

LAND SECURITIES CAPITAL MARKETS PLC

(incorporated in England and Wales with limited liability under registered number 5193511)

£4,000,000,000

Multicurrency Programme for the issuance of Notes

By a resolution of the Board of Directors of Land Securities Capital Markets PLC (the “**Issuer**”) passed on 29 October 2004 it was resolved to authorise the establishment by the Issuer of a £4,000,000,000 multicurrency programme for the issuance of Notes (the “**Programme**”).

Notes issued under the Programme on the same date will comprise a Series and may comprise one or more Classes, each Class being accorded a particular ranking in point of security. First ranking Notes will be designated as “**Class A Notes**” or (if issued pursuant to a Class R Underwriting Agreement as Class R1 Notes) “**Class R1 Notes**” (together with the Class A Notes, the “**Priority 1 Notes**”), second ranking Notes will be designated as “**Class B Notes**” or (if issued pursuant to a Class R Underwriting Agreement as Class R2 Notes) “**Class R2 Notes**” (the Class R2 Notes, together with the Class R1 Notes, the “**Class R Notes**” and the Class R2 Notes, together with the Class B Notes, the “**Priority 2 Notes**”) and any Notes issued in any Class or Classes of Notes will be designated (as further described herein) as ranking below the Priority 2 Notes, the “**Subordinated Notes**”.

Each Class of Notes may be issued in separate Sub-Classes, with the Notes in each Sub-Class having, among other things, different currency, interest rate and maturity terms to the Notes of other Sub-Classes within that Class of Notes. Each Sub-Class may be, among other things, fixed rate, floating rate, index-linked, dual currency, zero-coupon, partly paid or instalment Notes, with differing maturities, redemption profiles and interest payment dates, and may be denominated in sterling, euro, U.S. dollars or other currency, in each case, as specified in the relevant Pricing Supplement relating to such Sub-Class. Each Sub-Class of Notes within a Class will rank *pari passu* with all other Sub-Classes of Notes within such Class in point of security.

An initial Series of Class A Notes (the “**Initial Notes**”) will be issued under the Programme to Land Securities PLC on the Exchange Date under the Note Subscription Agreement. After the Exchange Date, further Notes may be issued on a continuing basis to one or more of the Dealers specified in Chapter 16 “*Subscription and Sale*”, page 247 below, and to any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue of Notes or on an ongoing basis. The Issuer may from time to time (after the Exchange Date) issue Class R Notes to Class R Underwriters in accordance with the provisions set out in Chapter 16 “*Subscription and Sale*”, page 244 below.

Notes issued under the Programme have not been registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or the securities laws of any other state of the United States. Initial Notes are being offered and sold within the United States only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to persons outside the United States in accordance with Regulation S under the Securities Act.

Application has been made to the Irish Stock Exchange for the Initial Notes and any other Notes issued by the Issuer under the Programme during the period of twelve months after the date hereof to be admitted to the Daily Official List of the Irish Stock Exchange. A copy of this Offering Circular, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with the requirements of the European Communities (Stock Exchange) Regulations, 1984 of Ireland (as amended), has been delivered to the Registrar of Companies in Ireland in accordance with Regulation 13 of the Regulations.

The Programme provides that Notes may be listed on such other stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s). The Issuer may also issue unlisted Notes.

Under the Programme, the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Notes in the form of Bearer Notes and/or Registered Notes.

Details of the aggregate principal amount, interest payable (if any), the issue price and any other conditions not contained herein which are applicable to each Sub-Class of Notes will be or, in the case of the Initial Notes, have been, set out in a Pricing Supplement which, in the case of Notes to be admitted to the Daily Official List and to trading on the Irish Stock Exchange, will be delivered to the Irish Stock Exchange on or before the relevant date of issue of the Notes of such Sub-Class.

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

For a discussion of certain factors regarding the Notes that should be considered by prospective purchasers of the Notes, see Chapter 3 “*Investment Considerations*”, page 41, below.

Sole Arranger and Dealer

Citigroup

Offering Circular dated 2 November 2004

Copies of each Pricing Supplement will be available (in the case of all Notes) from the specified office set out below of the Note Trustee and (in the case of the Bearer Notes) from the specified office set out herein of each of the Paying Agents and (in the case of the Registered Notes) from the specified office set out herein of each of the Registrar and the Transfer Agents.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £4,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The exclusive source of funds for the payment of principal and interest on the Notes on and from the Exchange Date will be the Issuer's right to receive payments of interest and repayments of principal on advances made under the Intercompany Loan Agreement between, *inter alios*, the Issuer, FinCo and the Note Trustee.

The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any of the other parties to the transactions described in this Offering Circular and any Pricing Supplement. It should be noted, in particular, that the Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Arranger, the Dealers, the Note Trustee, the Paying Agents, any Swap Counterparty, any Liquidity Facility Provider, the Account Bank, the Class R Underwriters, the Class R Agent, the Cash Manager, the Obligor Security Trustee, FinCo, HoldCo, the Obligors, Land Securities PLC, Land Securities Group PLC or any other company (other than the Issuer) in the same group of companies as, or affiliated to, Land Securities Group PLC.

The Initial Notes (comprising the Class A Notes to be issued by the Issuer on the Exchange Date in the Sub-Classes listed below) are expected on the Exchange Date to be assigned the credit ratings from Fitch and S&P respectively set opposite such Sub-Class in the table below.

| Class | Fitch | S&P |
|----------------|-------|-----|
| Class A1 Notes | AA | AA |
| Class A2 Notes | AA | AA |
| Class A3 Notes | AA | AA |
| Class A4 Notes | AA | AA |
| Class A5 Notes | AA | AA |
| Class A6 Notes | AA | AA |
| Class A7 Notes | AA | AA |

Class B Notes or Subordinated Notes are not expected to be issued on the Exchange Date.

Any Class A Notes or Class R1 Notes issued following the Exchange Date are expected upon issue to be rated AA by Fitch and AA by S&P (assuming there are no changes in any relevant circumstances). Any Class B Notes or Class R2 Notes issued following the Exchange Date (assuming they rank in point of security immediately below the Class A Notes) are expected upon issue to be rated A by Fitch and A by S&P (assuming there are no changes in any relevant circumstances), although it should be noted that the ratings of any Class B Notes will be as to ultimate interest and ultimate principal unless a liquidity facility is in place in respect of Class B Note interest in an amount satisfactory to the Rating Agencies (and in such circumstances such Notes would include the word "deferable" in their title).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each credit rating should be evaluated independently of any other rating and, among other things, will depend on the performance of the business of the Security Group from time to time.

If the Pricing Supplement in relation to a Sub-Class of Bearer Notes specifies that the TEFRA C Rules are applicable to such Sub-Class, the Bearer Notes of such Sub-Class will be represented by a Permanent Global Note, which will be deposited on or about the Exchange Date with a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and will be exchangeable in certain limited circumstances in whole, but not in part, for Definitive Notes, as further described in Chapter 13 "*Form of the Notes*", page 238, below.

If the Pricing Supplement in relation to a Sub-Class of Bearer Notes specifies that the TEFRA D Rules are applicable to such Sub-Class, the Bearer Notes of such Sub-Class will initially be represented by a Temporary Global Note, which will be deposited on or about the Exchange Date with a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed

clearing system and will be exchangeable for either a Permanent Global Note or Definitive Notes, upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and thereafter any Permanent Global Note may be exchanged, in whole but not in part, for Definitive Notes, all as further described in Chapter 13 "*Form of the Notes*", page 238, below.

Registered Notes of each Class which are offered and sold in the United States of America in reliance on Rule 144A under the Securities Act will be represented by a Global Note Certificate in registered, restricted form which will be registered in the name of a nominee of the common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Initial Notes of each Class which are offered and sold to Qualifying UK Investors will be represented by Individual Note Certificates registered in the name of the holders thereof. Each Global Note Certificate may be exchanged for Individual Note Certificates evidencing holdings of Notes in certain limited circumstances, as further described in Chapter 13 "*Form of the Notes*", page 238, below.

The Issuer may agree with any Dealer and the Note Trustee that Notes may be issued in a form not contemplated by this Offering Circular or the Conditions herein, in which event (in the case of Notes listed on the Irish Stock Exchange only) supplementary listing particulars or further listing particulars, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

IMPORTANT NOTICE

This Offering Circular should be read and construed together with any amendment or supplement hereto and with any other documents incorporated by reference herein and, in relation to any Sub-Class of Notes, should be read and construed together with the relevant Pricing Supplement.

Capitalised terms used in this Offering Circular or any Pricing Supplement, unless otherwise indicated, have the meanings set out in the glossary of defined terms which appears at the back of this Offering Circular.

INVESTMENT CONSIDERATIONS

A discussion of certain factors, which should be considered in connection with an investment in the Notes, is set out in Chapter 3 “*Investment Considerations*”, page 41, below.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the Obligors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult its own independent professional advisers.

RESPONSIBILITY STATEMENT

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

Each of Land Securities Group PLC and Land Securities PLC accepts responsibility for the Land Securities Information. To the best of the knowledge and belief of Land Securities Group PLC and Land Securities PLC (having taken all reasonable care to ensure that such is the case), the Land Securities Information is in accordance with the facts and does not omit anything likely to affect the import of such information.

REPRESENTATIONS ABOUT THE NOTES

No person has been authorised in connection with the issue and sale of Notes to make any representation or provide any information other than as contained in this Offering Circular or any other document entered into in relation to the Programme. Any such representation or information, if given or made, should not be relied upon as having been authorised by the Issuer, FinCo, any other Obligor, any other member of the Land Securities Group, the directors of the Issuer or of any member of the Land Securities Group, the Dealers or the Class R Underwriters.

None of the Arranger, the Dealers, the Note Trustee and the Obligor Security Trustee has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers, the Note Trustee or the Obligor Security Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Notes or their distribution. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arranger, the Dealers, the Note Trustee or the Obligor Security Trustee nor any other person affiliated with any of them in connection with any investigation of the accuracy of such information or its investment decision. The statements in this paragraph are without prejudice to the responsibility of the Issuer, Land Securities Group PLC and Land Securities PLC referred to under “*Responsibility Statement*” above.

FINANCIAL CONDITION OF THE ISSUER, THE SECURITY GROUP AND THE LAND SECURITIES GROUP

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offer, sale, allocation, solicitation or delivery of any Note shall in any circumstances create any implication or constitute a representation that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Obligors,

the Security Group (as a whole) or the Land Securities Group (as a whole) or the information contained herein since the date of this Offering Circular.

None of the Authorised Signatories or directors of the Issuer or the Obligors shall be personally liable in respect of any certificate issued on behalf of any of the Obligors pursuant to or in accordance with any Transaction Document.

SUMMARY OF SELLING RESTRICTIONS

Neither this Offering Circular nor any part hereof nor any Pricing Supplement constitutes an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular or any Pricing Supplement and the offer, sale and delivery of Notes in certain jurisdictions may be restricted by law. None of the Issuer, any other member of the Land Securities Group and the Dealers represents that Notes may at any time be lawfully sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for such sale. No action has been taken by the Issuer, any other member of the Land Securities Group, the Arranger or the Dealers (save for the approval of this document as listing particulars by the Irish Stock Exchange and, in respect of the Initial Notes, the delivery of the Prospectus, Offer and Consent Solicitation Document to the Registrar of Companies in England and Wales in accordance with regulation 4 sub-section (2) of the POS Regulations) which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession the whole or any part of this Offering Circular or any Pricing Supplement comes are required by the Issuer and the Dealers to inform themselves about, and to observe, any such restrictions.

In particular, the Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States. Accordingly, except for the Restricted Initial Notes, the Notes may not be offered, sold or otherwise transferred except in a transaction outside the United States to persons that are not U.S. persons in accordance with Regulation S under the Securities Act. The Restricted Initial Notes are being offered in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Restricted Initial Notes have not been recommended by any U.S. federal, state or any non-U.S. securities authorities, nor have any such authorities determined that this Offering Circular is accurate or complete. Any representation to the contrary is a criminal offence. The Notes may include Notes in bearer form that are subject to United States tax law requirements. Each purchaser of the Restricted Initial Notes will be deemed to have made the representations, warranties, acknowledgements and agreements that are described in this Offering Circular under “– *Transfers and Transfer Restrictions*”, page 241, below.

In addition, the Issuer has not authorised any offer of Notes (other than the Initial Notes) to the public in the United Kingdom within the meaning of the POS Regulations. Notes may not lawfully be offered or sold to the public in the United Kingdom except in circumstances which do not result in an offer of securities to the public in the United Kingdom within the meaning of the POS Regulations or otherwise in compliance with all applicable provisions of the POS Regulations.

Purchasers of the Restricted Initial Notes are hereby notified that the Issuer is relying on the exemption provided by Rule 144A under the Securities Act. Until 40 days after the commencement of the offering, an offer or sale of the Notes in the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act.

For so long as any of the Restricted Initial Notes offered hereby remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither subject to Section 13 or 15(d) under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, the Issuer will furnish to any holders or beneficial owners of Restricted Initial Notes and prospective purchasers of Restricted Initial Notes designated by any such holders or beneficial owners of Restricted Initial Notes, upon written request, the information required to be

delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with the resale of Restricted Initial Notes.

For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular or any Pricing Supplement and other material relating to the Notes, see Chapter 16 "*Subscription and Sale*", page 247, below.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B OF THE STATE OF NEW HAMPSHIRE WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CURRENCY

In this Offering Circular, unless otherwise specified, references to "£" and "sterling" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland, references to "\$" and "U.S. dollars" are to the lawful currency for the time being of the United States of America, and references to "€" and "euro" are to the lawful currency of member states of the European Economic and Monetary Union that have adopted the euro as their lawful currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.

STABILISATION

In connection with the issue of any Sub-Class of Notes under the Programme, the person (if any) who is specified in the relevant Pricing Supplement as the stabilising manager may over-allot or effect transactions with a view to supporting the market price of such Notes at a level higher than that which might otherwise prevail. However, there is no obligation on the stabilising manager to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (i) all supplements and addenda to this Offering Circular circulated by the Issuer from time to time in accordance with its undertaking described below given by it in the Dealership Agreement described in Chapter 16 "*Subscription and Sale*", page 247, below; and
- (ii) the most recently published audited consolidated financial statements of the Security Group (or, where the Security Group does not constitute a group that would require a statutory consolidation, the Security Group's *pro forma* consolidated accounts) in respect of a Financial Year (the first of which will be available in respect of the Financial Year ending on 31 March 2005),

provided that any statement contained herein, or in a document all or a portion of which is deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any subsequent document, all or a relative portion of which is or is deemed to be incorporated by reference herein, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, free of charge, upon oral or written request, a copy of this Offering Circular (or any document all or a portion of which is incorporated by reference in this Offering Circular) at the specified offices of the Note Trustee and (in the case of Bearer Notes) at the offices of the Paying Agents and (in the case of Registered Notes) at the offices of the Registrar and the Transfer Agents.

Any documents which are deemed to be incorporated by reference in this Offering Circular do not form part of the listing particulars approved by the Irish Stock Exchange.

SUPPLEMENTARY OFFERING CIRCULAR

Pursuant to the rules of the Irish Stock Exchange, if, between the delivery of any Pricing Supplement in respect of any Sub-Class of Notes and the commencement of dealings in those Notes on the Irish Stock Exchange, there shall occur a change, which is significant for the purpose of making an informed assessment of the rights attaching to those Notes, affecting any matter contained in this Offering Circular, or if there shall arise a new matter, which is significant for the purpose set out above, the inclusion of information in respect of which would have been required to be mentioned in this Offering Circular if it had arisen at the time of its preparation, then in any such case the Issuer will advise the Irish Stock Exchange immediately and prepare or procure the preparation of a supplementary offering circular for use in connection with the issue of such Sub-Class of Notes, containing such information as is required by the Irish Stock Exchange and which it will publish in printed form in such numbers as required by the Irish Stock Exchange. The Issuer will make such supplemental offering circulars available free of charge at its registered office and the offices of its Paying Agents for a period of 14 days commencing on the date of issue of the supplementary offering circular.

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CHAPTER 1

TRANSACTION OVERVIEW

The following is an overview of the transaction. This overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this Offering Circular.

THE LAND SECURITIES GROUP

The Land Securities Group primarily invests in commercial property in the United Kingdom and provides property outsourcing and ancillary services to a wide range of occupiers across the United Kingdom.

At the date of this Offering Circular, the Land Securities Group has three main activities: the management of its property portfolio, development and property outsourcing.

On or prior to the Exchange Date, the Land Securities Group will be reorganised to form two sub-groups: a group comprising the Security Group (comprising the Obligors) and the Issuer and a group comprising the Non-Restricted Group (comprising the Non-Restricted Group Entities), and the current financing and security arrangements of the Security Group will be replaced.

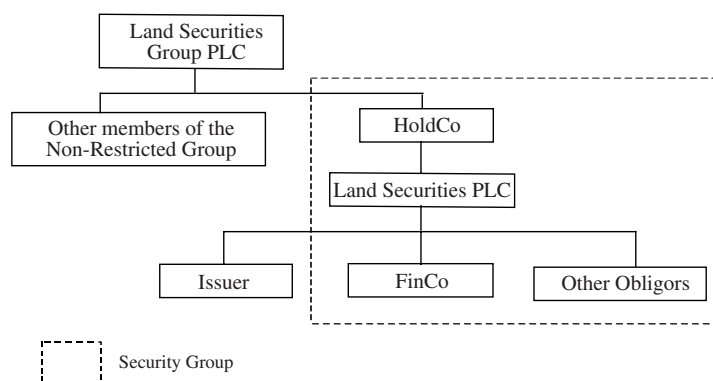
The Issuer has been incorporated as a special purpose company for the purpose of (1) issuing the Initial Notes to Land Securities PLC on the Exchange Date and (2) raising funds through the further issuance of Notes on subsequent Issue Dates. The funds raised by the Issuer will be on-lent to FinCo, to be used by FinCo for any lawful purpose (including on-lending such proceeds to Land Securities (Finance) Limited, which may on-lend such proceeds to any other member of the Security Group and, subject to certain conditions (as described herein), to Non-Restricted Group Entities).

From and including the Exchange Date, Land Securities Group PLC will be the ultimate holding company of the Land Securities Group. The Security Group will comprise FinCo, HoldCo, Land Securities PLC and the other Obligors. On and from the Exchange Date, HoldCo will directly hold all of the shares in Land Securities PLC. Land Securities PLC in turn will directly or indirectly hold all of the shares in the Issuer, FinCo and certain other Obligors. See “– *Corporate Structure of the Land Securities Group as from the Exchange Date*”, page 22, below for a diagrammatic representation of the corporate structure of the companies within the Security Group on and after the Exchange Date.

The corporate reorganisation to create the Security Group will comprise a series of intra-group transfers of shares and assets (see “– *Corporate Reorganisation of the Land Securities Group*”, page 21, below). In order to effect the replacement of its current financing and security arrangements, on the Exchange Date the Issuer will issue the Initial Notes to Land Securities PLC. On the same date, following such issue, Land Securities PLC will redeem its Existing Note Debt in consideration for a combination of the transfer of the Initial Notes and payment of a cash sum and will raise the funds necessary to refinance its Existing Bank Debt (see “– *Funding Options*”, page 14, below) and the Issuer and the Security Group will create certain security over their assets including each of their Mortgaged Properties (see “– *Security Structure of the Issuer and the Security Group*”, page 17, below).

As at the Exchange Date, Land Securities PLC, Ravensett Properties Limited, Ravenside Investments Limited and The City of London Real Property Company Limited will be the principal real estate owning companies of the Security Group and FinCo, a special purpose company, will raise funds to support the activities of the Security Group and the Non-Restricted Group (see “– *Corporate Structure of the Land Securities Group as from the Exchange Date*”, page 22, below).

The diagram below shows the two sub-groups of the Land Securities Group on and after the Exchange Date:



As at the Exchange Date, the Security Group will own a portfolio of 142 Mortgaged Properties (the “**Initial Estate**”), and will manage, develop or procure the management and development of the Initial Estate. The Security Group, as at the Exchange Date, will not carry on the total property outsourcing business of the Land Securities Group, but is not restricted from doing so.

From the Exchange Date, the Non-Restricted Group will carry on the total property outsourcing business, and those parts of the portfolio management and development businesses relating to the Land Securities Group portfolio of properties other than the Initial Estate.

The Initial Estate will be made up as follows:

| INITIAL ESTATE | 31 MARCH 2004* VALUATION BY CLASSIFICATION | |
|--|--|--------------|
| | £m | % |
| Offices – London..... | 2,630.1 | 42.81 |
| Offices – UK (other than London)..... | 45.5 | 0.74 |
| Shops and Shopping Centres – London | 739.0 | 12.03 |
| Shops and Shopping Centres – UK (other than London) | 1,284.9 | 20.91 |
| Retail Warehouses | 1,244.6 | 20.25 |
| Residential..... | 8.7 | 0.14 |
| Other | 192.0 | 3.12 |
| TOTAL | 6,144.8 | 100.0 |

* This table includes two “**Additional Properties**” (as defined in paragraph 1.5 of the Summary of the Initial Valuation Report see Chapter 10, “*Summary of Initial Valuation Report*”, page 185, below) with an aggregate Market Value of £127,250,000 (2.07%) which are valued as at 31 July 2004. Of the Market Values of the Additional Properties, £122,600,000 is included in the figures for Offices – London and £4,650,000 is included in the figures for Shops and Shopping Centres – London in the above table.

The valuation in the table above is based on the valuation as at 31 March 2004 of each of the Mortgaged Properties comprising the Initial Estate made by the Valuers (the “**Initial Valuation Report**”).

The Initial Valuation Report issued by the Valuers with respect to the Estate is reproduced in summary form in Chapter 10 “*Summary of Initial Valuation Report*”, page 185, below. In the opinion of the Valuers and subject to the assumptions and qualifications and other matters set out in the Initial Valuation Report, the Mortgaged Properties in the Estate had an aggregate Market Value (as defined herein) of £6,145 million as at the date of the valuation set out in the Initial Valuation Report. (The date of valuation in respect of the Mortgaged Properties in the Initial Estate, subject to the next sentence, is 31 March 2004. However, the Initial Valuation Report includes two Mortgaged Properties (defined as “Additional Properties” in the Initial Valuation Report) which have been acquired since 31 March 2004 and which are to form part of the Initial Estate. These two Mortgaged Properties are valued in the Initial Valuation Report at £127,250,000, and the date of valuation in respect thereof is 31 July 2004 rather than 31 March 2004. References throughout this Offering Circular to the date of valuation of the Initial Estate shall, in respect of these two Mortgaged Properties, be construed as being as at 31 July 2004 and, in respect of the Initial

Estate excluding these two Mortgaged Properties, be construed as being as at 31 March 2004. The Initial Valuation Report confirms that a revaluation as at the date of the Initial Valuation Report would not result in an adverse change in the opinion of the Valuers to the Market Value of the Initial Estate taken as a whole since the valuation as at the date of the valuation of the Initial Estate.

DEBT STRUCTURE OF THE SECURITY GROUP

Funding Options

On and from the Exchange Date, the Security Group will have a number of funding options open to it under the transaction structure. Subject to the satisfaction of various conditions (which conditions are described in greater detail below):

1. FinCo may from time to time request that the Issuer issue Notes under the Programme (see “– *The Programme*”, page 31, below). Upon the issue of the Notes, an amount equal to the face value of the Notes issued by the Issuer will be advanced to FinCo under the Intercompany Loan Agreement. Where the Notes are issued at a discount, a reverse premium equal to the amount of the discount will be paid by FinCo to the Issuer. Conversely, where the Notes are issued at a premium, an amount equal to the premium will be paid by the Issuer to FinCo. The Intercompany Loan Agreement will provide for separate ICL Loans to be made to FinCo, with each ICL Loan corresponding to a particular Sub-Class of Notes issued by the Issuer. No other Obligor may request that Notes be issued by the Issuer and/or borrow from the Issuer under the Intercompany Loan Agreement.
2. FinCo and any other member of the Security Group may from time to time enter into a broad range of credit facility agreements with credit providers which are either (a) secured upon the Estate and any other assets of the Security Group or (b) (other than in the case of FinCo) unsecured.

The contractual relationship between the Security Group (on the one hand) and the Issuer, the ACF Providers and other secured creditors of the Security Group (on the other hand) will be regulated by the Obligor Transaction Documents and, in particular, the Common Terms Agreement and the Security Trust and Intercreditor Deed (see Chapter 2 “*Transaction Summary*”, page 23 *et seq.*, below and Chapter 4 “*Description of the Principal Transaction Documents*”, page 70 *et seq.*, below). The Common Terms Agreement will regulate the operational activities of the Security Group and contains provisions relating to, among other things, the following:

- (a) the mechanism for determining which covenants form part of the covenants package which applies to the Security Group at any time;
- (b) the introduction of Obligors into, and removal of Obligors from, the Security Group;
- (c) the introduction of Mortgaged Properties into, and release of Mortgaged Properties from, the Estate;
- (d) the raising, repayment and Prepayment of Non-Contingent Loans by the Security Group; and
- (e) deposits into and withdrawals from the Obligor Accounts.

The Security Trust and Intercreditor Deed will contain provisions in respect of, among other things, the following:

- (a) the rights and obligations of the Obligor Secured Creditors among themselves;
- (b) the creation of security by the Security Group for the benefit of the Obligor Secured Creditors; and
- (c) the application of proceeds made available by the Security Group for the repayment or Prepayment of its Financial Indebtedness prior to, and following, enforcement of the security.

Any creditor providing credit (other than the Issuer) on a secured basis as described in paragraph 2 above will become a party to the Common Terms Agreement and the Security Trust and Intercreditor Deed as an ACF Provider (“**ACF**” denoting an *authorised credit facility*) and the relevant credit agreement will constitute an ACF Agreement. Providers of Unsecured Debt to the Security Group will not (unless they are already a party in respect of a pre-existing ACF Agreement) become a party to the Common Terms Agreement or the Security Trust and

Intercreditor Deed and a credit agreement for such Unsecured Debt will not constitute an ACF Agreement.

FinCo will be entitled to use the proceeds of any ICL Loans for any lawful purpose and FinCo, which will be the borrower under the Initial ACF Agreement, will be entitled to use that facility for any lawful purpose, including on-lending amounts to other members of the Security Group. Land Securities (Finance) Limited will be entitled, subject to compliance with the Restricted Payment Covenant, to on-lend any funds received by it to the Non-Restricted Group. An Obligor may also utilise any ACF Agreement for such purposes as may be agreed with the relevant ACF Provider(s) including, without limitation, to support the issuance by it of commercial paper by using a facility under such ACF Agreement as a backstop facility.

Liquidity and Hedging

After the Exchange Date, FinCo may (and may become obliged to) enter into one or more Liquidity Facility Agreements pursuant to which FinCo may, subject to the satisfaction of certain conditions to be agreed with the relevant Liquidity Facility Provider(s), draw amounts thereunder to meet certain of its payment obligations under the Intercompany Loan Agreement and certain other obligations ranking senior thereto or to on-lend such amounts to any Obligor in order to enable such Obligor to meet certain of its obligations under any ACF Agreement and certain other obligations ranking senior thereto, in each case where FinCo or such other Obligor (as the case may be) has insufficient funds available to it to do so. Alternatively, FinCo may comply with its obligations to provide liquidity by creating a separate liquidity reserve for that purpose (rather than entering into a committed Liquidity Facility Agreement) (see “– *Liquidity Facility Agreements – Mandatory Liquidity Provisions*”, page 86, below).

It is anticipated that if any liquidity drawings are made under any committed Liquidity Facility, FinCo will be required to repay the outstanding balance of any such liquidity drawings on the next succeeding Loan Payment Date.

The Obligors will be required to hedge interest rate and/or currency exposures of the Security Group to certain pre-specified levels (see “– *Swap Agreements and Hedging Covenant*”, page 87, below and “– *Hedging Arrangements*”, page 165, below). The Obligors will manage the Security Group’s interest rate and currency exposures by entering into Swap Agreements with various Swap Counterparties.

Debt Ranking

Financial Indebtedness incurred by the Security Group will either (i) be secured on the Estate and other assets of the Security Group or (ii) be Unsecured Debt. In the case of any Secured Financial Indebtedness of the Security Group, the Security Group will designate the ranking of such Secured Financial Indebtedness as Priority 1 Debt, Priority 2 Debt or Subordinated Debt in accordance with a procedure set out in the Common Terms Agreement (see “– *Common Terms Agreement*”, page 70 *et seq.*, below). The rights of the Obligor Secured Creditors in respect of such Secured Financial Indebtedness will be regulated by the Security Trust and Intercreditor Deed.

Payments due from any Obligor to any Swap Counterparty under any Swap Agreement and from FinCo to any Liquidity Facility Provider under any Liquidity Facility Agreement (other than in respect of Swap Subordinated Amounts, Swap Termination Amounts and Liquidity Facility Subordinated Amounts) will rank in point of security ahead of Priority 1 Debt.

Swap Termination Amounts will rank in point of security *pari passu* with interest on Priority 1 Debt. Swap Termination Amounts and Swap Subordinated Amounts may, however, be discharged otherwise than pursuant to the Security Group Priority of Payments to the extent of any premium received from a replacement swap counterparty.

Priority 1 Debt will initially comprise the Initial ICL Loans (in an aggregate principal amount of £2,298,288,000) and the Initial ACF Loans (in an aggregate principal amount of £960,000,000).

Priority 1 Debt will rank in point of security ahead of Priority 2 Debt, which will in turn rank in point of security ahead of Subordinated Debt. The ranking in point of security of any particular item of Subordinated Debt *vis-à-vis* other items of Subordinated Debt will be agreed between the Security Group and the relevant Debtholders and designated in accordance with the terms of the Common Terms Agreement (and, in the case of Further ICL Loans, the Pricing Supplement for the corresponding Sub-Class of Notes will specify such ranking).

The Intercompany Loan Agreement will be structured to accommodate different ICL Loans which may rank in point of security as Priority 1 Debt, Priority 2 Debt or Subordinated Debt.

ACF Agreements may similarly be structured to accommodate ACF Loans with different levels of priority in point of security.

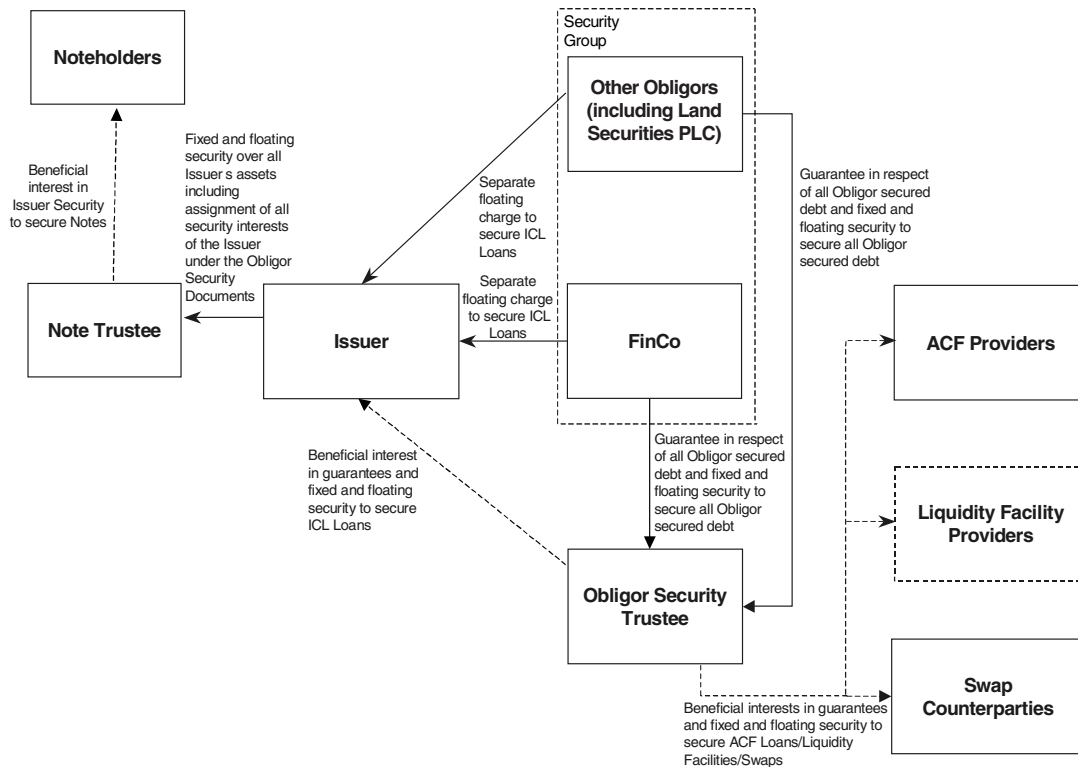
Debt Levels and Covenant Regimes

The Common Terms Agreement regulates, among other things, how much Financial Indebtedness may be incurred by the Security Group and the corresponding amount of Priority 1 Debt, Priority 2 Debt, Subordinated Debt and Unsecured Debt that may be outstanding from time to time. Two main financial indicators are used to determine the levels of Financial Indebtedness that can be sustained by the Security Group from time to time: these are the LTV, which, broadly, is a measure expressed as a percentage of the amount of net debt outstanding of the Security Group against the value of the Estate, and the projected ICR, which, broadly, is a measure expressed as a ratio of the net income generated by the Security Group against the net interest payable by the Security Group, in each case as projected by the Security Group in relation to a twelve month period.

In addition, the LTV and ICR (calculated on a projected basis and, in certain circumstances, an historical basis) as measured from time to time will determine the level of restriction imposed on the operational flexibility of the Security Group (the level of restriction being graded in tiers by reference to the levels of the applicable ratio tests from time to time) (see “– *Common Terms Agreement*”, page 70, below for a more detailed description of these ratio tests and how and when they are measured). These tests are referred to in the Common Terms Agreement as the “Tier Tests” and the “Additional Tier Tests”, and there are four covenant regimes which apply depending on the outcome of the Tier Tests or Additional Tier Tests (see “– *Common Terms Agreement*”, page 70, below).

In calculating the LTV and the ICRs of the Security Group both Secured Financial Indebtedness and Unsecured Debt will be taken into account. Contingent liabilities in the form of certain guarantees and Performance Bonds granted or issued by any member of the Security Group will be brought into the calculation of the LTV (see the definition of “*Security Group Net Debt Outstanding*” and related defined terms in “– *Glossary of Defined Terms*”, page 253, below). For these purposes, such contingencies will be valued at the maximum principal amount covered by the relevant guarantee or, in the case of Performance Bonds, at 15 per cent of the fixed, liquidated or maximum amount covered by the relevant Performance Bond (in each case excluding finance charges). Guaranteed interest is not, however, taken into account for ICR purposes unless claimed or projected to be claimed under the relevant guarantee.

SECURITY STRUCTURE OF THE ISSUER AND THE SECURITY GROUP



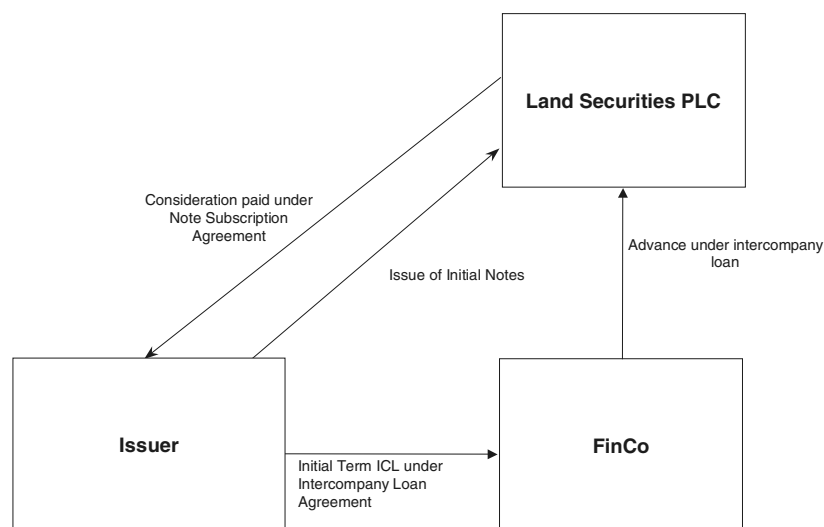
- References above to "all Obligor secured debt" are references to all Obligor debt owed to Obligor Secured Creditors. In the context of floating charges securing "all Obligor secured debt", the ICL Loans are excluded as the Issuer is granted separate floating charges to secure the ICL Loans (which are then assigned to the Note Trustee as security for, *inter alia*, the Notes).
- Each of the Obligor Secured Creditors will share in security over the same assets and have the benefit of a common set of covenants, representations and warranties which will be set out in the Common Terms Agreement and the Security Trust and Intercreditor Deed. The set of covenants granted by the Security Group will apply to varying extents from time to time depending on the results of the calculations of the Tier Tests.
- The Obligor Security Trustee and the Note Trustee will be obliged to distribute security enforcement proceeds in accordance with the Security Trust and Intercreditor Deed. This will require all proceeds of all security (including the proceeds of Guarantees) held by the Note Trustee and the Obligor Security Trustee to be distributed such that, where ICL Loans and ACF Loans share the same priority ranking in point of security, they will, on enforcement of the security, participate in the available proceeds to be applied in the discharge of such debt *pro rata* and *pari passu*.
- The Security Trust and Intercreditor Deed will expressly permit each member of the Security Group to deal freely with its property and other assets save to the extent that it is restricted by the provisions set out in certain Obligor Transaction Documents and the existence of security interests over the Mortgaged Properties from, *inter alia*, disposing of real estate assets, disposing of shares in members of the Security Group and making withdrawals from certain bank accounts (see "– Security Trust and Intercreditor Deed", page 126, below).
- FinCo and each other Obligor will grant (a) fixed and floating security over all of their assets in favour of the Obligor Security Trustee who will hold the benefit of such security on trust for the Obligor Secured Creditors (other than the Issuer in respect of the floating security) and (b) a separate floating charge over all of their assets in favour of the Issuer (see "– Security Trust and Intercreditor Deed", page 126, below for a further description).

- In addition, each Obligor will guarantee the obligations of (a) FinCo in respect of the ICL Loans and (b) each of the other Obligors (including FinCo) in respect of the ACF Loans and the Obligor Transaction Documents generally.
- As from the Exchange Date, the Issuer's obligations under the Notes and the Issuer Transaction Documents will be secured by the Issuer (a) granting fixed security and floating security over all of its property, undertaking and assets and (b) assigning by way of security its beneficial interest in the Obligor Security, in each case, in favour of the Note Trustee under the Issuer Deed of Charge. See “– *Issuer Deed of Charge*”, page 168, below for a detailed description of the security granted by the Issuer.

CASHFLOWS ON AND FOLLOWING THE EXCHANGE DATE

Exchange Date Cashflows – Issue of Initial Notes

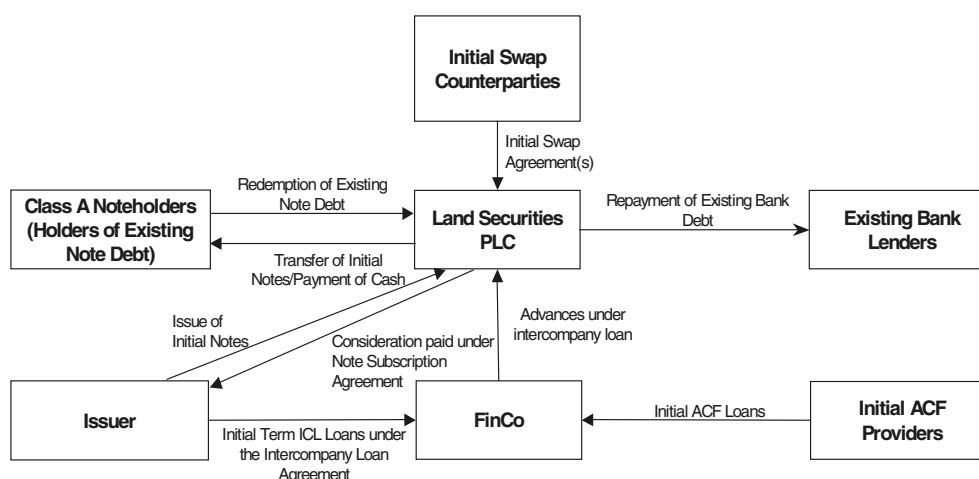
The diagram below shows the principal cashflows which will occur on the Exchange Date in relation to the issue of the Initial Notes:



- On the Exchange Date and pursuant to the Note Subscription Agreement, the Issuer will issue seven Sub-Classes of Class A Notes (the Initial Notes) to Land Securities PLC for a cash consideration in an amount equal to the aggregate principal amount of the Initial Notes (being £2,298,288,000).
- On the same date, the Issuer will lend an amount equal to the consideration received from Land Securities PLC to FinCo in accordance with the terms of the Intercompany Loan Agreement. The amount so lent will be advanced pursuant to seven separate Initial ICL Loans, each in an amount corresponding to the principal amount of a Sub-Class of the Initial Notes and having a rate of interest equal to that payable in respect of such Sub-Class plus a margin of 0.01% per annum.
- FinCo in turn will on-lend the total amount received by it under the Intercompany Loan Agreement on the Exchange Date to Land Securities PLC pursuant to an intercompany loan agreement to be entered into between FinCo and Land Securities PLC on the Exchange Date.

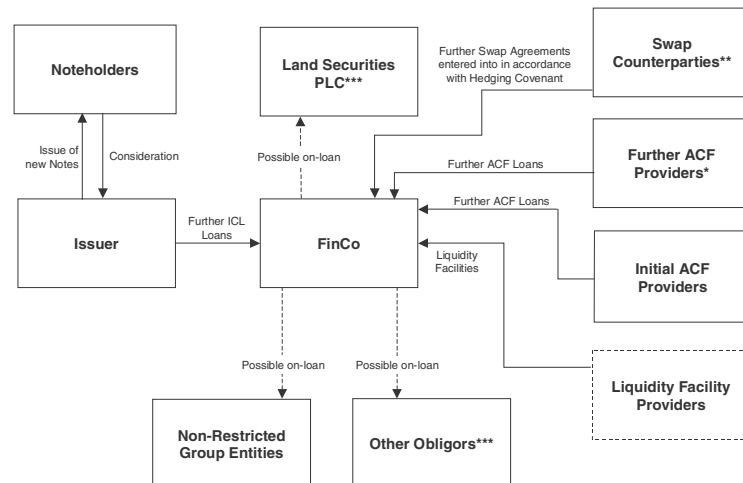
Exchange Date Cashflows – Repayment of Existing Debt

The diagram below shows the principal cashflows which will occur on the Exchange Date in relation to the redemption of the Existing Note Debt and repayment of Existing Bank Debt:



- Following the issue of the Initial Notes, on the Exchange Date, Land Securities PLC intends, in accordance with the Prospectus, Offer and Consent Solicitation Document, to redeem its Existing Note Debt, in consideration for the transfer of the Initial Notes and/or, in certain cases, payment of a cash sum, to the holders of the Existing Note Debt.
- Upon the transfer of the Initial Notes, the Issuer will grant fixed and floating security over its property, undertaking and assets (including over its rights and benefit in, under and to all Obligor Security Documents) in favour of the Note Trustee to be held by the Note Trustee on trust for the Issuer Secured Creditors (see the diagram and commentary in “– *Security Structure of the Issuer and the Security Group*”, page 17, above and “– *Issuer Deed of Charge*”, page 168, below).
- The Initial ACF Providers will make the Initial ACF Loans to FinCo on the Exchange Date in accordance with the terms of the Initial ACF Agreement.
- FinCo will use the proceeds of the Initial ACF Loans, being £960,000,000, to make a loan in the same amount to Land Securities PLC and Land Securities PLC will, *inter alia*, use such amounts to prepay its Existing Bank Debt and to make any termination payments that may be required in respect of any existing hedging arrangements that are to be terminated on or after the Exchange Date and/or to pay cash sums to the holders of Existing Note Debt as contemplated by the Prospectus, Offer and Consent Solicitation Document.
- No Liquidity Facility Agreement will be entered into on or before the Exchange Date.
- Land Securities PLC will have the Initial Swap Agreements in place with the Initial Swap Counterparties in order to hedge the Security Group’s interest rate exposures under the Initial ACF Loans in accordance with the Hedging Covenant (see “– *Hedging Arrangements*”, page 165, below). To the extent considered necessary, Land Securities PLC may enter into back-to-back arrangements with FinCo or any other Obligor to ensure that the exposure of any particular Obligor is appropriately hedged.

Subsequent Issues Cashflows



Further ACF Agreements may be entered into with Further ACF Providers by Land Securities PLC or other Obligors in place of FinCo

**Further Swap Agreements may be entered into with FinCo or other Financial SPV Obligors in place of Land Securities PLC

***Land Securities PLC and certain other Obligors may in accordance with the terms of the Common Terms Agreement also enter into agreement for the incurrence of Unsecured Debt

- After the Exchange Date, the Issuer may, on any Issue Date and subject to certain conditions, issue Class A Notes, Class B Notes, Class R1 Notes, Class R2 Notes or any Class of Subordinated Notes under the Programme.
- Following such issuance, the Issuer will advance an amount equal to the face value of the issued Notes to FinCo under the Intercompany Loan Agreement. Where the Notes are issued at a discount, a reverse premium equal to the amount of the discount will be paid by FinCo to the Issuer. Conversely, where the Notes are issued at a premium, an amount equal to the premium will be paid by the Issuer to FinCo. There will be a separate advance by the Issuer to FinCo under the Intercompany Loan Agreement in respect of each Sub-Class of Notes issued in such Series, each such advance being an ICL Loan and having a rate of interest equal to that payable in respect of the corresponding Sub-Class plus 0.01% per annum. In addition, FinCo will be required to pay to the Issuer from time to time an Ongoing Facility Fee in an amount equal to all sums which the Issuer is required to pay in respect of the Notes (including, without limitation, new issuance fees and regulatory expenses, but excluding payments in respect of interest on and payments or repayments of principal and premia in respect thereof) or by way of corporate outgoings which would otherwise be unfunded.
- The Issuer's obligations to pay principal and interest on the Notes are intended to be met exclusively from the payments of principal and interest received by the Issuer from FinCo under the ICL Loans.
- In addition, the Obligors may incur further Financial Indebtedness (whether by way of Further ACF Loans under the Initial ACF Agreement or under the Further ACF Agreements entered into after the Exchange Date or (other than in the case of FinCo) by way of Unsecured Debt (subject to certain limited exceptions). In order for any new Financial Indebtedness to become Secured Financial Indebtedness, debt facilities entered into by any Obligor after the Exchange Date will be required to be designated as Secured Financial Indebtedness under the nomination procedure set out in the Common Terms Agreement (see further "*Ranking of Financial Indebtedness*", page 82, below) and the relevant new provider of financing facilities will also be required to accede to the Common Terms Agreement and the Security Trust and Intercreditor Deed.
- The ability of any Obligor to incur Further Priority 1 Debt, Priority 2 Debt, Subordinated Debt and Unsecured Debt will be subject to the relevant Headroom Tests being satisfied in those circumstances in which such tests are required to be carried out and to such drawings not being Prohibited Transactions or, in certain circumstances, causing a breach of restrictions

on the amount of Financial Indebtedness that can fall due during a specified period or after a specified date (see “– *Permitted Financial Indebtedness*”, page 83, below and “*Maturity Restrictions*”, page 85, below).

- The Obligors will be required under the terms of the Common Terms Agreement to hedge the Security Group’s interest rate and currency exposures under Non-Contingent Loans, including the ICL Loans and the ACF Loans in accordance with the Hedging Covenant (see “– *Swap Agreements and Hedging Covenant*”, page 87, below).
- Following the Exchange Date, FinCo may (and may be required to) enter into one or more Liquidity Facility Agreements under which, or alternatively create cash reserves from which, it may (or shall) make liquidity drawings to meet shortfalls in the amounts available to it to meet certain payments due in respect of ICL Loans (which in turn will be applied to meet payments on the Notes) or ACF Loans and certain other obligations ranking senior thereto or to on-lend amounts to any other Obligor in order to enable such Obligor to meet its payment obligations in respect of ACF Loans and certain other obligations ranking senior thereto (see “– *Liquidity Facility Agreements*”, page 86, below).

CORPORATE REORGANISATION OF THE LAND SECURITIES GROUP

On or prior to the Exchange Date, a number of share and asset transfers will take place within the Land Securities Group which will have the effect of creating the Security Group and the Non-Restricted Group directly below Land Securities Group PLC.

