Deed of Charge*) including becoming a mortgagee in possession in respect of a Mortgaged Property or other secured property, unless it is satisfied at that time that it is adequately indemnified and/or secured to its satisfaction. Under the Borrower Deed of Charge and the Account Bank and Cash Management Agreement, the Borrower Security Trustee will rank first in point of priority of payments, both prior to and following enforcement of the Borrower Security, in respect of payment of any amounts owed to it under its indemnity and/or security, ahead of any payments due under the Intercompany Loan.

Property Management

The net cashflow realised from the Mortgaged Properties may be affected by management decisions. The Property Manager will be responsible for property management pursuant to the Property Management Agreement in respect of all Mortgaged Properties.

Security for the Intercompany Loan will include charges over each Property Company's rights in respect of the ownership and management of common areas within the Estate and under the Property Management Agreement (as to which, see *Summary Information — Property Management for the Mortgaged Properties*, above).

The Borrower Security Trustee will have the ability, upon enforcement of the Borrower Deed of Charge, to require each manager of a Mortgaged Property to comply with the terms of any agreement binding on it in respect of services to be provided to tenants which are not part of the functions undertaken by the Property Manager.

The Borrower Security Trustee will have the ability to replace the Property Manager on enforcement of the Borrower Security. Each Property Company will covenant to procure that each manager of a Mortgaged Property (including any replacement manager appointed other than by the Borrower Security Trustee) acts at all times as a prudent manager of commercial property and manages the relevant Mortgaged Property in accordance with the principles of good estate management. Following enforcement of the Borrower Security, the Borrower Security Trustee (or any receiver) will be entitled to enforce whatever rights the owners of the property interests the subject of such enforcement would have against the Property Manager (consistent with the rights of other owners in the Estate).

While the Property Manager is experienced in managing commercial property, there can be no assurance that it will continue to act in that capacity. Although any successor manager of a Mortgaged Property is required, to be experienced in managing commercial premises, there can be no assurance that there will not be a delay in the appointment of a successor, or variation in the terms of any appointment of a successor, or that the appointment of any successor manager of a Mortgaged Property would not ultimately have an adverse effect on the Issuer's ability to make payment on the Bonds. The appointment of any successor manager in respect of any of the Mortgaged Properties is subject to written confirmation from the Borrower Security Trustee, which may be given if the Rating Condition is satisfied (save in respect of companies in the British Land Group, in which event there will be no requirement that the Rating Condition be satisfied).

Appointment of the Property Adviser

Although the Intercompany Loan Agreement will provide that, in certain circumstances, a Property Adviser is to 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 Borrower Security Trustee, or willing to act at all, will be found.

Delegation

Except to the limited extent described herein, neither the Issuer Security Trustee, a Bondholder, the Borrower Security Trustee, nor the Issuer has any right to participate in the management or affairs of the Borrower or any Property Company. In particular, such parties cannot supervise the functions relating to the management or operation of the Mortgaged Properties or the leasing and re-leasing of the space within the Mortgaged Properties or otherwise. Neither the Borrower nor the Property Companies will have any executive management resources of their own. Each will

rely upon, among others, the Cash Manager, PGLC, the Property Manager and other service providers for all asset servicing and executive and administrative functions. Failure by any such party to perform its obligations could have a material adverse effect upon the Property Companies' ability to pay under the Subordinated Loans or on the Borrower's ability to repay the Intercompany Loan. 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 Borrower Security Trustee. In particular, if no suitable replacement Property Manager could be found there can be no assurance that this would not have an adverse effect on the management of the Mortgaged Properties and the rents receivable.

Compulsory Purchase

Any property in the United Kingdom may at any time be compulsorily acquired by a public authority possessing compulsory purchase powers (for instance, local authorities and, in respect of rail proposals, Network Rail) if it can demonstrate that the acquisition is required or, in the case of compulsory purchase for planning purposes, that acquisition would facilitate development, redevelopment or improvement which is likely to contribute to social, economic or environmental well-being. No such compulsory purchase proposals have been revealed in respect of the investigation of title in respect of the Mortgaged Properties in the Certificates of Title, which includes replies to local authority search enquiries made by SJ Berwin during November 2004.

Any promoter of a compulsory purchase order would need to demonstrate that compulsory purchase was necessary or desirable and in the public interest. In the event of an order being made in respect of all or any part of the Mortgaged Properties, compensation would be payable on a basis broadly equivalent to the open market value of all owners' and tenants' proprietary interests in the Mortgaged Property at the time of the related purchase. If any of the Mortgaged Properties were to be acquired in this way, the relevant freehold estate and any leases would normally be acquired and the tenants would cease to be obliged to make any further rental payments under the relevant Occupational Leases. The risk to the Issuer (and consequently, the Bondholders) is that the amount received by way of compensation for acquisition of the relevant leasehold estate may be less than the amount due under the Intercompany Loan together with accrued interest (including stepped up-interest).

There is often a delay between the compulsory purchase of a property and the payment of compensation, although advance payment of compensation is available representing 90 per cent. of the level of compensation which is agreed or which the acquiring authority considers is due. Should a delay occur in the case of any Mortgaged Property then, unless the relevant Property Company has other funds available to it, it may fail to meet its obligations under the Subordinated Loans.

At the moment, Cross London Rail Links Limited is promoting Crossrail Line 1, a surface and underground rail link, which would improve east-west access across London and to and from the Mortgaged Properties. In the Queen's Speech on 17 November 2004 it was announced that a hybrid Bill of Parliament would be introduced at the earliest opportunity in order to authorise the works and to confer powers of compulsory purchase. In practice this is likely to happen in Spring

2005, with the Royal Assent being given early in 2007. On this timetable, works are unlikely to begin before Spring 2007.

Until the Bill becomes an Act, the actual route of Crossrail will not be fixed. However, in July 2004 the Department for Transport issued a safeguarding direction to local authorities to protect the current proposed route. This shows the safeguarded “corridor” passing underneath the southern half of 100 Liverpool Street, continuing from underneath The Great Eastern Hotel and the southern part of Liverpool Street Station. It is understood that in the vicinity of the Mortgaged Properties a double interchange station at Moorgate/Liverpool Street is proposed, with a major works site at surface level in Finsbury Circus and another along the Liverpool Street and Sun Street Passage frontages to 100 Liverpool Street. It is possible that the final scheme will require the acquisition of subterranean or surface rights to part of the Mortgaged Properties (for which compensation based on open market value would be available).

In conclusion, if this or any similar scheme is implemented during the life of the Bonds, it may impact upon the Mortgaged Properties either indirectly, through loss of amenity by reason of construction works and operations, or directly, due to loss of land and buildings through the exercise of compulsory purchase powers.

Liability to Network Rail

Parts of the Mortgaged Properties have been constructed over Liverpool Street railway station and its railway tracks. The buildings above the station and tracks have been constructed on solid supporting structures called **Phase Decks**. Each Property Company which owns such a Mortgaged Property is under obligations (contained in its leasehold title documents) to maintain the Phase Decks in good and substantial repair regardless of their age or state or condition and to remedy any inherent or latent defects. These Phase Decks are made of concrete and steel and have a long life expectancy. It is not expected that the Phase Decks will require any substantial maintenance within the first 50 years of construction.

The Occupational Leases within each building above the Phase Decks are expected to come to an end when the buildings and Phase Decks are generally 25 to 30 years old, and the directors of the Borrower expect that, at that stage, the relevant Property Company would either re-let the accommodation to the existing tenants (the majority of whom have the right to apply for a tenancy renewal under the Landlord and Tenant Act 1954, Part II) or to new tenants, with or without carrying out refurbishment works. The directors of the Borrower anticipate that a complete redevelopment would take place only in the event of damage or destruction of the buildings, in the event of economic obsolescence of the structural frames or if it were to become economically desirable and practicable and achievable under planning law. Land interests held by Property Companies above the railway station are virtual freeholds held by means of leases and these leases allow redevelopment *provided that* the safety and operation of the railway is not prejudiced.

In addition, if, as a result of any breach of the tenant’s covenants contained in the Property Company’s lease of the Mortgaged Property, damage to the railway undertaking occurs, then the relevant Property Company may be liable to compensate Network Rail Infrastructure Limited (**Network Rail**). There are various other restrictions (contained in the relevant leasehold title

documents) including prohibitions against interference with the railway or Transport for London structures, facilities and services, and an obligation not to diminish or restrict air-flow through vents and shafts benefiting the railway and other subterranean structures and facilities and other redevelopment obligations.

In addition, common law rights of action will apply in terms of damages for foreseeable losses on the part of each Property Company to Network Rail and others in the event of a Property Company's causing damage to the railway undertaking. Through covenants contained in the leases, Network Rail will be liable to the Property Companies for any damage to the Phase Decks and buildings founded thereon caused by it or its licensees (including the rail operators).

Planning matters

The directors of each Property Company have confirmed that the Mortgaged Property owned by it has been constructed in accordance with relevant planning legislation and, as far as it is aware, there are no breaches of planning control existing on the Mortgaged Properties.

There are a number of ongoing planning obligations and restrictions relating to certain elements of the Mortgaged Properties. Failure to comply with such obligations and restrictions could give rise to planning enforcement or other compliance action by the local planning authority. In particular conditions attached to planning permissions and agreements entered into with the local planning authority include the requirement for the Property Companies to pay sums to the local authority for ongoing maintenance of special highway finishes, the requirement of public access to identified areas (subject to concerns of property maintenance and security), the requirement to provide and retain certain levels of ancillary car parking, refuse facilities and pedestrian and servicing routes, the requirement to retain ancillary loading facilities within the curtilage of the buildings, the requirement to maintain certain floorspace for ancillary uses only, e.g. plantrooms, controls on the maximum level of floorspace within buildings and units and restrictions on numbers of parking spaces and external plant.

Many of the Mortgaged Properties are within the designated corridor for St. Paul's Strategic Views (designed to protect views of St. Paul's Cathedral) under the City of London Unitary Development Plan 2002. This will restrict the height of any future development of the properties affected.

All of the Mortgaged Properties are within an area of aerodrome safeguarding, designed to protect the safety of aircraft operations. This may also restrict the height of future development of the Mortgaged Properties.

Construction matters

With the exception of 10 Exchange Square, practical completion of the development of the phases on the Estate occurred between 1984 and 1991. The Property Companies have the benefit of an obligation from British Land at their request to enforce or to procure the enforcement of any surviving rights vested in British Land (or in any group company (as defined in Section 42 of the Landlord and Tenant Act 1954) of British Land) in respect of any defect or other fault in the design of the Mortgaged Property or attributable to workmanship or material used in its construction pursuant to the development agreements (a **Defect**). British Land covenants to

indemnify the Property Companies in respect of loss in connection with the remedying of any Defect. The indemnity is limited to sums which are actually recovered by British Land from any relevant party under any development agreement or from their insurers, and there is a risk that British Land (and therefore the Property Companies) would be entitled to recover only nominal damages on the basis that it had suffered no loss.

Any surviving rights in respect of Defects are likely to be of limited significance due to the period which has elapsed since the relevant works were practically completed and there being no notified claims of any significance which remain outstanding.

The 10 Exchange Square development achieved practical completion on 10 May 2004. Comprehensive rights will be vested in the owning Property Company which will enable claims against the professional team and trade contractors in the event of there being a Defect.

Frustration

An occupational lease in respect of a Mortgaged Property could, in exceptional circumstances, be frustrated under English 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.

Upwards only rent reviews

In 2002 the voluntary Code of Practice for Commercial Leases was introduced. The Code encouraged landlords to offer more flexible lease structures to their tenants than had previously been available, including agreement of rent reviews on an upwards or downwards basis. The Office of the Deputy Prime Minister has indicated that if the Code does not lead to more flexible terms being offered, the Government will consider whether it is sufficient to continue relying on voluntary measures, or whether to move to statutory intervention.

If upwards only rent reviews are curtailed or prohibited by new legislation, this could lead to a reduction in rental levels for the Mortgaged Properties during the lifetime of the Intercompany Loan, which could have an adverse impact on payments under the Intercompany Loan.

Pursuit of Third Parties Deeds

In respect of all of the Mortgaged Properties comprising buildings which were practically completed before 1992 (other than 1 Appold Street and 135 Bishopsgate) each relevant Property Company has entered into a deed with British Land (each, a Pursuit of **Third Parties Deed**) pursuant to which British Land has covenanted to enforce or to procure the enforcement of any surviving rights vested in British Land (or in any group company (as defined in Section 42 of the Landlord and Tenant Act 1954) of British Land) in respect of any defect or other fault in the design of the Mortgaged Properties or attributable to workmanship or material used in its construction pursuant to development agreements (a **Relevant Defect**). The Pursuit of Third Parties Deeds relate to rights pursuant to any professional appointment or sub-consultancy agreement any trade contract any parent company guarantee or any construction management agreement relating to the design, construction and completion of the Mortgaged Properties.

British Land's obligation to take steps to enforce the rights in respect of any Relevant Defect will be subject to its receiving (if reasonably requested) a written opinion of leading counsel that enforcement action is reasonably likely to succeed.

British Land has covenanted to indemnify the Property Companies in respect of loss in connection with the remedying of any Relevant Defects. The Property Companies have irrevocably waived the benefit of the indemnity in respect of any amount which exceeds any amount actually recovered by British Land or any member of the British Land Group from any relevant party under any development agreement or from their insurers, or to the extent that British Land is not obliged to take enforcement action under the applicable Pursuit of Third Parties Deed.

Since these Pursuit of Third Parties Deeds were entered into, supervening case law has cast doubt on whether they are effective. However, this is unlikely to be of significance as there are no material notified outstanding claims and, because of the length of the period that has elapsed since these buildings were practically completed, the relevant limitation periods for bringing claims are likely to have expired.

For the same reasons, no Pursuit of Third Parties Deeds have been or will be entered into in respect of 1 Appold Street and 135 Bishopsgate.

In respect of 10 Exchange Square, a Pursuit of Third Parties Deed is unnecessary as all the relevant rights will be directly vested in the owning Property Company.

Deeds of Pre-Emption

Pursuant to deeds of pre-emption made by each Property Company (other than Broadgate (PHC 5) Limited, Broadgate (PHC 5) 2005 Limited and Broadgate (PHC 6) 2005 Limited) with British Land (each, a **Deed of Pre-Emption**), British Land has covenanted that no Property Disposal or Share Disposal will occur without the relevant group company of British Land first offering to sell to the relevant Property Company its reversionary interest in the Mortgaged Property. **Property Disposal** means a sale or grant of any tenancy or lease of the reversionary interest in any Mortgaged Property by the relevant British Land company to a person which is not a group company. **Share Disposal** means an issue of shares, or sale of the whole or part of the issued share capital of the relevant group company which results in that group company ceasing to be within the British Land Group.

Following service of such a notice, the relevant Property Company may, within a period of 20 working days, accept the offer to acquire the relevant group company's reversionary interest in the Mortgaged Property (but is not entitled to acquire shares in the relevant group company). The price at which the Property Company is entitled to acquire the group company's reversionary interest in the Mortgaged Property will be, in the case of a proposed Property Disposal, the price (exclusive of VAT) at which the relevant group company wishes to sell its reversionary interest, or in the case of a share sale or share issue which amounts to Share Disposal, the price will be equivalent to the price to be paid per share under the share sale or issue, multiplied by the total number of issued shares in the relevant group company.

If the relevant Property Company does not accept the group company's offer to sell within the 20 working days period, the group company may effect the Property Disposal or Share Disposal within a period of seven months from the date of the notice to any other party for a capital consideration of not less than 95 per cent. of (in the case of the Property Disposal) the offer price notified to the Property Company or (in the case of a share sale or share issue) the price per share notified to the Property Company multiplied by the number of shares in the relevant group company to be issued or sold to that other party.

On completion of a Property Disposal or a Share Disposal, the relevant Deed of Pre-Emption will cease to be of any further effect in relation to the reversionary interest in the relevant Mortgaged Property.

Change of law

The structure of the issue of the Bonds and the making of the Intercompany Loan and the Subordinated Loans are based on English law in effect as at the date of this document. No assurance can be given as to the impact of any possible change to English law, the interpretation thereof or administrative practice after the date of this document.

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

The Basel Committee on Banking Supervision published the text of a new framework on 26 June 2004 under the title "*Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework*". This new framework (the **Framework**), which places enhanced emphasis on market discipline and sensitivity to risk, will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the new Framework. The committee confirmed that it is currently intended that the various approaches under the Framework will be implemented in stages, some from year-end 2006; the most advanced at year-end 2007. If implemented in accordance with its current form, the Framework could affect risk-weighting of the Bonds in respect of certain investors if those investors are subject to the new Framework following its implementation. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the proposed implementation of the new Framework. No predictions can be made as to the precise effects of potential changes which might result if the Framework were adopted in its current form.

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. 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. (See further Condition 17.)

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Bondholders but the inability of the Borrower to pay interest principal or

other amounts on or in connection with the Intercompany Loan and consequently 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 does not represent that the above statements regarding the risk of holding the Bonds are exhaustive. Although the Issuer believes that the various structural elements described in this Offering Circular lessen some of these risks for the Bondholders, there can be no assurance that these measures will be sufficient to ensure payment to the Bondholders of interest, principal or any other amounts on or in connection with the Bonds on a timely basis or at all.

RESOURCES AVAILABLE TO THE ISSUER AND THE BORROWER

The following is intended to be only a summary of certain provisions of the documents relating to the Bonds which bear upon the resources available to the Issuer and the Borrower.

General Liquidity Obligations

The Bond Trust Deed will contain a covenant requiring the Issuer to maintain, save as described below, certain liquidity reserves, available to it either pursuant to the Liquidity Agreement or through funds in the Cash Reserve Account or a combination of both (**Available Liquidity Funds**).

Pursuant to the Liquidity Agreement, a liquidity facility (the **Liquidity Facility**) will be provided by a financial institution with the Requisite Ratings on terms acceptable to the Rating Agencies from time to time (the **Liquidity Agreement**). The Liquidity Agreement entered into on the Closing Date will be a 364-day revolving facility under which a liquidity drawing (a **Liquidity Drawing**) may be made on an Interest Payment Date in the circumstances further set out under *Available funds and their priority of application* below.

The Issuer (or the Issuer Security Trustee or the Cash Manager on its behalf) may request that the Liquidity Facility be extended for further periods of 364 days. However, the Liquidity Facility may not be extended beyond the date on which all of the Bonds have been redeemed or cancelled in full (for the purposes of this section *General Liquidity Obligations*, the **Final Maturity Date**).

As at the Closing Date, the liquidity amount required to be maintained (the **Required Liquidity Amount**) will be £200 million. This will be represented initially by an amount of £185,000,000 available pursuant to the Liquidity Agreement and £15,000,000 to be deposited in the Cash Reserve Account.

Subject to the limits detailed below, the Available Liquidity Funds will be available to meet items (a) to (k) inclusive of the Issuer Pre-Enforcement Priorities of Payments and the Issuer Post-Enforcement/Pre-Acceleration Priority of Payments. The Liquidity Facility may only be drawn to the extent that amounts standing to the credit of the Cash Reserve Account are not sufficient to meet such items.

After the Interest Payment Date falling in April 2029, the Required Liquidity Amount will be reduced to such amount as will be equal to 18 months' payments of principal and interest on all Bonds then outstanding (excluding any Step-up Amounts and principal payments on the Class A4 Bonds and the Class D Bonds) together with the Issuer's anticipated ongoing expenses for such period, provided that the Required Liquidity Amount may not be more than £200,000,000. In addition, such amount may reduce (prior to such date) following optional or mandatory redemption of all or any part of any class or classes of Bonds except for the Class A4 Bonds and the Class D Bonds, but not as a result of scheduled amortisation of any class of Bonds. The Issuer may cancel the unutilised portion of the Available Liquidity Funds in whole or in part subject to certain conditions, including confirmation from the Rating Agencies that the Rating Condition will be satisfied and, if the rating of any of the Bonds has been previously withdrawn

or downgraded below its original rating, that such cancellation will not prevent the restoration of the original rating of those Bonds.

The amount available under the Liquidity Agreement may be reduced on a pound for pound basis if the Issuer increases the amount of cash in the Cash Reserve Account beyond the Required Reserve Account Level and agrees with the Bond Trustee to a corresponding increase in the Required Reserve Account Level.

The amount of the Available Liquidity Funds available to meet items (a) to (k) of the relevant Issuer Priority of Payments will be limited as follows:

- (a) the entire Available Liquidity Funds on the day before the Interest Payment Date on which the relevant drawing is to be made is able to be drawn to make the payments and provisions referred to in items (a) to (f) of the Issuer Pre-Enforcement Priorities of Payments and of the Issuer Post-Enforcement/Pre- Acceleration Priority of Payments;
- (b) an amount not greater than 70 per cent. of the Available Liquidity Funds on the day before the Interest Payment Date on which the relevant drawing is to be made is able to be drawn to make the payments and provisions referred to in items (g) and (h) of the Issuer Pre- Enforcement Priorities of Payments and of the Issuer Post-Enforcement/Pre-Acceleration Priority of Payments;
- (c) an amount not greater than 45 per cent. of Available Liquidity Funds on the day before the Interest Payment Date on which the relevant drawing is to be made is able to be drawn to make the payments and provisions referred to in items (i) and (j) of the Issuer Pre- Enforcement Priorities of Payments and of the Issuer Post-Enforcement/Pre-Acceleration Priority of Payments; and
- (d) an amount not greater than 10 per cent. of the Available Liquidity Funds on the day before the Interest Payment Date on which the relevant drawing is to be made is able to be drawn to make the payments and provisions referred to in item (k) of the Issuer Pre-Enforcement Priorities of Payments and of the Issuer Post-Enforcement/Pre-Acceleration Priority of Payments.

It should be noted that the Available Liquidity Funds will not be available to meet any payments of principal in respect of the Class A4 Bonds or the Class D Bonds.

The Issuer will repay each drawing under the Liquidity Facility (other than a Standby Drawing) on the next following Interest Payment Date. Amounts repaid may, subject to various conditions for drawing, be redrawn. The appointment of an administrative receiver in respect of the Issuer will not prevent drawings from being made under the Liquidity Facility (even if the Issuer is then also insolvent and/or in liquidation).

If:

- (a) the short-term, unsecured, unsubordinated and unguaranteed debt of any party then being the Liquidity Bank or its guarantor, if any, ceases to be rated at least P-1 by Moody's, F1+ by Fitch and A-1+ by S&P or the equivalent solicited short-term rating from another

internationally recognised rating agency (such ratings being the **Requisite Ratings**) or any other such short-term ratings as are otherwise acceptable to the Rating Agencies; or

- (b) the Liquidity Bank refuses a request to grant an extension to the term of the Liquidity Facility or fails to deliver a notice to the Issuer agreeing to such extension by the date which falls 10 days before the end of the then current term of the Liquidity Facility,

then the Issuer may request the Liquidity Bank to advance a drawing (a **Standby Drawing**) of all its commitments then available for drawing under the Liquidity Agreement. The proceeds of the Standby Drawing will be placed in a Standby Account with the Account Bank over which the Issuer will grant security pursuant to the Issuer Deed of Charge (which security shall not be available, following acceleration of the Bonds, to the Issuer Secured Parties generally, but only in respect of the Issuer's obligations to the Liquidity Bank).

A Standby Drawing will generally be repayable only on the earlier of (i) the Final Maturity Date or (ii) the date on which the Bonds are accelerated or, if the Standby Drawing was made pursuant to (a) above, on the earlier to occur of (i) the Final Maturity Date, (ii) the date on which the Bonds are accelerated, (iii) the date on which all the Liquidity Bank's commitment is made unconditionally available to the Issuer by a new Liquidity Bank (such new Liquidity Bank to have the Requisite Ratings) following an assignment or transfer of all of the Liquidity Bank's rights and obligations under the Liquidity Agreement to the new Liquidity Bank (such assignment or transfer generally to be subject to the consent of the Issuer and the Issuer Security Trustee, not to be unreasonably withheld); and (iv) the date falling two Business Days after the date on which the Liquidity Bank satisfies the Issuer and the Issuer Security Trustee that it again has the Requisite Ratings. In addition, as the level of the Liquidity Facility which the Issuer is required to maintain decreases over time, the proportionate amount of any Standby Drawing then outstanding may be repaid.

Interest will accrue on any drawing under the Liquidity Agreement at annual rates specified by reference to the three-month cost of funds of the Liquidity Bank.

On enforcement of the Issuer Security, all indebtedness outstanding to the Liquidity Bank under the Liquidity Agreement (other than Subordinated Liquidity Facility Amounts) will rank in priority to the Bonds, and, *inter alia*, to payments due to the Swap Counterparty (if any). The Issuer Security Trustee and the Cash Manager will be authorised to make drawings under the Liquidity Agreement on behalf of the Issuer.

The Liquidity Agreement will be governed by English law.

Swap Agreement

Pursuant to the swap agreement to be made between the Issuer and the Swap Counterparty (together with the Swap Agreement Credit Support Annex, the **Swap Agreement**), the Issuer will enter into certain swap transactions (each, a **Swap Transaction**) in respect of interest earned on the Term A1 Loan and interest payable on the Class A1 Bonds (the **Class A1 Swap**), in respect of interest earned on the Term C1 Loan and interest payable on the Class C1 Bonds (the **Class C1 Swap**) and in respect of interest earned on the Term D Loan and interest payable on the Class D Bonds (the **Class D Swap**).

Pursuant to the Swap Transactions, the Swap Counterparty will make floating rate payments to the Issuer and the Issuer will make fixed rate payments to the Swap Counterparty. The Swap Transactions mitigate certain interest rate risks borne by the Issuer in respect of its floating rate interest obligations under the Class A1 Bonds, the Class C1 Bonds and the Class D Bonds. The notional amount of each Swap Transaction will be the Principal Amount Outstanding of the Class A1 Bonds, the Class C1 Bonds or the Class D Bonds, as the case may be.

The Issuer or the Swap Counterparty shall, upon the occurrence of a Close-out Event (as defined below), have the right, provided it has given the requisite notice to the other party, to require that the terms of the relevant Swap Transaction be varied so that (a) the notional amount of the relevant Swap Transaction will equal the Principal Amount Outstanding of the relevant class of Bonds and (b) the notional amount of such Swap Transaction will amortise in accordance with a revised amortisation schedule, which reflects the recalculated amortisation schedule for the relevant class of Bonds.

Close-out Event means any redemption in part but not in whole of any or all of the Class A1 Bonds, the Class C1 Bonds or the Class D Bonds pursuant to Conditions 6.2(c), 6.2(d) or 6.3.

The Swap Counterparty may, at its own discretion and its own expense, novate the Swap Agreement and/or any or all of the Swap Transactions thereunder to any third party provided that each of the Rating Agencies has confirmed that the Rating Condition would be satisfied on such novation and provided further that such third party agrees to be bound by the Issuer Deed of Charge on substantially the same terms as the Swap Counterparty.

Ratings downgrade of Swap Counterparty

Under the Swap Agreement, in the event that the relevant rating(s) of the Swap Counterparty is or are, as applicable, downgraded by a rating agency below the ratings specified in the Swap Agreement (in accordance with the requirements of the Rating Agencies) for, and, where applicable, as a result of the downgrade, the then current rating of the Bonds corresponding to the Swap Agreement would or may, as applicable, be adversely affected, the Swap Counterparty will, in accordance with the Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the rating(s) required by the relevant Rating Agency and specified in the Swap Agreement (in accordance with the requirements of the relevant Rating Agency), procuring another entity with the rating(s) required by the relevant Rating Agency as specified in the Swap Agreement (in accordance with the requirements of the relevant Rating Agency), to become co-obligor in respect of its obligations under the Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency.

A failure by the Swap Counterparty to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement.

Swap Agreement Credit Support Annex

Collateral amounts required to be posted by the Swap Counterparty pursuant to the Swap Agreement Credit Support Annex may be delivered in the form of cash or securities. Cash

amounts will be paid into an interest-bearing account in the name of the Issuer held with the Account Bank (the **Swap Collateral Cash Account**). Securities will be held by the Issuer in a custody account (the **Swap Collateral Custody Account**) maintained by a suitably rated custodian approved by the Issuer Security Trustee and the Rating Agencies.

Amounts equal to any amounts of interest on the credit balance of the Swap Collateral Cash Account, or equal to distributions received on securities held in the Swap Collateral Custody Account, are required to be paid to the Swap Counterparty in accordance with the terms of the Swap Agreement Credit Support Annex. Any surplus collateral amounts will be paid to the Swap Counterparty in accordance with the terms of the Swap Agreement Credit Support Annex and the Issuer Deed of Charge. The obligation of the Issuer in respect of any return of securities posted as collateral pursuant to the Swap Agreement Credit Support Annex is to return “equivalent securities”. In practice, it is highly unlikely that the Issuer would have available to it any securities other than those posted to it by the Swap Counterparty.

Accounts

The Account Bank will open and maintain the Issuer Transaction Account, the Cash Reserve Account and the Rental Receipts Account, together with any further Issuer Accounts and Chargor Accounts that may be necessary from time to time (including, as of the Interest Payment Date falling in January 2020, the ICR Account). See further *Summary of Principal Documents - Bank Agreement*.

Service charges and other cost-reimbursement and cost-related payments will be paid from time to time by the Occupational Tenants into client accounts (each, a **Service Charge Account**) maintained by the Broadgate Management Company for the Property Companies (or such other account(s) acceptable to the Borrower Security Trustee). Monies standing to the credit of the Service Charge Accounts will be utilised by the Broadgate Management Company, on behalf of each Property Company, to make payments due in respect of the performance of services pursuant to the terms of the Occupational Leases.

On enforcement of the Issuer Security, the Account Bank will be entitled to act only on the instructions of the Issuer Security Trustee (and any receiver appointed by it) in respect of the Issuer Accounts, and not on the instructions of the Issuer or the Cash Manager (unless the Issuer Security Trustee otherwise consents).

On enforcement of the Borrower Security, the Account Bank will be entitled to act only on the instructions of the Borrower Security Trustee (and any receiver appointed by it) in respect of the Chargor Accounts, and not on the instructions of the Borrower or the Cash Manager (unless the Borrower Security Trustee otherwise consents).

Issuer Eligible Investments

Pursuant to the terms of the Cash Management Agreement, the Issuer will be entitled, at the direction of the Cash Manager prior to enforcement of the Issuer Security, to invest all funds not immediately required by it for payments on the Bonds in Eligible Investments.

Borrower Eligible Investments

Pursuant to the terms of the Cash Management Agreement, the Borrower and the Property Companies will be entitled, at the direction of the Cash Manager, to invest all funds not immediately required by it for payments on the Intercompany Loan or the Subordinated Loans (as appropriate) in Eligible Investments.

Eligible Investments means:

- (a) sterling gilt-edged securities; and
- (b) sterling current or time deposits, certificates of deposit and short-term obligations (including commercial paper and rights under contracts for differences),

provided that, in all cases, such investments have a maturity of the lesser of 90 days or the number of days to the immediately succeeding Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised institution under the Financial Services and Markets Act 2000) are rated P-1 (short term) and A1 (long term) by Moody's, F1+ by Fitch and A1+ by S&P (or, in the case of longer-dated securities P-1 (short term) and Aaa (long term) by Moody's, AAA by Fitch and AAA by S&P) or higher (or their equivalent) by or are otherwise acceptable to the Rating Agencies.

However, in circumstances where (i) the Borrower and/or a Property Company is entitled to place on deposit an amount of cash collateral in respect of the acceptance of a lease surrender; (ii) the Borrower and/or a Property Company elects to substitute Eligible Investments for a Mortgaged Property or to satisfy shortfalls in respect of other substitutions by means of Eligible Investments; or (iii) the Borrower is given the option (subject to satisfaction of various conditions) to defease its obligations in respect of all or any part of the Intercompany Loan (as more fully described in the Intercompany Loan Agreement) then the Borrower and/or the Property Companies (as the case may be) will be entitled to invest in longer-dated securities notwithstanding the restrictions on maturity of Eligible Investments.

Available funds and their priority of application

Funds available to the Borrower

The payment of rent from Occupational Tenants (excluding any amount comprised in such rent in respect of VAT, service charges, other cost-reimbursement and cost-related payments and superior landlords' ground rent entitlements) will provide the source (together with any interest which may accrue on the Rental Receipts Account, amounts of insurance proceeds, if any, amounts deriving from investments in Eligible Investments, if any, amounts available for this purpose in respect of cash substitution, if any, and any amounts otherwise available for this purpose) of funds for the Property Companies to make repayments of principal and payments of interest under the Subordinated Loans. Rent (excluding service charges and other cost-reimbursement payments but including for these purposes superior landlords' ground rent entitlements) will be paid directly into, or accounted for into, the Rental Receipts Account. Such service charges and other cost-reimbursement payments will be paid from time to time by the

Occupational Tenants into a Service Charge Account or other account acceptable to the Borrower Security Trustee.

In addition, from and including the Interest Payment Date falling in January 2020, any amounts standing to the credit of the ICR Account may be used towards payments of amounts due by the Borrower under the relevant Borrower Priority of Payments. See further *Summary of Principal Documents — Intercompany Loan Agreement — Class A Interest Cover Test*.

Funds available to the Issuer

Monies which the Issuer will have available to it to enable it to make payments due under or in respect of the Bonds on each Interest Payment Date (the **Available Issuer Revenue**) will comprise:

- (a) all monies paid to it under or in respect of the Intercompany Loan;
- (b) all amounts paid to it by the Swap Counterparty pursuant to the Swap Agreement;
- (c) all interest accruing on the Issuer Accounts;
- (d) all amounts deriving from investments in Eligible Investments (if any);
- (e) all amounts standing to the credit of the Cash Reserve Account (as further described below);
- (f) to the extent that the aggregate of the foregoing items (a) to (e) is insufficient to pay or provide for items (a) to (k) of the Issuer Pre-Enforcement Priorities of Payments, a drawing under the Liquidity Agreement (to the extent permitted as described above) equal to the lesser of:
 - (i) such shortfall; and
 - (ii) the undrawn balance of the Liquidity Amount.

On the Closing Date the Issuer will deposit £15,000,000 (the **Required Reserve Account Level**) into an account held in the name of the Issuer (the **Cash Reserve Account**).

The Cash Reserve Account will be subject to the fixed security granted in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge. To the extent that, on any Interest Payment Date, the Issuer has insufficient funds available to enable it to make payments in respect of paragraphs (a) to (k) (inclusive) of the Issuer Pre-Enforcement Priorities of Payments or the Issuer Post-Enforcement/Pre-Acceleration Priority of Payments, the Issuer will be required to withdraw from the Cash Reserve Account an amount equal to the relevant shortfall (to the extent that sufficient funds are themselves available in the Cash Reserve Account and subject to the limits described above in *Resources Available to the Issuer and the Borrower — General Liquidity Obligations*) before making any drawing on the Liquidity Facility.

After the Interest Payment Date falling in April 2009, the Required Reserve Account Level may be reduced by the Issuer on each subsequent Interest Payment Date in an amount equal to one eightieth of the Required Reserve Account Level. However:

- (i) to the extent that the Issuer optionally redeems Bonds (whether before or after the Interest Payment Date falling in April 2009), the amount of the Required Reserve Account Level determined as described in the previous sentence will be further reduced on each relevant Interest Payment Date to a level determined by multiplying such level by R, where $R = AP \div SP$, AP = the Principal Amount Outstanding of the Bonds (other than the Class A4 Bonds and the Class D Bonds) on the Interest Payment Date following such redemption and SP = the Principal Amount Outstanding of the Bonds (other than the Class A4 Bonds and the Class D Bonds) scheduled to be then outstanding in accordance with the terms and conditions of the Bonds; and
- (ii) no reduction shall occur (A) for so long as the Borrower is benefiting from a grace period in respect of a shortfall (as such term is defined in the Intercompany Loan Agreement) under the terms of the Intercompany Loan Agreement and/or (B) if the principal amount of the amount available under the Liquidity Agreement does not increase by an amount corresponding to the reduction in the Required Reserve Account Level on the relevant Interest Payment Date (except to the extent that there is a reduction in the Required Liquidity Amount).

If on any Interest Payment Date the balance standing to the credit of the Cash Reserve Account is (after making all withdrawals required to be then made) higher than the Required Reserve Account Level, the Issuer will be entitled to withdraw the amount of such excess.

Issuer priorities of Payments

Issuer Pre-Enforcement (Scheduled Amortisation) priority of Payments

The Issuer Deed of Charge will provide that, prior to enforcement of the Issuer Security, funds in the Issuer Transaction Account and, as applicable, the Cash Reserve Account may be applied (pursuant to the terms of the Cash Management Agreement) on any day during any Interest Period in paying or providing for sums due or which will fall due or which properly belong to third parties under obligations incurred in the course of business of the Issuer including the provision for, and payment of, the Issuer's liability (if any) to corporation tax and VAT and any corporate service and company secretarial fees and charges, but only as permitted by the Issuer Documents.

Prior to (i) enforcement of the Issuer Security, (ii) acceleration of the Bonds and (iii) acceleration of the Intercompany Loan, funds in the Issuer Transaction Account and, as applicable, the Cash Reserve Account will be applied by the Cash Manager on each Interest Payment Date (after payment on such date of any amount then due or overdue to the Swap Counterparty under the Swap Agreement Credit Support Annex to the extent not met by payments from the Swap Collateral Cash Account or by the release of securities in the Swap Collateral Custody Account) in the following order of priority (in each case only if and to the extent that payments or

provisions of a higher order of priority have been made in full) (such order being the **Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments**):

- (a) *first*, in or towards satisfaction of the fees or other remuneration then payable to the Bond Trustee and the Issuer Security Trustee, together with value added tax (VAT) thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Bond Trustee or the Issuer Security Trustee under or in connection with the Bond Trust Deed or the Issuer Deed of Charge, as the case may be;
- (b) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue to (i) the relevant taxation authority in respect of the Issuer's liability (if any) to UK corporation tax, other UK tax and VAT liabilities, (ii) the Cash Manager (other than a Cash Manager which is a member of the British Land Group) under the Cash Management Agreement, (iii) the Paying Agents and Agent Bank under the Agency Agreement and (iv) the Account Bank under the Bank Agreement (in the case of (ii), (iii) and (iv), together with, in each case, VAT thereon, if applicable);
- (c) *then*, in or towards payment of all amounts due or overdue to the Liquidity Bank under the Liquidity Agreement (other than Subordinated Liquidity Facility Amounts);
- (d) *then*, in or towards payment of all amounts, if any, due to the Swap Counterparty pursuant to the Swap Agreement (other than amounts payable pursuant to the Swap Agreement Credit Support Annex or item (q) below);
- (e) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Class A Bonds (excluding any Class A1 Step-up Amount);
- (f) *then*, in or towards payment of the Class A Bond Amortisation Amount;
- (g) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Class B Bonds;
- (h) *then*, in or towards payment of all amounts due or overdue in respect of the Class B Bond Amortisation Amounts;
- (i) *then*, in or towards payment of all amounts of interest due or overdue on the Class C Bonds (excluding any Class C1 Step-up Amount);
- (j) *then*, in or towards payment of all amounts due or overdue in respect of the Class C Bond Amortisation Amounts;
- (k) *then*, in or towards payment of all amounts of interest due or overdue on the Class D Bonds (excluding any Class D Step-up Amount);
- (i) *then*, for deposit in the Cash Reserve Account, any amount required to restore the balance thereof to the Required Reserve Account Level;

- (m) *then*, in or towards payment of all amounts due or overdue in respect of the Class D Bond Amortisation Amounts;
- (n) *then*, in or towards payment of any Class A1 Step-up Amount due or overdue;
- (o) *then*, in or towards payment of any Class C1 Step-up Amount due or overdue;
- (p) *then*, in or towards payment of any Class D Step-up Amount due or overdue;
- (q) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of any termination payment by the Issuer to the Swap Counterparty under the Swap Agreement where the obligation to make such payment arises as a result of the occurrence of an Event of Default or an Additional Termination Event (each as defined in the Swap Agreement) under the Swap Agreement in respect of which the Swap Counterparty is the Defaulting Party or, as the case may be, the sole Affected Party under an Additional Termination Event (each also as defined in such Swap Agreement);
- (r) *then*, in or towards payment to the Liquidity Bank in respect of the aggregate of amounts by which (i) the amount of interest payable under the Liquidity Agreement exceeds 22 per cent. per annum of the principal amount outstanding under the Liquidity Agreement, (ii) commitment fees and certain other increased costs payable in respect of the Liquidity Agreement exceed one per cent. per annum of the then undrawn, uncanceled amount of the Liquidity Facility and (iii) any amounts payable by the Issuer to the Liquidity Bank in respect of its obligation to gross up any payments made by it under the Liquidity Agreement by reason of any withholding or deduction for or on account of any tax (together, the **Subordinated Liquidity Facility Amounts**);
- (s) *then*, in or towards payment of any amounts due or overdue from the Issuer to the Cash Manager under the Cash Management Agreement (if the Cash Manager is a member of the British Land Group); and
- (t) *then*, the surplus (if any) to the Issuer or other persons entitled thereto.