With regard to the Security Group, Land Securities Intermediate Limited (“**HoldCo**”) has also been incorporated as a subsidiary of Land Securities Group PLC, and the shares of Land Securities PLC will be transferred to HoldCo on the Exchange Date. Two new subsidiaries of Land Securities PLC, namely the Issuer and FinCo, have also been incorporated to act as the issuer of the Notes and the finance company for the Security Group respectively.

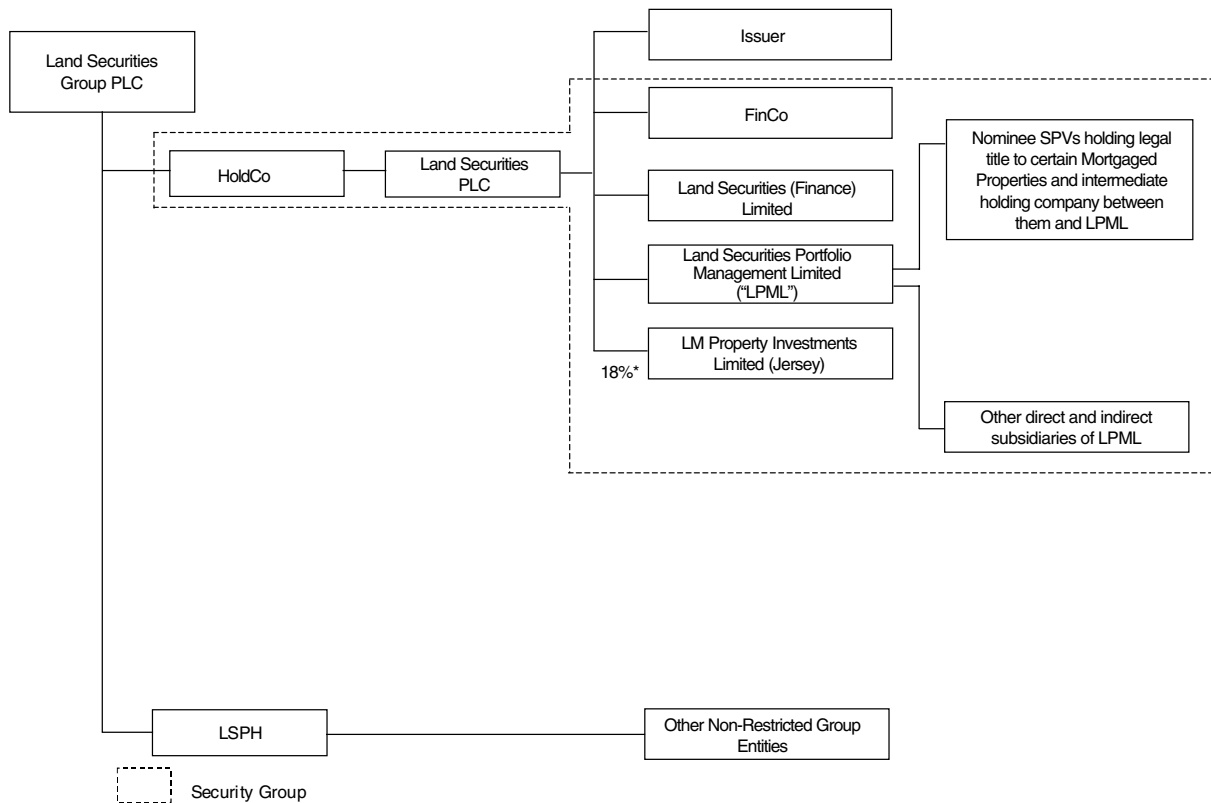
HoldCo and all its subsidiaries (other than the Issuer) will constitute the Security Group.

With regard to the Non-Restricted Group, Land Securities Property Holdings (“**LSPH**”) has been incorporated as a subsidiary of Land Securities PLC. On the Exchange Date, and prior to the transfer of Land Securities PLC’s shares to HoldCo, the shares of LSPH will be distributed in specie by Land Securities PLC to Land Securities Group PLC.

In addition, there will be a number of assignments and novations of existing intra-group loans such that all outstanding debt at the Exchange Date between the Security Group and the Non-Restricted Group will be between Land Securities (Finance) Limited (“**LSF**”) in the Security Group and Land Securities Properties Limited (“**LSP**”) in the Non-Restricted Group. The anticipated total amount of this debt as at the Exchange Date will be approximately £1,800,000,000, which will be owed by LSP to LSF. Cash management arrangements will also be put into place for ongoing payment obligations between the Security Group and the Non-Restricted Group such that any such payment obligations will be owed between LSP and LSF.

The diagram in “– *Corporate Structure of the Land Securities Group as from the Exchange Date*”, page 22, below shows the organisational structure of the Land Securities Group (and within it, the Security Group) as it will be on the Exchange Date, following the completion of the reorganisation.

Corporate Structure of the Land Securities Group as from the Exchange Date



*The remaining 82% is held by a wholly-owned subsidiary of LPML, Ravenseft Properties Limited

CHAPTER 2

TRANSACTION SUMMARY

The following is a summary of the transaction. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this Offering Circular.

KEY PARTIES

Issuer:

Land Securities Capital Markets PLC is a public company with limited liability incorporated under the laws of England and Wales with registered number 5193511 and whose registered office is at 5 Strand, London WC2N 5AF. On the date of this Offering Circular, the issued share capital of the Issuer is £50,000, all of which is beneficially held by Land Securities PLC and, ultimately, Land Securities Group PLC.

The Issuer is a special purpose company with no employees or premises and limited permitted activities. Its principal activities will comprise issuing Notes from time to time under the Programme and on-lending the proceeds thereof to FinCo pursuant to the Intercompany Loan Agreement.

FinCo:

LS Property Finance Company Limited is a private limited company incorporated under the laws of England and Wales with registered number 5163698 and whose registered office is at 5 Strand, London WC2N 5AF. On the date of this Offering Circular, the issued share capital of FinCo is £100, all of which is beneficially held by Land Securities PLC.

FinCo's principal activities will comprise entering into the Intercompany Loan Agreement with the Issuer, ACF Agreements with ACF Providers, if applicable, Swap Agreements with the Swap Counterparties (other than the Initial Swap Agreements with the Initial Swap Counterparties) and, if applicable, Liquidity Facility Agreements with Liquidity Facility Providers and, in each case, performing its obligations thereunder; and on-lending the proceeds of any loans from the Issuer or any ACF Provider to Land Securities PLC or (after the Exchange Date) to any Obligor or (subject to compliance with the Restricted Payment Covenant) to any Non-Restricted Group Entity.

Land Securities PLC:

Land Securities PLC is a public company with limited liability incorporated under the laws of England and Wales with registered number 551412 and whose registered office is at 5 Strand, London WC2N 5AF. As at the date of this Offering Circular, the issued share capital of Land Securities PLC is £530,791,385, all of which will, from the Exchange Date, be beneficially held by Land Securities Intermediate Limited ("**HoldCo**"), a wholly-owned subsidiary of Land Securities Group PLC.

Land Securities PLC will on the Exchange Date subscribe for the Initial Notes issued by the Issuer pursuant to the Note Subscription Agreement and will, on or before the Exchange Date, enter into the Initial Swap Agreements with the Initial Swap Counterparties.

HoldCo:

Land Securities Intermediate Limited is a private limited company incorporated in England and Wales with registered number 5075691 and whose registered office is at 5 Strand, London WC2N 5AF. The issued share capital of HoldCo is £2, all of which is beneficially held by Land Securities Group PLC.

Land Securities (Finance) Limited:

Land Securities (Finance) Limited is a private limited company incorporated in England and Wales with registered number 680609 and whose registered office is at 5 Strand, London WC2N 5AF. The issued share capital of Land Securities (Finance) Limited is £500,000,002, all of which is beneficially held by Land Securities PLC.

Security Group:

The Security Group will on the Exchange Date comprise the Obligors listed in Schedule 1 (*Details of Obligors (other than Additional Obligors)*) to this Offering Circular, page 317, below, together with any Additional Obligors, in each case unless and until such entities have become Released Obligors.

Each of the Obligors (in the case of any Additional Obligor, upon accession to the Common Terms Agreement, the Security Trust and Intercreditor Deed, the Obligor Floating Charge Agreement, the Tax Deed of Covenant, the Servicing Agreement and the Account Bank and Cash Management Agreement and execution of the relevant Obligor Security Documents) will grant security in favour of the Obligor Security Trustee pursuant to the Security Trust and Intercreditor Deed and the Issuer pursuant to the Obligor Floating Charge Agreement.

Land Securities Group PLC:

Land Securities Group PLC is a public company with limited liability incorporated under the laws of England and Wales with registered number 4369054 and whose registered office is at 5 Strand, London WC2N 5AF, the ordinary share capital of which is listed by the UK Listing Authority and is traded on the London Stock Exchange.

Land Securities Group PLC is the ultimate parent of the Land Securities Group.

The Land Securities Group and Non-Restricted Group:

The Land Securities Group comprises Land Securities Group PLC and each of its direct and indirect subsidiaries (including the Issuer and the Obligors). Any member of the Land Securities Group that is neither the Issuer nor an Obligor is a Non-Restricted Group Entity.

None of the Non-Restricted Group Entities will provide guarantees in respect of FinCo's or any other Obligor's obligations under the Intercompany Loan Agreement or under any ACF Agreement. The Notes will not be obligations or responsibilities of, and will not be guaranteed by, Land Securities Group PLC or any other Non-Restricted Group Entity.

Note Trustee:

Deutsche Trustee Company Limited, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, has been appointed as trustee for the holders from time to time of the Notes pursuant to the Trust Deed. From and including the Exchange Date the Note Trustee will also hold the security granted by the Issuer under the Issuer Deed of Charge on trust for all of the Issuer Secured Creditors.

The Trust Deed will provide that the Note Trustee may retire by giving not less than three months' notice to the Issuer of its intention to do so or may be removed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes. Such retirement or removal will be effective once a successor Note Trustee has been appointed by the Issuer. If the Issuer has not procured a successor Note Trustee within 30 days of expiry of the notice of the Note Trustee's intention to retire, the Note Trustee may procure a successor Note Trustee.

Obligor Security Trustee:

Deutsche Trustee Company Limited, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, will be appointed as security trustee pursuant to the Security Trust and Intercreditor Deed. The Obligor Security Trustee will hold the security granted by the Obligors under each of the Obligor Security Documents (other than the Obligor Floating Charge Agreement) on trust for all Obligor Secured Creditors.

The Security Trust and Intercreditor Deed will provide that the Obligor Security Trustee may retire by giving not less than three months' notice to the Obligors of its intention to do so or may be removed by way of a Secured Creditor Instruction. Such retirement or removal will be effective once a successor Obligor Security Trustee has been appointed by the Obligor Secured Creditors. If the Obligor Secured Creditors have not procured a successor Obligor Security Trustee within 30 days of expiry of the notice of the Obligor Security Trustee's intention to retire, the Obligor Security Trustee may procure a successor Obligor Security Trustee.

Account Bank:

Lloyds TSB Bank plc, acting through its City Office branch at Bailey Drive, Gillingham Business Park, Gillingham, Kent ME8 0LS, will be appointed as account bank to the Issuer, FinCo and the other Obligors and will maintain certain accounts on behalf of each of the Issuer, FinCo and the other Obligors pursuant to the Account Bank and Cash Management Agreement.

The Issuer will be required under the Account Bank and Cash Management Agreement to maintain the Issuer Account with a bank which has at least the Minimum Short Term Ratings and the Minimum Long Term Ratings. Lloyds TSB Bank plc has, on the date of this Offering Circular, the Minimum Short Term Ratings and the Minimum Long Term Ratings.

Cash Manager:

Land Securities (Finance) Limited, a member of the Security Group, whose registered office is at 5 Strand, London WC2N 5AF, will on or about the Exchange Date be appointed as cash manager to the Obligors and the Issuer and will provide cash management services to the Obligors and the Issuer pursuant to the Account Bank and Cash Management Agreement.

Servicer:

Land Securities Properties Limited, a member of the Non-Restricted Group, whose registered office is at 5 Strand, London WC2N 5AF, will on or about the Exchange Date be appointed to provide certain services to the Security Group pursuant to the Servicing Agreement.

Initial Swap Counterparties:

Certain financial institutions will act as initial swap counterparties under the Initial Swap Agreements which will be in place at the Exchange Date.

The Obligors will be required to ensure that any swap agreement entered into in connection with their floating rate and/or currency liabilities is entered into with an entity having the Swap Counterparty Minimum Short Term Ratings and the Swap Counterparty Minimum Long Term Ratings. The Initial Swap Counterparties have, on the date of this Offering Circular, the Swap Counterparty Minimum Short Term Ratings and the Swap Counterparty Minimum Long Term Ratings.

Dealers:

Citigroup Global Markets Limited will act as the initial dealer pursuant to the Dealership Agreement, either generally with respect to the Programme or in relation to a particular Sub-Class, Class or Series of Notes (other than any Class R Notes).

Initial ACF Providers:

The lenders who will on or about the Exchange Date provide a credit facility to FinCo pursuant to the Initial ACF Agreement.

Principal Paying Agent and Agent Bank:

Deutsche Bank AG London, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, will provide certain services to the Issuer as principal paying agent and agent bank pursuant to the terms of the Agency Agreement.

Irish Paying Agent:

Deutsche International Corporate Services (Ireland) Ltd, acting through its office at 5 Harbourmaster Place, International Financial Services Centre, North Wall Quay, Dublin 1, will act as the Irish paying agent pursuant to the terms of the Agency Agreement.

Registrars:

Deutsche Bank Trust Company Americas and Lloyds TSB Bank plc will act as registrars and will provide certain registrar services to the Issuer in respect of Registered Notes pursuant to the terms of the Agency Agreement.

Transfer Agents:

Deutsche Bank AG London will act as the principal transfer agent and, together with any other Transfer Agents appointed pursuant to the Agency Agreement, will provide certain transfer agency services to the Issuer in respect of Registered Notes pursuant to the terms of the Agency Agreement.

Arranger:

Citigroup Global Markets Limited, acting through its office at Citigroup Centre, 33 Canada Square, Canary Wharf, London E14 5LB, will act as arranger of the Programme.

KEY DOCUMENTS

Common Terms Agreement:

The Issuer, FinCo, all other Obligors, the Note Trustee, the Obligor Security Trustee, all Initial ACF Providers and the other Obligor Secured Creditors will, on or about the Exchange Date, enter into a Common Terms Agreement, which will set out, among other things:

- (a) a common covenants package for the Obligors and the mechanism for determining which covenants form part of such covenants package at any time (see “—*Determining the Applicable Covenant Regime*” and subsequent sections, page 100 *et seq.*, below);
- (b) the procedures for the accession of Additional Obligors to, and the release of existing Obligors from, the Security Group (see “—*The Security Group*”, page 70, below) and for Further ACF Providers and other Obligor Secured Creditors to accede to the Common Terms Agreement and the Security Trust and Intercreditor Deed (see the section entitled “—*Permitted Financial Indebtedness*”, page 83, below);
- (c) the procedures relating to the introduction, Disposal and intra-Security Group transfer of Mortgaged Properties (see “—*The Estate*”, page 73, below); and
- (d) the circumstances in which the Obligors may incur further Secured Financial Indebtedness and Obligors (other than FinCo) may incur Unsecured Debt from credit providers who will not, in relation to such Unsecured Debt, have the benefit of the Obligor Security nor be bound by the intercreditor provisions contained in the Security Trust and Intercreditor Deed (see “—*Permitted Financial Indebtedness*”, page 83, below).

Security Trust and Intercreditor Deed:

The Issuer, FinCo, all other Obligors, Land Securities Group PLC, the Note Trustee, the Obligor Security Trustee, all Initial ACF Providers and others will on or about the Exchange Date enter into a Security Trust and Intercreditor Deed which will, among other things, contain provisions setting out intercreditor rights and obligations and which will regulate the application of the proceeds of the Obligor Security as between the Obligor Secured Creditors.

See further “—*Security to be granted by the Security Group*”, page 30, below and “—*Security Trust and Intercreditor Deed*”, page 126, below.

Intercompany Loan Agreement:

The Issuer, FinCo, the Obligor Security Trustee and the Note Trustee will, on or about the Exchange Date, enter into an agreement which sets out the terms on which the Issuer will lend an amount equal to the principal amount of each Sub-Class of the Initial Notes to FinCo on such date and the terms on which the Issuer will from time to time lend to FinCo an amount equal to the principal amount of further Sub-Classes of Notes issued under the Programme from time to time after the Exchange Date. The principal amount of each ICL Loan under the Intercompany Loan Agreement will correspond to the principal amount of a Sub-Class of Notes, the economic terms of which will be matched by such ICL Loan (save that the rate of interest payable in respect of each ICL Loan under the Intercompany Loan Agreement will exceed that payable in respect of the corresponding Sub-Class of Notes by 0.01% per annum).

From and including the Exchange Date, the obligations of FinCo under the Intercompany Loan Agreement will be secured pursuant to the Obligor Security Documents and guaranteed by the other Obligors under the Security Trust and Intercreditor Deed. See further “—*Security to be granted by the Security Group*”, page 30, below.

The Issuer's obligations to repay principal and pay interest on the Notes are intended to be met exclusively from the payments of principal and interest received from FinCo under the Intercompany Loan Agreement.

For a more detailed description of the ICL Loans under the Intercompany Loan Agreement and the terms relating thereto (see “—*Intercompany Loan Agreement*”, page 156, below).

Initial ACF Agreement:

On the Exchange Date, FinCo will enter into a £1,500,000,000 credit facilities agreement with the Initial ACF Providers. Drawings under the Initial ACF Agreement will, on the Exchange Date, be used by FinCo to make a loan in the same amount to Land Securities PLC which will use such amounts to prepay its Existing Bank Debt, to make any termination payments that may be required in respect of any existing hedging arrangements that are to be terminated on the Exchange Date and/or to meet any cash sums payable by Land Securities PLC in connection with the implementation of proposals set out in the Prospectus, Offer and Consent Solicitation Document. Any further drawings made by FinCo under the Initial ACF Agreement after the Exchange Date may be used by FinCo for any lawful purpose.

Further ACF Agreements:

After the Exchange Date, FinCo or any of the other Obligors may enter into credit and other facility agreements, pursuant to which Secured Financial Indebtedness may be incurred, which the relevant Obligor has designated as “Further ACF Agreements” and each of the credit providers under which has acceded or is

intended to accede to the Common Terms Agreement and the Security Trust and Intercreditor Deed in its capacity as an ACF Provider.

See “—Further ACF Agreements”, page 80, below and “—Permitted Financial Indebtedness”, page 83, below.

Liquidity Facility Agreements:

Following the Exchange Date, FinCo may become obliged in certain circumstances to enter into one or more Liquidity Facility Agreements with one or more Liquidity Facility Providers pursuant to which such Liquidity Facility Provider(s) will agree to make available to FinCo (subject to the satisfaction of certain conditions to be agreed with the relevant Liquidity Facility Provider(s)) Liquidity Facilities (i) to meet certain of its payment obligations in respect of ACF Loans and ICL Loans and certain other obligations ranking senior thereto and (ii) to on-lend amounts to any other Obligor in order to enable such Obligor to meet its payment obligations in respect of ACF Loans and certain other obligations ranking senior thereto, in each case to the extent that there are insufficient funds available for the relevant purpose (see “—Mandatory Liquidity Provisions”, page 86, below). Alternatively, FinCo may comply with its obligations to provide liquidity by creating a separate liquidity reserve for that purpose. FinCo’s obligations to any Liquidity Facility Provider will be secured pursuant to the Obligor Security Documents.

Swap Agreements:

The Obligors will agree under the Common Terms Agreement to comply with the Hedging Covenant which requires the Obligors, among other things, to ensure that as of the Exchange Date, each Scheduled Calculation Date and Additional Calculation Date:

- (a) if the T1 Covenant Regime or T2 Covenant Regime applies, interest on the Non-Contingent Loans is hedged at least to the following extent:

| YEARS FROM DATE OF TESTING | INTEREST PAYMENTS SCHEDULED TO BE PAID BY THE SECURITY GROUP BY REFERENCE TO ADJUSTED PRINCIPAL AMOUNT OUTSTANDING |
|----------------------------|--|
| 0 to 2 | 75% |
| 2+ | 50% |

- (b) if a T3 Covenant Regime applies, interest on the Non-Contingent Loans is hedged at least to the following extent:

| YEARS FROM DATE OF TESTING | INTEREST PAYMENTS SCHEDULED TO BE PAID BY THE SECURITY GROUP BY REFERENCE TO ADJUSTED PRINCIPAL AMOUNT OUTSTANDING |
|----------------------------|--|
| 0 to 5 | 90% |
| 5 to 10 | 75% |
| 10+ | 50% |

- (c) at any time, the Security Group’s net currency exposure is fully hedged into sterling (subject to an aggregate £50,000,000, (subject to Indexation), or its spot equivalent in the relevant currency/ies, *de minimis*) where the “**net currency exposure**” of the Security Group (where positive) means the aggregate amount of its Financial Indebtedness which is denominated in a currency other than sterling (subject to certain exclusions described in more detail in “—

Swap Agreements and Hedging Covenant", page 87 below), less the aggregate value of its assets which are denominated in the relevant currency or situated in the relevant currency zone.

On the Exchange Date, Land Securities PLC will have the Initial Swap Agreements in place with the Initial Swap Counterparties. The Initial Swap Agreements will (to the extent required by the Hedging Covenant) hedge the Security Group's interest rate risk arising as a result of any Obligor, including FinCo, being required to pay a floating rate of interest on any Non-Contingent Loan, including Floating Rate ICL Loans and Floating Rate ACF Loans.

Land Securities PLC's obligations under the Initial Swap Agreements will be secured pursuant to the Obligor Security Documents.

See "*Hedging Arrangements*", page 165, below.

Obligor Floating Charge Agreement:

The Issuer, FinCo, all other Obligors, the Obligor Security Trustee and the Note Trustee will, on or about the Exchange Date, enter into an Obligor Floating Charge Agreement pursuant to which each Obligor will grant in favour of the Issuer a first ranking floating charge over the whole of their undertaking, assets, property and rights whatsoever and wheresoever, present and future.

See further "*Security to be granted by the Security Group*", page 30, below and "*Security Trust and Intercreditor Deed*", page 126, below and "*Obligor Floating Charge Agreement*", page 155, below.

Account Bank and Cash Management Agreement:

The Issuer, FinCo, the other Obligors, the Obligor Security Trustee, the Note Trustee, the Cash Manager and the Account Bank will, on or about the Exchange Date, enter into an Account Bank and Cash Management Agreement pursuant to which, amongst other things, the Account Bank will agree to maintain the Accounts and the Cash Manager will be appointed to act as cash manager in respect of amounts standing from time to time to the credit of the Accounts.

See further "*Account Bank and Cash Management Agreement*", page 159, below.

Servicing Agreement:

The Servicer, FinCo, the other Obligors, the Issuer, the Obligor Security Trustee and the Note Trustee will, on or about the Exchange Date, enter into a Servicing Agreement pursuant to which the Servicer will agree to provide certain services to the Obligors and the Issuer.

See further "*Servicing Agreement*", page 162, below.

Trust Declarations and Beneficiary Undertakings:

Certain Obligors who are partners in partnerships will, on or about the Exchange Date, enter into certain trust arrangements in respect of the Mortgaged Properties and will give certain undertakings to the Obligor Security Trustee.

See further "*Trust Declarations and Beneficiary Undertakings*", page 155, below.

Tax Deed of Covenant:

The Issuer, FinCo, the other Obligors, Land Securities Group PLC, the Obligor Security Trustee and the Note Trustee will, on the Exchange Date, enter into the Tax Deed of Covenant to support their obligations under the Transaction Documents and pursuant to which they will give certain representations, warranties and covenants relating to tax matters.

See further "*Tax Deed of Covenant*", page 167, below.

**Land Securities Intra-group
Funding Deed:**

Under the Land Securities Intra-group Funding Deed to be entered into on or about the Exchange Date the Obligors (other than FinCo) and certain Non-Restricted Group Entities will agree that all payments and loans made between the Security Group and the Non-Restricted Group shall be made through Land Securities (Finance) Limited in the Security Group and Land Securities Properties Limited in the Non-Restricted Group. This will result in all amounts owing by the Security Group (other than FinCo) to the Non-Restricted Group, and *vice versa*, being obligations of Land Securities (Finance) Limited and Land Securities Properties Limited only. Amounts owing between these two companies may also, subject to certain exceptions, be netted to provide for a single amount to be owed by the Security Group to the Non-Restricted Group (or *vice versa*).

SECURITY TO BE GRANTED BY THE SECURITY GROUP

***Security to be granted by the
Security Group:***

The obligations of FinCo under the Intercompany Loan Agreement and the obligations of the Obligors under the other Obligor Transaction Documents will be secured in favour of the Obligor Security Trustee pursuant to the Security Trust and Intercreditor Deed, the Standard Securities and the other Obligor Security Documents (other than the Obligor Floating Charge Agreement which will be granted in favour of the Issuer). Such security will include:

- (a) first ranking charges by way of legal mortgage (or, in the case of real estate properties in Scotland, Standard Securities) over the freehold, heritable and leasehold interests of the Obligors as at the Exchange Date and (subject to the paragraph below) equitable mortgages over all such interests acquired after the Exchange Date;
- (b) first ranking fixed charges over all of the other property, undertaking and assets of the Obligors; and
- (c) first ranking floating charges over all the property, undertaking and assets of each Obligor (other than any Obligor which is a partnership or is not a body corporate).

The Obligors may, from time to time, in accordance with the terms of the Common Terms Agreement (as described in “—*The Estate*”, page 73, below) bring further real estate properties or Reintroduced Properties into the Estate by granting, in respect of each of these properties, a first ranking charge by way of legal mortgage (in respect of real estate property in England and Wales) or Standard Securities (in the case of a real estate property in Scotland) or, in the case of a Non-GB Property, a security interest, the form of which is to be agreed with the Obligor Security Trustee.

The Security Trust and Intercreditor Deed will also expressly permit the Security Group to deal freely with its assets, save to the extent that it is restricted by the provisions set out in the Obligor Transaction Documents and the existence of security interests over the Mortgaged Properties from, *inter alia*, disposing of real estate assets, disposing of shares in members of the Security Group and making withdrawals from certain bank accounts (see further “—*Security Trust and Intercreditor Deed*”, page 126, below).

In addition, each Obligor will, under the Security Trust and Intercreditor Deed, guarantee the payment obligations of each other Obligor under the Obligor Transaction Documents.

The Obligor Security Trustee will hold the benefit of the security created in its favour pursuant to the Obligor Security Documents (other than, in the case of the Issuer, the benefit of the floating charges contained in the Security Trust and Intercreditor Deed) on trust for the benefit of itself, any receiver appointed thereunder, the Issuer, each ACF Provider, each Swap Counterparty, any Replacement Cash Manager, any Replacement Servicer, the Account Bank, any Liquidity Facility Provider (which in each case is party to or has acceded to the Common Terms Agreement and the Security Trust and Intercreditor Deed) and any other Obligor Secured Creditors, subject to and in accordance with the terms thereof.

The Obligors shall also, on the Exchange Date, enter into the Obligor Floating Charge Agreement pursuant to which the Obligors shall create first ranking floating charges over all the property, undertaking and assets of each Obligor in favour of the Issuer.

The Issuer will assign its rights under, *inter alia*, the Intercompany Loan Agreement, the Security Trust and Intercreditor Deed and the Obligor Floating Charge Agreement to the Note Trustee pursuant to the Issuer Deed of Charge. Therefore, so long as the Notes are outstanding, the Issuer's rights under these documents will be exercised solely by the Note Trustee.

For a more detailed description of the provisions contained in the Security Trust and Intercreditor Deed and the Obligor Floating Charge Agreement, see "*—Security Trust and Intercreditor Deed*", page 126, below, and "*—Obligor Floating Charge Agreement*", page 155, below.

THE PROGRAMME

Amount and Title:

The Issuer may, under the Programme, issue Class A Notes, Class R1 Notes, Class B Notes, Class R2 Notes and Subordinated Notes of any Class or Classes designated as ranking below the Class B Notes in a maximum aggregate principal amount of £4,000,000,000 or the equivalent thereof in other currencies (provided, in the case of Class R Notes, that the Issuer has entered into a Class R Underwriting Agreement). (As to the designation of the ranking of a Class of Subordinated Notes, see "*—Debt Ranking*", page 15, above and "*—Ranking of Financial Indebtedness*", page 82, below).

The Initial Notes:

On the Exchange Date, the Issuer will issue the Initial Notes, which will be designated as Class A Notes in the following Sub-Classes:

- (a) the £181,700,000 5.016 per cent Class A1 Notes due 2007;
- (b) the £393,357,000 5.292 per cent Class A2 Notes due 2015;
- (c) the £257,268,000 5.425 per cent Class A3 Notes due 2022;
- (d) the £210,675,000 5.391 per cent Class A4 Notes due 2026;
- (e) the £613,918,000 5.391 per cent Class A5 Notes due 2027;
- (f) the £317,960,000 5.376 per cent Class A6 Notes due 2029;
and
- (g) the £323,410,000 5.396 per cent Class A7 Notes due 2032.

All of the Class A Notes will be designated in the relevant Pricing Supplement as Priority 1 Notes and will therefore rank in point of security *pari passu* and *pro rata* as between themselves and prior

to any other Class of Notes. The corresponding ICL Loans will rank in point of security as Priority 1 Debt of the Security Group under the Security Trust and Intercreditor Deed.

***Exchange Date and
Subsequent Issue Dates:***

The Exchange Date will occur on or about 3 November 2004. After the Exchange Date, Issue Dates will fall on such dates as may be agreed between the Issuer, the relevant Dealer(s) and/or (in the case of any Class R Notes) the Class R Underwriters from time to time.

Issuance in Series and Sub-Classes:

Notes issued on the same date will comprise a Series. Each Series may comprise one or more non-fungible Classes or (other than the Class R Notes) Sub-Classes. The Notes will be classed in the relevant Pricing Supplement and thereby be accorded a particular priority ranking in point of security. The Notes will be Class A Notes (or a Sub-Class thereof), Class B Notes (or a Sub-Class thereof), Class R1 Notes, Class R2 Notes or Subordinated Notes (split into Classes and Sub-Classes as necessary). The Class A Notes are, and any Class R1 Notes will be, Priority 1 Notes and any Class B Notes and Class R2 Notes will be Priority 2 Notes.

The Issuer may make further issues of Notes on identical terms to an existing Sub-Class save for the first Note Payment Date and on terms that such further issue of Notes will be fungible with such existing Sub-Class. Any such further Notes of a Sub-Class issued on any Issue Date will rank *pari passu* and *pro rata* with all Notes of such Sub-Class issued as part of any other Series.

The specific terms of each Sub-Class of Notes will be set out in the Pricing Supplement applicable to such Sub-Class of Notes.

Form of Notes:

Each Sub-Class of Notes will be issued in bearer and/or registered form as described in Chapter 13 "*Form of the Notes*", page 238, below, in each case as specified in the relevant Pricing Supplement. Registered Notes will not be exchangeable for Bearer Notes. See further Chapter 13 "*Form of the Notes*", page 238, below.

Bearer Notes:

Each Sub-Class of Notes (or part thereof) issued in bearer form will initially be in the form of a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each such Global Note will be deposited on or about the relevant Issue Date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or, if so specified in the relevant Pricing Supplement, any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes with (if the Notes bear interest) Coupons and (if the Notes are amortising) Receipts and (if applicable) Talons for further Coupons or Receipts attached. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note for an interest in a Permanent Global Note (or, as the case may be, Definitive Notes) or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes with (if the Notes bear interest) Coupons and (if the Notes are amortising) Receipts and (if applicable) Talons attached in the circumstances specified in the

Permanent Global Note. See further Chapter 14 “*Summary of Provisions Relating to the Notes While in Global Form*”, page 244, below.

Registered Notes:

For each Sub-Class of Notes issued in registered form (other than the Restricted Initial Notes), the Issuer will deliver a Regulation S Global Note Certificate and/or a Rule 144A Global Certificate to a depositary or common depositary for Euroclear and/or Clearstream, Luxembourg and/or, if so specified in the relevant Pricing Supplement, any other relevant clearing system. Regulation S Global Note Certificates and Rule 144A Global Certificates will be exchangeable only for Individual Note Certificates and only in the limited circumstances specified in the relevant Regulation S Global Note Certificate or Rule 144A Global Certificate (as appropriate) and as specified in the relevant Pricing Supplement.

The Restricted Initial Notes sold in reliance on Rule 144A to persons who are QIBs acting for their own accounts or the accounts of other persons that are QIBs will be represented by one or more Rule 144A Global Certificates, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Rule 144A Global Certificate may only be held through, and transfers thereof will only be effected through, records maintained by Euroclear or Clearstream, Luxembourg or their participants (as applicable) at any time. The Rule 144A Global Certificates will bear a legend to the effect that such Rule 144A Global Certificates, or any interest therein, may not be transferred except to persons that are QIBs and only in compliance with the transfer restrictions set out in such legend.

Initial Notes which are offered or sold to Qualifying UK Investors will be represented by Individual Note Certificates registered in the name of the holder thereof.

Denomination of Notes:

Notes will be issued in such denominations as specified in the relevant Pricing Supplement. The minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant currency.

Status and Ranking:

Each Class of Notes will be constituted by the Trust Deed and will be secured by the Issuer Security created under the Issuer Deed of Charge.

The Notes will constitute secured, direct, unconditional and unsubordinated (other than as regards ranking of different Classes of Notes) obligations of the Issuer. Each Sub-Class of a Class of Notes will rank *pari passu* and *pro rata* without preference or priority in point of security among all other Sub-Classes of that Class of Notes.

Other than as described in the sections entitled “—*Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*”, page 39, below, and “—*Optional Redemption for Taxation Reasons*”, page 38, below, the obligations of the Issuer in respect of the Notes (other than in relation to any Note Step-Up Amounts) will rank in the following order in point of security:

- (a) first, *pro rata* and *pari passu* among themselves, the Priority 1 Notes;

- (b) second, *pro rata* and *pari passu* among themselves, the Priority 2 Notes; and
- (c) thereafter, the Subordinated Notes.

The precise ranking of each Class of Subordinated Notes vis-à-vis any other Class of Subordinated Notes will be agreed and designated in accordance with the Common Terms Agreement and will be specified in the relevant Pricing Supplement. However, each Sub-Class of a Class of Subordinated Notes will rank *pari passu* and *pro rata* without preference or priority in point of security among all other Sub-Classes of that Class of Subordinated Notes (see “—*Debt Ranking*”, page 15, above and “—*Ranking of Financial Indebtedness*”, page 82, below).

The payment of any Note Step-Up Amount is subordinated to payments of interest and repayments and prepayments of principal on each Class of Notes and failure to pay any such Note Step-Up Amount will not constitute an Issuer Event of Default. The holders of the Notes will be entitled to receive payments of Note Step-Up Amounts on their respective Notes on any Note Payment Date only to the extent that the Issuer has funds available for the purpose after making payments on such Note Payment Date of all liabilities which are due and payable on that date and which rank in priority to the liability to pay Note Step-Up Amounts on such Class of Notes.

The holders of any Sub-Class of Notes which are not the Most Senior Class of Notes will be entitled to receive payments of principal and interest on such Notes on any Note Payment Date only to the extent that the Issuer has funds available for the purpose after making payment on such Note Payment Date of any payment due and payable on that date in respect of the More Senior Notes and of all other liabilities which are due and payable on that date and rank in priority to such Notes, all as provided in Condition 6(a) (*Interest Rate and Accrual*) and Condition 8(m) (*Subordination of Principal*), and in the Issuer Deed of Charge and as described below in “—*Issuer Deed of Charge*”, page 168, below.

The Issuer’s obligations in respect of the Notes as set out above will, prior to the enforcement of the Issuer Security, depend on the amounts due and payable on the Notes on any particular Note Payment Date. Accordingly, interest and principal on any Lower Ranking Notes relative to any Sub-Class of Notes which is due and payable on a Note Payment Date may be paid prior to interest and principal which is due and payable on such Sub-Class of Notes if there are no such amounts due and payable in respect of such Sub-Class of Notes on such date.

Security for the Notes and other Secured Obligations:

The Notes will be secured by first ranking security created pursuant to the Issuer Deed of Charge. The Note Trustee will hold the benefit of such security on trust for itself, the Noteholders, any receiver appointed under the Issuer Deed of Charge, the Account Bank, any Cash Manager and any Replacement Cash Manager (so long as they are not members of the Land Securities Group), the Registrar, the Transfer Agents, the Paying Agents, the Agent Bank and any other creditors who accede to the Issuer Deed of Charge from time to time in accordance with the terms thereof (the “**Issuer Secured Creditors**”).

The Issuer Deed of Charge will create first ranking security interests over, among other things, the Issuer’s rights in respect of the Issuer Accounts, the Issuer’s rights under the Issuer

Transaction Documents (other than the Trust Deed and the Issuer Deed of Charge) and the Obligor Transaction Documents to which the Issuer is a party (in particular, the Common Terms Agreement, the Security Trust and Intercreditor Deed and the Intercompany Loan Agreement) (see “—*Issuer Deed of Charge*”, page 168, below).

The Notes will also be secured by a first ranking floating charge in favour of the Note Trustee (on behalf of itself and the Issuer Secured Creditors) over all the assets and undertaking of the Issuer.

The Issuer will also have the benefit of the Obligor Floating Charge Agreement as described in “—*Security to be granted by the Security Group*”, page 30, above. However, any proceeds arising from the enforcement of the security contained in the Obligor Floating Charge Agreement shall be shared between the Issuer and the other Obligor Secured Creditors, by applying such proceeds towards the applicable Security Group Priority of Payments as set out in the Security Trust and Intercreditor Deed.

Certain other obligations of the Issuer (including the amounts owing to the Note Trustee under the Trust Deed, to any receiver appointed under the Issuer Deed of Charge, to the Account Bank and any Replacement Cash Manager under the Account Bank and Cash Management Agreement and to the Registrar, the Transfer Agents, the Paying Agents and the Agent Bank under the Agency Agreement) will also be secured by the Issuer Security.

For a more detailed description of the provisions of the Issuer Deed of Charge, including the priority of payments by the Issuer both prior and subsequent to the enforcement of the security thereunder (see “—*Issuer Deed of Charge*”, page 168, below).

Powers of Noteholders:

The Trust Deed contains provisions limiting the powers of the holders of any Notes that are not the Most Senior Class of Notes, among other things, to pass any Extraordinary Resolution or to request or direct the Note Trustee to take any action which may affect the interests of a class of Noteholders ranking in priority in point of security thereto.

Pursuant to the Security Trust and Intercreditor Deed, the Trust Deed and the Conditions, Noteholders may also (by instructing the Note Trustee) participate in Debtholders’ Meetings called for the purpose of instructing the Obligor Security Trustee (by way of a Secured Creditor Instruction) to take certain actions (see “—*Intercreditor arrangements*”, page 133, below).

Conflict of Interest Among Noteholders:

The Trust Deed contains provisions requiring the Note Trustee to, unless otherwise provided, have regard to the interests of the holders of all Classes of outstanding Notes as if they formed a single class. However, where there is, in the Note Trustee’s opinion, a conflict between the interests of the holders of two or more Classes of outstanding Notes, the Trust Deed requires the Note Trustee to have regard solely to the interests of the holders of the Most Senior Class of Notes then outstanding.

Interest:

Notes (other than Zero Coupon Notes) will, unless otherwise specified in the relevant Pricing Supplement, be interest-bearing and interest will be calculated (unless otherwise specified in the relevant Pricing Supplement) on the Principal Amount Outstanding of each such Note. Interest will accrue at a fixed or floating rate and will be payable in arrear, as specified in the relevant Pricing Supplement, or on such other basis and at such

rate as may be so specified and in the currency in which the Notes are denominated. In addition: (a) in the case of Indexed Notes, interest will be adjusted for indexation by reference to the relevant Index Ratio and (b) in the case of Dual Currency Notes, interest will be paid in such currencies and based on such rates of exchange as the Issuer and the relevant Dealer(s) may agree.

Interest will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may be agreed between the Issuer and (in the case of all Notes other than Class R Notes) the relevant Dealers or (in the case of any Class R Notes) the Class R Underwriters, as specified in the relevant Pricing Supplement.

Failure by the Issuer to pay interest on the Most Senior Class of Notes when due and payable may result in the Note Trustee enforcing the Issuer Security. To the extent that funds available to the Issuer on any Note Payment Date, after paying interest then due and payable on the More Senior Classes of Notes, are insufficient to pay in full interest otherwise due on any one or more Classes of Lower Ranking Notes then outstanding, the shortfall in the amount then due will not be paid on such Note Payment Date but will only be paid (together with interest accrued thereon) on any subsequent Note Payment Date to the extent that amounts are available to the Issuer for such purpose after the Issuer's other higher priority liabilities have been paid.

The non-payment of any interest of any Class or Classes of Notes ranking below the Most Senior Class of Notes shall not constitute an Issuer Event of Default.

Fixed Rate Notes:

The Issuer may issue Notes which bear interest at a fixed rate, such rate to be agreed between the Issuer and the relevant Dealers and specified in the relevant Pricing Supplement.

The interest rate in respect of a particular Sub-Class of Fixed Rate Notes may be subject to an increased margin on a specified date, as specified in the relevant Pricing Supplement.

Floating Rate Notes:

The Issuer may issue Notes which bear interest at a floating rate. Floating Rate Notes will bear interest at a rate set separately for each Sub-Class as may be specified in the relevant Pricing Supplement either on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service or on the basis as may be agreed between the Issuer and (in the case of all Floating Rate Notes other than Class R Notes) the relevant Dealers or (in the case of any Class R Notes) the Class R Underwriters, as adjusted for any applicable Margin (as defined in the Conditions) as specified in the relevant Pricing Supplement.

The interest rate in respect of a particular Sub-Class of Floating Rate Notes may be subject to an increased margin as from a specified date or dates, as specified in the relevant Pricing Supplement.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Class R Notes:

The Issuer may issue Notes pursuant to a Class R Underwriting Agreement (see “—*Class R Underwriting Agreements*”, page 247, below).

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| <i>Indexed Notes:</i> | The Issuer may issue Notes in respect of which the amounts payable (whether in respect of principal or interest and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealers may agree, as specified in the relevant Pricing Supplement. |
| <i>Dual Currency Notes:</i> | The Issuer may issue Notes in respect of which the amounts payable (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as the Issuer and the Dealers may agree, as specified in the relevant Pricing Supplement. |
| <i>Zero Coupon Notes:</i> | The Issuer may issue Notes which do not bear interest and may be sold at a discount to their nominal amount, as specified in the relevant Pricing Supplement. |
| <i>Partly Paid Notes:</i> | The Issuer may issue Notes in an amount as specified in the relevant Pricing Supplement and in respect of which further instalments will be payable by the relevant Noteholder in the amounts and on the dates as specified in the relevant Pricing Supplement. |
| <i>Instalment Notes:</i> | The Issuer may issue Notes which may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the relevant Pricing Supplement. |
| <i>Other Notes:</i> | The Issuer may issue Notes other than the types of Notes set out above subject to FinCo being entitled to incur ICL Loans (which will correspond to such Notes) as Permitted Drawings (see “– <i>Permitted Financial Indebtedness</i> ”, page 83, below). |
| <i>Floating Rate Step-Up:</i> | The Pricing Supplement in respect of any Sub-Class of Notes may specify that, from and including the date which is two years prior to the Maturity Date of such Sub-Class of Notes, the interest rate in respect of such Sub-Class of Notes (irrespective of whether they are specified in the Pricing Supplement as Floating Rate Notes, Fixed Rate Notes, Indexed Notes or Zero Coupon Notes) will be determined in accordance with the interest rate provisions applicable to Floating Rate Notes, save that the margin shall be equivalent to an increased margin specified in the Pricing Supplement. No early redemption premium will be payable in respect of any Notes of such nature during such final two years. The ratings of the Rating Agencies do not address the likelihood of payment of any step-up amounts. |
| <i>Note Payment Dates and Note Interest Periods:</i> | <p>Interest on the Notes will be payable by reference to successive interest periods on the payment dates specified in the relevant Pricing Supplement.</p> <p>Each successive Note Interest Period will commence on (and include) a Note Payment Date and end on (but exclude) the following Note Payment Date, except that the first Note Interest Period in respect of a Sub-Class of Notes will commence on (and include) the relevant Issue Date and end on (but exclude) the Note Payment Date specified in the relevant Pricing Supplement.</p> <p>Each Initial Note will have a “short” first Note Interest Period ending on (and excluding) the date specified in the relevant Pricing Supplement.</p> |
| <i>Withholding Tax:</i> | Payments of interest, principal and premium (if any) on the Notes will be made without withholding or deduction for, or on account of, any tax unless required by law (whether in the United Kingdom or elsewhere). None of the Issuer, any Paying Agent or any other person will be obliged to pay any additional amounts to |

Noteholders (or, if Definitive Notes are issued, Receiptholders and/or Couponholders) in respect of any amounts required to be withheld or deducted.

Issue Price:

Notes may be issued at any price, as specified in the relevant Pricing Supplement.

Final Redemption:

Notes may be issued for any maturity as specified in the relevant Pricing Supplement.

Optional Redemption:

Prior to their stated final maturity, the Notes will be redeemable in whole or in part at the option of the Issuer in accordance with Condition 8(b) (*Optional Redemption*) at their Redemption Amount, together with accrued but unpaid interest on the Principal Amount Outstanding of such Note up to (but excluding) the Note Payment Date on which such redemption occurs.

Optional Redemption as Result of REITs Event:

If a REITs Event occurs, the Issuer may, in accordance with Condition 8(c) (*Optional Redemption as Result of REITs Event*), redeem all (and not some only) of the Notes at their Redemption Amount, together with accrued but unpaid interest on the Principal Amount Outstanding of such Notes up to (but excluding) the respective Note Payment Dates on which such redemption occurs.

Optional Redemption as Result of Ratings Event:

If a Ratings Event occurs at any time, the Issuer may, subject to a Noteholders' Affirmation and the satisfaction of certain conditions set out in Condition 8(d) (*Optional Redemption as Result of Ratings Event*) in respect of any Sub-Class of Notes, redeem such Sub-Class of Notes in whole at their Redemption Amount, together with accrued but unpaid interest on the Principal Amount Outstanding of such Sub-Class of Notes up to (but excluding) the respective Note Payment Dates on which such redemption occurs.

Optional Redemption for Index Event:

Upon the occurrence of certain Index Events, the Issuer may, in accordance with Condition 8(e)(i) (*Optional Redemption for Index Events*), redeem all (but not some only) of the Indexed Notes at the Redemption Amount specified in relation to such Notes in the relevant Pricing Supplement, together with accrued but unpaid interest on the Principal Amount Outstanding of such Notes up to (but excluding) the respective Note Payment Dates on which such redemption occurs.

Optional Redemption for Taxation Reasons:

If the Issuer at any time satisfies the Note Trustee that:

- (a) any change in tax law (or the application or official interpretation thereof) requires or will require the Issuer to make any withholding or deduction for or on account of any United Kingdom tax from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of such withholding or deduction); or
- (b) FinCo is obliged to increase any sum payable by it to the Issuer under the Intercompany Loan Agreement as a result of FinCo being required by a change in tax law (or the application or official interpretation thereof) to make a withholding or deduction for or on account of any United Kingdom tax from that payment,

then the Issuer may, in accordance with Condition 8(e)(ii) (*Optional Redemption for Taxation Reasons*), redeem (without premium or penalty) all (but not some only) of the Notes at their

Principal Amount Outstanding, together with accrued but unpaid interest on the Principal Amount Outstanding of such Notes up to (but excluding) the respective Note Payment Dates on which such redemption occurs.

Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed:

If the Issuer receives any monies in Actual Prepayment of all or any ICL Loan under the Intercompany Loan Agreement either pursuant to the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments, the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments, the exercise of the P1 ICL Call Option (see “—*P1 ICL Call Option*”, page 141, below) or other than pursuant to the optional redemption provisions set out in Conditions 8(b) (*Optional Redemption*), 8(c) (*Optional Redemption as Result of REITs Event*), 8(d) (*Optional Redemption as Result of Ratings Event*) or 8(e) (*Optional Redemption for Index Event or Taxation Reasons*), the Issuer shall apply a principal amount equal to any amount by which the corresponding ICL Loan under the Intercompany Loan Agreement is Actually Prepaid towards redemption of the relevant Sub-Class of Notes in accordance with Condition 8(f) (*Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*). Such redemption will, subject to the terms of Condition 8(f) (*Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*), be made on the Note Payment Date of the relevant Sub-Class of Notes falling after such Actual Prepayment.