Issuer Enforcement (Rapid Amortisation) Priority of Payments

Prior to (i) enforcement of the Issuer Security and (ii) acceleration of the Bonds, but after acceleration of the Intercompany Loan or after the sale of a Mortgaged Property upon the recommendation of the Property Adviser, funds in the Issuer Transaction Account and, as applicable, the Cash Reserve Account, will be applied by the Cash Manager on each Interest Payment Date (after payment on such date of any amount then due or overdue to the Swap Counterparty under the Swap Agreement Credit Support Annex to the extent not met by payments from the Swap Collateral Cash Account or by the release of securities in the Swap Collateral Custody Account) in the following order of priority (in each case only if and to the extent that payments or provisions of a higher order of priority have been made in full) (such order being the **Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments** and, together with the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments, the **Issuer Pre-Enforcement Priorities of Payments and each, an Issuer Pre-Enforcement Priority of Payments**);

- (a) *first*, in or towards satisfaction of the fees or other remuneration then payable to the Bond Trustee and the Issuer Security Trustee, together with VAT thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Bond Trustee or the Issuer Security Trustee under or in connection with the Bond Trust Deed or the Issuer Deed of Charge, as the case may be;
- (b) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue to (i) the relevant taxation authority in respect of the Issuer's liability (if any) to UK corporation tax, other UK tax and VAT liabilities, (ii) the Cash Manager (other than a Cash Manager which is a member of the British Land Group) under the Cash Management Agreement, (iii) the Paying Agents and the Agent Bank under the Agency Agreement and (iv) the Account Bank under the Bank Agreement (in the case of (ii), (iii) and (iv), together with, in each case, VAT thereon, if applicable);
- (c) *then*, in or towards payment of all amounts due or overdue to the Liquidity Bank under the Liquidity Agreement (other than Subordinated Liquidity Facility Amounts);
- (d) *then*, in or towards payment of all amounts, if any, due or overdue to the Swap Counterparty under the Swap Agreement (other than amounts payable under the Swap Agreement Credit Support Annex or items (q)-(u) (inclusive) below);
- (e) *then*, in or towards payment of all amounts of interest due or overdue on the Class A Bonds (excluding any Class A1 Step-up Amount);
- (f) *then*, in or towards payment of the Class A Bond Amortisation Amount;
- (g) *then*, in or towards payment of interest due or overdue in respect of the Class B Bonds;
- (h) *then*, in or towards payment of all amounts due or overdue in respect of the Class B Bond Amortisation Amounts;
- (i) *then*, in or towards payment of all amounts of interest due or overdue on the Class C Bonds (excluding any Class C1 Step-up Amount);
- (j) *then*, in or towards payment of all amounts due or overdue in respect of the Class C Bond Amortisation Amounts;
- (k) *then*, in or towards payment of all amounts of interest due or overdue on the Class D Bonds (excluding any Class D Step-up Amount);
- (l) *then*, for deposit in the Cash Reserve Account, any amount required to restore the balance thereof to the Required Reserve Account Level;
- (m) *then*, in or towards payment of all amounts due or overdue in respect of the Class D Bond Amortisation Amounts;
- (n) *then*, in or towards payment of any Class A1 Step-up Amount due or overdue;

- (o) *then*, in or towards payment of any Class C1 Step-up Amount due or overdue;
- (p) *then*, in or towards payment of any Class D Step-up Amount due or overdue;
- (q) *then, pro rata* according to the respective amounts thereof, in or towards payment of (i) the maximum amount of principal outstanding on the Class A Bonds (after taking into account all amounts paid under paragraph (f) above) as may be redeemed and (ii) any breakage costs under the Class A1 Swap arising as a result of such redemption;
- (r) *then, pro rata* according to the respective amounts thereof, in or towards payment of the maximum amount of principal outstanding on the Class B Bonds (after taking into account all amounts paid under paragraph (h) above) as may be redeemed;
- (s) *then, pro rata* according to the respective amounts thereof, in or towards payment of (i) the maximum amount of principal outstanding on the Class C Bonds (after taking into account all amounts paid under paragraph (j) above) as may be redeemed together with (ii) any breakage costs under the Class C1 Swap arising as a result of such redemption;
- (t) *then, pro rata* according to the respective amounts thereof, in or towards payment of (i) the maximum amount of principal outstanding on the Class D Bonds (after taking into account all amounts paid under paragraph (l) above) as may be redeemed together with (ii) any breakage costs under the Class D Swap arising as a result of such redemption;
- (u) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of any termination payment by the Issuer to the Swap Counterparty under the Swap Agreement where the obligation to make such payment arises as a result of the occurrence of an Event of Default or an Additional Termination Event (each as defined in the Swap Agreement) under the Swap Agreement in respect of which the Swap Counterparty is the Defaulting Party or, as the case may be, the sole Affected Party under an Additional Termination Event (each also as defined in such Swap Agreement);
- (v) *then*, in or towards payment to the Liquidity Bank in respect of Subordinated Liquidity Facility Amounts;
- (w) *then*, in or towards payment of any amounts due or overdue from the Issuer to the Cash Manager under the Cash Management Agreement (if the Cash Manager is a member of the British Land Group); and
- (x) *then*, the surplus (if any) to the Issuer or other persons entitled thereto.

In addition, prior to enforcement of the Issuer Deed of Charge, the Issuer will be entitled under the terms of the Issuer Deed of Charge on any day to pay sums properly due and which it is obliged to pay to the Swap Counterparty pursuant to the terms of the Swap Agreement Credit Support Annex from the Swap Collateral Cash Account or to release securities held in any Swap Collateral Custody Account established in respect thereof.

There is no intention to accumulate surpluses in the Issuer.

Issuer Post-Enforcement/Pre-Acceleration Priority of Payments

After enforcement of the Issuer Security, but before acceleration of the Bonds, the Issuer Security Trustee (or, with the consent of the Issuer Security Trustee, the Cash Manager on its behalf) is required to apply monies available for distribution in or towards:

- (a) (if the Intercompany Loan has not then been accelerated) satisfaction of the liabilities set out in and in the same order of priority as the Issuer Pre-Enforcement (Scheduled Amortisation) Priority of Payments, disregarding items (b)(i) and (t) for this purpose; or
- (b) (if the Intercompany Loan has then been accelerated) satisfaction of the liabilities set out in and in the same order of priority as the Issuer Pre-Enforcement (Rapid Amortisation) Priority of Payments, disregarding items (b)(i) and (x) for this purpose,

(the **Issuer Post-Enforcement/Pre-Acceleration Priority of Payments**). Thereafter, any surplus shall be paid into a designated account to be established for this purpose by the Issuer Security Trustee (or, with the consent of the Issuer Security Trustee, the Cash Manager on its behalf) or any receiver appointed by it.

Issuer Post-Enforcement/Pre-Acceleration Priority of Payments

Following enforcement of the Issuer Security and acceleration of the Bonds, the Issuer Security Trustee (or, with the consent of the Issuer Security Trustee, the Cash Manager on its behalf) is required to apply monies available for distribution in or towards the satisfaction of the following liabilities in the following order of priority (the **Issuer Post-Enforcement/Post-Acceleration Priority of Payments** and, together with the Issuer Post-Enforcement/Pre-Acceleration Priority of Payment, the **Issuer Post-Enforcement/Priorities of Payments**);

- (a) *first*, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of
 - (i) the fees or other remuneration then payable to the Bond Trustee, together with VAT thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Bond Trustee under or in connection with the Bond Trust Deed or the Bonds, together with interest thereon as provided in the Bond Trust Deed, (ii) the fees or other remuneration then payable to the Issuer Security Trustee, together with VAT thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Issuer Security Trustee under or in connection with the Issuer Deed of Charge, together with interest thereon as provided in the Issuer Deed of Charge, and (iii) the fees or other remuneration then payable to any receiver appointed in respect of the Issuer together with VAT thereon (if applicable) and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by such receiver under or in connection with the Issuer Deed of Charge, together with interest thereon as provided in the Issuer Deed of Charge;
- (b) *then*, to the Swap Counterparty in respect of amounts due or overdue to it in respect of the Swap Agreement Credit Support Annex;

- (c) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue to (i) the Cash Manager (other than a Cash Manager which is a member of the British Land Group) under the Cash Management Agreement, (ii) the Paying Agents and Agent Bank under the Agency Agreement and (iii) the Account Bank under the Bank Agreement (together with, in each case, VAT thereon if applicable);
- (d) *then*, in or towards payment of all amounts due or overdue to the Liquidity Bank under the Liquidity Agreement or any replacement therefor (other than Subordinated Liquidity Facility Amounts);
- (e) *then*, in or towards payment of amounts, if any, due or overdue to the Swap Counterparty under the Swap Agreement (excluding amounts payable under the Swap Agreement Credit Support Annex or item (m) below) in relation to any termination payment due under the Swap Agreement;
- (f) *then*, in or towards payment of (i) all amounts of interest due or overdue in respect of the Class A Bonds (excluding any Class A1 Step-up Amount) and, thereafter, (ii) all amounts of principal due or overdue in respect of the Class A Bonds and any other amounts due or overdue in respect of the Class A Bonds;
- (g) *then*, in or towards payment 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 and any other amounts due or overdue in respect of the Class B Bonds;
- (h) *then*, in or towards payment of (i) all amounts of interest due or overdue in respect of the Class C Bonds (excluding any Class C1 Step-up Amount) and, thereafter, (ii) all amounts of principal due or overdue in respect of the Class C Bonds and any other amounts due or overdue in respect of the Class C Bonds;
- (i) *then*, in or towards payment of (i) all amounts of interest due or overdue in respect of the Class D Bonds (excluding any Class D Step-up Amount) and, thereafter, (ii) all amounts of principal due or overdue in respect of the Class D Bonds and any other amounts due or overdue in respect of the Class D Bonds;
- (j) *then*, in or towards payment of any Class A1 Step-up Amount due or overdue;
- (k) *then*, in or towards payment of any Class C1 Step-up Amount due or overdue;
- (l) *then*, in or towards payment of any Class D Step-up Amount due or overdue;
- (m) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of any termination payment by the Issuer to the Swap Counterparty under the Swap Agreement where the obligation to make such payment arises as a result of the occurrence of an Event of Default or an Additional Termination Event (each as defined in the Swap Agreement) under the Swap Agreement in respect of which the Swap Counterparty is the Defaulting Party or, as the case may be, the sole Affected Party under an Additional Termination Event (each also as defined in such Swap Agreement).

- (n) *then*, in or towards payment to the Liquidity Bank in respect of the Subordinated Liquidity Facility Amounts;
- (o) *then*, in or towards payment of any amount due or overdue from the Issuer to the Cash Manager under the Cash Management Agreement (if the Cash Manager is a member of the British Land Group); and
- (p) *then*, the surplus (if any) to the Issuer or other persons entitled thereto.

If the Issuer Deed of Charge has become enforceable otherwise than by reason of a default in payment of any amount due on the Bonds, the Issuer Security Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Bondholders 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 Issuer Security Trustee is of the opinion, which shall be binding on the Bondholders, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Issuer Security Trustee, that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other 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 the Cash Management Agreement to be paid *pari passu* with, or in priority to, the Bonds or (iii) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal would place the Issuer Security in jeopardy. In respect of all powers, trusts, authorities, duties and discretions of the Issuer Security Trustee (except where expressly provided otherwise), the Issuer Security Trustee will be obliged to consider the interests of the Bondholders and so long as any of the Bonds are outstanding, the Issuer Security Trustee shall, as regards all powers, trusts, duties and discretions of the Issuer Security 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).

Borrower Priorities of Payment

Borrower Pre-Enforcement Priority of Payments

The Borrower Deed of Charge provides that, prior to enforcement of the Borrower Security and acceleration of the Intercompany Loan, funds in the Rental Receipts Account and/or (to the extent that there are insufficient funds in the Rental Receipts Account) the ICR Account, if any, together with available funds in the Cash Substitution Account may be applied (pursuant to the terms of the Cash Management Agreement) on any day during any Interest Period in paying or providing for sums due or which will fall due or which properly belong to third parties under obligations incurred in the course of business of the Borrower or any Property Company (including amounts payable to the Property Manager and commitment fees payable to PGLC) including the provision for and payment of, the Borrower's and any Property Company's liability (if any) to corporation tax and VAT and any corporate service or company secretarial fees and charges but only as permitted by the Borrower Documents.

Prior to enforcement of the Borrower Security and acceleration of the Intercompany Loan, amounts standing to the credit of the Rental Receipts Account and/or (to the extent that there are insufficient funds in the Rental Receipts Account) the ICR Account, if any, together with available funds in the Cash Substitution Account, shall be applied by the Cash Manager in the following order of priority (items (a) to (c) being the **Borrower Senior Expenses**) on each Interest Payment Date, in each case only to the extent that preceding items have been paid in full and the relevant payment does not cause the Rental Receipts Account to become overdrawn:

- (a) *first*, in or towards satisfaction of the fees or other remuneration then payable to the Borrower Security Trustee, together with VAT thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Borrower Security Trustee under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge;
- (b) *then*, in or towards, *pro rata* according to the respective amounts thereof:
 - (i) payment of all the remuneration, costs and expenses of, and all amounts due or overdue to, the Cash Manager;
 - (ii) payment of all the remuneration, costs and expenses of, and all amounts due or overdue to, any Property Adviser;
 - (iii) payment of all the remuneration, costs and expenses of, and all amounts due or overdue to, the Property Manager; and
 - (iv) payment of all the remuneration, costs and expenses of, and all amounts due or overdue to PGLC,other than any Cash Manager, Property Manager or PGLC which is a member of the British Land Group;
- (c) *then*, in or towards payment of sums due or which will fall due or which properly belong to third parties under obligations incurred in the course of business of the Borrower or any Property Company, including the provision for, and payment of, the Borrower's auditors and the Borrower's or such Property Company's liability (if any) to corporation tax, VAT and any company secretarial fees and charges but only as permitted by the Borrower Documents;
- (d) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest due or overdue in respect of the Term A1 Loan (excluding amounts corresponding to any Class A1 Step-up Amount), the Term A2 Loan, the Term A3 Loan and the Term A4 Loan;
- (e) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of principal due or overdue in respect of the Term A1 Loan, the Term A2 Loan, the Term A3 Loan and the Term A4 Loan;

- (f) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Term B Loan;
- (g) *then*, in or towards payment of all amounts of principal due or overdue in respect of the Term B Loan;
- (h) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest due or overdue in respect of the Term C1 Loan (excluding amounts corresponding to any Class C1 Step-up Amount), and the Term C2 Loan;
- (i) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of principal due or overdue in respect of the Term C1 Loan and the Term C2 Loan;
- (j) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Term D Loan (excluding amounts corresponding to any Class D Step-up Amount);
- (k) *then*, in or towards payment of all amounts of principal due or overdue in respect of the Term D Loan;
- (l) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class A1 Step-up Amount;
- (m) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class C1 Step-up Amount;
- (n) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class D Step-up Amount;
- (o) *then*, in respect of any Interest Payment Date falling in or after January 2020, if the Class A Interest Cover Ratio as tested as at the immediately preceding Calculation Date is less than 400 per cent., to be deposited in the ICR Account;
- (p) *then*, in or towards payment, *pro rata*, of all amounts due or overdue from the Borrower to any Cash Manager, Property Manager or PGLC which is a member of the British Land Group; and
- (q) *then*, the surplus (if any) to the Borrower or Property Companies or other persons entitled thereto,

the order of priorities composing paragraphs (a) to (q) (inclusive) (above) being the **Borrower Pre-Enforcement Priority of Payments**

Borrower Post-Enforcement/Pre-Acceleration Priority of Payments

Funds received or recovered by the Borrower Security Trustee following enforcement of the Borrower Security but prior to acceleration of the Intercompany Loan will be applied by the Borrower Security Trustee (or, with the consent of the Borrower Security Trustee, the Cash

Manager on its behalf) in accordance with the following priority of payments (the **Borrower Post-Enforcement/Pre-Acceleration Priority of Payments**), in each case only to the extent that the preceding items have been paid in full and the relevant payment does not cause any of the Chargor Accounts to become overdrawn:

- (a) *first*, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of (i) the fees or other remuneration then payable to the Borrower Security Trustee, together with VAT thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Borrower Security Trustee under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge and (ii) the fees or other remuneration then payable to any receiver appointed in respect of the Borrower or any Property Company, together with VAT thereon (if applicable) and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by such receiver under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge;
- (b) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue to PGLC, the Cash Manager, the Property Manager and any Property Adviser (other than any PGLC, Cash Manager or Property Manager which is a member of the British Land Group);
- (c) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Term A1 Loan (excluding amounts corresponding to any Class A1 Step-up Amount), the Term A2 Loan, the Term A3 Loan and the Term A4 Loan;
- (d) *then*, in or towards payment of all amounts of principal due or overdue in respect of the Term A1 Loan, the Term A2 Loan, the Term A3 Loan and the Term A4 Loan;
- (e) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Term B Loan;
- (f) *then*, in or towards payment of all amounts of principal due or overdue in respect of the Term B Loan;
- (g) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Term C1 Loan (excluding amounts corresponding to any Class C1 Step-up Amount) and the Term C2 Loan;
- (h) *then*, in or towards payment of all amounts of principal due or overdue in respect of the Term C1 Loan and the Term C2 Loan;
- (i) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Term D Loan (excluding amounts corresponding to any Class D Step-up Amount);
- (j) *then*, in or towards payment of all amounts of principal due or overdue in respect of the Term D Loan;

- (k) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class A1 Step-up Amount;
- (l) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class C1 Step-up Amount;
- (m) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class D Step-up Amount;
- (n) *then*, in or towards payment, *pro rata* according to the amounts then payable, of (i) all amounts of principal outstanding on the Term A1 Loan (after taking into account all amounts paid under paragraph (d) above) plus or minus any applicable Corresponding Swap Amount (ii) all amounts of principal outstanding on the Term A2 Loan (after taking into account all amounts paid under paragraph (d) above), (iii) all amounts of principal outstanding on the Term A3 Loan (after taking into account all amounts paid under paragraph (d) above) and (iv) all amounts of principal outstanding on the Term A4 Loan (after taking into account all amounts paid under paragraph (d) above);
- (o) *then*, in or towards payment of all amounts of principal outstanding on the Term B Loan after taking into account all amounts paid under paragraph (f) above;
- (p) *then*, in or towards payment, *pro rata* according to the amounts then payable, of (i) all amounts of principal outstanding on the Term C1 Loan (after taking into account all amounts paid under paragraph (h) above) plus or minus any applicable Corresponding Swap Amount and (ii) all amounts of principal outstanding on the Term C2 Loan (after taking into account all amounts paid under paragraph (h) above);
- (q) *then*, in or towards payment, *pro rata* according to the amounts then payable, of all amounts of principal outstanding on the Term D Loan (after taking into account all amounts paid under paragraph (j) above) plus or minus any applicable Corresponding Swap Amount;
- (r) *then*, in or towards payment, *pro rata*, of any amounts due or overdue from the Borrower to any Cash Manager, Property Company or PGLC which is a member of the British Land Group; and
- (s) *then*, the surplus (if any) to be paid into a designated account to be established for this purpose by the Borrower Security Trustee or by any receiver appointed by it.

Corresponding Swap Amount means, in relation to the payment of all or part of a Swap Related Loan, an amount equal to the amount which will be payable to or by the Issuer by way of break costs under the Swap Agreement in connection with the *pro tanto* redemption of the corresponding class or classes of Bonds. Where such amount will be payable by the Issuer under the Swap Agreement, the Corresponding Swap Amount will be added to the prepayment of the relevant Swap Related Loan by the Borrower. Where such amount will be payable to the Issuer under the Swap Agreement, the prepayment of the relevant Swap Related Loan by the Borrower will be reduced by the Corresponding Swap Amount.

Borrower Post-Enforcement/pre-Acceleration Priority of Payments

Following enforcement of the Borrower Security and acceleration of the Intercompany Loan, the Borrower Security Trustee (or, with the consent of the Borrower Security Trustee, the Cash Manager on its behalf) will apply monies received by it in or towards satisfaction of the following liabilities in the following order of priority (the **Borrower Post-Enforcement/Post-Acceleration Priority of Payments** and, together with the Borrower Pre-Enforcement Priority of Payments and the Borrower Post-Enforcement/Pre-Acceleration Priority of Payments, the **Borrower Priorities of Payments**):

- (a) *first*, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of (i) the fees or other remuneration then payable to the Borrower Security Trustee, together with VAT thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Borrower Security Trustee under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge and (ii) the fees or other remuneration then payable to any receiver appointed in respect of the Borrower or any Property Company, together with VAT thereon (if applicable) and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by such receiver under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge;
- (b) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue to PGLC, the Cash Manager, the Property Manager and any Property Adviser (other than to any PGLC, Cash Manager or Property Manager which is a member of the British Land Group);
- (c) *then*, in or towards payment of (i) all amounts of interest due or overdue in respect of the Term A Loan (excluding amounts corresponding to any Class A1 Step-up Amount) and, thereafter, (ii) all amounts of principal due or overdue in respect of the Term A Loan (including the principal amount outstanding of the Term A4 Loan) and any other amounts due or overdue in respect of the Term A Loan;
- (d) *then*, in or towards payment of (i) all amounts of interest due or overdue in respect of the Term B Loan and, thereafter, (ii) all amounts of principal due or overdue in respect of the Term B Loan and any other amounts due or overdue in respect of the Term B Loan;
- (e) *then*, in or towards payment of (i) all amounts of interest due or overdue in respect of the Term C Loan (excluding amounts corresponding to any Class C1 Step-up Amount) and, thereafter, (ii) all amounts of principal due or overdue in respect of the Term C Loan and any other amounts due or overdue in respect of the Term C Loan;
- (f) *then*, in or towards payment of (i) all amounts of interest due or overdue in respect of the Term D Loan (excluding amounts corresponding to any Class D Step-up Amount) and, thereafter, (ii) all amounts of principal due or overdue in respect of the Term D Loan and any other amounts due or overdue in respect of the Term D Loan; and

- (g) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class A1 Step-up Amount;
- (h) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class C1 Step-up Amount;
- (i) *then*, in or towards payment of all amounts due or overdue in respect of any margin corresponding to a Class D Step-up Amount; and
- (j) *then*, in or towards payment, *pro rata*, of all amounts due or overdue from the Borrower to any PGLC, Cash Manager or Property Manager which is a member of the British Land Group.

SUMMARY OF PRINCIPAL DOCUMENTS

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

Intercompany Loan Agreement

On or before the Closing Date the Borrower, the Cash Manager, the Property Companies, the Issuer and the Borrower Security Trustee will enter into an intercompany loan agreement (the **Intercompany Loan Agreement**).

Initial Term loans

Pursuant to the terms of the Intercompany Loan Agreement, the Issuer will agree, subject to the satisfaction of certain conditions precedent, to advance to the Borrower on the Closing Date an amount equal to the initial aggregate Principal Amount Outstanding of the Bonds in connection with the issue of the Bonds in the following tranches (each an **Initial Term Loan**):

- (a) a term loan facility in an aggregate principal amount of £225,000,000 (the **Term A1 Loan**);
- (b) a term loan facility in an aggregate principal amount of £315,000,000 (the **Term A2 Loan**);
- (c) a term loan facility in an aggregate principal amount of £175,000,000 (the **Term A3 Loan**);
- (d) a term loan facility in an aggregate principal amount of £400,000,000 (the **Term A4 Loan** and, together with the Term A1 Loan, the Term A2 Loan and the Term A3 Loan, the **Term A Loans**);
- (e) a term loan facility in an aggregate principal amount of £365,000,000 (the **Term B Loan**);
- (f) a term loan facility in an aggregate principal amount of £235,000,000 (the **Term C1 Loan**);
- (g) a term loan facility in an aggregate principal amount of £215,000,000 (the **Term C2 Loan** and, together with the Term C1 Loan, the **Term C Loans**); and
- (h) a term loan facility in an aggregate principal amount of £150,000,000 (the **Term D Loan**).

The Term Loans will be used by the Borrower on the Closing Date to make a Subordinated Loan to each of the Property Companies pursuant to the Subordinated Loan Agreement.

Under the terms of the Intercompany Loan Agreement, the Borrower may at any time by written notice to the Issuer and the Borrower Security Trustee request a further term loan (a **Further**

Term Loan) and/or a replacement term loan (a **Replacement Term Loan**) and/or a new term loan (a **New Term Loan**, and the term **Term Loan** shall refer to an Initial Term Loan (combined with any Further Term Loan of the same Class), a Replacement Term Loan or a New Term Loan and, in aggregate, the Term Loans shall constitute the **Intercompany Loan**). Any Further Term Loan shall be funded through the issue of Further Bonds, any Replacement Term Loan shall be funded through the issue of Replacement Bonds and any New Term Loan shall be funded through the issue of New Bonds.

Interest

The rate of interest on each Term Loan will be:

- (a) in respect of the Term A1 Loan, 4.9892 per cent. per annum until (but excluding) the Step-up Date and 5.2292 per cent. per annum from (and including) the Step-up Date;
- (b) in respect of the Term A2 Loan, 4.9490 per cent. per annum;
- (c) in respect of the Term A3 Loan, 4.8510 per cent. per annum;
- (d) in respect of the Term A4 Loan, 4.8210 per cent. per annum;
- (e) in respect of the Term B Loan, 4.9990 per cent. per annum;
- (f) in respect of the Term C1 Loan, 5.3922 per cent. per annum until (but excluding) the Step-up Date and 5.8722 per cent. per annum from (and including) the Step-up Date;
- (g) in respect of the Term C2 Loan, 5.0980 per cent. per annum; and
- (h) in respect of the Term D Loan, 5.7080 per cent. per annum until (but excluding) the Step-up Date and 6.5080 per cent. per annum from (and including) the Step-up Date.

Pursuant to the terms of the Intercompany Loan Agreement, interest will be paid by the Borrower to the Issuer quarterly in arrear on each Interest Payment Date.

Repayment of the Intercompany Loan

Subject to any early prepayment of the relevant Term Loan in accordance with the terms of the Intercompany Loan Agreement:

- (a) the Term A1 Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Intercompany Loan Agreement, in amounts corresponding to the amortisation schedule for the Class A1 Bonds set out in Condition 6.2(a) of the Terms and Conditions of the Bonds;
- (b) the Term A2 Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Intercompany Loan Agreement, in amounts corresponding to the amortisation schedule for the Class A2 Bonds set out in Condition 6.2(a) of the Terms and Conditions of the Bonds;

- (c) the Term A3 Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Intercompany Loan Agreement, in amounts corresponding to the amortisation schedule for the Class A3 Bonds set out in Condition 6.2(a) of the Terms and Conditions of the Bonds;
- (d) the Term A4 Loan will be repayable in one instalment on the final maturity date;
- (e) the Term B Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Intercompany Loan Agreement, in amounts corresponding to the amortisation schedule for the Class B Bonds set out in Condition 6.2(a) of the Terms and Conditions of the Bonds;
- (f) the Term C1 Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Intercompany Loan Agreement, in amounts corresponding to the amortisation schedule for the Class C1 Bonds set out in Condition 6.2(a) of the Terms and Conditions of the Bonds;
- (g) the Term C2 Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Intercompany Loan Agreement, and in amounts corresponding to the amortisation schedule for the Class C2 Bonds set out in Condition 6.2(a) of the Terms and Conditions of the Bonds; and
- (h) the Term D Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Intercompany Loan Agreement, in amounts corresponding to the amortisation schedule for the Class D Bonds set out in Condition 6.2(a) of the Terms and Conditions of the Bonds.

Prepayment

The Borrower may prepay any Term Loan, in whole or in part, on any Interest Payment Date in an amount sufficient to enable the Issuer to redeem the equivalent amount of the corresponding class of Bonds and the proceeds thereof will be applied by the Issuer in mandatory redemption of the corresponding class of Bonds in accordance with Condition 6.2(c). The prepayment of any Term Loan (other than a Swap Related Loan) will be subject to a premium equal to any premium payable by the Issuer on the redemption of a like amount of the corresponding class of Bonds in accordance with Condition 6.3(b). The prepayment of a Swap Related Loan will take into account the addition or deduction of any Corresponding Swap Amount arising in respect of the relevant Swap Transaction. After any such prepayment, subsequent payments will be recalculated by the Cash Manager in accordance with the terms of the Cash Management Agreement.

The Borrower may prepay the Term Loans in full if by reason of a change of law, which change becomes effective on or after the Closing Date, it becomes or will become unlawful for the Issuer to make, fund or allow to remain outstanding any Term Loan.

If a Property Company mandatorily prepays any part of a Subordinated Loan by reason of a receipt of an insurance payment in respect of a total loss of a Mortgaged Property, the Borrower will be required to apply an amount equal to such prepayment in prepayment of the Term Loans.

Under the Intercompany Loan Agreement, the Borrower and each Property Company will agree that if (i) all of a Mortgaged Property or (ii) any part of a Mortgaged Property (in each case the **Relevant Property**) is compulsorily acquired by the state, a local authority or any other government or other relevant entity (any such event, a **Compulsory Purchase**), then the relevant Property Company must deposit the relevant proceeds into the relevant Compulsory Purchase Proceeds Account, provided that this covenant will only apply in the case of any part of a Mortgaged Property where the effect of any such acquisition would be to materially adversely affect the market value of that property or the rents receivable in respect of that property.

A Property Company will only be entitled to withdraw amounts from a Compulsory Purchase Proceeds Account for one or more of any of the following purposes:

- (a) in respect of the compulsory acquisition of part of a Relevant Property, the relevant funds are applied in or towards refurbishment or development of that property the effect of which refurbishment or development will be to restore the market value of that property or the rents receivable (as the case may be) to their pre-acquisition levels, as confirmed in writing to the Borrower Security Trustee and the Rating Agencies by an external valuer;
- (b) the relevant funds are applied in or towards the acquisition of another property which could be acquired in accordance with the provisions described under *Release of Mortgaged Properties - Substitution Properties Provided*, with the Relevant Property (as it was prior to the relevant compulsory acquisition) being the Old Property for these purposes; and/or
- (c) the relevant funds are to be applied by the relevant Property Company in prepayment of its Subordinated Loan and the proceeds of that prepayment are to be applied by the Borrower in prepayment of the Intercompany Loan.

If, following deposit of funds into a Compulsory Purchase Proceeds Account, funds have not been allocated to the satisfaction of the Borrower Security Trustee in or towards refurbishment or development of the relevant property or the acquisition of another property (as described above), in either case by the Calculation Date immediately prior to the third Interest Payment Date following receipt of the relevant funds, the relevant Property Company and the Borrower must (i) promptly notify the Issuer and the Cash Manager of this fact and (ii) apply those funds (A) up to an amount not exceeding the Allocated Debt Amount of the Relevant Property or (B) in the case of a prepayment in respect of any part of a Mortgaged Property which has been compulsorily acquired the effect of which would materially adversely affect the market value of that property or the rents received therefrom, up to an amount equal to the Relevant Fraction of the Allocated Debt Amount of the Relevant Property, in each case as described under paragraph (c) above on that Interest Payment Date, taking into account any funds already prepaid by a Property Company and the Borrower under paragraph (c) above.

For these purposes **Relevant Fraction** means (i) the market value of the Relevant Property before the compulsory acquisition less the market value of the Relevant Property after the compulsory acquisition divided by (ii) the market value of the Relevant Property before the compulsory acquisition, in each case based on the market value as determined by an external valuer.

If any part of a Mortgaged Property is compulsorily acquired by the state, a local authority or any other government or other relevant entity and the effect of such acquisition does not materially adversely affect the market value of that property or the rents receivable, the relevant Property Company may, but shall not be obliged to, deposit the relevant proceeds into a Compulsory Purchase Proceeds Account for application towards prepayment of its Subordinated Loan and the proceeds of that prepayment will be applied by the Borrower in prepayment of the Intercompany Loan.

Subject to certain obligations to mitigate, the Borrower also has the option, but not the obligation, to prepay the Intercompany Loan in full in the circumstances described in Conditions 6.4 (b), (c) and (e). If the Issuer gives notice to the Borrower of its intention to redeem the Bonds on a specified Interest Payment Date in accordance with Condition 6.4, then the Borrower must on that Interest Payment Date prepay the Intercompany Loan in full.

When prepayment is made in the circumstances described in this section - *Prepayment*, other than in the circumstances described in the first paragraph above, it shall be at the then principal amount outstanding of the amount to be prepaid together with accrued but unpaid interest up to but excluding the date of prepayment. Any prepayment of all or part of a Swap Related Loan will take account of any Corresponding Swap Amount arising in respect of that Swap Related Loan.

Issuer Expenses

The Intercompany Loan Agreement will contain provisions requiring the Borrower to pay to the Issuer, on the date the same falls due, an amount to enable the Issuer to meet scheduled payments of fees, costs and expenses payable to, *inter alia*, the Bond Trustee, the Issuer Security Trustee, the Paying Agents, the Issuer's auditors, the Cash Manager, the Liquidity Bank and the Account Bank.

Withholding tax on the Intercompany Loan

All payments made to the Issuer under the Intercompany Loan Agreement will be made free and clear of, and without withholding or deduction for, any tax unless such withholding or deduction is required by law. If any such withholding or deduction is so required, the amount of the payment due to the Issuer will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the amount received by the Issuer is equal to the amount that it would have received had that withholding or deduction not been required to be made. In such circumstances the Borrower would also be entitled to prepay the Intercompany Loan in full, as further described in *Prepayment* above.

Guarantee

The obligations of the Borrower under the Intercompany Loan Agreement will be guaranteed by the Cash Manager. The recourse of the Issuer to the Cash Manager under this guarantee will be limited to the aggregate of (a) any amounts standing to the credit of the Rental Receipts Account and (b) any other amounts received by the Cash Manager in respect of rental income from the Mortgaged Properties.

Representation and Warranties

The Intercompany Loan Agreement will contain the following representations and warranties (the **Warranties**) by the Borrower and each Property Company (each a **Relevant Company**) (in each case in relation to itself only unless stated otherwise). Neither the Issuer, the Borrower Security Trustee nor the Bond Trustee has made or will make, in respect of the matters warranted by the Borrower and the Property Companies in the Borrower Documents to which they are party, any independent investigation thereof, other than (i) a search against the Borrower and the initial Property Companies in the relevant file maintained by the Registrar of Companies in England and Wales, (ii) a search against the Borrower and each initial Property Company at the Central Registry of Winding-Up Petitions in the High Court and (iii) a search against each initial Mortgaged Property at H.M. Land Registry, all such searches to be carried out on the Closing Date. Apart from such searches, the Issuer, the Borrower Security Trustee and the Bond Trustee will rely entirely on the Warranties.

Breach of a Warranty will constitute a Loan Event of Default if such breach has a Material Adverse Effect, provided that, where a Warranty itself is qualified by reference to a Material Adverse Effect, breach of such Warranty will constitute an event of default without further reference to materiality or any adverse effect. No party will have any other remedy in respect of a breach of a Warranty.

A **Material Adverse Effect** is one which has a material adverse effect on the ability of the Borrower to meet its obligations under the Intercompany Loan Agreement.

The Warranties are as follows:

1. Each Relevant Company is a limited liability company duly incorporated and validly existing under the laws of England and Wales.
2. Each Relevant Company 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 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) Each Relevant Company has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, the Borrower Documents to which it is a party and the transactions contemplated by those documents; and
(b) no limit on the powers of any Relevant Company will be exceeded as a result of the borrowing or granting of security contemplated by the Borrower Documents.
4. Each Borrower Document to which each Relevant Company is a party constitutes its legal, valid, binding and enforceable obligation, subject to equitable principles of general application and to bankruptcy and insolvency laws.

5. The entry into and performance by each Relevant Company of, and the transactions contemplated by, the Borrower Documents to which it is a party do not and will not:
 - (a) conflict in any material respect with any law or regulation or judicial or official order in each case currently applicable to such Relevant Company where such conflict would have a Material Adverse Effect; or
 - (b) conflict in any material respect with its constitutional documents; or
 - (c) conflict in any material respect with any document which is binding upon it or on any of its assets unless the relevant conflict has been consented to or waived by the relevant person where such conflict would have a Material Adverse Effect; or
 - (d) result in the existence of or oblige it to create any mortgage, charge, pledge or lien in favour of any person (other than as contemplated by the Borrower Documents) over all or any of its present or future revenues or assets.
6. No Loan Event of Default or other event which with the giving of notice or the passage of time would constitute a Loan Event of Default is outstanding.
7. All authorisations known after due enquiry to be required at the Closing Date on the part of any Relevant Company in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Borrower Documents have been obtained or effected (as appropriate) and are in full force and effect insofar as it is appropriate for them to be obtained at such date.
8. Save as clearly disclosed by the relevant Certificates of Title, no litigation, arbitration or administrative proceedings are current or, to the knowledge of the Relevant Company, pending or threatened against any Relevant Company or any of the assets or properties of any of them.
9.
 - (a) All written factual information supplied by each Relevant Company to the Borrower Security Trustee in connection with its entry into the Borrower Documents is, insofar as the Relevant Companies are aware having made due inquiry, true, accurate and, save where expressed in the relevant document, complete in all material respects as at its date; and
 - (b) nothing has occurred insofar as the Relevant Companies are aware since the date that information was provided which renders that information untrue or misleading in any respect which has a Material Adverse Effect,

(subject, in each case, to any matter clearly disclosed by the relevant Certificates of Title).
10.
 - (a) In relation to each Property Company:
 - (i) the Nominee Company set against its name in the Borrower Deed of Charge is or is entitled to be registered at H.M. Land Registry as the legal

owner of each Mortgaged Property set against its name in the Borrower Deed of Charge over which it has purported to create a security interest, in favour of the Borrower Security Trustee under the Borrower Deed of Charge and has a good and marketable title to that interest or those interests, as the case may

- (ii) each Property Company is the sole beneficial owner of each Mortgaged Property set against its name in the Borrower Deed of Charge over which it has purported to create a security interest in favour of the Borrower Security Trustee under the Borrower Deed of Charge, and has a good and marketable title to that interest or those interests, as the case may be,

in each case free from mortgages, charges, liens, pledges, tenancies, overriding interests, 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 Borrower Documents) in each case which might have a Material Adverse Effect, and all deeds and documents necessary to show good and marketable title to the Mortgaged Property have been duly and properly stamped or stamp duty land tax has been paid on the relevant transaction or stamp duty or stamp duty land tax (as appropriate) is not payable and are in the possession of the solicitors for the Borrower, or held at an appropriate land registry, in both cases, to the order of the Borrower Security Trustee, (subject in each case to any matter clearly disclosed by the relevant Certificates of Title).

- (b)
 - (i) The information provided to the solicitors who prepared the Certificates of Title for the purpose of those certificates was, insofar as the Relevant Companies are aware having made due inquiry, true and accurate in all material respects at the date it was expressed to be given;
 - (ii) the information referred to in sub-paragraph (i) above was not, insofar as the Relevant Companies are aware, 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 (i) above nothing has occurred insofar as the Relevant Companies are aware which renders that information untrue or misleading in any material respect,

(subject in each case to any matter clearly disclosed by the relevant Certificates of Title).

11. Each Relevant Company is the absolute sole legal or beneficial owner of its interest in all assets (other than the relevant Mortgaged Property) charged by it under the Borrower Deed of Charge (subject in each case to any matter clearly disclosed by the relevant Certificates of Title).

12. (a) Each Relevant Company (so far as it is aware) is and has been in material compliance with all applicable Environmental Laws (as defined in the Intercompany Loan Agreement) 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 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) each Relevant Company (so far as it is aware) has been and is in material compliance with the terms of any Environmental Licences (as defined in the Intercompany Loan Agreement) 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 no Environmental Claim (as defined in the Intercompany Loan Agreement) pending or threatened against it of which it is aware, and insofar as it is aware 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; and
- (d) insofar as each Relevant Company is aware, no Dangerous Substance (as defined in the Intercompany Loan Agreement) has been used, disposed of, generated, stored, transported, dumped, deposited, burned or emitted at, on, from or under its Mortgaged Property which would have a Material Adverse Effect,

(subject, in each case, to any matter clearly disclosed by the relevant Certificates of Title).

- 13. No Relevant Company is insolvent or unable to pay its debts (within the meaning of Section 123 of the Insolvency Act 1986) and none has taken any action nor, so far as it is aware, have any steps been taken or legal proceedings been started or, so far as it is aware, threatened against it for winding-up, dissolution or reorganisation, the enforcement of any encumbrance over any material part of its assets or for the appointment of a receiver, administrative receiver or administrator trustee or similar officer of it or of any material part of any or all of its assets or revenues.
- 14. Each Relevant Company is a direct, wholly-owned subsidiary of Holdings.
- 15. The security conferred by the Borrower Deed of Charge is not subject to any prior or *pari passu* mortgage pledge lien or charge.
- 16. (a) The list of insurance policies supplied by the Borrower is true and accurate in all material respects;
- (b) all premiums on such policies which have been required to be paid prior to the Closing Date have been paid in full, there are no material outstanding claims by the Relevant Companies under any of those policies and insofar as the Relevant Companies are aware the insurance policies are in full force and effect;

- (c) there has been no breach by the Relevant Companies (so far as each Relevant Company is aware) of any term of any insurance policy which would entitle the relevant insurer to avoid the same; and
- (d) at or immediately following the Closing Date, the interest of the Borrower Security Trustee will be noted under all insurance policies pursuant to an “Other Interests” clause or otherwise,

(subject, in each case, to matters clearly disclosed by the relevant Certificates of Title).

- 17.
- (a) So far as the Relevant Companies are aware having made due inquiry, there subsists no breach of any law or regulation by the Relevant Companies which affects or might reasonably be expected to affect materially and adversely the aggregate value of the Mortgaged Properties;
 - (b) so far as the Relevant Companies are aware having made due inquiry, there are no agreements, stipulations, reservations, conditions, interests or rights which are not permitted or contemplated by the Borrower Documents and which materially and adversely affect the aggregate value of the Mortgaged Properties;
 - (c) so far as the Relevant Companies are aware having made due inquiry, 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 is not permitted or contemplated by the Borrower Documents and which materially and adversely affects the aggregate value of the Mortgaged Properties; and
 - (d) no Relevant Company has any notice of any adverse claim by any person in respect of its ownership of any Mortgaged Property or of 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,

(subject, in each case, to matters clearly disclosed by the relevant Certificates of Title).

18. Subject in each case to matters clearly disclosed in the Certificates of Title:

- (a) as at the Closing Date, the Borrower has not traded or carried on any business since its date of incorporation except as disclosed in this Offering Circular;
- (b) no Relevant Company is a party to any material agreements other than the Borrower Documents to which it is a party, the documents by which it has acquired title to the Mortgaged Properties and (with respect to the Original Property Companies) certain documents relating to the Original Financing; and
- (c) as at the Closing Date, no Relevant Company has incurred any indebtedness for any borrowed monies whatsoever, other than pursuant to, or as envisaged in, the

Borrower Documents and (with respect to the Original Property Companies) certain documents relating to the Original Financing.

19. Each Relevant Company has supplied all material information known to it to Atisreal Limited in respect of the carrying out of the valuation of the Mortgaged Properties as at the valuation date set out under *Valuation Report*.
20. The centre of main interests of each Relevant Company is in England and Wales and it has no establishment in any other jurisdiction.

A **Certificate of Title** will be given for each of the Mortgaged Properties (and for certain assets charged in respect of estate management arrangements) at the Closing Date by SJ Berwin (the solicitors to the Borrower and the Property Companies as to property matters), addressed to, among others, the Borrower Security Trustee.

Coverage Tests and Property Adviser

Two coverage tests (the **Coverage Tests**) will be undertaken by or on behalf of the Borrower and notified to the Borrower Security Trustee on a quarterly basis on each Calculation Date.

The first Coverage Test (the **Gross Coverage Test**) will be undertaken by calculating on each Calculation Date the ratio (expressed as a percentage) of (i) Gross Rental Income received during the Calculation Period ending immediately prior to such Calculation Date plus any amounts standing to the credit of the ICR Account and the Cash Reserve Account on such date to (ii) Debt Service on the immediately following Interest Payment Date (the **Gross Coverage Ratio**).

The second Coverage Test (the **Net Coverage Test**) will be undertaken on each Calculation Date by calculating the ratio (expressed as a percentage) of (i) Net Rental Income received during the Calculation Period ending immediately prior to such Calculation Date plus any amounts standing to the credit of the ICR Account on such date to (ii) Debt Service on the immediately following Interest Payment Date (the **Net Coverage Ratio**).

For the purposes hereof:

Calculation Date means the second business day prior to each Interest Payment Date.

Calculation Period is (in respect of the first such period) the period from and including the Closing Date and ending on (but excluding) the following Calculation Date and (in respect of subsequent Calculation Periods), the period from (and including) the next (or first) Calculation Date to (but excluding) the following Calculation Date.

Debt Service on any Interest Payment Date is the aggregate of the amounts due to be paid on the Intercompany Loan on that day together with the Borrower Senior Expenses (excluding an amount equal to VAT receipts in respect of rental income for the relevant Calculation Period).

Gross Rental Income means the rental income (relating to the period for which it is being measured) from the Mortgaged Properties (including both rental income from the Occupational Leases and rental income from short, medium or long-term leases to British Land and/or its

subsidiaries (as tenant)) but not including any amount comprised in such rental in respect of VAT and includes (i) rent equivalents (including insurance payments in respect thereof), (ii) amounts available for this purpose pursuant to the Intercompany Loan Agreement in respect of Eligible Investments substituted for Mortgaged Properties or otherwise, (iii) other income of the Borrower and the Property Companies and the income earned by the Issuer on the Cash Reserve Account, (iv) income earned on any Compulsory Purchase Proceeds Account and (v) additional funds made available to a Property Company or the Borrower to enable the Borrower to make payments under the Intercompany Loan (such additional funds being **Top-Up Funds**).

Net Rental Income means Gross Rental Income less (i) rental income from short, medium or long-term leases to members of the British Land Group (as tenant) and (ii) Top-Up Funds.

Failure of Gross Coverage Test

On any Calculation Date on which the Gross Coverage Ratio is 90 per cent. or less, there will be a Loan Event of Default and the Borrower Security Trustee shall have the right to appoint a receiver with respect to the Borrower Security.

On any Calculation Date on which the Gross Coverage Ratio is less than 100 per cent., but more than 90 per cent., a Loan Event of Default will not occur provided that the shortfall is reduced on each Interest Payment Date after the Interest Payment Date to which such Calculation Date relates until such shortfall is eliminated.

If the Gross Coverage Ratio is less than 100 per cent. on any given Calculation Date or if there is a failure to pay any amounts due under the Intercompany Loan Agreement on an Interest Payment Date, then the Borrower and the Property Companies will be required to use best endeavours to appoint a Property Adviser acceptable to the Borrower Security Trustee (as described further under *Failure of Net Coverage Test*) to provide reporting with respect, *inter alia*, to the leases and rental income.

If an amount of rent, Top-up Funds or other funds is made available to the Borrower or a Property Company after the Calculation Date but on or prior to the Interest Payment Date following the relevant Calculation Date (**Top-up Income**), then the Top-up Income will be deemed to have been available on the relevant Calculation Date and the figure for the Gross Coverage Ratio shall be recalculated accordingly.

Failure of Net Coverage Test

If the Gross Coverage Ratio is maintained above 100 per cent. but the Net Coverage Ratio falls below 80 per cent. on two consecutive Calculation Dates then the Borrower and the Property Companies will be required to use best endeavours to appoint a property adviser (the **Property Adviser**) acceptable to the Borrower Security 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 then the Borrower Security Trustee will be entitled to appoint one on their behalf. The powers of the Property Adviser will vary according to the level of the Net Coverage Ratio as described below. The terms of appointment of the Property Adviser are described below under *Summary of Principal Documents – Intercompany Loan Agreement – Terms of Appointment of the Property Adviser* below.

If the Gross Coverage Ratio is maintained above 100 per cent. and the Net Coverage Ratio falls below 80 per cent. on two consecutive Calculation Dates then the Property Adviser will be responsible for reporting to the Borrower Security Trustee (who will be required to notify the same to the Issuer and the Rating Agencies) with respect, *inter alia*, to the leases and rental income of the Property Companies. The Property Companies would also be required to consult with the Property Adviser in relation to the running and letting of the Mortgaged Properties

If the Gross Coverage Ratio is maintained above 100 per cent. and the Net Coverage Ratio falls below 60 per cent. on two consecutive Calculation Dates, then the Property Adviser will be required to prepare a report (a **Property Report**) within 30 days of its appointment or the second of those two consecutive Calculation Dates (whichever is later) (or such longer period as it shall require) recommending what (if any) steps the relevant Property Companies should take to improve long-term rental levels from and the investment value of the Mortgaged Properties (taken as a whole) and will be required to consider (but will not be obliged to follow) the views of the directors of the Borrower and the Property Companies. Such recommendations will generally include ongoing running and letting matters.

A Property Adviser appointed when the Net Coverage Ratio falls below 60 per cent. on two consecutive Calculation Dates may also recommend disposal of all or part of a Mortgaged Property only in circumstances specified in the Intercompany Loan Agreement. Such circumstances include the demonstration to the satisfaction of the Borrower Security Trustee that there is no likelihood of generating sufficient rental income to enable eventual repayment of the Intercompany Loan in full. In the event that the Property Adviser recommends disposal of all or part of a Mortgaged Property, 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 Borrower Security 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. However, if no such independent expert confirms such recommendation then such recommendation shall fall and the relevant Property Company shall not be obliged to comply with it. Prior to any such recommendation becoming binding upon the relevant Property Company, the Borrower Security Trustee will be required to certify to the Borrower that they have received approval from the Issuer. The Issuer, in order to be able to give such approval, will be required to obtain the consent (by Extraordinary Resolution or written resolution in each case in accordance with the provisions of the Bond Trust Deed) of the holders of the most senior class of Bonds then outstanding in respect of which Bonds, in the Bond Trustee's opinion, repayment of at least 75 per cent. of the original Principal Amount Outstanding of such class will not be made in respect of such class of Bonds following the relevant disposal. Upon a sale of a Mortgaged Property following a recommendation of the Property Adviser, the relevant Property Company will be required to pay an amount equal to the relevant sale proceeds, after paying the expenses of such sale, in optional prepayment *pro tanto* of its Subordinated Loan and the Borrower will be required to pay an amount equal to the relevant prepayment proceeds in optional prepayment of the Intercompany Loan.

The Property Adviser may deliver additional Property Reports at its discretion and may modify or revoke prior recommendations made by it. In particular, the Property Adviser will be permitted to recommend the disposal of a Mortgaged Property even if, on prior such

recommendations, the same were blocked by independent experts or failed to win the approval of the Issuer.

The Intercompany Loan Agreement will set out the circumstances in which the appointment of the Property Adviser will or may be terminated.

Terms of Appointment of the Property Adviser

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

- (a) the standard of care required of the Property Adviser will be 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);
- (b) the Property Adviser, in forming its recommendations, will owe a duty of care to the Borrower Security Trustee and the appointing companies and will be required to act in accordance with the long-term interests (bearing in mind the need to ensure timely payment of interest amounts and ultimate repayment of principal due in respect of the Intercompany Loan) of the Issuer; and
- (c) the relevant Property Company will, if the Property Adviser recommends a disposal of all or part of its Mortgaged Property and such advice has been confirmed (if required) by an independent expert or experts and the Issuer (as described above), undertake to appoint the Property Adviser as its attorney to carry out on its behalf the steps required to effect such a disposal.

The Intercompany 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) will be payable (as a Borrower Senior Expense) by the Borrower in accordance with the relevant Borrower Priority of Payments and that such fees and expenses are to be paid in priority to payments under the Intercompany Loan. The Intercompany 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 Mortgaged Properties or any letting thereof.

Failure by a Property Company to comply or to procure compliance with any recommendation given to it by the Property Adviser in any material respect within such reasonable time specified in such recommendation (which failure is not due to factors demonstrated by the relevant Property Company to the satisfaction of the Borrower Security Trustee to be beyond its control) or failure by a Property Company to consult with the Property Adviser when required to do so will, subject to certification by the Borrower Security Trustee as to material prejudice, constitute a Loan Event of Default. Upon such an occurrence, the appointment of, and any power of attorney granted by a Property Company in favour of, the Property Adviser will fall and the relevant Property Companies shall, if recommendations have been made to them, no longer be obliged to comply with such recommendations.

Class A Interest Cover Test

An interest cover test (the **Class A Interest Cover Test**) will be undertaken on the Calculation Date corresponding to each Interest Payment Date falling in or after January 2020 by calculating the ratio (expressed as a percentage) of (i) Net Rental Income received during the Calculation Period ending immediately prior to such Calculation Date to (ii) the aggregate amount of interest due or overdue by the Borrower under the Intercompany Loan in respect of the Term A Loan on the immediately following Interest Payment Date (the **Class A Interest Cover Ratio**).

If, on any Calculation Date on which the Class A Interest Cover Test is required to be undertaken, the Class A Interest Cover Ratio is less than 400 per cent., the Borrower will be required to deposit any funds standing to the credit of the Rental Receipts Account after items (a) to (n) of the Borrower Pre-enforcement Priority of Payments have been satisfied into an account to be established for this purpose in the name of the Borrower (the **ICR Account**) in accordance with item (o) of the Borrower Pre-Enforcement Priority of Payments.

If, on any Calculation Date on which the Class A Interest Cover Test is required to be undertaken, the Class A Interest Cover Ratio is 400 per cent. or higher, then any amounts standing to the credit of the ICR Account as at such Calculation Date will be paid to the Borrower, the Property Companies or other persons entitled thereto.

Covenants

In the Intercompany Loan Agreement the Borrower and each Property Company (as appropriate) will covenant:

- (a) to provide reports containing certain information to, among others, the Bondholders and the Rating Agencies on a quarterly basis (such reports to include details of all payments of principal, interest and premium (if any) made in respect of the Bonds during the relevant quarter and calculations of the Gross Coverage Ratio and Net Coverage Ratio for that quarter) (each, a **Quarterly Report**) following each Interest Period;
- (b) to provide reports containing certain other information to, among others, the Bondholders and the Rating Agencies, on a semi-annual basis promptly upon the same information having been made available to shareholders of the British Land Group (while British Land provides any of this information to shareholders) and otherwise within 60 days following the Interest Payment Dates falling in April and October in each year (or such longer period as the Borrower Security Trustee may agree), such reports to contain details of (subject to a *de minimis* test to avoid excessive reporting on small tenancies):
 - (i) the most recent valuation;
 - (ii) the net initial yield in accordance with that valuation;
 - (iii) the annual rent roll (and, if different, contracted reversionary rents);
 - (iv) the average contracted rent per square foot for office space;

- (v) the average ERV per square foot for office space;
- (vi) the vacancy rate;
- (vii) any material structural alterations;
- (viii) aggregate material rent reviews settled in the previous six months (including, for major tenants, details of the property, the tenant, the area rented, the new rent per square foot and the old rent per square foot);
- (ix) material outstanding rent reviews (including details of the property, the tenant, the area rented, the existing rent per square foot and the effective rent review date); and
- (x) any material lease surrenders and the exercise of any break clause or non-renewal by a major tenant,

in each case in respect of the Mortgaged Properties (each, a **Semi-Annual Report**);

- (c) to notify the Borrower Security Trustee of Loan Events of Default and potential Loan Events of Default and of the steps being taken to remedy the same;
- (d) to deliver compliance certificates (signed by two directors of the Borrower and of each Property Company) on each Interest Payment Date as to compliance or otherwise in respect of Loan Events of Default and as to other obligations of the Borrower and the Property Companies under the Borrower Documents;
- (e) to use all reasonable efforts to obtain and to maintain all required licences, registrations, consents and authorisations to enable each Relevant Company to perform its obligations under the Borrower Documents or for the validity or enforceability of the Borrower Security;
- (f) not to create or suffer or permit to subsist any security interest over any of its assets (other than arising pursuant to or as may be permitted by the Borrower Documents or by operation of law);
- (g) not to dispose of its interests in any Mortgaged Property or Eligible Investments, save in accordance with the Borrower Documents, it being specifically agreed that:
 - (i) a Property Company will be permitted to transfer its beneficial interest in a Mortgaged Property to another property company in the British Land Group; and
 - (ii) a Property Company or Nominee Company will be permitted to dispose of any superior freehold or leasehold interest to those which are initially secured pursuant to the Borrower Deed of Charge,

in each case without the need for the prior written consent of the Borrower Security Trustee or satisfaction of the Rating Condition, provided that the conditions to such disposal specified in the Intercompany Loan Agreement are satisfied;

- (h) not to agree to amend, to waive or to accept the surrender of any Occupational Leases where such amendment, waiver or surrender (taking into account any previous amendments, waivers and surrenders made or accepted since the most recent valuation) would materially adversely affect the ability of the Borrower to meet its obligations in respect of the Intercompany Loan Agreement unless the directors of the Borrower and the relevant Property Company are of the opinion that they could properly give a Certificate of Expediency if asked to do so;
- (i) not to agree to a surrender of any Occupational Lease where the Occupational Tenant is moving premises within the Mortgaged Properties unless the new Occupational Lease to such Occupational Tenant is on no worse overall commercial terms than the existing Occupational Lease (although the level of rent may differ). A move within the Mortgaged Properties on “worse overall commercial terms” is however permitted if the directors of the Borrower and the relevant Property Company are of the opinion that they could properly give a Certificate of Expediency if asked to do so. Any move out of the Mortgaged Properties into any other property owned by any member of the British Land Group not charged to the Borrower Security Trustee (which arises because of the acceptance by a Property Company of a surrender of a lease) will be subject to the requirement that “cash collateral” (being in an amount equal to the net present value of the unpaid rental income for the unexpired balance of the term of the lease being surrendered, unless there is a break clause in such lease, in which case the “cash collateral” shall be in an amount equal to the net present value of the unpaid rental income up until such date as the break may be exercised by the relevant Property Company or the relevant Occupational Tenant) is placed in the Rental Receipts Account or invested in Eligible Investments (on the basis that such amounts will be released quarterly as rent equivalents). Upon a re-leasing to a third party of the space so vacated and the commencement of market rate rental payments thereunder, the “cash collateral” will be released to the relevant Property Company or, as the case may be, the Borrower;
- (j) not grant nor agree to grant (including any option) any lease licence or agreements for the same or any right of occupation affecting its Mortgaged Property after the Closing Date except for (i) the grant of an Occupational Lease in respect of which an agreement for lease has been entered into before the Closing Date, (ii) an Occupational Lease which complies with the mandatory lease provisions and, so long as no Loan Event of Default is then outstanding, each of the Borrower and the Borrower Security Trustee expressly consents (under the terms of the Intercompany Loan Agreement) to an Occupational Lease, after the Closing Date, which complies with the mandatory lease provisions, or (iii) any renewal of any Occupational Lease pursuant to the provisions of the Landlord and Tenant Act 1954, save that any of the mandatory lease provisions may be amended on terms more favourable to the Occupational Tenant or removed if the directors of the Borrower and the relevant Property Company are of the opinion that they could properly give a Certificate of Expediency relating to such amendment or removal if asked to do so;

- (k) to ensure no material change is made to the general nature or scope of Business for the Borrower or the Property Companies, where **Business** means activities in relation to the financing (long and short-term) redevelopment refurbishment reconfiguring maintenance management, ownership and letting of property on the Estate;
- (l) not to consolidate or merge with any person or convey or transfer its properties or assets substantially as an entirety to any other person without the consent of the Borrower Security Trustee subject to the exceptions contained in paragraphs (g)(i) and (g)(ii) above;
- (m) not to incur any indebtedness for borrowed monies whatsoever, other than:
 - (i) on an unsecured and subordinated basis, without limit, from Holdings under the Intra-Group Loan Deed;
 - (ii) indebtedness for borrowed monies incurred pursuant to or as otherwise permitted by certain Borrower Documents (namely, the Initial Term Loan, any Further Term Loan, any Replacement Term Loan, any New Term Loan and any other on-lending of monies raised by the Issuer pursuant to Condition 16.5, the Subordinated Loan and intra-group loans pursuant to the Intra-Group Loan Deed); and
 - (iii) finance leases entered into in the ordinary course of business up to an aggregate principal equivalent amount not exceeding £25,000,000 outstanding at any time;
- (n) not to enter into any joint venture in relation to the Mortgaged Properties (subject to approval of the Borrower Security Trustee and satisfaction of the Rating Condition);
- (o) insofar as is permitted by applicable law, to execute and do all such further documents, acts and things as may be necessary to give effect to the Borrower Documents (including amending documents to ensure effective subordination of intra-group debt);
- (p) to make annual returns to Companies House, as and for so long as required by the Companies Act 1985 or otherwise;
- (q) to maintain the relevant Chargor Accounts and any further accounts that are necessary or incidental to the transaction;
- (r) subject to (i) such exceptions as the Borrower Security Trustee may agree in writing, (ii) such insurance being generally available in the market place, (iii) the cost thereof not being so great that it would not be reasonable to expect such insurance to be taken out and (iv) such exceptions, terms and conditions and limitations as shall at the relevant time be commonly imposed or not agreed to by insurers in agreeing to such insurance and save where the same is the Occupational Tenant's or the Head Landlord's responsibility, each Property Company shall maintain or procure the maintenance of insurance cover in respect of the Mortgaged Property owned by it at full reinstatement basis including, without limitation, site clearance, professional fees, VAT, not less than two years' loss of rent insurance on all Occupational Leases of the Mortgaged Properties, subsidence and

terrorism insurance and any other usual risks and third party liability insurance, all such insurances to be with an insurance company or entity or pool regulated by the Department of Trade and Industry (or by an equivalent regulatory body with regulatory powers over the insurance industry in the European Union) to carry on insurance business;

- (s) to permit access for the Borrower Security Trustee and its agents and advisers to Mortgaged Properties, subject to any rights of, and agreements with, Occupational Tenants and other interested parties;
- (t) to comply with the provisions of the Tax Deed of Covenant;
- (u) unless and to the extent that an Occupational Tenant is permitted to carry out such alterations under an Occupational Lease to ensure that, in making structural alterations to a Mortgaged Property, it will do so only to the extent that the same would in the opinion of the directors of the Borrower and the relevant Property Company (on the basis that they could properly give a Certificate of Expediency if asked to do so) maintain or increase either the value of the Mortgaged Properties or the rental income receivable from the Mortgaged Properties (in both cases taken as a whole and in both cases either on a long or short-term basis). The value of a Mortgaged Property for the purposes of determining the consequences of a structural alteration shall be determined as the difference between:
 - (i) the value of the Mortgaged Property had the structural alteration not been undertaken;
 - (ii) the expected value of the Mortgaged Property following completion of the structural alteration.

For the purpose of determining whether the value of rental income will be maintained or increased, no account shall be taken of any rental income to be received after the Interest Payment Date falling in July 2036. Notice of any material structural alteration shall be given to the Rating Agencies upon the commencement of the same and details of all structural alterations undertaken shall be included in the Semi-Annual Report;

- (v) to procure that the Property Manager will manage the Mortgaged Properties to a standard consistent with that of a prudent commercial property owner; further, to procure that (except where a replacement property manager is a member of the British Land Group) any change in the identity of the Property Manager is approved by the Borrower Security Trustee and satisfies the Rating Condition;
- (w) to apply all monies received or receivable under any insurance in respect of damage or total loss of any of the Mortgaged Properties towards reinstating the relevant Mortgaged Property or in accordance with the terms of the relevant Occupational Lease or in accordance with applicable law, as decided by the relevant Property Company or otherwise in prepayment of the Term Loans;

- (x) unless already given, to give, or procure the giving of, notice on or within 15 days of the Closing Date to each Occupational Tenant irrevocably authorising and instructing it (for so long as the relevant tenanted premises are within a Mortgaged Property) to pay all sums due (other than service charge amounts, other demands of a cost-reimbursement nature and other amounts not being of a rental nature which, pursuant to the terms of the Occupational Leases, are required to be paid or deposited elsewhere) under its Occupational Lease to the Rental Receipts Account;
- (y) unless already given, to give, or procure the giving of, notice on or within 15 days of the Closing Date to each Occupational Tenant irrevocably authorising and instructing it (for so long as the relevant tenanted premises are within a Mortgaged Property) to pay all amounts due in respect of service charges and all other amounts of a cost-reimbursement nature to the relevant Service Charge Account;
- (z) (unless otherwise provided in the relevant Occupational Lease) to deposit (unless a new Occupational Lease is to be entered into in respect of the relevant premises with no rent-free period) into the Rental Receipts Account all amounts received by it in respect of premium or other amount paid on the surrender or early break (whether pursuant to the lease terms or otherwise) of any Occupational Lease before its due date for expiry (for utilisation pursuant to the terms of the Intercompany Loan Agreement as funds representing rental income). Upon a re-leasing to a third party of the space so vacated and the commencement of market rate rental payments thereunder, any remaining amount so deposited will be released to the relevant Property Company;
- (aa) itself to, and to procure that each manager of each of the Mortgaged Properties owned by it and each of its subsidiaries, affiliates or agents shall:
 - (i) in their dealings in or with respect to the Mortgaged Properties, act in good faith and in the interests of the Issuer and the British Land Group as a single class; and
 - (ii) not unfairly discriminate against the Mortgaged Properties in any marketing of the Estate to prospective Occupational Tenants; and
- (bb) to pay or cause to be paid all rates, taxes, levies, assessments, impositions and outgoings for which they are 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).

A **Certificate of Expediency** in respect of any matter, where it is expressly contemplated that the same may be given, is a certificate given by two directors of the Borrower and the relevant Property Company that such matter is expedient and in the best long-term interests of the Borrower and the Property Companies taken as a whole and the Issuer. The directors giving the Certificate of Expediency will be required to undertake a duty of care to the Borrower Security Trustee in respect of judgements expressed therein. However, the directors will not in fact be required to produce a Certificate of Expediency each time they could properly give one, but they will be required to deliver an annual Certificate of Expediency to the Borrower Security Trustee

in respect of all matters in respect of which a Certificate of Expediency was required but not actually given during the previous 12 months.

Mandatory lease provisions

The Intercompany Loan Agreement sets out mandatory provisions to be followed by the Property Companies in respect of any new Occupational Lease to be granted in respect of a Mortgaged Property. Each Property Company is required to ensure that the relevant Occupational Lease contains provisions which shall not be more favourable to the Occupational Tenant than the following provisions:

- (a) (i) in the case of an Occupational Lease of part of a Mortgaged Property, full internal repairing covenants and full *pro rata* contribution to building service charge costs, including external and structural repairs; or
- (ii) in the case of an Occupational Lease of all of a Mortgaged Property, full internal repairing covenants and full external and structural repairing covenants,

subject in each case to, if required by the Occupational Tenant and agreed to by the relevant Property Company, no Occupational Tenant's liability for latent or inherent defects;

- (b) full insurance obligation or liability to reimburse the whole or an appropriate portion of insurance costs on the Occupational Tenant;
- (c) Occupational Tenant to pay estate management cost contribution for external common areas and, in the case of an Occupational Lease of part of a Mortgaged Property, an appropriate building service charge;
- (d) assignments of part or all of a Mortgaged Property only with the relevant Property Company's consent (not to be unreasonably withheld); and
- (e) use of the majority of a Mortgaged Property as office premises and ancillary uses only. Use of other parts of the Mortgaged Property as for leisure, retail or other purpose is permitted only where that Mortgaged Property has, prior to the Closing Date, been used for such other purposes.

However, any of the above provisions may be amended on terms more favourable to the Occupational Tenant or removed if the directors of the Borrower and the relevant Property Company could, in their opinion, give a Certificate of Expediency relating to such amendment or removal if they were asked to do so.

Release and substitution of Mortgaged Properties

The Borrower Documents will contain provisions relating to the release and substitution of Mortgaged Properties. A summary of the provisions is set out below.

Release of Mortgaged Properties - Prepayment of Intercompany Loan

In respect of each Mortgaged Property, there will be calculated, at the time a Property Company wishes to sell a Mortgaged Property (the **Relevant Time**), an amount (each, an **Allocated Debt Amount or ADA**) as follows:

$$\text{ADA} = \frac{\text{VP}}{\text{VE}} \times \text{N}$$

where:

- VP = the value (as at the Closing Date) of the specified Mortgaged Property;
- VE = the aggregate of the values (as at the Closing Date) of each Mortgaged Property in the Estate at the Relevant Time; and
- N = the aggregate principal amount outstanding under the Intercompany Loan Agreement at the Relevant Time (less debt that has been defeased by Eligible Investments or in respect of which Cash Substitution is effective).

However, in respect of a property or properties later substituted into the Borrower Security (see *Substitution of Mortgaged Properties* below), the Allocated Debt Amount relative to such property will be calculated on the basis that "VP" is equal to such variable as determined in respect of the Mortgaged Property being released from the Borrower 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.

Provided that the Borrower Security has not become enforceable, a Property Company will be entitled to sell a Mortgaged Property but only if it pays an amount equal to such part of the sale proceeds thereof (together with, if necessary, funds made available to it by way of subordinated loan under the Intra-Group Loan Deed) as is required to prepay an amount under its Subordinated Loan sufficient to enable the Borrower to make the payments described below.

The Borrower will be required to pay an amount equal to the Subordinated Loan proceeds received in respect of the sale by the Property Company of the relevant Mortgaged Property in prepaying the Intercompany Loan in a principal amount outstanding equal to the Required Prepayment Amount at the prices specified in the Intercompany Loan Agreement.

The **Required Prepayment Amount** is :

- (A) an amount equal to the greater of:
 1. the product of: (a) the Allocated Debt Amount in respect of the relevant Mortgaged Property and (b) P%, where

P = 100 for the first £300,000,000 of Allocated Debt Amount redeemed as described in this section; and 120 for all other amounts in excess thereof,

provided that, in respect of the Mortgaged Properties at Nos 1 and 2 Finsbury Avenue, 100 Liverpool Street and 175 Bishopsgate, P shall be 120 in all circumstances; and

2. the lesser of: (a) such amount as shall be required to ensure that, after release of the relevant Mortgaged Property and related prepayment of the Intercompany Loan (i) the actual loan to value ratio (based upon the principal amount of the Intercompany Loan outstanding) is no greater than the lower of (X) 10 higher than the loan to value ratio immediately preceding the release and (Y) five higher than the loan to value ratio scheduled to prevail at the Relevant Time pursuant to the provisions of the Intercompany Loan Agreement and (ii) the Net Coverage Ratio (calculated as provided in the Intercompany Loan Agreement) on the next following Calculation Date will be at least 100 per cent.; and (b) the sale price of such property (after paying the expenses of such sale) provided that such sale shall be for no less than arm's length terms; or

(B) such lesser amount as shall satisfy the Rating Condition.

Release of Mortgaged Properties—No prepayment of Intercompany Loan

The Borrower and the relevant Property Company will, prior to the enforcement of the Borrower Security, be entitled to a release of a Mortgaged Property from the Borrower Security (with no corresponding obligation on the Borrower to prepay any specified amount of the Intercompany Loan) provided that the conditions set out in Conditions 16.1(c) or, as appropriate, (d) are then satisfied *mutatis mutandis*:

- (a) disregarding for these purposes the reference to any issue of Further Bonds or New Bonds;
- (b) construing references to an issue date as if they were references to the proposed date of release of the relevant Mortgaged Property; and
- (c) excluding the value of the relevant Mortgaged Property and the amount of any Annual Net Rents Receivable attributable to that property.

Release of Mortgaged Properties—Substitution Properties Provided

The Borrower and the relevant Property Company will, provided that the Borrower Security has not then become enforceable or that the Property Adviser is not then in office, be entitled upon at least 30 days' notice to the Borrower Security Trustee to a release of a Mortgaged Property from the Borrower Security (an **Old Property**) and for a company which satisfies the condition specified in the Intercompany Loan Agreement to mortgage, in substitution therefor as security for the relevant obligations under the Intercompany Loan Agreement, another property or

properties (to be designated a Mortgaged Property) (**New Property**), subject to satisfaction of the Property/Property Substitution Condition.

Property/Property Substitution Condition means:

- (1) the Borrower Security Trustee consents to the substitution (to be given only on satisfaction of the Rating Condition); or
- (2)
 - (a)
 - (i) the value of the New Property is not less than the value of the Old Property;
 - (ii) the net present value of the rental income in respect of the then subsisting Occupational Lease(s) in respect of the New Property is not less than that in respect of the Old Property; and
 - (iii) the then current weighted average long-term debt rating (by S&P and Moody's) of the Occupational Tenant(s) (or of a member of their group or of their guarantor or equivalent) of the New Property is at least BBB-/Baa3 (with stable outlook) and, if the Occupational Tenants for the Old Property (or a member of their group or their guarantor or equivalent) were rated, the weighted average long-term debt rating of the Occupational Tenant(s) of the New Property is not more than one grade below that of the Occupational Tenant(s) of the Old Property (or a member of their group or their guarantor or equivalent); and
 - (b) unless (i) the New Property has previously constituted a Mortgaged Property or (ii) the Rating Agencies have confirmed (either before or after the substitution) that the substitution or previous substitutions (not involving properties which previously constituted Mortgaged Properties) shall be disregarded for the purposes of this limit, the total net internal area of Old Properties as at the Closing Date substituted by New Properties cannot exceed 25 per cent. of the total net internal area as at the Closing Date; and
 - (c) unless the New Property has previously constituted a Mortgaged Property, if the weighted average remaining term of the Occupational Leases on the Old Property is less than five years, then (i) the value of the New Property should be at least equal to the value of the Old Property on the Closing Date (or if it was not then a Mortgaged Property, the value of the Mortgaged Property at the Closing Date to which it is referable, as provided in the Intercompany Loan Agreement), multiplied by the principal amount outstanding of the Intercompany Loan at the time of the substitution divided by the principal amount outstanding of the Intercompany Loan at the Closing Date (the **Debt Factor**) and (ii) the net present value of the rental income from the New Property payable to and including July 2036 should equal at least the net present value of the rental income from the Old Property payable to such date on the Closing Date multiplied by the Debt Factor and (iii) the weighted average remaining term (if there is a tenant's break option, to that tenant's break option) of the Occupational Leases on the New Property is at least 10 years; and

- (d) if on the Calculation Date immediately prior to such substitution:
 - (A) the Net Coverage Ratio was equal to or greater than 125 per cent., then the Net Coverage Ratio recalculated as at such Calculation Date to take account of the proposed substitution (calculated by substituting the amount of rent which was payable in the rental period in which such Calculation Date fell for the New Property for such amount as was actually taken into account in such calculation for the Old Property (the **Substitution Net Coverage Ratio**)) must be no less than the greater of 90 per cent. of such Net Coverage Ratio and 125 per cent.; or
 - (B) the Net Coverage Ratio was less than 125 per cent., then the Substitution Net Coverage Ratio must be no less than such ratio; and
- (e) the Property is located on the Estate or is on the Property List.

With respect to such properties listed on the Property List the following shall also apply:

- (i) paragraphs (2)(b) and (c) shall not apply;
- (ii) a substitution of a property on the Property List shall not be taken into account for the purpose of calculating the limit referred to in paragraph (2)(b);
- (iii) British Land must be beneficially entitled to at least 25 per cent. of the New Property (whether directly or by means of an interest in share capital in a company owning such New Property); and
- (iv) paragraph (2)(d) shall not apply and shall be replaced with the following:

“the Substitution Net Coverage Ratio for the Calculation Date immediately prior to such substitution must be no less than the greater of 90 per cent. of the Net Coverage Ratio as actually calculated on such Calculation Date and 100 per cent.”

New tenants on the Tenant List shall not be required to have a credit rating which complies with paragraph (2)(a)(iii) (subject to the approval of Moody’s) as more fully provided in the Intercompany Loan Agreement.

If any of the tests described in paragraphs (2)(a)(i), (2)(a)(ii), (2)(c)(i) and (2)(c)(ii) above are not met, the Borrower will be entitled to place (or procure that a Property Company places) cash deposits and/or Eligible Investments secured in favour of and to the satisfaction of the Borrower Security Trustee in amounts equal to any relevant shortfall and the tests will then be deemed to be met.

For the purposes of this section, the Estate means the Broadgate estate as at the date of this Offering Circular together with such other properties, thereafter designated as forming part of the Broadgate estate by the Borrower, a part of which property falls within a half-mile radius of the current perimeter of Liverpool Street mainline railway station.

The Borrower, at the Closing Date, will have prepared and lodged with the Borrower Security Trustee, a list of up to five properties and a list of tenants. These lists have been approved by the Rating Agencies other than, in the case of the Tenant List, Moody's and such properties may be substituted without counting toward the 25 per cent. limit described in paragraph (2)(b) of the definition of "Property/Property Substitution Condition". Further names of properties and tenants may be added by the Borrower to those lists, with the consent of the Rating Agencies. Such lists, as so supplemented, constitute the **Property List** and the **Tenant List**. The properties currently on the Property List (the identities of which will not be disclosed until such time as any such property becomes a Mortgaged Property) are on or adjacent to the Broadgate estate as it exists as at the date of this Offering Circular.