Any Note to be wholly or partly redeemed will be redeemed at its Principal Amount Outstanding, together with accrued but unpaid interest on the Principal Amount Outstanding of such Note up to (but excluding) the Note Payment Date on which such redemption occurs or (where part only of the relevant ICL Loan has been Actually Prepaid) the proportion of the relevant Note which the Actual Prepayment amount bears to the amount of the relevant ICL Loan immediately prior to such Actual Prepayment).

Additional redemption provisions:

In addition to the redemption provisions set out in the Conditions, the relevant Pricing Supplement in relation to any Sub-Class of Notes may specify further redemption provisions applicable to such Sub-Class of Notes.

Purchases:

Save for any Class R Notes (which will, save in certain limited circumstances, be required to be repurchased on each Note Payment Date), the Issuer may not purchase the Notes of any Class.

FinCo or any other Obligor resident for tax purposes in the United Kingdom may at any time purchase Notes of any Class in accordance with applicable law and the provisions of the Common Terms Agreement. Any Notes purchased by FinCo may be surrendered to the Issuer. Upon surrender of any such Note to the Issuer, the Note will be cancelled.

Ratings:

The ratings expected to be assigned to the Initial Notes (Class A Notes) are set out on the second page of this Offering Circular. The ratings expected to be assigned to any further Class A Notes and any Class R1 Notes on their issue are AA by S&P and AA by Fitch (assuming no change in relevant circumstances). The expected ratings in respect of any Class B Notes and any Class R2 Notes on their issue are A by S&P and A by Fitch (assuming no change in relevant circumstances), although it should be noted that the ratings of any Class B Notes will be as to ultimate interest and ultimate principal unless a liquidity facility is in place

in respect of Class B Note interest in an amount satisfactory to the Rating Agencies (and in such circumstances such Notes would include the word “deferable” in their title).

The ratings of the Rating Agencies do not address the likelihood of receipt by any Noteholder of any redemption premium nor do the ratings of the Rating Agencies address the likelihood of receipt of any Note Step-Up Amount.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each credit rating should be evaluated independently of any other rating and, among other things, will depend on the performance of the business of the Security Group from time to time.

Listing:

Application has been made to list the Notes issued under the Programme (including the Initial Notes) on the Irish Stock Exchange. Further Notes of any Series may be listed on the Irish Stock Exchange or any other exchange or may be unlisted.

Terms and Conditions:

A Pricing Supplement will be prepared in respect of each Sub-Class of Notes including further fungible issues of an existing Sub-Class. A copy of the Pricing Supplement will be delivered to the Irish Stock Exchange or such other or further exchange (as applicable) on or before the Issue Date of such Notes. The Conditions applicable to each Sub-Class will be those set out in Chapter 11 “*Terms and Conditions of the Notes*”, page 199, below, as amended, supplemented, varied or replaced by the relevant Pricing Supplement and as may be agreed by the Issuer and the relevant Dealer(s) prior to the issuance of such Sub-Class.

Transfer Restrictions:

Subject to applicable laws and regulations, there will be no transfer restrictions in respect of the Notes (other than the Restricted Initial Notes, see “—*Transfers and Transfer Restrictions*”, page 241, below).

Governing Law:

The Notes will be governed by English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United Kingdom and the United States, and such other restrictions as may be required in connection with the offering and sale of a particular Sub-Class of Notes (see Chapter 16 “*Subscription and Sale*”, page 247, below).

CHAPTER 3

INVESTMENT CONSIDERATIONS

The following is a summary of certain aspects of the Notes and related transactions of which prospective Noteholders should be aware. This summary is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this Offering Circular and reach their own views on the transactions described in this Offering Circular prior to making any investment decision.

THE ISSUER'S ABILITY TO MEET ITS OBLIGATIONS UNDER THE NOTES

Notes obligations of Issuer only

The Notes will be solely the obligations of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. In particular, the Notes will not be obligations of, and will not be guaranteed by any of the Other Parties or any company (other than the Issuer) in the Land Securities Group. Furthermore, no person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

Special Purpose Company; sources of funds to meet the Issuer's obligations under the Notes

The Issuer is a special purpose company with no business operations other than the issue of the Notes, the lending of the proceeds to FinCo under the Intercompany Loan Agreement and certain ancillary activities. The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of amounts payable by FinCo under the Intercompany Loan Agreement and/or the performance by the Obligor of their obligations under the Guarantees. Other than the foregoing, prior to the enforcement of the Issuer Security and the Obligor Security, the Issuer will not have any significant funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes.

Issuer Security

Although the Note Trustee will hold the benefit of the Issuer Security on trust for the Noteholders, such security interests will also be held on trust for certain third parties, the Issuer's obligations to whom rank ahead of the Noteholders. Such persons include, *inter alios*, the Note Trustee, the Registrar, the Transfer Agents, the Paying Agents, the Account Bank and any Replacement Cash Manager in respect of certain amounts owed to them (see "*—Issuer Deed of Charge*", page 168, below).

Issuer Priority of Payments

The Issuer has agreed to apply amounts standing to the credit of the Issuer Accounts in accordance with the order of priority of payments set out in the Issuer Deed of Charge. Under this priority of payments, amounts due in respect of the Notes rank behind certain of the Issuer's other obligations. Such other obligations are owed to, *inter alios*, the Note Trustee, the Registrar, the Transfer Agents, the Paying Agents, the Account Bank and any Replacement Cash Manager. In addition, certain classes of Notes will rank in priority to other classes of Notes (see "*—Issuer Pre-Enforcement Priority of Payments*", page 168, below).

Furthermore, the Issuer's obligations in respect of the Notes will, prior to the enforcement of the Issuer Security, depend on the amounts due and payable on the Notes on any particular Note Payment Date. Accordingly, interest and principal on any Lower Ranking Notes relative to any Sub-Class of Notes which is due and payable on a Note Payment Date may be paid prior to interest and principal which is due and payable on such Sub-Class of Notes if there are no such amounts due and payable in respect of such Sub-Class of Notes on such date.

Delays in the Payments System

Payments under the Intercompany Loan Agreement will be made to the Issuer on or before each Note Payment Date. However, situations may arise where, although FinCo has (and the Cash Manager has instructed the transfer of) sufficient funds to meet in full its obligations to make payments under the Intercompany Loan Agreement (and thereby place the Issuer in funds to make payment to Noteholders under the Notes), delays in the receipt or execution of payment instructions by any of the Class R Underwriters (if relevant) and/or the Account Bank and/or CHAPS and/or the TARGET System and/or the Paying Agent(s) and/or Euroclear and/or

Clearstream, Luxembourg may result in delays in the Issuer receiving such payments under the Intercompany Loan Agreement and, consequently, the Noteholders (or some of them) not receiving payment under the Notes until after the due date for payment thereof.

OBLIGORS' ABILITY TO MEET THEIR OBLIGATIONS UNDER THE INTERCOMPANY LOAN AGREEMENT AND THE GUARANTEES

Risks relating to the Security Group's Business Operations

FinCo's ability to meet its obligations under the Intercompany Loan Agreement and the ability of the Obligors to meet their obligations under the Guarantees will be dependent, *inter alia*, on (i) the performance of the Security Group's businesses and, in particular, on the Mortgaged Properties, (ii) the payment by the tenants of rents pursuant to their relevant Leasing Agreements and (iii) the ability of the Obligors to generate continuing rental income from the Mortgaged Properties when leases expire and to maintain the value of the Mortgaged Properties at a total amount sufficient to repay its debt (see "*—Considerations relating to Security Group's Business Operations*", page 49, below for a description of some of the investment considerations relating to the businesses of the Security Group).

Obligor Security

Enforcement of Remedies

The procedures for the enforcement of the Obligor Security are regulated by the Security Trust and Intercreditor Deed. Even if steps are taken under the Security Trust and Intercreditor Deed to enforce the Obligor Security, such steps may not result in immediate realisation of the Charged Property, and a significant delay could be experienced in recovery by the Obligor Security Trustee of amounts owed on any ICL Loans and other Secured Financial Indebtedness. Furthermore, a forced sale of Mortgaged Properties will be subject to prevailing market conditions and, due to the number of Mortgaged Properties involved, the sale of the Mortgaged Properties may take a significant amount of time in an enforcement scenario, which would affect the rate at which the enforcement proceeds are realised and their amount. The proceeds of the realisation of Charged Property following enforcement of the Obligor Security will be applied in accordance with the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments or the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments, as the case may be, in the Security Trust and Intercreditor Deed (see "*—Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments*", page 149, below, and "*—Security Group Post-Enforcement (Post-Acceleration) Priority of Payments*", page 152, below). There can be no assurance that the Obligor Security Trustee would recover amounts sufficient to discharge all Secured Financial Indebtedness upon enforcement of the Obligor Security and accordingly sufficient funds may not be realised or made available to make all required payments to the Issuer and, in turn, the Noteholders.

Floating charges granted in favour of the Obligor Security Trustee and Note Trustee

The floating charges created by the Security Trust and Intercreditor Deed (in favour of the Obligor Security Trustee) and the Obligor Floating Charge Agreement (in favour of the Issuer and assigned by way of security to the Note Trustee) are expressed to rank equally. Consequently, any enforcement of assets subject to the OFCA Floating Security by the Note Trustee (or any Receiver appointed thereby) will, as a matter of law, require a release of such asset from the STID Floating Security by the Obligor Security Trustee. Once releases from the OFCA Floating Security and the STID Floating Security have been obtained, the Note Trustee will be obliged under the Security Trust and Intercreditor Deed to apply such proceeds of enforcement in accordance with the relevant Security Group Priority of Payments.

In addition, any Receiver appointed by the Note Trustee has a statutory duty to act in the interests of the Issuer Secured Creditors only, as regards the manner in which it enforces the security granted to the Note Trustee.

Enforcement Trigger Events and the Obligor Security Trustee

The Security Trust and Intercreditor Deed will provide that the Obligor Security Trustee will be entitled to assume, unless it is otherwise disclosed in any Investor Report or Compliance Certificate or the Obligor Security Trustee is expressly informed otherwise, that no Obligor Event of Default, Potential Obligor Event of Default, P1 Trigger Event or P2 Trigger Event has occurred which is continuing. The Obligor Security Trustee will not itself monitor whether any such event has occurred but will (unless expressly informed to the contrary) rely on the Investor Reports and

Compliance Certificates to determine whether an Obligor Event of Default, Potential Obligor Event of Default, P1 Trigger Event or P2 Trigger Event has occurred.

For so long as any of the Secured Obligations are outstanding, the Obligor Security Trustee shall not be bound to take any steps, proceedings or other actions in respect of an Obligor Event of Default, P1 Trigger Event, P2 Trigger Event or enforcement of the Charged Property, unless:

- (a) it shall have been indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith; and
- (b) it shall have been directed or requested to do so pursuant to a Secured Creditor Instruction by the Qualifying Debtholders acting through their Representatives.

It will often fall to the Obligors themselves to make the determinations as to whether an Obligor Event of Default, a Potential Obligor Event of Default, a P1 Trigger Event or a P2 Trigger Event has occurred. In this context, a number of the representations, warranties, covenants and undertakings of the Obligors in the Common Terms Agreement, and Obligor Events of Default and Potential Obligor Events of Default, will be qualified by reference to a relevant fact, matter or circumstance having a Material Adverse Effect. While the criteria set out in the definition of "Material Adverse Effect" are on their face objective, it will fall to the Obligors themselves to determine whether or not the relevant fact, matter or circumstance falls within any of the criteria and that determination, therefore, will be a subjective one.

The Common Terms Agreement will require the Obligors to notify the Issuer and the Obligor Security Trustee of the occurrence of any Obligor Event of Default, Potential Obligor Event of Default, P1 Trigger Event or a P2 Trigger Event promptly upon becoming aware of the same. In addition, the Principal Obligor is required to confirm in each Investor Report and each Compliance Certificate, each of which will be delivered to, among other recipients, the Obligor Security Trustee, the Note Trustee, the Paying Agents and, upon written request (via the Paying Agents), any Noteholder, whether or not any Obligor Event of Default, Potential Obligor Event of Default, P1 Trigger Event or P2 Trigger Event has occurred (and, if such an event has occurred what action is being, or is proposed to be, taken to remedy it).

The failure by an Obligor to perform or comply with its covenants to provide financial information in accordance with the Common Terms Agreement, as set out in "*—Covenants regarding the provision of financial information*", page 108, below will, following the lapse of a grace period, in itself constitute an Obligor Event of Default. The occurrence of an Obligor Event of Default which is continuing will entitle the Obligor Security Trustee to pursue any of the courses of action available to it as set out in "*—Acceleration of Secured Obligations and Enforcement of Obligor Security*", page 126, below and "*—Security Trust and Intercreditor Deed*", page 126, below.

Security Group Priority of Payments

The Cash Manager has agreed to apply Available Cash to make payments in accordance with the Security Group Pre-Enforcement Priority of Payments. Monies received or recovered by the Obligor Security Trustee (or any Receiver appointed by it), in respect of the enforcement of the Obligor Security held by the Obligor Security Trustee or otherwise (save for Swap Excluded Amounts), together with monies received or recovered by the Note Trustee (or any Receiver appointed by it) and paid to the Obligor Security Trustee, in respect of enforcement of security created under the Obligor Floating Charge Agreement will (to the extent lawful) be applied in accordance with the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments and the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments (as appropriate). Under these priorities of payments, amounts due in respect of ICL Loans rank behind and, in some cases, *pari passu* with certain other obligations. In addition, certain classes of ICL Loans will rank in priority to other classes of ICL Loans with the result that Notes corresponding to the higher ranking ICL Loans will rank in priority to Notes corresponding to the lower ranking ICL Loans (see "*—Security Group Pre-Enforcement Priority of Payments*", page 145, "*—Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments*", page 149, and "*—Security Group Post-Enforcement (Post-Acceleration) Priority of Payments*", page 152, below).

Notwithstanding the above, ICL Loans and ACF Loans may be prepaid by the Obligors in any order irrespective of their debt rankings, provided that such prepayment does not breach the provisions of the Headroom Test Prepayment Provision, Sequential Prepayment Regime or the terms of the Security Trust and Intercreditor Deed (see "*—Order of Prepayment*", page 89, below).

Conflict of Interest

Conflicts of Interest between Noteholders

The Trust Deed and Condition 4(b) (*Relationship among Noteholders and with other Issuer Secured Creditors*) require the Note Trustee to have regard to the interests of all the Noteholders (so long as any of the Notes remain outstanding) equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee as if they formed a single class (except where expressly required otherwise). However, the Trust Deed and Condition 4(b) also require that, in the event of a conflict between the interests of the holders of any Class of Notes, the Note Trustee shall have regard to the interests of the holders of the Most Senior Class of Notes then outstanding.

So long as any of the Notes remain outstanding, in the exercise of its rights, authorities and discretions under the Trust Deed, the Note Trustee is only required to have regard to the interests of the Noteholders or, as the case may be, the holders of the Most Senior Class of Notes then outstanding and not to the interests of the other Issuer Secured Creditors.

Conflicts of Interest between Debtholders

Although the Issuer (rather than the Noteholders) is an Obligor Secured Creditor of the Security Group in respect of its Secured Obligations, being the ICL Loans provided to FinCo under the Intercompany Loan Agreement, the Security Trust and Intercreditor Deed shall provide that certain Noteholders (to the extent that they are Qualifying Debtholders), rather than the Issuer, will be able to vote (acting through their Representative, being the Note Trustee) in Debtholders' Meetings, to instruct the Obligor Security Trustee (by way of a Secured Creditor Instruction) on, *inter alia*, the taking of any Enforcement Action in respect of the Obligor Security. In any Debtholders' Meeting, Qualifying Debtholders may or may not consist of Noteholders, or may only consist of a certain Class or Classes of Noteholders.

Any proposed Secured Creditor Instruction duly approved at a Debtholders' Meeting will be binding on all Obligor Secured Creditors, including the Issuer (and therefore such Secured Creditor Instruction will indirectly affect the Noteholders and/or their rights).

The Security Trust and Intercreditor Deed provides that in circumstances where the Qualifying Debtholders for a Debtholders' Meeting consist of Debtholders of different categories (as regards Noteholders and/or ACF Providers) or different Classes or Sub-Classes of Debtholders which in the opinion of the Obligor Security Trustee gives or may give rise to a conflict of interest as between such Qualifying Debtholders, the Obligor Security Trustee may, in its discretion, convene separate Debtholders' Meetings in respect of, as the case may be, each Class of Qualifying Debtholders (or in each case, each Sub-Class thereof (if any)). In these circumstances, a Secured Creditor Instruction shall be deemed to be approved if, in lieu of being passed at a single Debtholders' Meeting, it is duly approved at separate Debtholders' Meetings of each Class of Qualifying Debtholders, Noteholders or ACF Providers (or any Sub-Class thereof) (see further "*Conflict of Interest*", page 144, below). If, however, the Obligor Security Trustee is of the opinion that no conflict of interest would arise as a result of convening a single Debtholders' Meeting, any such proposed Secured Creditor Instruction duly approved at a Debtholders' Meeting shall be binding on all Noteholders insofar as such Secured Creditor Instruction affects them and/or their rights.

Hedging Risk

If any Notes are issued with a floating rate of interest, the corresponding ICL Loan will also bear a floating rate of interest. If, as a result of interest rate fluctuations, the Obligors have insufficient funds to meet either their floating rate obligations under the Intercompany Loan Agreement (if any) and/or their floating rate obligations in respect of the ACF Agreements, the Issuer will (given the *pro rata* and *pari passu* treatment of ICL Loans and ACF Loans of the same priority ranking) receive insufficient funds to meet its obligations under the Notes. The Initial ICL Loans bear a fixed rate of interest, whereas the Initial ACF Loans bear a floating rate of interest. Accordingly, the exposure to the floating rate of interest payable in respect of the Initial ACF Loans will be required to be hedged in accordance with the Hedging Covenant.

All payments by Obligors under the Swap Agreements, other than any obligation to pay Swap Termination Amounts and Swap Subordinated Amounts (which will, to the extent of any amount of premium received from a replacement swap counterparty providing a replacement Swap Transaction, be discharged directly by the application of any such amount and will fall outside the

scope (to the extent lawful) of the Security Group Priorities of Payments), will rank in priority to payments due to the Issuer under the Intercompany Loan Agreement under the relevant Security Group Priority of Payments. If any Swap Counterparty fails to provide an Obligor with the amount due under any Swap Agreement on any Loan Payment Date or if a Swap Agreement is otherwise terminated (see “*Hedging Arrangements — Termination*”, page 165, below), the Obligors may have insufficient funds to make payments due in respect of the Intercompany Loan Agreement.

If any hedging transaction is terminated due to it no longer being required to comply with the Hedging Covenant or due to any other reason, then a termination payment may become due under the relevant Swap Agreement.

Unsecured Creditors of the Security Group

Unsecured creditors of the Security Group will not become parties to the Common Terms Agreement or the Security Trust and Intercreditor Deed and will have rights of action in respect of their debts which are independent from those of the Obligor Secured Creditors. Unsecured creditors will accordingly be entitled to petition for a winding-up or administration of any Obligor who is liable for such debts. Although the aggregate amount of Unsecured Debt that the Security Group can incur will be restricted to the Unsecured Debt Limit under the Common Terms Agreement, there may be other unsecured creditors (such as trade creditors and tax authorities) who could also exercise such rights (see “*—Permitted Financial Indebtedness*”, page 83, below).

Extent of security for FinCo’s Obligations

FinCo’s obligations to the Issuer under the Intercompany Loan Agreement are secured by floating charges granted by FinCo and each of the other Obligors in favour of the Issuer under the Obligor Floating Charge Agreement and by the security and guarantees granted to the Obligor Security Trustee under the other Obligor Security Documents (other than the floating charges granted under the Security Trust and Intercreditor Deed). FinCo’s obligations are not secured or guaranteed by any of the Other Parties or any company (including the Issuer) in the Land Securities Group other than the Obligors (see also “*—Reliance on Non-Restricted Group*”, page 52, below).

Enforcement of Security

Amounts received from any Enforcement Action in respect of the Obligor Security following delivery of a Loan Enforcement Notice, including proceeds of any sale or other disposal of a Mortgaged Property, may be insufficient to pay in full principal, interest and any other amounts due under the Intercompany Loan Agreement, in which case the Issuer will be unable to meet all of its obligations to pay interest on and principal of the Notes.

Effect of Enforcement on Value of Mortgaged Properties

The liquidation value of the Mortgaged Properties may be adversely affected because sales of Mortgaged Properties may not be able to be made at the open market value of such property. In particular, the Valuation of the Mortgaged Properties assumes that their value is based on open market values (which are determined before the seller’s costs) and on the basis that their sale is not forced upon the seller. Following enforcement of the Obligor Security, this would not be the case for sales of Mortgaged Properties. A forced sale of Mortgaged Properties will be subject to prevailing market conditions and the best price may not be obtainable. Sale of the Mortgaged Properties may take a significant amount of time in an enforcement scenario due to the number of properties that would be on the market, and this would affect the rate at which the enforcement proceeds are realised. In addition, the liquidation value of Mortgaged Properties may be affected by risks generally affecting real property (as to which see “*—Property Risks*”, page 51, below) and other factors which are beyond the control of the Obligors, the Obligor Security Trustee, the Note Trustee or any Receiver.

Liquidity Facility Agreements

Neither the Issuer nor FinCo has entered into, or will on the Exchange Date enter into, a liquidity facility which would provide it with an alternative source of funds in the event that either of them does not receive sufficient payment of interest on and repayments of principal under, in the case of the Issuer, the ICL Loans or, in the case of FinCo, intercompany loans made by FinCo to the other Obligors. The Common Terms Agreement provides that in certain circumstances (as to which see “*—Mandatory Liquidity Provisions*”, page 86, below), a Liquidity Facility Agreement will be put

in place by FinCo. However, no assurance can be given that in such circumstances an entity willing to act and which is approved by the Obligor Security Trustee, or willing to act at all, will be found. Consequently, no alternative source of funds may be available to FinCo.

Provision of Financial Information by the Obligors

Land Securities Group PLC, the ultimate parent of the Obligors, is a listed public company and therefore has certain reporting obligations to its shareholders. Accordingly, for so long as this remains the case or any other company which is the parent of the Security Group has its shares listed on a stock exchange, the ability of an Obligor to disclose financial information to, *inter alios*, Noteholders in accordance with the terms of the Common Terms Agreement may be affected by any laws, regulations, stock exchange requirements or rules of any applicable regulatory body to which Land Securities Group PLC or such other company is subject.

No Independent Investigation of Warranties

No independent investigation of the matters represented in the Common Terms Agreement or any other Obligor Transaction Document will be made by the Obligor Secured Creditors (including the Issuer and the Obligor Security Trustee), save that the Obligor's solicitors will carry out certain searches on or before the Exchange Date of the registers held by the Registrar of Companies and at the Land Registry. Apart from such searches, the Obligor Secured Creditors (including the Issuer and the Obligor Security Trustee) will, save as previously disclosed, rely entirely on the representations and warranties which will be given by each Obligor in, *inter alia*, the Common Terms Agreement.

Appointment of Property Manager

Although the Common Terms Agreement provides that, in certain circumstances (as to which see "*—Property Manager Appointment*", page 112, below), the Security Group will be required to appoint a Property Manager from the Approved Property Manager List, no assurance can be given that in such circumstances an individual or entity willing to act in such capacity will be found.

TERMS RELATING TO THE NOTES

Ratings

It is expected that the Initial Notes will (as and from the Exchange Date) have the ratings set out in the table on page 2 of this Offering Circular (assuming no changes in relevant circumstances). Such ratings reflect the Rating Agencies' assessment of the likelihood of timely payment of interest and ultimate repayment of principal on the Initial Notes, although it should be noted that the ratings of any Class B Notes will be as to ultimate interest and ultimate principal unless a liquidity facility is in place in respect of Class B Note interest in an amount satisfactory to the Rating Agencies (and in such circumstances such Notes would include the word "deferable" in their title).

No such ratings are being assigned to timely payment of any Note Step-Up Amount. 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 organisation, and each security rating should be evaluated independently of any other rating. A security rating will depend on, among other things, certain underlying characteristics of the business of the Security Group from time to time. Ratings do not address the likelihood of timely or ultimate payment of any Note Step-Up Amount.

In certain circumstances where the consent of the Obligor Security Trustee and the Note Trustee is required under the Security Trust and Intercreditor Deed, the Obligor Security Trustee and the Note Trustee shall give such consent if the Ratings Test is satisfied. In addition, the Obligor Security Trustee and the Note Trustee shall be entitled, for the purposes of exercising any power, trust, authority, duty or discretion or the giving of any consent under or in relation to the Transaction Documents to which it is a party or over which it has security, to have regard to the Ratings Test if, in any particular circumstance, it considers that the Ratings Test 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.

Satisfaction of the Ratings Test involves at least two of the Rating Agencies (or, if at any time there is only one Rating Agency, such Rating Agency) affirming that either no Ratings Event in respect of such Rating Agency would occur (see the definition of "*Ratings Event*", page 299,

below), or that its then current ratings of the Notes would not be downgraded, in the light of a proposed matter or event, or the proposed exercise of the Obligor Security Trustee's powers, trust or discretion or giving of any consent (and absent any change in circumstances), which 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, and the Rating Agencies will not be responsible for the consequences thereof.

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 Exchange Date. An affirmation of ratings represents only a restatement of the opinions given at the Exchange 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, Noteholders should be aware that the Rating Agencies owe no duties whatsoever to any parties to the transaction (including the Noteholders) in providing any affirmation of ratings. A modification to the Transaction Documents which is undertaken on the basis of satisfaction of the Ratings Test may not be beneficial to Noteholders. There can be no assurance that the Rating Agencies will agree to perform a Ratings Test and, accordingly, the Security Group 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 Security Group's ability to meet its obligations under the Obligor Transaction Documents.

Any Rating Affirmation given by a Rating Agency and/or any satisfaction of a Ratings Test:

- (i) only addresses the effect of any relevant event, matter or circumstance on the current ratings assigned by the relevant Rating Agency to the Notes;
- (ii) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents; and
- (iii) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to, some or all of the Noteholders or Obligor Secured Creditors.

Furthermore, there can be no assurance that the Rating Agencies will take the same view as each other in relation to a Ratings Test, which may affect the Security Group's ability to adapt the structure of the transaction to changes in the market over the long term.

Marketability

Some or all of the Notes issued from time to time will be new securities for which there is no established trading market. An active trading market may not develop or, if developed, may not be maintained. Consequently, prospective purchasers of the Notes should be aware that they may have to hold the Notes until their maturity. In addition, the market value of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any sale of Notes by Noteholders in any secondary market that may develop may be at a discount to the original purchase price of such Notes (see also “– *Refinancing risk*”, page 49, below).

Class R Notes

The Issuer may, if any Class R Underwriting Agreement is entered into and subject to satisfaction of certain conditions, resell or procure the resale of any Class R Notes (as described in “–*Class R Underwriting Agreements*”, page 247, below) in order to finance the repurchase price of outstanding Class R Notes (or to raise additional debt). One of those conditions will be that there is no Issuer Event of Default or Potential Issuer Event of Default. Following the occurrence of an Issuer Event of Default or Potential Issuer Event of Default, the Class R Underwriters will not be obliged to purchase Class R Notes from the Issuer pursuant to the relevant Class R Underwriting Agreement.

The Issuer will not be required to repurchase any Class R Notes from the holders of such Notes from time to time if such repurchase cannot be financed by the resale of such Class R Notes to the Class R Underwriters, either because the Class R Underwriters are not obliged to purchase them for the abovementioned reason or because the Class R Underwriters have not paid the Issuer the price for such Class R Notes in respect of their resale. Investors in Class R Notes thereby take the risk of continuing to hold Class R Notes beyond Note Payment Dates where the Class R Underwriters do not finance the repurchase of such Class R Notes by the Issuer. This risk

is, however, mitigated by the requirement that the Class R Underwriters shall have the Minimum Short Term Ratings.

Redemption provisions

Fixed Rate Notes may be optionally redeemed pursuant to Condition 8(b) (*Optional Redemption*) and Condition 8(c) (*Optional Redemption as Result of REITs Event*) at redemption amounts which will be referenced to the Relevant Swap Mid Curve Rate at the time of such calculation. As the redemption premia on Fixed Rate Notes calculated by reference to the Relevant Swap Mid Curve Rate may be lower than if such premia were calculated by reference to spreads or such other rate, the Issuer may be more likely to redeem the Notes prior to their scheduled maturity.

CHANGES TO THE PROVISIONS OF THE OBLIGOR TRANSACTION DOCUMENTS

General

The covenants, representations and warranties in the Common Terms Agreement and the other Transaction Documents restrict the ability of the Security Group to change the way in which it operates its business. However, the property investment and management business in the United Kingdom has undergone many changes in recent years and may undergo further changes in the future that could make future operation of the Security Group under these provisions more difficult or impractical. Changes to the provisions of the Transaction Documents may be required over time due to changes to the business environment within which the Security Group operates. However, while the Transaction Documents provide various mechanisms for changes to be made to them (e.g. through Basic Term Modifications and Rating Affirmed Matters), there can be no assurance that the Security Group will be able to change the provisions of the Transaction Documents in such circumstances (e.g. because the Ratings Test is not satisfied in respect of the proposed change or a relevant Blocking Right is exercised), and this may affect the ability of the Obligor to meet their obligations under the Intercompany Loan Agreement and, consequently, the ability of the Issuer to meet its obligations under the Notes.

Modifications, Waivers and Consents in respect of Transaction Documents

The Security Group may request the Obligor Security Trustee to agree to any modification to, or to give its consent to any event, matter or thing relating to, or grant any waiver in respect of, the Obligor General Transaction Documents (other than a Basic Terms Modification or a modification to, or waiver in respect of, the Financial Covenant). The Issuer or the Security Group may also request the Note Trustee to agree to any modification to, or to give its consent to any event, matter or thing, or grant any waiver in respect of the Issuer Transaction Documents (other than a Basic Terms Modification or a change in respect of the Financial Covenant).

The Obligor Security Trustee or the Note Trustee (as the case may be) will, subject to the exercise of any Blocking Rights, consent to such request if:

- (a) in its opinion, the interests of the Most Senior Class of Debtholders then outstanding (in the case of the Obligor Security Trustee) or the Most Senior Class of Noteholders then outstanding (in the case of the Note Trustee) would not be materially prejudiced thereby; or
- (b) in its opinion, it is required to correct a manifest error or an error in respect of which an English court could reasonably be expected to make a rectification order or is of a formal, minor or administrative or technical nature or is necessary or desirable for the purposes of clarification; or
- (c) it is required or permitted, subject to the satisfaction of specified conditions, under the terms of any Obligor General Transaction Document or Issuer Transaction Document (as the case may be) and such conditions are satisfied; or
- (d) in relation to a Rating Affirmed Matter or modifications pursuant to an Accepted Restructuring Purpose or Proposed Non-UK Obligor Modification, the Ratings Test is satisfied or, if a Ratings Test is not sought or satisfied, P1 Debtholders and/or P2 Debtholders confirm such modifications to the extent they would be materially prejudiced thereby.

There can be no assurance that any modification, consent or waiver in respect of the Obligor Transaction Documents or Issuer Transaction Documents will be favourable to all Noteholders (or any Class or Sub-Class thereof). Such changes may be detrimental to the interests of some or all Noteholders (or any Class or Sub-Class thereof), despite the ratings of such Notes being affirmed.

The Security Trust and Intercreditor Deed provides that the Obligor Security Trustee may seek the approval of, *inter alios*, the Most Senior Class of Noteholders (through the Note Trustee, by way of an Extraordinary Resolution) as a condition to, *inter alia*, concurring in making modifications to, giving consents under or granting waivers in respect of breaches or potential breaches of, the Obligor General Transaction Documents (other than Basic Terms Modifications, modifications or waivers of the Financial Covenant or creating or changing the Secondary Debt Ranks or the Primary Debt Ranks, in respect of which specific procedures apply). Therefore, certain modifications to, consents under or grants of waivers in respect of breaches or potential breaches of, the Obligor Transaction Documents may be approved without the consent of every Noteholder.

The Security Trust and Intercreditor Deed also provides that the Obligor Security Trustee shall seek the approval of Noteholders (through the Note Trustee), along with all other ACF Providers (all Noteholders and all ACF Providers being, for this purpose, Qualifying Debtholders) by way of a Debtholders' Meeting, as a condition to concurring in making modifications to or granting waivers in respect of breaches or potential breaches of the Financial Covenant. However this gives or may give rise to a conflict of interests between Debtholders (see "*Conflicts of Interest between Noteholders*", page 44, above).

The Security Trust and Intercreditor Deed also provides that the Obligor Security Trustee shall seek the written consent of, *inter alios*, any Affected Class of Noteholders (through the Note Trustee) as a condition to the creation or modification of any Secondary Debt Ranks or the Primary Debt Ranks. Therefore, the creation or modification of Secondary Debt Ranks or the Primary Debt Ranks may be approved without the consent of every Noteholder or may only be approved by a certain Sub-Class or Sub-Classes of Noteholders.

Modifications to the Obligor Transaction Documents other than Obligor General Transaction Documents that the Obligor Security Trustee is not a party to may only be made by the parties thereto.

CONSIDERATIONS RELATING TO SECURITY GROUP'S BUSINESS OPERATIONS

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, increased operating costs and the relative attractiveness to investors generally of property of that type as an investment.

Rental revenues and property values are also affected by a number of factors including political developments, government regulations and changes in planning and tax laws and practices, interest rate levels, inflation, the availability of financing and the prospective returns from alternative investments. In particular, property values are dependent on current rental values, prospective rental growth, lease lengths, tenant creditworthiness and the valuation yield (which is, in turn, a function of interest rates, the market appetite for property investments in general and with reference to the specific property in question) together with the nature, location and physical condition of the property concerned. Retail and commercial rentals and values are sensitive to such factors which can sometimes result in rapid, substantial increases and decreases in market rental and valuation levels. Any decline in rental levels or market values may adversely affect the ability of the Obligors to meet their obligations under the Intercompany Loan Agreement and the other Obligor Transaction Documents which could affect the ability of the Issuer to meet its obligations under the Notes.

There can be no assurance that any of the covenants in the Obligor Transaction Documents which regulate the business of the Security Group will, in fact, ensure that the Obligors are able to meet all or any of their obligations under the Obligor Transaction Documents (see also "*Reliance on Valuations*", page 51, "*Dependence on Tenants; Non payment of rent under Leasing Agreements*", page 50, "*Dependence on Tenants; Re-letting risks*", page 50 and "*Property Risks*", page 51, below).

Refinancing risk

The ability of the Security Group to operate its business depends in part on being able to raise funds by entering into ACF Agreements with ACF Providers or issuing further Notes under the Programme. The ACF Loans are, in general, of a shorter maturity than the Notes. There can be no

assurance that the Security Group will be able to find ACF Providers who are willing to refinance ACF Loans on their maturity on no worse terms than the Initial ACF Agreement, or at all. Accordingly, if the terms of the Obligor Transaction Documents are not able to be modified to accommodate new ACF Providers and the ACF Loans are not refinanced on their maturity, this could severely affect the ability of the Security Group to raise finance to support its business. Similarly, there can be no assurance that there will be a market for any further Notes issued by the Issuer and for the Security Group to thereby raise finance to support its business. This, in turn, may require changes to the structure of the transaction which, if such changes are not made, may affect the ability of the Obligators to meet their obligations under the Obligor Transaction Documents (see “—*Marketability*”, page 47, above).

Dependence on Tenants; Non payment of rent under Leasing Agreements

FinCo’s ability to make payments on ICL Loans and ACF Loans will be dependent, *inter alia*, on the receipt by the Obligators of rental income in relation to those Mortgaged Properties that are subject to Leasing Agreements and the ability of the Obligators to buy and sell property from time to time. The Obligators’ ability to meet their obligations under the Obligor Transaction Documents, and therefore FinCo’s ability to meet its obligations under the Intercompany Loan Agreement and the Issuer’s ability to meet its obligations under the Notes, will depend, *inter alia*, on the Obligators continuing to receive a sufficient level of aggregate rent from occupational tenants under occupational leases. The Obligators’ ability to meet their obligations under the Obligor Transaction Documents could be adversely affected if occupancy levels were to fall or an insufficient number of occupational tenants were able to meet their obligations under their occupational leases or, as described in “*Changes to and Enactment of the Lease Code*”, page 51, below, upwards only rent review provisions are removed from existing as well as future leases. Moreover, a breach by an Obligor of any of its covenants under a Leasing Agreement could give rise to a dispute with the tenant, and the tenant might seek to withhold rental or other payments due under the Leasing Agreement (notwithstanding any contractual prohibition contained in the relevant Leasing Agreement against the tenant exercising any such set-off).

If payments of rent are not received on or prior to their due date and any resultant shortfall is not otherwise compensated for from other resources of the Obligators or by selling properties and, as a result, FinCo is unable to pay any amount due on any ICL Loan Payment Date, the Issuer will have insufficient funds to pay the corresponding amount in respect of the corresponding Notes. Save in the case of the Most Senior Class of Notes, payment of any such amount will be deferred.

No assurance can be given that the resources available to the Obligators will, in all cases and in all circumstances, be sufficient to cover any shortfall in rents from Mortgaged Properties and that such a deferral, or an Obligor Event of Default or (in extreme circumstances where there is a failure to pay an amount due in respect of the Most Senior Class of Notes) an Issuer Event of Default, will not in fact occur as a result of the late or non-payment of rent.

Dependence on Tenant; Re-letting risks

During the term of the Intercompany Loan Agreement, the majority of the existing occupational leases which are in place at the Exchange Date and probably also any new occupational leases granted (or to be granted) in the near future will expire in accordance with 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 of equivalent standing will be found to take up replacement occupational leases. This is particularly the case where a Mortgaged Property requires refurbishment or redevelopment following the expiry of the tenancy. 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 and rent review terms) as favourable to the relevant Obligor as those which exist now or before such termination (particularly if after enactment of the Lease Code (as described below) upwards only rent reviews are abolished), nor that the covenant strength of 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 (see also “—*Property Risks*”, page 51, below).

The ability of the Obligators to attract new tenants paying rent levels sufficient to allow them to meet their obligations under the Obligor Transaction Documents will depend on demand for space at the Mortgaged Property and on the regional economy in the relevant Mortgaged Property’s catchment area, which can be influenced by a number of factors. Rental levels and the

affordability of rents, the size and quality of the building, the amenities and facilities offered, the convenience, location and local environment of the relevant Mortgaged Property, the amount of competing space available, the transport infrastructure and the age and facilities of the building in comparison to the alternatives are all examples of factors which influence tenant demand. Similarly, changes to the infrastructure, demographics, planning regulations and economic circumstances relating to the surrounding areas on which the relevant Mortgaged Property depends for its tenant base may adversely affect the demand for such Mortgaged Property.

Reliance on Valuations

There can be no assurance that the value of each of the Mortgaged Properties will continue at a level equal to or in excess of the valuations given in the Valuation Reports. To the extent that the value of each of the Mortgaged Properties fluctuates, there is no assurance that the aggregate of the value of the Mortgaged Properties will remain at least equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Intercompany Loan Agreement. If Mortgaged Properties are sold following an Obligor Event of Default, there is no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the Intercompany Loan Agreement.

Turnover Rent

A small proportion of the rental income derived from current occupational leases relating to certain Mortgaged Properties is related to the relevant occupational tenant's turnover, although in many cases there is also a base rent which is not related to turnover. At the Exchange Date, approximately 1.9% of the rentals of the Security Group were based on the tenants' turnover; this may increase as a result of the purchase of Mortgaged Properties which are subject to such tenancies, and occupational leases entered into in the future may also contain provision for turnover rents because there is currently a trend towards an increase in the turnover-based element of rents in certain types of leases which is likely to continue (particularly if the market moves away from upwards only rent reviews). As turnover rents are dependent upon the trading performance of the relevant occupational tenants, there can be no assurance that any such turnover rents will become payable or that they will remain at least at previous levels; hence the aggregated rentals deriving from Mortgaged Properties with turnover-based rentals (or which include turnover-based rentals) will fluctuate. Such fluctuations could adversely affect the Obligors' ability to meet their obligations in respect of the Intercompany Loan Agreement.

Changes to and Enactment of the Lease Code

The Code of Practice for commercial leases in England and Wales (2nd Edition) was launched in April 2002 (the "**Lease Code**"). The Lease Code is a non-binding guide to best practice for landlords negotiating leases. It also contains various recommendations on key terms of commercial leases. In total, there are 23 recommendations in the Lease Code concerning the negotiation and content of any commercial lease. The use of the Lease Code is currently voluntary. The Office of the Deputy Prime Minister has issued a consultation paper announcing a period of consultation from 1 June 2004 to 30 September 2004 inviting representations from relevant bodies in relation to options to deter or prohibit inflexible leasing practices, focusing on the use of upwards only rent review clauses. The consultation paper proposes six options ranging from doing nothing to changing the voluntary nature of the Code to banning upwards only rent review clauses.

Accordingly, there is a risk that legislation could be introduced following the consultation to regulate all commercial leases which could impact rental incomes and property values in ways which cannot be foreseen. There is, however, no current expectation that any resulting legislation would apply retrospectively to render invalid pre-existing upwards only rent review clauses or other potentially inconsistent provisions.

Property Risks

The Obligors are subject to risks generally affecting interests and investments in real property, including: changes in general political and economic conditions or in specific industry segments; declines in property values; changes in valuation yields due to relative attractiveness of property as an asset class; variations in supply of and demand for commercial, industrial and retail space (or commercial, industrial and retail space of a particular type); obsolescence of properties; declines in rental or occupancy rates; increases in interest rates; changes in rental terms (including the tenants' responsibility for operating expenses); fluctuations in the availability of

financing for the acquisition of properties such as the Mortgaged Properties; changes in governmental rules, regulations and fiscal and other policies; war; terrorism (in particular, this risk is relevant to certain areas where the Obligors have a high concentration of assets, such as Central London) and acts of God (where not covered by insurance); and other factors which are beyond the control of the Obligors, all of which may affect rental and/or valuation levels and may adversely impact the Obligors' ability to make payments of interest and principal in respect of, *inter alia*, the Intercompany Loan Agreement and the corresponding ability of the Issuer to make payments of interest and principal under the Notes when due and payable. There can be no assurance that the Security Group will operate its business in such a manner as to ensure that it will mitigate such risks (see also "*Considerations relating to Security Group's Business Operations — General*", page 49, above).

Impact of Disposals

Under the terms of the Common Terms Agreement, the Obligors will be entitled to dispose of and/or substitute Mortgaged Properties in certain circumstances (see "*Common Terms Agreement*", page 70, below). However, there can be no assurance that the Security Group will exercise its rights under these provisions in such a way that the pattern or number of disposals and/or substitutions will increase the quality and value of the Estate or its income generative capacity. For example, a property's value may decline significantly as it approaches obsolescence, as may the ability of the owner to attract tenants at market rental rates. Consequently, there is an optimum period in which to sell a property if it is not to be redeveloped. There can be no assurance that the Obligors will manage the Mortgaged Properties to realise their optimum value.

Reliance on Non-Restricted Group

FinCo's ability to make payments on ICL Loans and ACF Loans may, to a certain extent, be impacted by the repayments of interest and principal by LSP in respect of the Day One Loan (see "*Cashflows on and following the Exchange Date*", page 18, above and "*Land Securities Intra-Group Funding Deed*", page 164, below).

If payments of interest or principal under the Day One Loan are not received on their due date and any resultant shortfall is not otherwise compensated for from other resources of the Obligors (such as rental payments or property disposals mentioned above) and, as a result, FinCo is unable to pay any amount due on any ICL Loan Payment Date, the Issuer will have insufficient funds to pay the corresponding amount in respect of the corresponding Notes. Save in the case of the Most Senior Class of Notes, payment of any such amount will be deferred. The repayment of and payment of interest on the Day One Loan is dependent on the performance of the business of LSP and, in turn, of its borrowers in the Non-Restricted Group.

No assurance can be given that the resources available to the Obligors will, in all cases and in all circumstances, be sufficient to cover any shortfall in any payments to be made under the Day One Loan and that such a deferral, an Obligor Event of Default or (in extreme circumstances where there is a failure to pay an amount due in respect of the Most Senior Class of Notes) an Issuer Event of Default, will not in fact occur as a result of the late or non-payment of amounts due under the Day One Loan.

Insurance

The Common Terms Agreement will require the Security Group to maintain or procure that there is maintained certain insurance cover with respect to the Estate consistent with market practice among broadly based property investment and development businesses whose assets are primarily located in the UK. Such requirement will be subject to the availability of such insurance generally in the global insurance market. The Security Group and the Estate may remain exposed to certain uninsured risks, for example, where insurance is not generally available on commercial terms. FinCo's ability to make payments under the Intercompany Loan Agreement may be adversely affected if an uninsured or uninsurable loss were to occur (see also "*Developments*", page 52, "*Representations and Warranties of each Obligor*", page 120, and "*Obligor Events of Default and Remedy*", page 123, below).

Developments

The terms of the Common Terms Agreement will allow Obligors (other than FinCo) to refurbish, refit, develop or redevelop Mortgaged Properties and to undertake Developments.

There can be no assurance that any Developments undertaken will be completed on time or on budget, nor that they will be free from defects once complete or generate the expected levels of rentals. There can be no assurance that any Developments will be successfully let or re-let on Completion or pre-let prior to completion or that payments made to gain vacant possession will be recovered. In adverse market conditions, the cost of a Development may be significantly more than its open market value on completion. Accordingly, any Developments may or may not become income-producing to the extent expected and may instead remain or become a net drain on the resources of the Obligors, rather than a net contributor to the Obligors' rental income. If these Developments do not become net contributors to the Obligors' rental income or rental income is adversely affected during the construction period, development or redevelopment of these Mortgaged Properties may reduce the resources available to the Obligors to meet their obligations under the Obligor Transaction Documents and may adversely impact the Obligors' ability to make payments of interest and principal in respect of, *inter alia*, the Intercompany Loan Agreement and the corresponding ability of the Issuer to make payments of interest and principal under the Notes when due and payable.

Servicer

Reliance on Servicer

The Security Group has no employees and is therefore entirely dependent on third parties to manage and administer its business.

The Servicer has been appointed by the Security Group to provide management and administration services to the Security Group (including, but not limited to, management and administration of the Mortgaged Properties and the administration of the Security Group's obligations under the Transaction Documents) under the terms of the Servicing Agreement. See "*—Servicing Agreement*", page 162, below.

The Servicer has, in summary, agreed to perform the services with due skill and care to the standard of a professional service provider engaged in the provision of services of a similar nature to persons carrying on businesses of a similar nature to those of the service recipients. Any failure by the Servicer to provide its services to the required level could adversely affect the business of the Security Group which, in turn, could adversely affect the ability of the Obligors to meet their obligations under the Obligor Transaction Documents.

Ability to find a replacement servicer

The Servicing Agreement is capable of termination by the Obligors and the Servicer in certain circumstances (see "*—Servicing Agreement*", page 162, below). The Servicer may only terminate the Servicing Agreement if, among other things, a substitute service provider is appointed and with the prior written consent of the Principal Obligor. No assurance can be given that, where required, a substitute service provider can be found who would be willing to provide equivalent services to the Security Group to the same standard as the Servicer or who would be willing to provide equivalent services to the Security Group or who would be willing to be appointed at the same fee or at all.

The ability of a substitute servicer to perform fully the required services would depend, among other things, on information and records available to it at the time of appointment. Any delay or inability to appoint a substitute servicer may adversely affect the ability of the Obligors to meet their obligations under the Intercompany Loan Agreement and the other Obligor Transaction Documents.

Increases of Servicer's fees

The Servicer is entitled to increase its charges under the Servicing Agreement (see "*—Servicing Agreement*", page 162, below). An increase to such charges may adversely affect the ability of the Obligors to meet their obligations under the Intercompany Loan Agreement and the other Obligor Transaction Documents.

Ownership of the Servicer

The Servicer will, on the Exchange Date, be a Non-Restricted Group Entity within the Land Securities Group. However, there can be no assurance that the service provider will continue to be an entity which will be a member of the Land Securities Group.

Letting Criteria

While each Obligor has covenanted in the Common Terms Agreement that, in relation to the future leasing or re-leasing of premises within the Mortgaged Properties, the terms of the Leasing Agreement shall comply with certain Letting Criteria (as described in “—*Property Covenants*”, page 102, below), such requirement may be dispensed with if the directors of the Principal Obligor determine that it is in accordance with the property management covenant (as described in “—*Property Manager Appointment*”, page 112, below) to do so.