The identities of the tenants on the Tenant List will not be disclosed to Bondholders until such time as a tenant becomes a tenant of a Mortgaged Property.

Release of Mortgaged Properties—Cash Collateral Provided

The Borrower and the relevant Property Company will, provided that the Borrower Security has not then become enforceable and that the Property Adviser is not then in office, be entitled to a release of an Old Property and for a company which satisfies the conditions specified in the Intercompany Loan Agreement to mortgage Eligible Investments in substitution therefor, to secure the relevant obligations under the Intercompany Loan Agreement (**Cash Collateral**) by way of **Cash Substitution** subject to satisfaction of the Property/Cash Substitution Condition (as defined below).

Property/Cash Substitution Condition means:

- (1) the Borrower Security Trustee consents to the substitution (to be given only on satisfaction of the Rating Condition); or
- (2) Cash and/or Eligible Investments have been provided of the amount needed to defease completely Term Loans (such defeasance being applied equally among the outstanding classes of Term Loans at that time) with a principal amount outstanding equal to the Required Prepayment Amount (but substituting for the sale price of such property for the purpose of paragraph (A)2(b) of the definition thereof the most recent valuation) that would be required assuming that the Old Property had been sold (or such lesser amount as otherwise agreed by the Rating Agencies).

Release of Cash Collateral—Substitution Properties Provided

The Borrower and the relevant Property Company will, provided that the Borrower Security has not then become enforceable and that the Property Adviser is not then in office, be entitled to a release of Cash Collateral from the Borrower Security (**Old Cash**) and for a company which satisfies the conditions specified in the Intercompany Loan Agreement to mortgage, in substitution therefor, another property or properties (to be designated a Mortgaged Property) (New Property) on any Interest Payment Date, subject to satisfaction of the Cash/Property Substitution Condition (as defined below).

Cash/Property Substitution Condition means:

- (1) the Borrower Security Trustee consents to the substitution (to be given only on satisfaction of the Rating Condition); or
- (2) the New Property meets the criteria for substitution described under the definition “Property/Property Substitution Condition” above, but paragraphs (2)(a) and (c) of the definition of “Property/Property Substitution Condition” therein shall be determined by comparison to the relevant Old Property at the time of its release.

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 New Property (such part being the **Released Part**). The Released Part will be that percentage of the Cash Collateral which is equal to the lowest percentage obtained by dividing its respective items specified in (2)(a)(i) and (ii) and, if relevant, (2)(c)(i) and (ii) of the definition of “Property/Property Substitution Condition” above in respect of the New Property, by those respective items in respect of the property or properties for which the Old Cash was provided as a substitute. Otherwise, the conditions will be the same as specified in *Release of Cash Collateral — Substitution Properties Provided*.

General Provisions for Releases, Substitution etc.

For the purposes of calculating any loan to value ratio, as regards the loan, there shall be deducted from the principal balance of the Intercompany Loan the principal amount outstanding of any Term Loans defeased or in respect of which Cash Substitution is effective and the amount of any cash or Eligible Investments held in any of the Chargor Accounts or otherwise by the Borrower and the Property Companies (save those in respect of defeased Term Loans or Cash Substitution) and the principal balance after such deductions shall be the loan.

Where on a release of Mortgaged Properties there have been substitute Mortgaged Properties provided and in addition cash deposits have been made or Eligible Investments have 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 any such cash or Eligible Investments.

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

Cash and/or Eligible Investments provided in connection with a release or substitution shall be credited to an account known as the **Cash Substitution Account** to be opened and maintained with the Account Bank.

The Intercompany Loan Agreement will contain certain other conditions which are required to be satisfied before a New Property is admitted to the Borrower 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 certificates of title, solvency certificates and legal opinions addressed to the Borrower Security Trustee demonstrating, *inter alia*, continued tax neutrality, validity of the leases and the fixed charge for the New Property substantially in the form of those provided on the Closing Date, evidence of compliance with the insurance obligations contained in the Intercompany Loan Agreement and confirmation that the company owning the New Property is subject to the same covenants, restrictions and provisions as those relating to the then current Property Companies;
- (c) the New Property complies with the covenants relating to mandatory lease terms contained in the Intercompany Loan Agreement;
- (d) verification of all required calculations will need to be provided by the auditors of the Property Companies;
- (e) the valuation upon which the determinations are based shall have been completed no more than six months prior to the date of substitution (or such longer period as the Borrower Security Trustee may agree);
- (f) to the extent that building on a New Property has not yet previously been occupied by an occupational tenant, 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 and certain other provisions of the Property/Property Substitution Condition will be varied as provided in the Intercompany Loan Agreement;
- (g) the New Property complies with all covenants contained in the Intercompany Loan Agreement regarding maintenance of all required licences, consents and approvals;
- (h) no breach exists as at the proposed date of substitution by the Property Company which is the lessor of the New Property which had caused any occupational tenant of the New Property to withhold any rent payable on the lease thereof;
- (i) no substitution may be undertaken if the Net Coverage Ratio on the immediately preceding Calculation Date was less than 100 per cent.;
- (j) no substitution may be undertaken so long as any holding company of Holdings is then subject to any insolvency proceedings; and
- (k) so long as the Rating Condition requires the affirmation or consent of S&P (and unless S&P otherwise agrees or the Rating Condition is otherwise satisfied) at least the Required Minimum Area of the net internal area of the Mortgaged Properties must be comprised of properties within Inner Broadgate.

Inner Broadgate means 1 Finsbury Avenue, 2 Finsbury Avenue, 3 Finsbury Avenue, 1-2 Broadgate, 4 Broadgate, 6 Broadgate, 100 Liverpool Street (including 8-12 Broadgate), 135 Bishopsgate, 155 Bishopsgate and 175 Bishopsgate.

Required Minimum Area means, subject as provided below, 1,453,373 square feet less the allocated net internal area in respect of each Mortgaged Property in Inner Broadgate the whole or any part of which has been released from the Borrower Security pursuant to the provisions detailed in *Release of Mortgaged Properties—Prepayment of the Intercompany Loan Release of Mortgaged Properties — No prepayment of the Intercompany Loan*. If Cash Collateral is substituted for any such Mortgaged Property then so long as such Cash Collateral remains charged to the Borrower Security Trustee and continues to be utilised in accordance with the provisions of the Intercompany Loan Agreement then such Mortgaged Property shall be deemed to count towards the Required Minimum Area. If the figure of 1,453,373 specified above has been replaced by a lower figure, where S&P has agreed to such reduction or the Rating Condition is otherwise satisfied on such reduction, that lower figure shall apply from then on, unless and until replaced by a lower figure.

For these purposes, reference to the Mortgaged Properties specified within the definition of Inner Broadgate means such properties substantially in the form in which each is found as at the Closing Date and as the same may be altered by structural alterations made thereto as are permitted pursuant to the Intercompany Loan Agreement.

Loan Events of Default

The Intercompany Loan Agreement will contain a number of events of default (each, a **Loan Event of Default**) which fall into two main categories, those which are unqualified (such as events of default for non-payment and insolvency of the Borrower) and those which, to constitute an event of default, must be materially prejudicial to the interests of the Issuer. In addition, enforcement of the Issuer Security will constitute a Loan Event of Default. Certain conventional grace periods may also apply before an event of default may be called.

A failure to pay amounts due to the Issuer on an Interest Payment Date where such unpaid amounts are less than 10 per cent. of the amount so due (the **shortfall**) will not result in a Loan Event of Default provided that on each subsequent Interest Payment Date the Borrower reduces the shortfall and that all other amounts due on each subsequent Interest Payment Date (excluding the shortfall but including interest on the corresponding Liquidity Drawing) are paid when due.

Upon the occurrence of a Loan Event of Default, the Borrower Security Trustee may (and shall if so directed by the Issuer Security Trustee pursuant to the security granted in its favour under the Issuer Deed of Charge), subject to being indemnified and/or secured to its satisfaction, enforce the Borrower Security. Upon enforcement of the Borrower Security, the Borrower Security Trustee will be entitled to appoint a receiver over all the Chargers' property, undertaking and assets (including the Mortgaged Properties). The receiver will be entitled to collect the rental income generated from the Mortgaged Properties and apply those funds in accordance with the Borrower Post-Enforcement Priorities of Payments described above (see *Resources Available to the Issuer and the Borrower — Borrower Priorities of Payments*). The receiver will be able (at

its discretion) to realise the assets if there is no reasonable expectation of trading out of the shortfall.

The occurrence of a Loan Event of Default (or of any other event where the Borrower Security is, in the opinion of the Borrower Security Trustee, threatened or in jeopardy or, in the opinion of the Borrower Security Trustee, the interests of the Issuer (as a secured party under the Borrower Deed of Charge) may be prejudiced) will, upon notice being given by the Borrower Security Trustee, result in the floating charges granted by the Borrower and the other Chargors in the Borrower Deed of Charge crystallising so as to become fixed charges.

The Intercompany Loan Agreement will be governed by English law.

Bank Agreement

On or before the Closing Date, the Issuer, the Borrower, the Property Companies, the Issuer Security Trustee, the Borrower Security Trustee, the Cash Manager and the Account Bank will enter into a bank agreement (the **Bank Agreement**) in connection with the maintenance of certain banking arrangements for the Issuer, the Borrower and the Property Companies.

The Account Bank will open and maintain (in the case of paragraphs, (a), (c), (e) and (f), when required):

- (a) the ICR Account and the Cash Substitution Account (both interest-bearing deposit accounts) in the name of the Borrower;
- (b) a current account in the name of the Cash Manager to be held on trust for the Property Companies and the Nominee Companies (according to their respective interests) into which rent and other amounts payable by Occupational Tenants shall be paid (the **Rental Receipts Account**);
- (c) an interest-bearing account in the name of the Cash Manager to be held pursuant to a trust deed between the Cash Manager (as trustee), the Property Companies and the Nominee Companies (the **Account Trust Deed**) on trust for the Property Companies and the related Nominee Companies (according to their respective interests) into which any amounts received by the relevant Property Company following a Compulsory Purchase shall be paid (each such account, a **Compulsory Purchase Proceeds Account** and, together with the Cash Substitution Account and the ICR Account, the **Chargor Accounts**);
- (d) a current account (the **Issuer Transaction Account**) and the Cash Reserve Account, in the name of the Issuer;
- (e) a standby account in the event that a Standby Drawing is made under the Liquidity Agreement (the **Standby Account**), in the name of the Issuer; and
- (f) the Swap Collateral Cash Account, to be held in the name of the Issuer (together with the Standby Account, the Issuer Transaction Account and the Cash Reserve Account, the **Issuer Accounts**),

together with any further accounts that may be necessary from time to time.

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

Neither the Borrower nor the Property Companies may, without the prior consent of the Borrower Security Trustee, withdraw any monies from the relevant Chargor Accounts otherwise than in accordance with the provisions of the Bank Agreement, the Cash Management Agreement and the Borrower Deed of Charge. Pursuant to the Bank Agreement, the Account Bank will be entitled to act only on the instructions of the Cash Manager (acting as agent of the Borrower Security Trustee) or of the Borrower Security Trustee (and any receiver appointed by it) and not on the instructions of the Borrower or the Property Companies (unless the Borrower Security Trustee otherwise consents). On enforcement of the Borrower Security, the Account Bank will be entitled to act only on the instructions of the Borrower Security Trustee (or, with the consent of the Borrower Security Trustee, the Cash Manager on its behalf).

The Issuer may not, without the prior consent of the Issuer Security Trustee, withdraw any monies from the Issuer Accounts otherwise than in accordance with the provisions of the Bank Agreement, the Cash Management Agreement and the Issuer Deed of Charge. Pursuant to the Bank Agreement, the Account Bank will be entitled to act only on the instructions of the Cash Manager (acting as agent of the Issuer Security Trustee) or of the Issuer Security Trustee (and any receiver appointed by it) and not on the instructions of the Issuer (unless the Issuer Security Trustee otherwise consents). On enforcement of the Issuer Security, the Account Bank will be entitled to act only on the instruction of the Issuer Security Trustee (or with the consent of the Issuer Security Trustee, the Cash Manager on its behalf).

If the Account Bank ceases to have the short-term, unsecured, unsubordinated and unguaranteed debt obligation ratings of at least A-1+ by S&P, P-1 by Moody's and F1 by Fitch, then either:

- (a) the Issuer Accounts and the Chargor Accounts will be closed and all amounts standing to the credit thereof shall be transferred to accounts held with a financial institution (i) whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, P-1 by Moody's and F1 by Fitch; and (ii) which is an authorised person under the FSMA; or
- (b) the Account Bank will obtain a guarantee of its obligations under the Bank Agreement from a financial institution whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, P-1 by Moody's and F1 by Fitch.

The Bank Agreement will be governed by English law.

Cash Management Agreement

On or before the Closing Date, the Issuer, the Borrower, the Property Companies, PGLC, the Issuer Security Trustee, the Borrower Security Trustee and the Cash Manager will enter into a

cash management agreement (the **Cash Management Agreement**) under the terms of which the Cash Manager will have responsibility for, *inter alia*, the day-to-day cash management requirements of the Issuer, the Borrower and the Property Companies. The Cash Manager will:

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

The Cash Manager will be required, on each Calculation Date, to calculate the Coverage Tests and forward details of the same to, amongst others, the Borrower Security Trustee, the Issuer Security Trustee and the Bond Trustee. The Cash Manager will also report each quarter to the Bond Trustee, the Borrower Security 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 following certain termination events provided that a successor cash manager acceptable to, among others, the Rating Agencies, the Borrower Security Trustee and the Issuer Security Trustee will be appointed upon the expiry of such termination notice.

The Cash Manager will be appointed to act as the agent of the Borrower Security Trustee and the Issuer Security Trustee for the better protection and perfection of the security constituted by and pursuant to the Borrower Deed of Charge and the Issuer Deed of Charge. Neither the Borrower Security Trustee nor the Issuer Security 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 the Borrower Security Trustee nor the Issuer Security Trustee have any liability to the Issuer, the Chargors, the Borrower 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 Borrower Security Trustee and the Issuer Security Trustee shall be entitled to be indemnified out of the Borrower Security and the Issuer Security respectively 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, as applicable, the Borrower Secured Parties, the Issuer Secured Parties, the Issuer or the Chargors notwithstanding any other provision (express or implied) of the Transaction Documents relating to the liability of the Borrower Security Trustee and/or the Issuer Security Trustee for their acts or omissions.

The Occupational Tenants will be directed to pay all rent payable by them in respect of the relevant Mortgaged Property or Mortgaged Properties into the Rental Receipts Account. On each Interest Payment Date, the Cash Manager will apply amounts standing to the credit of, as applicable, the Rental Receipts Account, the ICR Account and the Cash Substitution Account in accordance with the applicable Borrower Priority of Payments. See further *Resources Available to the Issuer and the Borrower - Borrower Priorities of Payment*. However, after enforcement of the Borrower Security, the Cash Manager will no longer be a signatory to the Chargor Accounts and will be entitled to make the payments described above only with the consent of the Borrower Security Trustee.

On each Interest Payment Date, the Cash Manager will apply amounts standing to the credit of the Issuer Transaction Account and, to the extent of any shortfall in items (a) to (k) (inclusive) of the relevant Issuer Pre-Enforcement Priorities of Payments, the Cash Reserve Account, in accordance with the applicable Issuer Priority of Payments. See further *Resources Available to the Issuer and the Borrower - Issuer Priorities of Payment*. However, after enforcement of the Issuer Security (i) the Cash Manager will no longer be a signatory to the Issuer Accounts and will be entitled to make the payments described above only with the consent of the Issuer Security Trustee and (ii) the amounts standing to the credit of the Cash Reserve Account will be paid into a designated account to be established for this purpose by the Issuer Security Trustee (or, with the consent of the Issuer Security Trustee, the Cash Manager on its behalf) or any receiver appointed by it.

The Cash Management Agreement will be governed by English law.

Borrower Deed of Charge

The obligations of the Borrower under the Borrower Documents will be secured by the assets of the Chargors and certain other assets pursuant to a borrower deed of charge to be entered into on or before the Closing Date between the Chargors, the Borrower Security Trustee and the other Borrower Secured Parties other than the Account Bank (the **Borrower Deed of Charge**).

Under the Borrower Deed of Charge, the Chargors will agree to grant in favour of the Borrower Security Trustee, on trust for itself, the Issuer, the Property Manager, any Property Adviser, the Cash Manager, the Account Bank and any receiver appointed by the Borrower Security Trustee (the **Borrower Secured Parties**), the security described below (the **Borrower Security**) over their respective property, assets and undertakings.

The Borrower will create:

- (a) a first fixed charge over the Borrower's right, title, interest and benefit, present and future, in, to and under:
 - (i) the Intercompany Loan Agreement;
 - (ii) the Subordinated Loan Agreement;
 - (iii) the Cash Management Agreement;

- (iv) the Bank Agreement;
 - (v) any Property Advisory Agreement
 - (vi) the Tax Deed of Covenant (together with the documents listed in (i) to (v) above, the Account Trust Deed and all other agreements to which the Borrower or any other Chargor is, or may become, a party and which are designated as such, the **Borrower Documents**);and
 - (vii) all other agreements to which the Borrower is, or may become a party, whether or not designated as Borrower Documents;
- (b) a first fixed charge over the amounts from time to time standing to the credit of the relevant Chargor Accounts and any replacement accounts or other bank accounts of the Borrower from time to time;
 - (c) a first fixed charge (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors) over Eligible Investments;
 - (d) a first fixed charge over all of the Borrower's book and other debts, the proceeds of the same and all other monies due and payable to the Borrower;
 - (e) a first fixed charge over its goodwill;
 - (f) a first fixed charge over the benefit of all licences, consents and authorisations (statutory or otherwise) held in connection with its business;
 - (g) a first fixed charge over its uncalled capital (if any); and
 - (h) a first ranking floating charge over its assets and undertakings not the subject of the fixed charge.

Each Property Company will create:

- (a) a first fixed equitable mortgage over each Mortgaged Property in which it has an interest;
- (b) a first fixed charge over all the rental income from each Mortgaged Property and its interest in all other amounts due under the Occupational Leases thereof in which it has an interest;
- (c) a first fixed charge over all plant and machinery owned by each Property Company at each Mortgaged Property and its interest in any plant and machinery in its possession there;
- (d) a first fixed charge over all its interest in all insurances held by each Property Company in connection with the Mortgaged Properties or the use of the Mortgaged Properties;

- (e) a first fixed charge over the right, title, interest and benefit, present and future, of each Property Company in, to and under the Borrower Documents to which it is a party and all other agreements to which it is or may become a party;
- (f) a first fixed charge over the right, title, interest and benefit, present and future, of each Property Company in and to all amounts in the relevant Chargor Accounts and any replacement accounts or other bank account of the Property Companies from time to time;
- (g) a first fixed charge over Eligible Investments permitted to be made by the Property Companies (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors);
- (h) a first fixed charge over the benefit of all licences, consents and authorisations (statutory or otherwise) held by it in connection with the Mortgaged Properties or the use of the Mortgaged Properties;
- (i) a first fixed charge over all of its book and other debts, the proceeds of the same and all other monies due and payable to it;
- (j) a first fixed charge over its rights under the building, professional and other contracts in relation to the Mortgaged Properties; and
- (k) a first ranking floating charge over its assets and undertakings not the subject of the fixed charge.

Each Nominee Company will create a first fixed charge by way of legal mortgage over its interest in the Mortgaged Property held by it and a floating charge over its assets and undertaking not the subject of the fixed charge.

In addition, the Cash Manager and PGLC will each give full fixed and floating charges over all its assets and undertakings to secure the Borrower Secured Liabilities. Holdings will give a fixed charge over certain assets and a floating charge (which is capable of being subordinated) over its assets and undertaking not the subject of the fixed charge. In addition, Intermediate Holdings 2 will grant a limited recourse first fixed charge over its shares in Holdings to secure the Borrower's obligations under the Intercompany Loan.

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

Issuer Deed of Charge

The obligations of the Issuer under the Issuer Documents will be secured by the assets of the Issuer pursuant to an issuer deed of charge to be entered into on or before the Closing Date between the Issuer, the Issuer Security Trustee and the other Issuer Secured Parties other than the Account Bank (the **Issuer Deed of Charge**).

Under the Issuer Deed of Charge, the Issuer will agree to grant in favour of the Issuer Security Trustee, on trust for itself, the Bond Trustee (for itself and the Bondholders), the Paying Agents,

the Liquidity Bank, the Swap Counterparty, the Cash Manager and the Account Bank (together with the Bondholders, the **Issuer Secured Parties**), the following security (the **Issuer Security**) over its property, assets and undertakings (the **Issuer Charged Property**):

- (a) a first fixed charge over its rights, title, interest and benefit, present and future, in, to and under the Intercompany Loan Agreement;
- (b) a first fixed charge over its rights, title, interest and benefit, present and future, in, to and under the Borrower Deed of Charge;
- (c) a first fixed charge over its right, title, interest and benefit, present and future, in, to and under:
 - (i) the Liquidity Agreement;
 - (ii) the Swap Agreement;
 - (iii) the Swap Agreement Credit Support Annex;
 - (iv) the Cash Management Agreement;
 - (v) the Bank Agreement;
 - (vi) the Bond Trust Deed;
 - (vii) the Agency Agreement;
 - (viii) the Intercompany Loan;
 - (ix) the Borrower Deed of Charge;
 - (x) the Tax Deed of Covenant (together with the documents referred to in (i) to (ix) above and all other agreements to which the Issuer is, or may become, a party and which are designated as such, the **Issuer Documents**);
 - (xi) the Subscription Agreement; and
 - (xii) all other agreements to which the Issuer is, or may become, a party, whether or not designated as Issuer Documents;
- (d) a first fixed charge over the amounts from time to time standing to the credit of the Issuer Accounts and any replacement accounts or other bank account of the Issuer from time to time (provided that the Standby Account shall not be available, following acceleration of the Bonds, to the Issuer Secured Parties generally; see further *Resources Available to the Issuer and the Borrower — General Liquidity Obligations*);
- (e) a first fixed charge (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors) over Eligible Investments; and

- (f) a first ranking floating charge over its assets and undertakings not the subject of the fixed charge.

The order of priority of payments for the Bonds upon enforcement of the Issuer Security under the Issuer Deed of Charge is more particularly described under *Resources Available to the Issuer and the Borrower — Issuer Priorities of Payment*.

The Issuer Deed of Charge will provide that the Issuer Security Trustee shall have regard to the interest of the Issuer Secured Parties as a class but requires the Issuer Security Trustee, in the event of a conflict, in the opinion of the Issuer Security Trustee, between the interests of the Bondholders and the interests of the other Issuer Secured Parties or any of them, to have regard only to the interests of the Bondholders or to those of the most senior ranking class of them in the event of a conflict in the opinion of the Issuer Security Trustee between the interests of different classes of Bondholders.

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

Subordinated Loan Agreement

On or before the Closing Date, the Property Companies, the Borrower and the Borrower Security Trustee will enter into a subordinated loan agreement (the **Subordinated Loan Agreement**).

The Subordinated Loan Agreement will provide, *inter alia*, that in the event of the liquidation of a Property Company, the claims of the Borrower in respect of the Subordinated Loans will be subordinated to those of all other creditors, other than those whose claims are subordinated to the same level.

The aggregate principal amount of the Subordinated Loans will correspond to the principal amount of the Intercompany Loan. There will be an obligation in the Subordinated Loan Agreement for the Property Companies to pay in a proportion fixed under the Subordinated Loans amounts due to the Borrower which are equal to or exceed all amounts which the Borrower is due to pay on the Intercompany Loan.

The Subordinated Loan Agreement will also provide for assumptions (or repayments and redrawings) of Subordinated Loans by remaining Property Companies when Property Companies leave the security structure for the Intercompany Loan.

The obligations of the Property Companies under the Subordinated Loans will be limited recourse obligations.

The Subordinated Loan Agreement will be governed by English law.

Intra-Group Loan Deed

As at the Closing Date, it is anticipated that Property Companies will have borrowings from Holdings. These borrowings will all be subordinated on the terms of an intra-group loan deed (the **Intra-Group Loan Deed**) to be entered into on or before the Closing Date between, *inter alios*, the Property Companies, the Issuer, the Borrower, the Borrower Security Trustee, Holdings, the Cash Manager and PGLC. The terms of the subordination which will be applicable are as follows: If the Borrower or the relevant Property Company is not in liquidation, then no amount may be paid to the British Land Group in respect of such borrowings unless all amounts then due for payment in respect of the Intercompany Loan Agreement have been paid. In a liquidation of any Property Company or the Borrower, the borrowings will be subordinated in the same manner as is described above in respect of the Subordinated Loans entered into between the Borrower and each Property Company and will be further subordinated so as to rank behind payments due under the Subordinated Loan Agreement to the Borrower.

Pursuant to the Intra-Group Loan Deed, further loans may be made available by Holdings and PGLC to the Property Companies and/or the Borrower and/or the Issuer. These loans will be subordinated as will be the loans advanced on the Closing Date.

In addition, the Intra-Group Loan Deed will contain the acknowledgements that where the Cash Manager utilises surplus funds of one Property Company to satisfy an obligation of another Property Company to make payment in respect of a Subordinated Loan, a loan to PGLC by the Property Company with a surplus arises and a loan by PGLC to the Property Company with the deficit arises. The Intra-Group Loan Deed will provide that these loans are interest free and that the obligation of PGLC to make repayment on the loan to it is limited to the repayment of the loan it made.

The Intra-Group Loan Deed will be governed by English law.

Tax Deed of Covenant

Pursuant to a deed of covenant between, among others, British Land, Holdings, the Issuer, the Borrower, the Property Companies, PGLC, the Cash Manager, Intermediate Holdings 1, Intermediate Holdings 2 and the Borrower Security Trustee dated on or prior to the Closing Date (the **Tax Deed of Covenant**), the Property Companies, the Issuer, the Borrower, the Cash Manager, PGLC, Holdings and British Land will make certain representations, warranties and covenants in relation to tax matters for the benefit of the Borrower Security Trustee.

Each of the Property Companies, the Issuer, the Borrower, Holdings, the Cash Manager and PGLC will make representations, warranties and covenants to the Borrower Security Trustee in relation to (among other things) the payment of tax by such companies VAT grouping tax residency and group tax matters. British Land will make similar representations, warranties and covenants to the Borrower Security Trustee as well as certain additional representations, warranties and covenants including in relation to matters such as secondary tax liabilities.

The Tax Deed of Covenant will also contain provisions dealing with certain tax matters arising in relation to the substitution and disposal of Mortgaged Properties and/or Property Companies, as well as the covenants referred to in the section *Risk Factors - Risks relating to certain additional tax matters — United Kingdom corporation tax on chargeable gains* above.

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

Property Management Agreement

The Property Manager will be appointed by the Property Companies to be manager of the Mortgaged Properties on their behalf pursuant to a property management agreement to be entered into on or before the Closing Date between the Property Companies, the Borrower Security Trustee and the Property Manager (the **Property Management Agreement**). The Property Manager will be entitled to be paid a fee and to be reimbursed its properly and reasonably incurred out-of-pocket costs and expenses (including irrecoverable VAT thereon) by the Property Companies for so acting.

The Property Manager will be obliged to manage the Mortgaged Properties as would a prudent manager of commercial properties and to manage the Mortgaged Properties in accordance with the principles of good estate management. It will be responsible for, *inter alia*, dealing with tenant queries, the conduct of rent reviews and the calculation of service charge amounts. The Property Manager will be entitled to delegate its functions to the Broadgate Management Company and/or other parties.

The Property Companies and/or the Borrower Security Trustee will be entitled to terminate the appointment of the Property Manager without penalty or liability (other than in respect of matters arising prior to the relevant termination date) upon 30 days' written notice to it in the circumstances specified in the Property Management Agreement. The Property Manager will be entitled to resign its appointment as such, but any such resignation will not be effective until a successor Property Manager is appointed by the Property Companies on terms acceptable to the Borrower Security Trustee (such terms to include satisfaction of the Rating Condition except in the case of the appointment of another member of the British Land Group as such successor).

Pursuant to the Intercompany Loan Agreement, the Property Companies will be required to use all reasonable endeavours to ensure that there is at all times a Property Manager engaged (on no worse than arm's length commercial terms) on terms substantially similar (but having regard to then available property management services) to the terms of the initial Property Management Agreement.

The Property Management Agreement will be governed by English law.

THE MORTGAGED PROPERTIES

Introduction

The properties held by the Property Companies at the Closing Date and which will be the Mortgaged Properties to be charged pursuant to the Borrower Deed of Charge are:

Address	Net Internal Area (square feet)			Building Completed	Gross Passing Rent (£pa) ⁽²⁾	Contracted Rent (£pa) ⁽³⁾	Tenure	Principal Tenant
	Offices ⁽¹⁾	Retail/Leisure	Total					
1 Finsbury Avenue	267,621	16,245	283,866	08/1984	12,362,770	12,362,770	Virtual Freehold ⁽⁴⁾	SBCI
2 Finsbury Avenue	112,480	2,680	115,160	02/1988	4,725,281	4,725,281	Virtual Freehold ⁽⁴⁾	SBCI
3 Finsbury Avenue	76,235	4,642	80,877	12/1986	3,435,463	3,435,463	Virtual Freehold ⁽⁴⁾	Hendersons
1,2 and 3 Broadgate & Broadgate Circle	343,606	48,297	391,903	12/1987	17,076,310	17,772,230	Virtual Freehold ⁽⁴⁾	Lehman Brother;
4 Broadgate	165,103	0	165,103	12/1986	8,367,627	8,367,627	Virtual Freehold ⁽⁴⁾	Hendersons
6 Broadgate	262,554	0	262,554	07/1988	10,554,809	11,105,824	Virtual Freehold ⁽⁴⁾	Multi-let
8-12 Broadgate and 100 Liverpool Street	377,382	5,751	383,133	02/1988	16,973,600	17,209,600	Virtual Freehold ⁽⁴⁾	SBCI
135 Bishopsgate	351,029	8,498	359,527	12/1988	14,624,848	14,624,848	Virtual Freehold ⁽⁴⁾	NatWest
155 Bishopsgate	401,641	7,006	408,647	06/1989	16,444,068	18,182,068	Virtual Freehold ⁽⁴⁾	Multi-let
175 Bishopsgate	367,253	17,671	384,924	08/1991	334,750	19,309,750	Virtual Freehold ⁽⁴⁾	EBRD
199 Bishopsgate	144,209	1,440	145,649	01/1991	6,439,539	5,908,989	Virtual Freehold ⁽⁴⁾	Multi-let
Exchange House	383,869	814	384,683	07/1990	19,322,612	20,174,274	Virtual Freehold ⁽⁴⁾	Herbert Smith
Broadwalk House	301,617	0	301,617	05/1989	11,897,744	11,897,744	Virtual Freehold ⁽⁴⁾	Credit Lyonnais
1 Appold Street	185,178	3,486	188,664	10/1988	7,749,473	7,749,473	Virtual Freehold ⁽⁴⁾	Deutsche Bank
Broadgate Club	0	43,361 ⁽⁶⁾	43,361	10/1988	607,054	728,465	Long Leasehold ⁽⁵⁾	Holmes Place Health Club Limited
10 Exchange Square	149,914	11,240	161,154	05/2004	0	3,232,441	Virtual Freehold	Herbert Smith Western Asset
Totals	<u>3,889,691</u>	<u>171,131</u>	<u>4,060,822</u>		<u>150,915,948⁽⁷⁾⁽⁸⁾</u>	<u>176,786,847 (8)</u>		

Notes:

- (1) Includes ancillary space.
- (2) Inclusive of estimated turnover rents, sums paid for management offices and certain ancillary payments.
- (3) Computed after expiry of rent free periods and after implementation of minimum uplifts on next rent review prior to July 2009.
- (4) Virtual freehold: leaseholds with at least 970 years unexpired at a peppercorn/no more than £1,000 annual rent.
- (5) Owned by Broadgate City Plc for a term of 125 years from 1988 at an annual peppercorn rent.
- (6) Leisure space.

- (7) The total annual passing rent will rise to £176,786,847 by July 2009 after guaranteed minimum increases and run-off of contracted rent free periods.
- (8) The totals of the “Gross Passing Rent” and “Contracted Rent” mentioned above include an amount of approximately £290,000 and £350,000 respectively which corresponds to the aggregate notional rents paid by the tenants in relation to the occupation of management offices by Broadgate Estates Limited. Such occupation is not formally documented and treated by both parties as licences/tenancies at will and can be terminated by either party at any time.

Description of each of the initial Mortgaged Properties

1 Finsbury Avenue

The building was designed by Amp Associates and completed in 1984.

The accommodation comprises ground and seven upper floors of offices with retail, leisure, public house and restaurant space on part of the ground and basement floors and additionally has 56 car parking spaces at basement level. The office accommodation is let to SBCI (a subsidiary of UBS AG) (SBCI) on a full repairing and insuring lease expiring September 2022.

The annual passing rent currently receivable is £12,362,770. Of this, approximately 97 per cent. is paid by SBCI.

Principal Tenant(s)	Break Options	Lease Expiry
SBCI	September 2014 September 2017	September 2022

2 Finsbury avenue

The building was designed by Arup Associates and completed in 1988.

The accommodation comprises ground and seven upper floors of offices with retail space on part of the ground floor and additionally has six car parking spaces at basement level. The whole building is let to SBCI on a full repairing and insuring lease expiring September 2022.

The annual passing rent currently receivable from SBCI is £4,725,281, which is 100 per cent. of the total annual rental income from the building.

Principal Tenant(s)	Break Options	Lease Expiry
SBCI	September 2014 September 2017	September 2022

3 Finsbury Avenue

The building was designed by Arup Associates and completed in 1986.

The accommodation comprises ground and seven upper floors of offices with a public house on part of the ground and basement floors. The whole building is let to Henderson Administration Limited (Hendersons) on a full repairing and insuring lease expiring September 2014. Hendersons have the right to use six car spaces in 1 Finsbury Avenue.

The annual passing rent currently receivable from Hendersons is £3,435,463, which is 100 per cent. of the total annual rental income from the building.

Principal Tenant(s)	Break Options	Lease Expiry
Hendersons	None	September 2014

1, 2 and 3 Broadgate and Broadgate Circle

The buildings were designed by Amp Associates and completed in 1987.

1 and 2 Broadgate comprise two adjoining office buildings, built over ground and seven upper floors. There are leisure and storage facilities at mezzanine and basement levels. 3 Broadgate is built in circular plan form over two basement levels, ground and three upper floors. The properties also benefit from 43 car parking spaces.

The principal tenant at 1 and 2 Broadgate is Lehman Brothers Limited (**Lehman Brothers**) on two full repairing and insuring leases expiring January 2017.

Level 1 of 3 Broadgate is let to The Summit Group Limited on a lease expiring April 2007. The remaining two office floors in 3 Broadgate are currently vacant.

Broadgate Circle provides 13 retail/restaurant units, which are mostly let on leases expiring 2013, nine kiosks mostly let on leases expiring in 2007 or 2008, an events office and a paved piazza area.

The annual passing rent currently receivable is £17,076,310, of which approximately 88 per cent. is paid by Lehman Brothers. Following an increase in rent in respect of the arena events office of £9 435 p.a. in April 2005 and a minimum uplift on rent review in December 2006 of £749 355 p.a. on the Lehman Brothers leases the passing rent will increase to £17,772,230 p.a.

Principal Tenant(s)	Break Options	Lease Expiry
Lehman Brothers	None	January 2017

4 Broadgate

The building was designed by Arup Associates and completed in 1986.

It comprises a basement, lower ground and seven upper floors and is let to Hendersons on a full repairing and insuring lease expiring December 2011. The building also benefits from 23 car parking spaces.

The annual passing rent currently receivable from Hendersons is £8,367,627, which is 100 per cent. of the total rental income from the building.

Principal Tenant(s)	Break Options	Lease Expiry
Hendersons	None	December 2011

6 Broadgate

The building was designed by Arup Associates and completed in 1988.

The building is contiguous with 8-12 Broadgate and is arranged over basement, lower ground, ground and seven upper floors and benefits from 24 car parking spaces.

The principal tenants (paying approximately 99 per cent. of the total passing rent) are:

Principal Tenant(s)	Break Options	Lease Expiry
Mitsubishi Securities International Plc	None	September 2013
Lehman Brothers	None	September 2013
Williams de Broe Holdings Limited	None	September 2013
Ambac Assurance UK Limited	None	September 2013

The annual passing rent currently receivable is £10,554,509, increasing to £11,105,824 on expiry of the rent free period to Ambac in September 2006 and following an increase in rent in respect of management accommodation.

8-12 Broadgate and 100 Liverpool Street

The buildings were designed by Arup Associates and completed in 1988.

The buildings are contiguous and comprise accommodation on ground and seven upper floors of offices above retail and ancillary accommodation. The buildings benefit from 37 car parking spaces.

The office accommodation is let to SBCI on full repairing and insuring leases expiring December 2022 with tenants' break options in June 2009 or September 2013. Exercise of the 2009 break option requires payment of an amount equal to 24 months' principal rent (the principal rent being deemed to be equal to 125 per cent. of the 2003 review rent). Exercise of the 2013 break option requires payment of an amount equal to 12 months' principal rent (the principal rent being deemed to be equal to the 2008 review rent, increased by five per cent. per annum simple from December 2008). The relevant amount will be required to be held in the Rental Receipts Account (or such other account acceptable to the Borrower Security Trustee) and one eighth thereof (in the case of the 2009 break option) or one quarter thereof (in the case of the 2013 break option) utilised on a quarterly basis in respect of payments on the Intercompany Loan until the relevant Mortgaged Properties are re-let and lease payments in respect thereof recommence, in which event the remainder of such advance payment shall be released to the relevant Property Company.

The annual passing rent currently receivable is £16,973,600, of which approximately 95 per cent. is paid by SBCI, increasing to £17,209,600 following expiry of a rent free period and minimum uplifts on rent reviews until July 2009.

Principal Tenant(s)	Break Options	Lease Expiry
SBCI	June 2009 September 2013	December 2022

135 Bishopsgate

The building was designed by Skidmore Owings and Merrill and completed in 1988. It is contiguous with 155 Bishopsgate and comprises 12 floors of offices above retail accommodation at ground and mezzanine level. The offices are let on a full repairing and insuring lease to National Westminster Bank Plc for a term expiring in February 2019.

The building also benefits from 32 car spaces.

The annual rent currently receivable is £14,624,848, of which approximately 95 per cent. is paid by NatWest.

Principal Tenant(s)	Break Options	Lease Expiry
NatWest	None	February 2019

155 Bishopsgate

The building was designed by Skidmore Owings & Merrill and completed in 1989.

The building is contiguous with 135 and 175 Bishopsgate and comprises 12 floors of offices above retail and ancillary accommodation at ground and mezzanine levels. The building benefits from 39 car parking spaces.

The principal tenants (paying approximately 82 per cent. of total annual rental income from the building) are:

Principal Tenant(s)	Break Options	Lease Expiry
Baring Investment Services Limited	None	July 2019
The Norinchukin Bank	None	July 2019
The Governor and Company of the Bank of Scotland	None	July 2019
Barclays Bank PLC	None	July 2019
The Sumitomo Trust and Banking Company	None	July 2019
Prebon Marshall Yamane (UK) Limited	None	July 2019

The passing rent currently receivable in respect of the whole building is £16,444,068 increasing to £18,182,068 upon expiry of the rent free periods to the Governor and Company of the Bank of Scotland in August 2007 but if Western Asset exercises a break at any time after September 2005 in respect of part of the fourth floor the rent reduces to £15,969,068 and £17,707,068 respectively.

175 Bishopsgate

The building was designed by Skidmore Owings & Merrill and completed in 1991.

It is contiguous with 155 Bishopsgate and comprises 12 floors of offices above retail and ancillary accommodation at ground and mezzanine level. Following a recent lease restructuring exercise, the office accommodation is let on a full repairing (other than as to inherent defects) and insuring lease to the European Bank for Reconstruction and Development (EBRD) without breaks, expiring in December 2022. The building also benefits from 35 car parking spaces.

As part of the restructuring exercise, EBRD benefits from a fixed rent free period, expiring in November 2006.

The passing rent currently receivable is £334,750 increasing to £19,309,750 on expiry of EBRD's rent free period in November 2006, of which EBRD pays approximately 98 per cent. of total contracted rents.

Principal Tenant(s)	Break Options	Lease Expiry
EBRD	None	December 2022

199 Bishopsgate

The building was designed by Skidmore Owings & Merrill and completed in 1991.

It offers 11 floors of offices above retail and ancillary accommodation at ground and mezzanine levels. The building also benefits from 12 car parking spaces.

The principal tenants (paying approximately 99 per cent. of annual passing rental) are:

Principal Tenant(s)	Break Options	Lease Expiry
ABN Amro Holdings (UK) Limited (10 leases)	None	August 2010
REP Business Centre Ltd.	July 2007	July 2017

The passing rent currently receivable is £6,439,539. The passing rent will fall to £5,808,989 p.a. after expiry of General Re's lease in April 2005 but is set to increase again to not less than £5,908,989 upon implementation of the SREP Business Centre rent review in July 2007.

Exchange House

The building was designed by Skidmore Owings & Merrill and completed in 1990.

It comprises office, retail and ancillary accommodation on three levels below ground, ground and 10 upper levels. The building also benefits from 32 car parking spaces.

Two levels of offices were connected by bridge link to 10 Exchange Square in 2004 as a means of facilitating access to office accommodation leased in that building by Herbert Smith.

The principal tenants (paying approximately 99 per cent. of annual passing rental) are:

Principal Tenant(s)	Break Options	Lease Expiry
Herbert Smith	None	December 2020
Société Générale Broadgate Lease Limited	None	December 2020
F&C Management Limited	None	July 2012 (part only) and December 2020

The annual passing rent currently receivable is £19,322,612 increasing to £20,174,274 after expiry of the rent free period to F&C Management Ltd. in October 2007 and an increase in rent in respect of the management accommodation in April 2005.

Broadwalk House

The property was designed by Skidmore Owings & Merrill and completed in 1989.

It comprises ground and six upper floors of offices, together with 113 car parking spaces at basement level (including 80 spaces operated as a public car park). The office accommodation is let to Ashursts and Credit Lyonnais on full repairing and insuring leases expiring June and July 2019 respectively, which account for 99 per cent. of the total annual rental income from the building.

The annual passing rent currently receivable is £11,897,744.

Principal Tenant(s)	Break Options	Lease Expiry
Ashursts	None	June 2019
Credit Lyonnais	None	July 2019

1 Appold Street

The building was designed by Skidmore Owings and Merrill and completed in 1988.

It comprises a leisure club at basement level, a public house and offices at ground level and seven floors of offices above the ground level premises. The leisure club is separately accessed from Exchange Place by way of lift and stairs, whilst the public house is accessed via Exchange Square. The office accommodation is leased on a full repairing and insuring basis to Deutsche Bank AG until February 2018, which accounts for 98 per cent. of the total rental annual income from the building at ground level and above of £7,749,473. The leisure club is leased to Holmes Place Health Club Limited on a full repairing and insuring basis to June 2023, whilst the public house is let to Huggins & Company Limited until April 2024.

The annual rent currently receivable in respect of the leisure club is £607,054 and is due to increase to not less than £728,465 upon settlement of an outstanding rent review which incorporates a minimum uplift.

Principal Tenant(s)	Break Options	Lease Expiry
Deutsche Bank AG	None	February 2018
Holmes Place Health Club Limited	None	June 2023

10 Exchange Square

The building was designed by Skidmore Owings and Merrill and completed in 2004.

It comprises 10 floors of offices above retail and ancillary accommodation at first floor (Exchange Square level), ground floor (Appold Street level) and at basement level. The building also benefits from 12 car parking spaces. Approximately 44,467 square feet of the office and ancillary accommodation (approximately 28% of the total) has been let to Herbert Smith on three separate leases, with a further 25,224 square feet contracted to be let to Western Asset Management Company Limited. 91,463 square feet of accommodation within the building remains available to let.

No rents are currently receivable. Contracted rent due to be paid upon expiry of the rent free periods granted to Herbert Smith and to Western Asset and in respect of management accommodation is £3,232,441.

Two levels of offices were connected by bridge link to Exchange House in 2004 as a means of facilitating access to office accommodation leased in that building to Herbert Smith.

Principal Tenant(s)	Break Options	Lease Expiry
Herbert Smith	None	December 2020
Western Asset Management Company Limited	None	May 2020 (estimated)

General

Each of SBCI, Lehman Brothers and EBRD is responsible for in excess of 10 per cent. of the total contracted rents payable in respect of the Mortgaged Properties.

As at the Closing Date, the aggregate principal balance of the Initial Term Advances under the Intercompany Loan Agreement will be equal to 74.29 per cent. (to 2 decimal places) of the value of the Mortgaged Properties.

USE OF PROCEEDS

The estimated gross and net proceeds from the issue of the Bonds will be £2,080,710,056. On the Closing Date, the Issuer will, subject to and in accordance with the terms of the Intercompany Loan Agreement, advance the Initial Term Loans to the Borrower, which will be available for on-lending to the Property Companies for the purposes of repaying existing indebtedness owed by various subsidiaries of the British Land Group to Morgan Stanley Mortgage Finance (Broadgate) PLC (the **Original Financing**) and other companies related to the British Land Group. Fees and expenses incurred by the Issuer in connection with the issue of the Bonds will be met by it out of funds provided to it by the Borrower.

THE ISSUER

Introduction

The Issuer was incorporated as Broadgate Financing PLC in England and Wales on 17 December 2004 (registered number 5316365) as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at 10 Cornwall Terrace, Regent's Park, London NW1 4QP. The authorised share capital of the Issuer is £50,000, divided into 50,000 ordinary shares of £1 each, all but one of which are issued and paid up (as to £0.25 each) and all but one of which are held by Holdings and one share of which is held by the Cash Manager. The Issuer has no subsidiaries.

Principal Activities

The principal objects of the Issuer are set out in 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 authorisation of the issue of the Bonds and of the other documents and matters referred to or contemplated in this document 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 and their respective business addresses and other principal activities are:

Name	Business Address	Other Principal Activities
John Ritblat	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Stephen Hester	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
John Weston Smith	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Nicholas Ritblat	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Robert Bowden	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Graham Roberts	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Anthony Braine	10 Cornwall Terrace Regent's Park, London NW1 4QP	Secretary of the British Land Group
Lucinda Bell	10 Cornwall Terrace Regent's Park, London NW1 4QP	Head of Tax and Accounting for the British Land Group
Peter Clarke	10 Cornwall Terrace Regent's Park, London NW1 4QP	Joint Head of Asset Management for the British Land Group

John Ritblat is chairman of the Issuer. The company secretary of the Issuer is Rebecca Scudamore, whose business address is 10 Cornwall Terrace, Regent's Park, London NW1 4QP. The Issuer has no employees.

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	
500,000 ordinary shares of £1 all of which have been issued partly paid.....	£12,500

Loan Capital

£225,000,000 Class A1 Floating Rate Bonds due 2032 (now being issued).....	£225,000,000
£315,000,000 Class A2 4.949 per cent. Bonds due 2031 (now being issued)	£315,000,000
£175,000,000 Class A3 4.851 per cent. Bonds due 2033 (now being issued)	£175,000,000
£400,000,000 Class A4 4.821 per cent. Bonds due 2036 (now being issued)	£400,000,000
£365,000,000 Class B 4.999 per cent. Bonds due 2033 (now being issued).....	£365,000,000
£235,000,000 Class C1 Floating Rate Bonds due 2022 (now being issued).....	£235,000,000
£215,000,000 Class C2 5.098 per cent. Bonds due 2035 (now being issued).....	£215,000,000
£150,000,000 Class D Floating Rate Bonds due 2025 (now being issued).....	£150,000,000
Subordinated Debt.....	£15,000,000
Total capitalisation and indebtedness	£2,095,012,500

Save for the foregoing, at the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptance 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 Deloitte & Touche LLP, Chartered Accountants, the registered auditors of, and reporting accountants to, 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 March with the first statutory accounts being drawn up to 31 March 2005.

“Deloitte & Touche LLP

Hill House
1 Little New Street
London EC4A 1BL

The Directors
Broadgate Financing PLC
10 Cornwall Terrace
Regent’s Park
London NW1 4QP

23 February 2005

Dear Sirs

Broadgate Financing PLC (the “Company”)

Introduction

We report on the financial information of the Company set out below. This financial information has been prepared for inclusion in the offering circular of the Company dated 23 February 2005 (the “Offering Circular”).

Basis of preparation

The financial information set out in this report, which has been prepared on the basis set out under Accounting Policies below and in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited non-statutory financial statements of the Company for the period from incorporation on 17 December 2004 to 31 January 2005 to which no adjustment was considered, necessary.

Responsibility

Such financial statements are the responsibility of the Directors of the Company who approved their issue.

The Directors of the Company 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 non-statutory financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an

assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company, 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.

Our work has not been earned out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been earned out in accordance with those standards and practices.

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 Company as at 31 January 2005 and the result for the period then ended.

Balance Sheet

	Notes	31 January 2005
Current assets		£
Debtors: amounts owed by fellow group undertakings		12,500
Net assets		<u>12,500</u>
Capital		
Called-up share capital	4	<u>12,500</u>
Equity shareholders' funds	5	<u>12,500</u>

Notes to the financial information

1. Business review

The Company was incorporated on 17 December 2004 as Broadgate Financing PLC. The Company has not traded and has not received income, incurred expenditure or recognised any other gains or losses during the period under review. Accordingly, no profit and loss account or cash flow statement is presented.

2. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

Basis of accounting

The financial information has been prepared under the historical cost convention, and in accordance with applicable accounting standards and the accounting provisions of the Companies Act 1985 that would have applied if these were statutory accounts.

3. Director and employees

The Company had no employees during the period. No director received any remuneration for services to the Company in the period.

4. Called-up Share capital

	31 January 2005
<i>Authorised</i>	£
50,000 ordinary shares of £1 each	50,000
<i>Allotted, called-up and partly paid</i>	
50,000 ordinary shares of £1 each, called up to the extent of 25 pence each	12,500

On 17 December 2004 the Company issued 2 ordinary shares with a nominal value of £1 each with £Nil called up. On 20 December 2004 the Company increased its share capital by issue of a further 49 998 ordinary shares with 25p being called up and paid up on the 50 000 £1 ordinary shares in issue in order to meet the requirements of Section 117(1) of the Companies Act 1985, entitling the Company to do business and borrow. A certificate under Section 117(1) of the Companies Act 1985 was issued to the Company on 21 December 2004.

5. Reconciliation of movements in shareholders' funds

	31 January 2005
	£
Shares issued in the period	12,500
Closing shareholders' funds	12,500

6. Related party transaction

At 31 January 2005 £12,500 was due from Broadgate Property Holdings Limited a fellow group company, in respect of shares issued in the period.

7. Subsequent events

On 21 January 2005 the Company entered into a proposal deed and a solicitation agency agreement relating to the transactions which are described in the Offering Circular. On the date hereof the Company has also entered into the Subscription Agreement.

8. Ultimate parent undertaking

The immediate parent undertaking is Broadgate Property Holdings Limited a company registered in England and Wales.

The ultimate parent undertaking and controlling party is The British Land Company PLC, a company registered in England and Wales. The accounts of The British Land Company PLC are available on request from 10 Cornwall Terrace, Regent's Park, London NW1 4QP.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants”

THE BORROWER

Introduction

The Borrower was incorporated as Broadgate (Funding) 2005 Limited in England and Wales on 17 December 2004 (registered number 5316374) as a company with limited liability under the Companies Act 1985. The registered office of the Borrower is at 10 Cornwall Terrace, Regent's Park, London NW1 4QP. The authorised share capital of the Borrower is £1,000, divided into 1,000 ordinary shares of £1 each, one ordinary share of which is issued fully paid up and held by Holdings. The Borrower has no subsidiaries.

Principal Activities

The principal objects of the Borrower are set out in 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 Borrower 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 and the authorisation of the issue of the other documents and matters referred to or contemplated in this Offering Circular and matters which are incidental or ancillary to the foregoing.

The Borrower will covenant to observe certain restrictions on its activities which are detailed in the Intercompany Loan Agreement.

Directors and Secretary

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

Name	Business Address	Other Principal Activities
John Ritblat	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Stephen Hester	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
John Weston Smith	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Nicholas Ritblat	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Robert Bowden	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Graham Roberts	10 Cornwall Terrace Regent's Park, London NW1 4QP	Director of The British Land Company PLC
Anthony Braine	10 Cornwall Terrace Regent's Park, London NW1 4QP	Secretary of the British Land Group
Lucinda Bell	10 Cornwall Terrace Regent's Park, London NW1 4QP	Head of Tax and Accounting for the British Land Group
Peter Clarke	10 Cornwall Terrace Regent's Park, London NW1 4QP	Joint Head of Asset Management for the British Land Group

John Ritblat is chairman of the Borrower. The company secretary of the Borrower is Rebecca Scudamore, whose business address is 10 Cornwall Terrace, Regent's Park, London NW1 4QP. The Borrower has no employees.

Capitalisation and Indebtedness Statement

The capitalisation of the Borrower as at the date of this document, adjusted for the Term Loans to be advanced to the Borrower on the Closing Date, is as follows:

Share capital

Authorised and issued

1,000 ordinary shares of £1 each of which 1 share has been issued fully paid £1.00

Loan capital

£225,000,000 Term A1 Loan (now being advanced).....	£225,000,000
£315,000,000 Term A2 Loan(now being advanced).....	£315,000,000
£175,000,000 Term A3 Loan(now being advanced).....	£175,000,000
£400,000,000 Term A4 Loan(now being advanced).....	£400,000,000
£365,000,000 Term B Loan (now being advanced).....	£365,000,000
£235,000,000 Term C1 Loan (now being advanced).....	£235,000,000
£215,000,000 Term C2 Loan (now being advanced).....	£215,000,000
£150,000,000 Term D Loan (now being advanced).....	£150,000,000
Total capitalisation and indebtedness.....	£2,080,000,001

Save for the foregoing, at the date of this Offering Circular, 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 Issuer from Deloitte & Touche LLP, Chartered Accountants, the registered auditors of and reporting accountants to 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 March with the first statutory accounts being drawn up to 31 March 2005.

“Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 1BL

The Directors
Broadgate Financing PLC
10 Cornwall Terrace
Regent’s Park
London NW1 4QP

23 February 2005

Dear Sirs

Broadgate (Funding) 2005 Limited (the “Company”)

Introduction

We report on the financial information of the Company set out below. This financial information has been prepared for inclusion in the offering circular of Broadgate Financing PLC (the “Issuer”) dated 23 February 2005 (the “Offering Circular”).

Basis of preparation

The financial information set out in this report, which has been prepared on the basis set out under Accounting Policies below and in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited non-statutory financial statements of the Company for the period from incorporation on 17 December 2004 to 31 January 2005 to which no adjustment was considered, necessary.

Responsibility

Such financial statements are the responsibility of the Directors of the Company who approved their issue.

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 non-statutory financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It

also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company, 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.

Our work has not been earned out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been earned out in accordance with those standards and practices.

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 Company as at 31 January 2005 and the result for the period then ended.

Balance Sheet

	Notes	31 January 2005
		£
Current assets		1
Debtors: amounts owed by fellow group undertakings		
Net assets		<u>1</u>
Capital		
Called-up share capital	4	<u>1</u>
Equity shareholders' funds	5	<u>1</u>

Notes to the financial information

1. Business review

The Company was incorporated on 17 December 2004 as Broadgate (Funding) 2005 Limited. The Company has not traded and has not received income, incurred expenditure or recognised any other gains or losses during the period under review. Accordingly, no profit and loss account or cash flow statement is presented.

2. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

Basis of accounting

The financial information has been prepared under the historical cost convention, and in accordance with applicable accounting standards and the accounting provisions of the Companies Act 1985 that would have applied if these were statutory accounts.

3. Directors and employees

The Company had no employees during the period. No director received any remuneration for services to the Company in the period.

4. Called-up share capital

	31 January 2005
	£
<i>Authorised</i>	
1,000 ordinary shares of £1 each	1,000
<i>Allotted, called-up and fully paid</i>	
1 ordinary share of £1 each	1

During the period the Company allotted 1 ordinary share with a nominal value of £1 at par.

5. Reconciliation of movements in shareholders' funds

	31 January 2005
	£
Shares issued in the period	1
Closing shareholders' funds	1

6. Related party transactions

At 31 January 2005 £1 was due from Broadgate Property Holdings Limited a fellow group company, in respect of shares issued in the period.

7. Subsequent events

On 21 January 2005 the Company entered into a proposal deed relating to the transactions which are described in the Offering Circular. On the date hereof the Company has also entered into the Subscription Agreement.

8. Ultimate parent undertaking

The immediate parent undertaking is Broadgate Property Holdings Limited a company registered in England and Wales.

The ultimate parent undertaking and controlling party is The British Land Company PLC, a company registered in England and Wales. The accounts of The British Land Company PLC are available on request from 10 Cornwall Terrace, Regent's Park, London NW1 4QP.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants"

THE PROPERTY GROUP

Introduction

Broadgate Property Holdings Limited was incorporated in England and Wales on 3 February 1999 (registered number 3710294) with limited liability under the Companies Act 1985. The registered office of Holdings and of each of its subsidiaries is at 10 Cornwall Terrace, Regent's Park, London NW1 4QP. The authorised share capital of Holdings is £100,000, divided into 100,000 ordinary shares of £1 each of which 100,000 shares have been issued fully paid. At the Closing Date, Holdings will have 36 direct subsidiaries being the companies referred to below and the Nominee Companies and two indirect subsidiaries.

Each of the following Property Companies is or, as applicable, will be a wholly-owned subsidiary of Holdings at the Closing Date and was incorporated in England and Wales with limited liability under the Companies Act 1985:

Name of Company	Registered No.	Mortgaged Property
Broadgate (PHC 1) Limited*	3707211	4 Broadgate
Broadgate (PHC 2) Limited*	3707212	1, 2 and 3 Broadgate and Broadgate Circle
Broadgate (PHC 3) Limited*	3707214	100 Liverpool Street and 8-12 Broadgate
Broadgate (PHC 4) Limited*	3707215	6 Broadgate
Broadgate (PHC 5) Limited*	3707217	Broadgate Club Leisure Centre, 1 Exchange Place
Broadgate (PHC 7) Limited ⁺ *	3707218	155 Bishopsgate
Broadgate (PHC 8) Limited*	3707220	175 Bishopsgate
Broadgate (PHC 9) Limited*	3707221	Broadwalk House
Broadgate (PHC 14) Limited*	3707222	199 Bishopsgate
Broadgate (PHC 15a) Limited*	3707213	1 Finsbury Avenue
Broadgate (PHC 15b) Limited*	3707216	2 Finsbury Avenue
Broadgate (PHC 15c) Limited*	3707219	3 Finsbury Avenue
Broadgate (PHC 5) 2005 Limited **	5316403	1 Appold Street
Broadgate (PHC 6) 2005 Limited **	5316393	135 Bishopsgate
Broadgate (PHC 11) 2005 Limited**	5316382	Exchange House
Broadgate (PHC 16) 2005 Limited **	5316375	10 Exchange Square

Notes:

+ Formerly named Broadgate (PHC 3a) Limited.

* Incorporated on 28 January 1999, each of these companies is known as an **Original Property Company**.

** Incorporated on 17 December 2004, each of these companies is known as a **New Property Company**.

In addition, the Issuer, the Borrower, the Cash Manager and PGLC are each wholly-owned subsidiaries of Holdings and were incorporated in England and Wales with limited liability under

the Companies Act 1985. The Cash Manager was incorporated on 25 February 1999 (registered number 3724284) and PGLC was incorporated on 25 February 1999 (registered number 3724277).

Principal Activities

Holdings

The principal objects of Holdings are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a holding company and property investment and property holding company.

Since its incorporation, Holdings has acquired the shares in the Property Companies from British Land, and established the Issuer, the Borrower, the Cash Manager and PGLC. Holdings has also authorised its entry into the documents referred to in this Offering Circular and certain documents relating to the Original Financing to which it is, has been or will be a party and matters which are incidental or ancillary to the foregoing.

Property Companies

The principal objects of the Property Companies are set out in their Memoranda of Association and are *inter alia* to carry on the business of a property investment company and property holding company. Other than the matters referred to in the next paragraph, the Property Companies have not engaged, since their incorporation, in any activities other than those incidental to their incorporation under the Companies Act 1985, the authorisation of their entry into the documents referred to in this Offering Circular (and, in the case of the Original Property Companies and the Original Nominee Companies, certain documents relating to the Original Financing) to which they are, have been or will be a party and matters which are incidental or ancillary to the foregoing.

The Original Property Companies acquired long leasehold interests in the Mortgaged Properties between February 1999 and March 1999. The New Property Companies will at the Closing Date have acquired long leasehold interests in the Mortgaged Properties, which acquisition will have been financed by borrowings from British Land. In addition, Broadgate (PHC 6) 2005 Limited will have acquired the entire issued share capital of 135 Bishopsgate Financing Limited and Broadgate (PHC 11) 2005 Limited will have acquired the entire issued share capital of Barstep Limited, which itself has a subsidiary, Broadgate (PHC 11), the previous owner of Exchange House. The debt owed by the New Property Companies to British Land will at the Closing Date be owed to Holdings and will be reduced with the proceeds of the Subordinated Loans, with the remainder of the debt being subordinated or refinanced out of the share capital of the Property Companies.

The Property Companies acquired the long leasehold interests in the Mortgaged Properties from the following companies:

Four Broadgate Limited	Exchange House Holdings Limited
Broadgate Square Limited	Broadgate Court Investments Limited
Six Broadgate Limited	Finsbury Avenue Estates PLC
Broadgate City PLC	Finsbury Avenue (Phase 2) PLC
175 Bishopsgate Limited	Finsbury Avenue (Phase 3) PLC
Whiteapple Developments Limited	Broadgate (PHC 3a) Limited (formerly Broadgate (PHC 7) Limited)*
135 Bishopsgate Financing Limited	Broadgate (PHC 11) Limited (to be Broadgate (PHC 11) at the Closing Date)
Derby Investment Holdings Limited	Broadgate City Limited

These companies are all property companies, subsidiaries of British Land, and their address is 10 Cornwall Terrace, Regent's Park, London NW1 4QP.

Note:

- * On 12 March 1999, the company then named Broadgate (PHC 7) Limited (from whom the Mortgaged Property at 155 Bishopsgate was acquired) changed its name to Broadgate (PHC 3a) Limited. On the same date, the company originally named Broadgate (PHC 3a) Limited changed its name to Broadgate (PHC 7) Limited. Accordingly, the company now named Broadgate (PHC 7) Limited is the relevant owning Property Company for the purposes of this Offering Circular.

Nominee Companies

Phase	Property	Legal Owner	Beneficial Owner	Term	Initial Rent P.A.
1	4 Broadgate	B.L.C.T. (PHC 1) Limited	Broadgate (PHC 1) Limited	999 years from 17 February 1999 expiring on 16 February 2998	£1,000
2	1, 2 and 3 Broadgate and Broadgate Circle	B.L.C.T. (PHC 2) Limited	Broadgate (PHC 2) Limited	999 years from 17 February 1999 expiring on 16 February 2998	£1,000
3	8–12 Broadgate and 100 Liverpool Street	B.L.C.T. (PHC 3) Limited	Broadgate (PHC 3) Limited	986 years from 17 February 1999 expiring on 21 June 2985	£1,000
4	6 Broadgate	B.L.C.T. (PHC 4) Limited	Broadgate (PHC 4) Limited	987 years from 17 February 1999 expiring on 21 March 2986	£1,000
5	1 Appold Street	B.L.C.T. (PHC 5) 2005 Limited*	Broadgate (PHC 5) 2005 Limited	999 years from 25 November 1987 expiring on 24 November 2986	£10
6	135 Bishopsgate	B.L.C.T. (12711) Limited	Broadgate (PHC 6) 2005 Limited	999 years from 10 April 1987 expiring on 9 April 2996	£50
7	155 Bishopsgate	B.L.C.T. (PHC 7) Limited	Broadgate (PHC 7) Limited	987 years from 10 March 1999 expiring on 1 April 2986	£1,000
8	175 Bishopsgate	B.L.C.T. (PHC 8) Limited	Broadgate (PHC 8) Limited	989 years from 17 February 1999 expiring on 1 April 2988	£1,000
9/10	Broadwalk House	B.L.C.T. (PHC 9) Limited	Broadgate (PHC 9) Limited	999 years from 17 February 1999 expiring on 16 February 2998	£1,000
11	Exchange House	B.L.C.T. (PHC 11) Limited	Broadgate (PHC 11) 2005 Limited	989 years from 17 February 1999 expiring on 9 January 2988	£50
14	199 Bishopsgate	B.L.C.T. (PHC 14) Limited	Broadgate (PHC 14) Limited	990 years from 19 February 1999 expiring on 28 January 2989	£50
15a	1 Finsbury Avenue	B.L.C.T. (PHC 15a) Limited	Broadgate (PHC 15a) Limited	999 years from 17 February 1999 expiring on 16 February 2998	£1,000
15b	2 Finsbury Avenue	B.L.C.T. (PHC 15b) Limited	Broadgate (PHC 15b) Limited	999 years from 22 February 1999 expiring on 21 February 2998	£1,000
15c	3 Finsbury Avenue	B.L.C.T. (PHC 15c) Limited	Broadgate (PHC 15c) Limited	999 years from 22 February 1999 expiring on 21 February 2998	£1,000
16	10 Exchange Square	B.L.C.T. (PHC 16) 2005 Limited*	Broadgate (PHC 16) 2005 Limited	(a) term of years expiring on 15 February 2999 (b) term of years expiring on 10 November 2986	£1,000 £10
Broadgate Club	1 Appold Street	B.L.C.T. (PHC 5) Limited	Broadgate (PHC 5) Limited	125 years from 29 September 1988 expiring on 28 September 2113	£5 (if demanded)

* **New Nominee Company** (to be established prior to the Closing Date). Each of the other Nominee Companies listed here is an **Original Nominee Company**.

The Cash Manager

The principal objects of the Cash Manager are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of cash management. The Cash Manager has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the Companies Act 1985, the authorisation of its entry into the documents referred to in this Offering Circular and certain documents relating to the Original Financing to which it is, has been or will be a party and matters which are incidental or ancillary to the foregoing. The authorised share capital of the Cash Manager is £100, divided into 100 ordinary shares of £1 each of which 2 shares have been issued fully

PGLC

The principal objects of PGLC are set out in its Memorandum of Association and are, *inter alia*, to carry on intra-group treasury business. PGLC has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the Companies Act 1985, the authorisation of its entry into the documents referred to in this Offering Circular and certain documents relating to the Original Financing to which it is, has been or will be a party, certain intra-group lending and borrowing pursuant to the Original Financing and matters which are incidental or ancillary to the foregoing. The authorised share capital of PGLC is £100, divided into 100 ordinary shares of £1 each of which 2 shares have been issued fully paid.

Directors and Secretary

The directors of each of Holdings, the Property Companies, the Cash Manager and PGLC are the same as for the Borrower.

The secretary of each of Holdings, the Property Companies, the Cash Manager and PGLC is the same as for the Borrower.

THE LIQUIDITY BANK AND ACCOUNT BANK

The Royal Bank of Scotland plc (**RBS**) will be appointed to act as Liquidity Bank and National Westminster Bank Plc (**NatWest**) will be appointed as Account Bank.

The Royal Bank of Scotland Group plc (the **RBS Group**) is a diversified financial services group engaged in a wide range of banking, financial or finance related activities in the United Kingdom and internationally. The RBS Group's operations are principally centred in the United Kingdom.

The RBS Group's principal operating subsidiary is The Royal Bank of Scotland plc. As of 31 January 2003, the entire issued ordinary share capital of NatWest was transferred from the RBS Group to RBS. Both RBS and NatWest are major United Kingdom clearing banks and each controls, directs and promotes the operations of various subsidiary companies. The RBS Group is engaged principally in providing a comprehensive range of banking insurance and other financial services.

RBS was created by the merger in 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn's Bank plc. At 31 December 2003, RBS had over 600 retail branches in the UK.

NatWest was incorporated in England in 1968 and was formed from a merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back as far as the seventeenth century. NatWest was acquired by the RBS Group on 6 March 2000. At 31 December 2003, NatWest had over 1,600 retail branches in the UK.

At 30 June 2004, the RBS Group had total assets of £519 billion and total deposits of £338 billion. Shareholders' funds at 30 June 2004 were £32,408 million.

The short-term, unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long-term, unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aa1 by Moody's and AA+ by Fitch. The short-term, unsecured and unguaranteed debt obligations of NatWest are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch.

In its capacity as Liquidity Bank, RBS will be acting through its branch at 135 Bishopsgate, London EC2M 3UR. In its capacity as Account Bank, NatWest will be acting through its branch at 88 Cromwell Road, London SW7 4EW.

The information above with respect to RBS, NatWest and the RBS Group has been obtained from them. Delivery of this document shall not create any implication that there has been no change in the affairs of RBS, NatWest or the RBS Group since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to this date.

THE SWAP COUNTERPARTY

Morgan Stanley Capital Services Inc. (MSCS) is a wholly-owned, unregulated, special purpose subsidiary of Morgan Stanley, incorporated in Delaware in 1985. MSCS conducts forward payment business, including interest rate swaps, currency swaps and interest rate guarantees with institutional clients.

Morgan Stanley, whose principal office is located at 1585 Broadway, New York, New York 10036, USA is a global financial services firm that maintains three primary businesses: securities, asset management and credit services. Morgan Stanley combines global investment banking (including the origination of underwritten public offerings and mergers and acquisitions advice) with institutional sales and trading, and provides investment and global asset management products and services and, primarily through its Discover Card brand, consumer credit products. Morgan Stanley is incorporated in the State of Delaware.

MSCS's obligations under the Swap Agreement benefit from an unconditional, irrevocable guarantee from Morgan Stanley. If MSCS ceases to be the Swap Counterparty, Morgan Stanley will cease to be guarantor. The long-term, unsecured, unsubordinated debt obligations of Morgan Stanley are rated AA- by S&P, Aa3 by Moody's and AA- by Fitch and the short-term unsecured, unsubordinated debt obligations of Morgan Stanley are rated A-1 by S&P, P-1 by Moody's and F1+ by Fitch.

The information above with respect to MSCS and Morgan Stanley has been obtained from Morgan Stanley. Delivery of this document shall not create any implication that there has been no change in the affairs of MSCS or Morgan Stanley since the date hereof or that the affairs of MSCS or Morgan Stanley since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to this date.

VALUATION REPORT

Investment Valuations

The Directors
Broadgate Financing PLC
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NW1 4QP

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E14 4QA

The Directors
The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3GR

The Directors
UBS Limited
1 Finsbury Avenue
London
EC2M 2PP

Your ref:
Our ref GXS/JVM/rzn/042548

23 February 2005

Dear Sirs

VALUATION AS AT 20 JANUARY 2005

CERTAIN PROPERTIES KNOWN AS THE BROADGATE ESTATE

1. BASIS OF INSTRUCTIONS

- 1.1 In accordance with the instructions contained in the letter from The British Land Company PLC (the "Company") dated 19 January 2005, we have carried out a valuation

of certain properties known as the Broadgate Estate, described in more detail in the schedules attached to this report. The buildings are all held on a virtual freehold or long leasehold basis by various special purpose vehicle companies, which are indirect subsidiaries of the Company. We understand that this valuation is required for inclusion in a circular (the “Offering Circular”) to be dated the date of this report, comprising listing particulars with regard to the Issuer and the issue by it of the Bonds (as defined in the Offering Circular).

- 1.2 We have, on a number of occasions, provided valuation advice to the Company for year-end and interim balance sheet purposes.
- 1.3 Our valuation has been prepared in accordance with both the Listing Rules of the United Kingdom Listing Authority and the 5th Edition of the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors, (the “Red Book”). The extent of our investigations and the sources of information on which we have relied are as described in Section 4 - Valuation Procedures and Assumptions.
- 1.4 The valuation has been undertaken under the overall supervision of the undersigned.

2. COMPLIANCE AND INDEPENDENCE

- 2.1 In accordance with the latest regulations of the Royal Institution of Chartered Surveyors we can confirm that:
 - Graham Spoor has supervised the regular valuation of the Company’s portfolio since September 1999. Weatherall Green and Smith (now Atisreal) have been the Company’s valuers since 1985.
 - The total fees earned in our latest financial year from the Company and its joint venture companies amounted to substantially less than 5% of our company turnover.
 - We do not carry out any other fee earning work for the Company.
- 2.2 We can also confirm that we do not have any material interest in any of the properties and that we have undertaken this valuation in the capacity of External Valuers.

3. VALUATION

- 3.1 Our valuation is prepared on the basis of Market Value. This is an internationally recognised basis and is defined as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

3.2 We consider that, as at the date of this valuation, a period of six months is an appropriate period for the marketing of these property interests.

3.3 We are of the opinion that the Market Value of the interests in these properties held by the various subsidiaries of the Company, as referred to above and described in our schedules, as at 20 January 2005 is:

£2,800,000,000
(Two billion, eight hundred million pounds)

	Virtual Freehold	Long Leasehold
Held as investments	£2,786,500,000	£13,500,000
Total value	£2,786,500,000	£13,500,000

3.4 Certain properties are held on very long leases, approximately 999 years at fixed peppercorn or nominal rents. In calculating the apportionments between tenure types above, we have included these in the virtual freehold category.

3.5 In accordance with market practice, we have arrived at our valuation by assuming that the vendor “tops up” income, equivalent to the future contractual level, for the duration of any significant rent free periods. The cost to the vendor in providing this top-up is deducted from the estimated purchaser’s bid in order to arrive at our net valuation figure. The cost of the top- up is in the region of £50 million. We have not assumed any top-up in the case of any tenancies that are already income producing, however, for completeness we refer to significant future contracted increases in the attached schedules.

3.6 We therefore set out all current and future contracted increases in rents arising upon the expiry of rent free periods on the attached property descriptions. In accordance with Rule 18.2 of the Listing Rules of the UK Listing Authority, we confirm that, save referred to below, our estimate of net annual rent ignores any special receipts or deductions. It also excludes VAT and other taxes. It is net of any head rents but ignores any costs of maintaining the property in a condition to command that rent. In arriving at our estimate of Net Annual Rents Receivable, the figure is based on the assumption that any outstanding reviews have been settled at our estimated rental value.

3.7 Property values may change significantly over a relatively short period. Consequently our valuations are only valid on the date of valuation.

3.8 Property investments of this nature and quantum are only sold on relatively few occasions. As such our opinion of value is an estimate of a sale price that may be subject to greater variation than is the case for more regularly traded assets.

3.9 No allowance has been made for any costs of realisation or liability for tax, which might arise in the event of disposal. Our valuation excludes VAT. Our valuation makes no specific allowance for the existence of any capital allowances that may be available.

4. VALUATION PROCEDURE AND ASSUMPTIONS

- 4.1 The properties were all inspected both internally and externally by us during December 2004 and January 2005. In preparing our valuation we have taken into account market trends in the locality and except where the Company has advised us to the contrary, or our other enquiries have alerted us to this, we have assumed that there has been no material change to any of the properties or their surroundings that might have a material effect on value, since the time of our inspections.
- 4.2 Details of the nature and extent of the properties, the terms under which they are held, and of any sublettings, permitted uses and related matters, have been supplied by the Company, the Company's managing agents, or other advisors. Where possible this information has been confirmed at our inspections.
- 4.3 We have read and considered Certificates of Title prepared and updated for the purposes of this exercise, including as to tenure and related matters, and have not commissioned formal legal searches. We have therefore assumed the information contained therein to be accurate, up-to-date and complete. Unless stated therein, and referred to in our individual reports, we have assumed the interests are not subject to any onerous restrictions, to the payment of any unusual outgoings or to any charges, or rights of way or easements.
- 4.4 We have also considered the information relating to tenancies, rents, floor areas and other matters relevant to our valuation as set out in the Offering Circular. We can confirm that none of these details would lead us to alter our opinion of Market Value as set out above.
- 4.5 Our valuations are based on measurements provided by the Company and carried out in accordance with The Royal Institution of Chartered Surveyors Code of Measuring Practice. In many cases the areas provided are as calculated following a rent review or letting and agreed between the agents involved. Where appropriate, these have been supplemented by our own sample check measurements.
- 4.6 Our valuations are based on the assumption:
- (i) That except for any defects specifically noted in our report, the properties are in good condition.
 - (ii) That no construction materials have been used that are deleterious, or likely to give rise to structural defects.
 - (iii) That no hazardous materials are present.
 - (iv) That all relevant statutory requirements relating to use or construction have been complied with.
 - (v) That any services, together with any associated computer hardware and software, are fully operational and free from impending breakdown or malfunction.

We have, however, reflected the general condition noted during the course of our valuation inspections and any defects or hazards of which we became aware in the course of our investigations. Any matters that were considered material to the valuation are referred to in our reports.

4.7 Unless provided with information to the contrary our valuations assume:

- (i) That the sites are physically capable of development or redevelopment, when appropriate, and that no special or unusual costs will be incurred in providing foundations and infrastructure. In the context of redevelopment, the costs of complying with covenants relating to the continued operation and safety of the railway below some of the buildings are reflected in our valuation.
- (ii) That there are no archaeological remains on or under land, which could adversely impact on value.
- (iii) That the properties are not adversely affected by any form of pollution or contamination.
- (iv) That there are no abnormal risks of flooding.

We have, however, commented on anything discovered during the course of our valuation enquiries that in our opinion might impact upon value.

4.8 We have made informal enquiries of the local planning and highway authorities and may have relied on other publicly available information. Any information obtained is assumed to be correct. No local searches have been instigated. Except where stated to the contrary, we have assumed that there are no local authority planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the property.

4.9 We have included in our valuations those items of plant and machinery normally considered to be part of the service installations to a building and which would normally pass with the property on a sale or letting. We have excluded all items of process plant and machinery and equipment, together with their special foundations and supports, furniture and furnishings, vehicles, stock and loose tools, and tenants fixtures and fittings.

4.10 we have reflected our, and the property investment market's, understanding of a tenant's status, as supported by generally available credit ratings and reports, we have made no detailed enquiries about the financial status of tenants. We assume that appropriate enquiries were made when leases were originally exchanged, or when consent was granted to any assignment or underletting. Should the general perception of a tenant's covenant strength change materially then this may have a corresponding effect on our valuation.