CONSIDERATIONS RELATING TO THE MORTGAGED PROPERTIES

Investigations and Certificates of Title

In relation to the 142 Mortgaged Properties comprised in the Initial Estate, comprising both freehold (or, in Scotland, heritable) and leasehold titles, the title verification work described below has been carried out by Nabarro Nathanson or Dechert (each a firm of English solicitors) in respect of the Mortgaged Properties located in England or Wales and by Dundas & Wilson CS LLP (a firm of Scottish lawyers) in respect of the Mortgaged Properties located in Scotland (together, the “**Obligors’ Solicitors**”).

In relation to 41 Mortgaged Properties (the “**Sampled Mortgaged Properties**”), comprising those individual properties with a Market Value in excess of £50 million as at 30 September 2003, together with a small number having a lesser value but included to ensure a regional spread and one of the Additional Properties (as defined in paragraph 1.5 of the summary of the Initial Valuation Report (see Chapter 10, “*Summary of Initial Valuation Report*”, page 185, below)) acquired since 31 March 2004 and valued as at 31 July 2004, title has been investigated by completion of a certificate of title for such Sampled Mortgaged Properties, such certificate being substantially in the form of the 5th edition of the City of London Law Society’s recommended form (amended to the extent required by Scots law in respect of the Sampled Mortgaged Properties located in Scotland), a recognised document within the legal profession to evidence and certify thorough title investigations (the “**Certificates of Title**”). The Sampled Mortgaged Properties account for approximately 63% of the initial Total Collateral Value.

The Certificates of Title address the quality of the title of the Sampled Mortgaged Properties and have been issued by the Obligors’ Solicitors on the basis of a review of the title documents to the Sampled Mortgaged Properties together with usual conveyancing searches and enquiries detailed in the Certificates of Title. The Valuers have in the preparation of the Initial Valuation Report confirmed that they have read and taken into account the findings of the Certificates of Title in confirming in that report that there has been no adverse change to the aggregate Market Value of the Initial Estate since the date of valuation of the Initial Estate. (See also “—*Reliance on Valuations*”, page 51, above.)

In relation to the whole of the Initial Estate the Obligors’ Solicitors have prepared matrices which verify basic factual information concerning, *inter alia*, the Obligors’ ownership of the Mortgaged Properties (the “**Title Matrices**”). The Title Matrices do not address the quality of title to Mortgaged Properties and accordingly there is a risk that there may be factors concerning the title to the Mortgaged Properties other than the Sampled Mortgaged Properties which, had the Valuers been made aware of them, might have affected the Market Value specified in the relevant Valuation Report (although please see paragraph (j) of “—*Representations and warranties made on Exchange Date and each Reporting Date*”, page 120, below, which refers to each Obligor making certain representations and warranties in the Common Terms Agreement concerning the information they have provided to the Valuers in relation to the preparation of their report).

The Obligors’ Solicitors have also each prepared a report summarising the material issues identified in the preparation of the Certificates of Title (the “**Title Overview Report**”). None of the Arranger, the Obligor Security Trustee, the Note Trustee and their legal advisers have reviewed the Certificates of Title but have instead reviewed and relied upon the Title Overview Report. The Title Overview Report and Title Matrices have disclosed, *inter alia*, the following matters in relation to the Initial Estate which should be noted:

Forfeiture for Breach of Covenant and/or Non-Payment of Rent

In the case of most of the leasehold Mortgaged Properties comprised in the Initial Estate the lease under which the Mortgaged Property is held contains provisions providing for forfeiture (or in Scotland, irritancy) for breach of tenant’s obligations and/or non-payment of rent. This is a usual

provision in leasehold interests. The tenant would in respect of Mortgaged Property situated in England or Wales be able to apply to the Court for relief from forfeiture. This is an equitable remedy which is at the discretion of the Court, where relief is granted, it would usually be granted on terms requiring the tenant to cure the breach of obligation and/or pay the outstanding rent. The Court is entitled to grant the relief on such terms as it deems appropriate. No such relief exists regarding leasehold property situated in Scotland.

In respect of leasehold property in Scotland, limited statutory protection is available under the Law Reform (Miscellaneous Provisions) (Scotland) Act 1985. In the case of a monetary breach the landlord would not be able to terminate the lease unless a notice had been served on the tenant requiring payment under threat of irritancy. The minimum period of notice is 14 days or such longer period as the lease specifies. In the case of other breaches a landlord would not be entitled to rely on the irritancy provisions in the lease if in all the circumstances a fair and reasonable landlord would not seek to do so.

Section 146 of the Law of Property Act 1925 (which only applies in England and Wales) provides a mortgagee, where it is made aware of the forfeiture provisions, in certain circumstances, with a statutory basis on which it may take action to protect its security through relief from forfeiture, however, as stated above, relief is an equitable remedy at the discretion of the Court.

Forfeiture on Insolvency

There are 12 leasehold Mortgaged Properties comprised in the Initial Estate in England or Wales where one of the leases under which the Mortgaged Property is held contains provisions providing for forfeiture of the Mortgaged Property in the event of tenant insolvency. The combined value of those parts of the Mortgaged Properties is £38,585,000 which is 0.6% of the Market Value of the Initial Estate. It is possible that the taking of enforcement action pursuant to the Obligor Security could be a circumstance in which a landlord would become entitled to forfeit the lease. The termination of any such lease by a landlord could deprive the Security Group of any capital value in the relevant leasehold interest as well as the ongoing income from the relevant Mortgaged Property. As stated above both the tenant and the mortgagee have the right to take action to apply for relief from forfeiture and, in any event, the value of any such Mortgaged Property in respect of which forfeiture proceedings are taken or threatened shall be excluded from subsequent LTV calculations.

Landlords' or other Consents to Charge

There are 5 Mortgaged Properties comprised in the Initial Estate where the consent of a third party is required in order for the property to be subjected to a charge.

Cardinal Place Development

The Mortgaged Property known as Cardinal Place is currently under development. The building contract in respect of the development is vested in a limited partnership. Accordingly there is a risk that if an administrator was appointed to the limited partnership there may be a loss of control of ability to build out the development. Covenants will be contained in the Common Terms Agreement which will provide that if the Initial T3 Covenant Regime applies prior to completion of the development the relevant Obligors will endeavour to procure the grant of "step-in" or equivalent rights in favour of the Obligor Security Trustee or its nominee, in default of which monies will be deposited in a controlled account to a sum estimated to be sufficient to meet the remaining build-out cost of the development.

Mortgagee in Possession Liability

Where the Obligor Security Trustee takes enforcement proceedings under the Obligor Security Documents, the Obligor Security Trustee may be deemed to be, in respect of Mortgaged Properties in England, a mortgagee in possession and, in respect of Mortgaged Properties in Scotland, a heritable creditor in possession if there is a physical entry into possession of any Mortgaged Property or an act of control or influence which may amount to possession (such as receiving rental income directly from a relevant tenant). A mortgagee or heritable creditor in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The Obligor Security Trustee has the absolute discretion at any time to refrain from taking any action under the Obligor Transaction Documents including becoming a mortgagee or a heritable creditor in possession in respect of a Mortgaged Property unless it is satisfied at the time that it is adequately indemnified and/or secured to its satisfaction.

Compulsory Purchase

Any property in the United Kingdom may at any time be acquired by a local authority or government department, in connection with proposed redevelopment or infrastructure projects.

In the event of a compulsory purchase order being made in respect of a Mortgaged Property, compensation would be payable on the basis of the value of all owners' and tenants' proprietary interests in that Mortgaged Property at the time of the related purchase, as determined by reference to a statutory compensation code. In the case of an acquisition of the whole of that Mortgaged Property, the relevant freehold, heritable or long leasehold estate and any lease would both be acquired. If the amount received from the proceeds of purchase of the relevant freehold, heritable or long leasehold estate are inadequate to cover the loss of cash flow from such Mortgaged Property, the Obligors' ability to meet their obligations in respect of the Intercompany Loan Agreement and the other Obligor Transaction Documents and the corresponding ability of the Issuer to make payment of principal and interest under the Notes when due and payable may be adversely affected.

There may be a delay between the compulsory purchase of a property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value. Should such a delay occur in the case of any Mortgaged Property, then, unless the Obligors have other funds available to them (including, in the case of FinCo and, if applicable, pursuant to any Liquidity Facility Agreement) this delay may prejudice their ability to meet their obligations in respect of the Intercompany Loan Agreement and the other Obligor Transaction Documents and the corresponding ability of the Issuer to make payments of principal and interest under the Notes when due and payable may be adversely affected.

Environmental Considerations

Environmental legislation primarily imposes liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. An owner or occupier of contaminated land could become liable as a "knowing permitter" if they become aware of significant pollution, have the necessary degree of control over operations on the land to prevent such contamination and fail to take any action to prevent it. This legislation places liability for clean-up costs on the owner or occupier of contaminated land where no person can be found who has caused or knowingly permitted the presence of the substances which have led to the pollution. The term "owner" means a person (other than a mortgagee or (in Scotland) heritable creditor not in possession) who, whether in his own right or as trustee for any other person, is entitled to receive the rack rent from the land or, where the land is not let at a rack rent, would be so entitled if it were so let. Thus, if land which falls within the title to any of the Mortgaged Properties and the freehold or heritable title (or, in the case of long leaseholds for a rent which is less than rack rent, such long leasehold title) is contaminated, then, where the person who caused or knowingly permitted such contamination to occur cannot be found, the Security Group might be liable for the costs of cleaning up such contamination. A polluter or owner/occupier of contaminated land can also be liable to third parties for harm caused to them or their property as a result of the contamination.

Other environmental legislation concerning statutory nuisance also places liability on the owner or occupier in some circumstances instead of the person responsible for the nuisance. In the relevant legislation, the concept of "owner" has not been defined and could include any person with a proprietary interest in the property. The owner or occupier would be responsible where the person responsible for such nuisance cannot be found or the nuisance has not yet occurred. The owner would be responsible where the nuisance arises from any defect of a structural nature.

Liability for any of these environmental risks might result in the Security Group having insufficient funds available to it to pay in full all amounts due in respect of the Intercompany Loan Agreement and the other Obligor Transaction Documents. There is a further risk that liability could also adversely affect the Market Value and/or ability to let the relevant Mortgaged Property which in turn could deprive the Security Group of ongoing income from the relevant business operations or of capital from a disposal.

If the Obligor Security Trustee were to take possession of any one or more of the Mortgaged Properties following enforcement of the relevant security, and contamination or other environmental liability of the type described above were incurred in respect of any such Mortgaged Property, then the Obligor Security Trustee might be liable for such costs (see also the section entitled "—

Mortgagee in Possession Liability", page 55, above). This may lead to the Obligors having insufficient funds available to pay all amounts due to the Issuer in respect of the Intercompany Loan Agreement and the other Obligor Transaction Documents.

Representations and warranties will be given pursuant to the Common Terms Agreement on the Exchange Date (see "*Representations and Warranties of Each Obligor*", page 120, below) including a statement by each Obligor that it is in compliance with all Environmental Laws in all material respects and that there are no circumstances known to it that are likely to give rise, as at the Exchange Date, to any liability under any Environmental Law which liability would reasonably be expected to have a Material Adverse Effect. The risk that breach of the environmental legislation referred to above could have a Material Adverse Effect on the operations and financial performance of the Security Group is mitigated by the fact that any breach with respect to one Mortgaged Property is unlikely of itself to have a material impact on the portfolio as a whole given the relatively large number of individual Mortgaged Properties in the Estate.

Initial Valuation

The Issuer, FinCo, the Arranger and the Obligor Security Trustee have received the Initial Valuation Report from the Valuers. This is reproduced in summary form below (see Chapter 10 "*Summary of Initial Valuation Report*", page 185, below). In the opinion of the Valuers, and subject to the assumptions and qualifications set out in the Initial Valuation Report, the aggregate of the Market Values of the Mortgaged Properties comprised in the portfolio as at the date of valuation of the Initial Estate was £6,145 million. The Initial Valuation Report goes on to confirm that there has been no adverse change to the aggregate Market Value of the Initial Estate since that date. An assumption has been made by the Valuers that the Obligors have good and marketable title to the properties in the Estate, save to the extent otherwise revealed by the Due Diligence Legal Reports or as otherwise notified to them.

Scottish Mortgaged Properties

Fixed security will be created over Scottish Mortgaged Properties by means of separate Standard Securities. The Standard Security is the only means of creating a fixed charge over heritable or leasehold property in Scotland.

The form of each Standard Security must comply with the requirements of the Conveyancing and Feudal Reform (Scotland) Act 1970, as amended (the "**1970 Act**"). The 1970 Act automatically imports a statutory set of "Standard Conditions" into all standard securities, although the majority of these (except those relating to enforcement) may be varied by agreement between the parties. The Standard Conditions will be varied in each of the Standard Securities over the Scottish Mortgaged Properties so as to achieve consistency with the conditions set out in the Common Terms Agreement and the Security Trust and Intercreditor Deed. There are a number of ways to effect enforcement set out in the 1970 Act, including the heritable creditor's right to sell the property in certain circumstances. This is, however, subject to various duties to ensure that the sale price is the best that can reasonably be obtained. (See also "*Mortgagee in Possession Liability*", page 55, above).

In contrast to the position in England and Wales, the heritable creditor has no power to appoint a receiver under the Standard Security.

LEGAL, TAX AND REGULATORY CONSIDERATIONS

Insolvency Considerations

Appointment of an Administrative Receiver

At any time after the Obligor Security has become enforceable, the Obligor Security Trustee (provided that it is indemnified and/or secured to its satisfaction) shall, as directed by a Secured Creditor Instruction, pursue a number of different remedies. One such remedy is (in relation to security held by the Obligor Security Trustee) the appointment of a receiver over specific property or (in relation to security held by the Obligor Security Trustee or the Issuer) over all, or part, of the Mortgaged Properties. Likewise, at any time after the Issuer Security has become enforceable, the Note Trustee may (provided it is indemnified and/or secured to its satisfaction) pursue a number of different remedies. One such remedy is the appointment of a receiver of all or part of the assets and undertaking of the Issuer.

The provisions of the Enterprise Act amending the corporate insolvency provisions of the Insolvency Act came into force on 15 September 2003. As a result of the amendments made to

the Insolvency Act by the Enterprise Act, the holder of a qualifying floating charge created on or after 15 September 2003 will be prohibited from appointing an administrative receiver and, consequently, will be unable to prevent the chargor entering into administration, unless the floating charge falls within one of the exceptions set out in Sections 72A to 72GA of the Insolvency Act. None of the Issuer (as nominal holder of the floating charges in the Obligor Floating Charge Agreement, although it has assigned its rights thereunder to the Note Trustee), the Obligor Security Trustee and the Note Trustee will, therefore, be entitled to appoint an administrative receiver over the assets of any Obligor or the Issuer unless the floating charges in its favour fall within at least one of the exceptions.

The exceptions include an exception (the capital markets exception) in respect of, in certain circumstances, the appointment of an administrative receiver pursuant to an agreement which is or forms part of a “capital market arrangement” (as defined in the Insolvency Act). This exception will apply if a party incurs or, when the agreement in question was entered into, was expected to incur a debt of at least £50 million and if the arrangement involves the issue of a capital market investment (also defined in the Insolvency Act but, generally, a rated, traded or listed bond).

Although there is yet no case law on how this exception will be interpreted, the exception should be applicable to the transactions described in this Offering Circular so far as concerns the floating charge created by the Issuer under the Issuer Deed of Charge and the floating charges created by the Obligors and given to the Issuer under the Obligor Floating Charge Agreement (the Issuer’s rights under which, and the debts which such floating charges secure, having been assigned by way of security to the Note Trustee). However, the exception may not be applicable to the transactions described in this Offering Circular so far as concerns the Obligors’ floating charges granted under the Security Trust and Intercreditor Deed. The Secretary of State may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver and/or provide that the exception shall cease to have effect. No assurance can be made that any such modification or provisions in respect of the capital market exception will not be detrimental to the interests of the Noteholders.

Receiver as Agent

A receiver would generally be the agent of the relevant company until the company’s liquidation, and thus, while acting within his powers, will enter into agreements and take actions in the name of, and on behalf of, the company. The receiver will be personally liable on any contract entered into by him in carrying out his functions (except in so far as the contract provides otherwise) but will have an indemnity out of the assets of the company. If, however, the receiver’s appointor unduly directed or interfered with or influenced the receiver’s actions, a court may decide that the receiver was the agent of his appointor and that his appointor should be responsible for the receiver’s acts and omissions.

The Obligor Security Trustee and the Note Trustee are entitled to receive remuneration and reimbursement for their respective expenses and an indemnity out of the assets of the Obligors and/or the Issuer for their potential liabilities. Such payments to the Obligor Security Trustee will rank ahead of the interest and principal due under the Intercompany Loan Agreement (and, in turn, payments by the Issuer under the Notes) and all ACF Agreements. Similarly, such payments to the Note Trustee will rank ahead of payments by the Issuer under the Notes. Accordingly, should the Obligor Security Trustee or the Note Trustee become liable for acts of such a receiver, the amount that would otherwise be available for payment to the Noteholders may be reduced.

If the company to which the receiver is appointed goes into liquidation, then, as noted above, the receiver will cease to be that company’s agent. At such time he will then act either as agent of his appointor or as principal according to the facts existing at that time. If he acts as agent of his appointor, then for the reasons set out in the foregoing paragraph the amount that would otherwise be available for payment to Noteholders may be reduced. If the receiver acts as principal and incurs a personal liability, he will have a right of indemnity out of the assets in his hands in respect of that liability and the amount that would otherwise have been available for payment to the Noteholders (subject to any claims of the Note Trustee or Obligor Security Trustee to such amount) would be reduced accordingly.

Small Companies Moratorium

Certain small companies, as part of the company’s voluntary arrangement procedure, may seek court protection from their creditors by way of a “moratorium” for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the

Secretary of State for Trade and Industry may, by order, extend or reduce the duration of either period).

A company is eligible for a moratorium if, at the date of filing for moratorium, it meets two or more of the criteria for being a “small company” under Section 247(3) of the Companies Act 1985 which relate to the company’s balance sheet, total turnover and average number of employees in a particular period.

The position as to whether or not a company is eligible for a moratorium may change from period to period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may by regulations also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a “small company”. Accordingly, the Issuer or an Obligor may, at any given time (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

During the period for which a moratorium is in force in relation to a company, among other things, no winding up may be commenced or administrator appointed to that company, no administrative receiver of that company may be appointed, no security created by that company over its property may be enforced (except with the leave of the Court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the Court).

Certain companies which qualify as small companies for the purposes of these provisions may be, nonetheless, excluded from being so eligible for a moratorium. As at the Closing Date, companies excluded from eligibility for a moratorium include those which, at the time of filing for the moratorium, are party to a “capital market arrangement”, under which a party has incurred, or when the agreement was entered into expected to incur, a debt of at least £10 million and which involves the issue of a capital market investment. However, the Secretary of State may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible and/or provide that the exclusion shall cease to have effect.

Accordingly, the provisions described above may limit the Note Trustee’s ability to enforce the Issuer Security or the Obligor Security Trustee’s ability to enforce the Obligor Security, to the extent that any of the Issuer or an Obligor, as the case may be (1) falls within the criteria for eligibility for a moratorium at the time a moratorium is sought, (2) seek a moratorium in advance of a company voluntary arrangement (as applicable) and (3) is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time.

Share of Floating Charge Assets for Unsecured Creditors

In addition to the amendments to the Insolvency Act effected by the Enterprise Act described in “—Appointment of an Administrative Receiver”, page 57, above, the Enterprise Act also inserted a new Section 176A into the Insolvency Act, which provides that where a company has gone into liquidation or administration, or where there is a provisional liquidator or receiver, a “prescribed part” of the company’s net property is to be applied in satisfaction of unsecured debts in priority over floating charge holders.

By virtue of the relevant prescribing order, the ring fencing of the “prescribed part” applies to floating charges which are created on or after 15 September 2003. The amount available for unsecured creditors will depend upon the value of the chargor’s “net property”, being the amount of the chargor’s property which would otherwise be available for satisfaction of the claims of floating charge holders or holders of a debenture secured by a floating charge. As at the date of this document, the “prescribed part” has been set as 50% of the first £10,000 of a company’s net property and 20% of the net property that exceeds £10,000 up to a maximum of £600,000. Where the company’s net property is less than a prescribed minimum of £10,000, the liquidator, administrator or receiver may disapply this rule without application to the Court in respect of a company if it thinks that the cost of making a distribution to unsecured creditors would outweigh the benefits. If the company’s net property is more than the prescribed minimum, the liquidator, administrator or receiver may apply to the Court for an order that the rule may be disapplied on the same ground. Accordingly, any floating charge realisations upon the enforcement of the Obligor Security and/or the Issuer Security will be reduced by the operation of the ring fencing provisions.

A receiver appointed by the Obligor Security Trustee or the Note Trustee would also be obliged to pay preferential creditors out of floating charge realisations in priority to payments to the Obligor Secured Creditors and the Issuer Secured Creditors (including the Noteholders), respectively. Following the amendments to the Insolvency Act introduced by the Enterprise Act, the categories of preferential debts are certain amounts payable in respect of occupational pension schemes, employee remuneration and levies on coal and steel production. It should be noted, however, that pursuant to the covenants contained in the Common Terms Agreement and the Issuer Deed of Charge, neither the Issuer nor FinCo is permitted to have any employees and its activities are otherwise restricted. Accordingly, if the Issuer and FinCo comply with the covenants contained in, as applicable, the Common Terms Agreement or the Issuer Deed of Charge, it is unlikely that the Issuer or FinCo will have any preferential creditors.

Administration

If the Obligor Security Trustee or the Note Trustee is prohibited from appointing an administrative receiver by virtue of the amendments made to the Insolvency Act by the Enterprise Act, or fails to exercise its right to appoint an administrative receiver within the relevant notice period, and the Obligor or, as the case may be, the Issuer were to go into administration, the expenses of the administration would also rank ahead of the claims of the Obligor Security Trustee, the Issuer or the Note Trustee (as the case may be) as floating charge holder. Furthermore, in such circumstances, the administrator would be free to dispose of floating charge assets without the leave of the court, although the Obligor Security Trustee, the Issuer or the Note Trustee (as the case may be) would have the same priority in respect of the property of the company representing the floating charge assets disposed of (if any) as it would have had in respect of such floating charge assets.

Setting aside floating charges

Section 245 of the Insolvency Act provides that, in certain circumstances (in particular, where a person grants a floating charge to a connected person), a floating charge granted by a company may be invalid in whole or in part. If a floating charge is held to be wholly invalid then it will not be possible to appoint an administrative receiver of such company and, therefore, it will not be possible to prevent the appointment of an administrator of such company. The risk is that, given that the Obligors are all connected with the Issuer who is the beneficiary of the Obligor Floating Charge Agreement, if a liquidator or administrator is appointed to the relevant Obligor within a period of 2 years (the “**relevant period**”) commencing upon the date (the “**grant date**”) on which that Obligor grants a floating charge and that Obligor has not at or after the grant date received value for the creation of the charge, the floating charge granted by that Obligor will be wholly invalid pursuant to Section 245 of the Insolvency Act. Each of the Obligors will on the Exchange Date receive value (namely, the Initial ICL Loans (in the case of FinCo) and the proceeds of a loan of £1,000 from the Issuer, deferred as to repayment until the Obligors have no further actual or contingent liability under the Guarantees (in the case of the other Obligors), in each case secured by the Obligor Floating Charge Agreement, for the creation of the floating charge by it under the Obligor Floating Charge Agreement.

During the two year period referred to above the floating charges granted by the Obligors to the Issuer under the Obligor Floating Charge Agreement should therefore be valid and the limitation on the validity of the floating charges (the extent of the value received) should not of itself (in that it acts only as a limit on the amount that may be recovered by virtue of the floating charge) affect the ability of the Issuer (or the Note Trustee as its assignee) to appoint an administrative receiver to the Obligors, save insofar as the enforcement proceeds in respect of a particular Obligor’s floating charge shall have exceeded the amount of the loan.

The floating charge created by the Issuer under the Issuer Deed of Charge should not be at risk under Section 245 of the Insolvency Act provided the Issuer is solvent as at the Exchange Date. As the Issuer is a special purpose company, it is unlikely to be insolvent on that date but it will in any event certify it is not insolvent on such date.

The floating charges created under the Security Trust and Intercreditor Deed will not be given to a connected person (as the Issuer will not be a beneficiary of the trust created over such floating charges). However, as noted above, it is unlikely that the capital markets exception will be available in respect of such floating charge in light of the fact that they will primarily secure debt which is not debt owed under capital market investments. The result would not differ if the Issuer were a beneficiary of these floating charges.

Recharacterisation of Fixed Security Interests

There is a possibility that a Court could find that certain of the fixed security interests expressed to be created by the Obligor Security Documents which are governed by English law could take effect as floating charges notwithstanding that they are expressed to be fixed charges.

Where the chargor is free to deal with the charge assets without the consent of the chargee, the Court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Whether the fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the Obligor Security Trustee or, as the case may be, the Note Trustee has the requisite degree of control over the chargors' ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Obligor Security Trustee or, as the case may be, the Note Trustee in practice.

It should be noted that, the Security Trust and Intercreditor Deed will contain an express freedom granted to the Security Group freely to deal with its assets, save for where it is restricted from, *inter alia*, disposing of Mortgaged Properties, changing the Sector allocated to a Mortgaged Property, disposing of shares in members of the Security Group and making withdrawals from Obligor Accounts by virtue of the existence of security interests over the Mortgaged Properties and the provisions of the relevant Obligor Transaction Documents (see further "*—Security Trust and Intercreditor Deed*", page 126, below). As a consequence of this express freedom to deal, the purported grant of a fixed charge by an Obligor over a particular asset may in practice take effect as a floating charge. Given the restrictions on dealings in relation to the Mortgaged Properties, the Disposal Proceeds Account, the Income Replacement Account, the Debt Collateralisation Account, the Tax Reserve Accounts and the Issuer Accounts, the fixed charges that are expressed to be granted in respect of them are likely to take effect as fixed security interests.

If the fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors of the relevant Obligor or, as the case may be, of the Issuer in respect of that part of the Obligor's or, as the case may be, the Issuer's net property which is ring fenced as a result of the Enterprise Act (see "*—Appointment of an Administrative Receiver*", page 57, above) and (ii) certain statutorily defined preferential creditors of the relevant Obligor or, as the case may be, the Issuer may have priority over the rights of the Obligor Security Trustee or the Note Trustee, as the case may be, to the proceeds of enforcement of such security.

It should be noted that there is no concept of recharacterisation of fixed security as floating charges under Scots law.

Limited Partnerships, Jersey Companies and Administration

Unlimited and 1907 Limited Partnerships

By virtue of the Insolvent Partnerships Order 1994 (the "**1994 Order**"), the Insolvency Act 1986 applies to an insolvent English partnership (being a partnership under the Partnership Act 1890 (an "**unlimited partnership**") or a limited Partnership constituted under the Limited Partnerships Act 1907 (a "**1907 limited partnership**"), but not a limited liability partnership constituted under the Limited Liability Partnerships Act 2000), subject to the modifications set out in the 1994 Order. As neither an unlimited partnership nor a 1907 limited partnership is capable, under English law, of creating a floating charge over its assets it is not possible for an administrative receiver to be appointed in respect of such a Partnership.

The Insolvency Act 1986 together with the 1994 Order provides a mechanism whereby an insolvent unlimited partnership or 1907 limited partnership may be put into administration, in a similar way to a company that is, the affairs and business of the partnership and the partnership property are managed by an administrator appointed for that purpose by the court. The effect of an administration order is, among other things, to impose a moratorium so that any winding up petition must be dismissed and no steps may be taken to enforce any security over the partnership property.

An administration order directs that the affairs and business of the partnership and the partnership property should be managed by the administrator. During the period of an administration order, *inter alia*, no order may be made for the winding up of the partnership, no order may be made on the joint petition for bankruptcy of the members as such and most enforcement proceedings including execution and repossession of goods are barred save with the leave of the court.

The Obligor Security Trustee will not be able to prevent the making of an administration order in respect of any unlimited Partnership or 1907 limited Partnership in which any Obligors are partners. However, these Partnerships have entered into arrangements with a view to allowing the Obligor Security Trustee to manage or dispose of their Mortgaged Properties upon enforcement of the Obligor Security notwithstanding an appointment of an administrator over their assets. The effectiveness of such arrangements, however, could be challenged by an administrator in the courts of England and Wales. There can be no assurance that such a challenge would not succeed and, accordingly, that the security held by the Obligor Security Trustee in respect of those Partnerships' Mortgaged Properties would be enforceable in all circumstances.

Companies Registered outside of England and Wales or Scotland

Any receiver appointed over the assets of a company registered outside of England and Wales or Scotland (including assets situated within England and Wales or Scotland) is unlikely to be an administrative receiver under the Insolvency Act 1986 and cannot prevent the appointment of an administrator. (An administrator may be appointed to a JerseyCo by virtue, *inter alia*, of Section 426 of the Insolvency Act.)

Each of the risks described in this sub-section may affect the timing, or ultimate recovery, in respect of the enforcement of the Obligor Security.

Taxation

The following is an outline of certain key UK taxation issues that arise for the Issuer and the Security Group in relation to the main payment flows connected with the business of the Security Group and payments of interest on the Notes. It is not a comprehensive analysis of the taxation position of the Issuer and the Security Group.

Taxation – The Security Group

United Kingdom Taxation Position of the Security Group

Under current United Kingdom taxation law and practice, rental income received by companies within the Security Group will constitute taxable income for United Kingdom corporation tax purposes. In general, interest costs of companies within the Security Group associated with the borrowing by FinCo under the ICL Loans and by the Obligors under the ACF Loans and the on-lending of those proceeds within the Security Group should, under current law and practice, be deductible, broadly in accordance with their accounting treatment, from that taxable income in computing the liability to corporation tax of those companies. However, repayment of the principal amounts borrowed by companies within the Security Group cannot be so deducted. As a consequence, save where companies within the Security Group repay principal using proceeds from the sale of Mortgaged Properties to a third party or by raising new finance (see “—*Refinancing risk*”, page 49, above), part of the rental income received by such companies which would otherwise be available to repay principal will be required to be applied to discharge the corporation tax liabilities of those companies unless the taxable income of those companies can itself be reduced or eliminated by the surrender of tax losses.

As noted below, there can be no assurance that United Kingdom taxation law and practice will not change in a manner (including, for example, an increase in the rate of corporation tax) that would adversely affect the ability of members of the Security Group to repay amounts of principal under the ICL Loans and the ACF Loans. If, in turn, the Issuer does not receive all amounts due from FinCo under the Intercompany Loan Agreement, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

In addition, in relation to the Initial ACF Agreement, Noteholders should be aware that certain terms included within the Initial ACF Agreement could be regarded as resulting in interest payable under the Initial ACF Agreement being regarded as dependent on the results of FinCo. If interest were to be regarded as dependent on FinCo's results, then a deduction would not be available for such interest to the extent that any lender under the Initial ACF Agreement is not subject to corporation tax on the interest payable by FinCo. The inclusion of terms of this type in bank facilities are not uncommon in the commercial loan market and the Inland Revenue is currently consulting with relevant market bodies in relation to such issues, with a view to issuing further guidance in this area. Where FinCo is the borrower under the Initial ACF Agreement, it will on-lend the proceeds of any drawing under the Initial ACF Agreement to other Obligors and so will be in receipt of interest income on such on-loans. To the extent interest under the Initial ACF Agreement

were not deductible, therefore, there would be a potential mismatch for tax purposes in FinCo which could adversely affect FinCo's ability to make full and timely payment of interest and principal on the ICL Loans and the ACF Loans. However, FinCo has been advised that, notwithstanding the inclusion of such terms, a deduction should be available for interest payable on drawings made under the Initial ACF Agreement (broadly in accordance with its accounting treatment) under UK current law and practice.

Secondary Taxation Liabilities

Where a company fails to discharge certain taxes due and payable by it within a specified time period, United Kingdom taxation law imposes, in certain circumstances (including where that company has been sold so that it becomes controlled by another person), a secondary liability for those overdue taxes on other companies which are or have been members of the same group of companies for tax purposes or are or have been under common control with the company that has not discharged its primary liability to pay that tax. Each of Land Securities Group PLC and Land Securities PLC (on behalf of itself and each other member of the Security Group from time to time) will undertake in the Tax Deed of Covenant that no steps will be taken by it (and, in the case of Land Securities Group PLC, that no steps will be taken by any member of the Land Securities Group) which could reasonably be expected to give rise to such a secondary liability for a member of the Security Group (although members of the Security Group will be permitted to acquire and dispose of assets intra-group provided that they comply with the provisions of the Tax Deed of Covenant in relation thereto – see the section entitled “*Contingent Tax Liabilities*” immediately below and also the section entitled “—*The Security Group's VAT arrangements: joint and several liability*”, page 64, below).

Contingent Taxation Liabilities

Certain members of the Security Group have acquired or will, in the course of the reorganisation of the Land Securities Group to be effected on or prior to the Exchange Date, acquire certain capital assets (including interests in Mortgaged Properties and the share capital of other members of the Security Group) from other companies which (in relation to previous acquisitions) were, at the time of that acquisition, or (in relation to any such acquisition in the course of such reorganisation) will be, at the time of such acquisition, members of the same capital gains tax, stamp duty or stamp duty land tax group. As a consequence, those members of the Security Group may have a contingent liability to pay United Kingdom corporation tax on chargeable gains, stamp duty or stamp duty land tax, which liability will become an actual liability to pay corporation tax, stamp duty or stamp duty land tax if (broadly) that member of the Security Group ceases to be a member of the relevant tax group within a period specified by statute. 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 amount of post-tax income available to the relevant member of the Security Group to make payments in respect of the on-lending of those proceeds of the ICL Loans and the ACF Loans within the Security Group, thereby potentially affecting the ability of FinCo and other members of the Security Group to make full and timely payment of interest and principal in respect of the ICL Loans and the ACF Loans.

Each of Land Securities Group PLC and Land Securities PLC (on behalf of itself and each other member of the Security Group) will represent in the Tax Deed of Covenant that, as at the Exchange Date, the aggregate amount of such contingent liabilities within the Security Group is less than 10 per cent of the Total Collateral Value as at that date. Further, each member of the Security Group will undertake that it will not enter into any transactions the consequence of which would be (a) that the amount of such contingent liabilities within the Security Group would exceed (i) while the T1 Covenant Regime or T2 Covenant Regime applies to the Security Group, 5 per cent or 10 per cent depending on the nature of the relevant contingent liabilities of the Total Collateral Value, and (ii) while a T3 Covenant Regime applies to the Security Group, 2.5 per cent or 5 per cent depending on the nature of the relevant contingent liabilities of the Total Collateral Value, or (b) that, while a T3 Covenant Regime applies to the Security Group, the amount of such contingent liabilities arising from such a transaction exceeds a specified minimum threshold unless, in any such case, the relevant companies establish a cash reserve to fund the liability to tax that would arise if such contingent liabilities were to become actual liabilities or enter into other arrangements to militate against such contingent liabilities arising.

United Kingdom Tax on Disposals and Certain Other Material Transactions

The disposal of certain capital assets (including interests in Mortgaged Properties and the share capital of other members of the Security Group) by members of the Security Group to third parties may give rise to a liability to pay United Kingdom corporation tax on chargeable gains. Each member of the Security Group will undertake in the Tax Deed of Covenant that if it disposes of a Mortgaged Property or of shares in another member of the Security Group and that disposal would result in a liability to tax for the Security Group (which, for these purposes, comprises United Kingdom corporation tax on chargeable gains, any contingent liabilities to stamp duty or stamp duty land tax and/or VAT) exceeding a specified minimum threshold, it will make a cash deposit using the proceeds of that disposal to fund that liability to tax if either (a) a T3 Covenant Regime applies or (b) it is required to do so by virtue of the operation of the Transaction LTV Test (see “—*The Transaction LTV Test*”, page 97, below). Members of the Security Group may, from time to time, hold Mortgaged Properties as trading stock for the purposes of a trade carried on by them (and not as capital assets). Each member of the Security Group has undertaken in the Tax Deed of Covenant that if the aggregate value of any such Mortgaged Properties exceeds 5 per cent of the Total Collateral Value at any time, it will agree with the Obligor Security Trustee to make such changes to the Tax Deed of Covenant as may be required to ensure that the provisions described above in relation to capital assets apply in respect of any liabilities to Tax arising on a sale of any such Mortgaged Properties in excess of a specified minimum threshold. Noteholders should be aware that should any such tax liability arise as a result of a disposal following enforcement of the security given by the Obligors, that tax liability could, indirectly, adversely affect the ability of the Issuer to meet its obligations under the Notes.

If a member of the Security Group proposes to enter into certain types of transaction where, for current or future accounting periods, the taxation treatment of that transaction might result in a liability to tax for members of the Security Group that exceeds a specified minimum threshold, the Security Group has agreed that, in certain circumstances, a cash reserve to fund any actual liability to tax that might arise will be established if either (a) a T3 Covenant Regime applies or (b) it is required to do so by virtue of the operation of the Transaction LTV Test (see “—*The Transaction LTV Test*”, page 97, below).

The Security Group's VAT arrangements: joint and several liability

Certain members of the Security Group have been, are, or may in the future become, members of a group for VAT purposes. It is likely that there will be more than one such group, and such group may include, or may have included, companies that are not Obligors but are, or were, members of the Land Securities Group. It should be noted that immediately after the Exchange Date the majority of Obligors will remain in the VAT group of which they (and Non-Restricted Group Entities) have been members prior to the Exchange Date (the “**Land Securities VAT Group**”), but that with effect from the Exchange Date, the representative member of this group will be an Obligor.

Under current United Kingdom taxation law, the representative member from time to time of a VAT group is liable for all the VAT liabilities of such group, and membership of a VAT group imposes on each member of such group joint and several liability for any VAT liabilities of the group due during its period of membership.

Therefore, should the representative member of any VAT group of which an Obligor has previously been a member fail to discharge in full the VAT liabilities of such group which are referable to that Obligor's period of membership, HM Customs & Excise would be entitled to require any person who was a member of the group at that time (including that Obligor) to pay all or any part of the unpaid VAT liability.

In relation to any VAT group of which an Obligor is, or will be, a member, the representative member for the time being of such group (which will also be an Obligor) will have primary liability and all the other members will have joint and several liability for all current and historic VAT liabilities of such group. These will include liabilities in respect of the activities of any members of such VAT group which are not members of the Security Group, and liabilities in respect of any errors made in the group's VAT returns by previous representative members of such group.

Where (i) any Obligor is required to discharge the VAT liabilities of a representative member of a VAT group, of which such Obligor has previously been a member, or (ii) the representative member of the Land Securities VAT Group is required to discharge any historic VAT liabilities of such group arising from errors made in the Land Securities VAT Group's past VAT returns, or (iii)

the representative member of a VAT group (being an Obligor) is required to discharge any VAT liabilities relating to the activities of those companies which are not members of the Security Group which are members of such group, this might have a material adverse effect on the Security Group's cash flows which might, in turn, indirectly impact on the ability of FinCo and other members of the Security Group to meet their obligations in respect of the ICL Loans and the ACF Loans.

In relation to (i) and (ii) above, Land Securities Group PLC will in the Tax Deed of Covenant represent and warrant that past representative members of all VAT groups in which any Obligor has been or is a member have paid all VAT they were liable to account for and pay and for which HM Customs & Excise could still raise an assessment.

In relation to (iii) above, Land Securities Group PLC will, in the Tax Deed of Covenant, agree that a company which is not a member of the Security Group may only be included (or remain) in the Land Securities VAT Group if either (a) such company is a specified service company that satisfies certain conditions as set out in the Tax Deed of Covenant or (b) where the aggregate VATable turnover of those companies which are not members of the Security Group (other than certain service companies) within the Land Securities VAT Group does not exceed a certain specified maximum threshold.

If in Tier 1 or 2 the specified amount is exceeded, either such number of such companies which are not members of the Security Group (other than certain service companies) within the Land Securities VAT Group must be removed from the Land Securities VAT Group as will ensure that the aggregate VATable turnover of all such companies is maintained below a specified threshold, or certain arrangements must be entered into in relation to funding the additional VAT on the excess of the VATable turnover of all such companies over the specified threshold.

Where a T3 Covenant Regime applies to the Security Group, any company which is not a member of the Security Group (other than a specified service company) which is a member of the Land Securities VAT Group must either apply to be removed from the Land Securities VAT Group or enter into certain arrangements in relation to funding the VAT liabilities which are attributable to its activities.

Withholding tax in respect of the Initial Swap Agreements

Land Securities PLC has been advised that, under current law, all payments to be made under the Initial Swap Agreements can be made without withholding or deduction for or on account of any United Kingdom tax. In the event that any such withholding or deduction is required to be made from any payment due from an Initial Swap Counterparty under an Initial Swap Agreement, the amount to be paid will in certain circumstances be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the amount received by Land Securities PLC is equal to the amount that Land Securities PLC would have received had such withholding or deduction not been required to be made.

If any Initial Swap Counterparty is obliged to make such an increased payment, it may, if such deduction or withholding is as a result of a change in law (or the application or interpretation thereof), terminate the relevant Initial Swap Agreement (subject to such Initial Swap Counterparty's obligation to use its reasonable endeavours to transfer its rights and obligations under such Initial Swap Agreement to another office or third party swap provider such that payments made by or to that other office or third party swap provider under such Initial Swap Agreement can be made without any withholding or deduction for or on account of tax). If any Initial Swap Agreement is terminated and the Security Group does not Prepay Floating Rate Loans to a sufficient extent, the Security Group may be unable to meet its payment obligations under the Intercompany Loan Agreement and ACF Loans in full, with the result that the Noteholders may not receive all of the payments of principal and interest due to them in respect of the Notes. In addition, the termination of any Initial Swap Agreement may result in a Swap Termination Amount being due to the relevant Initial Swap Counterparty.

For a description of the Swap Agreements that any of the Obligors may enter into from time to time in accordance with the Hedging Covenant, see "*—Swap Agreements and Hedging Covenant*", page 87, below.

Taxation – Issuer/FinCo

Withholding tax in respect of the Notes

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Notes (as to which, in relation to United Kingdom tax, see Chapter 15 “*United Kingdom Taxation*” below), neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to Noteholders or, if Definitive Notes are issued, Receiptholders and/or Couponholders or to otherwise compensate Noteholders, Receiptholders and/or Couponholders for the reduction in the amounts they will receive as a result of such withholding or deduction.

If such a withholding or deduction is required to be made by reason of a change in law, the Issuer will have the option (but not the obligation) of redeeming all outstanding Notes in full at their Principal Amount Outstanding plus accrued but unpaid interest (each adjusted, in the case of Indexed Notes, in accordance with Condition 7(b) (*Application of the Index Ratio*)) thereby shortening the life of the Notes. For the avoidance of doubt, neither the Note Trustee nor Noteholders nor, if Definitive Notes are issued, Receiptholders and/or Couponholders, will have the right to require the Issuer to redeem the Notes in these circumstances.

EU Savings Directive

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 July 2005 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 fiscal year following agreement by certain non EU countries to the exchange of information relating to such payments.

If, following implementation of the directive, such a payment of interest or similar income which is the subject of the directive were to be made or collected through any of Austria, Belgium or Luxembourg 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 Noteholders or, if Definitive Notes are issued, Receiptholders and/or Couponholders or otherwise to compensate Noteholders, Receiptholders and/or Couponholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, 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 state exists).

A withholding or deduction for or on account of tax other than United Kingdom tax may be required to be made in circumstances other than those set out above under the law of countries other than the United Kingdom (including countries that are Member States of the EU). This outline of certain key UK taxation issues does not include consideration of any such requirements and the comments made regarding the EU Savings Directive should not be taken to imply that no other withholding or deduction is or may be applicable on account of non-UK tax.

Withholding Tax in respect of the ICL Loans

The Issuer has been advised that, under current law, all payments made to it under the Intercompany Loan Agreement by FinCo can be made without withholding or deduction 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 in respect of an ICL Loan, the amount of that payment will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the Issuer receives a cash amount equal to that which it would have received had no such withholding or deduction been required to be made.

If, as a result of a change in taxation law, FinCo is obliged to make such an increased payment to the Issuer, FinCo will have the option (but not the obligation), subject to the then applicable Security Group Priority of Payments, to Prepay all outstanding ICL Loans in full. If FinCo chooses

to Prepay the ICL Loans, the Issuer will then be obliged to redeem the Notes. If FinCo does not have sufficient funds to enable it to make such increased payments to the Issuer, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

Similarly, if a member of the Land Securities Group is required to withhold or deduct any amount for or on account of tax from any payment in respect of the on-lending to it of the proceeds of an ICL Loan or an ACF Loan, FinCo may have insufficient funds to meet its payment obligations in respect of the ICL Loans in full, with the result that the Issuer's ability to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes could be adversely affected as described above.

Tax General

Corporation Tax Reform

In August 2003, H.M. Treasury and the Inland Revenue issued a consultation document entitled "Corporation Tax Reform". The document contained a number of suggestions in relation to how the current corporation system might be reformed. It is not currently known whether or in what form any changes arising from the consultation on corporation tax reform will take. It is possible that, if these changes are enacted, they may affect the taxation treatment of the Issuer or companies within the Security Group and consequently could affect the ability of FinCo to meet its payment obligations in respect of the Intercompany Loan in full and/or the ability of the Issuer to meet its payment obligations under the Notes.

Noteholders should also refer to "*Change of Law*" below.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to them are based on English and Scots law (including United Kingdom tax law) in effect as at the date of this Offering Circular. No assurance can be given as to the effect of any possible judicial decision or change to English or Scots law or administrative practice of any jurisdiction after the date of this Offering Circular.

REITs Restructuring

The HM Treasury and Inland Revenue published a Consultation Paper in March 2004 (entitled "**Promoting more flexible investment in property: a consultation**") which sets out ways in which real estate investment trusts ("**REITs**"), otherwise known as property investment funds, might be implemented in the United Kingdom. The Consultation Paper suggests several possible structures that a REIT vehicle could take, proposes how a REIT may be treated for tax purposes, potential regulatory changes that would be required as a result of the introduction of REITs and certain transitional issues (including the possibility of an initial entry tax charge). It also discusses possible constraints on levels of debt and developments that could be undertaken within a REIT.

The Common Terms Agreement will contain provisions which will permit the Security Group, without the consent of the Debtholders, to agree with the Obligor Security Trustee and the Note Trustee (i) changes to the composition or holding structure of the Mortgaged Properties, (ii) changes to the corporate structure or composition of the Security Group itself or (iii) modifications to the terms and conditions of the Common Terms Agreement and/or the other Transaction Documents, in each case to take advantage of the introduction of REITs in the United Kingdom (see "*—Restructuring of the Security Group and the Estate*", page 77, below). In particular, in order to implement any such changes, any two Rating Agencies must confirm that the Ratings Test is satisfied in relation to such changes.

There can be no assurance that any changes to the Transaction Documents or to the Security Group made pursuant to the aforementioned provisions in the Common Terms Agreement will be favourable to or in the interests of Noteholders (or any Class or Sub-Class thereof). Such changes may be detrimental to Noteholders (or any Class or Sub-Class thereof), despite the ratings of such Notes being affirmed in connection with the proposed changes.

If the Security Group is unable to make any proposed changes to the Transaction Documents or to the Security Group in order to take advantage of the introduction of REITs for any reason (including, without limitation, due to the exercise of blocking rights by any of the parties to the Transaction Documents or the failure to pass a resolution in relation to a Basic Terms Modification), the Issuer may exercise an option to redeem the Fixed Rate Notes at redemption

amounts calculated by reference to the Relevant Swap Mid Curve Rate at the time of such calculation, which may be lower than if such premia were calculated by reference to a spread formula (see “—*Redemption provisions*”, page 48, above).

Tax consequences of REITs

It is possible that, if REITs are introduced and companies within the Security Group seek to convert into REITs or to transfer assets into a newly-formed REIT, any such conversion or transfer may give rise to a charge to UK tax in the form of an entry charge which could, indirectly, affect the ability of FinCo to meet its payment obligations under the Intercompany Loan Agreement.

Proposed Non-UK Structural Changes

The Common Terms Agreement will contain provisions which will permit the Security Group, without the consent of the Debtholders, to agree with the Obligor Security Trustee and the Note Trustee the transfer of one or more Mortgaged Properties by any one or more Obligors to, or the acquisition of Mortgaged Properties by, a non-UK resident and incorporated person and to make associated modifications to the terms and conditions of the Common Terms Agreement, the Tax Deed of Covenant and/or the other Transaction Documents (see “—*Restructuring of the Security Group and the Estate*”, page 77, below). In order to implement any such changes, any two Rating Agencies must confirm that the Ratings Test is satisfied in relation to such changes.