4.11 For recently completed developments we have taken no account of any retentions, nor made allowance for any outstanding development costs, fees, or other expenditure for which there may be a liability.

5. GENERAL CONDITIONS

- 5.1 report and our valuations have been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect them.
- 5.2 This Valuation Report may only be used for inclusion in listing particulars concerning the proposed issue of the Bonds. 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 context of such publication or disclosure must first be obtained. For the 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.

We confirm consent has been given for inclusion of this Valuation Report in the Offering Circular.

Yours faithfully

Graham Spoor BSc (Hons) MBA MRICS
for and on behalf of Atisreal

Property	Description, Age and Tenure	Terms of Existing Tenancies	Net Annual Rents Receivable £	Market Value £
The Broadgate Estate	A 30 acre development comprising 15 investment properties. The estate extends to over 4 million square feet and was developed, over a period from 1984 onwards.		151,189,501	2,800,000,000

N.B. Net annual rents reflects our estimate of likely settlement on any outstanding reviews.

The total of the Net Annual Rents Receivable mentioned above includes an amount of approximately £290,000, which corresponds to the aggregate notional rents paid by the tenants in relation to the occupation of management offices by Broadgate Estates Limited. Such occupation is not formally documented and treated by both parties as licences/tenancies at will and can be terminated by either party at any time.

Property	Description, Age and Tenure	Terms of Existing Tenancies	Net Annual Rents Receivable £
The Broadgate Estate <i>1 Finsbury Avenue London EC2</i>	<p>An office building originally constructed in 1984 and arranged on basement, ground and seven upper floors with a net internal area of approximately 283,866 sq ft (26,374 sq m). It comprises office, ancillary and retail and leisure accommodation.</p> <p>There is a more recently constructed trading floor spanning the atrium at third floor level while levels 2 and 4 have been extended to incorporate balcony areas.</p> <p>The non-office element, which extends to approximately 16,245 sq ft (1,509 sq m), comprises a health club, restaurant, public house and two shops located on part ground and basement level.</p> <p>There is basement car parking for 56 cars, six of which are used by the occupiers of 3 Finsbury Avenue.</p> <p>Virtual freehold.</p>	<p>SBCI Investment Banking Ltd. (“SBCI”) has an overriding lease over the whole building for a term expiring on 29 September 2022, with tenant’s options to determine on 28 September 2014 and 2017. The lease is drawn on a fully repairing and insuring terms subject to five yearly, upward only rent reviews, the next falling on 29 September 2007.</p> <p>The leisure and retail facilities are subject to a leaseback from SBCI to The Company at a peppercorn rent for a term of 24 years from August 1998, expiring September 2022 on a fully repairing and insuring basis.</p> <p>These are in turn sublet. The shops are let to Mr Patel and Pret A Manger on leases expiring in 2010.</p> <p>The Public House is let to Fuller Smith and Turner and the restaurant is let to Paramart Ltd., both on leases expiring September 2014. The rent review as at September 2004 in respect of the Paramart Ltd. lease remains unsettled.</p> <p>The basement leisure centre is let to Chamberlain and Grant also on a lease expiring September 2014. The September 2004 rent review remains</p>	12,383,770

		unsettled.	
The Broadgate Estate <i>2 Finsbury Avenue London EC2</i>	An office building completed in 1988 arranged on basement, ground and seven upper floors, and providing a total net internal area of 115,160 sq ft (10,699 sq m), including 112,480 sq ft (10,450 sq m) net internal of offices, 2,680 sq ft (248.9 sq m) net internal of ground floor retail and six car parking spaces. Included within these areas is 1,605 sq ft (149 sq m) of lobby space situated at ground floor level. Virtual freehold.	The entire property is let to SBCI Investment Banking Ltd., incorporating fully repairing and insuring terms, subject to five yearly, upward only rent reviews, for a term expiring on 29 September 2022, the next rent review falling on 29 September 2007. There are tenants' break options on 28 September 2014 and 28 September 2017.	4,724,281
The Broadgate Estate <i>3 Finsbury Avenue London EC2</i>	An office building, completed in 1986 arranged on basement ground and seven upper floors with a total net internal area of 80,877 sq ft (7,514 sq m) of office, ancillary and public house accommodation. The above areas include 4,642 sq ft (431 sq m) net internal of retail accommodation and 1,880 sq ft (175 sq m) net internal of lobby space. Virtual freehold.	The entire property is let to Henderson Administration Limited, on a full repairing and insuring lease with the exception of the Crispin areas expiring on 29 September 2014, with upward only rent reviews at five yearly intervals, the next falling on 5 June 2007. The Henderson lease is subject to and with the benefit of the Crispin lease in respect of part of the ground floor on a full repairing and insuring lease, expiring in March 2017, with five yearly, upward only, rent reviews. This has been sublet to Courage, now Inntrepreneur Pub Company (CPC) Limited. The office element has now been sublet to SBCI Investment Bank Ltd. on a short term sublease expiring 5 December 2007. SBCI and Henderson's have	3,434,463

<p>The Broadgate Estate <i>1, 2 & 3 Broadgate Broadgate Circle London EC2</i></p>	<p>1 and 2 Broadgate comprises two adjoining, linked office buildings arranged on basement, mezzanine, ground and seven upper floors. There are leisure and storage facilities, and car parking for 39 vehicles, at basement and mezzanine levels.</p> <p>The buildings were completed in 1987 and have a total net internal office floor area of approximately 338,172 sq ft (31,417 sq m) including lobbies of 1,715 sq ft (159 sq m).</p> <p>1 Broadgate provides approximately 196,336 sq ft (18,240 sq m) net internal and 2 Broadgate approximately 141,836 sq ft (13,177 sq m) net internal.</p> <p>3 Broadgate was completed in 1987 and is a small office building totalling approximately 4,973 sq ft (462 sq m) net internal, arranged on basement mezzanine ground and three upper floors. The building is circular in plan.</p> <p>Broadgate Circle was completed in 1987. The Circle has recently been refurbished and provides 13 retail/restaurant units and nine kiosks arranged around a circular arena, which is used during the winter as an ice</p>	<p>entered into put and call options for SBCI to take an assignment of Henderson's lease after expiry of the short underlease.</p> <p>1 and 2 Broadgate are let under two full repairing and insuring leases to Lehman Brothers Limited for 30 ½ years from 23 July 1986, expiring in January 2017. The rent is subject to upward only rent review every five years, to 94.795 per cent and 94.775 per cent of market rental value for 1 and 2 Broadgate respectively. The review in 2006 has a minimum uplift to £9,106,327 pa and £6,677,855 pa for 1 and 2 Broadgate respectively, compared to current rents passing of £8,676,042 and £6,360,785 respectively.</p> <p>The first floor of 3 Broadgate is let to The Summit Group Limited from August 2002, to April 2007 on full repairing and insuring terms.</p> <p>The rest of 3 Broadgate is vacant.</p> <p>The retail and leisure units in Broadgate Circle are generally let on 25 year full repairing and insuring leases, expiring in 2013 and incorporating five yearly, upward only, rent reviews. 7 of the 14 retail interests have tenants break clauses ranging from June 2002 to March 2008. Certain units have the benefit of additional turnover geared rents.</p> <p>The nine kiosks are let on short term tenancies, mostly expiring</p>	<p>17,107,809 (contracted increase in December 2006 of 749,355)</p>
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	skating rink and in the summer as an arena for public entertainment.	in 2007/2008.	
The Broadgate Estate <i>1, 2 & 3 Broadgate Broadgate Circle London EC2</i>	The retail units have a total net internal floor area of 48,758 sq ft (4,530 sq m). The total net internal area of the office, retail and ancillary space is 391,903 sq ft (36, 409 sq m). Virtual freehold.		
<i>Cont.</i>			
The Broadgate Estate <i>4 Broadgate London EC2</i>	4 Broadgate is a detached office building completed in 1986 and constructed on basement, lower ground and seven upper floors. It provides high quality office accommodation. The total net internal floor area of the building is approximately 163,603 sq ft (15, 199 sq m), excluding an entrance of 1,500 sq ft (1,395 sq m). There are 22 car spaces at basement level. Virtual freehold.	The entire property is let to Henderson Administration Ltd., on full repairing and insuring terms for a term commencing on 25 December 1986 expiring on 24 December 2011. The rent is subject to five yearly, upward only, rent reviews to open market rental value, the next due on 25 December 2006.	8,366,627
The Broadgate Estate <i>6 Broadgate London EC2</i>	6 Broadgate is an office building on basement, lower ground, ground and seven upper floors completed in 1988. The upper floors are arranged, around a central atrium. The building has a total net internal floor area of approximately 262 554 sq ft	The property is subject to a total of seven fully repairing and insuring tenancies. Where applicable, all incorporate five yearly, upward only, rent reviews. Part Level 7 is let to Lehman Brothers Limited until 28 September 2013 with the next rent review due on 21 March	10,553,809 (542,015 future contractual increase rent from 29 September 2006)

(24,392 sq m) and includes 23 basement car parking spaces.

Virtual freehold.

2005. Part Level 7 is let to Ambac Assurance Ltd. on a lease expiring 28 September 2013 with the next rent review due 29 September 2009. The tenant benefits from a rents free period until 20 September 2006. Level 6 is let to Williams De Broe Holdings Ltd. On a lease expiring 30 September 2013 with the rent review due 1 October 2003 remaining unsettled.

Level 5 is occupied by Lehman Brothers Limited by way of a lease expiring 18 September 2013 with the rent review due 19 September 2003 remaining unsettled. Levels 2, 3 and 4 are let to Tokyo – Mitsubishi International Plc on two separate leases, both expiring on 28 September 2013 with the rent review due 18 February 2004 remaining unsettled. The ground and first floor are let to Lehman Brothers Limited on a lease expiring 22 September 2013 with a review due 23 September 2003 remaining unsettled.

The Broadgate Estate
135 Bishopsgate London EC2

135 Bishopsgate is an office building providing ground and 11 upper floors of offices and eight shops at ground floor level. It was completed in 1988.

The offices have a total net internal floor area of approximately 351,029 sq ft (32,611 sq m) while the retail accommodation totals 8,498 sq ft (789 sq m) net internal.

There are 32 car parking

The entire office accommodation is let under full repairing and insuring terms to National Westminster Bank Plc for 30 years from 10 February 1989. The rent is subject to five yearly, upward only, rent reviews. 14,641,698

The retail units, which produce a total current base income of £753,801 pa, are let on full repairing and insuring terms on leases expiring 10 February 2019.

spaces.

Virtual Freehold.

Unit 1 is let to Jac London with the rent review due 6 May 2004 remaining unsettled.

Unit 2/2a is let to Aroma Ltd. with the rent review due 23 November 2003 remaining unsettled.

Unit 3 is let to Hobbs Ltd. with the next rent review due 25 December 2007.

Unit 4 is let to National Westminster Bank Plc with the rent review due 10 February 2004 remaining unsettled.

Unit 5 is let to Karen Millen with the next rent review due 28 April 2008.

Unit 6 is let to Timberland with the next rent review due on 28 June 2007.

Unit 7 is let to Space NK Ltd. with the next rent review due on 7 October 2006.

Unit 8 is let to Episode (GB) Limited with the next rent review due on 25 February 2008.

**The
Broadgate
Estate**

*135
Bishopsgate
London
EC2*

Cont.

**The
Broadgate
Estate**

*155
Bishopsgate
London
EC2*

155 Bishopsgate is an office building arranged on ground lower ground and twelve upper floors constructed in 1989 and providing a total net internal floor area of 408,647 sq ft (37,964 sq m). The office area including storage is 395,482 sq ft (36,741 sq m) net internal. There is a further

All office and shop leases are on fully repairing and insuring terms with five yearly, upward only, rent reviews. The offices are let on 12 leases.

Part level 1 is let to Allianz Dresdner Asset Management (UK) Ltd. by way of a lease expiring 22 September 2009,

16,445,675
(1,738,000
additional
future
contractual
rent from 10
August 2007)

6,159 sq ft (572sq m) net internal of lobbies.

The remainder is retail accommodation extending to approximately 7,006 sq ft (651 sq m) net internal.

There are 39 car spaces.

Virtual freehold.

with a rent review due on 23 September 2004 remaining unsettled.

Part level 1 is let to Barclays Bank PLC by way of a lease expiring 3 July 2019, with the next rent review due 13 February 2005.

Level 2 is let to Prebon Marshall Yamane (UK) Ltd. by way of a lease expiring 3 July 2019, with a rent review due 25 December 2004 remaining unsettled.

Level 3 is let to Sumitomo Trust & Banking Co Ltd., with a rent review due 1 February 2005, by way of a lease expiring 3 July 2019.

Part Level 4 is let to Western Asset Management Company Ltd., by way of a lease expiring 19 March 2011, with the next rent review due 20 March 2006. This lease is also subject to a tenant's option to break on 29 September 2005.

Part Level 4 floor is let to The Norinchukin Bank by way of a lease, expiring 3 My 2019, with the next review due 3 March 2005.

Part Level 4 is also let to Dai Ichi Seimei International (UK) Ltd., by way of a lease expiring 3 My 2019, with a review due 14 February 2005.

Level 5 is let to Baring Investment Services Ltd., expiring 3 July 2019, with a review due 19 November 2004.

**The
Broadgate
Estate**

*155
Bishopsgate
London
EC2*

Cont.

**The
Broadgate
Estate**

155
Bishopsgate
London EC
2

Cont.

Level 6 is let to The Governor & Company of Bank of Scotland by way of lease, expiring 3 July 2019, with the next rent review due 10 August 2009. There is a rents free period until 10 August 2007.

Level 7 is also let to The Governor & Company of Bank of Scotland, with the next rent review due 1 August 2005, with the lease expiry due 3 August 2019.

Level 8 is let to The Framlington Group plc by way of a lease expiring 3 July 2019, with a rent review due 7 September 2004 remaining unsettled.

Levels 9,10,11 and 12 are let to Baring Investment Services Ltd. by way of a lease expiring 3 July 2019, with a review due 3 July 2009.

There are three retail units by way of leases which all expire on 3 July 2019.

Unit 9 is let to Jesire (Europe) Ltd. with the next rent review due 4 March 2008. There is a tenant break option on 4 March 2008. Units 10 and 11 are let to Barclays Bank PLC with a rent review due 13 February 2005 and Unit 12 is let to Target PIL Core Ltd., with a rent review due 14 July 2004.

**The
Broadgate
Estate**

175

175 Bishopsgate is an office building completed in 1991 and arranged on lower ground, ground and twelve upper

The offices are let to the European Bank for Reconstruction and Development (“EBRD”) for a term expiring in December 2022

414,510
(18,975,000
future
contractual

<i>Bishopsgate London EC2</i>	<p>floors.</p> <p>It extends to a total net internal floor area of 367,253 sq ft (34,119 sq m) of offices, and 11 retail units totalling 17,671 sq ft net internal.</p> <p>There are 35 car spaces.</p> <p>Virtual freehold.</p>	<p>on full repairing and insuring terms subject to five yearly, upward only, rent reviews.</p> <p>The tenant's option to break in November 2006 has been removed and in consideration the landlord has granted a 3½ year rent free period. This element of the property becomes income producing again on 26 November 2006.</p>	<p>increase from 26 November 2006)</p>
		<p>The retail element is let to a variety of tenants. Units 13 & 14 are let to Monte Karbarron on separate leases, both expiring on 5 January 2017 with rent reviews due on 22 February 2004 and 6 January 2007 respectively. Unit 15 is let to Uncorked Limited (trading as Wordnear) by way of a lease expiring 24 December 2016.</p>	
<p>The Broadgate Estate</p> <p><i>175 Bishopsgate London EC2</i></p>		<p>Units 16 and 17 are let to the Broadgate Medical Centre Ltd. by way of a lease expiring 24 December 2016. Units 18 and 19 are let to Shiroma (UK) Ltd. expiring on 24 December 2016. Unit 20 is let to Mukesh Gagliani by way of a lease expiring 24 September 2016. Unit 21 is let to Pret a Manger (Europe) Ltd. by way of a lease expiring 24 December 2016.</p>	
		<p>Unit 24 is let to Future Restaurants Ltd. (Davy's of London (Wine merchants) Ltd.) by way of a lease expiring 24 December 2016. Unit 25 is let to Coffee Republic Plc also by way of a lease expiring 24 December 2016.</p>	

Cont.

Several rent reviews remain unsettled and are assumed to have been settled at our opinion of estimated rental value.

**The
Broadgate
Estate**

Broadgate Court is an office building with two basement levels, ground, mezzanine and eleven upper floors. It was completed in 1991.

All leases are effectively on a full repairing and insuring basis with five yearly, upward only, review patterns.

6,439,489

*Broadgate
Court 199
Bishopsgate
London
EC2*

The building has a total net internal floor area of 145,649 sq ft (13,531 sq m) including 1,440 sq ft (134 sq m) of retail.

Upper basement, ground, part mezzanine, first, second, third, fifth, sixth, ninth, tenth, eleventh levels are all let to ABN AMRO Holdings (UK) Limited (Level 9 is let to ABN AMRO Management Services Limited) on individual leases expiring 25 August 2010 with rent reviews ranging from 29 September 2005 to 29 September 2008 and 23 November 2008. Part mezzanine is let as a building management office.

There are 13 car spaces.

Level 4 is occupied by SREP Business Centres Ltd. expiring 18 July 2017, with the next rent review due 22 July 2007.

Virtual Freehold.

Level 8 is let to General Re Financial Securities Ltd. by way of a lease expiring 27 April 2005.

Level 7 is let to ABN AMRO Holdings (UK) Limited by way of a lease expiring 23 August 2010. The next rent review is on 29 September 2005.

<p>The Broadgate Estate</p> <p><i>100 Liverpool Street London EC2</i></p>	<p>100 Liverpool Street is an office building constructed in 1988, arranged on basement, ground and seven upper floors extending to a total net internal area of 257,478 sq ft (23,920 sq m) comprising 251,713 sq ft (23,385 sq m) offices and 5,765 sq ft (536 sq m) of ancillary lobby space. There are 23 car spaces below ground accessed via shared service areas.</p> <p>Virtual freehold.</p>	<p>SBCI occupy the property under the terms of a lease expiring on 29 December 2022 with tenants' options to break (with consideration payable to The Company) on 23 June 2009 or 28 September 2013, on not less than 12 months but not more than 24 months notice. If the first break is exercised, the revised rent from December 2008 until June 2009 will be the fifth anniversary rent plus 25%. The tenant must also pay rent penalties as follows:</p> <ul style="list-style-type: none"> – 2009 break: 24 months rent, calculated as 125% of rent following the 2003 review; – 2013 break: 12 months rent, calculated as being 5% more than rent following the 2008 review. <p>The lease is drawn on standard fully repairing and insuring terms and is subject to upward only, five yearly rental reviews.</p> <p>There is a tenant's option to renew for a further ten years.</p>	<p>16,972,600</p> <p>(increase of £225,000 at September 2005)</p>
<p>The Broadgate Estate</p> <p><i>8-12 Broadgate London EC2</i></p>	<p>8-12 Broadgate is an office buildings arranged on ground and seven upper floors extending to a total net internal area of 119,902 sq ft (11,139 sq m) together with 14 below ground car spaces. It was constructed in 1988.</p> <p>Virtual freehold.</p>	<p>SBCI has taken a lease upon similar terms, including break provisions, as set out for 100 Liverpool Street. The initial rent is subject to five yearly, upward only, rent reviews, the next falling in December 2008. The lease is drawn on standard institutional fully repairing and insuring terms.</p>	<p>(Included in income from 100 Liverpool Street)</p>
<p>The</p>	<p>Lower ground floor retail units</p>	<p>Let on fully repairing and</p>	<p>(Included in</p>

<p>Broadgate Estate</p> <p><i>Octagon Arcade</i></p>	<p>situated partly below 100 Liverpool Street. Fronting part of one of the principal access walkways to Liverpool Street Mainline and London Underground Station.</p> <p>Purpose built broadly rectangular units, constructed in 1988, currently arranged as seven trading areas together with a central concourse unit. The combined net internal area specified for review purposes extends to approximately 5,431 sq ft (504 sq m) plus stores.</p> <p>The common area of the Arcade has recently been refurbished, including redevelopment of the unit now occupied by Monsoon Accessorize Ltd.</p> <p>Virtual freehold.</p>	<p>insuring leases to a variety of traders including The Body Shop International Plc, Monsoon Accessorize Ltd. (Monsoon), Starbucks Coffee Co (UK) Ltd. (Starbucks) and Optika Holdings Ltd., (Optika), trading as David Clulow. Leases are for various terms expiring June 2013, with the exception of the concourse unit, expiring on a licence in May 2012 and the Optika unit, which expires in November 2013. The rents are subject to five yearly, upward only, rent reviews.</p> <p>There are options to break in the leases to Starbucks, Optika and Monsoon in December 2009, June 2009 and June 2009 respectively and an option to break in the lease to Orange Retail Ltd., which is exercisable in January 2008.</p>	<p>income from 100 Liverpool Street)</p>
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**The
Broadgate
Estate**

*Broadwalk
House 5
Appold
Street
London
EC2*

Office building completed in 1989 and arranged on basement, ground and six upper floors.

The total net internal office area is approximately 301,617 sq ft (28,021 sq m) including approximately 9,145 sq ft (849 sq m) of ancillary lobby space and 6,834 sq ft (635 sq m) net internal of space originally designated as retail.

There are 113 income producing car spaces.

Virtual freehold.

The third floor atrium, fourth, fifth and sixth floor offices together with 13 car spaces, the atrium base and ancillary storage areas are let to Ashurst Morris Crisp on full repairing and insuring leases expiring in June and July 2019, subject to upward only rent reviews at five yearly intervals. The next reviews are due in 2009.

In addition to the lease income, the tenant pays a licence fee of £8 546 pa for ancillary accommodation for the duration of their lease.

The ground mezzanine, first, second and third floors together with 20 car spaces and ancillary storage areas are let to Credit Lyonnais Property (Broadwalk), each guaranteed by Credit Lyonnais on full repairing and insuring leases, each expiring on 2 July 2019 and subject to upward only rent reviews at five yearly intervals. The next review falls on 2 July 2009.

80 car spaces are let to Central Parking Systems of UK Limited by way of a five year lease expiring on 24 December 2006. The Landlord has an option to break the tenancy at any time after 25 December 2003 upon 6 months prior notice. There are no rent review provisions and the surety is Central Parking Systems Inc.

11,905,290

**The
Broadgate**

Network Rail Infrastructure Limited have a 998 year lease on a further 43 car parking spaces,

Estate

*Broadwalk
House 5
Appold
Street
London
EC2*

Cont.

expiring in 2987, at nil rent. This lease includes appropriate provisions to allow redevelopment.

<p>The Broadgate Estate</p> <p><i>Exchange House Primrose Street London EC2</i></p>	<p>An office building arranged on three lower ground, ground and ten upper floors completed, in 1990.</p> <p>The property provides total accommodation of approximately 384,683 sq ft (35,738 sq m) net internal, including 814 sq ft (76 sq m) net internal of retail and 32 car parking spaces.</p> <p>Virtual Freehold.</p>	<p>The principal tenant is Herbert Smith, who occupy the first to sixth floors by way of a full repairing and insuring lease expiring on 5 December 2020. Kent reviews are five yearly, upward only, the next falling on 9 December 2005. A supplemental deed provides for the release of outgoing partners of Herbert Smith on death or retirement.</p> <p>The 7th floor, basement storage areas and parking level are occupied by F&C Management Ltd. by way of two leases expiring on 31 July 2012 and 8 December 2020, with the next rent reviews due on 31 July 2007 and 10 August 2009. In respect of the lease dated 8 December 2020 of part level 7 and basement storage area, the tenant benefits from a rent free period until October 2007.</p> <p>The 8th floor is also occupied by F&C Management Ltd. by way of a lease expiring 8 December 2020, the next review falling on 6 October 2005.</p> <p>The basement frame room occupied by MCI (Worldcom) Ltd. by way of a full repairing and insuring lease expiring in February 2005. These have no further rent reviews.</p> <p>Levels 9 and 10, together with storage space and 6 parking spaces and unit 27 are occupied by Société Générale by way of leases expiring 8 December 2020, with the next reviews due in October 2005.</p>	<p>19,322,562</p> <p>(875,000 future contractual increase from 13 October 2007)</p>
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**The
Broadgate
Estate**

*Exchange
House
Primrose
Street
London
EC2*

Cont.

**The
Broadgate
Estate**

*1 Appold
Street
London
EC2*

1 Appold Street is an office buildings arranged on basement ground and seven upper floors totalling approximately 185,178 sq ft (17,203 sq m) net internal of office and storage accommodation, together with a Public House totalling 3,486 sq ft (324 sq m). It was completed in 1998.

The entire property is held long leasehold on a 999 year lease at a fixed rent of £10 pa.

Corney & Barrow (Restaurants) Ltd. occupy a tea house. They pay the higher of passing rent or 10% of annual turnover reviewed annually. Their lease, which is for a term expiring 2016, incorporates mutual breaks on 1 July 2012 and (following an authorised assignment of the lease) 1 July 2007.

The office accommodation is let to Deutsche Bank AG (London branch) for a term of 15 years expiring on 12 February 2018 at a rental of £7,618,473, with five yearly, upward only, rent reviews, with the first falling on 13 February 2008. The Public House is let to Huggins & Co for a term of 35 years expiring 13 April 2024 with five yearly, upward only, reviews. The review due in January 2004 remains unsettled.

Hutchinson 3G UK Ltd. lease space for a telecoms mast for a term of years expiring 31 December 2012 at a rental of £19,000 pa without review.

7,749,463

<p>The Broadgate Estate</p> <p><i>Broadgate Health Club London EC2</i></p>	<p>The Broadgate Club is located beneath the office accommodation and is arranged on two basement levels. It provides a 25 metre indoor swimming pool large gymnasium, and two squash courts together with ancillary facilities including a restaurant, beauty treatment and a shop.</p> <p>The unit provides a net internal area of approximately 43,361 sq ft (4,028 sq m).</p> <p>The entire property is held for a term of 125 years from September 1988 at a fixed nominal rent.</p>	<p>The Broadgate Club is sublet to Holmes Place Health Club Ltd., effectively expiring in June 2023 subject to five yearly, upward only reviews to the greater of 20 per cent minimum increases, Retail Price Index related uplifts, or market value. The rent review due on 24 June 2003 remains unsettled, with various minimum increase provisions, including a rent of £728,465 pa.</p>	<p>728,465</p>
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<p>The Broadgate Estate</p> <p><i>10 Exchange Square Appold Street London EC2</i></p>	<p>A new building completed in 2004, providing office accommodation on second to eleventh floors with retail on ground and first floors, and basement storage. The building provides 140,282 sq ft (13,033 sq m) net internal of offices, 9,632 sq ft (895 sq m) of storage and 11,240 sq ft (1,044 sq m) of retail and 12 car spaces.</p> <p>Virtual Freehold.</p>	<p>The offices on levels 2, 3 & 4 are let to four partners of Herbert Smith with other partners acting as security. The lease is on effective full repairing and insuring terms until 25 December 2020. There is a 31 month rents free period and five yearly, upward only, rent reviews from September 2009. The tenant has a call option over level 5 until March 2006 on the same terms as above. Herbert Smith also have first right of refusal over the remaining unlet building which comes back into the Landlord's hands after first letting for a period of 10 years from the date of their lease, regardless of any interim lettings.</p> <p>Western Asset Management Company Ltd. have exchanged agreements to lease L10 and L11 for a term of 15 years from approximately 1 May 2005. There is a cap and collar at the first review, which is five years from lease commencement.</p> <p>The remaining floors of the building are vacant and available to let.</p>	<p>0</p> <p>(7,766 future contractual rent from approximately 1 May 2005)</p> <p>(43,100 future contractual rent from 24 June 2005)</p> <p>(2,014,679 future contractual rent from 20 December 2006)</p> <p>(3,231,431 future contracted rent from 1 May 2008 estimated)</p>
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TERMS AND CONDITIONS

The following are the terms and conditions of the Bonds in the form (subject to amendment) in which they will be set out in the Bond Trust Deed. The terms and conditions set out below will apply to the Bonds in global form.

The £225,000,000 Class A1 Floating Rate Bonds due 2032 (the **Class A1 Bonds**), the £315,000,000 Class A2 4.949 per cent. Bonds due 2031 (the **Class A2 Bonds**), the £175,000,000 Class A3 4.851 per cent. Bonds due 2033 (the **Class A3 Bonds**), the £400,000,000 Class A4 4.821 per cent. Bonds due 2036 (the **Class A4 Bonds** and, together with the Class A1 Bonds, the Class A2 Bonds and the Class A3 Bonds, the **Class A Bonds**), the £365,000,000 Class B 4.999 per cent. Bonds due 2033 (the **Class B Bonds**), the £235,000,000 Class C1 Floating Rate Bonds due 2022 (the **Class C1 Bonds**), the £215,000,000 Class C2 5.098 per cent. Bonds due 2035 (the **Class C2 Bonds** and, together with the Class C1 Bonds, the **Class C Bonds**) and the £150,000,000 Class D Floating Rate Bonds due 2025 (the **Class D Bonds** and, together with the Class A Bonds, the Class B Bonds and the Class C Bonds, the **Bonds**), in each case of Broadgate Financing PLC (the **Issuer**), are constituted by a trust deed (the **Bond Trust Deed**) dated on or about 2 March 2005 (the **Closing Date**) and made between the Issuer and Capita IRG Trustees Limited (the **Bond Trustee**) as trustee for the Bondholders (as defined below). Any reference in these terms and conditions (**Conditions**) to a class of Bonds or of Bondholders shall be a reference to the Class A1 Bonds, the Class A2 Bonds, the Class A3 Bonds, the Class A4 Bonds, the Class B Bonds, the Class C1 Bonds, the Class C2 Bonds or the Class D Bonds, as the case may be, or to the respective holders thereof.

The expressions **Class A1 Bonds**, **Class A2 Bonds**, **Class A3 Bonds**, **Class A4 Bonds**, **Class B Bonds**, **Class C1 Bonds**, **Class C2 Bonds** and **Class D Bonds** shall, in these Conditions, unless the context otherwise requires, include any Further Bonds (as defined below) issued pursuant to Condition 16.1 (**Further Bonds**) and forming a single series with the Class A1 Bonds, the Class A2 Bonds, the Class A3 Bonds, the Class A4 Bonds, the Class B Bonds, the Class C1 Bonds, the Class C2 Bonds or the Class D Bonds, as the case may be. The Class A1 Bonds, the Class C1 Bonds and the Class D Bonds are together referred to as the **Floating Rate Bonds** and the Class A2 Bonds, the Class A3 Bonds, the Class A4 Bonds, the Class B Bonds and the Class C2 Bonds are together referred to as the **Fixed Rate Bonds**, in each case except where the context otherwise requires.

The security for the Bonds is constituted by a deed of charge (the **Issuer Deed of Charge**) dated the Closing Date and made between, among others, the Issuer and Capita IRG Trustees Limited (the **Issuer Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated the Closing Date and made between the Issuer, JPMorgan Chase Bank, N.A. as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with such additional or other paying agents, if any, appointed from time to time pursuant to the Agency Agreement, the **Paying Agents**), and as agent bank (in such capacity the **Agent Bank**) and the Bond Trustee, provision is made for the payment of principal, premium (if any) and interest in respect of the Bonds of each class.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of, *inter alia*, the Bond Trust Deed, the Issuer Deed of Charge and the master definitions and construction schedule (the **Master Definitions and Construction Schedule**) signed by Allen & Overy LLP and Simmons & Simmons for the purpose of identification on or about the Closing Date.

Copies of the Bond Trust Deed, the Issuer Deed of Charge, the Agency Agreement and the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

1. FORM, DENOMINATION AND TITLE

1.1 Each class of Bonds is initially represented by one or more temporary global bonds in bearer form (each, a **Temporary Global Bond**) in the aggregate principal amount on issue of £225,000,000 for the Class A1 Bonds, £315,000,000 for the Class A2 Bonds, £175,000,000 for the Class A3 Bonds, £400,000,000 for the Class A4 Bonds, £365,000,000 for the Class B Bonds, £235,000,000 for the Class C1 Bonds, £215,000,000 for the Class C2 Bonds and £150,000,000 for the Class D Bonds. Each Temporary Global Bond has been deposited on behalf of the subscribers of the relevant class of Bonds with a common depositary (the **Common Depositary**) for Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) on the Closing Date. Upon deposit of the Temporary Global Bonds, Clearstream, Luxembourg and Euroclear credited each subscriber of Bonds with the principal amount of Bonds of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in each Temporary Global Bond are exchangeable on and after the date which is 40 days after the Closing Date (the **Exchange Date**), upon certification of non-U.S. beneficial ownership by the relevant Bondholder, for interests in a permanent global bond (each, a **Permanent Global Bond**) representing the same class of Bonds (the expressions **Global Bonds** and **Global Bond** meaning, respectively, (i) all the Temporary Global Bonds and the Permanent Global Bonds or the Temporary Global Bond and the Permanent Global Bond of a particular class, or (ii) any of the Temporary Global Bonds or Permanent Global Bonds, as the context may require). The Permanent Global Bonds have also been deposited with the Common Depositary for Clearstream, Luxembourg and Euroclear. Title to the Global Bonds will pass by delivery.

Interests in a Global Bond will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as the case may be.

- 1.2 If, while any of the Bonds are represented by a Permanent Global Bond, (i) both Clearstream, Luxembourg and Euroclear are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do in fact do so and no other clearing system acceptable to the Bond Trustee is then in existence or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of such Bonds which would not be required were such Bonds in definitive form, then the Issuer will issue Bonds of the relevant class in definitive form (**Definitive Bonds**) in exchange for such Permanent Global Bond (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Bond Trustee and Issuer Security Trustee require to take account of the issue of Definitive Bonds.
- 1.3 Definitive Bonds (which, if issued, will be in the denomination of £5,000 each) will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.
- 1.4 **Bondholders** means each person (other than Clearstream, Luxembourg or Euroclear themselves) who is for the time being shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a particular Principal Amount Outstanding (as defined in Condition 6.5 (Principal Amount Outstanding)) of such Bonds (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Bonds standing to the account of any person shall be conclusive and binding for all purposes), and such person shall be treated by the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons as the holder of such Principal Amount Outstanding of such Bonds for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and for which purpose **Bondholders** means the bearer of the relevant Global Bond; and related expressions shall be construed accordingly.
- 1.5 References herein to the Bonds shall include reference to:
- (a) whilst the Bonds are represented by a Global Bond, units of £5,000 (as reduced by any redemption in part of a Bond pursuant to Condition 6 (Redemption)); and
 - (b) any Global Bond.
- 1.6 (a) **Class A1 Bondholders** means Bondholders in respect of the Class A1 Bonds;
- (b) **Class A2 Bondholders** means Bondholders in respect of the Class A2 Bonds;

- (c) **Class A3 Bondholders** means Bondholders in respect of the Class A3 Bonds;
- (d) **Class A4 Bondholders** means Bondholders in respect of the Class A4 Bonds (and, together with the Class A1 Bondholders, the Class A2 Bondholders and the Class A3 Bondholders, the **Class A Bondholders**);
- (e) **Class B Bondholders** means Bondholders in respect of the Class B Bonds;
- (f) **Class C1 Bondholders** means Bondholders in respect of the Class C1 Bonds;
- (g) **Class C2 Bondholders** means Bondholders in respect of the Class C2 Bonds (and, together with the Class C1 Bondholders, the **Class C Bondholders**); and
- (h) **Class D Bondholders** means Bondholders in respect of the Class D Bonds.

2. STATUS AND RELATIONSHIP BETWEEN THE BONDS AND SECURITY

2.1 Status and relationship between the Bonds

- (a) The Class A Bonds constitute direct, secured and unconditional obligations of the Issuer. The Class A Bonds rank *pari passu* without preference or priority amongst themselves (save in respect of any Class A1 Step-up Amount).
- (b) The Class B Bonds constitute direct, secured and, subject as provided in Condition 15 (Subordination by Deferral), unconditional obligations of the Issuer. The Class B Bonds rank *pari passu* without preference or priority amongst themselves but junior to the Class A Bonds as provided in these Conditions and the Transaction Documents.
- (c) The Class C Bonds constitute direct, secured and, subject as provided in Condition 15 (Subordination by Deferral), unconditional obligations of the Issuer. The Class C Bonds rank *pari passu* without preference or priority amongst themselves (save in respect of any Class C1 Step-up Amount) but junior to the Class A Bonds and the Class B Bonds as provided in these Conditions and the Transaction Documents.
- (d) The Class D Bonds constitute direct, secured and, subject as provided in Condition 15 (Subordination by Deferral), unconditional obligations of the Issuer. The Class D Bonds rank *pari passu* without preference or priority amongst themselves (save in respect of any Class D Step-up Amount) but junior to the Class A Bonds, the Class B Bonds and the Class C Bonds as provided in these Conditions and the Transaction Documents.
- (e) The Bond Trust Deed and the Issuer Deed of Charge contain provisions requiring the Bond Trustee and the Issuer Security Trustee, respectively, to have regard to the interests of the Class A Bondholders, the Class B Bondholders, the Class C Bondholders and the Class D Bondholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Bond Trustee and the Issuer Security Trustee (except where expressly provided otherwise), but requiring the Bond Trustee and the Issuer Security Trustee in any such case to have regard only to:

- (i) the interests of the Class A Bondholders if, in the Bond Trustee's or, as the case may be, the Issuer Security Trustee's opinion, there is a conflict between the interests of:
 - (A) the Class A Bondholders; and
 - (B) the Class B Bondholders, the Class C Bondholders and/or the Class D Bondholders;
- (ii) subject to paragraph (i) above, the interests of the Class B Bondholders if, in the Bond Trustee's or, as the case may be, the Issuer Security Trustee's opinion, there is a conflict between the interests of:
 - (A) the Class B Bondholders; and
 - (B) Class C Bondholders and/or the Class D Bondholders; or
- (iii) subject to paragraphs (i) and (ii) above, the interests of the Class C Bondholders if, in the Bond Trustee's or, as the case may be, the Issuer Security Trustee's opinion, there is a conflict between the interests of:
 - (A) the Class C Bondholders; and
 - (B) the Class D Bondholders.

So long as any of the Bonds remains outstanding, the Issuer Security Trustee is not required to have regard to the interests of any persons (other than the Bondholders) entitled to the benefit of the security constituted by the Issuer Deed of Charge.

- (f) The Bond Trust Deed and the Issuer Deed of Charge contain provisions limiting the powers of the Class B Bondholders and/or the Class C Bondholders and/or the Class D Bondholders to request or direct the Bond Trustee or the Issuer Security Trustee to take any action or to pass an effective **Extraordinary Resolution** (as defined in the Bond Trust Deed) according to the effect thereof on the interests of the Class A Bondholders and also, in the case of a request or direction or an Extraordinary Resolution of the Class C Bondholders and/or the Class D Bondholders, the Class B Bondholders and also, in the case of a request or direction or an Extraordinary Resolution of the Class D Bondholders, the Class C Bondholders. Except in certain circumstances, the Bond Trust Deed and the Issuer Deed of Charge contain no such limitation on the powers of the Class A Bondholders or, by reference to the effect on the interests of the Class C Bondholders and/or the Class D Bondholders, the Class B Bondholders or, by reference to the effect on the interests of the Class D Bondholders, the Class C Bondholders, the exercise of which will be binding on the Class B Bondholders and/or the Class C Bondholders and/or the Class D Bondholders, as the case may be, irrespective of the effect thereof on their interests.
- (g) In the event of an issue of Further Bonds (as defined in Condition 16.1 (Further Bonds)), Replacement Bonds (as defined in Condition 16.2 (Replacement Bonds)) or New Bonds

(as defined in Condition 16.3 (New Bonds)), the provisions of these Conditions, the Bond Trust Deed, the Issuer Deed of Charge and the other Transaction Documents, including (in the case of Replacement Bonds or New Bonds) those concerning:

- (i) basis on which the Bond Trustee and the Issuer Security Trustee will each be required to exercise its rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Bond Trustee or the Issuer Security Trustee, there is a conflict between the interests of any class of the Bondholders and the holders of such Replacement Bonds or New Bonds);
- (ii) the circumstances in which the Bond Trustee and the Issuer Security Trustee will each become bound to take action, as referred to in Condition 9 (Issuer Events of Default);
- (iii) meetings of Bondholders and the passing of effective Extraordinary Resolutions; and
- (iv) the order of priority of payments both prior to, and upon, enforcement of the security constituted by the Issuer Deed of Charge,

will be modified in such manner as the Bond Trustee or, as the case may be, the Issuer Security Trustee considers necessary to reflect the issue of such Further Bonds, Replacement Bonds or, as the case may be, New Bonds and any new Transaction Documents entered into in connection with such Further Bonds, Replacement Bonds or, as the case may be, New Bonds and the ranking thereof and of the claims of any party to any of such new Transaction Documents in relation to each class of the Bonds.

2.2 Security

- (a) The security constituted by the Issuer Deed of Charge is granted to the Issuer Security Trustee, on trust for the Bondholders and certain other creditors of the Issuer, upon and subject to the terms and conditions of the Issuer Deed of Charge.
- (b) The Bondholders will share in the benefit of the security constituted by the Issuer Deed of Charge upon and subject to the terms and conditions of the Issuer Deed of Charge. On enforcement of the Issuer Security and acceleration of the Bonds, the Issuer Security Trustee is required to apply monies available for distribution in accordance with the Issuer Post- Enforcement Priorities of Payments as set out in the Issuer Deed of Charge.

3. COVENANTS

- 3.1 Save with the prior written consent of the Bond Trustee or unless otherwise permitted under, or envisaged in, the Conditions or any of the other Transaction Documents, the Issuer shall not, so long as any Bond remains outstanding:
 - (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;

- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage; (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises; or (iii) amend, supplement or otherwise modify its Memorandum and/or Articles of Association;
- (c) **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 undertakings or any interest, estate, right, title or benefit therein;
- (d) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders or issue any further shares;
- (e) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (f) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (g) **No modification or waiver:** permit any of the Transaction Documents to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents or permit any party to any of the Transaction Documents to be released from its obligations or exercise any right to terminate any of the Transaction Documents; or
- (h) **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 Security Trustee on terms acceptable to it.

4. INTEREST

4.1 Interest Accrual

Each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 5 (Payments), payment of the principal in respect of the Bond is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Bond Trust Deed

4.2 Fixed Interest Rate and Fixed Bond Interest Payment Dates

The Fixed Rate Bonds bear interest on their respective Principal Amounts Outstanding from and including the Closing Date at the rate of 4.949 per cent. per annum, in the case of the Class A2 Bonds, 4.851 per cent. per annum, in the case of the Class A3 Bonds,

4.821 per cent. per annum, in the case of the Class A4 Bonds, 4.999 per cent. per annum, in the case of the Class B Bonds and 5.098 per cent. per annum, in the case of the Class C2 Bonds, payable quarterly in arrear on 5 January, 5 April, 5 July and 5 October (each a **Fixed Bond Interest Payment Date**) in respect of the Fixed Interest Period (as defined below) ended immediately prior thereto. The first payment shall be due on 5 April 2005. The period from and including the Closing Date to but excluding the first Fixed Bond Interest Payment Date and each successive period from and including a Fixed Bond Interest Payment Date to but excluding the next succeeding Fixed Bond Interest Payment Date is called a **Fixed Interest Period**.

4.3 Calculation of Fixed Rate Interest

Interest in respect of the Fixed Rate Bonds shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

The resulting figure shall be rounded downwards to the nearest penny.

4.4 Floating Bond Interest Payment Dates

The Floating Rate Bonds bear interest on their respective Principal Amounts Outstanding from and including the Closing Date payable quarterly in arrear on 5 January, 5 April, 5 July and 5 October in each year (each a **Floating Bond Interest Payment Date** and **Interest Payment Date** means a Fixed Bond Interest Payment Date or a Floating Bond Interest Payment Date, as the context may require) in respect of the Floating Interest Period (as defined below) ended immediately prior thereto. If any Floating Bond Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event the Floating Bond Interest Payment Date shall be brought forward to the immediately preceding Business Day. The first payment shall be due on 5 April 2005. The period from and including the Closing Date to but excluding the first Floating Bond Interest Payment Date and each successive period from and including a Floating Bond Interest Payment Date to but excluding the next succeeding Floating Bond Interest Payment Date is called a **Floating Interest Period** and **Interest Period** means a Fixed Interest Period or a Floating Interest Period, as the context may require.

4.5 Floating rate of Interest

The rate of interest payable from time to time in respect of each class of the Floating Rate Bonds (each a **Floating Rate of Interest**) will be determined on the basis of the following provisions:

- (a) On each Interest Determination Date (as defined below), JPMorgan Chase Bank, N.A. (in such capacity, the **Agent Bank**) will determine the Screen Rate (as defined below) at approximately 11.00 a.m. London time on that Interest Determination Date. If the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined below) to provide the Agent Bank with the rate at which deposits in sterling are

offered by it to prime banks in the London interbank market for three months (or in the case of the first Interest Period, the linear interpolation of one and two months) at approximately 11.00 a.m. London time on the Interest Determination Date in question and for a Representative Amount (as defined below).

- (b) The rate of interest for the Floating Interest Period in respect of each class of the Floating Rate Bonds shall be the Screen Rate plus the Margin (as defined below) applicable to the relevant class of Floating Rate Bonds or, if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) as established by the Agent Bank of such rates, plus the applicable Margin.
- (c) If the Screen Rate is unavailable and fewer than two rates are provided as requested, the Floating Rate of Interest for that Floating Interest Period will be the arithmetic mean of the rates quoted by major banks in London, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the first day of such Floating Interest Period for loans in sterling to leading European banks for a period of three months commencing on the first day of such Floating Interest Period and for a Representative Amount, plus the applicable Margin. If the Floating Rate of Interest cannot be determined in accordance with the above provisions, the Floating Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Floating Interest Period from that which applied to the preceding Floating Interest Period, the Margin relating to the relevant Floating Interest Period, in place of the Margin relating to that preceding Floating Interest Period.).
- (d) In these Conditions (except where otherwise defined), the expression:
 - (i) **Business Day** means a day which is a day on which commercial banks settle payments and are open for general business in London;
 - (ii) **Interest Determination Date** means the second business day prior to the Floating Interest Period for which the rate will apply;
 - (iii) **Margin** means:
 - (A) in relation to the Class A1 Bonds, 0.16 per cent. (plus, from, and including, the Step-up Date, the Class A1 Step-up Margin) per annum;
 - (B) in relation to the Class C1 Bonds, 0.48 per cent. (plus, from, and including, the Step-up Date, the Class C1 Step-up Margin) per annum; and

- (C) in relation to the Class D Bonds, 0.80 per cent. (plus, from, and including, the Step-up Date, the Class D Step-up Margin) per annum.
- (iv) **Reference Banks** means the principal London office of each of four major banks engaged in the London interbank market selected by the Agent Bank provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
- (v) **Representative Amount** means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time; and
- (vi) **Screen Rate** means the rate for three month (or, in the case of the first Interest Period, a linear interpolation of one and two month) deposits in sterling which appears on Telerate screen page No. 3750 (or such replacement page on that service which displays the information).

4.6 Determination of Floating Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, but in no event later than the third Business Day thereafter, determine the respective sterling amounts (the **Floating Interest Amounts**) payable in respect of interest on the aggregate Principal Amount Outstanding of each class of the Floating Rate Bonds for the relevant Floating Interest Period.

The Floating Interest Amounts shall be determined by applying the relevant Floating Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Floating Interest Period concerned divided by 365 and rounding the resulting figure downwards to the nearest penny.

4.7 Determination of Step up Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, but in no event later than the third Business Day thereafter, determine the Class A1 Step-up Amount (if any) payable in respect of the relevant Floating Interest Period in respect of the Class A1 Bonds, the Class C1 Step-up Amount (if any) payable in respect of such Floating Interest Period in respect of the Class C1 Bonds and the Class D Step-up Amount (if any) payable in respect of such Floating Interest Period in respect of the Class D Bonds.

The **Class A1 Step-up Amount** shall be calculated by applying the Class A1 Step-up Margin to the aggregate Principal Amount Outstanding of the Class A1 Bonds, multiplying such sum by the actual number of days in the Floating Interest Period divided by 365 and rounding the resulting figure downwards to the nearest penny.

The **Class C1 Step-up Amount** (and, together with the Class A1 Step-up Amount, the Step-up Amounts) shall be calculated by applying the Class C1 Step-up Margin to the aggregate Principal Amount Outstanding of the Class C1 Bonds, multiplying such sum by the actual number of days in the Floating Interest Period divided by 365 and rounding the resulting figure downwards to the nearest penny.

The **Class D Step-up Amount** (and, together with the Class A1 Step-up Amount and the Class C1 Step-up Amount, the Step-up Amounts) shall be calculated by applying the Class D Step-up Margin to the aggregate Principal Amount Outstanding of the Class D Bonds, multiplying such sum by the actual number of days in the Floating Interest Period divided by 365 and rounding the resulting figure downwards to the nearest penny.

The **Class A1 Step-up Margin** is 0.24 per cent. per annum.

The **Class C1 Step-up Margin** is 0.48 per cent. per annum.

The **Class D Step-up Margin** is 0.80 per cent. per annum.

Step-up Date means the Interest Payment Date falling in April 2013.

4.8 Publication of Floating Rate of Interest, Floating Interest Amounts and Step-up Amounts

The Agent Bank shall cause the Floating Rates of Interest, the Floating Interest Amounts, and any Step-up Amounts for each Floating Interest Period and the relative Floating Bond Interest Payment Date to be notified to the Issuer, the Bond Trustee and to any stock exchange or other relevant authority on which the Floating Rate Bonds are at the relevant time listed and to be published in accordance with Condition 14 (Notice to Bondholders) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Floating Interest Amounts, any Step-up Amounts and the Floating Bond Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period.

4.9 Determination by the Bond Trustee

The Bond Trustee shall, if the Agent Bank defaults at any time in its obligation to determine the Floating Rates of Interest, the Floating Interest Amounts, any Class A1 Step-up Amount any Class C1 Step-up Amount or any Class D Step-up Amount in accordance with the above provisions, (a) determine the Floating Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above in Condition 4.5 (Floating Rate of Interest), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (b) calculate the Floating Interest Amounts and the Step-up Amounts (if any) in the manner provided in Conditions 4.6 (Determination of Floating Interest Amounts) and 4.7 (Determination of Step-up Amounts) and the determinations shall be deemed to be determinations by the Agent Bank.

4.10 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them), the Agent Bank or the Bond Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Bond Trustee, the Agent Bank, the Paying Agents and all Bondholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Bondholders shall attach to the Reference Banks (or any of them), the Agent Bank or, if applicable, the Bond Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition.

4.11 Agent Bank

The Issuer shall procure that, so long as any of the Floating Rate Bonds remains outstanding, there is at all times an Agent Bank for the purposes of the Floating Rate Bonds and the Issuer may, subject to the prior written approval of the Bond Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Floating Rates of Interest and the Floating Interest Amounts or any Step-up Amounts for any Floating Interest Period, the Issuer shall, subject to the prior written approval of the Bond Trustee, appoint the London office of another major bank engaged in the London interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

5. PAYMENTS

5.1 Payments in respect of Bonds

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

5.2 Method of Payment

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

5.3 Payments Subject to Applicable Laws

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

5.4 Payment only on a Presentation Date

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

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

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Global Bond is presented for payment; and
- (c) in the case of payment by credit or transfer to a sterling account in London as referred to above in Condition 5.2 (Method of Payment), is a Business Day in London.

In this Condition 5.4, **Business Day** means, in relation to any place, a day on which commercial banks settle payments and are open for general business in that place.

5.5 Initial Paying Agents

The name of the initial Paying Agent and its initial specified office are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Bonds are admitted to trading on the London Stock Exchange's market for listed securities shall be London or such other place as the UK Listing Authority may approve; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax

pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 14 (Notice to Bondholders).

6. REDEMPTION

6.1 Redemption at maturity

Unless previously redeemed in full and cancelled as provided below, the Issuer will redeem:

- (a) the Floating Rate Bonds at their respective Principal Amounts Outstanding plus accrued but unpaid interest on the Floating Bond Interest Payment Date falling in January 2032, in the case of the Class A1 Bonds, January 2022, in the case of the Class C1 Bonds and October 2025, in the case of the Class D Bonds; and
- (b) the Fixed Rate Bonds at their respective Principal Amounts Outstanding plus accrued but unpaid interest on 5 April 2031, in the case of the Class A2 Bonds, 5 April 2033, in the case of the Class A3 Bonds, 5 July 2036, in the case of the Class A4 Bonds, 5 October 2033, in the case of the Class B Bonds, and 5 April 2035, in the case of the Class C2 Bonds.

6.2 Mandatory redemption

- (a) Prior to the service of a Bond Acceleration Notice (as defined in Condition 9) following an Issuer Event of Default in respect of the relevant class of Bonds, the Issuer shall, subject to Conditions 6.3 (Optional Redemption) and 6.4 (Optional redemption for taxation) apply in redemption of the Bonds (except in respect of the Class A4 Bonds and Bonds cancelled pursuant to Condition 6.8 (Cancellation)) an aggregate amount equal to the Scheduled Principal Payment due under the Intercompany 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 Amount per £5,000 denomination of each Bond of such class. In these Conditions, the term **Bond Amortisation Amount** shall mean the Bond Amortisation Amount as adjusted or recalculated pursuant to Condition 6.3(c):

Interest Payment ate	Class A1 Bond Amortisation Amount (£)	Class A2 Bond Amortisation Amount (£)	Class A3 Bond Amortisation Amount (£)	Class A4 Bond Amortisation Amount (£)	Class B Bond Amortisation Amount (£)	Class C1 Bond Amortisation Amount (£)	Class C2 Bond Amortisation Amount (£)	Class D Bond Amortisation Amount (£)
Apr-05	-	23.42	-	-	-	-	-	25.00
Jul-05	-	23.76	-	-	-	-	-	25.00
Oct-05	-	24.10	-	-	-	-	-	25.00
Jan-06	-	24.46	-	-	-	-	-	25.00
Apr-06	-	24.82	-	-	-	-	-	25.00
Jul-06	-	25.19	-	-	-	-	-	25.00
Oct-06	-	25.57	-	-	-	-	-	25.00
Jan-07	-	25.95	-	-	-	-	-	25.00
Apr-07	-	26.33	-	-	-	-	-	25.00
Jul-07	-	26.72	-	-	-	-	-	150.00
Oct-07	-	27.11	-	-	-	-	-	150.00
Jan-08	-	27.52	-	-	-	-	-	150.00
Apr-08	-	27.93	-	-	-	104.17	-	150.00
Jul-08	-	28.34	-	-	-	104.16	-	150.00
Oct-08	-	28.76	-	-	-	104.17	-	150.00
Jan-09	-	29.19	-	-	-	104.17	-	150.00
Apr-09	-	29.61	-	-	-	104.16	-	150.00
Jul-09	-	30.06	-	-	-	104.17	-	150.00
Oct-09	-	30.51	-	-	-	104.17	-	150.00
Jan-10	-	30.95	-	-	-	104.16	-	150.00
Apr-10	-	31.41	-	-	-	104.17	-	150.00
Jul-10	-	31.86	-	-	-	104.17	-	150.00
Oct-10	-	32.35	-	-	-	104.16	-	150.00
Jan-11	-	32.83	-	-	-	104.17	-	150.00
Apr-11	-	33.32	-	-	-	104.17	-	150.00
Jul-11	-	33.81	-	-	-	104.16	-	150.00
Oct-11	-	34.30	-	-	-	104.17	-	150.00
Jan-12	-	34.83	-	-	-	104.17	-	150.00
Apr-12	-	35.34	-	-	-	104.16	-	150.00
Jul-12	-	35.85	-	-	-	104.17	-	150.00
Oct-12	-	36.40	-	-	-	104.17	-	150.00
Jan-13	-	36.93	-	-	-	104.16	-	150.00
Apr-13	-	37.48	-	-	-	104.17	-	150.00
Jul-13	-	38.03	-	-	-	104.17	-	150.00
Oct-13	75.76	38.60	-	-	-	104.16	-	25.00
Jan-14	75.76	39.17	-	-	-	104.17	-	25.00
Apr-14	75.75	39.74	-	-	-	104.17	-	25.00
Jul-14	75.76	40.33	-	-	-	104.16	16.67	25.00
Oct-14	75.76	40.94	-	-	-	104.17	16.66	25.00
Jan-15	75.76	41.53	-	-	-	104.17	16.67	25.00
Apr-15	75.75	42.17	-	-	-	104.16	16.67	25.00
Jul-15	75.76	42.78	-	-	-	104.17	16.66	25.00
Oct-15	75.76	43.42	-	-	-	104.17	16.67	25.00
Jan-16	75.76	44.05	-	-	-	104.16	16.67	25.00
Apr-16	75.75	44.72	-	-	-	104.17	16.66	25.00
Jul-16	75.76	45.37	-	-	-	104.17	16.67	25.00
Oct-16	75.76	46.05	-	-	-	104.16	16.67	25.00
Jan-17	75.76	46.72	-	-	-	104.17	16.66	25.00
Apr-17	75.75	47.42	-	-	-	104.17	16.67	25.00
Jul-17	75.76	48.12	-	-	-	104.16	16.67	25.00
Oct-17	75.76	48.84	-	-	-	104.17	16.66	25.00
Jan-18	75.76	49.56	-	-	-	104.17	16.67	25.00
Apr-18	75.75	50.29	-	-	-	104.16	16.67	25.00
Jul-18	75.76	51.04	-	-	-	104.17	16.66	25.00
Oct-18	75.76	51.80	-	-	-	104.17	16.67	25.00
Jan-19	75.76	52.56	-	-	-	104.16	16.67	25.00
Apr-19	75.75	53.35	-	-	-	104.17	16.66	25.00
Jul-19	75.76	54.13	-	-	-	104.17	16.67	25.00

Oct-19	75.76	54.94	-	-	-	104.16	16.67	25.00
Jan-20	75.76	55.74	-	-	-	104.17	16.66	25.00
Apr-20	75.75	56.57	-	-	-	-	16.67	25.00
Jul-20	75.76	57.41	-	-	-	-	16.67	25.00
Oct-20	75.76	58.26	-	-	-	-	16.66	25.00
Jan-21	75.76	59.14	-	-	-	-	16.67	25.00
Apr-21	75.75	60.00	-	-	-	-	16.67	25.00
Jul-21	75.76	60.89	-	-	-	-	16.66	25.00
Oct-21	75.76	61.80	-	-	-	-	16.67	25.00
Jan-22	75.76	62.70	-	-	-	-	16.67	25.00
Apr-22	75.76	63.64	-	-	-	-	16.66	25.00
Jul-22	75.75	64.59	-	-	-	-	16.67	25.00
Oct-22	75.76	65.54	-	-	-	-	16.67	25.00
Jan-23	75.76	66.51	-	-	-	-	16.66	25.00
Apr-23	75.76	67.49	-	-	-	-	16.67	25.00
Jul-23	75.75	68.51	-	-	-	-	16.67	25.00
Oct-23	75.76	69.51	-	-	-	-	16.66	25.00
Jan-24	75.76	70.55	-	-	-	-	16.67	-
Apr-24	75.76	71.58	-	-	-	-	16.67	-
Jul-24	75.75	72.65	-	-	150.00	-	16.66	-
Oct-24	75.76	73.72	-	-	150.00	-	16.67	-
Jan-25	75.76	74.82	-	-	150.00	-	16.67	-
Apr-25	75.76	75.92	-	-	150.00	-	16.66	-
Jul-25	75.75	77.06	-	-	150.00	-	16.67	-
Oct-25	75.76	78.19	-	-	150.00	-	16.67	-
Jan-26	75.76	79.35	-	-	150.00	-	16.66	-
Apr-26	75.76	80.53	-	-	150.00	-	16.67	-
Jul-26	75.75	81.72	-	-	150.00	-	16.67	-
Oct-26	75.76	82.92	-	-	150.00	-	16.66	-
Jan-27	75.76	84.16	-	-	150.00	-	16.67	-
Apr-27	75.76	85.41	-	-	150.00	-	16.67	-
Jul-27	75.75	86.68	-	-	150.00	-	16.66	-
Oct-27	75.76	87.95	-	-	150.00	-	16.67	-
Jan-28	75.76	89.26	-	-	150.00	-	16.67	-
Apr-28	75.76	90.58	-	-	150.00	-	16.66	-
Jul-28	75.75	91.92	-	-	150.00	-	16.67	-
Oct-28	75.76	93.29	-	-	150.00	-	16.67	-
Jan-29	75.76	94.67	-	-	150.00	-	16.66	-
Apr-29	75.76	96.07	-	-	150.00	-	16.67	-
Jul-29	75.75	-	625.00	-	200.00	-	16.67	-
Oct-29	75.76	-	625.00	-	200.00	-	16.66	-
Jan-30	75.76	-	625.00	-	200.00	-	16.67	-
Apr-30	-	-	625.00	-	200.00	-	16.67	-
Jul-30	-	-	625.00	-	200.00	-	16.66	-
Oct-30	-	-	625.00	-	200.00	-	16.67	-
Jan-31	-	-	625.00	-	200.00	-	16.67	-
Apr-31	-	-	625.00	-	200.00	-	16.66	-
Jul-31	-	-	-	-	200.00	-	16.67	-
Oct-31	-	-	-	-	200.00	-	16.67	-
Jan-32	-	-	-	-	-	-	650.00	-
Apr-32	-	-	-	-	-	-	650.00	-
Jul-32	-	-	-	-	-	-	633.33	-
Oct-32	-	-	-	-	-	-	633.33	-
Jan-33	-	-	-	-	-	-	633.34	-
Apr-33	-	-	-	-	-	-	633.33	-
Jul-33	-	-	-	5,000.00	-	-	-	-
Oct-33	-	-	-	-	-	-	-	-
Jan-34	-	-	-	-	-	-	-	-
Apr-34	-	-	-	-	-	-	-	-
Jul-34	-	-	-	-	-	-	-	-
Oct-34	-	-	-	-	-	-	-	-
Jan-35	-	-	-	-	-	-	-	-
Apr-35	-	-	-	-	-	-	-	-
Jul-35	-	-	-	-	-	-	-	-

Oct-35	-	-	-	-	-	-	-	-
Jan-36	-	-	-	-	-	-	-	-
Apr-36	-	-	-	-	-	-	-	-
Jul-36	-	-	-	-	-	-	-	-

For the purposes of the foregoing, **Scheduled Principal Payment** means the amount of principal due and payable to the Issuer pursuant to the Intercompany Loan Agreement.

- (b) Prior to enforcement of the Issuer Security and the service of a Bond Acceleration Notice, if, on any Interest Payment Date, there are monies received by the Issuer from the Borrower after acceleration of the Intercompany Loan, 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 6.2(a) on such Interest Payment Date together with any applicable redemption premium payable pursuant to Condition 6.3(b).
- (c) Where the Borrower has the option to make a prepayment of all or part of the Intercompany Loan pursuant to the Intercompany Loan Agreement (other than in any of the circumstances set out in Condition 6.2(d) or (e) or Condition 6.4), to the extent that the Issuer receives notice from the Borrower that the Borrower intends to make such prepayment, 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 6.2(a) (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 6.3(b).
- (d) To the extent that the Issuer receives the proceeds of a prepayment of part of the Intercompany Loan following prepayment thereof by the Borrower by reason of prepayment of the Subordinated Loan following receipt by a Property Company of an insurance payment or compensation in respect of a compulsory acquisition the Issuer shall be obliged to redeem, *pro tanto*, a like aggregate principal amount of the corresponding class or corresponding classes of Bonds in addition to the amounts redeemed pursuant to Condition 6.2(a) (but subject to the provisions of the Cash Management Agreement regulating the priority of application of payments in such circumstances), at par together with accrued but unpaid interest thereon.
- (e) To the extent that the Issuer receives the proceeds of a prepayment in full of the Intercompany Loan following prepayment thereof by the Borrower by reason of a change of law, which change becomes effective on or after the Closing Date and as a result of which it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any advances to be made by it pursuant to the Intercompany Loan Agreement, the Issuer shall, on the relevant Interest Payment Date, redeem all, but not some only, of the Bonds, in each case at par together with accrued but unpaid interest thereon.
- (f) To the extent that the Issuer receives notice from the Borrower that the Borrower intends to make a prepayment in full of the Intercompany Loan, where the Borrower has the option to do so pursuant to the terms of the Intercompany Loan Agreement in the

circumstances described in Conditions 6.4(b), (c) and (e), the Issuer shall on the relevant Interest Payment Date, redeem all, but not some only, of the Bonds at par together with accrued but unpaid interest thereon.

6.3 Optional redemption

- (a) On giving not more than 60 nor less than 30 days' notice to the relevant Bondholders in accordance with Condition 14 (Notice to Bondholders) and to the Bond Trustee and provided that (A) on or prior to the Interest Payment Date on which such notice expires, no Bond Acceleration Notice has been served and (B) the Issuer has, immediately prior to giving such notice, certified (in accordance with clause 12(c) of the Bond Trust Deed) to the Bond Trustee that it will have the necessary funds to pay all principal, premium (if any) and interest due in respect of the relevant class or classes of Bonds on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Interest Payment Date, the Issuer may redeem on any Interest Payment Date the whole or part of any class of Bonds (and, in the case of any such partial redemption, such partial redemption must be, *pro rata*, of at least £1,000,000 in aggregate Principal Amount Outstanding of the Bonds of the relevant class and such that the Principal Amount Outstanding of each Bond of the relevant class to be redeemed is not a fraction of a penny).
- (b) Any Bond redeemed pursuant to Condition 6.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Bond to be redeemed multiplied by the Redemption Percentage (as defined below) relevant to its class as set out below (rounding the resulting figure to the nearest penny, half a penny being rounded upwards) together with, in each case, accrued and unpaid interest on the Principal Amount Outstanding of the relevant Bond up to but excluding the date of redemption.

Redemption Percentage means:

- (A) in respect of the Floating Rate Bonds, 100 per cent.; and
- (B) in respect of the Fixed Rate Bonds, the greater of:
- (aa) 100 per cent.; and
- (bb) that price (expressed as a percentage) (as reported in writing to the Issuer and the Bond Trustee by a financial adviser nominated by the Issuer and approved by the Bond Trustee) (and rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield (determined by reference to the middle-market price) on the relevant Bonds on the Relevant Date is equal to the Redemption Rate.

For the purposes of this Condition 6.3(b):

Gross Redemption Yield on the Fixed Rate Bonds and on the Reference EIB Bonds will be expressed as a percentage and will be 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 Date” (published 8 June 1998) or on such other basis as the Bond Trustee may approve;

Redemption Rate means the Relevant EIB Redemption Rate or, if the Relevant EIB Redemption Rate is not able to be determined, such other rate as may be approved by the Bond Trustee;

Relevant Date means the date which is two Business Days prior to the publication or dispatch of the notice of redemption under this Condition 6.3(b);

Relevant EIB Bonds means such sterling bonds of the European Investment Bank (or successor thereto) as the Bond Trustee (with the advice of an investment bank as may be approved by the Bond Trustee) and the Issuer may determine (failing such determination, as determined by the Bond Trustee with such advice) to be a benchmark bond, the duration of which most closely matches the then duration of the relevant class of Fixed Rate Bonds (taking into account any scheduled amortisation of those Fixed Rate Bonds), as calculated by or on behalf of the Bond Trustee; and

Relevant EIB Redemption Rate means the Gross Redemption Yield (determined by reference to the middle-market price) of the Relevant EIB Bonds.

- (c) The Principal Amount Outstanding of any Bond partially redeemed pursuant to these Conditions (excluding any premium payable in accordance with Condition 6.3(b) and the Bond Amortisation Amount (if any) due in respect of such Bond on the date of such partial redemption), shall be applied to reduce the remaining Bond Amortisation Amounts in respect of such Bond, on a *pro rata* basis; and the reduced Bond Amortisation Amounts shall, if necessary, be rounded upwards or downwards to the nearest penny, at the discretion of the Issuer, but so that the sum of the reduced Bond Amortisation Amounts, as so rounded, is equal to the Principal Amount Outstanding of the relevant Bond following its partial redemption.

6.4 Optional redemption for taxation

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof) which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any class of the Bonds (other than because the relevant holder has some connection with the United Kingdom other than the holding of Bonds of such class) any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein;

- (b) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, there would be required to be deducted or withheld from any payment of principal, interest or other sum due and payable to the Issuer pursuant to the Intercompany Loan Agreement 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 subdivision thereof or any authority thereof or therein;
- (c) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next date on which a Property Company is to make any payment in respect of any Subordinated Loan, the Property Company would be required to deduct or withhold from any such payment any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein;
- (d) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next date on which the Issuer or the Swap Counterparty is to make any payment in respect of any Swap Agreement, the Issuer or the Swap Counterparty would be required to deduct or withhold from any such payment any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or
- (e) the Issuer or the Borrower or any Property Company would not be entitled to relief for United Kingdom tax purposes for any amount (other than an amount of principal outstanding) which it is obliged to pay, or for any amount of income or gain which is treated as accruing to it for United Kingdom tax purposes but which it is not entitled to receive under the Transaction Documents,

then the Issuer shall, if the same would avoid the effect of the relevant event described in sub-paragraphs (a), (b), (c), (d) or (e) above appoint a Paying Agent in another jurisdiction and/or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Bond Trustee as principal debtor under the Bonds and as lender under the Intercompany Loan Agreement, provided that the Bond Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Bondholders.

If the Issuer satisfies the Bond Trustee (by the delivery of a certificate signed by two Directors of the Issuer pursuant to clause 12(c) of the Bond Trust Deed, confirming that the conditions precedent to redemption set out in this paragraph have been met) immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a), (b), (c), (d) or (e) above is continuing and that the

appointment of a Paying Agent and/or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Bondholders in accordance with Condition 14 (Notice to Bondholders) and to the Bond Trustee and having satisfied the Bond Trustee (as provided above) that it will have the necessary funds to pay all principal and interest due in respect of the Bonds on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Interest Payment Date, redeem all, but not some only, of the Bonds at their respective Principal Amounts Outstanding together with accrued but unpaid interest up to but excluding the date of redemption.

6.5 Principal Amount Outstanding

The **Principal Amount Outstanding** of a Bond on any date shall be its original principal amount of £5,000 less the aggregate amount of all Bond Amortisation Amounts and principal payments (excluding any premium payable in accordance with Condition 6.3(b)) in respect of such Bond which have become due and payable since the Closing Date except if, and to the extent that, any such payment has been improperly withheld or refused.

6.6 Notice of redemption

Any such notice as is referred to in Condition 6.3(a) (Optional redemption) and Condition 6.4 (Optional redemption for taxation) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Bonds at the applicable amounts specified, above.

6.7 No purchase by the Issuer

The Issuer will not be permitted to purchase any of the Bonds, except in accordance with the provisions of these Conditions.

6.8 Cancellation

All Bonds redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

6.9 Defeasance

The Bond Trust Deed contains provisions which permit the Issuer, subject to satisfaction of the Rating Condition, to defease its obligations by the delivery to the Bondholders of Eligible Investments matching the then anticipated amortisation of the Bonds. Any Bond so defeased shall be regarded for all purposes as no longer outstanding and these Conditions shall be construed accordingly.

7. TAXATION

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent shall be obliged to make any additional payments to Bondholders in respect of such withholding or deduction.

8. PRESCRIPTION

Claims in respect of principal and interest on the Bonds will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Bond Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Bondholders in accordance with Condition 14 (Notice to Bondholders).

9. ISSUER EVENTS OF DEFAULT

9.1 Class A Bonds

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Bonds then outstanding or if so directed by an Extraordinary Resolution of the Class A Bondholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in sub-paragraph (b), only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Bondholders) give notice (a **Bond Acceleration Notice**) to the Issuer that all classes of the Bonds are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Bond Trust Deed, in any of the following events (each, an **Issuer Event of Default**):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Class A Bonds (excluding the Class A1 Step-up Amount) or any of them and the default continues for a period of fourteen business days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document and (except in any case where the Bond Trustee or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of

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

- (c) if any order is made by any competent court or any resolution is passed for the winding-up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolution of the Class A Bondholders; or
- (d) if the Issuer ceases or, through an official action of the Board of Directors, threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolution of the Class A Bondholders, or is deemed unable to pay its debts as and when they fall due within the meaning of sections 123(1) and (2) of the Insolvency Act 1986 (as that section may be amended from time to time) excluding for these purposes any (i) subordinated debt made available under the Intra-Group Loan Deed and (ii) increase or decrease in the amount of any reserve made (save in relation to any equity instrument) as a result of any requirement that any gain or loss arising from a change in the fair value of a financial asset or of a financial liability be recorded in reserves, whether by inclusion in the profit and loss account or otherwise (for the purpose of this clause, the terms financial asset and financial liability shall not include property assets or property liabilities); or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) 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 is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of its undertaking or assets or an encumbrancer takes possession of the whole or any part of its undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer, and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a

view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

9.2 Class B Bonds

This Condition 9.2 shall not apply as long as any Class A Bond is outstanding. Subject thereto, for so long as any Class B Bond is outstanding, the Bond Trustee at its absolute discretion may, and, if so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class B Bonds then outstanding or if so directed by an Extraordinary Resolution of the Class B Bondholders, shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events referred to in Condition 9.1 (b)), only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class B Bondholders) give a Bond Acceleration Notice to the Issuer in any of the following events (each, an **Issuer Event of Default**):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Class B Bonds and the default continues for a period of fourteen business days; or
- (b) if any of the Issuer Events of Default referred to in Condition 9.1(b) to (f) occurs, provided that references to amounts payable in respect of the Class A Bondholders in Conditions 9.1(b) to (f) shall be construed as references to the Class B Bondholders.

9.3 Class C Bonds

This Condition 9.3 shall not apply as long as any Class A Bond or Class B Bond is outstanding. Subject thereto, for so long as any Class C Bond is outstanding, the Bond Trustee at its absolute discretion may, and, if so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class C Bonds then outstanding or if so directed by an Extraordinary Resolution of the Class C Bondholders, shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in Conditions 9.1(b)), only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class C Bondholders) give a Bond Acceleration Notice to the Issuer in any of the following events (each, an **Issuer Event of Default**):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Class C Bonds (excluding the Class C1 Step-up Amount) and the default continues for a period of fourteen business days; or
- (b) if any of the Issuer Events of Default referred to in Condition 9.1(b) to (f) occurs, provided that references to amounts payable in respect of the Class A Bondholders in Conditions 9.1(b) to (f) shall be construed as references to the Class C Bondholders.

9.4 Class D Bonds

This Condition 9.4 shall not apply as long as any Class A Bond, Class B Bond or Class C Bond is outstanding. Subject thereto, for so long as any Class D Bond is outstanding, the Bond Trustee at its absolute discretion may, and, if so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class D Bonds then outstanding or if so directed by an Extraordinary Resolution of the Class D Bondholders, shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in Conditions 9.1(b)), only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class D Bondholders) give a Bond Acceleration Notice to the Issuer in any of the following events (each, an **Issuer Event of Default**):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Class D Bonds (excluding the Class D Step-up Amount) and the default continues for a period of fourteen business days; or
- (b) if any of the Issuer Events of Default referred to in Condition 9.1(b) to (f) occurs, provided that references to amounts payable in respect of the Class A Bondholders in Conditions 9.1(b) to (f) shall be construed as references to the Class D Bondholders.

9.5 General

Upon the service of a Bond Acceleration Notice by the Bond Trustee in accordance with Condition 9.1, 9.2, 9.3 or 9.4 above, all classes of the Bonds then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Bond Trust Deed. The Issuer Security will become enforceable upon the occurrence of an Issuer Event of Default.

10. ENFORCEMENT

Each of the Bond Trustee and the Issuer Security Trustee may, at any time, at its discretion and without notice, take such proceedings against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Bond Trustee) the Bonds or the Bond Trust Deed (including these Conditions) or (in the case of the Issuer Security Trustee) the Issuer Deed of Charge or (in either case) any of the other Transaction Documents and at any time after the occurrence of an Issuer Event of Default, the Issuer Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the security constituted by the Issuer Deed of Charge, but neither of them shall be bound to take any such proceedings or steps unless:

- (a) it shall have 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; or
 - (iii) in the event that no Class A Bonds or Class B Bonds remain outstanding, by an Extraordinary Resolution of the Class C Bondholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class C Bonds; or
 - (iv) in the event that no Class A Bonds, Class B Bonds or Class C Bonds remain outstanding, by an Extraordinary Resolution of the Class D Bondholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class D Bonds; and
- (b) in all cases, it shall have been indemnified and/or secured to its satisfaction.

No Bondholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents unless the Bond Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing provided that no Class B Bondholder, no Class C Bondholder and no Class D Bondholder shall be entitled to take proceedings for the winding-up or administration of the Issuer. The Issuer Security Trustee cannot, while any of the Bonds are outstanding, be required to enforce the Issuer Security at the request of any other Issuer Secured Party under the Issuer Deed of Charge.

11. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

- 11.1 The Bond Trust Deed and the Issuer Deed of Charge contain provisions for convening meetings of the Bondholders of each class and, in certain cases, more than one 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.
- 11.2 An Extraordinary Resolution passed at any meeting of the Class A Bondholders shall be binding on the Class B Bondholders, the Class C Bondholders and the Class D Bondholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Bond Trust Deed or, as the case may be, the Issuer Deed of Charge will not take effect unless the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the other classes of Bondholders or it shall have been sanctioned by

Extraordinary Resolutions of the Class B Bondholders, the Class C Bondholders and the Class D Bondholders.

- 11.3 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 11.2 above) passed at any meeting of the Class B Bondholders shall not be effective for any purpose unless either the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Bondholders or it is sanctioned by an Extraordinary Resolution of the Class A Bondholders, but subject also to Conditions 11.4 and 11.6 below.
- 11.4 An Extraordinary Resolution passed at any meeting of the Class B Bondholders which is effective in accordance with the provisions of Condition 11.3 shall be binding on all Class A Bondholders, Class B Bondholders, Class C Bondholders and Class D Bondholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Bond Trust Deed or, as the case may be, the Issuer Deed of Charge will not take effect unless the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class C Bondholders or the Class D Bondholders or it shall have been sanctioned by an Extraordinary Resolution of the Class C Bondholders and the Class D Bondholders.
- 11.5 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 11.2 or 11.4 above) passed at any meeting of the Class C Bondholders shall not be effective for any purpose unless:
- (a) either the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Bondholders or it is sanctioned by an Extraordinary Resolution of the Class A Bondholders; and
 - (b) either the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Bondholders or it is sanctioned by an Extraordinary Resolution of the Class B Bondholders.
- 11.6 An Extraordinary Resolution passed at any meeting of the Class C Bondholders which is effective in accordance with the provisions of Condition 11.5 shall be binding on all Class A Bondholders, Class B Bondholders, Class C Bondholders and Class D Bondholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Bond Trust Deed or, as the case may be, the Issuer Deed of Charge will not take effect unless the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial

to the interests of the Class D Bondholders or it shall have been sanctioned by an Extraordinary Resolution of the Class D Bondholders.