There can be no assurance that any changes to the Transaction Documents or to the Security Group made pursuant to the aforementioned provisions in the Common Terms Agreement will be favourable to or in the interests of Noteholders (or any Class or Sub-Class thereof). Such changes may be detrimental to Noteholders (or any Class or Sub-Class thereof), despite the ratings of such Notes being affirmed in connection with the proposed changes.

Tax consequences of introducing Non-UK Obligors

If Mortgaged Properties are transferred to a Non-UK Obligor, any such transfer may give rise to a charge to UK tax on chargeable gains for Obligors. In addition, no assurance can be given that where a Non-UK Obligor has been introduced, there will not be a subsequent change of law or practice in the UK or the relevant Approved Jurisdiction that could affect the tax treatment of that Obligor. In either case, such event could, indirectly, affect the ability of FinCo to meet its payment obligations under the Intercompany Loan Agreement.

Ratings Affirmations

Any Ratings Affirmation given by a Rating Agency and/or any satisfaction of a Ratings Test:

- (i) only addresses the effect of any relevant event, matter or circumstance on the current ratings assigned by the relevant Rating Agency to the Notes;
- (ii) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents; and
- (iii) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to, some or all of the Noteholders or Obligor Secured Creditors.

European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating member state in the European Economic and Monetary Union and therefore the euro may become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of Notes denominated in sterling may become payable in euro and applicable provisions of law may require or allow the Issuer to redenominate each Sub-Class of sterling denominated Notes in euro and take additional measures in respect of such Notes. The introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on sterling denominated Notes, or changes in the way those rates are calculated, quoted, published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect Noteholders. 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 Notes.

Proposed changes to the Risk-Weighted Asset Framework

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline. In parallel, the European Commission has issued proposals for reform of the existing EU Capital Adequacy Directive which is based on the 1988 Capital Accord and applies to banks and investment firms in the European Union. While the European commission has indicated that its proposals are intended to implement the new Basel Capital Accord proposals, it has noted that there will be appropriate modifications where it considers necessary. At present, both sets of proposals are under consultation and are not in final form. If adopted in their current form, the proposals could, among other things, affect risk-weighting of the Notes in respect of certain investors if those investors are regulated in a manner which will be affected by such proposals. Consequently, prospective Noteholders should consult their own advisers as to the consequences to and effect on them of the potential application of the proposals. The Issuer cannot predict the precise effects of potential changes which might result if the proposals were adopted in their current form.

OTHER GENERAL CONSIDERATIONS

Forward-looking Statements

This Offering Circular contains certain forward-looking statements as defined under U.S. law (Section 21E of the Securities Exchange Act of 1934). These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “target”, “expect”, “interim”, “believe” or other words of similar meaning. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. As such risks are inherently subject to risks and uncertainties, there are a number of factors that could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to (a) risks and uncertainties relating to the United Kingdom economy, changes in political and economic conditions or in specific industry segments; declines in property values; variations in supply of and demand for commercial office space or retail space (or commercial office space or retail space of (in each case) a particular type); declines in rental or occupancy rates; increases in interest rates; changes in rental terms including the tenants’ responsibility for operating expenses; falling turnover of those retail tenants who pay a rent wholly or partly calculated by reference to their turnover; fluctuation in the availability of property financing for properties such as the Mortgaged Properties and (b) such other risks and uncertainties detailed herein. All written and oral forward-looking statements attributable to the Security Group and the Issuer or persons acting on their behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Prospective Noteholders are cautioned not to put undue reliance on such forward-looking statements. The Security Group and the Issuer will not undertake any obligation to publish any revisions to these forward-looking statements to reflect circumstances or events occurring after the date of this Offering Circular.

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

CHAPTER 4

DESCRIPTION OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents, and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents themselves.

A. COMMON TERMS AGREEMENT

The Issuer, FinCo, the other Original Obligors, the Note Trustee, the Obligor Security Trustee, the Initial ACF Providers and the other Obligor Secured Creditors will on or about the Exchange Date enter into the Common Terms Agreement which will set out, among other things:

- (a) the procedures pursuant to which Eligible Obligors can become members of the Security Group and Obligors can cease to be members of the Security Group (see “– *The Security Group*”, page 70, below);
- (b) detailed provisions relating to the introduction, disposal and intra-Security Group transfer of Mortgaged Properties and other assets (see “– *The Estate*”, page 73, below);
- (c) detailed provisions regarding the circumstances in which the Security Group may change the composition or holding structure of the Mortgaged Properties and/or composition of the Security Group itself and/or make modifications to the terms and conditions of the Common Terms Agreement and/or the other Transaction Documents (see “– *Restructuring of the Security Group and the Estate*”, page 77, below);
- (d) detailed provisions relating to the initial and future debt structure of the Security Group (see “– *Debt Structure of the Security Group*”, page 79, below);
- (e) detailed provisions concerning the performance of certain financial ratio tests that the Obligors will be required to perform from time to time (see “– *Testing*”, page 92, below);
- (f) detailed provisions for determining which covenant regime will apply to the Security Group from time to time depending on the results of certain financial ratio tests referred to above (see “– *Determining the Applicable Covenant Regime*”, page 100, below);
- (g) different sets of covenants that will or will not apply to the Security Group depending on which covenant regime applies from time to time (see “– *T1 Covenants*”, page 102, “– *T2 Covenants*”, page 111, “– *Initial T3 Covenants*”, page 112 and “– *Final T3 Covenants*”, page 114, below);
- (h) detailed provisions relating to deposits into and withdrawals from the Obligor Accounts (see “– *Special Provisions concerning Obligor Accounts*”, page 115, below);
- (i) the representations and warranties to be given by each Obligor on the Exchange Date and on each Reporting Date (see “– *Representations and Warranties of each Obligor*”, page 120, below); and
- (j) the Obligor Events of Default and the remedies available upon their occurrence (see “– *Obligor Events of Default and Remedy*”, page 123, below).

THE SECURITY GROUP

Initial Security Group

On the Exchange Date, the Security Group will include the companies listed in Schedule 1 (*Original Obligors*). Certain Original Obligors will be Relevant Members. Certain of the properties owned by such Relevant Members which are to be included in the Initial Estate will be subject to the RM Security Structure described in “– *Trust Declarations and Beneficiary Undertakings*”, page 155, below.

Additional Obligors

The Principal Obligor may nominate any Eligible Obligor to become a member of the Security Group by delivering the following documents to the Obligor Security Trustee and (other than (b) below) the Note Trustee:

- (a) deeds of accession to (among other documents) the Common Terms Agreement, the Security Trust and Intercreditor Deed, the Tax Deed of Covenant, the Obligor Floating Charge Agreement, the Account Bank and Cash Management Agreement and the Servicing

Agreement (together the “**Obligor Accession Deeds**”, the forms of which will be set out in the Common Terms Agreement), executed in counterpart by the nominated Eligible Obligor and the Principal Obligor;

- (b) if the nominated Eligible Obligor is an incorporated entity, the share certificates in respect of that portion (if any) of the issued share capital of such nominated Eligible Obligor which is at that time held by any other Obligor and such other documents as the Obligor Security Trustee may require in order to perfect the Obligor Security Trustee’s security interest in such shares, together with, where such Eligible Obligor is incorporated in a jurisdiction other than England and Wales, the Agreed Form of Security Document in respect of such issued share capital and (where available as a matter of law) any future share capital of the nominated Eligible Obligor held by such shareholding Obligor, which creates the Agreed Form of Security in respect of such share capital in favour of the Obligor Security Trustee;
- (c) a certificate signed by two Authorised Signatories confirming, among other things: (1) the authority of each person executing the Obligor Accession Deed and (if applicable) the Agreed Form of Security Document in respect of the shares in the capital of such nominated Eligible Obligor, (2) that the introduction of such Eligible Obligor into the Security Group is not a Prohibited Transaction and (3) that the Issuer has lent or will lend to the nominated Eligible Obligor the sum of £1,000 on the date of its accession to, and on the terms of, the Obligor Floating Charge Agreement;
- (d) one or more Agreed Forms of Legal Opinion (as required), addressed to (among others) the Obligor Security Trustee, the Note Trustee and the Dealers, from an Approved Firm or Approved Firms which confirm all of the following:
 - (i) the Obligor Accession Deeds (and any security created thereby) is legal, valid, binding and enforceable and (in relation to the security created thereby) that no further steps (other than those steps which such Approved Firm undertakes to carry out within any applicable time limits, which shall include submitting necessary applications for registration) are required to be taken for the attachment and perfection of such security;
 - (ii) the nominated Eligible Obligor has the capacity to enter into and has duly authorised the execution and entry into of the Obligor Accession Deeds; and
 - (iii) if applicable:
 - (A) the Obligor owning any shares in the nominated Eligible Obligor (the “**Owner**”) has the capacity to enter into and has duly authorised the execution and entry into of the Agreed Form of Security Document in relation to such shares;
 - (B) if such share capital was transferred to the Owner during the period of five years which ends on the date (the “**Obligor Accession Date**”) upon which it is proposed that such Eligible Obligor is to become an Additional Obligor (or, if shorter, the period commencing on the Exchange Date and ending on the Obligor Accession Date) by any entity who is as at the Obligor Accession Date and who was at the time of such transfer a Non-Restricted Group Entity or another Obligor, that (A) the Approved Firm giving the relevant opinion has requested a director or other authorised officer of the transferor to identify all agreements which may, to the best of such directors or authorised officer’s knowledge and belief, have prohibited the transfer to the Owner and has either (1) reviewed all such agreements so notified to it by such director or other authorised officer and opined that no such agreement prohibited the transfer of such shares to the Owner or (2) been notified by such director or the authorised officer that, to the best of the knowledge and belief of such director or other authorised officer, no such agreements existed at the time of transfer and (B) such Approved Firm has requested a director or other authorised officer of the Owner to confirm whether the granting of security by the Owner over such shares has any connection with the acquisition of shares in any company and has either (1) considered any such connection notified to it by such director and opined, based on the matters so notified to it and on the assumption that all factual statements made to it are correct, that such granting of security does not breach any applicable legal prohibition of the giving of financial assistance in connection with such acquisition of shares or (2) been advised by such director or other authorised officer that no such connection exists; and

- (C) the security created in respect of such shares by such Agreed Form of Security Document is legal, valid, binding and enforceable under its governing law and that no further steps (other than those steps which such Approved Firm undertakes to carry out within any applicable time limits, which shall include submitting necessary applications for registration) are required to be taken for the attachment and perfection of such security under such law.

The Obligor Security Trustee and the Note Trustee will be required and obliged to countersign the Obligor Accession Deeds within five Business Days of receiving all of the documents referred to above. Upon countersignature of such deeds by the Obligor Security Trustee and the Note Trustee, the nominated Eligible Obligor will become an Additional Obligor, will become a party in such capacity to (among other documents) the agreements and deeds referred to in paragraph (a) above and will have granted the fixed and floating charges granted by the Obligors pursuant to the Security Trust and Intercreditor Deed and the Obligor Floating Charge Agreement.

It is the intention of the Obligors that each Additional Obligor will undertake to the other Obligors that it will not do anything to prejudice the continuation of Common Control in relation to itself.

Released Obligors

The Principal Obligor may nominate any Obligor (other than FinCo, HoldCo and SubCo) to be released from the Security Group by delivering the following documents to the Obligor Security Trustee and the Note Trustee:

- (a) if such nominated Obligor is not a Dormant Obligor, all of the following to the Obligor Security Trustee and the certificate referred to in (iii) below to the Note Trustee:
- (i) a Property Release (executed in counterpart by each Obligor which holds a legal or beneficial interest in the Mortgaged Properties held by such nominated Obligor) in respect of each of the nominated Obligor's Mortgaged Properties; and
 - (ii) an Intellectual Property Release (executed in counterpart by the nominated Obligor) in respect of any Intellectual Property Right in respect of which the nominated Obligor has provided fixed security pursuant to the Obligor Security Documents; and
 - (iii) a certificate signed by two Authorised Signatories which (among other things):
 - (A) confirms that such nominated Obligor is either (1) being or is to be Disposed of to a person outside the Security Group pursuant to a transaction on arm's length terms (and, if the Initial T3 Covenant Regime or the Final T3 Covenant Regime applies, that such Disposal is to be completed on the same Business Day as the execution by the Obligor Security Trustee of the documents referred to below) or (2) owned by a person who is not a member of the Security Group;
 - (B) confirms that either (1) no Obligor Event of Default has occurred and is continuing unwaived or (2) an Obligor Event of Default is continuing and the Disposal of such nominated Obligor would have the effect of remedying such Obligor Event of Default (or is part of a series of transactions scheduled to complete within a single 30-day period that will, together, have the effect of remedying such Obligor Event of Default);
 - (C) if such nominated Obligor is being or is to be Disposed of as described in (iii)(A)(1) above, specifies the expected amount of Sales Proceeds from, or other consideration for, the Disposal of such nominated Obligor;
 - (D) if such nominated Obligor is being or is to be Disposed of as described in (iii)(A)(1) above, sets out any confirmations required by the Tax Deed of Covenant to be given at that time in respect of the Disposal of such nominated Obligor;
 - (E) if such nominated Obligor is being or is to be Disposed of as described in (iii)(A)(1) above and a deposit is required to be made in accordance with the Tax Deed of Covenant in respect of the Disposal of such nominated Obligor, confirms that such deposit has been made or that irrevocable instructions (subject to completion of the Disposal) have been given for the payment of the deposit into the relevant Tax Reserve Account; and
 - (F) confirms that the Disposal of such Obligor and/or the removal of such Obligor's Mortgaged Properties from the Estate is not a Prohibited Transaction; or

- (b) if such nominated Obligor is a Dormant Obligor, a certificate to that effect signed by two directors of the Principal Obligor which confirms or sets out, as the case may be, the information required in paragraphs (a)(iii)(B), (D), (E) and (F) above.

Within two Business Days of receiving all of the documents referred to in paragraph (a) or (b) above (as applicable), the Note Trustee will be required and obliged to execute a deed of release (the form of which will be set out in the Common Terms Agreement) releasing the security held by the Issuer over the assets of the nominated Obligor pursuant to the Obligor Floating Charge Agreement and the Obligor Security Trustee will be required and obliged to execute:

- (a) any Property Release in respect of such nominated Obligor's Mortgaged Properties;
- (b) any Intellectual Property Release in respect of any Intellectual Property Right in respect of which the nominated Obligor has provided fixed security pursuant to the Obligor Security Documents;
- (c) such other documents as the Obligors may provide to the Obligor Security Trustee in order to release the fixed security held by the Obligor Security Trustee pursuant to the Obligor Transaction Documents in respect of the shares in the nominated Obligor and such nominated Obligor's assets not otherwise released as mentioned in (a) and (b) above; and
- (d) a deed (in a form to be set out in the Common Terms Agreement) releasing such nominated Obligor from all of its obligations under the Obligor Transaction Documents.

Upon the Obligor Security Trustee's execution of the documents referred to in paragraphs (a) to (d) above, such nominated Obligor will be a Released Obligor and will cease to be an Obligor for all purposes under the Transaction Documents and any tax deposits made by the nominated Obligor that are no longer required to be maintained following that Obligor becoming a Released Obligor shall be released.

Intra-Security Group Disposals of Obligors

The Obligors will be permitted to make an Intra-Security Group Disposal of an Obligor, provided only that:

- (a) prior to such Disposal, the Obligors deliver to the Obligor Security Trustee a certificate signed by two Authorised Signatories confirming that (a) either (1) no Obligor Event of Default has occurred and is continuing unwaived or (2) an Obligor Event of Default is continuing unwaived but such Disposal would have the effect of remedying such Obligor Event of Default (or is part of a series of transactions scheduled to complete within a single 30-day period that will, together, have the effect of remedying such Obligor Event of Default), (b) sets out any confirmations required to be given under the Tax Deed of Covenant relating to such Disposal which are required to be given before such Disposal and (c) if a deposit is required to be made under the Tax Deed of Covenant in respect of the Disposal, such deposit has been made or irrevocable instructions (subject to completion of the Disposal) have been given for the payment of such deposit into the relevant Tax Reserve Account; and
- (b) if the disposed Obligor is an incorporated entity, immediately following such Disposal, the acquiring Obligor delivers to the Obligor Security Trustee (among other things) the share certificates (if not already held by the Obligor Security Trustee) in respect of that portion of the issued share capital of the disposed Obligor transferred to the acquiring Obligor or such other documents as the Obligor Security Trustee may require in order to perfect the Obligor Security Trustee's security interest in such shares, together with, where such disposed Obligor is incorporated in a jurisdiction other than England and Wales, the Agreed Form of Security Document in respect of such issued share capital and (where available as a matter of law) any future share capital of the disposed Obligor held by such acquiring Obligor, which creates the Agreed Form of Security in respect of such share capital in favour of the Obligor Security Trustee.

THE ESTATE

The Estate will comprise all of the Mortgaged Properties owned by the Obligors from time to time.

Each Obligor will grant (a) fixed and floating security over all of its assets (including all its Eligible Properties intended to be comprised in the Initial Estate, any partnership or joint venture interest that it owns, any Obligor Accounts in its name and any shares it holds in any other Obligor) to the Obligor Security Trustee under the Security Trust and Intercreditor Deed and (b) separate floating charge security over the same in favour of the Issuer under the Obligor Floating Charge

Agreement (see “– Security Trust and Intercreditor Deed”, page 126, and “– Obligor Floating Charge Agreement”, page 155, below, for a description of the security to be created by each Obligor and Chapter 9 “Land Securities Group Business and Information regarding the Estate”, page 183, below for further information regarding the Initial Estate).

The Common Terms Agreement will contain provisions to enable from time to time the addition of new Mortgaged Properties to, and the release of Mortgaged Properties from, the Estate.

Additional Mortgaged Properties

Any Obligor may from time to time nominate any Eligible Property (a “**Nominated Eligible Property**”) held by one or more Obligors for inclusion in the Estate by providing notice of such nomination to the Obligor Security Trustee, together with (among other things):

- (a) an Agreed Form of Security Document in relation to such Nominated Eligible Property duly executed by the Obligor(s) that hold(s) the legal and beneficial title in the Nominated Eligible Property (the “**Property Owner**”), which creates the Agreed Form of Security in respect of the Nominated Eligible Property in favour of the Obligor Security Trustee;
- (b) an Agreed Form of Legal Opinion (addressed to (among others) the Obligor Security Trustee and the Dealers) from an Approved Firm confirming that (A) the security created by such Agreed Form of Security Document is legal, valid, binding and enforceable under its governing law and that no further steps (other than those steps which such Approved Firm undertakes to carry out within any applicable time limits, which shall include submitting necessary applications for registration) are required to be taken for the attachment and perfection of such security under such law, (B) the Property Owner has the capacity to enter into and has duly authorised the execution and entry into of such Agreed Form of Security Document, (C) if the Nominated Eligible Property was transferred during the period of five years which ends on the date (the “**Mortgage Date**”) upon which it is proposed that such Nominated Eligible Property is to become an Additional Mortgaged Property (or, if shorter, the period commencing on the Exchange Date and ending on the Mortgage Date) by one or more entities who are as at the Mortgage Date and were at the time of such transfer a Non-Restricted Group Entity or another Obligor, that the Approved Firm has requested a director or other authorised officer of the transferor to identify all agreements which may, to the best of such director or authorised officer’s knowledge and belief, have prohibited such transfer and has either (1) reviewed all such agreements so notified to it by such director or other authorised officer and opined that no such agreement prohibited the transfer of such Nominated Eligible Property or (2) been notified by such director or other authorised officer that, to the best of the knowledge and belief of such director or other authorised officer, no such agreements existed at the time of transfer and (D) such Approved Firm has requested a director or other authorised officer of the Property Owner to confirm whether the granting of security over the Nominated Eligible Property has any connection with the acquisition of any shares in any company and has either (1) considered any such connection notified to it by such director or authorised officer and opined, based on the matters so notified to it and on the assumption that all factual statements made to it are correct, that such granting of security does not breach any applicable legal prohibition of the giving of financial assistance in connection with such acquisition or (2) been advised by such director or other authorised officer that no such connection exists;
- (c) if the Nominated Eligible Property has a Market Value in excess of £50,000,000 (subject to Indexation), an Agreed Form of Certificate of Title or Report on Title (updated, or confirmed as remaining accurate, in the case of a Reintroduced Property) from an Approved Firm (which certificate, report or confirmation is dated not more than 12 months before the Mortgage Date);
- (d) a copy of the most recent Valuation Report for such Nominated Eligible Property (unless such property is a Trading Property) which (i) is addressed to the Obligor Security Trustee and (ii) confirms that the reports (if any) on environmental due diligence carried out in respect of such property, and any deficiencies in the title to such property (in each case of which the Valuers have been notified prior to the date of such Valuation Report), have been taken into account by the Valuers in reaching their determination of the Market Value of such property;
- (e) if the Nominated Eligible Property was transferred during the period of two years which ends on the Mortgage Date (or, if shorter, the period commencing on the Exchange Date and ending on the Mortgage Date) by one or more companies who are as at the Mortgage Date,

and who were at the time of such transfer, members of the Security Group (other than the Property Owner) or the Non-Restricted Group, a certificate from two Authorised Signatories confirming that all such previous transferors were solvent on the dates upon which they transferred such property; and

- (f) a certificate from two Authorised Signatories confirming (among other things): (1) the Mortgage Date in respect of the Nominated Eligible Property; (2) whether or not the Nominated Eligible Property is a Trading Property; (3) that the Property Owner was solvent on the date on which it granted the security referred to in paragraph (a) above and that the Property Owner has taken all necessary action to authorise its entry into, performance and delivery of the relevant Agreed Form of Security Document; (4) unless the Nominated Eligible Property has a Market Value of less than or equal to £50,000,000 (subject to Indexation) or is a Reintroduced Property, that (A) the Security Group carried out “desk-top” environmental searches in respect of such property in accordance with the Security Group’s internally recommended practice from time to time and complied with such recommendations for any further investigations made by the relevant environmental consultant which accord with principles of good estate management practice applicable to a property of a type similar to the Nominated Eligible Property, and (B) where the Nominated Eligible Property is not a Trading Property, the Valuers were made aware of the contents of such searches, the results of such further investigations and of any deficiencies in the title to such property in connection with their valuation of such property in the most recent Valuation Report; (5) that the introduction of the Nominated Eligible Property into the Estate is not a Prohibited Transaction; (6) the relevant Sector (or Sectors) and Region for the Nominated Eligible Property; and (7) if the Valuation Report referred to in paragraph (d) above is dated more than six months prior to the Mortgage Date in respect of such Nominated Eligible Property, that there has been no material adverse change in the market value of such property (in the opinion of the Obligors, acting reasonably) since the date of such report.

The Nominated Eligible Property will become an Additional Mortgaged Property, and will form part of the Estate, immediately upon satisfaction of the relevant conditions set out above.

Properties held by a person who is not an Obligor may only be introduced into the Estate by first causing the relevant property owner to become an Additional Obligor as described in “–*Additional Obligors*”, page 70, above.

The Obligors will be permitted to introduce into the Estate properties (including developments) which form part of the assets of a partnership or joint venture (including partnerships and joint ventures which are not wholly-owned by the Security Group), as well as certain non-property assets (such as interests in partnerships and/or joint ventures), provided that the Obligors comply with such criteria (including criteria as to the relevant Agreed Forms of Legal Opinion, Agreed Forms of Security, Agreed Forms of Security Document and the extent to which such properties or non-property assets are to be accounted for in the determination of Total Collateral Value) as may be agreed between the Obligors, the Obligor Security Trustee and the Rating Agencies from time to time (such property and non-property assets being, upon satisfaction of such criteria, “**Further Credit Assets**”).

Certain properties owned by Obligors who are Relevant Members may be required to be secured pursuant to the Agreed Forms of RM Security Structure Documents in order to be introduced into the Estate. Furthermore, no Obligor that is incorporated, established or resident for tax purposes outside the United Kingdom may hold the legal title to a Mortgaged Property when the beneficial interest is held by another Obligor (unless it is an Eligible Obligor in relation to its holding of the legal title and the beneficial owner is also an Eligible Obligor in relation to its holding of the beneficial interest).

The Obligors will agree that whenever any real estate asset is acquired, they will carry out reasonably prudent due diligence as regards such asset, taking account of all relevant factors, including (without limitation) past use, value and commercial circumstances.

Released Properties

The Obligors may from time to time nominate one or more Mortgaged Properties for release from the Estate by delivering to the Obligor Security Trustee:

- (i) a Property Release in respect of each nominated property (executed in counterpart by each Obligor which holds a legal or beneficial interest in such nominated property);

- (ii) if any Intellectual Property Right forming part of the Charged Property is used in connection with such nominated property, an Intellectual Property Release in respect of such Intellectual Property Right (executed in counterpart by the relevant Obligor(s) that charged such Intellectual Property Right in favour of the Obligor Security Trustee pursuant to the Security Trust and Intercreditor Deed);
- (iii) such other releases (executed in counterpart, as necessary) as are required to release any security held by the Obligor Security Trustee in respect of assets which relate specifically to such nominated Mortgaged Properties; and
- (iv) a certificate executed by two Authorised Signatories which:
 - (a) confirms that each nominated property is being Disposed of to one or more persons outside the Security Group pursuant to a transaction on arm's length terms (and, if a T3 Covenant Regime applies, that such Disposal will be completed on the same Business Day as the execution of such Property Release by the Obligor Security Trustee);
 - (b) confirms that either (1) no Obligor Event of Default has occurred and is continuing unwaived or (2) an Obligor Event of Default is continuing and the Disposal of such nominated property would have the effect of remedying such Obligor Event of Default (or is part of a series of transactions scheduled to complete within a single 30-day period that will, together, have the effect of remedying such Obligor Event of Default);
 - (c) specifies the expected amount of Sales Proceeds from, or other consideration for, the Disposal of such nominated properties;
 - (d) sets out any confirmations required by the Tax Deed of Covenant to be given at that time in respect of the Disposal of such nominated properties;
 - (e) (if a deposit is required to be made under the Tax Deed of Covenant in respect of the Disposal) confirms that such deposit has been made or that irrevocable instructions (subject to completion of the Disposal) have been given for the payment of such deposit into the relevant Tax Reserve Account; and
 - (f) confirms that the Disposal of such nominated properties is not a Prohibited Transaction.

Within two Business Days following receipt of the foregoing documents, the Obligor Security Trustee will be required and obliged to execute the Property Release, any Intellectual Property Release and any other releases referred to in paragraph (iii) above, whereupon such property will be a Released Property and will no longer form part of the Estate.

Intra-Security Group Disposals of Mortgaged Properties

The Obligors will be permitted to make any Intra-Security Group Disposal of a Mortgaged Property, provided only that the following documents are delivered to the Obligor Security Trustee prior to such Disposal:

- (a) a certificate signed by two Authorised Signatories which (a) confirms that either (1) no Obligor Event of Default has occurred and is continuing unwaived or (2) an Obligor Event of Default is continuing but such Disposal would have the effect of remedying the same (or is part of a series of transactions scheduled to complete within a single 30-day period that will, together, have the effect of remedying such Obligor Event of Default), (b) sets out any confirmations required to be given under the Tax Deed of Covenant relating to the Disposal of such Mortgaged Property which are required to be satisfied before such Disposal and (c) confirms that if a deposit is required to be made under the Tax Deed of Covenant in respect of the Disposal, that deposit has been made or that irrevocable instructions (subject to completion of the Disposal) have been given for the payment of the deposit into the relevant Tax Reserve Account; and
- (b) an Agreed Form of Legal Opinion from an Approved Firm confirming, in respect of the Mortgaged Property, each of the matters set out in items (A) and (C) of paragraph (b) of “– *Additional Mortgaged Properties*”, page 74 above, but so that the reference in item (A) thereof shall cover the continuing enforceability of the Agreed Form of Security Document executed by the transferee Obligor.

Division of Mortgaged Properties

The Obligors may, at their election, cause any Mortgaged Property (each, an “**Undivided Property**”) to be divided into two or more Mortgaged Properties (the “**Post-Division Properties**”

in relation to that Undivided Property) by delivering to the Obligor Security Trustee a certificate, signed by two Authorised Signatories, which:

- (a) provides the Obligors' good faith estimate of the Market Value of each Post-Division Property (provided that the aggregate of the estimated Market Values of the Post-Division Properties shall not exceed the Market Value of the relevant Undivided Property unless such estimates are confirmed by one or more Intermediate Valuation Reports, addressed to the Obligor Security Trustee, in respect of such proposed Post-Division Properties);
- (b) allocates the Market Value of each Post-Division Property to one or more Sectors in accordance with the covenants described in "*– Sector Diversity – positive covenant*", page 102, below; and
- (c) if the T3 Covenant Regime applies or if the Market Value of the Undivided Property exceeds £50,000,000 (subject to Indexation), attaches an Intermediate Valuation Report which (i) is addressed to the Obligor Security Trustee and (ii) confirms the matters referred to in paragraphs (a) and (b) above.

RESTRUCTURING OF THE SECURITY GROUP AND THE ESTATE

Proposed Structural Changes

The Principal Obligor may, for the purpose of achieving efficiencies in financing the business operations of the Security Group in anticipation of, or in accordance with, potential or actual changes in (i) law or regulation (including, without limitation, the introduction of real estate investment trusts or property investment funds or investment vehicles of a similar nature in the United Kingdom whether or not in accordance with suggestions set out in the HM Treasury and Inland Revenue consultation paper dated March 2004 entitled "*Promoting more flexible investment in property – a Consultation*"), (ii) practice in relation to the management, holding or development of, provision of services in relation to or investment in property or (iii) taxation law relating to the management, holding or development of, provision of services in relation to or investment in property (each an "**Accepted Restructuring Purpose**"), propose:

- (a) to change the composition or holding structure of the Mortgaged Properties; and/or
- (b) to change the corporate structure or composition of the Security Group itself; and/or
- (c) to make modifications to certain of the terms and conditions of, or the covenants contained in, the Common Terms Agreement and/or the other Transaction Documents (such modifications being the "**Proposed Restructuring Modifications**"),

by delivering a Restructuring Proposal Certificate to the Obligor Security Trustee, the Note Trustee and the Rating Agencies. Any Restructuring Proposal Certificate will be required to:

- (a) describe, in reasonable detail, the proposed changes to the composition, holding structure or corporate structure of the Mortgaged Properties and/or the Security Group, as the case may be ("**Proposed Structural Changes**");
- (b) certify that such Proposed Structural Changes and/or all Proposed Restructuring Modifications are necessary or desirable to achieve an Accepted Restructuring Purpose;
- (c) certify, among other things, whether the Proposed Restructuring Modifications involve any Basic Terms Modification or any modification over which Blocking Rights have been given; and
- (d) attach, as schedules thereto:
 - (i) execution copies of such deeds and agreements, in a form previously agreed by the Obligor Security Trustee and (if relevant) the Note Trustee, as are necessary to amend and restate the Transaction Documents (or any of them) in order to implement the Proposed Restructuring Modifications, together with blacklined versions indicating all changes made to such Transaction Documents;
 - (ii) execution copies of all agreements, deeds, certificates and other documents (other than those referred to in paragraph (i) above), in a form previously agreed by the Obligor Security Trustee and (if relevant) the Note Trustee, which are required to be executed in order to effect the Proposed Structural Changes; and

- (iii) copies of any legal and tax opinions (which shall be from an Approved Firm) received by the Obligors (and which shall also be addressed to the Obligor Security Trustee, the Note Trustee and the Dealers) in respect of, among other things, such Proposed Structural Changes and/or such Proposed Restructuring Modifications.

Each of the Obligor Security Trustee and the Note Trustee, upon its receipt of a duly completed and executed Restructuring Proposal Certificate (together with all schedules required to be attached thereto) and/or written confirmation that the Ratings Test is satisfied in respect of the Proposed Structural Changes and Proposed Restructuring Modifications, will be required promptly to execute each of the deeds, agreements, certificates and other documents referred to above which require its signature. The Obligor Security Trustee will be authorised under the Common Terms Agreement to execute the deeds, agreements, certificates and other documents referred to in paragraph (d)(i) and (ii) above on behalf of the Obligor Secured Creditors, and no further action will be required to be taken by any Obligor Secured Creditor to effect the amendments set out in such deeds, agreements, certificates and other documents. The Issuer Deed of Charge will also provide that, to the extent that any Issuer Transaction Documents are to be amended and restated pursuant to the Proposed Structural Changes and/or the Proposed Restructuring Modifications, the Note Trustee will be authorised to execute the amendment and restatement deeds, agreements, certificates and other documents referred to in paragraph (d)(i) and (ii) above on behalf of the Issuer Secured Creditors, and no further action will be required to be taken by any Issuer Secured Creditors to effect the amendments set out in such deeds and agreements.

The foregoing provisions are subject to the provisions of the Security Trust and Intercreditor Deed described in “– *Basic Terms Modifications*”, page 134, and “– *Blocking Rights*”, page 144, below.

The Obligors will be able to exercise their rights under the Common Terms Agreement as described above on more than one occasion provided it is on each occasion for an Accepted Restructuring Purpose.

Proposed Non-UK Structural Changes

The Principal Obligor may, for the purpose of achieving efficiencies in the business operations of the Security Group, nominate as an Additional Obligor a person or entity that is (a) incorporated or established in an Approved Jurisdiction; (b) resident for tax purposes only in an Approved Jurisdiction and (c) otherwise an Eligible Obligor (the “**Proposed Non-UK Obligor**”), and propose:

- (i) the transfer of one or more Mortgaged Properties by any one or more Obligors to that Proposed Non-UK Obligor or the acquisition of one or more Mortgaged Properties and/or Additional Mortgaged Properties by any Proposed Non-UK Obligor in connection with the accession of that Proposed Non-UK Obligor to the Common Terms Agreement and other Obligor Transaction Documents; and
- (ii) to make modifications to certain of the terms and conditions of, or the covenants contained in, the Common Terms Agreement, the Tax Deed of Covenant and other Transaction Documents in connection with the accession of the Proposed Non-UK Obligor (such modifications being the “**Proposed Non-UK Obligor Modifications**”),

by delivering a Non-UK Obligor Proposal Certificate to the Obligor Security Trustee, the Note Trustee and the Rating Agencies. Any Non-UK Obligor Proposal Certificate will be required (among other things) to:

- (a) describe, in reasonable detail:
 - (i) the proposed transfers and modifications (including the Proposed Non-UK Obligor Modifications) and any proposed changes to the composition, holding structure or corporate structure of the Mortgaged Properties and/or the Security Group, as the case may be, as a result of the nomination of that Proposed Non-UK Obligor and the proposal that it acquire one or more Mortgaged Properties (the “**Proposed Non-UK Structural Changes**”);
 - (ii) the nature and proposed ownership of the Proposed Non-UK Obligor and its proposed relationship with the Security Group;
- (b) certify whether the Proposed Non-UK Obligor Modifications involve any Basic Terms Modification or any modification in respect of which Blocking Rights have been given;

- (c) certify that the Proposed Non-UK Obligor Modifications are required to ensure that those provisions of the relevant Obligor Transaction Documents that apply to Obligors on the express assumption that such Obligors are incorporated and tax resident only in the United Kingdom apply to the Proposed Non-UK Obligor to similar effect as regards the relevant laws and regulations of each of the United Kingdom and the Approved Jurisdiction; and
- (d) attach, as schedules thereto:
 - (i) execution copies of such deeds and agreements, in a form previously agreed by the Obligor Security Trustee and (if relevant) the Note Trustee, as are necessary to amend and restate the Transaction Documents (or any of them) in order to implement the Proposed Non-UK Obligor Modifications, together with blacklined versions showing all changes made to such Transaction Documents;
 - (ii) a memorandum summarising the material Proposed Non-UK Obligor Modifications and setting out, in reasonable detail, the reason for such proposed modifications with reference to the purpose of such changes;
 - (iii) execution copies of all agreements, deeds, certificates and other documents (other than those referred to in paragraph (i) above), in a form previously agreed by the Obligor Security Trustee and (if relevant) the Note Trustee, which are required to be executed in order to effect the Proposed Non-UK Structural Changes; and
 - (iv) copies of any legal and tax opinions (each of which shall be from an Approved Firm) received by the Obligors (and which shall also be addressed to the Obligor Security Trustee, the Note Trustee and the Dealers) in respect of, among other things, such Proposed Non-UK Structural Changes and Proposed Non-UK Obligor Modifications.

Each of the Obligor Security Trustee and the Note Trustee, upon its receipt of (a) a duly completed and executed Non-UK Obligor Proposal Certificate (together with all schedules required to be attached thereto); (b) written confirmation that the Ratings Test is satisfied in respect of the Proposed Non-UK Structural Changes and Proposed Non-UK Obligor Modifications and (c) the documents referred to in “*Common Terms Agreement – Additional Obligors*”, page 70, above, will be required promptly to execute each of the deeds, agreements, certificates and other documents referred to above which require its signature. The Obligor Security Trustee will be authorised under the Common Terms Agreement to execute the deeds, agreements, certificates and other documents referred to in paragraph (d)(i) and (iii) above on behalf of the Obligor Secured Creditors, and no further action will be required to be taken by any Obligor Secured Creditor to effect the amendments set out in such deeds, agreements, certificates and other documents. The Issuer Deed of Charge will also provide that, to the extent that any Issuer Transaction Documents are to be amended and restated pursuant to the Proposed Non-UK Structural Changes and the Proposed Non-UK Obligor Modifications, the Note Trustee will be authorised to execute the amendment and restatement deeds and agreements referred to in paragraph (d)(i) and (iii) above on behalf of the Issuer Secured Creditors, and no further action will be required to be taken by any Issuer Secured Creditors to effect the amendments set out in such deeds and agreements.

The foregoing provisions are subject to the provisions of the Security Trust and Intercreditor Deed described in “– *Basic Terms Modifications*”, page 134, and “– *Blocking Rights*”, page 144, below.

The Obligors will be able to exercise their rights under the Common Terms Agreement as described above on more than one occasion provided on each occasion it is for the purpose of introducing a Proposed Non-UK Obligor which is incorporated and tax resident in an Approved Jurisdiction into the Security Group for the purpose described above, and the fact that the Obligors effect changes such as are referred to above for an Accepted Restructuring Purpose shall not prevent them from effecting, or seeking to effect, changes such as are referred to above in relation to Proposed Non-UK Obligors, and *vice versa*.

DEBT STRUCTURE OF THE SECURITY GROUP

Introduction

On the Exchange Date:

- (a) the Issuer will make certain loans to FinCo under the Intercompany Loan Agreement, funded by the subscription price paid by Land Securities PLC for the Initial Notes; and
- (b) the Initial ACF Providers will make certain loans to FinCo under the Initial ACF Agreement.

In addition, the Security Group (other than FinCo and any Financial SPV Obligor) may have Unsecured Debt outstanding (but not so as to result in the amount of the Net Unsecured Debt being in breach of the Unsecured Debt Limit).

Subject to the satisfaction of certain conditions set out in the Common Terms Agreement which are described in further detail below (see “– *Permitted Financial Indebtedness*”, page 83, below), the Security Group will be permitted to incur further Financial Indebtedness from time to time in the following ways:

- (a) FinCo will be permitted to borrow Further ICL Loans (including Revolving ICL Loans) from the Issuer under the Intercompany Loan Agreement (and the Issuer will fund such loans from the issuance or, in the case of Revolving ICL Loans, issuance, sale or resale of Notes from time to time);
- (b) FinCo will be permitted to borrow Further ACF Loans under the Initial ACF Agreement;
- (c) any Obligor will be permitted to enter into one or more Further ACF Agreements and borrow Further ACF Loans (including Revolving R1/R2 ACF Loans) thereunder; and
- (d) any Obligor (other than FinCo and any Financial SPV Obligor) will be permitted to incur Unsecured Debt.

In addition, subject to the satisfaction of certain other conditions described in further detail below (see “– *Liquidity Facility Agreements*”, page 86, below and “– *Swap Agreements and Hedging Covenant*”, page 87, below), FinCo will be permitted to make drawings under Liquidity Facility Agreements and Land Securities PLC, FinCo and any other Obligor that is a Financial SPV Obligor will be permitted to enter into Swap Agreements and incur Financial Indebtedness thereunder.

Initial ICL Loans

On the Exchange Date, the Issuer will make advances to FinCo under the Intercompany Loan Agreement in an aggregate amount equal to the aggregate nominal principal amount of each Sub-Class of the Initial Notes issued to Land Securities PLC. The principal amount of each of such advances (each an “**Initial ICL Loan**”) will correspond to the nominal principal amount of the relevant Sub-Class of Notes issued on the Exchange Date.

Further ICL Loans (other than Revolving ICL Loans)

The Common Terms Agreement will provide that FinCo may at any time request that the Issuer issue further Notes (other than Class R Notes) under the Programme to finance a Further ICL Loan (other than a Revolving ICL Loan) having a particular Debt Rank, and the Issuer may issue such Notes provided that FinCo is entitled to incur such Further ICL Loans in accordance with the provisions described in “– *Permitted Financial Indebtedness*”, page 83, below. The minimum aggregate face amount of Notes issued on any date will be £50,000,000 (or its equivalent in other currencies); accordingly, the minimum principal amount of ICL Loans (other than Revolving ICL Loans) that FinCo will be permitted to draw on any date will be £50,000,000 (or its equivalent in other currencies).

Initial ACF Loans

On or about the Exchange Date, FinCo will enter into the Initial ACF Agreement with the Initial ACF Providers. The Initial ACF Agreement will make available to the Obligors a committed £1,500,000,000 revolving loan facility. The facility will comprise two tranches: a £750,000,000 Priority 1 Debt tranche (£405,000,000 of which is expected to be drawn on the Exchange Date) and a £750,000,000 R1/R2 Tranche (£555,000,000 of which is expected to be drawn as Priority 1 Debt on the Exchange Date) (see “– *Revolving R1/R2 ACF Loans*” below). The Initial ACF Providers’ commitment under the Initial ACF Agreement will terminate, and all amounts drawn thereunder will in most circumstances be repayable, no later than the fifth anniversary of the date of such agreement.

Further ACF Agreements

Any of the Obligors may from time to time after the Exchange Date propose to enter into one or more agreements for the incurrence of Priority 1 Debt and/or Priority 2 Debt and/or Subordinated Debt, as the case may be, by way of either bank and other third party funding or by way of guarantees or Performance Bonds. If the following criteria (and certain other conditions set out in the Common Terms Agreement) are satisfied in respect of such a proposed agreement:

- (a) such agreement provides that all Financial Indebtedness incurred thereunder will be designated as Secured Financial Indebtedness for the purposes of the Obligor Transaction Documents, and provides a mechanism for determining the Debt Rank of every amount or liability that may be advanced or incurred thereunder;
- (b) each person to whom an Obligor may owe Financial Indebtedness under such agreement has acceded to the Common Terms Agreement and the Security Trust and Intercreditor Deed in the capacity of an ACF Provider; and
- (c) such agreement is explicitly made subject to the Common Terms Agreement and the Security Trust and Intercreditor Deed in its entirety,

(in the case of (a) and (c), as certified to the Obligor Security Trustee by two Authorised Signatories), the Obligor Security Trustee will be required and obliged to consent to the entry by the Obligors into such agreement within two Business Days of its receipt of the certificate referred to above, and such agreement will then be designated as a Further ACF Agreement.

Revolving R1/R2 Loans

Function of Revolving R1/R2 Loans: The function of Revolving R1/R2 Loans (being Revolving ICL Loans and Revolving R1/R2 ACF Loans) is to create a funding option for the Obligors in the form of a revolving facility, the Debt Rank of which will change from Priority 1 Debt to Priority 2 Debt in the circumstances and as described in “– *Reborrowing restrictions and requirements applicable to Revolving R1/R2 Loans*”, page 94 below, thereby creating a level of credit enhancement for other Priority 1 Debt. There is no requirement for the Obligors to have any Revolving R1/R2 Loans outstanding at any time.

Revolving ICL Loans: Subject to the conditions described below (and in Chapter 16 “*Subscription and Sale*”, page 247 and “– *Class R Underwriting Agreements*”, page 247, below), FinCo may from time to time after the Exchange Date, if a Class R Underwriting Agreement has been entered into, borrow Revolving ICL Loans from the Issuer under the Intercompany Loan Agreement (as described in “– *Intercompany Loan Agreement*”, page 153, below). The Issuer will fund such loans by selling or reselling Class R Notes to the Class R Underwriters in accordance with the Class R Underwriting Agreement (as described in Chapter 16 “*Subscription and Sale*” and “– *Class R Underwriting Agreements*”, page 247, below), with Class R1 Notes financing Revolving R1 ICL Loans and Class R2 Notes financing Revolving R2 ICL Loans.

Revolving R1/R2 ACF Loans

Any Obligor will be permitted to enter into revolving Further ACF Agreements from time to time after the Exchange Date, as described in “– *Further ACF Agreements*” in the preceding section. A “**Revolving R1/R2 ACF Agreement**” is an ACF Agreement which meets the following criteria:

- (a) it is explicitly designated as such;
- (b) it makes available to the relevant Obligor a special tranche, specifically designated as an “R1/R2 Tranche”, which can, at the relevant Obligor’s option (as between such Obligor and the relevant ACF Provider(s)), or as otherwise required by the terms of the Common Terms Agreement, be drawn either as Priority 1 Debt or as Priority 2 Debt; and
- (c) it specifically incorporates by reference those provisions of the Common Terms Agreement which set out the reborrowing restrictions and requirements set out in “– *Reborrowing restrictions and requirements applicable to Revolving R1/R2 Loans*”, page 94, below.

The Initial ACF Agreement will be a Revolving R1/R2 ACF Agreement.

Repayment of ICL Loans and ACF Loans on Ratings Event

The Issuer will be required promptly to notify FinCo, the Obligor Security Trustee and the Representatives of the ACF Providers in writing if, following the occurrence of a Ratings Event, it exercises its right to redeem the Notes subject to Noteholders’ Affirmations. If, in the meetings of Noteholders of each Sub-Class that will be required to be held in such circumstances, Noteholders of any Sub-Class(es) shall resolve in accordance with Condition 8(d) (which requires a vote of at least 75% of all Noteholders of the relevant Sub-Class(es) entitled to vote) in favour of redemption, then FinCo shall be required in accordance with the Common Terms Agreement to repay the corresponding ICL Loan(s) on the date upon which such Sub-Class(es) of Notes are to be redeemed. In addition, the Obligors may be required in accordance with the terms of an ACF Agreement, to repay all of the ACF Loans outstanding under that ACF Agreement following an

election by the Issuer to exercise its right to redeem the Notes upon the occurrence of a Ratings Event.

Repayment of ICL Loans and ACF Loans on REITs Event

The Issuer will be required promptly to notify FinCo, the Obligor Security Trustee and the Representatives of the ACF Providers in writing if, following the occurrence of a REITs Event, it exercises its right to redeem all of the Notes in accordance with Condition 8(c). If it does so notify FinCo, FinCo shall be obliged, on the date upon which such Sub-Class(es) of Notes are to be redeemed, to repay the ICL Loan(s) corresponding to such Sub-Class(es). In addition, the Obligors may be required, in accordance with the terms of an ACF Agreement (and will be required, subject to certain conditions, under the terms of the Initial ACF Agreement), to repay all of the ACF Loans outstanding under that ACF Agreement following an election by the Issuer to exercise its right to redeem the Notes upon the occurrence of a REITs Event.

Ranking of Financial Indebtedness

With the exception of Financial Indebtedness incurred under any Liquidity Facility Agreement (which, together with indebtedness under Swap Agreements (other than in respect of Swap Termination Amounts and Swap Subordinated Amounts), will have a ranking in point of security which is higher than all other Financial Indebtedness), all Financial Indebtedness of the Security Group which is outstanding from time to time will be required to have one of the following ranks (each a “**Primary Debt Rank**”), which are listed in descending order of seniority (in respect of their ranking in point of security only), at the time that such indebtedness is incurred:

- (a) Priority 1 Debt;
- (b) Priority 2 Debt;
- (c) Subordinated Debt; or
- (d) Unsecured Debt.

All Subordinated Debt will rank *pari passu* in point of security unless the Obligors (A) establish Secondary Debt Ranks for each Subordinated ICL Loan and Subordinated ACF Loan (a “**Subordinated Debt Split**”) or (B) if such Secondary Debt Ranks have already been established, change the ranking of such Secondary Debt Ranks. The Obligors will, however, be prohibited from creating or changing any Secondary Debt Ranks (or changing the Secondary Debt Rank of any outstanding Subordinated ICL Loan or Subordinated ACF Loan) unless the Obligor Security Trustee has received the prior written consent of:

- (a) the Representative of the ACF Provider of any outstanding Subordinated ACF Loan which would, as a result of the introduction or change of any Secondary Debt Ranks, be subordinated in point of security to any Subordinated ACF Loan or Subordinated ICL Loan to which it is not then subordinated; and
- (b) the Note Trustee (acting on an Extraordinary Resolution of the Noteholders of any Affected Class) if, as a result of the introduction or change of such Secondary Debt Ranks, any outstanding Subordinated ICL Loan would be subordinated in point of security to any Subordinated ACF Loan or Subordinated ICL Loan to which it is not then subordinated.

The Common Terms Agreement will also prohibit the Obligors from changing the Primary Debt Rank of any outstanding Loan unless (a) the Obligor Security Trustee has first received the written consent of (in the case of an ACF Loan) the Representative of the relevant ACF Provider(s) or (in the case of an ICL Loan) of the Note Trustee (acting on an Extraordinary Resolution of the Noteholders of any Affected Class), (b) the Obligors would be permitted to incur Financial Indebtedness in the Adjusted Principal Amount of such Loan and with such proposed Debt Rank in accordance with the provisions described in “– *Permitted Financial Indebtedness*”, page 83, below, on the date of the proposed change in the Primary Debt Rank and (c) the Obligors would be permitted to Prepay Financial Indebtedness in the Adjusted Principal Amount of such Loan and of the relevant Debt Rank in accordance with the provisions described in “– *Prepayment of Non-Contingent Loans*”, page 88, below, on the date of the proposed change in the Primary Debt Rank.

Under the Common Terms Agreement:

- (a) all Initial ICL Loans and Initial ACF Loans will have the Debt Rank of Priority 1 Debt;

- (b) each Further ICL Loan will have the Debt Rank specified in the notice delivered by FinCo to the Issuer which requests the Issuer to issue further Notes to finance such Further ICL Loan;
- (c) the Debt Rank of each Further ACF Loan will be determined in accordance with the procedures set out in the relevant ACF Loan Agreement;
- (d) any Revolving R1 ICL Loan will have the Debt Rank of Priority 1 Debt;
- (e) any Revolving R2 ICL Loan will have the Debt Rank of Priority 2 Debt;
- (f) any Revolving R1/R2 ACF Loan will have the Debt Rank of either Priority 1 Debt or Priority 2 Debt (see “– *Reborrowing restrictions and requirements applicable to Revolving R1/R2 Loans*”, page 94, below); and
- (g) each Sub-Class of Notes will have a ranking which corresponds to the Debt Rank of its corresponding ICL Loan and *vice versa*.

Any Financial Indebtedness (other than Secured Financial Indebtedness incurred under a Liquidity Facility Agreement or a Swap Agreement) which is not ranked as Priority 1 Debt, Priority 2 Debt or Subordinated Debt in accordance with the Common Terms Agreement at the time of incurrence thereof will have the Debt Rank of Unsecured Debt.

Whether and the extent to which the Obligors will be able at any time to incur Financial Indebtedness having a particular Debt Rank will be determined as described in “– *Permitted Financial Indebtedness*” immediately below.

Permitted Financial Indebtedness

Permitted Drawings and Headroom Tests: The Common Terms Agreement will prohibit the Obligors from making any drawing of Priority 1 Debt, Priority 2 Debt, Subordinated Debt or Unsecured Debt on or after the Exchange Date which is not a Permitted Drawing.

A Permitted Drawing is the drawing, issuance or incurrence of the Initial ICL Loans and the Initial ACF Loans on the Exchange Date and, at any time thereafter (without prejudice to the provisions for incurring Financial Indebtedness set out in “*The Additional Tier Tests and Headroom Tests*”, page 95, below), of:

- (a) Priority 1 Debt or Priority 2 Debt, provided that such drawing, issuance or incurrence would not cause the Security Group Net Debt Outstanding (if the same were calculated at that time in accordance with the Tier Tests) to exceed the Security Group Net Debt Outstanding (as calculated in accordance with the Tier Tests as of the most recent Tier Test Calculation Date) by more than the Maximum Drawing Amount; or
- (b) Priority 1 Debt, provided that such drawing, issuance or incurrence would not cause the P1 Headroom Test to be breached (or, if already breached, to be breached further);
- (c) Priority 2 Debt, provided that such drawing, issuance or incurrence would not cause the P2 Headroom Test to be breached (or, if already breached, to be breached further);
- (d) Subordinated Debt, provided that the SD Headroom Test is satisfied at that time and, if the Obligors have established Secondary Debt Ranks in accordance with the provisions described in “– *Ranking of Financial Indebtedness*”, page 82, above and there is outstanding Subordinated Debt with a Secondary Debt Rank lower than such proposed Subordinated Debt, the Obligor Security Trustee has first received the written consent of (a) the Representative of the ACF Provider of any outstanding Subordinated ACF Loan which has a lower Secondary Debt Rank than such proposed Subordinated Debt and (b) the Note Trustee (acting on an Extraordinary Resolution of the Noteholders of any Affected Class); or
- (e) Unsecured Debt, provided that such drawing, issuance or incurrence would not cause the UD Headroom Test to be breached (or, if already breached, to be breached further);

and provided further that such drawing, issuance or incurrence would not (i) be a Prohibited Transaction or (ii) in the case of any Non-Contingent Loan which has the Primary Debt Rank of Priority 1 Debt, Priority 2 Debt or Subordinated Debt, breach the Maturity Restrictions (which are described in the next section).

For the avoidance of doubt, neither the repayment and immediate redrawing of a revolving loan under the same facility agreement (including the Intercompany Loan Agreement) nor the issue of commercial paper (the full proceeds of which are applied, on the relevant issue date, to the redemption of commercial paper which has fallen due for redemption) shall of itself constitute a breach of any Headroom Test or be a Prohibited Transaction; provided in either case that the

revolving loan which is redrawn or the commercial paper so issued, as the case may be has the same or a lower Debt Rank as the revolving loan so repaid or the commercial paper so redeemed, as the case may be.

The P1 Headroom Test will be satisfied in respect of a Proposed Additional Transaction (which may include a proposed drawing of Further Priority 1 Debt (see “– *The Additional Tier Tests and Headroom Tests*”, page 95, below)) if, for the purposes of the Additional Tier Tests conducted in respect of such transaction:

- (a) were only Priority 1 Debt and Financial Indebtedness ranking senior to Priority 1 Debt pursuant to the relevant Security Group Priority of Payments as of the date of the test included:
 - (i) in the determination of the Security Group Net Debt Outstanding for the purpose of calculating the Additional LTV, the Additional LTV so calculated would have been equal to or less than 55% (or 50% if the relevant Additional Calculation Date falls within a Change of Control Period); and
 - (ii) in the determination of the Projected Interest Charges for the purpose of calculating the Additional Projected ICR, the Additional Projected ICR so calculated would have been equal to or greater than 1.85:1; and
- (b) were only Priority 1 Debt (other than Revolving R1/R2 Loans) and Financial Indebtedness ranking senior to Priority 1 Debt pursuant to the relevant Security Group Priority of Payments as at the date of the test included in the determination of the Security Group Net Debt Outstanding for the purpose of calculating the Additional LTV, the Additional LTV so calculated would have been equal to or less than 45% (or 40% if the relevant Additional Calculation Date falls within a Change of Control Period); and
- (c) were only Priority 1 Debt, Priority 2 Debt, the Outstanding Bond Debt Amount, Financial Indebtedness ranking senior to Priority 1 Debt pursuant to the relevant Security Group Priority of Payments and (for the purposes of paragraph (i) below only) Deemed Tax Borrowings as at the date of the test included:
 - (i) in the determination of the Security Group Net Debt Outstanding for the purpose of calculating the Additional LTV, the Additional LTV so calculated would have been equal to or less than 65% (or 60% if the relevant Additional Calculation Date falls within a Change of Control Period); and
 - (ii) in the determination of the Projected Interest Charges for the purpose of calculating the Additional Projected ICR, the Additional Projected ICR so calculated would have been equal to or greater than 1.45:1.

The P2 Headroom Test will be satisfied in respect of a Proposed Additional Transaction (which may include a proposed drawing of Priority 2 Debt (see “– *The Additional Tier Tests and Headroom Tests*”, page 95, below) at any time if, for the purposes of the Additional Tier Tests conducted in respect of such transaction, were only Priority 1 Debt, Priority 2 Debt, the Outstanding Bond Debt Amount and (for the purposes of paragraph (a) below only) Deemed Tax Borrowings as at the date of the test to have been included:

- (a) in the determination of the Security Group Net Debt Outstanding for the purpose of calculating the Additional LTV, the Additional LTV so calculated would have been equal to or less than 65% (or 60% if the relevant Additional Calculation Date falls within the Change of Control Period); and
- (b) in the determination of the Projected Interest Charges for the purpose of calculating the Additional Projected ICR, the Additional Projected ICR so calculated would have been equal to or greater than 1.45:1.

The SD Headroom Test will be satisfied in respect of a proposed drawing of Further Subordinated Debt at any time if such drawing is not a Prohibited Transaction.

The UD Headroom Test will be satisfied in respect of a proposed drawing of Unsecured Debt if such drawing would not cause the Net Unsecured Debt to exceed the Unsecured Debt Limit.

While failure to satisfy the relevant Headroom Tests may prevent the Obligors from making any drawing of Priority 1 Debt, Priority 2 Debt, Subordinated Debt or Unsecured Debt, as the case may be, it will not prevent FinCo from making a drawing under any Liquidity Facilities then in place.

Drawings, issuance or incurrence of Priority 1 Debt, Priority 2 Debt or Unsecured Debt in breach of the Headroom Tests may (notwithstanding the above) be made as a Rating Affirmed Matter.

Maturity Restrictions

The Obligors will be prohibited at any time (in this section, the “**relevant time**”) from incurring or changing the scheduled maturity date of:

- (a) any Priority 1 Debt, Priority 2 Debt or Subordinated Debt which is to be or has been incurred pursuant to any Non-Contingent Loan if such incurrence or change would cause the Adjusted Principal Amount of all Priority 1 Debt, Priority 2 Debt and Subordinated Debt incurred pursuant to Non-Contingent Loans falling due in any two year period (being, for this purpose, any period of 730 days) to be equal to or exceed 20% of the Total Collateral Value at the relevant time (or, if such 20% threshold was already equalled or exceeded immediately prior to such incurrence or change, to be exceeded further);
- (b) any Priority 1 Debt which is to be or has been incurred pursuant to any Non-Contingent Loan if such incurrence or change would cause the Adjusted Principal Amount of all Priority 1 Debt incurred pursuant to Non-Contingent Loans falling due more than 25 years after the relevant time to be equal to or exceed 20% of the Total Collateral Value at the relevant time (or, if such 20% threshold was already equalled or exceeded immediately prior to such incurrence or change, to be exceeded further); and
- (c) any Priority 1 Debt or Priority 2 Debt which is to be or has been incurred pursuant to any Non-Contingent Loan if such incurrence or change would cause the Adjusted Principal Amount of all Priority 1 Debt and Priority 2 Debt incurred pursuant to Non-Contingent Loans falling due more than 25 years after the relevant time to be equal to or exceed 30% of the Total Collateral Value at the relevant time (or, if such 30% threshold was already equalled or exceeded immediately prior to such incurrence or change, to be exceeded further),

(the “**Maturity Restrictions**”).

For the purposes of the Maturity Restrictions and the paragraph below:

- (a) commercial paper which is supported by (i) a backstop liquidity facility, subject to subparagraph (ii) below, will be deemed to fall due upon the latest possible scheduled maturity date of such facility or (ii) a revolving facility provided pursuant to an ACF Agreement shall be deemed to fall due on the date upon which amounts drawn under such facility would be deemed to fall due in accordance with paragraphs (b) to (d) (inclusive) below;
- (b) subject to paragraph (c) and (d) below, revolving facilities will be deemed to fall due and to be repayable on the scheduled expiry of such facility;
- (c) if any amount is drawn under a revolving facility made available pursuant to an ACF Agreement, and the ACF Providers’ commitment under that facility is scheduled to reduce in part at any future date (in this section, the “**step down date**”), an amount equal to the positive difference (if any) between the amount drawn under such facility at any relevant time and the amount that will be the ACF Providers’ commitment under such facility immediately following the step down date will be deemed to fall due on the step down date; and
- (d) if any revolving facility made available pursuant to an ACF Agreement has a final maturity falling at least four years from the date (the “**start date**”) on which such facility was granted or extended, then, subject to (c) above, in the first two years from the start date no amount shall (for these purposes only) be treated as falling due but on and after the second anniversary of the start date the amount from time to time drawn under the facility will be treated as falling due and being repayable on the scheduled expiry of such facility.

For the avoidance of doubt, the Maturity Restrictions are without prejudice to the provisions of the Security Trust and Intercreditor Deed referred to in “– *Basic Terms Modifications*”, page 132, below and “– *Rating Affirmed Matters*”, page 133, below.

To the extent that Priority 1 Debt, Priority 2 Debt or Subordinated Debt incurred pursuant to a Non-Contingent Loan does not have a scheduled maturity date at least two years later than its expected maturity date or does not have an expected maturity date (such expectation arising in each case by virtue of an actual margin step-up on a scheduled date), then the Obligors will ensure that either:

- (a) a reserve will be created, a committed facility entered into or an existing facility blocked in the amount of at least 50% of the Adjusted Principal Amount of such Priority 1 Debt, Priority 2 Debt or Subordinated Debt which is due on the latest possible scheduled maturity date not later than twelve months prior to the latest possible scheduled maturity date. This reserve/commitment will be increased over the following months such that it represents at least 75% of the Adjusted Principal Amount of such Priority 1 Debt, Priority 2 Debt or Subordinated Debt which is due on the latest possible scheduled maturity date not later than nine months prior to, and 100% not later than six months prior to, the latest possible scheduled maturity date; or
- (b) the absence of the reserve, commitment or blocked facility referred to in paragraph (a) above is approved as a Rating Affirmed Matter not less than 10 and not more than 14 months prior to the latest possible scheduled maturity date in respect of such Priority 1 Debt, Priority 2 Debt or Subordinated Debt.

Liquidity Facility Agreements

Mandatory Liquidity Provisions: FinCo will not enter into any Liquidity Facility Agreement on or before the Exchange Date. FinCo may, however, in the circumstances described below, be required to enter into Liquidity Facility Agreements from time to time. If it does, it shall ensure that the relevant Liquidity Facility Provider has acceded to the Common Terms Agreement and the Security Trust and Intercreditor Deed in its capacity as such and satisfies certain other criteria set out in the Common Terms Agreement.

If the LTV or the Additional LTV is greater than or equal to 56% as at any Tier Test Calculation Date or Additional Calculation Date, FinCo will be considered to have “breached” the Liquidity Threshold and will be required to either:

- (a) have in place, at all times during the Liquidity Relevant Period, committed Liquidity Facilities which have an aggregate commitment amount (whether drawn or undrawn) equal to or greater than the Required Liquidity Amount; or
- (b) Prepay Non-Contingent Loans during the Liquidity Relevant Period in accordance with the Liquidity Prepayment Provision (see “– *Mandatory Prepayment Provisions*”, page 90, below).

FinCo will, pursuant to the Common Terms Agreement, be deemed to have complied with its obligations under (a) above by having the Required Liquidity Amount from time to time standing to the credit of a separate ledger in the Income Replacement Account maintained by the Cash Manager for the purpose (the “**Liquidity Ledger**”).

FinCo will be entitled (through the Cash Manager), and obliged, to access the funds standing to the credit of the Liquidity Ledger to the extent that interest on Priority 1 Debt (and amounts, other than in respect of Rental Loans, ranking senior thereto under the relevant Security Group Priority of Payments) are not capable of being paid on their due dates from cash that is available to be applied in making payments pursuant to the Security Group Pre-Enforcement Priority of Payments (up to the amount of such ledger balance); and the Obligor Security Trustee will be required and obliged to access the funds standing to the credit of the Liquidity Ledger to the extent of any such shortfall in respect of cash that is available to be applied in making payments pursuant to the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments (up to the amount of such ledger balance). As in the case of any other Obligor Account, the balance on the Income Replacement Account will be applied as and when determined by the Obligor Security Trustee in accordance with the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments after delivery of a Loan Acceleration Notice. The Obligors will be permitted to withdraw funds standing to the credit of the Liquidity Ledger at any time to the extent that such funds exceed the Required Liquidity Amount at that time.

Restrictions on drawdown: FinCo shall not be permitted to draw any Financial Indebtedness under any Liquidity Facility Agreement entered into pursuant to the foregoing provisions except for the purpose of paying interest on Priority 1 Debt (and amounts, other than in respect of Rental Loans, ranking senior thereto under the relevant Security Group Priority of Payments).

Other Liquidity Facility Agreements: FinCo will be permitted from time to time to enter into Liquidity Facility Agreements (in addition to any that may be required to be in place pursuant to the covenant set out above) which will be capable of being drawn for the purpose of paying interest on Financial Indebtedness of any Debt Rank as may be agreed with the relevant Liquidity Facility Provider and certain other amounts ranking senior thereto under the relevant Security Group

Priority of Payments; provided that FinCo shall not enter into any such Liquidity Facility Agreement if it would cause the aggregate amount committed under such Liquidity Facility Agreements to exceed 2% of the Total Collateral Value (as calculated as of the most recent Scheduled Calculation Date falling prior to the date of the relevant Liquidity Facility Agreement).

Ranking: The ranking in point of security of Financial Indebtedness incurred under the Liquidity Facility Agreements *vis-à-vis* the other Financial Indebtedness of the Security Group will be determined in accordance with the Security Trust and Intercreditor Deed (see the Security Group Priorities of Payments set out in “– *Security Trust and Intercreditor Deed*”, page 126, below).

Swap Agreements and Hedging Covenant

FinCo or any Financial SPV Obligor will be permitted to enter into Swap Transactions from time to time after the Exchange Date and may be required to do so in order to satisfy the requirements of the Hedging Covenant. Land Securities PLC will be permitted to be a party to the Initial Swap Agreements but no others.

All of the Initial Swap Agreements have been entered into in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency-Cross Border). Swap Transactions entered into after the Exchange Date will be required to be pursuant to Swap Agreements substantially in the form of the Initial Swap Agreements unless otherwise agreed by the Rating Agencies (see “– *Hedging Arrangements*”, page 165, below for further details).

The Obligors will be required to ensure that permitted Obligors enter into Swap Transactions in accordance with the Common Terms Agreement to ensure that, as of the Exchange Date and each Scheduled Calculation Date and Additional Calculation Date, the Security Group (to be treated for this purpose as a single entity with all the Financial Indebtedness of all the Obligors and taking into account the Initial Swap Agreements to which Land Securities PLC is a party for so long as the Initial Swap Agreements remain in force) is hedged against interest rate fluctuations in respect of:

- (a) if the T1 Covenant Regime or the T2 Covenant Regime applies on that day:
 - (i) all interest payments that the Security Group is scheduled to make after that day but prior to the second anniversary of that day in respect of not less than 75% (by Adjusted Principal Amount on that day) of Non-Contingent Loans which are outstanding on that day; and
 - (ii) all interest payments that the Security Group is scheduled to make on or at any time after the second anniversary of that day in respect of not less than 50% (by Adjusted Principal Amount on that day) of Non-Contingent Loans which are outstanding on that day; or
- (b) save as provided below, if a T3 Covenant Regime applies on that day:
 - (i) all interest payments that the Security Group is scheduled to make after that day but prior to the fifth anniversary of that day in respect of not less than 90% (by Adjusted Principal Amount on that day) of Non-Contingent Loans which are outstanding on that day;
 - (ii) all interest payments that the Security Group is scheduled to make on or after the fifth anniversary of that day but before the tenth anniversary of that day in respect of not less than 75% (by Adjusted Principal Amount on that day) of Non-Contingent Loans which are outstanding on that day; and
 - (iii) all interest payments that the Security Group is scheduled to make on or after the tenth anniversary of that day in respect of not less than 50% (by Adjusted Principal Amount on that day) of Non-Contingent Loans which are outstanding on that day,

provided that any interest payments that any member of the Security Group is scheduled to make in respect of a Non-Contingent Loan which has a scheduled maturity date falling after its expected maturity date (such expectation arising by virtue of an actual margin step-up on a scheduled date) shall be disregarded for the purposes of paragraphs (a) and (b) above unless and until such Non-Contingent Loan is not repaid in full on such expected maturity date.

Upon entering a T3 Covenant Regime from either the T1 Covenant Regime or the T2 Covenant Regime, the Obligors will not be required to comply with the requirements of paragraph (b) above until the date falling 45 days after the date upon which the T3 Covenants begin to apply.

The Security Group (to be treated for this purpose as a single entity with all the Financial Indebtedness of all the Obligors) will also be required to ensure that its net currency exposure is fully hedged into sterling as of the Exchange Date, each Scheduled Calculation Date and Additional Calculation Date, provided and to the extent that the Security Group's aggregate net currency exposure exceeds £50,000,000 (or its spot equivalent in the relevant currency/ies) (subject to Indexation). For this purpose, the Security Group's "**net currency exposure**" for a currency other than sterling means the Adjusted Principal Amount of the Financial Indebtedness denominated in such currency less the aggregate value of its assets which are denominated in such currency or situated in the relevant currency zone, as determined by the Principal Obligor or, if such sum is a negative number, zero.

The Obligors will be prohibited from entering into Swap Transactions with counterparties other than those having the Swap Counterparty Minimum Short-Term Ratings and Swap Counterparty Minimum Long-Term Ratings or whose obligations in respect of such Swap Transaction are fully and unconditionally guaranteed by a financial institution which has the Swap Counterparty Minimum Short-Term Ratings and Swap Counterparty Minimum Long-Term Ratings. The Obligors will also be prohibited from entering into any Swap Transaction which is either (a) unrelated to any existing liability of the Security Group (taken as a whole) or any other permitted liability unless such Swap Transaction is related to a liability which is expected by the Obligors to come into existence and which is a liability in relation to the whole or part of which the Obligors would reasonably expect to enter into a Swap Transaction or (b) for more than 120% of the aggregate liabilities of the Security Group (taken as a whole) which, but for being hedged, would be subject to the risk of interest rate and/or currency fluctuation.

The Hedging Covenant will be reviewed from time to time by the Security Group and may be amended by the Security Group in line with market developments, regulatory developments or good industry practice. If the Security Group wishes to make any such amendments, however, it must deliver a request setting out the proposed amendments to the Rating Agencies and the Obligor Security Trustee; and subject to the exercise of any relevant Blocking Rights any such proposed amendments to the Hedging Covenant will only be effective upon such amendment being approved as a Rating Affirmed Matter.

Ranking: The ranking in point of security of the Obligors' liabilities under the Swap Agreements, *vis-à-vis* other Secured Financial Indebtedness of the Obligors, will be determined in accordance with the Security Trust and Intercreditor Deed (see the Security Group Priorities of Payments set out in "*– Security Trust and Intercreditor Deed*", page 126, below).

PREPAYMENT OF NON-CONTINGENT LOANS

Introduction

The Obligors will be permitted (and may, in the circumstances described in this section, be required) to Prepay Non-Contingent Loans (being Loans which are not Contingency Bonds) from time to time in accordance with the Common Terms Agreement. Prepayment may be effected in a number of ways, including the deposit of funds into the Debt Collateralisation Account and (in the case of ICL Loans) the purchase and surrender by FinCo of the Notes which correspond to such Loan.

General covenants

The Obligors will not be permitted to Prepay any Non-Contingent Loan if an Obligor Event of Default is continuing unwaived (other than a Prepayment which would have the effect of remedying an Obligor Event of Default or is part of a series of transactions scheduled to complete within a single 30-day period that will, together, have the effect of remedying such Obligor Event of Default) or if such Prepayment would be a Prohibited Transaction (provided that the foregoing will not prohibit the Actual Prepayment and/or Buyback at any time of any Non-Contingent Loan from amounts standing to the credit of the DCA Ledger for that Non-Contingent Loan – see "*– Collateralisation*", page 89, below).

FinCo, when Actually Prepaying any ICL Loan permitted or required to be Prepaid in whole or in part on any date, shall pay to the Issuer, in addition to the principal amount of such Prepayment (the "**Prepayment Amount**"):

- (a) all accrued but unpaid interest on the Prepayment Amount; and

- (b) (by virtue of the matching terms of each ICL Loan with the corresponding Notes) an amount equal to any additional amount that the Issuer will be required to pay to the holders of the corresponding Notes in order to prepay an amount of principal of such Notes equal to the Prepayment Amount, including any premium or penalty payable on such Notes, in each case calculated in accordance with Condition 8 (*Redemption, Purchase and Cancellation*).

Source of Prepayment

The Obligors will not be permitted to:

- (a) Actually Prepay or Buyback any Non-Contingent Loan on any date except from one or more of the following sources of funds:
- (i) funds (from any source) remaining on such date after all other amounts payable by the Obligors pursuant to paragraphs (a) to (s) (or paragraphs (a) to (j), if such Actual Prepayment or Buyback is a Mandatory Prepayment) of the Security Group Pre-Enforcement Priority of Payments have been paid;
 - (ii) proceeds from a Permitted Drawing made on such date; and
 - (iii) funds standing to the credit of the Debt Collateralisation Account on such date (provided that the Obligors will not be permitted to use funds standing to the credit of a DCA Ledger for one Non-Contingent Loan to Actually Prepay or Buyback any other Non-Contingent Loan without the prior written consent of the Obligor Security Trustee, acting on the instructions of the Note Trustee (in turn acting on an Extraordinary Resolution of the Noteholders of the Affected Class) or, as the case may be, of the Representative of the relevant ACF Provider(s)); or
- (b) Collateralise any Non-Contingent Loan except from one or more of the sources of funds described in paragraphs (a)(i) and (a)(ii) above.

Collateralisation

The Cash Manager (on behalf of the Obligors) will be required to establish and maintain sub-ledgers ("**DCA Ledgers**") in respect of amounts standing to the credit of the Debt Collateralisation Account from time to time. If the Obligors Collateralise any individual Non-Contingent Loan, the Cash Manager will (pursuant to the Account Bank and Cash Management Agreement) be required to establish and maintain a DCA Ledger for such Non-Contingent Loan, credit to such DCA Ledger all amounts deposited to the Debt Collateralisation Account from time to time to Collateralise such Non-Contingent Loan and debit from such DCA Ledger all amounts which are withdrawn from the Debt Collateralisation Account from time to time to Actually Prepay or Buyback such Non-Contingent Loan. Amounts standing to the credit of any DCA Ledger may be used to acquire Eligible Investments from time to time (and such ledger will be debited accordingly), provided that all repayments of principal received by the Obligors in respect of such investments will be required to be credited to such DCA Ledger on the relevant date of receipt.

The Obligors will be permitted to Collateralise any Non-Contingent Loan permitted or required to be Prepaid in accordance with the Common Terms Agreement by depositing an amount in respect of the relevant Prepayment Amount in respect of such Non-Contingent Loan into the Debt Collateralisation Account and crediting the amount of such deposit to the DCA Ledger for such Non-Contingent Loan. Notwithstanding the foregoing, the Obligors will be prohibited from Collateralising any Non-Contingent Loan if the Actual Prepayment or Buyback of such Non-Contingent Loan would be a Prohibited Transaction. For the avoidance of doubt, Collateralisation of a Loan will not affect the obligation of the relevant Obligors *vis-à-vis* the relevant creditor in respect of that Loan.

If the Obligors cease to be required to Prepay Non-Contingent Loans pursuant to any of the applicable Mandatory Prepayment Provisions, and at such time there are any sums standing to the credit of either the cash sub-ledger or the investment sub-ledger of any DCA Ledger, FinCo shall be entitled to withdraw all or any of such sums in accordance with the provisions described in "*Debt Collateralisation Account*", page 115, below.

Order of Prepayment

The Obligors will not be permitted to Prepay Subordinated Debt or Unsecured Debt for so long as any amount of Priority 1 Debt or Priority 2 Debt required to be Prepaid in accordance with the Headroom Test Prepayment Provision has not been so Prepaid. Otherwise, unless the Sequential Prepayment Regime applies, the Obligors will be permitted to Prepay any Loan permitted or

required to be Prepaid in accordance with the Common Terms Agreement without regard to the Debt Rank of such Loan.

The regime (the “**Sequential Prepayment Regime**”) described below will apply to all Prepayments made pursuant to the Mandatory Prepayment Provisions, while an Obligor Event of Default is continuing unwaived or while a T3 Covenant Regime applies, other than the following:

- (a) the Actual Prepayment or Buyback of a Non-Contingent Loan from funds standing to the credit of the DCA Ledger for that Non-Contingent Loan; or
- (b) the Actual Prepayment of a Non-Contingent Loan from the proceeds of any Permitted Drawing of Financial Indebtedness having a Debt Rank which is equal to or lower than the Debt Rank of the Non-Contingent Loan so Prepaid.

If the Sequential Prepayment Regime applies, all Prepayments which are otherwise permitted or required by the Common Terms Agreement will be required to be made in the following order of priority:

- (a) first, if any Priority 1 Debt remains outstanding on that date, *pro rata* and *pari passu* in or towards Prepayment of all outstanding Non-Contingent Loans which are Priority 1 Debt until all of such Loans have been Prepaid in full;
- (b) second, if any Priority 2 Debt remains outstanding on that date, *pro rata* and *pari passu* in or towards Prepayment of all outstanding Non-Contingent Loans which are Priority 2 Debt until all of such Loans have been Prepaid in full; and
- (c) third, if any Subordinated Debt remains outstanding on that date, and:
 - (i) a Subordinated Debt Split has not yet occurred, *pro rata* and *pari passu* in or towards Prepayment of all outstanding Non-Contingent Loans which are Subordinated Debt; or
 - (ii) a Subordinated Debt Split has occurred, in or towards Prepayment of all outstanding Non-Contingent Loans which are Subordinated Debt in order of seniority (as determined by the Secondary Debt Rank of each such Loan), provided that Non-Contingent Loans having the same Secondary Debt Rank shall be Prepaid *pro rata* and *pari passu*.

For the avoidance of doubt, the Obligors will not be permitted to Prepay any Non-Contingent Loan while the Sequential Prepayment Regime applies unless they Prepay, *pro rata* and *pari passu*, all other Non-Contingent Loans having the same Debt Rank.

ICL Loans

The Obligors will not be permitted to Actually Prepay any ICL Loan on any date other than a date upon which the Issuer is permitted or required to redeem principal on the corresponding Notes in accordance with Condition 8.

Purchase of Notes by Obligors

FinCo or any other Obligor which is tax resident in the United Kingdom and which meets certain other criteria set out in the Common Terms Agreement may at any time purchase any of the Notes. If FinCo purchases any Notes and it elects to surrender such Notes:

- (a) it shall forthwith notify the Issuer and the Note Trustee of the same and surrender such Notes to the Issuer for cancellation in accordance with Condition 8(h) (*Redemption, Purchase and Cancellation – Purchase by FinCo and other Obligors*); and
- (b) upon cancellation of such Notes (other than any Class R Notes) in accordance with such Condition:
 - (i) an amount equal to the amount of accrued but unpaid interest on such Notes as at the date of cancellation shall be deemed to have been paid on the corresponding ICL Loan; and
 - (ii) an amount equal to the Principal Amount Outstanding of such Notes as at the date of cancellation shall be deemed to have been repaid on the corresponding ICL Loan,

in each case on the date of such cancellation, and upon such cancellation, the corresponding ICL Loan will be deemed to have been Prepaid by way of Buyback.

Mandatory Prepayment Provisions

The Obligors will be required to Prepay Non-Contingent Loans in part in the circumstances described in this section.

Upon Ratings Event or failure to obtain Ratings Affirmation: If, during any five year period which begins on the later of (A) the Exchange Date and (B) the most recent Ratings Affirmation:

- (a) a Ratings Event occurs and does not cease to occur on or prior to the last day of such five year period; or
- (b) no Ratings Affirmation is obtained on or prior to the last day of such five year period,

then, on and from the last day of such five year period until the Ratings Event ceases to occur or a Ratings Affirmation is obtained, as applicable, the Obligors will be required, on each date specified in the most recent Amortisation Schedule, to Prepay Non-Contingent Loans in an amount equal to the amount specified in such Amortisation Schedule (the foregoing being the “**Ratings Event Prepayment Provision**”).

Upon breach of Prepayment Headroom Test: If the Prepayment Headroom Test is not satisfied as of any Tier Test Calculation Date or Additional Calculation Date, the Obligors will be required, on and from the date of delivery of the Calculation Certificate in respect of such Calculation Date (or, if sooner, the date upon which such Calculation Certificate is required to be delivered) to Prepay Non-Contingent Loans that are Priority 1 Debt or Priority 2 Debt in an amount equal to that which would have been sufficient to cause the Prepayment Headroom Test to be satisfied as of such Tier Test Calculation Date or Additional Tier Test Calculation Date (the “**Headroom Test Prepayment Provision**”).

While a T3 Covenant Regime applies: For so long as a T3 Covenant Regime applies, the Obligors will be required on each date specified in the most recent Amortisation Schedule to Prepay Non-Contingent Loans in an amount equal to the amount specified in such Amortisation Schedule (the “**T3 Prepayment Provision**”).

Pursuant to the Mandatory Liquidity Provisions: If, during any Liquidity Relevant Period, the aggregate of (a) the aggregate amount committed under all Liquidity Facility Agreements which comply with the Mandatory Liquidity Provisions (if any) and (b) the amount (if any) standing to the credit of the Liquidity Ledger, is less than the Required Liquidity Amount, the Obligors will be required on each date specified in the most recent Amortisation Schedule throughout the Liquidity Relevant Period to Prepay Non-Contingent Loans in an amount equal to the amount specified in such Amortisation Schedule (the “**Liquidity Prepayment Provision**”).

Due to breach of P1 Debt Test: If the P1 LTV calculated as of the most recent:

- (a) Tier Test Calculation Date exceeds 55% (or, during a Change of Control Period, 50%); or
- (b) Additional Calculation Date exceeds 55% (or, during a Change of Control Period, 50%), and the relevant Additional LTV (ignoring all debt other than Priority 1 Debt and amounts ranking senior to Priority 1 Debt in accordance with the relevant Security Group Priority of Payments as at the date of the test) calculated as of that date is not less than or equal to 55% (or, during a Change of Control Period, 50%),

(such Calculation Date being a “**P1 Breach Date**”), and a P1 Breach Amount remains outstanding on the day after the later of:

- (i) the date of delivery to the Obligor Security Trustee of a Calculation Certificate in respect of such P1 Breach Date or the date upon which a Calculation Certificate was required to be delivered in respect of such P1 Breach Date, whichever is earlier (the “**P1 Breach Certificate Date**”); and
- (ii) if any Revolving R1 ICL Loan is outstanding as of the P1 Breach Certificate Date, the first rollover date to occur in respect of that Revolving R1 ICL Loan following the P1 Breach Certificate Date,

the Obligors will be required on each date specified in the most recent Amortisation Schedule to Prepay Non-Contingent Loans in an amount equal to the amount specified in such Amortisation Schedule (the “**P1 Debt Prepayment Provision**”) until such time as no P1 Breach Amount is outstanding.

Pursuant to DPA Prepayment Provision: The Obligors will be required to apply certain amounts standing to the credit of the Disposal Proceeds Account to the Prepayment of Non-Contingent Loans from time to time, as described in “– Disposal and Insurance Proceeds”, page 116, below (the “**DPA Prepayment Provision**”).

Due to breach of LTV threshold during Change of Control Period: For so long as:

- (a) a Change of Control Period applies and either the T1 Covenant Regime or the T2 Covenant Regime applies; and
- (b) the LTV or Additional LTV calculated as of the most recent Calculation Date falling during such Change of Control Period is greater than (i) 60%, (ii) 50% (if only Priority 1 Debt were taken into account for the purpose of determining the Security Group Net Debt Outstanding) or (iii) 40% (if only Priority 1 Debt other than Revolving R1/R2 Loans were taken into account for the purpose of determining the Security Group Net Debt Outstanding),

the Obligors will be required on each date specified in the most recent Amortisation Schedule to Prepay Non-Contingent Loans in an amount equal to the amount specified in such Amortisation Schedule (the “**Change of Control Prepayment Provision**” and, together with the Ratings Event Prepayment Provision, the Headroom Test Prepayment Provision, the T3 Prepayment Provision, the Liquidity Prepayment Provision, the P1 Debt Prepayment Provision and the DPA Prepayment Provision, the “**Mandatory Prepayment Provisions**”). The obligation of the Obligors to Prepay Non-Contingent Loans in accordance with each of the Headroom Test Prepayment Provision and the DPA Prepayment Provision is in each case without prejudice to any other Mandatory Prepayment Provision, and *vice versa*.

Mandatory Prepayments (other than those made pursuant to the DPA Prepayment Provision, where the obligation to Prepay is absolute) will only be required to be made to the extent of the availability of funds on the relevant date and any subsequent day in accordance with the applicable Security Group Priority of Payments (in this section, the “**limited recourse provision**”). If, by reason of the limited recourse provision, a Mandatory Prepayment is not made in full on any date upon which it is scheduled to be paid, the unpaid amount of such Prepayment will (subject to the limited recourse provision) be required to be paid on the next following day.

The amounts required to be Prepaid pursuant to the Mandatory Prepayment Provisions (other than the Headroom Test Prepayment Provision and the DPA Prepayment Provision) will be calculated by the Obligors (or the Cash Manager on their behalf) by drawing up an Amortisation Schedule on the relevant Amortisation Determination Date by reference to the Non-Contingent Loans which are Priority 1 Debt or Priority 2 Debt then outstanding, which schedule shall be replaced by an updated Amortisation Schedule (which, for the avoidance of doubt, will not change the quarterly payment dates or extend the final payment date of the superseded Amortisation Schedule) if:

- (a) there are further drawings of Non-Contingent Loans which are Priority 1 Debt or Priority 2 Debt; or
- (b) the Obligors Prepay Non-Contingent Loans which are Priority 1 Debt or Priority 2 Debt (excluding Prepayments made pursuant to an existing Amortisation Schedule),

in each case at a time when there is a continuing obligation to make such Prepayments. The first Prepayment date in respect of any Mandatory Prepayment Provision (other than the Ratings Event Prepayment Provision, the Headroom Test Prepayment Provision and the DPA Prepayment Provision) will be the first Financial Quarter Date which falls not less than five Business Days following the event giving rise to the obligation to Prepay (provided that, in the case of the T3 Prepayment Provision, the “event giving rise to the obligation to Prepay” shall occur on the relevant Calculation Date rather than the date as of which the Calculation Certificate is delivered in respect of that Calculation Date). The Obligors may update the Amortisation Schedule at their option from time to time to take account of the amount of Priority 1 Debt and Priority 2 Debt then outstanding (provided that such update will not change the quarterly payment dates or extend the final payment date of the superseded Amortisation Schedule).

TESTING

Introduction

The Obligors (or the Principal Obligor on their behalf) will be required to conduct the Tier Tests, the Additional Tier Tests, the P1 Debt Test, the Headroom Tests, the Prepayment Headroom Test and the Transaction LTV Test from time to time in accordance with the Common Terms Agreement. Each of these tests (which shall be conducted by the Principal Obligor on behalf of the Obligors) calculates certain loan to value and/or interest coverage ratios in respect of the Security Group for the purposes, at the times and in the manner, described below.

Purposes of tests

The Tier Tests will determine the Covenant Regime to which the Obligors will be required to adhere from time to time.

The Additional Tier Tests will determine the Covenant Regime that will apply to (and following the completion of) certain Acquisitions, the incurring of Financial Indebtedness and certain other transactions proposed to be entered into by the Obligors from time to time.

The Headroom Tests will determine (a) the amount of Permitted Drawings available to be drawn by the Obligors from time to time and (b) whether the Obligors will be permitted to enter into contracts in respect of Proposed Additional Transactions from time to time. The Prepayment Headroom Test will determine whether any Outstanding Bond Debt Amount is covered by headroom for Priority 2 Debt and, if not, the amount of Non-Contingent Loans which are Priority 1 Debt or Priority 2 Debt which must be Prepaid.

The P1 Debt Test will determine the asset cover for the Priority 1 Debt and higher-ranking Financial Indebtedness by reference to a loan to value test only and whether, and the extent to which, Revolving R1/R2 Loans (if any) must change from Priority 1 Debt to Priority 2 Debt and/or Prepayments of Non-Contingent Loans must be made.

The Transaction LTV Test will determine whether the Obligors will be required to reserve for Tax in respect of certain transactions entered into at a time when either the T1 Covenant Regime or T2 Covenant Regime applies in accordance with the Tax Deed of Covenant from time to time.

When tests conducted

The Obligors will (among other things) be required to conduct one or more of the following tests on and/or as of the dates indicated below:

- (a) the Tier Tests as of each Scheduled Calculation Date and on each Optional Calculation Date (together the “**Tier Test Calculation Dates**”), provided that the Obligors will only be required to calculate the Historical ICR as of Scheduled Calculation Dates falling on or following the first anniversary of the Exchange Date (the Obligors being permitted, but not required, to calculate the Historical ICR on each Optional Calculation Date);
- (b) the P1 Debt Test as of each Tier Test Calculation Date (but only if the Tier Tests conducted as of that Tier Test Calculation Date indicate that the T1 Covenant Regime does not apply) and Additional Calculation Date as of which the T1 Covenant Regime does not apply;
- (c) the Additional Tier Tests, the P1 Headroom Test, the P2 Headroom Test and (if necessary) the SD Headroom Test and/or the UD Headroom Test on each Additional Calculation Date;
- (d) the Transaction LTV Test on each Transaction LTV Calculation Date;
- (e) the Prepayment Headroom Test as of each Tier Test Calculation Date and on each Additional Calculation Date, in each case as of which the Outstanding Bond Debt Amount is greater than zero; and
- (f) the Development Test as of each Tier Test Calculation Date and prior to entering into any building contract with respect to a Development Project.

The Obligors will also be required to determine whether a P1 Trigger Event or a P2 Trigger Event has occurred as of any Calculation Date (see “– *Loan Enforcement Notice and Enforcement Action*”, page 138, below).

LTV to be calculated on Exchange Date

On the Exchange Date, the Obligors will calculate the LTV (see “– *The Tier Tests*” on page 94 below) and deliver a Calculation Certificate in respect of that calculation (see “– *Calculation Certificates*” on page 98 below). The Exchange Date will be treated as a Tier Test Calculation Date for certain limited purposes under the Common Terms Agreement; however, the Obligors will not be required to conduct any tests on the Exchange Date (except as stated above) and no Tier Determination Date will occur in respect of the Exchange Date. The T1 Covenant Regime will apply on and from the Exchange Date to the earliest of the first Tier Determination Date and the first Additional Tier Determination Date (see “*Determining the Applicable Covenant Regime*” on page 100 below).

Summary of the Calculation Tests and their purposes

| TEST DATES / TEST TYPE | SCHEDULED CALCULATION DATES | ADDITIONAL CALCULATION DATES | OPTIONAL CALCULATION DATES | TRANSACTION LTV CALCULATION DATES | PURPOSE OF TEST |
|--|-----------------------------|------------------------------|----------------------------|-----------------------------------|---|
| Tier Tests – LTV, Historical ICR and Projected ICR | ✓ ^H | — | ✓ ^H | — | Determines which Covenant Regime applies on and from the Tier Determination Date following the relevant Tier Test Calculation Date |
| P1 Debt Test - P1 LTV | ✓ ^P | ✓ ^P | ✓ ^P | — | Determines asset cover for the Priority 1 Debt and higher-ranking Financial Indebtedness and whether, and the extent to which, Revolving R1/R2 Loans (if any) must change from Priority 1 Debt to Priority 2 Debt and/or Prepayments of Non-Contingent Loans must be made |
| Additional Tier Tests and Headroom Tests – Additional LTV, Additional Projected ICR and Pro Forma Historical ICR | — | ✓ ^H | — | — | Determines which Covenant Regime applies on and from the Additional Tier Determination Date following the relevant Additional Calculation Date and whether certain transactions are permitted under the Common Terms Agreement |
| Transaction LTV Test | — | — | — | ✓ ^T | Determines whether any reserve is required to be made in respect of any tax payable by an Obligor in respect of a Specified Arrangement or a material Disposal |
| Prepayment Headroom Test | ✓ ^{PH} | ✓ ^{PH} | ✓ ^{PH} | — | Determines whether the Obligors will be required to Prepay Non-Contingent Loans in accordance with the Headroom Test Prepayment Provision |

Notes:

- ^H The Obligors will only be required to conduct the Historical ICR in respect of Scheduled Calculation Dates falling on or following the first anniversary of the Exchange Date. In addition, the Obligors may elect (but will not be required) to conduct the Historical ICR on any Optional Calculation Date and the Pro Forma Historical ICR as of any Additional Calculation Date.
- ^P The P1 Debt Test will be conducted only as of (a) Tier Test Calculation Dates if the Tier Tests conducted as of such Calculation Dates indicate that the T1 Covenant Regime does not apply and (b) Additional Calculation Dates as of which the T1 Covenant Regime does not apply.
- ^T The Transaction LTV Test will be conducted on a Transaction LTV Calculation Date only if the T1 Covenant Regime or T2 Covenant Regime then applies.
- ^{PH} The Prepayment Headroom Test will only be calculated as of Tier Test Calculation Dates and on Additional Calculation Dates, in each case as of which the Outstanding Bond Debt Amount is greater than zero.

The Tier Tests

The Obligors will be required to calculate:

- (a) as of each Tier Test Calculation Date:
- a percentage (the “LTV”) equal to the Security Group Net Debt Outstanding as of such date divided by the Total Collateral Value as of such date (with the quotient being multiplied by 100); and
 - the ratio (the “**Projected ICR**”) of the Projected EBITDA to the Projected Interest Charges, in each case calculated in respect of the Forward-Looking Calculation Period relating to such date; and
- (b) as of each Tier Test Calculation Date which is also a Scheduled Calculation Date falling on or after the first anniversary of the Exchange Date and on each Optional Calculation Date upon which the Obligors have elected to calculate the Historical ICR, the ratio (the “**Historical ICR**”) of the Historical EBITDA to the Historical Interest Charges, in each case calculated in respect of the Historical Calculation Period relating to such date.

The P1 Debt Test

If the Tier Tests conducted as of any Tier Test Calculation Date indicate that the Tier 1 Covenant Regime does not apply, the Obligors will be required to recalculate the LTV, ignoring for the purposes of such recalculation all Financial Indebtedness other than outstanding Priority 1 Debt and amounts ranking senior to Priority 1 Debt in accordance with the relevant Security Group

Priority of Payments (such recalculation being the “**P1 Debt Test**”). The Obligors will also be required to conduct the P1 Debt Test as of each Additional Calculation Date as of which the T1 Covenant Regime does not apply (for the avoidance of doubt, ignoring the effects of the relevant Proposed Additional Transaction for the purposes of such test).

The Obligors may be required to refinance Revolving R1/R2 Loans which are Priority 1 Debt with Revolving R1/R2 Loans which are Priority 2 Debt and/or Prepay Non-Contingent Loans if the LTV calculated pursuant to the P1 Debt Test (the “**P1 LTV**”) exceeds certain thresholds as of any relevant Calculation Date. See “– *Reborrowing restrictions and requirements applicable to Revolving R1/R2 Loans*” immediately below and “– *Due to breach of P1 Debt Test*”, page 91, above.

Reborrowing restrictions and requirements applicable to Revolving R1/R2 Loans

If the P1 LTV calculated as of the most recent:

- (a) Tier Test Calculation Date exceeds 55% (or, during a Change of Control Period, 50%); or
- (b) Additional Calculation Date exceeds 55% (or, during a Change of Control Period, 50%), and the relevant Additional LTV (ignoring all Financial Indebtedness other than Priority 1 Debt and amounts ranking senior to Priority 1 Debt in accordance with the relevant Security Group Priority of Payments) calculated as of that date is not less than or equal to 55% (or, during a Change of Control Period, 50%),

then:

- (i) on the P1 Breach Certificate Date, Revolving R1/R2 ACF Loans which are Priority 1 Debt will be automatically redesignated as Priority 2 Debt in an amount equal to the R1/R2 Pro Rata Amount;
- (ii) the Obligors will be prohibited from redesignating as Priority 1 Debt any Revolving R1/R2 ACF Loan which is Priority 2 Debt if there would be a P1 Breach Amount immediately after such redesignation; and
- (iii) if any Revolving R1/R2 Loan which is Priority 1 Debt is outstanding as of the P1 Breach Certificate Date, the Obligors will be prohibited from refinancing such Revolving R1/R2 Loan (in whole or in part) with another Revolving R1/R2 Loan which is Priority 1 Debt if there would be a P1 Breach Amount immediately following such refinancing.