- 11.7 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 11.2, 11.4 or 11.6 above) passed at any meeting of the Class D Bondholders shall not be effective for any purpose unless:
- (a) either the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Bondholders or it is sanctioned by an Extraordinary Resolution of the Class A Bondholders; and
 - (b) either the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Bondholders or it is sanctioned by an Extraordinary Resolution of the Class B Bondholders; and
 - (c) either the Bond Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C Bondholders or it is sanctioned by an Extraordinary Resolution of the Class C Bondholders.
- 11.8 An Extraordinary Resolution passed at any meeting of the Class D Bondholders which is effective in accordance with the provisions of Condition 11.7 shall be binding on all Class A Bondholders, Class B Bondholders, Class C Bondholders and Class D Bondholders.
- 11.9 Subject as provided below, the quorum at any meeting of Bondholders of any class for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of such class of Bonds, or, at any adjourned meeting, one or more persons being or representing a Bondholder of the relevant class, whatever the aggregate Principal Amount Outstanding of the Bonds of such class held or represented by it or them.
- 11.10 The quorum at any meeting of Bondholders of any class for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Bonds or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Bonds, altering the currency of payment of such Bonds or altering the quorum or majority required in relation to this exception (each, a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Bonds of such class.
- 11.11 The Bond Trust Deed and the Issuer Deed of Charge provide that, except in the case of an Extraordinary Resolution directing the Bond Trustee to give a Bond Acceleration Notice, as to which the provisions of Condition 9 (Issuer Events of Default) shall apply:

- (a) a resolution which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, affects the interests of the holders of one class only of the Class A Bonds shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Class A Bonds of that class;
- (b) a resolution which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, affects the interests of the holders of the Class A1 Bonds, the Class A2 Bonds, the Class A3 Bonds and the Class A4 Bonds but does not give rise to a conflict of interest between the Class A1 Bondholders, the Class A2 Bondholders, the Class A3 Bondholders and the Class A4 Bondholders shall be deemed to have been duly passed if passed at a single meeting of the holders of the Class A1 Bonds, the Class A2 Bonds, the Class A3 Bonds and/or the Class A4 Bonds (as the case may be); and
- (c) a resolution which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, affects the interests of the holders of the Class A1 Bonds, the Class A2 Bonds, the Class A3 Bonds and the Class A4 Bonds and gives or may give rise to a conflict of interest between the Class A1 Bondholders and/or the Class A2 Bondholders and/or the Class A3 Bondholders and/or the Class A4 Bondholders shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of the holders of the Class A1 Bonds, the Class A2 Bonds, the Class A3 Bonds and the Class A4 Bonds, it shall be duly passed at separate meetings of the Class A1 Bondholders, the Class A2 Bondholders, the Class A3 Bondholders and the Class A4 Bondholders.

The Bond Trust Deed and the Issuer Deed of Charge contain similar provisions in relation to requests in writing from Class A Bondholders upon which the Bond Trustee or, as the case may be, the Issuer Security Trustee is bound to act.

The Bond Trust Deed and the Issuer Deed of Charge provide that, except in the case of an Extraordinary Resolution directing the Bond Trustee to give a Bond Acceleration Notice, as to which the provisions of Condition 9 (Issuer Events of Default) shall apply:

- (i) a resolution which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, affects the interests of the holders of one class only of the Class C Bonds shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Class C Bonds of that class;
- (ii) a resolution which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, affects the interests of the holders of both classes of the Class C Bonds but does not give rise to a conflict of interest between the holders of each class of the Class C Bonds shall be deemed to have been duly passed if passed at a single meeting of the holders of the Class C Bonds of both classes; and
- (iii) a resolution which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, affects the interests of the holders of both classes of the Class C Bonds and gives or may give rise to a conflict of interest between the

holders of each class of the Class C Bonds shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of the holders of the Class C Bonds of both classes it shall be duly passed at separate meetings of the holders of each class of the Class C Bonds.

The Bond Trust Deed and the Issuer Deed of Charge contain similar provisions in relation to requests in writing from Class C Bondholders upon which the Bond Trustee or, as the case may be, the Issuer Security Trustee is bound to act.

- 11.12 The Bond Trustee or, as the case may be, the Issuer Security Trustee, may agree, without the consent of the Bondholders:
- (i) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, is not materially prejudicial to the interests of the Bondholders; or
 - (ii) to any modification which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, is of a formal, minor or technical nature or is to correct a manifest error or an error which is (to the satisfaction of the Bond Trustee or, as the case may be, the Issuer Security Trustee) proven.
- 11.13 The Bond Trustee may also, without the consent of the Bondholders, determine that an Issuer Event of Default shall not, or shall not subject to specified conditions, be treated as such.
- 11.14 Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Bond Trustee or, as the case may be, the Issuer Security Trustee agrees otherwise, any such modification shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 14 (Notice to Bondholders).
- 11.15 In connection with any such substitution of principal debtor referred to in Condition 6.4 (Optional redemption for taxation), the Bond Trustee and the Issuer Security Trustee may also agree, without the consent of the Bondholders, to a change of the laws governing the Bonds, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, be materially prejudicial to the interests of the Bondholders.
- 11.16 In determining whether the exercising or performing of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents is materially prejudicial to the interests of the Bondholders of any class, the Bond Trustee and/or the Issuer Security Trustee (as applicable) may have regard without enquiry to any confirmation from a Rating Agency (if available) that the Rating Condition would be satisfied on such exercise or performance and to any other confirmation which it considers, in its sole and absolute discretion, is necessary and/or appropriate.

11.17 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Bond Trustee or the Issuer Security Trustee is required to have regard to the interests of the Bondholders of any class, it shall have regard to the general interests of the Bondholders of such class as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee or, as the case may be, the Issuer Security Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim from the Issuer, the Bond Trustee or the Issuer Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

12. INDEMNIFICATION AND EXONERATION OF THE BOND TRUSTEE AND THE ISSUER SECURITY TRUSTEE

The Bond Trust Deed and the Issuer Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Bond Trustee and the Issuer Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Issuer Security Trustee, enforcing the security constituted by the Issuer Deed of Charge unless indemnified and/or secured to their satisfaction. The Issuer Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security, or any other deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other similar persons on behalf of the Issuer Security Trustee.

The Bond Trust Deed and the Issuer Deed of Charge also contain provisions pursuant to which the Bond Trustee and the Issuer Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Issuer Security Trustee does not have any liability for not having made nor having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge. The Issuer Security Trustee has no responsibility for the validity, sufficiency and enforceability of the Issuer Security. Neither the Issuer Security Trustee nor the Bond Trustee will be obliged to take any action which might result in its incurring personal liabilities unless indemnified and/or secured to its satisfaction or to supervise the performance by the Cash Manager, the Swap Counterparty, the Liquidity Bank or any other person of their obligations under the Issuer Documents and each of the Issuer Security Trustee and the Bond Trustee shall assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

13. REPLACEMENT OF GLOBAL BONDS

If any Global Bond is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Global Bond will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Global Bond must be surrendered before a new one will be issued.

14. NOTICE TO BONDHOLDERS

- 14.1 Any notice shall be deemed to have been duly given to the relevant Bondholders if sent to Clearstream, Luxembourg and Euroclear and shall be deemed to be given on the date on which it was so sent. Alternatively, any notice to the Bondholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Bond Trustee shall approve having a 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 shall have been made in the newspaper or newspapers in which publication is required.
- 14.2 A copy of each notice given in accordance with this Condition 14 shall be provided to each of Standard & Poor's Ratings services, a division of The McGraw-Hill Companies Inc (**S&P**), Moody's Investor Services Ltd. (**Moody's**) and Fitch Ratings Limited (Fitch and, together with S&P and Moody's, the **Rating Agencies**). The Bond Trustee shall be at liberty to sanction some other method of giving notice to the Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Bonds are then listed and provided that notice of such other method is given to the Bondholders in such manner as the Bond Trustee shall require.

15. SUBORDINATION BY DEFERRAL

15.1 Interest

In the event that, on any Interest Payment Date, the amount available to the Issuer, subject to and in accordance with the Cash Management Agreement, to apply on such Interest Payment Date, after deducting the amounts referred to in items (a) to (f) (inclusive) (in the case of the Class B Bonds), items (a) to (h) (inclusive) (in the case of the Class C Bonds (excluding any Class C1 Step-up Amount)), or items (a) to (j) (inclusive) (in the case of the Class D Bonds (excluding any Class D Step-up Amount)) of the relevant Issuer Pre-Enforcement Priority of Payments (such shortfall, in each case, an **Interest Residual Amount**), is not sufficient to satisfy in full the aggregate amount of interest (including interest on unpaid interest) due, subject to this Condition 15.1, on the Class B Bonds or, as the case may be, the Class C Bonds (excluding any Class C1 Step-up Amount) or, as the case may be, the Class D Bonds (excluding any Class D Step-up Amount) on such Interest Payment Date, there shall instead be payable on such Interest Payment Date, by way of interest (including interest on unpaid interest) on each Class B Bond or, as the case may be, each Class C Bond or, as the case may be, each Class D Bond, only a *pro rata* share of the Interest Residual Amount attributable to the relevant class of Bonds on such Interest Payment Date.

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 (including interest on unpaid interest) paid on the Class B Bonds or, as the case may be, the Class C Bonds (excluding any Class C1 Step-up Amount) or, as the case may be, the Class D Bonds (excluding any Class D Step-up Amount) on the relevant Interest Payment Date in accordance with this Condition 15.1 falls short of the aggregate amount of interest (including interest on unpaid interest) payable (but for the provisions of this Condition 15.1) on the Class B Bonds or, as the case may be, the Class C Bonds (excluding any Class C1 Step-up Amount) or, as the case may be, the Class D Bonds (excluding any Class D Step-up Amount) on that date pursuant to Condition 4 (Interest). Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class B Bonds or, as the case may be, the Class C Bonds or, as the case may be, the Class D Bonds and shall be payable together with such accrued interest on the following Interest Payment Dates, subject to the provisions of the preceding paragraph.

15.2 Step-up Amounts

In the event that, on any Interest Payment Date, the amount available to the Issuer, subject to and in accordance with the Cash Management Agreement, to apply on such Interest Payment Date, after deducting the amounts referred to in items (a) to (I) (inclusive) (in the case of the Class A1 Step-up Amount), items (a) to (m) (inclusive) (in the case of the Class C1 Step-up Amount) or items (a) to (n) (inclusive) (in the case of the Class D Step-Up Amount) of the relevant Issuer Pre-Enforcement Priority of Payments (such shortfall, in each case, a **Step-up Residual Amount**), is not sufficient to satisfy in full the aggregate amount of the Class A1 Step-up Amount or, as the case may be, the Class C1 Step-up Amount due, or, as the case may be, the Class D Step-up Amount,

subject to this Condition 15.2, on the Class A1 Bonds or, as the case may be, the Class C1 Bonds on such Interest Payment Date (such shortfall, in each case, to be referred to herein as a **Step-up Shortfall**), there shall instead be payable on such Interest Payment Date by way of Class A1 Step-up Amount (together with any accrued but unpaid Class A1 Step-up Amount and interest accrued thereon) or, as the case may be, by way of Class C1 Step-up Amount (together with any accrued but unpaid Class C1 Step-up Amount and interest accrued thereon) or, as the case may be, by way of Class D Step-up Amount (together with any accrued but unpaid Class D Step-up Amount of interest accrued thereon), a *pro rata* share of the Step-up Residual Amount attributable to the relevant class of Bonds on such Interest Payment Date.

In any such event, the Issuer shall create a provision in its accounts for any Step-up Shortfall. Such Step-up Shortfall shall itself accrue interest at a rate equal to the sum of the fixed rate payable by the Issuer under the Swap Transaction relating to the relevant class of Bonds and the Class A1 Step-up Margin or, as the case may be, the Class C1 Step-up Margin, or, as the case may be, the Class D Step-up Margin and shall be payable (together with any accrued but unpaid Class A1 Step-up Amount and/or, as the case may be, Class C1 Step-up Amount and/or, as the case may be, the Class D Step-up Amount, and all interest accrued thereon) on the next succeeding Interest Payment Date, subject to the provisions of the preceding

15.3 Principal

In the event that, on any Interest Payment Date, the amount available to the Issuer, subject to and in accordance with the Cash Management Agreement and the Issuer Deed of Charge, to apply on such Interest Payment Date, after deducting the amounts referred to in items (a) to (g) (inclusive) (in the case of the Class B Bonds) or items (a) to (i) (inclusive) (in the case of the Class C Bonds) or items (a) to (k) (inclusive) (in the case of the Class D Bonds) of the relevant Issuer Pre-Enforcement Priority of Payments (such shortfall, in each case, a **Principal Residual Amount**), is not sufficient to satisfy in full the aggregate amount of principal due, subject to this Condition 15.3, on the Class B Bonds or, as the case may be, the Class C Bonds or, as the case may be, the Class D 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 or, as the case may be, each Class C Bond or, as the case may be, each Class D Bond, only a *pro rata* share of the Principal Residual Amount attributable to the relevant class of Bonds on such Interest Payment Date.

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 or, as the case may be, the Class C Bonds or, as the case may be, the Class D Bonds on the relevant Interest Payment Date in accordance with this Condition 15.3 falls short of the aggregate amount of principal payable (but for the provisions of this Condition 15.3) in respect of the Class B Bonds or, as the case may be, the Class C Bonds or, as the case may be, the Class D Bonds on that date pursuant to Condition 6.2 (Mandatory redemption). Such shortfall shall accrue interest at the same rate as that payable in respect of the Class B Bonds or, as the case may be, the Class C Bonds or, as the case may be, the Class D

Bonds and shall be payable together with such accrued interest on the following Interest Payment Dates, subject to the provisions of Condition 15.1 (in the case of such accrued interest) or this Condition 15.3 (in the case of such shortfall of principal).

15.4 General

Any amounts of principal or interest in respect of the Class B Bonds, the Class C Bonds or the Class D Bonds otherwise payable under these Conditions which are not paid by virtue of this Condition 15, together with accrued interest thereon, shall in any event become payable on the Interest Payment Date falling in respect of the Class B Bonds in October 2033 or, in respect of the Class C1 Bonds, in January 2022 or, in respect of the Class C2 Bonds, in April 2035 or, in respect of the Class D Bonds in October 2025 or on such earlier date as the Class B Bonds or, as the case may be, the Class C Bonds, or, as the case may be, the Class D Bonds, become immediately due and repayable under Condition 9 (Issuer Events of Default).

15.5 Notification

As soon as practicable after becoming aware that any part of a payment of interest or principal on the Class B Bonds or, as the case may be, the Class C Bonds or, as the case may be, the Class D Bonds will be deferred or that a payment previously deferred will be made in accordance with this Condition 15, the Issuer will give notice thereof to the Class B Bondholders or, as the case may be, the Class C Bondholders or, as the case may be, the Class D Bondholders, in accordance with Condition 14 (Notice to Bondholders) and, so long as the Class B Bonds, the Class C Bonds and the Class D Bonds are traded on the London Stock Exchange's market for listed securities, to the London Stock Exchange (or to such other exchange upon which such Bonds are, for the time being, listed).

15.6 Application

This Condition 15 shall cease to apply:

- (a) to the Class B Bonds, upon redemption in full of all Class A Bonds;
- (b) to the Class C Bonds, upon redemption in full of all Class A Bonds and Class B Bonds;
- (c) to the Class D Bonds, upon redemption in full of all Class A Bonds, Class B Bonds and Class C Bonds.

16. FURTHER BONDS, REPLACEMENT BONDS AND NEW BONDS

16.1 Further Bonds

The Issuer may, without the consent of the Bondholders, raise further funds, from time to time, on any date by the creation and issue of further bonds (**Further Bonds**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest

period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, any class of the Bonds provided that:

- (a) the aggregate principal amount of all Further Bonds to be issued on such date is not less than £5,000,000;
- (b) any Further Bonds are assigned the same ratings as are then applicable to the class of Bonds with which they are to be consolidated and form a single series;
- (c) if paragraph (d) does not apply, the Rating Agencies confirm in writing that the then current ratings for each class of Bonds will be retained following the relevant issue and, to the extent that the Rating Agencies have placed the then current ratings of any class of Bonds on credit watch with negative implications, the Rating Agencies confirm in writing that the then current ratings for the relevant class of Bonds will be retained following the relevant issue without any such negative implications;
- (d) if more than one Rating Agency has downgraded any class of Bonds to below its rating as at its date of issue:
 - (i) each of the DSCR Test and the LTV Test would be satisfied immediately following the relevant issue; and
 - (ii) each of the Rating Agencies has confirmed that the then current ratings of each class of Bonds will be retained following the relevant issue and, to the extent that the Rating Agencies have placed the then current ratings of any class of Bonds on credit watch with negative implications, the Rating Agencies confirm in writing that the then current ratings for the relevant class of Bonds will be retained following the relevant issue without any such negative implications;
- (e) an amount equal to the aggregate principal amount of such Further Bonds will be on-lent by the Issuer pursuant to the provisions of the Intercompany Loan Agreement;
- (f) application will be made to the Financial Services Authority (in its capacity as UK Listing Authority) for the Further Bonds to be listed on the Official List and application will be made for the Further Bonds to be traded on the London Stock Exchange's market for listed securities or, if the Bonds then issued are no longer traded on the London Stock Exchange, on such exchange, if any, on which the Bonds then issued are then listed.

16.2 Replacement Bonds

If the Issuer exercises its option to redeem in whole one or more classes of Bonds pursuant to Condition 6.3, the Issuer may, without the consent of the Bondholders or the rating agencies then rating the Bonds, issue one or more classes of replacement bonds (the **Replacement Bonds**) which shall have the same terms and conditions, *mutatis*

mutandis, in all respects (except for (a) the first Interest Period and (b) the rate of interest applicable to such Replacement Bonds which, if not the same, must be lower than the rate of interest applicable to the 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 does not exceed the then Principal Amount Outstanding of the class of Bonds which it replaces (and subject to further conditions in the Bond Trust Deed being met).

16.3 New Bonds

The Issuer may, without the consent of the Bondholders, raise further funds, from time to time and on any date, by the creation and issue of new bonds (**New Bonds**) which may rank *pari passu* with the Class A Bonds, the Class B Bonds, the Class C Bonds or the Class D Bonds or after the Class A Bonds but ahead of the Class B Bonds or after the Class B Bonds but ahead of the Class C Bonds or after the Class C Bonds but ahead of the Class D Bonds or after the Class D Bonds and which may have terms and conditions which differ from the Bonds and which do not form a single series with the Class A Bonds, the Class B Bonds, the Class C Bonds or the Class D Bonds provided that the conditions to the issue of Further Bonds as set out in Condition 16.1(a), (c) or, as appropriate, (d), (e) and (f) are satisfied, *mutatis mutandis*, in respect of such issue of New Bonds.

16.4 Supplemental trust deeds and security

Any such Further Bonds, Replacement Bonds or New Bonds will be constituted by a further deed or deeds supplemental to the Bond Trust Deed and have the benefit of the security constituted by the Issuer Deed of Charge. Any of the Transaction Documents may be amended, and further Transaction Documents may be entered into, in connection with the issue of such Further Bonds, Replacement Bonds or New Bonds and the claims of the parties under any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any class or classes of the Bonds, provided, in each case, that the conditions set out in Condition 16.1(c) or, as appropriate, (d) are satisfied, *mutatis mutandis*.

16.5 Other indebtedness for Borrowed Monies

The Issuer may incur further indebtedness for borrowed monies, which may or may not be secured, in addition to that permitted under Conditions 16.1 to 16.3, but only if the Rating Condition would be satisfied on the incurring of such indebtedness.

16.6 Certain definitions

For these purposes:

- (a) the **DSCR Test** will be satisfied in respect of an issue of Further Bonds or New Bonds if, immediately following the relevant issue:
 - (i) the Class A DSCR is not lower than 2.8:1;

- (ii) the Class B DSCR is not lower than 2.2:1;
 - (iii) the Class C DSCR is not lower than 1.5:1; and
 - (iv) the Class D DSCR is not lower than 1.3:1;
- (b) the **LTV Test** will be satisfied in respect of an issue of Further Bonds or New Bonds if, immediately following the relevant issue:
 - (i) the Class A LTV is not higher than 40 per cent.;
 - (ii) the Class B LTV is not higher than 55 per cent.;
 - (iii) the Class C LTV is not higher than 70 per cent.; and
 - (iv) the Class D LTV is not higher than 75 per cent.
- (c) **Class A LTV** means the ratio (expressed as a percentage) of (A) the aggregate Principal Amount Outstanding of the Class A Bonds (including all New Class A Bonds and Further Class A Bonds then to be issued) less the then current balance of the Cash Reserve Account to (B) the market value of the Mortgaged Properties, including any Mortgaged Properties then being added to the Borrower Security (together, the **Relevant Mortgaged Properties**), (as confirmed by an external valuation carried out not more than six months prior to the relevant issue date (an **External Valuation**));
- (d) **Class B LTV** means the ratio (expressed as a percentage) of (A) the aggregate Principal Amount Outstanding of the Class B Bonds (including all New Class B Bonds and Further Class B Bonds then to be issued) and any Bonds ranking higher than the Class B Bonds (including all Further Class B Bonds and New Class B Bonds and all Further Bonds and New Bonds ranking higher than the Class B Bonds, in each case then to be issued) less the then current balance of the Cash Reserve Account to (B) the market value of the Relevant Mortgaged Properties as confirmed by an External Valuation;
- (e) **Class C LTV** means the ratio (expressed as a percentage) of (A) the aggregate Principal Amount Outstanding of the Class C Bonds (including all New Class C Bonds and Further Class C Bonds then to be issued) and any Bonds ranking higher than the Class C Bonds (including all Further Class C Bonds and New Class C Bonds and all Further Bonds and New Bonds ranking higher than the Class C Bonds, in each case then to be issued) less the then current balance of the Cash Reserve Account to (B) the market value of the Relevant Mortgaged Properties as confirmed by an External Valuation;
- (f) **Class D LTV** means the ratio (expressed as a percentage) of (A) the aggregate Principal Amount Outstanding of the Class D Bonds (including all New Class D Bonds and Further Class D Bonds then to be issued) and any Bonds ranking higher than the Class D Bonds (including all Further Class D Bonds and New

Class D Bonds and all Further Bonds and New Bonds ranking higher than the Class D Bonds, in each case then to be issued) less the then current balance of the Cash Reserve Account to (B) the market value of the Relevant Mortgaged Properties as confirmed by an External Valuation;

- (g) **Class A DSCR** means the ratio of (A) Annual Net Rents Receivable to (B) Class A Debt Service less the income earned on the Cash Reserve Account in the year prior to the relevant issue date;
- (h) **Class B DSCR** means the ratio of (A) Annual Net Rents Receivable to (B) Class B Debt Service less the income earned on the Cash Reserve Account in the year prior to the relevant issue date;
- (i) **Class C DSCR** means the ratio of (A) Annual Net Rents Receivable to (B) Class C Debt Service less the income earned on the Cash Reserve Account in the year prior to the relevant issue date;
- (j) **Class D DSCR** means the ratio of (A) Annual Net Rents Receivable to (B) Class D Debt Service less the income earned on the Cash Reserve Account in the year prior to the relevant issue date;
- (k) **Annual Net Rents Receivable** means the annual net rents receivable in respect of the Relevant Mortgaged Properties (excluding any rents receivable from a member of the British Land Group) as at the date of the relevant further issue as confirmed in writing by an external valuer;
- (l) **Class A Debt Service** means the aggregate amount of principal and interest to be paid by the Issuer in respect of the Class A Bonds (including all New Class A Bonds and Further Class A Bonds then to be issued) for the four consecutive Interest Payment Dates following the date of issue of the relevant Further Bonds and/or New Bonds;
- (m) **Class B Debt Service** means the aggregate amount of principal and interest to be paid by the Issuer in respect of the Class B Bonds (including all New Class B Bonds and Further Class B Bonds then to be issued) and all Bonds ranking higher than the Class B Bonds (including all Further Class B Bonds and New Class B Bonds and all Further Bonds and New Bonds ranking higher than the Class B Bonds, in each case then to be issued) for the four consecutive Interest Payment Dates following the date of issue of the relevant Further Bonds and/or New Bonds;
- (n) **Class C Debt Service** means the aggregate amount of principal and interest to be paid by the Issuer in respect of the Class C Bonds (including all New Class C Bonds and Further Class C Bonds then to be issued) and all Bonds ranking higher than the Class C Bonds (including all Further Class C Bonds and New Class C Bonds and all Further Bonds and New Bonds ranking higher than the Class C Bonds, in each case then to be issued) for the four consecutive Interest Payment

Dates following the date of issue of the relevant Further Bonds and/or New Bonds; and

- (o) **Class D Debt Service** means the aggregate amount of principal and interest to be paid by the Issuer in respect of the Class D Bonds (including all New Class D Bonds and Further Class D Bonds then to be issued) and all Bonds ranking higher than the Class D Bonds (including all Further Class D Bonds and New Class D Bonds and all Further Bonds and New Bonds ranking higher than the Class D Bonds, in each case then to be issued) for the four consecutive Interest Payment Dates following the date of issue of the relevant Further Bonds and/or New Bonds.

17. EUROPEAN ECONOMIC AND MONETARY UNION

17.1 Notice of Redenomination

The Issuer may, after the Euro Commencement Date, without the consent of the Bondholders, on giving at least 30 days' prior notice to the Bondholders and the Paying Agents, designate an Interest Payment Date as the Re denomination Date.

17.2 Redenomination

With effect from the Re denomination Date:

- (a) the Bonds in each class shall be deemed to be redenominated into euro with the Principal Amount Outstanding of each Bond in each class being equal to the Principal Amount Outstanding of that Bond in such class in sterling, converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); and
- (b) notwithstanding Condition 17.2(a), if the Issuer determines, with the agreement of the Bond Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders, the London Stock Exchange (if the Bonds are still listed thereon), the Paying Agents and the Agent Bank of such deemed amendments in accordance with Condition 14 (Notice to Bondholders).

17.3 Notice of Redenomination Date

The Issuer will notify the Bondholders of the intended Redenomination Date in accordance with Condition 14 (Notice to Bondholders).

17.4 Effect of Redenomination

With effect from the Redenomination Date:

- (a) the payment obligations contained in all Bonds denominated in sterling will become void but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 17 (European Economic and Monetary Union)) shall remain in full force and effect;
- (b) new Bonds denominated in euro will be issued in exchange for Bonds denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Bondholders in accordance with Condition 14 (Notice to Bondholders); and
- (c) all payments in respect of the Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State.

For the purposes of this Condition 17 (European Economic and Monetary Union):

Euro Commencement Date means the date (if any) on which the United Kingdom becomes a Participating Member State;

Participating Member State means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

Redenomination Date means the Interest Payment Date falling on or after the Euro Commencement Date on which the Issuer redenominates the currency of the Bonds into euro; and

Treaty means the treaty establishing the European Community, as amended.

18. GOVERNING LAW

The Bond Trust Deed, the Global Bonds and these Conditions are governed by, and shall be construed in accordance with, English law.

19. RIGHTS OF THIRD PARTIES

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

UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of current United Kingdom tax law and United Kingdom Inland Revenue (the **Inland Revenue**) practice as at the date of this Offering Circular relating to certain aspects of the United Kingdom taxation of the Bonds. The summary set out below is a general guide and applies only to the classes of persons mentioned below who are beneficial owners of the Bonds and should be treated with appropriate caution. Some aspects do not apply to certain classes of taxpayer (such as dealers and persons connected with the Issuer). Prospective Bondholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.*

Interest on the Bonds

Withholding tax on payments of interest on the Bonds

For so long as the Bonds are and continue to be issued by a company, listed on a **recognised stock exchange** within the meaning of Section 841 of the Income and Corporation Taxes Act 1988 (the London Stock Exchange is such a recognised stock exchange for this purpose), interest payments on each of the Bonds will be treated as the “payment of interest on a quoted Eurobond” within the meaning of Section 349 of the Income and Corporation Taxes Act 1988. Under an Inland Revenue interpretation, securities will be regarded as listed on a recognised stock exchange if they are listed by a competent authority in a country which is a member state of the European Union or which is part of the European Economic Area and are admitted to trading on a recognised stock exchange in that country. In these circumstances, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax, irrespective of whether the Bonds are in global form or in definitive form.

If the Bonds cease to be listed on a recognised stock exchange, an amount must be withheld on account of United Kingdom income tax at the lower rate (currently 20 per cent.) from interest paid on them, subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of an applicable double taxation treaty or to the interest being paid to the persons (including companies within the charge to United Kingdom corporation tax) and in the circumstances specified in Sections 349A to 349D of the Income and Corporation Taxes Act 1988.

Provision of information

Bondholders who are individuals should note that where any interest is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a **paying agent**), or is received by any person in the United Kingdom acting on behalf of the relevant Bondholder (a **collecting agent**), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the Inland Revenue details of the payment and certain details relating to the Bondholder. These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Bondholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Bondholder is not so

resident, the details provided to the Inland Revenue may, in certain cases, be passed by the Inland Revenue to the tax authorities of the jurisdiction in which the Bondholder is resident for taxation purposes.

Further United Kingdom income tax issues for non-United Kingdom resident Bondholders

Interest on the Bonds constitutes United Kingdom source income and, as such, may be subject to tax by direct assessment even where paid without withholding, subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of an applicable double taxation treaty.

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

Where interest has been paid under deduction of United Kingdom income tax, 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 under an applicable double taxation treaty.

United Kingdom corporation tax payers

In general, Bondholders which are within the charge to United Kingdom corporation tax in respect of the Bonds will be charged to tax and obtain relief as income on all returns on and fluctuations in value of the Bonds broadly in accordance with their statutory accounting treatment.

Other United Kingdom tax payers

Taxation of chargeable gains

It is not expected that the Bonds will be treated by the Inland Revenue as **qualifying corporate bonds** within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Bonds may give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains depending on the individual circumstances of the Bondholder.

Accrued income scheme

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last Interest Payment Date may be chargeable to tax as income under the rules of the **accrued** income scheme if that Bondholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable. By reason of the differing rates of interest on the Class A1 Bonds, the Class C1 Bonds and the Class

D Bonds in different periods, the Class A1 Bonds, the Class C1 Bonds and the Class D Bonds will be regarded as **variable rate securities** for the purposes of the accrued income scheme. Bondholders are advised to consult their own professional advisers for further information about the accrued income scheme in general and, in particular, the potentially adverse tax consequences of holding variable rate securities. Bondholders should note that, in December 2004, the Inland Revenue announced that the accrued income scheme is to be reformed following a further period of consultation. It is not currently known whether or in what form any changes arising from the consultations will be enacted and it is possible that, when any changes are created, they may affect the taxation treatment described in this paragraph.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Global Bonds or on the issue or transfer by delivery of a Definitive Bond.

European Union Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive, Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. For a transitional period, however, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

The Lead Managers, Barclays Bank PLC and Lloyds TSB Bank PLC (the **Managers**) have, pursuant to a subscription agreement made on 23 February 2005 between the Managers, the Issuer, British Land, the Borrower and the Property Companies (the **Subscription Agreement**), jointly and severally (as between the Managers) agreed (subject to certain conditions) to subscribe for the Floating Rate Bonds and a portion of the Fixed Rate Bonds (the **Subscribed Bonds**, the remainder of the Bonds being for the purposes of this section, the **non-Subscribed Bonds**).

Class of Bonds	Issue price (%)
Class A1	100
Class A2	100
Class A3	100
Class A4	100
Class B	100 (as to £260,580,000 initial principal amount thereof)
Class B	100.68 (as to £104,420,000 initial principal amount thereof)
Class C1	100
Class C2	100
Class D	100

The Issuer, failing which the Borrower, has agreed to pay a fee to the Managers an aggregate amount of approximately £2,500,000 in respect of the Subscribed Bonds. On the Closing Date, the Borrower will pay to the Issuer pursuant to the Intercompany Loan Agreement an amount equal to all fees, costs and expenses properly incurred by the Issuer on or before the Closing Date in connection with the issue of the Bonds, including the fee referred to above.

The Subscription Agreement is subject to a number of conditions and may be terminated by Morgan Stanley and RBS (on behalf of the Managers) in certain circumstances prior to payment to the Issuer. The Issuer, the Borrower, the Properties Companies and British Land have agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Subscribed Bonds.

The non-Subscribed Bonds will be purchased by the Borrower at the issue price referred to above.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any Subscribed Bonds to persons in the United Kingdom prior to admission of the Subscribed Bonds to listing in accordance with Part V1 of the Financial Services and Markets Act 2000 (the FSMA) except to persons whose ordinary activities involve them in acquiring holding managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or FSMA;

- (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 FSMA) received by it in connection with the issue or sale of any Subscribed Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Subscribed Bonds in, from or otherwise involving the United Kingdom.

United States

The Subscribed 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 (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Subscribed Bonds, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Subscribed Bonds and the Closing Date (for the purposes only of this section, the **Restricted Period**) within the United States or to, or for the account or benefit of, U.S. persons (except in accordance with Rule 903 of Regulation S), and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Subscribed Bonds from it during the Restricted Period a confirmation or other notice setting forth the restrictions on offers and sales of the Subscribed Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

General

Except for listing of the Subscribed Bonds on the Official List and the admission of the Subscribed Bonds for 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 Managers in any jurisdiction which would or is intended to permit a public offering of the Subscribed Bonds, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Subscribed 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 Subscribed 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 Subscribed 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 Manager has undertaken that it will not, directly or indirectly, offer or sell any Subscribed Bonds, or distribute this document or any other material relating to the Subscribed Bonds in or from any country or jurisdiction except in circumstances that will result in compliance with applicable law and regulations.

GENERAL INFORMATION

1. The issue of the Bonds was authorised by resolution of the board of directors of the Issuer passed on 22 February 2005.
2. It is expected that listing of the Bonds on the Official List of the UK Listing Authority and the admission to trading of the Bonds on the London Stock Exchange's market for listed securities will be granted on or around 2 March 2005, subject only to issue of the Temporary Global Bonds. The listing of the Bonds will be cancelled if the Temporary Global Bonds are not issued. Transactions in respect of the Bonds will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction. Prior to 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 Codes and the ISIN for each class of Bonds is as follows:

Class	Common Code	ISIN
A1	21309206	XS0213092066
A2	21189766	XS021 1897664
A3	21189782	XS0211897821
A4	21309265	XS0213092652
B	21189804	XS021 1898043
C1	21309303	XS0213093031
C2	21189812	XS0211898126
D	71 0936	XS0213093627

4. So long as the Bonds are listed on the Official List and traded on the London Stock Exchange's market for listed securities, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.
5. Save as disclosed under *The Issuer*, since 17 December 2004 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the trading or financial position of the Issuer. Save as disclosed under *The Borrower*, since 17 December 2004 (being the date of incorporation of the Borrower), there has been (a) no material adverse change in the financial position or prospects of the Borrower and (b) no significant change in the trading or financial position of the Borrower.
6. The Issuer is not and has not 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 is not and has not 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.

7. Since the date of its incorporation, the Issuer has entered into a proposal deed, a solicitation agency agreement and the Subscription Agreement, being contracts entered into other than in its ordinary course of business. Since the date of its incorporation, the Borrower has entered into a proposal deed and the Subscription Agreement, being contracts entered into other than in its ordinary course of business.
8. Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and of the references to its name in the form and context in which they appear and has 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 2001.
9. Atisreal Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and of the references to its name in the form and context in which they appear and has 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 2001.
10. Save as disclosed in this document, neither the Issuer nor the Borrower has outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer or Borrower created any mortgages or charges or given any guarantees.
11. The Bond Trust Deed, the Issuer Deed of Charge and the Borrower Deed of Charge will provide that the Bond Trustee, the Issuer Security Trustee and the Borrower Security Trustee, respectively, may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Bond Trust Deed, the Issuer Deed of Charge and the Borrower Deed of Charge, respectively, whether or not any such report or other information provided to or document entered into by the Bond Trustee, the Issuer Security Trustee or the Borrower Security Trustee (as the case may be) and the relevant person in connection therewith contains any monetary or other limit on the liability of the relevant person.
12. The Bond Trust Deed will provide that the Bond Trustee shall supply to the Rating Agencies all notices, written information and reports which it sends to all Bondholders of any class or makes available to such Bondholders where the same is reasonably requested by a Rating Agency for the purposes of maintaining surveillance.
13. The Bond Trust Deed will contain provisions requiring any law firm appointed by the Bond Trustee to advise it in connection with any matter in connection with the Bonds to be separate from the law firm appointed by the Issuer or by any other member of the British Land Group and its financial advisers in respect of the Bonds. This restriction will not prohibit the Bond Trustee from being an addressee of any legal opinions issued by such latter counsel.
14. The Transaction Documents will contain provisions entitling the Rating Agencies to receive notices and information made available to Bondholders in relation to the transactions described in this Offering Circular (save where the same is subject to legal

and/or contractual confidentiality restrictions). In addition, the Rating Agencies will be entitled, unless the relevant Bondholders otherwise decide by ordinary resolution at the relevant meeting or in some other manner approved by the Bond Trustee, to attend (but not vote at) meetings of Bondholders of any class, subject to the proviso that they will not be entitled to be present during voting.

15. The buildings depicted in the foreground of the photographs included in this document are the Mortgaged Properties as indicated by the captions beneath such photographs. There may be buildings in the background to these photographs that do not form part of the Broadgate estate.
16. Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Simmons & Simmons at CityPoint, One Ropemaker Street, London EC2Y 9SS for 14 days from the date of this document:
 - (a) the Memorandum and Articles of Association of the Issuer, the Borrower, the Property Companies, the Cash Manager, PGLC and Holdings;
 - (b) the balance sheet of the Issuer as at 31 January 2005 and the auditor's report thereon;
 - (c) the balance sheet of the Borrower as at 31 January 2005 and the auditor's report thereon;
 - (d) the Subscription Agreement;
 - (e) the Valuation Report; and
 - (f) drafts (subject to modification) of the contracts and documents listed below:
 - (i) the Bond Trust Deed;
 - (ii) the Agency Agreement;
 - (iii) the Issuer Deed of Charge;
 - (iv) the Cash Management Agreement;
 - (v) the Bank Agreement;
 - (vi) the Account Trust Deed;
 - (vii) the Swap Agreement;
 - (viii) the Swap Agreement Credit Support Annex;
 - (ix) the Liquidity Agreement;

- (x) the Intercompany Loan Agreement;
- (xi) the Borrower Deed of Charge;
- (xii) the Subordinated Loan Agreement;
- (xiii) the Intra-Group Loan Deed;
- (xiv) the Tax Deed of Covenant;
- (xv) the Property Management Agreement; and
- (xvi) the Master Definitions and Construction Schedule.

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