The Additional Tier Tests and Headroom Tests

If the Obligors (or any of them) wish to do any of the following or any combination of the following (other than borrowing the Initial ICL Loans and Initial ACF Loans) which the Principal Obligor, acting reasonably, expects to complete within a single 30 day period (or such lesser period as the Principal Obligor may elect):

- (a) incurring any Financial Indebtedness which would cause the Security Group Net Debt Outstanding (were the same to be calculated immediately following such incurrence in accordance with the Tier Tests) to exceed, by more than the Maximum Drawing Amount, the Security Group Net Debt Outstanding calculated as of the most recent Tier Test Calculation Date in accordance with the Tier Tests; and/or
- (b) making one or more:
 - (i) Acquisitions involving an aggregate expenditure by the Security Group of more than £50,000,000 (subject to Indexation) since the later of the last Tier Test Calculation Date and the last Additional Calculation Date; and/or
 - (ii) Disposals or Deemed Disposals or releases from the Estate (since the later of the last Tier Test Calculation Date and the last Additional Calculation Date) of Mortgaged Properties having an aggregate Market Value of greater than £50,000,000 (subject to Indexation); and/or
 - (iii) Disposals or Deemed Disposals or releases from the Estate of Mortgaged Properties of any value if it is intended that any part of the Sales Proceeds be used to finance a Restricted Payment; and/or
 - (iv) incurrences of more than £50,000,000 in aggregate (subject to Indexation) of Financial Indebtedness (other than Financial Indebtedness drawn under a Liquidity Facility) since the later of the last Tier Test Calculation Date and the last Additional Calculation Date (provided that the repayment and immediate redrawing of a revolving loan under the

same facility agreement (including the Intercompany Loan Agreement) or the issue of commercial paper (the full proceeds of which are applied, on the relevant issue date, to the redemption of commercial paper which has fallen due for redemption) shall not be treated as an incurrence of Financial Indebtedness for the purposes of this paragraph (iv) if the revolving loan which is redrawn or the commercial paper which is issued, as the case may be, has the same Debt Rank as the revolving loan so repaid or the commercial paper so redeemed, as the case may be); and/or

- (v) Prepayments of more than £50,000,000 in aggregate (subject to Indexation) since the later of the last Tier Test Calculation Date and the last Additional Calculation Date; and/or
- (vi) the withdrawal of more than £50,000,000 in aggregate (subject to Indexation) from the Disposal Proceeds Account, the Debt Collateralisation Account, any Approved Blocked Account or any combination of the foregoing (excluding withdrawals pursuant to a transfer of funds to the Disposal Proceeds Account, the Debt Collateralisation Account or any Approved Blocked Account) since the later of the last Tier Test Calculation Date and the last Additional Calculation Date,

the probable effect of which (taken as a whole), in the opinion of the Principal Obligor (acting reasonably), would be to breach the P1 Headroom Test, the P2 Headroom Test or the Financial Covenant or cause a more restrictive Covenant Regime to apply were such Headroom Tests or Tier Tests conducted immediately following the completion of such transactions; and/or

- (c) making any Acquisition while a T3 Covenant Regime applies (other than an Acquisition which (i) is part of an Intra-Security Group Disposal transaction or (ii) is funded solely by the issue of equity by one or more Obligors to persons outside the Security Group or (iii) involves a property with a purchase price of less than £5,000,000 (subject to Indexation)),

(each such transaction, or combination of transactions, as the case may be, together with any repayments of Financial Indebtedness scheduled to be made during that 30 day (or lesser) period, being a “**Proposed Additional Transaction**”), then the Obligors shall select, as a date upon which to calculate the Additional Tier Tests, a Business Day falling prior to (but not more than 10 Business Days prior to) the Proposed Completion Date in respect of such Proposed Additional Transaction (each such selected Business Day, an “**Additional Calculation Date**”).

On each Additional Calculation Date, the Obligors will calculate all of the following:

- (a) the LTV assuming, for the purposes of such calculations, that the relevant Proposed Additional Transaction (and any other Proposed Additional Transaction in respect of which the Additional Tier Tests have been conducted but an Additional Tier Determination Date has not occurred (in this section, an “**Outstanding Transaction**”)) completed as of such Additional Calculation Date (the loan to value ratio so calculated being the “**Additional LTV**”);
- (b) the Projected ICR assuming, for the purposes of such calculations, that the relevant Proposed Additional Transaction (and any Outstanding Transaction) completed as of such Additional Calculation Date (the interest cover ratio so calculated being the “**Additional Projected ICR**”);
- (c) only if the Principal Obligor elects to do so, the Historical ICR assuming, for the purpose of such calculation, that the relevant Proposed Additional Transaction (and any Outstanding Transaction) was completed as of the first day of the most recently completed Historical Calculation Period (the interest cover ratio so calculated being the “**Pro Forma Historical ICR**”);
- (d) the P1 Headroom Test and the P2 Headroom Test;
- (e) the LTV and the Projected ICR (solely for the purpose of determining whether there has been a breach of the Financial Covenant); and
- (f) if the T1 Covenant Regime does not apply as at such Additional Calculation Date, the P1 LTV,

in each case using the most recent information available to the Obligors (which information shall in any case be no older than the information set out in the most recently available month-end management accounts of the Security Group).

The Obligors shall not effect, carry out or complete any Proposed Additional Transaction or any part of it if:

- (a) the relevant Additional LTV exceeds 100%, Additional Projected ICR is less than 1.00:1 or Pro Forma Historical ICR (if calculated in respect of such Proposed Additional Transaction) is less than 1.00:1; or
- (b) such transaction would cause either the P1 Headroom Test or the P2 Headroom Test to be breached or, if already breached, to be breached further.

Standard of care regarding projections

The Common Terms Agreement will provide that all projections made by the Obligors for the purposes of any of the tests referred to in “– *The Additional Tier Tests and Headroom Tests*” immediately above, or for the purpose of determining the Projected ICR or the Transaction LTV, will in each case be made in good faith, using the projection methodologies and assumptions from time to time used by the Obligors in the ordinary course of their business. If (in the opinion of the Principal Obligor, acting reasonably) the adoption of any change in projection methodologies (when considered together with any other changes in such methodologies since the Exchange Date or the date of the most recent Projection Methodologies Confirmation, whichever is more recent) would result in a material alteration of the commercial effect of the Financial Covenant, the Headroom Tests or the Tier Thresholds so as to make any of the foregoing materially less onerous for the Obligors, the Obligors shall not be permitted to use such projection methodologies for the purposes of the Obligor Transaction Documents unless:

- (a) the Obligors notify the Rating Agencies of the proposed changes to such methodologies; and
- (b) the Ratings Test is satisfied with respect to the adoption of such changes (a “**Projection Methodologies Confirmation**”).

The Transaction LTV Test

If, on any date upon which the T1 Covenant Regime or the T2 Covenant Regime applies, any Obligor proposes to either:

- (a) effect a disposal outside of the CGT Group (which shall for these purposes include the crystallisation of a Degrouping Charge) in respect of which the Disposal Tax is in excess of £25,000,000 (subject to Indexation), resulting in the aggregate amount of unpaid Disposal Tax in respect of that and any other such disposals within the Security Group exceeding £50,000,000 (subject to Transaction Indexation); or
- (b) enter into a Specified Arrangement where the aggregate unpaid Transaction Tax in respect of that and any other Specified Arrangements previously entered into by member(s) of the Security Group is in excess of £50,000,000 (subject to Transaction Indexation),

then on a date prior to (but not more than 10 Business Days prior to) such disposal being effected or such Specified Arrangement being entered into (each such date being a “**Transaction LTV Calculation Date**”) the Principal Obligor will be required to calculate the LTV assuming, for the purposes of such calculation, that the Security Group has borrowed, on the date of such test, an amount (a “**Deemed Tax Borrowing**”) equal to the sum of (a) the amount of unpaid Disposal Tax (including, where the transaction that results in the operation of the Transaction LTV Test is a Disposal, the Disposal Tax arising on the relevant Disposal) in excess of £50,000,000 (subject to Transaction Indexation) and (b) the amount of unpaid Transaction Tax (including, where the transaction that results in the operation of the Transaction LTV Test is a Specified Arrangement, the Transaction Tax relating to the relevant Specified Arrangement) in excess of £50,000,000 (subject to Transaction Indexation), save to the extent that such Disposal Tax or Transaction Tax, as the case may be, is already reserved for in a Tax Reserve Account (the LTV so calculated being the “**Transaction LTV**” and such test being the “**Transaction LTV Test**”). In addition, where an Obligor enters into a Specified Arrangement (other than certain Specified Arrangements in respect of which members of the Security Group are subject to an obligation to fund a cash reserve under certain provisions contained in the Tax Deed of Covenant which apply at a time when a T3 Covenant Regime applies to the Security Group) that has a term of more than one year, it will be required to run the Transaction LTV Test at the beginning of each Financial Year with respect to such Specified Arrangement as though such Specified Arrangement is a transaction which that Obligor proposes to enter into at that time. If the Transaction LTV breaches the T2 Threshold on such Transaction LTV Calculation Date, the Obligors will be required, in accordance with the Tax Deed of Covenant, to deposit into the General Tax Reserve Account an amount equal to the lesser of (A) (i) in the case of a Specified Arrangement, the amount of

Transaction Tax relating to that transaction or (ii) in the case of a Disposal, the amount of Disposal Tax arising in respect of that Disposal and (B) the minimum amount that, if deducted from the Deemed Tax Borrowings, would cause the Transaction LTV to comply with the T2 Threshold if the Transaction LTV were recalculated immediately after the making of such deposit.

Prepayment Headroom Test

The Obligors will be required to conduct the P2 Headroom Test as of each Tier Test Calculation Date and on each Additional Calculation Date as of which the Outstanding Bond Debt Amount is greater than zero, assuming that a Proposed Additional Transaction consisting only of a drawing of zero pounds of Priority 2 Debt (in the absence of an actual drawing of Priority 1 Debt or Priority 2 Debt on that date) were to be completed on such Calculation Date (the “**Prepayment Headroom Test**”), and the Prepayment Headroom Test will be satisfied if the P2 Headroom Test is satisfied in respect of that notional (or, if applicable, actual) Proposed Additional Transaction.

Calculation Certificates

The Obligors will be required to provide the Obligor Security Trustee, the Rating Agencies and the Representative in relation to the Initial ACF Agreement with a certificate (a “**Calculation Certificate**”) in substantially the form set out in the Common Terms Agreement:

- (i) within 90 days of each Scheduled Calculation Date;
- (ii) in the case of an Additional Calculation Date, no later than the Business Day before the Proposed Completion Date of the relevant Proposed Additional Transaction; and
- (iii) on each Optional Calculation Date and Transaction LTV Calculation Date.

Each Calculation Certificate shall, among other things:

- (a) be signed by two Authorised Signatories;
- (b) include the results of any computations of the loan to value, projected interest cover and historical interest cover ratios performed pursuant to each of the Calculation Tests performed on or as of that Calculation Date (as the case may be) provided that each such Calculation Certificate (other than any Calculation Certificate delivered to the Obligor Security Trustee and the Rating Agencies) shall have the paragraphs setting out Projected ICR and Additional Projected ICR deleted therefrom but will instead specify those Tier Thresholds which have been breached and those which have not been breached by such Projected ICR and such Additional Projected ICR, as the case may be;
- (c) if such Calculation Certificate is delivered in respect of a Scheduled Calculation Date falling on the last day of a Financial Half-Year, reasonable details (as agreed with the Obligor Security Trustee) of the LTV (and the constituent parts thereof) and Historical ICR calculated as of that date;
- (d) include the results of any P1 Headroom Test and P2 Headroom Test performed as of that Calculation Date.

Changes in Applicable Accounting Principles

The Obligors will covenant that any calculation or determination of the loan to value ratios and the interest coverage ratios by the Security Group under the Common Terms Agreement will be prepared, calculated or determined in accordance with:

- (a) generally accepted accounting principles in the United Kingdom (as applied by the Obligors as of the Exchange Date); or
- (b) if the Obligors decide to adopt other accounting principles or change any one of them (including but not limited to the implementation of International Accounting Standards and International Financial Reporting Standards as then applied) and the Obligors elect (in a notice in writing to the Obligor Security Trustee and the Rating Agencies) to adopt such principles (the “**Proposed Accounting Principles**”) for the purpose of determining the loan to value and interest coverage ratios under the Obligor Transaction Documents, then, save as provided below, such Proposed Accounting Principles,

(whichever is applicable, the “**Applicable Accounting Principles**”).

Notwithstanding the foregoing:

- (a) if (in the opinion of the Principal Obligor, acting reasonably) the adoption of any Proposed Accounting Principles (when considered together with any other changes in the Applicable Accounting Principles since the later of the Exchange Date and the most recent Accounting Principles Confirmation, as defined below) would result in a material alteration of the

commercial effect of the Financial Covenant, the Headroom Tests or the Tier Thresholds (or any other test, representation, warranty or covenant in the Obligor Transaction Documents which relies upon, incorporates or includes a loan to value and/or interest coverage ratio) so as to make any of the foregoing materially less onerous for the Obligors, the Obligors will not be permitted to adopt such Proposed Accounting Principles for the purposes of any calculation or determination of the loan to value ratios and the interest coverage ratios under the Obligor Transaction Documents unless and until the Principal Obligor:

- (i) proposes to the Rating Agencies changes to, among other things, the threshold levels of, or component parts of the definitions of, such loan to value and/or interest coverage ratios; and
 - (ii) confirms (by notice to the Obligor Security Trustee) that the proposed changes referred to in sub-paragraph (i) above have been approved as a Rating Affirmed Matter (the **"Accounting Principles Confirmation"**); and
- (b) the Applicable Accounting Principles will not be applied in calculating (i) Financial Indebtedness and Security Group Net Debt Outstanding, save where specifically stated in respect of any component part of the definitions thereof or (ii) any element of the interest cover ratios in respect of which it is stated that the Applicable Accounting Principles do not apply or that the relevant computation shall be made on another specified basis.

If, as a result of the foregoing, the Obligors are required as of any Scheduled Calculation Date to calculate the Historical ICR in respect of a 12 month period using one set of Applicable Accounting Principles and, as of a previous Scheduled Calculation Date, the Obligors calculated the Projected ICR in respect of that same period using a different set of Applicable Accounting Principles, then the Obligors will be required to include a reconciliation of the two calculations in the Calculation Certificate required to be delivered in respect of that Scheduled Calculation Date, so that either (i) the Historical ICR is recalculated using the earlier set of Applicable Accounting Principles to facilitate comparison with the Projected ICR for the relevant period or (ii) the Projected ICR for the relevant period is recalculated using the current set of Applicable Accounting Principles so as to facilitate comparison with the Historical ICR for such period. If the Obligors have conducted the reconciliation referred to in (i) above, the Historical ICR so calculated will be deemed to be the Historical ICR for such period for the purposes of determining whether a Historical ICR Event has occurred; alternatively if the Obligors have conducted the reconciliation referred to in (ii) above, the Projected ICR so calculated will be deemed to be the Projected ICR for such period for the purposes of determining whether a Historical ICR Event has occurred (see *"– Tier Thresholds"*, page 100, below).

Currency Conversion Rates and Unhedged Sterling Interest Charges

Whenever the Obligors are required to calculate the loan to value ratios and the interest coverage ratios under the Obligor Transaction Documents, the following conversion rates shall be used to convert non-sterling amounts into sterling:

- (i) *Security Group Net Debt Outstanding*: any Financial Indebtedness that is hedged against fluctuations in the rate of exchange between sterling and the relevant currency shall be converted at the weighted average of the relevant rates agreed in the relevant Swap Agreements (such weighting to be by reference to the notional amounts employed in the relevant Swap Agreements); otherwise, the then applicable spot rate for the purchase of sterling, as quoted by the Account Bank, will be applied;
- (ii) *Total Collateral Value*: if any Market Value for a Mortgaged Property has been calculated in a currency other than sterling, that value shall be converted into sterling at the rate implicit in any asset translation hedge entered into in relation thereto or, if none, the spot rate for the purchase of sterling quoted by the Account Bank; and
- (iii) *Historical EBITDA and Historical Interest Charges*: the applicable rate for non-sterling income and interest charges will be that used in the Security Group's profit and loss account for the relevant Historical Calculation Period or, if none, the rate that would have been used in preparing the Security Group's profit and loss account in accordance with its accounting policies had one been prepared for the relevant Historical Calculation Period.

DETERMINING THE APPLICABLE COVENANT REGIME

Under the Common Terms Agreement, all Obligor Secured Creditors (irrespective of their ranking in terms of priority in point of security) will have, at any point in time, the benefit of the same set of covenants granted by the Security Group.

The Tier 1 Covenant Regime will apply on and from the Exchange Date, until any change becomes effective as described below. The LTV as at the Exchange Date (based on the Initial Valuation Report summarised in Chapter 10) is expected to be 53.9%.

After the Exchange Date, the Covenant Regime that applies at any time will be determined by the outcome of the Tier Tests or the Additional Tier Tests (as the case may be) but will take effect (and accordingly any change will take effect) on the Tier Determination Date for such Tier Tests or, as the case may be, on the next Additional Tier Determination Date for such Additional Tier Tests.

For these purposes:

“Tier Determination Date” in respect of the Tier Tests means the date upon which such tests are conducted (being no later than the latest date on or by which the Calculation Certificate in respect of such tests is required to be delivered); and

“Additional Tier Determination Date” in respect of the Additional Tier Tests conducted in respect of any Proposed Additional Transaction means:

- (a) if such Additional Tier Tests will result in a more restrictive Covenant Regime applying, the date immediately before the relevant Proposed Completion Date; or
- (b) if such Additional Tier Tests will result in the same or a less restrictive Covenant Regime applying, the date upon which all elements of such transaction are completed.

The Covenant Regime that will apply as from a Tier Determination Date or an Additional Tier Determination Date will be determined by whether certain ratio thresholds are breached, as demonstrated by the Tier Tests or Additional Tier Tests.

The relevant Tier Thresholds are the T1 Thresholds, the T2 Thresholds and the Initial T3 Thresholds, in each case set out in the table below.

Tier Thresholds

| TIER THRESHOLD | LTV AND ADDITIONAL LTV | HISTORICAL ICR, PRO FORMA HISTORICAL ICR, PROJECTED ICR AND ADDITIONAL PROJECTED ICR |
|----------------------|---------------------------|--|
| T1 Threshold | $\leq 55\%$ ¹ | $\geq 1.85:1$ |
| T2 Threshold | $\leq 65\%$ ² | $\geq 1.45:1$ |
| Initial T3 Threshold | $\leq 80\%$ | $\geq 1.20:1$ |

Notes:

¹ 50% if the relevant Calculation Date falls within a Change of Control Period

² 60% if the relevant Calculation Date falls within a Change of Control Period and, earlier in that Change of Control Period, LTV was less than 60%

Save as provided below, (a) if no Tier Threshold is breached, the T1 Covenant Regime will apply; (b) if any of the T1 Thresholds are breached (but none of the T2 Thresholds are breached), the T2 Covenant Regime will apply; (c) if any of the T2 Thresholds are breached (but none of the Initial T3 Thresholds are breached), the Initial T3 Covenant Regime will apply; and (d) if any of the Initial T3 Thresholds are breached, the Final T3 Covenant Regime will apply.

The Obligors will only be required to calculate the Historical ICR as of each Scheduled Calculation Date falling on and after the first anniversary of the Exchange Date. The Obligors may also elect to calculate the Historical ICR on any Optional Calculation Date and/or the Pro Forma Historical ICR on any Additional Calculation Date.

The Historical ICR calculated as of any Scheduled Calculation Date will be disregarded for the purpose of determining the applicable Covenant Regime unless a Historical ICR Event is continuing. A **“Historical ICR Event”** will occur as of any Scheduled Calculation Date if:

- (a) the Historical ICR calculated as of that date falls below any Tier Threshold and the Projected ICR calculated in respect of the same Calculation Period equalled or exceeded that same Tier Threshold; and
- (b) the Historical ICR calculated as of the immediately preceding Scheduled Calculation Date fell below any Tier Threshold and the Projected ICR calculated in respect of the same Calculation Period equalled or exceeded that same Tier Threshold,

and such event will continue until the first Scheduled Calculation Date as of which the circumstance described in paragraph (a) above does not occur.

If the Historical ICR calculated as of any Scheduled Calculation Date falls below the T1 Threshold, and it is not disregarded as described above, the T1 Covenant Regime will not be capable of applying until the first Tier Determination Date or Additional Tier Determination Date in respect of a Calculation Date as of which:

- (a) the Projected ICR equals or exceeds the T1 Threshold and the LTV is equal to or less than the T1 Threshold, provided that a Historical ICR Event is not continuing as of that Calculation Date; or
- (b) the Historical ICR or the Pro Forma Historical ICR equals or exceeds the T1 Threshold.

The same principle will apply, *mutatis mutandis*, if the Historical ICR breaches the T2 Threshold or the Initial T3 Threshold as of any Scheduled Calculation Date.

The first Historical Calculation Period shall end on the first Scheduled Calculation Date falling on or after the first anniversary of the Exchange Date.

APPLICABLE COVENANTS

For so long as the T1 Covenant Regime applies, the Obligors will be required to comply with the T1 Covenants only.

For so long as the T2 Covenant Regime applies, the Obligors will be required to comply with the T1 Covenants (save to the extent supplemented and/or explicitly modified by the T2 Covenants) and the T2 Covenants only.

For so long as the Initial T3 Covenant Regime applies, the Obligors will be required to comply with the T1 Covenants and the T2 Covenants (save to the extent that any of the foregoing are supplemented and/or explicitly modified by the Initial T3 Covenants) and the Initial T3 Covenants only.

For so long as the Final T3 Covenant Regime applies, the Obligors will be required to comply with the T1 Covenants, the T2 Covenants and the Initial T3 Covenants (save to the extent that any of the foregoing are supplemented and/or explicitly modified by the Final T3 Covenants) and the Final T3 Covenants.

Covenants set out in the Common Terms Agreement which are not specifically referred to as T1 Covenants, T2 Covenants, Initial T3 Covenants or Final T3 Covenants (or specifically stated to apply only while one or more Covenant Regimes apply) will be treated as T1 Covenants.

Summary of the Different Covenants Applying in Different Covenant Regimes

| COVENANT | T1 COVENANT REGIME | T2 COVENANT REGIME | INITIAL T3 COVENANT REGIME | FINAL T3 COVENANT REGIME |
|---|-----------------------------------|-----------------------------------|---|---|
| Financial Covenant | ✓ | ✓ | ✓ | ✓ |
| Sector Diversity | ✓ | ✓ | ✓ | ✓ |
| Geographic Diversity | ✓ | ✓ | ✓ | ✓ |
| Tenant Concentration | ✓ | ✓ | ✓ | ✓ |
| Property Management | ✓ | ✓ | ✓ | ✓ |
| Leasing | ✓ | ✓ | ✓ | ✓ |
| Development | ✓ | ✓ | ✓ | ✓ |
| Disposals | ✓ | ✓ | ✓ | ✓ |
| Covenants regarding the provision of Financial Information | ✓ | ✓ | ✓ | ✓ |
| Additional Positive Covenants of the Security Group | ✓ | ✓ | ✓ | ✓ |
| Additional Negative Covenants of the Security Group | ✓ | ✓ | ✓ | ✓ |
| Application of Sales Proceeds | ✓ | ✓ | ✓ | ✓ |
| Liquidity Facilities to be available | — | ✓ | ✓ | ✓ |
| Lease Surrenders | — | — | ✓ | ✓ |
| Appointment of Property Manager | — | — | ✓ | ✓ |
| Additional Payment Requirements on cessation of Common Control | — | — | ✓ | ✓ |
| Restricted Application of Sales Proceeds and Insurance Proceeds | — | — | ✓ | ✓ |
| Amortisation of Non-Contingent Loans | — | — | ✓ | ✓ |
| Additional restrictions on Restricted Payments | — | — | — | ✓ |
| Application of Sales Proceeds and (if not needed to reinstate) Insurance Proceeds to debt paydown | — | — | — | ✓ |

T1 COVENANTS

The T1 Covenants include those covenants set out below.

Financial Covenant

Under the terms of the Common Terms Agreement, each Obligor will covenant with the Obligor Security Trustee that:

- (a) as at no Tier Test Calculation Date or Additional Calculation Date shall:
 - (i) the LTV exceed 100%; or
 - (ii) the Projected ICR be less than 1.00:1; and
- (b) as at no Calculation Date as of which the Historical ICR is calculated shall the Historical ICR be less than 1.00:1 in respect of both of the two most recent Historical Calculation Periods.

Property Covenants

Sector diversity – positive covenant: The Obligors shall ensure that, at all times, the entire Estate is allocated to Sectors by reference to Market Value on the following basis:

- (a) in the case of a single use Mortgaged Property, the whole of the Market Value thereof is allocated to the relevant Sector;

- (b) in the case of a mixed use Mortgaged Property, the Market Value attributable to each use is allocated to the Sector to which it is attributable (provided that the sum of the Market Values allocated to each use is equal to the Market Value of such Mortgaged Property) and that, in order to facilitate compliance with this covenant, the relevant Valuation Reports contain the requisite information to enable such allocations to be made; and
- (c) the allocation of particular uses to specific Sectors will follow the methodology adopted from time to time in the most recently published reports and accounts of Land Securities Group PLC (or, if Land Securities Group PLC is no longer the parent company of the Security Group, of the Security Group) for making such allocation or, at any time after notification as to the proportions of the Estate by Market Value attributable to each Sector in the first Investor Report, by reference to such other method as the Obligors determine provided that it is to apply to the Estate as a whole and is a method which is generally acceptable to institutional property investors in the United Kingdom.

Sector diversity – negative covenant: No Obligor will conduct any Dealing that would cause the percentage of the Total Collateral Value attributable to any one Sector to exceed (or further exceed) the percentage of Total Collateral Value set out for such Sector in the table below (the “**Sector Concentration Limit**” for such Sector) (provided that the Obligors will not be in breach of this covenant if any Sector Concentration Limit is exceeded or further exceeded other than as a result of any Dealing by the Obligors):

| SECTOR | MAXIMUM PERCENTAGE OF TOTAL COLLATERAL VALUE |
|-----------------------------------|--|
| Office Sector | 60% |
| Shopping Centres and Shops Sector | 60% |
| Retail Warehouses Sector | 55% |
| Industrial Sector | 35% |
| Residential Sector | 35% |
| Other Sector | 15% |

Geographic diversity – negative covenant: No Obligor will conduct any Dealing that would cause the percentage of the Total Collateral Value attributable to any Region to exceed (or further exceed) the percentage of Total Collateral Value set out for such Region in the table below (the “**Geographic Concentration Limit**” for such Region) (provided that the Obligors will not be in breach of this covenant if any Geographic Concentration Limit is exceeded or further exceeded for reasons other than as a result of any Dealing by the Obligors):

| REGION | MAXIMUM PERCENTAGE OF TOTAL COLLATERAL VALUE |
|--------------------------------|--|
| London | 75% |
| Rest of South East and Eastern | 40% |
| Midlands | 40% |
| Wales and South West | 40% |
| North | 40% |
| Scotland and Northern Ireland | 40% |
| Non-UK | 5% |

Tenant concentration limit: No Obligor will be permitted, at any time, to conduct any Dealing that would result in the aggregate Passing Rent at the date of the proposed Dealing in respect of any Single Tenant (other than Government Tenants and tenants who have, or whose obligations under the relevant Leasing Agreement are guaranteed by an entity which has, an actual or shadow/private corporate rating of AA or higher from S&P or Fitch or Aa2 or higher from Moody's,

whichever are Rating Agencies at the relevant time, (or, in each case, the short-term equivalent of such rating if the basis of such ratings changes in the future) to exceed (or further exceed) 15% of the aggregate Passing Rent in respect of the entire Estate (assuming for this purpose completion of the Dealing) at that date (the “**Tenant Concentration Limit**”) and for this purpose “**Single Tenant**” means any one tenant or any group of tenants who are affiliates of each other. Two persons will be affiliates of each other for the purposes of the Tenant Concentration Limit if (a) one such person is a direct or indirect subsidiary or subsidiary undertaking of the other person, or (b) one such person expressly and unconditionally guarantees the obligations of the other person under the relevant Leasing Agreement, or (c) both such persons are direct or indirect subsidiaries or subsidiary undertakings of a third person or (d) the obligations of both such persons under the relevant Leasing Agreements are expressly and unconditionally guaranteed by the same third person.

Dealings permitted while Concentration Limit exceeded: Subject to the foregoing restrictions, if and for so long as one or more of the Concentration Limits is exceeded, the Obligors will only be permitted to conduct the following Dealings:

- (a) any Dealing which (A) causes one or more of such Concentration Limits to be exceeded no longer and/or (B) reduces (or does not further increase) the extent by which one or more of such Concentration Limits are exceeded; and/or
- (b) any Disposal in respect of which the Net Sales Proceeds exceed the Allocated Debt Amount for the relevant Mortgaged Property, provided that such Net Sales Proceeds are applied in Prepayment of Secured Financial Indebtedness in accordance with the Common Terms Agreement within six months of such Disposal; and/or
- (c) any Dealing (not being an Acquisition or Disposal) which the Principal Obligor’s directors in good faith believe will increase the Market Value of the Mortgaged Property in question, provided that this paragraph (c) will not apply to the granting of Leasing Agreements, that would increase the extent to which the Tenant Concentration Limit is being exceeded; and/or
- (d) any Disposals or Acquisitions of properties having a Market Value in each case of no more than £5 million (subject to RPI Indexation) and in aggregate of no more than £50 million (subject to RPI Indexation),

provided that, for the purposes of paragraph (a) above, “Dealing” includes all Dealings which are completed within the same 15 day period.

Property management: The Obligors shall ensure that, at all times, they act in accordance with the standard that a prudent landlord would apply having regard to the type and location of each Obligor Property in question or the Obligor Properties as a whole and in accordance with the principles of good estate management.

Leasing: Subject to any lawful obligation to enter into a Leasing Agreement pursuant to and in accordance with the Landlord and Tenant Act 1954 (as amended), every Leasing Agreement to be entered into on or after the Exchange Date will, save in relation to Minor Occupational Agreements and save as referred to below, be required to comply with the following letting criteria (the “**Letting Criteria**”):

- (a) *rent reviews:* rent reviews or other rent recalculation provisions in Leasing Agreements shall be appropriate having regard to the range of provisions used in market practice prevailing at the time of negotiation of such Leasing Agreement having regard to the size and nature of the letting in question;
- (b) *repair obligations:* full internal and external repairing obligations (to the extent of the demised premises) shall be imposed on the lessee, except to the extent that the lessor is responsible for repair and the cost to the lessor of so doing is recoverable from the lessee pursuant to arrangements referred to in paragraph (c) below (whether such cost is recovered as a separate service charge or is included in the principal rent);
- (c) *costs contribution:* the lessee shall have an obligation to make an appropriate contribution to building and any estate service charge costs, except and to the extent that there is a full internal or full internal and external repairing obligation (depending on the extent of the demised premises) or where and to the extent that the principal rent includes payment for services provided by the lessor;

- (d) *insurance contribution*: the lessee (unless it is a lessee in respect of a Qualifying Self-Insured Mortgaged Property) shall be required to bear an appropriate proportion of the cost of effecting building and loss of rent insurances (either as a separately reserved rent or on a basis whereby the cost of such insurances is included in the principal rent or service charge) on terms no less beneficial to the insured than the insurances described in “– Insurance”, page 106, below or to have the liability to insure itself on such terms;
- (e) *assignment*: assignment of the whole of the demised premises shall only be permitted with the lessor’s consent, and it may be stipulated that such consent is not to be unreasonably withheld or delayed;
- (f) *assignment of part of premises*: no assignment of part of the demised premises shall be permitted;
- (g) *lessee alterations*: appropriate controls shall be imposed by the lessor in relation to lessee alterations to the demised premises; and
- (h) *arm’s length leases*: all Leasing Agreements shall be on an arm’s length basis.

If the directors of the Principal Obligor determine that such would be in accordance with the property management covenant described above, the Security Group may in relation to any Leasing Agreement depart from the Letting Criteria.

Development: Any Development, and any demolition of an existing building on any Obligor Property, will be required to be carried out in compliance with the following criteria:

- (a) appropriate construction-related liability and material damage Insurance Policies will be maintained, applying the standard of a prudent developer in respect of the amount, type, duration of cover, retained risk and levels of deductibles in respect of such policies provided that such insurance is generally available in the global insurance market and that it is market practice among broadly based property investment and development businesses whose assets are primarily located in the United Kingdom to maintain such insurance on the terms then available in the global insurance market;
- (b) where appropriate, having regard to the nature of the Obligor Property and the Development and applying the standard of a prudent developer, appropriate levels of environmental due diligence will be carried out and findings therefrom will be taken into account in carrying out the relevant Development; and
- (c) reasonable endeavours will be used to procure that the Development is designed and built in a good and workmanlike manner free from deleterious materials (judged by the construction industry standards at the time that materials are specified).

In addition, a building contract in respect of a Development Project will not be entered into by any Obligor at any time unless the Development Test, described immediately below, is satisfied at that time.

The Development Test will be satisfied at any time if:

- (A) 120% of the Aggregate Projected Development Cost is less than or equal to the sum of (a) the amount of all committed facilities at such time having a Debt Rank of Subordinated Debt or Unsecured Debt granted to the Obligors in respect of Development Projects (excluding amounts then outstanding thereunder) and (b) the maximum amount of Permitted Drawings having the Debt Rank of Priority 1 Debt or Priority 2 Debt that the Obligors could incur at that time, based on the calculation of LTV or Additional LTV, as the case may be, as of the latest Calculation Date, as updated to (i) reflect subsequent changes in Security Group Net Debt Outstanding and (ii) include in Total Collateral Value an amount equal to the sum of (1) the aggregate of all costs of development incurred by the Obligors in respect of Development Projects relating to Mortgaged Properties since the date of the most recent Valuation Reports for such Development Projects and (2) (for this purpose only) the Aggregate Projected Development Cost insofar as it relates to Mortgaged Properties; and
- (B) the aggregate of all committed facilities at such time granted to the Obligors to the extent available for Development Projects (excluding amounts then outstanding thereunder) is equal to or greater than 100% of the actual amount (excluding provisions for contingencies) that the Obligors project to pay in the carrying out of Development Projects over the next 12 months.

Developments in Partnerships and Non-UK Obligors: No Obligor that is incorporated outside England and Wales and Scotland, and no Obligor in partnership (other than a limited liability partnership established under the Limited Liability Partnership Act 2000) with any other person shall commence any Development relating to a Mortgaged Property unless:

- (i) the Obligor Security Trustee is provided to its satisfaction with “step-in” rights of the nature referred to in “– *Cardinal Place Development*”, page 113, below; or
- (ii) there is opened in the name of the legal owners of the relevant Mortgaged Property, specifically for this purpose and no other, an account to which there is credited the full estimated cost to final practical completion of the Development in question (consistent with the costs included in the definition of Aggregate Projected Development Costs), as certified by the appointed quantity surveyor (who, in so certifying, acknowledges a duty of care to the Obligor Security Trustee); or
- (iii) the Obligor Security Trustee is furnished with a legal opinion satisfactory to it (including as to reservations and qualifications) that the Obligor Security that has been granted to it by the relevant Obligor (or partnership of Obligors) is effective to ensure that all contracts related to the Development are capable of being enforced in all material respects by the Obligor Security Trustee in any relevant insolvency proceedings in respect of that Obligor (or partnership).

If an account is opened in accordance with paragraph (ii) above, no amount credited thereto will be withdrawn otherwise than for the purpose of funding costs in respect of the Development, and the Obligor Security Trustee’s consent will be required for all withdrawals. Consent will be given if the Principal Obligor provides to the Obligor Security Trustee a certificate of two Authorised Signatories stating:

- (i) that no Obligor Event of Default is continuing unwaived; and
- (ii) the sum to be withdrawn is due and payable to a contractor or professional in relation to the Development or is in excess of the amount required to reach final practical completion or final practical completion of the Development has occurred.

Disposals – negative covenant: The Obligors will not, at any time, complete any Disposal (and “Disposal” shall, for the purposes of this covenant alone, include the release of a Mortgaged Property from the Estate) if such Disposal would cause the aggregate Disposal Threshold Values of all Mortgaged Properties Disposed of on or following the Exchange Date to exceed the Disposals Threshold, save that the following Disposals shall be disregarded for this purpose:

- (a) all Disposals completed before the most recent Ratings Affirmation;
- (b) all Intra-Security Group Disposals;
- (c) Disposals in respect of which the lower of the Net Sales Proceeds and the Allocated Debt Amount have been applied to the Actual Prepayment or Buyback of Non-Contingent Loans; and
- (d) any Disposal which is approved as a Rating Affirmed Matter,

provided that, for the avoidance of doubt, if the Obligors are not in breach of this covenant when the T1 Covenant Regime applies, and if at any time the Disposals Threshold changes as a result of the T1 Covenant Regime ceasing to apply, such change in the Disposals Threshold will not, in and of itself (that is to say, without any further Disposals by the Obligors), result in a breach of this covenant.

Valuation Reports: The Obligors will be required to:

- (a) obtain a Valuation Report on the Estate at the end of each Financial Half-Year and deliver the same to the Obligor Security Trustee and the Rating Agencies on each Reporting Date; and
- (b) at the same time provide to the Representatives of the ACF Providers (where required by them pursuant to their ACF Agreement) a summary of such Valuation Report on the Estate in which aggregate valuations for Regions and Sectors are shown.

Insurance: The Obligors will be required to:

- (a) *maintain valid insurance:* maintain or procure that there is maintained valid insurance cover for each Obligor Property (except a Qualifying Self-Insured Property) against:

- (i) risk of material damage, for a sum equal to its full reinstatement value (taking into account any deductible or excess that may be reasonable in the circumstances) and loss of rent for a period not less than the greater of (1) two years and (2) such period as may be required pursuant to the relevant leasing agreements in respect of such Obligor Property, resulting (in each case) from subsidence, terrorism and other risks usually covered by a reasonably prudent owner of a portfolio of properties of a similar nature, provided always that in relation to any leasing agreement where the initial term of the leasing agreement does not exceed two years such loss of rent insurance shall be for a period not less than the unexpired term of the leasing agreement in question (the policy under which such cover is obtained being a “**Material Damage Policy**”); and
- (ii) third party liabilities and such other property-related risks as in the reasonable opinion of the Obligors ought to be covered, judged by the standard of a reasonably prudent owner and operator of businesses similar to the businesses of the Obligors (the policy under which such cover is obtained being an “**Other Risks Policy**”),

(provided that such insurance is generally available in the global insurance market and that it is market practice among broadly based property investment and development businesses whose assets are primarily located in the United Kingdom to maintain such insurances on the terms then available in the global insurance market) and, if as of any Scheduled Calculation Date the Total Collateral Value is less than £2,000,000,000 and the abovementioned insurances are underwritten by insurers whose weighted average credit rating (as determined by the Principal Obligor, and based on amounts of premia payable by the Obligors) is less than BBB by (using S&P and Fitch ratings, in each case, if it is a Rating Agency at the relevant time) and Baa2 (using Moody's ratings, if it is a Rating Agency at the relevant time) (in this section, an “**insurance rating breach**”), the Obligors shall ensure (so far as such insurance is commercially available on reasonable commercial terms from insurers whose weighted average credit rating is sufficient to rectify the insurance ratings breach) that such insurance rating breach is rectified not later than the Remedy Date (as defined below);

- (b) *note interests of Obligor Security Trustee on policies*: use their reasonable endeavours to procure, in respect of each such insurance policy, that the interests of the Obligor Security Trustee are endorsed or otherwise noted thereon (for example, by reference to “chargee” or other such general interests clause);
- (c) *application of material damage insurance proceeds*: if an Obligor makes a claim under any Material Damage Policy in respect of a Mortgaged Property, upon receipt of the proceeds from such insurance policy:
 - (i) subject to any obligations under the relevant Obligor's leasehold interest in the Mortgaged Property, any Leasing Agreement or any other obligation imposed by law (if any), if the amount of the proceeds exceeds £5,000,000 (subject to RPI Indexation) deposit that portion of such proceeds relating to reinstatement value into the Disposal Proceeds Account (see “– *Disposal Proceeds Account*”, page 116, below); and
 - (ii) it will deposit that portion of such proceeds relating to loss of rent (whatever the amount) into the Income Replacement Account;
- (d) *application of other insurance proceeds*: apply proceeds received by them pursuant to a claim on an Other Risks Policy (net of any Tax due on or in respect of the receipt of such proceeds) in or towards the relevant insured liability.

For the purposes of (a) above, the “**Remedy Date**” means the next renewal date for that insurance policy in respect of the Obligor Properties or any of them which is issued by a Relevant Insurer (as defined below) that last falls due for renewal (as between all such policies issued by Relevant Insurers) by reference to the relevant Scheduled Calculation Date referred to in (a) above. For the purposes of the above, “**Relevant Insurer**” means an insurer that has a rating which is lower than the weighted average credit rating which is referred to in (a) above at the date of the insurance rating breach.

Involuntary loss of property: The Obligors will notify the Obligor Security Trustee immediately if the whole or any material part of any Mortgaged Property having a Market Value of greater than £1,000,000 (subject to RPI Indexation) is seized, expropriated or compulsorily acquired or

purchased, or the applicable local authority makes an order for the compulsory purchase of the same.

Covenants affecting Obligor Properties: The Obligors will use all reasonable endeavours to comply with and perform all restrictive and other covenants, undertakings, stipulations and obligations now or at any time affecting any Obligor Properties insofar as the same are subsisting and are capable of being enforced and to the extent that any non-compliance or non-performance would have a Material Adverse Effect.

Environmental laws: The Obligors will be required to:

- (a) *comply with all laws:* comply with all Environmental Laws in all respects to the extent that non-compliance or failure to do so would reasonably be expected to have a Material Adverse Effect; and
- (b) *notify Obligor Security Trustee of adverse actions:* as soon as reasonably practicable, upon becoming aware of the same, notify the Issuer and the Obligor Security Trustee (with a copy to the Rating Agencies) of:
 - (i) any Environmental Action which, if it was determined against any Obligor, would reasonably be expected to have a Material Adverse Effect; and
 - (ii) any circumstance that: (1) will prevent compliance by any Obligor with Environmental Law in the future if any non-compliance would reasonably be expected to have a Material Adverse Effect; or (2) will give rise to any actual liability by any Obligor under current Environmental Law if that liability would reasonably be expected to have a Material Adverse Effect.

Covenants regarding the provision of financial information

Investor Reports: On each Reporting Date, the Obligors will be required to deliver to the Obligor Security Trustee, the Note Trustee, the Rating Agencies, the Irish Paying Agent, the Principal Paying Agent, the Representatives of the ACF Providers, the Swap Counterparties and, upon written request (via the Paying Agents), any Noteholder, an Investor Report comprising the following information in respect of the Security Group:

- (a) a confirmation that both the most recently prepared annual audited and semi-annual unaudited consolidated (or, as the case may be, *pro forma* consolidated) financial statements of the Security Group delivered in accordance with the provisions described in “– *Annual audited financials*” or “– *Semi-annual unaudited financials*” below were prepared in accordance with the requirements of the Common Terms Agreement (it being recognised that the Security Group will not prepare any consolidated financial statements in respect of any period ending before 31 March 2005);
- (b) copies of each Calculation Certificate prepared by the Obligors since the previous Reporting Date (or, in the case of the first Reporting Date, since the Exchange Date) provided that each such Calculation Certificate (other than the Calculation Certificate delivered to the Obligor Security Trustee and the Rating Agencies) shall have the paragraphs setting out Projected ICR and Additional Projected ICR deleted therefrom but will instead specify those Tier Thresholds which have been breached and those which have not been breached by such Projected ICR and such Additional Projected ICR, as the case may be;
- (c) whether the Security Group is subject to the T1 Covenant Regime, the T2 Covenant Regime, the Initial T3 Covenant Regime or the Final T3 Covenant Regime as at that Reporting Date;
- (d) the amounts available for drawing and the amounts already drawn by FinCo from the Liquidity Ledger and/or under any Liquidity Facility Agreement (if applicable) as at that Reporting Date;
- (e) the aggregate Market Value of all Mortgaged Properties introduced into or removed from the Estate since the date of the immediately preceding Reporting Date or, in the case of the first Reporting Date, since the Exchange Date) and the effect of such Dealings on the Concentration Limits;
- (f) whether or not any Obligor Event of Default, P1 Trigger Event or P2 Trigger Event (which has not been previously notified to the Obligor Security Trustee) has occurred and is continuing unwaived as at that Reporting Date, and, if so, a description thereof and the action taken or proposed to be taken to remedy it;

- (g) as at that Reporting Date, the proportion of the Total Collateral Value that is attributable to each Sector and located in each Region and the extent to which the aggregate Disposal Threshold Values have reached or are approaching the Disposals Threshold; and
- (h) the extent to which ownership (in whole or in part) of any Obligor has been transferred from within the Security Group to any person outside the Security Group since the date of the immediately preceding Investor Report,

except to the extent that disclosure of such information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Security Group or its parent is subject (as certified by two Authorised Signatories to the Obligor Security Trustee).

Annual audited financials: As soon as the same become available, but in any event within 180 days after the end of each of its Financial Years (subject to, for so long as Land Securities Group PLC or any other company the shares of which are listed on a stock exchange is the parent of any member of the Security Group, any extension of time granted to Land Securities Group PLC or such other entity by the UK Listing Authority, or such stock exchange, for the announcement of the preliminary results of Land Securities Group PLC or such other entity, provided that such extension is certified to the Obligor Security Trustee by two Authorised Signatories), the Obligors will be required to provide to the Obligor Security Trustee, the Note Trustee, the Rating Agencies, the Irish Paying Agent, the Principal Paying Agent, the Representatives of the ACF Providers, the Swap Counterparties and, upon written request (via the Paying Agents), any Noteholder the annual audited consolidated financial statements of the Security Group; provided that if the Security Group is at any time no longer a group in respect of which a statutory consolidation is required to be prepared, the Obligors shall instead be required to provide, as mentioned above, *pro forma* audited, consolidated financial statements for the Security Group for each relevant Financial Year and related auditors' report.

Semi-annual unaudited financials: As soon as the same become available, but in any event within 90 days after the end of the first Financial Half-Year in each Financial Year, the Obligors will be required to provide the unaudited semi-annual consolidated financial statements of the Security Group for such Financial Half-Year to the Obligor Security Trustee, the Note Trustee, the Rating Agencies, the Irish Paying Agent, the Principal Paying Agent, the Representatives of the ACF Providers, the Swap Counterparties and, upon written request (via the Paying Agents), any Noteholder; provided that, if the Security Group is or was not at any time a group in respect of which a statutory consolidation is required to be prepared, the Obligors shall instead be required to provide, as mentioned above, *pro forma* unaudited consolidated financial statements for the Security Group for each relevant first Financial Half-Year.

Basis of preparation: The annual and semi-annual financial statements referred to above shall be prepared in accordance with generally accepted accounting principles in the United Kingdom from time to time. If such generally accepted accounting principles change, the Obligors will, together with the next required annual audited financial statements or, as the case may be, next semi-annual unaudited financial statements referred to above, deliver a statement as to the effects of the change (if not already taken into account in prior year adjustments) and a reconciliation as between the financial statements (excluding the notes to such financial statements) so delivered and those that would have been delivered had there been no change.

Compliance Certificates: Additionally, the information delivered to the Obligor Security Trustee, Note Trustee and the Rating Agencies in respect of each Financial Year and Financial Half-Year will include a compliance certificate signed by two directors of the Principal Obligor confirming:

- (a) the amount of Security Group Net Debt Outstanding as at the end of the relevant Financial Year or, as the case may be, the relevant Financial Half-Year; and
- (b) as at the date thereof, whether or not any Obligor Event of Default, Potential Obligor Event of Default (which, in either case, has not been previously notified to the Obligor Security Trustee), P1 Trigger Event or P2 Trigger Event has occurred and is continuing unwaived and, if so, a description thereof and the action taken or proposed to be taken to remedy it,

except to the extent that disclosure of such information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Security Group or its parent is subject (as certified to the Obligor Security Trustee by two Authorised Signatories).

Additional positive covenants of the Obligors

Under the terms of the Common Terms Agreement, each Obligor will covenant that (among other things) it shall:

- (a) *maintain licences*: comply with the terms of, renew as soon as reasonably practicable from time to time and do all that is reasonably necessary (taking into account the benefit and expense) to maintain in full force and effect in all material respects authorisations, approvals, licences, consents and exemptions required under or by any applicable law or regulation to own its property and assets where the failure to do so would reasonably be expected to have a Material Adverse Effect;
- (b) *notify of defaults*: promptly upon becoming aware of the occurrence of any Obligor Event of Default, Potential Obligor Event of Default, P1 Trigger Event or P2 Trigger Event, inform the Note Trustee and the Obligor Security Trustee;
- (c) *arm's length contracts*: without prejudice to the ability of the Obligors to depart from the Letting Criteria as described in “– *Leasing*”, page 104, above, use all reasonable endeavours to ensure that any contracts to be entered into by any Obligor after the Exchange Date are made on arm's length terms and do not contain any restriction on charging or assigning its right, title, interest and benefit to those contracts to the Obligor Security Trustee provided that the Obligors shall not be in breach of this paragraph (c) if the aggregate of all amounts payable to or by the Obligors under all non-arm's length contracts and contracts containing any of the charging or assignment restrictions referred to above does not exceed (i) £500,000 per annum (subject to RPI Indexation) in respect of contracts entered into with Non-Restricted Group Entities and/or (ii) £1,000,000 per annum (subject to RPI Indexation) in respect of contracts entered into with persons who are not Non-Restricted Group Entities;
- (d) *notify Obligor Security Trustee of litigation*: advise the Obligor Security Trustee, as soon as practicable after becoming aware of the same, of the details of (i) any litigation, arbitration, administrative proceeding or governmental or regulatory investigation, proceeding or dispute pending or threatened in writing against any Obligor and (ii) any circumstances which to the actual knowledge and belief of the Obligors are likely to give rise to any such litigation, arbitration, administrative proceeding or governmental or regulatory investigation, proceeding or dispute which, in each case, would, if so adversely determined, reasonably be expected to have a Material Adverse Effect;
- (e) *maintain pari passu ranking*: ensure that at all times the claims of the Obligor Secured Creditors against any Obligor under any of the Obligor Transaction Documents rank at least *pari passu* with the claims of all of its unsecured creditors, save for those claims which are preferred solely by the operation of any bankruptcy, insolvency or liquidation law or other similar law of general application;
- (f) *notify the Valuers*: (save as disclosed in relevant Certificates of Title) disclose to the Valuers any material exceptions, reservations, easements, servitudes, burdens, rights, privileges, covenants, restrictions or encumbrances (including any arising under statute or any statutory power) or any breaches of town and country planning legislation (and any orders, regulations, consents or permissions made or granted under any of the same) or resolutions or proposals for the compulsory acquisition of any of the Mortgaged Properties or any means of access to or egress therefrom of which it is aware, which would (in any such case) reasonably be expected to have a material adverse effect on the Market Value of the Mortgaged Property to which they relate;
- (g) *compliance with laws*: ensure that it complies in all respects with all laws to which it may be subject, if failure to comply would materially impair its ability to perform its obligations under the Obligor Transaction Documents; and
- (h) *Stakeholder accession*: ensure that any Stakeholder who is not a party to the Security Trust and Intercreditor Deed as from its execution accedes to it in its capacity as Stakeholder in accordance with the terms thereof within 90 days after becoming a Stakeholder.

Additional negative covenants of the Obligors

Covenants applicable to all Obligors: Under the terms of the Common Terms Agreement, each of the Obligors will covenant that it shall not, at any time:

- (a) *create Encumbrances*: save for Permitted Encumbrances, create (or agree to create) or suffer or permit to subsist any Encumbrance over all or any of its present or future revenues or assets or undertaking (including uncalled share capital);
- (b) *carry on extraneous business*: carry on any business other than Permitted Business;
- (c) *have employees*: have any employees or become a director of any company other than another Obligor;
- (d) *Common Control*: permit any Obligor to cease to be under Common Control except in accordance with the provisions described in “-Released Obligors”, page 72, above (the “**Common Control Covenant**”);
- (e) *Restricted Payments with Sales Proceeds*: unless permitted as a Rating Affirmed Matter, make any Restricted Payment with any part of the Sales Proceeds relating to any Disposal or Deemed Disposal unless, immediately following (or in relation to) such Disposal or Deemed Disposal, the Additional Tier Tests required to be carried out in relation to that Disposal or Deemed Disposal demonstrate that there would be no breach of the P1 Headroom Test, the P2 Headroom Test or the Financial Covenant if either (i) the Disposal or Deemed Disposal were to proceed and the intended Restricted Payment were made and funded from such Sales Proceeds to the intended extent or (ii) in addition to the making of the Restricted Payment, Loans were to be Prepaid to a certain extent, in which case the Obligors will be required immediately before making the Restricted Payment to Prepay such Loans to such extent; or
- (f) *other Restricted Payments*: unless permitted by the RPC Exceptions, make any Restricted Payment unless, during the period commencing on the most recent Amortisation Determination Date and ending on the date of a proposed Restricted Payment, the Obligors have Prepaid an amount equal to, in the aggregate, the Minimum Amortisation Amount (if any) in respect of Non-Contingent Loans in accordance with the Mandatory Prepayment Provisions (other than the Headroom Test Prepayment Provision and the DPA Prepayment Provision).

Unsecured Debt: Neither FinCo nor any Financial SPV Obligor shall incur any Unsecured Debt at any time.

Purchases of Notes: No Obligor (except an Obligor which is resident in the United Kingdom for tax purposes and which meets certain other criteria set out in the Common Terms Agreement) shall purchase Notes at any time.

Covenants relating to the ownership of SubCo and the Nominees

Each Obligor will ensure that SubCo is at all times directly wholly owned by LPML and that each Nominee is at all times directly wholly owned by SubCo.

T2 COVENANTS

The T2 Covenants are set out below.

Refinancing of Revolving R1/R2 Loans

FinCo will be prohibited from reborrowing Revolving R1/R2 Loans to refinance maturing Revolving R1/R2 Loans, except to the extent permitted as mentioned in “- *Reborrowing restrictions and requirements in relation to Revolving R1/R2 Loans*”, page 95, above.

Liquidity Facilities

FinCo will be required to enter into Liquidity Facilities or otherwise comply with the requirements described in “- *Liquidity Facility Agreements*”, page 86, above.

Disposals Threshold

The Obligors will continue to comply with their obligations set out in “- *Disposals – negative covenant*”, page 106, above, but on the basis that the Disposals Threshold shall be reduced to 20% of the Market Value of the Estate (for these purposes, as such phrase is defined in the definition of Disposals Threshold – see “*Glossary of Defined Terms*” beginning on page 253).

INITIAL T3 COVENANTS

The Initial T3 Covenants are set out below.

Insurance Proceeds

The Obligors will be required, pursuant to the Tax Deed of Covenant, to deposit certain amounts into the Specific Tax Reserve Account in respect of the receipt of certain insurance proceeds.

Disposals and Deemed Disposals

The Obligors will be required to comply with their obligations described in “– *Disposal and Insurance Proceeds*”, page 116, below, that arise when the Initial T3 Covenant Regime applies.

Acquisitions

The Obligors shall ensure that if any sums are withdrawn from the Disposal Proceeds Account while the Initial T3 Covenant Regime applies to finance an acquisition of one or more persons or properties, each such person shall be an Eligible Obligor and shall, within five Business Days of such acquisition, become an Additional Obligor in accordance with “– *Additional Obligors*”, page 70, above, and any property so acquired (whether directly or through the acquisition of one or more companies) shall be an Eligible Property and shall, within five Business Days of such acquisition, become an Additional Mortgaged Property in accordance with “– *Additional Mortgaged Properties*”, page 74, above.

Hedging Covenant

The Obligors will be required to increase the percentage of the Adjusted Principal Amount of Non-Contingent Loans that is hedged against interest rate fluctuations, as described in “– *Swap Agreements and Hedging Covenant*”, page 87, above.

Lease Surrenders

No Obligor will be permitted, at any time, to accept any Surrender which (together with other Surrenders accepted since a T3 Covenant Regime most recently began to apply) would result in the Surrender Threshold being exceeded without depositing the Surrender Amount into the Income Replacement Account forthwith upon such Surrender, unless:

- (a) such Surrender was accepted because the Occupier has fallen or is, in the reasonable opinion of the relevant Obligor, likely to fall into material default of its obligations under the relevant Leasing Agreement and the relevant demised premises are to be made available for re-letting;
- (b) such Surrender was accepted to allow a Development or demolition of an existing building on a Mortgaged Property to proceed; or
- (c) the Obligor has before or at the same time as such Surrender contracted with a new Occupier for a Leasing Agreement which complies with the Letting Criteria and on terms which will reduce the LTV and/or increase the Projected ICR as of the next Scheduled Calculation Date.

Notwithstanding the foregoing, each Obligor shall promptly deposit into the Income Replacement Account all amounts that it receives from any of its tenants in respect of any Surrender.

Property Manager Appointment

If the Projected ICR, Additional Projected ICR or (if a Historical ICR Event is continuing) Historical ICR or Pro Forma Historical ICR is less than 1.25:1 as of any relevant Calculation Date, the Obligors will be required (at their own expense) promptly to appoint a Property Manager (who will have the same duty of care as an administrative receiver and will be required to consider, but not obliged to follow, the views of the directors of the Obligors) from the Approved Property Manager List to:

- (a) review the Mortgaged Properties; and
- (b) prepare and deliver to the Obligor Security Trustee and the directors of the Principal Obligor, within 60 days of its appointment, a report which recommends such steps as will, in the opinion of the Property Manager, improve the long term rental levels and the investment value of the Mortgaged Properties including (but not limited to) a proposed letting, disposal and acquisition strategy in respect of the Mortgaged Properties and the Obligors,

provided that the Obligors shall be permitted to terminate the appointment of the Property Manager upon (or following) the first Calculation Date as of which (i) both the Projected ICR and Historical ICR, or (ii) both the Additional Projected ICR and Pro Forma Historical ICR, is at least 1.25:1.

The Obligors and the directors of the Obligors shall not be required to take into account or follow the recommendations of the Property Manager.

For the avoidance of doubt, references in this Offering Circular to the Property Manager's rights and activities shall only be relevant for so long as it remains appointed as such.

Compliance Certificate

Without prejudice to any other obligation of the Obligors, the Obligors will be required, within two months of each Scheduled Calculation Date (other than a Scheduled Calculation Date falling on the last day of a Financial Half Year), to deliver to the Obligor Security Trustee, the Note Trustee and the Rating Agencies a certificate, signed by two directors of the Principal Obligor, which:

- (a) specifies whether the Security Group is subject to the Initial T3 Covenant Regime or the Final T3 Covenant Regime; and
- (b) specifies whether, as of the date thereof, any Obligor Event of Default, Potential Obligor Event of Default, P1 Trigger Event or P2 Trigger Event has occurred and is continuing unwaived and, if so, provides a description thereof and the action taken or proposed to be taken to remedy it,

except to the extent that disclosure of such information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Security Group or its parent is subject (as certified to the Obligor Security Trustee by two Authorised Signatories).

Cardinal Place Development

If at any time a Tier 3 Covenant Regime applies and final practical completion pursuant to the relevant building contract(s) of the Development proceeding (as at the Exchange Date) at the Mortgaged Property known (as at the Exchange Date) as Cardinal Place (the "**Cardinal Place Project**") has not occurred, the following provisions shall apply:

- (a) The Obligors shall use all reasonable endeavours promptly to procure, in favour of the Obligor Security Trustee or a person nominated by the Obligor Security Trustee, the grant of "step-in" or equivalent rights in respect of the contracts with contractors, professionals and any sub-contractors with a material design responsibility in respect of the Cardinal Place Project (save for professionals and sub-contractors where the building contractor is the employer), in form and substance satisfactory to the Obligor Security Trustee (the "**Cardinal Place Step-In Rights**").
- (b) If the Cardinal Place Step-In Rights have not been granted to the Obligor Security Trustee or its nominee within 60 days of the date on which the Initial T3 Covenant Regime first applies the Obligors shall:
 - (i) procure certification to the Obligor Security Trustee by the quantity surveyor to the Cardinal Place Project of the amount equal to the estimated costs to complete the Cardinal Place Project to final practical completion (consistent with the costs included in the definition in the Glossary of Aggregate Projected Development Costs) (the "**Cardinal Place Cost to Complete**") and the quantity surveyor, in so certifying, shall acknowledge a duty of care to the Obligor Security Trustee; and
 - (ii) immediately deposit into an account in the name of the legal owners of the relevant Mortgaged Property opened specifically for this purpose and no other (the "**Cardinal Place Development Account**"), an amount equal to the Cardinal Place Cost to Complete.
- (c) For so long as a T3 Covenant Regime applies, the Obligor Security Trustee's consent will be required for any withdrawal of any sum from the Cardinal Place Development Account. The Obligor Security Trustee will give its consent to any withdrawal of any sum from the Cardinal Place Development Account if the Principal Obligor provides to the Obligor Security Trustee a certificate signed by two Authorised Signatories stating:
 - (i) that no Obligor Event of Default is continuing unwaived; and

- (ii) (A) the monies proposed to be withdrawn from the Cardinal Place Development Account are due and payable to a contractor or professional in relation to the Cardinal Place Project or (B) the Cardinal Place Step-In Rights have all been granted to the Obligor Security Trustee or its nominee.

If at any time a T3 Covenant Regime does not apply after the making of the deposit referred to in (b)(ii) above, and the T1 Covenant Regime or T2 Covenant Regime applies, the Obligor Security Trustee will undertake to give its consent to any withdrawal if the Principal Obligor provides to the Obligor Security Trustee a certificate signed by two Authorised Signatories stating:

- (i) that no Obligor Event of Default is continuing unwaived; and
- (ii) a T3 Covenant Regime does not apply.

On final practical completion of the Cardinal Place Project, as certified by two Authorised Signatories, any balance in the Cardinal Place Development Account will be released to the Obligors.

FINAL T3 COVENANTS

The Final T3 Covenants are set out below.

Disposals and Deemed Disposals

The Obligors will be required to comply with their obligations set out in “– Disposal and Insurance Proceeds”, page 116, below that arise when the Final T3 Covenant Regime applies.

Restricted Payments

No Obligor will be permitted, at any time, to make any Restricted Payment other than:

- (a) a Restricted Payment made pursuant to paragraph (a) or paragraph (e) of the Security Group Pre-Enforcement Priority of Payments; or
- (b) a payment made solely from the net proceeds of issue of equity and/or the incurrence of Subordinated Debt and/or Unsecured Debt,

and, notwithstanding the foregoing, the Obligors will be prohibited from making any Restricted Payment if there is a continuing breach of the Financial Covenant.

Lease Surrenders

Notwithstanding the Initial T3 Covenant regarding Surrenders, no Obligor shall, at any time, accept any Surrender without crediting the Surrender Amount into the Income Replacement Account forthwith upon such Surrender, unless such Surrender was taken:

- (a) because the Occupier had fallen or was, in the reasonable opinion of the relevant Obligor, likely to fall into material default and the relevant demised premises are to be made available for re-letting; or
- (b) the Obligor has before or at the same time as the relevant Surrender contracted with a new Occupier for a Leasing Agreement which complies with the Letting Criteria and on terms which will reduce the LTV and/or increase the Projected ICR as of the next Scheduled Calculation Date.

Notwithstanding the foregoing, each Obligor shall promptly deposit into the Income Replacement Account all amounts that it receives from any of its tenants in respect of any Surrender.

Prohibition of certain actions while in breach of Financial Covenant

If a breach of the Financial Covenant is continuing, no Obligor shall:

- (a) make any corporate acquisitions or investments in partnerships or joint ventures not recommended by the Property Manager;
- (b) make any Restricted Payments; or
- (c) effect any Acquisitions or Disposals not recommended by the Property Manager.

Property Manager's recommendations to be followed

The Obligors will be required to follow all of the Property Manager's recommendations in all material respects (as amended, supplemented or withdrawn by the Property Manager from time to time).

Development

The Obligors shall not, for so long as the Final T3 Covenant Regime applies, enter into building contracts in respect of Development Projects the Aggregate Projected Development Costs of which exceed £50 million (subject to Indexation).

Special Provisions Concerning Obligor Accounts

The Obligors will have opened certain of the following accounts on or before the Exchange Date:

- (a) the Collection Account and the Operating Accounts;
- (b) the Debt Collateralisation Account;
- (c) the Disposal Proceeds Account;
- (d) the Income Replacement Account;
- (e) the Liquidity Facility Reserve Account;
- (f) the General Tax Reserve Account;
- (g) the Specific Tax Reserve Account;
- (h) the Swap Collateral Accounts;
- (i) the Swap Excluded Amounts Account;
- (j) the Cardinal Place Development Account; and
- (k) the Development Accounts.

Collection Account and the Operating Accounts

Each Obligor will, unless explicitly required or permitted to do otherwise by the Obligor Transaction Documents, deposit all monies received by it into the Collection Account. Unless an Enforcement Period is continuing or a Loan Acceleration Notice has been served, the Cash Manager shall be entitled to withdraw funds from the Collection Account, and funds (if any) from the Operating Accounts, provided in either case that the Security Group Pre-Enforcement Priority of Payments is observed if there is a Shortfall on the relevant day.

Debt Collateralisation Account

The Debt Collateralisation Account may be credited (i) voluntarily by the Obligors at any time or (ii) in discharge of their obligation to Prepay Non-Contingent Loans (see “– *Prepayment of Non-Contingent Loans*”, page 88 *et seq.*, above). All amounts used to Collateralise Loans will be credited to the relevant DCA Ledgers for such Loans.

The Obligor Security Trustee's consent will be required for any withdrawal of any sum from the Debt Collateralisation Account (unless such sum is credited interest earned on amounts standing to the credit of such account, which may be transferred to the Collection Account by standing instruction unless an Enforcement Period is continuing or a Loan Acceleration Notice has been served. The Obligor Security Trustee will undertake to consent to such withdrawal within two Business Days of its receipt of a certificate signed by two Authorised Signatories stating that either:

- (a) such sum is required to Actually Prepay or Buyback one or more ICL Loans which are Non-Contingent Loans or to Actually Prepay one or more ACF Loans which are Non-Contingent Loans, in either case accordance with the provisions described in “– *Prepayment of Non-Contingent Loans*”, page 88, above; or
- (b) all of the following conditions are satisfied:
 - (i) either (A) a Tier Determination Date has not yet occurred or (B) the T1 Covenant Regime or the T2 Covenant Regime applies as of each of the two most recent Tier Determination Dates (or, if there has only been one Tier Determination Date, as of that Tier Determination Date);
 - (ii) no Enforcement Period is continuing and no Obligor Event of Default is continuing unwaived;
 - (iii) no event is then continuing that would require the Obligors to make any Prepayment in accordance with the Mandatory Prepayment Provisions;

- (iv) the withdrawal would not cause an event that would (were such event to continue) require the Obligors to make any Prepayment in accordance with the Mandatory Prepayment Provisions (other than the Ratings Event Prepayment Provision); and
- (v) the withdrawal would not cause a T3 Covenant Regime to apply (were a Tier Test Calculation Date to occur immediately after the relevant withdrawal).

The foregoing is without prejudice to the obligation of the Obligors to conduct the Additional Tier Tests from time to time (see “– *The Additional Tier Tests and Headroom Tests*”, page 95, above).

In the case of paragraph (a) above, the sum withdrawn shall be applied to Actually Prepay or Buyback one or more Non-Contingent Loans in compliance with the Common Terms Agreement. In the case of paragraph (b) above, the sum withdrawn shall be credited to the Collection Account.

Disposal Proceeds Account

Voluntary Credits: The Obligors may voluntarily make credits to the Disposal Proceeds Account at any time.

Disposal and Insurance Proceeds: The following amounts shall be paid into the Disposal Proceeds Account:

- (a) if any Covenant Regime applies:
 - (i) save as provided below, all Sales Proceeds of any amount; and
 - (ii) subject to any obligations under the relevant Obligor’s leasehold interest in the relevant Mortgaged Property, any relevant Leasing Agreement or any obligation imposed by law, all proceeds of a claim under a Material Damage Policy if the amount of the proceeds exceeds £5,000,000 (subject to Indexation) (other than for loss of rent of any amount, which shall be deposited into the Income Replacement Account), unless, in circumstances where the relevant Obligor is itself a tenant of the relevant property, it is obliged as tenant to apply the proceeds in any other manner; and
- (b) save as provided below, if a T3 Covenant Regime applies at the time of any (A) Disposal for consideration other than wholly in cash, (B) a Deemed Disposal of a Mortgaged Property or (C) release of a Mortgaged Property from the Estate other than pursuant to a Disposal of such Mortgaged Property or of the Obligor which holds such Mortgaged Property for cash consideration to a person outside the Security Group pursuant to a transaction on arm’s length terms, the Obligors shall ensure that on the date thereof there is deposited into the Disposal Proceeds Account an amount equal to the lesser of:
 - (i) the aggregate of the Market Values of the Mortgaged Properties the subject of the Disposal (or held by the Obligor which is the subject of such Disposal), Deemed Disposal or release, as the case may be; and
 - (ii) the aggregate of the Allocated Debt Amounts for each of such Mortgaged Properties, unless the relevant non-cash consideration comprises one or more Eligible Properties having an aggregate Market Value at least equal to such lesser amount (as reduced by any cash deposited into the Disposal Proceeds Account in connection with such Disposal) which are reasonably expected by the Principal Obligor to be introduced into the Estate within 10 Business Days of the Disposal in question.

Notwithstanding the foregoing, if both of paragraphs (a)(i) and (b) above purport to apply in respect of the same Disposal, only that paragraph which requires the deposit of a greater amount into the Disposal Proceeds Account shall apply in respect of that Disposal.

With regard to withdrawals of funds standing to the credit of the Disposal Proceeds Account:

- (i) *reinstatement costs:* if, pursuant to a relevant Leasing Agreement, insurance policy, the relevant Obligor’s leasehold interest in the Mortgaged Property or any other obligation imposed by law, the recipient Obligor is obliged to repair or reinstate damaged property, sums credited to the Disposal Proceeds Account in respect of such damaged property may be withdrawn to repair or reinstate such property;
- (ii) *lawful purposes:* subject to (i) above and to (iii) below, if (a) the T1 Covenant Regime or T2 Covenant Regime applies and (b) either the Total Collateral Value when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was greater than or equal to £2,000,000,000 or the LTV when last tested pursuant to the Tier Tests or the Additional

Tier Tests (as the case may be) was less than or equal to 45%, funds credited to the Disposal Proceeds Account in respect of a Disposal, Deemed Disposal or the proceeds of any Material Damage Policy may be withdrawn for any lawful purpose of FinCo;

- (iii) *tax reserves*: if an Obligor is required by the Tax Deed of Covenant to deposit into a Tax Reserve Account by way of transfer from the Disposal Proceeds Account any amount in respect of Disposal Tax, the amount required to be so deposited shall be promptly withdrawn from the Disposal Proceeds Account and credited to the relevant Tax Reserve Account;
- (iv) *surplus*: if
 - (a) the Initial T3 Covenant Regime applies; or
 - (b) either the T1 Covenant Regime or the T2 Covenant Regime applies and (1) the Total Collateral Value when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was less than £2,000,000,000 and (2) the LTV when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was greater than 45%,

and Sales Proceeds in respect of a Mortgaged Property or Obligor have been credited to the Disposal Proceeds Account, the Obligors shall (subject to (iii) above) be entitled to withdraw only an amount equal to the excess (if any) of the Net Sales Proceeds in respect of such Mortgaged Property or Obligor (as the case may be) over the Allocated Debt Amount for such Mortgaged Property or any Mortgaged Property held by any Obligor which is the subject of a Disposal and to apply the same for any lawful purpose of FinCo;

- (v) *tax payments*: if Sales Proceeds in respect of a Mortgaged Property have been credited to the Disposals Proceeds Account in respect of a Disposal or Deemed Disposal of a Mortgaged Property, then (subject to (iii) above) FinCo may withdraw an amount equal to the excess (if any) of the Sale Proceeds in respect of such Mortgaged Property over the Net Sale Proceeds for any lawful purpose of FinCo (including the payment of any tax associated with the Disposal or Deemed Disposal of such Mortgaged Property);
- (vi) *reinvestment*: if (1) either (a) the Total Collateral Value when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was less than £2,000,000,000 and the LTV when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was greater than 45% (but in either case the Final T3 Covenant Regime does not apply) or (b) the Initial T3 Covenant Regime applies, (2) Sales Proceeds in respect of any Mortgaged Property or Obligor, Deemed Disposal Proceeds or the proceeds of any Material Damage Policy have been credited to the Disposal Proceeds Account in respect of any Mortgaged Property and (3) less than 12 months have elapsed since the date such funds were so credited, FinCo may (subject to (iii) above) withdraw all or part of such funds to the extent of the Sales Proceeds in respect of such Mortgaged Property or Obligor (as the case may be), Deemed Disposal Proceeds or proceeds of any Material Damage Policy (as the case may be) so that any member of the Security Group may finance:
 - (a) development costs in respect of a permitted Development; and/or
 - (b) a permitted Acquisition; and/or
 - (c) the Prepayment of Non-Contingent Loans in accordance with paragraph (vii) below;
- (vii) *Prepayment*: subject to (i) above, if either:
 - (a) Sales Proceeds or Deemed Disposal Proceeds for a Mortgaged Property have been credited to the Disposal Proceeds Account; or
 - (b) proceeds of a Material Damage Policy have been credited to the Disposal Proceeds Account,

and any part of the Net Sales Proceeds for that Mortgaged Property or such insurance proceeds remain credited to the Disposal Proceeds Account after the expiry of the relevant time period set out below when either (A) a T3 Covenant Regime applies or (B) the Total Collateral Value when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was less than £2,000,000,000 and the LTV when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was greater than 45%, then such part will be applied in Prepayment of Non-Contingent Loans in accordance with the provisions described in “– *Prepayment of Non-Contingent Loans*”, page 88, above, in accordance with the rules described below.

In the case of Sales Proceeds or Deemed Disposal Proceeds:

- (a) if (A) the Initial T3 Covenant Regime applies or (B) the Total Collateral Value when last tested pursuant to the Tier Tests or Additional Tier Tests (as the case may be) was less than £2,000,000,000 and the LTV when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was greater than 45% (but the Final T3 Covenant Regime does not apply), the Prepayment will be made within two Business Days following the expiry of 12 months from the date the Sales Proceeds were credited to the Disposal Proceeds Account; or
- (b) if the Final T3 Covenant Regime applies, the Prepayment will be made within two Business Days following the earlier of:
 - (i) the date falling 6 months after the date such Sales Proceeds were credited to the Disposal Proceeds Account (if credited while the Final T3 Covenant Regime applied); and
 - (ii) the date falling 12 months after the date such Sales Proceeds were credited to the Disposal Proceeds Account (if credited at a time when the Final T3 Covenant Regime did not apply).

In the case of proceeds from a Material Damage Policy:

- (a) if either (A) the Initial T3 Covenant Regime applies or (B) the Total Collateral Value when last tested pursuant to the Tier Tests or Additional Tier Tests (as the case may be) was less than £2,000,000,000 and the LTV when last tested pursuant to the Tier Tests or the Additional Tier Tests (as the case may be) was greater than 45% (but the Final T3 Covenant Regime does not apply), the Prepayment will be made within two Business Days following the expiry of 12 months from the date the relevant insurance proceeds were credited to the Disposal Proceeds Account or, if the relevant Obligor is, on such expiry, obliged by a relevant Leasing Agreement or insurance policy to repair or reinstate the relevant Mortgaged Property, such later date (if any) on which such obligation is released; or
- (b) if the Final T3 Covenant Regime applies, the Prepayment will be made within two Business Days following the earlier of:
 - (i) the date falling 6 months after the date such proceeds were credited to the Disposal Proceeds Account (if credited while the Final T3 Covenant Regime applied) (or, if the relevant Obligor is, on such date, obliged by a relevant Leasing Agreement or insurance policy to repair or reinstate the relevant Mortgaged Property, such later date (if any) on which such obligation is released); and
 - (iii) the date falling 12 months after the date such insurance proceeds were credited to the Disposal Proceeds Account (if credited at a time when the Final T3 Covenant Regime did not apply) (or, if the relevant Obligor is, on such date, obliged by a relevant Leasing Agreement or insurance policy to repair or reinstate the relevant Mortgaged Property, such later date (if any) on which such obligation is released).

Save as provided below, the Obligor Security Trustee's consent will be required for any withdrawal of any sum from the Disposal Proceeds Account. The Obligor Security Trustee will undertake to consent to any withdrawal upon receipt of a certificate of two Authorised Signatories stating:

- (a) that such withdrawal is permitted under the terms of the Common Terms Agreement;
- (b) the purpose of the withdrawal; and
- (c) that (i) no Obligor Event of Default is continuing unwaived or would arise as a result of such withdrawal and (ii) no Enforcement Period is continuing.

Notwithstanding the immediately preceding paragraph, the Obligor Security Trustee's consent will not be required in respect of sums credited as interest earned on the Disposal Proceeds Account, which sums may be transferred to a Collection Account by standing instruction unless an Enforcement Period is continuing or a Loan Acceleration Notice has been served.

Income Replacement Account

Sums standing to the credit of the Income Replacement Account may be withdrawn with the consent of the Obligor Security Trustee.

If the T1 Covenant Regime or the T2 Covenant Regime applies, the Obligor Security Trustee will consent to any proposed withdrawal of any amount (other than an amount standing to the credit of the Liquidity Ledger) from the Income Replacement Account by FinCo upon receipt from FinCo of a certificate, signed by two Authorised Signatories, which states that:

- (a) no Obligor Event of Default has occurred and is continuing unwaived; and
- (b) such withdrawal would not cause a T3 Covenant Regime to apply were a Tier Test Calculation Date to occur immediately following such withdrawal.

If a T3 Covenant Regime applies (or a T3 Covenant Regime would apply were a Tier Test Calculation Date to occur immediately following any withdrawal of funds standing to the credit of the Income Replacement Account (other than a withdrawal of an amount standing to the credit of the Liquidity Ledger)), and FinCo requests the consent of the Obligor Security Trustee to a withdrawal of funds standing to the credit of the Income Replacement Account (other than an amount standing to the credit of the Liquidity Ledger) in respect of any Surrender, the Obligor Security Trustee will undertake to consent to such proposed withdrawal upon receipt from FinCo of a certificate, signed by two Authorised Signatories, which states that:

- (a) no Obligor Event of Default has occurred and is continuing unwaived; and
- (b) the moneys proposed to be withdrawn from the Income Replacement Account will be paid into a Collection Account either:
 - (i) at the times, and in the amounts, that the Rental Income foregone as a result of such Surrender would have been payable to the Security Group had such Surrender not been accepted; or
 - (ii) in any other amounts and/or at any other times, provided that such certificate also states that (A) the premises to which such Surrender related have been re-let pursuant to a Leasing Agreement which complies with the Letting Criteria (provided that the payment of rent under the relevant tenancy is scheduled to commence not later than the next Scheduled Calculation Date), (B) the amount proposed to be withdrawn is not greater than the amount deposited into the Income Replacement Account at the time of such Surrender (plus any interest earned thereon) less any amount previously withdrawn therefrom and (C) no Enforcement Period is continuing and no Loan Acceleration Notice has been served.

If FinCo deposits any amount into the Income Replacement Account pursuant to the Mandatory Liquidity Provisions, such amount will be credited to the Liquidity Ledger. Save as provided below, amounts standing to the credit of the Liquidity Ledger may only be used to pay interest on Priority 1 Debt (and amounts, other than amounts in respect of Rental Loans, ranking senior thereto under the relevant Security Group Priority of Payments). FinCo will be permitted to transfer to a Collection Account amounts standing to the credit of the Liquidity Ledger at any time if and to the extent that the aggregate of amounts standing to the credit of the Liquidity Ledger and the aggregate commitment amount (whether drawn or undrawn) of any Liquidity Facilities exceeds the Required Liquidity Amount at that time.

Liquidity Facility Reserve Account

The proceeds of any standby loan drawn under a Liquidity Facility will be deposited to the relevant Liquidity Facility Reserve Account if a Liquidity Event occurs. Amounts will be withdrawn from, and deposited to, the Liquidity Facility Reserve Account in the same manner as such amounts would be capable of being drawn, and required to be paid (or repaid), from or to the relevant Liquidity Facility Provider.

Tax Reserve Accounts

The consent of the Obligor Security Trustee will be required for any withdrawal from the Tax Reserve Accounts. The Obligor Security Trustee will grant such consent upon receipt of certain certificates as set out in detail in the Tax Deed of Covenant.

Swap Collateral Accounts

Any collateral provided by a Swap Counterparty following its downgrade below the Swap Counterparty Minimum Short Term Ratings or Swap Counterparty Minimum Long Term Ratings (as the case may be) will be credited to a Swap Collateral Account opened at the time such collateral is provided in the name of the Obligor that is party to the relevant Swap Agreement.

Amounts may only be withdrawn from a Swap Collateral Account: (i) to return collateral to the relevant Swap Counterparty in accordance with the terms of the applicable Swap Agreement and collateral arrangements; (ii) in respect of any payment obligation of the relevant Swap Counterparty under the applicable Swap Agreement that is due but remains unpaid after the expiry of the applicable grace period; and (iii) following termination of the applicable Swap Agreement to the extent not required to satisfy any termination payment due to the relevant Swap Counterparty.

Swap Excluded Amount Accounts

All amounts which fall within paragraph (b) and (c) of the definition of Swap Excluded Amounts received by the Obligors from time to time will be deposited into a Swap Excluded Amount Account. The Obligors will be permitted to withdraw funds from any Swap Excluded Amount Account to pay to the relevant Swap Counterparty amounts owing to such Swap Counterparty in respect of such Swap Excluded Amounts standing to the credit of such account.

Eligible Investments

The Obligors will generally be permitted to acquire Eligible Investments from amounts standing to the credit of the Obligor Accounts, provided that such Eligible Investments are held in a segregated client account on behalf of the Obligors by the Account Bank acting pursuant to the Account Bank and Cash Management Agreement or by an Eligible Bank acting as custodian pursuant to a custody agreement in a form agreed between the Obligors, the Obligor Security Trustee and the Rating Agencies. Eligible Investments acquired using amounts standing to the credit of any Obligor Account will be treated, for all purposes under the Common Terms Agreement, as being a part of such Obligor Account.

Representations And Warranties Of Each Obligor

The representations and warranties of the Obligors provided under the Common Terms Agreement as listed out below are provided solely to the Obligor Security Trustee on its own behalf and on behalf of the Obligor Secured Creditors.

Representations and warranties made on Exchange Date and each Reporting Date

The representations and warranties to be given by each Obligor in the Common Terms Agreement on the Exchange Date and at each Reporting Date will be the following:

- (a) it is a corporation or other legal entity duly established, validly existing and registered under the laws of the jurisdiction in which it is established, capable of being sued in its own right and not subject to any immunity from any proceedings;
- (b) it has the power to own its property and assets and to carry on its business and operations as they are being conducted;
- (c) it has the power to enter into, perform and discharge its obligations under each of the Obligor Transaction Documents to which it is a party, and has taken all necessary corporate and other action to authorise the execution, delivery and performance of such documents (save only for any such actions as are contemplated to be taken after execution of the Obligor Transaction Documents);
- (d) its obligations under each of the Obligor Transaction Documents to which it is a party are legal, valid, binding and enforceable obligations subject to any reservations identified in the legal opinions to be delivered to the Obligor Security Trustee on or before the Exchange Date and it is not aware of any reason why the Obligor Security might not be valid with the priority it is expressed to have in the Obligor Security Documents;
- (e) its entry into and performance of its obligations under, and the transactions contemplated by, the Obligor Transaction Documents do not conflict with (i) any other agreement to which it is a party in such a way as to have a Material Adverse Effect, (ii) any law or regulation applicable to it or (iii) its constitutional documents;
- (f) all governmental and other consents, approvals, licences and registrations which are necessary for it to conduct the transactions contemplated by the Obligor Transaction Documents to which it is a party have been applied for or obtained;
- (g) no event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or to which its assets are subject which has or will have a Material Adverse Effect;

- (h) the most recently delivered audited consolidated financial statements (or, where the Security Group does not constitute a group that would require a statutory consolidation, the Security Group's *pro forma* consolidated accounts) for the Security Group and the report of the Auditors thereon present fairly the state of affairs of the Security Group as of the date at which they were prepared and of the results for the accounting period up to such date;
- (i) all documentation and other information in relation to the Mortgaged Properties which it supplied in connection with the preparation of the Certificates of Title was, as at the date at which such documentation and information was stated to be given (to the best of its knowledge, information and belief) true and accurate in all material respects;
- (j) (i) all factual information provided by, or on behalf of, such Obligor to the Valuer for the purposes of each Valuation Report on the Estate (and each summary thereof delivered to the Representative of the Initial ACF Providers) and each Intermediate Valuation Report on a Mortgaged Property (in each case as such information may have been amended, varied or supplemented by such Obligor prior to the date of such Valuation Report) was, to the best of its knowledge, information and belief, true and accurate in all material respects on the date of such report and no information was omitted which, if disclosed, would reasonably be expected to have a material and adverse effect on the Market Value of any of the Mortgaged Properties as set out in the relevant Valuation Report(s) and (ii) the summaries referred to above are accurate summaries of the relevant Valuation Reports on the Estate;
- (k) all governmental and other consents, approvals, licences and registrations (including but not limited to Environmental Permits) which are necessary for it to conduct its business have been obtained, are in full force and effect and have been complied with in all material respects and it has made all filings, payments of duties or taxes and other approvals and authorisations necessary for it to own its property and assets and conduct its business, which, in each case, if not obtained (or if revoked, terminated or otherwise not in full force and effect), complied with or made, would be reasonably expected to have a Material Adverse Effect;
- (l) the claims of the Obligor Secured Creditors against it under any of the Obligor Transaction Documents to which it is a party (or the claims of the Obligor Security Trustee on behalf of the Obligor Secured Creditors thereunder, as the case may be) will rank at least *pari passu* with the claims of all its unsecured creditors, save for those claims that are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws or regulations of general application;
- (m) there has been no breach of any term of any Insurance Policy which, so far as it is aware, would entitle the relevant insurer to avoid such policy in its entirety;
- (n) save as disclosed in the Title Overview Reports (or Certificates of Title relating to any Additional Mortgaged Properties disclosed to the Valuers), one or more Obligor(s) is/are the absolute legal owner (subject to any pending registrations or recordings at the Land Registry), and such Obligor(s) (or other Obligor(s)) is/are the absolute beneficial owner, of each of the Mortgaged Properties and (save as disclosed in the Title Overview Reports and/or the Certificates of Title or otherwise disclosed to the Valuers) each Obligor has good and marketable title (but, for the avoidance of doubt, in the case of registered land without implying a particular quality of title), in its own name, to its interests in such Mortgaged Property;
- (o) so far as it is aware it is entitled to use all of the Intellectual Property Rights that are used by it in connection with the Obligor Properties from time to time;
- (p) save as disclosed in the Environmental Reports or as otherwise disclosed to the Valuers:
 - (i) it is in compliance with all Environmental Laws in all material respects (in the context of the Obligor Properties as a whole), there are no circumstances known to it that are likely to prevent or interfere with such compliance in the future where such non-compliance would reasonably be expected to have a Material Adverse Effect and there are no circumstances known to it that are likely to give rise to any liability under Environmental Law which liability would reasonably be expected to have a Material Adverse Effect;

- (ii) it is in all material respects in compliance with the terms of all Environmental Permits necessary for the ownership and operation of its facilities and businesses as presently owned and operated save where in any such case non-compliance with or the lack of any such Environmental Permits would not reasonably be expected to have a Material Adverse Effect; and
- (iii) there is no Environmental Action pending or, so far as it is aware, threatened against it and, so far as it is aware, there are no circumstances which are reasonably likely to form the basis of any Environmental Action against it which in any such case would be reasonably expected to have a Material Adverse Effect;
- (q) it holds its Board meetings in an Approved Jurisdiction and has no branch or other establishment in any jurisdiction which would operate so as to render applicable with respect to it any insolvency laws of any jurisdiction other than those of an Approved Jurisdiction or those of England and Wales or Scotland; and
- (r) if such Obligor holds an Obligor Account, it is beneficially entitled to all funds standing to the credit of such account.

Additional representations and warranties made on Exchange Date

In addition to the representations and warranties above, each Obligor will make the following representations and warranties on the Exchange Date (among others):

- (a) the capitalisation and indebtedness statements in respect of the Issuer and FinCo set out in the Offering Circular have been correctly extracted from the relevant accounting records;
- (b) save as specifically disclosed in the Common Terms Agreement, no United Kingdom *ad valorem* stamp duty or stamp duty land tax is payable in relation to the execution, delivery and performance of any of the documents referred to in paragraphs (a) to (e) (inclusive) and (g), (h) and (j) of the definition of “Obligor Transaction Documents” and paragraphs (a) to (h) (inclusive) of the definition of “Obligor Security Documents” which in each case are to be executed on or about the Exchange Date;
- (c) the ownership of its issued and outstanding shares as at the Exchange Date is as described in the corporate structure diagram set out on page 22, above;
- (d) it is not insolvent or unable to pay its debts (within the meaning of Section 123 of the Insolvency Act 1986) and (to the best of its knowledge, having made all due enquiries) it is not subject to any insolvency, winding-up or similar proceedings;
- (e) save as disclosed in the Certificates of Title or the Title Overview Reports or as otherwise disclosed to the Valuers, there are (to the best of its knowledge, information and belief) no material exceptions, reservations, easements, servitudes, burdens, rights, privileges, covenants, restrictions or encumbrances (including any arising under statute or any statutory power) or any breaches of town and country planning legislation (and any orders, regulations, consents or permissions made or granted under any of the same) or resolutions or proposals for the compulsory acquisition of any of the Mortgaged Properties or any means of access to or egress therefrom, which would reasonably be expected to have a material adverse effect on the Market Value of the Mortgaged Property to which they relate;
- (f) it does not have any Financial Indebtedness outstanding which it is prohibited from having outstanding under the Common Terms Agreement;
- (g) any factual information contained in this Offering Circular was true and accurate in all material respects as at the date of this Offering Circular and, to the best of the knowledge and belief of Land Securities PLC (after having made all due and reasonable enquiries), no information has been omitted from this Offering Circular which would make this Offering Circular untrue or misleading in any material respect as at the date of this Offering Circular; and
- (h) except to the extent disclosed in the Offering Circular, no event has occurred since the date of publication of its most recently audited financial statements that would have a Material Adverse Effect.

Additional representations and warranties made on each Reporting Date

In addition to the representations and warranties set out above, each Obligor will make the following representations and warranties on each Reporting Date:

- (a) it is not insolvent or unable to pay its debts as they fall due and (to the best of its knowledge) it is not subject to any insolvency, winding-up or similar proceedings; and
- (b) since the Exchange Date, there has been no change in its share ownership except as disclosed in the Investor Reports.

Obligor Events Of Default And Remedy

Obligor Events of Default

Each of the following is an “**Obligor Event of Default**”:

- (a) *failure to pay*: the Obligors together fail to pay when due and payable any amount or amounts payable by any Obligor under any Obligor Transaction Document, provided that no Obligor Event of Default shall occur if (A) the due amount(s) are paid in full within 5 Business Days of its/their due date or (B) such amount(s) (if not owed to the Issuer or an ACF Provider or an ACF Representative under an ACF Agreement) is (or are in aggregate) less than £10,000,000 (or its equivalent in other currencies) (subject to Indexation);
- (b) *breach of Financial Covenant*: a breach of the Financial Covenant which is not remedied within 60 days of the earlier of:
 - (i) the date of delivery of the Calculation Certificate in respect of the Calculation Date as of which such covenant was breached; and
 - (ii) the last day upon which the Obligors are permitted to deliver such certificate under the Common Terms Agreement,
 in the manner set out in the section entitled “– *Remedy of Financial Covenant*”, page 125, below;
- (c) *breach of covenants not to encumber, carry on extraneous business or incur Unsecured Debt*: a breach of any of the covenants referred to in paragraphs (a) (*create Encumbrances*) or (b) (*carry on extraneous business*) of the subsection entitled “–*Covenants applicable to all Obligors*”, page 110, above, or the covenant set out in the subsection entitled “– *Unsecured Debt*”, page 111, above, in each case set out in the section entitled “– *Additional negative covenants of the Obligors*”, page 133, above), the incurrence of any Financial Indebtedness by the Obligors other than Permitted Financial Indebtedness or a breach of any of the terms referred to in the section headed “– *Intercreditor arrangements*”, page 130, below, other than in accordance with the Security Trust and Intercreditor Deed, provided that any such breach is incapable of remedy or is not remedied within a period of 20 Business Days following (A) receipt by the Principal Obligor of notification of such breach from the Obligor Security Trustee or (B) if earlier, the date on which any Obligor became aware of such breach;
- (d) *breach of Common Control Covenant*: a breach of the Common Control Covenant unless a certificate is delivered to the Obligor Security Trustee in accordance with the provisions described in “– *Released Obligors*”, page 72, above, within a period of 20 Business Days following (A) receipt by the Principal Obligor of notification of such breach from the Obligor Security Trustee or (B) if earlier, the date on which any Obligor became aware of such breach;
- (e) *breach of other covenant*: a failure to perform or comply with any covenant that is required to be complied with under the Common Terms Agreement, the Security Trust and Intercreditor Deed, any Obligor Security Document or the Account Bank and Cash Management Agreement (but not specifically mentioned in (b) to (d) inclusive above) where such failure to comply has, or is reasonably expected to have, a Material Adverse Effect, provided that in any case such breach is either incapable of remedy or is not remedied within a period of 60 days following receipt of a notification of breach by the Principal Obligor from the Obligor Security Trustee or (if earlier) the date on which any Obligor becomes aware of that default;
- (f) *unable to pay debts*: any Obligor or partnership of Obligors:
 - (i) admits its inability or is unable to pay its debts as they fall due; or
 - (ii) suspends the payment of all or a substantial part of its debts or announces an intention to do so;
- (g) *winding-up/reorganisation*: any Obligor or partnership of Obligors takes any corporate action, or other steps are taken or legal proceedings are commenced against any Obligor or partnership of Obligors, for its winding-up, dissolution or reorganisation (whether by way of

voluntary arrangement, scheme of arrangement or otherwise, other than a solvent reorganisation), provided that it will not be an Obligor Event of Default to the extent that such Obligor or partnership of Obligors is contesting such action, step or proceeding in good faith and such action, step or proceeding is withdrawn or discharged within 30 days of its commencement;

- (h) *insolvency official appointed and administration proceedings*: a liquidator, receiver, administrator, administrative receiver or similar officer is appointed in respect of any Obligor or partnership of Obligors or any material part of its revenues or assets, or any Obligor or partnership of Obligors, its directors or any other person so entitled take any steps to appoint an administrator or otherwise commence administration proceedings);
- (i) *execution against assets*: any execution, distress or diligence is levied against:
 - (i) the whole or any part of the property, undertaking or assets (other than cash assets) of an Obligor or partnership of Obligors having a value, in the aggregate, of £100,000,000 (subject to Indexation) or more; or
 - (ii) the whole or any part of the cash assets of an Obligor or partnership of Obligors having a value, in the aggregate, of £100,000,000 (subject to Indexation) or more,
 and, in each case, such execution, distress or diligence is not being contested in good faith;
- (j) *analogous events*: any event occurs or proceedings are taken with respect to any Obligor or partnership of Obligors in any jurisdiction to which it is subject or in which it has assets which has an effect similar to or equivalent to any of the events mentioned in paragraphs (g) (*winding-up/reorganisation*), (h) (*insolvency official appointed and administration proceedings*) and (i) (*execution against assets*) above;
- (k) *breach of representation*: any representation, warranty or statement (other than the representation referred to in paragraph (l) below) made or repeated by an Obligor in any of the Obligor Transaction Documents to which it is a party (other than the Tax Deed of Covenant, in relation to which see paragraph (n) (*breach of Tax Deed of Covenant*) below) or any statement made in any certificate provided in accordance with the Common Terms Agreement is or proves to have been incorrect or misleading in any respect when made or repeated if the effect thereof has, or would be, a Material Adverse Effect, provided that in any case that such breach is either incapable of remedy or is not remedied within a period of 60 days following (A) receipt by the Principal Obligor of notification of such breach from the Obligor Security Trustee or (B) if earlier, the date on which any Obligor became aware of such breach;
- (l) *breach of Offering Circular representation*: the representation and warranty set out in paragraph (g) in the section entitled "*Additional representations and warranties made on Exchange Date*", page 122, above, is found to have been incorrect when made, provided that such breach is either incapable of remedy or is not remedied within a period of 20 Business Days following (A) receipt by the Principal Obligor of notification of such breach from the Obligor Security Trustee or (B) if earlier, the date on which any Obligor became aware of such breach;
- (m) *illegality*: it is or becomes unlawful for any Obligor to comply with any or all of its obligations under any of the Obligor Transaction Documents or to own its assets or carry on its business if, in each case, the effect of such unlawfulness has or is reasonably expected to have a Material Adverse Effect, unless the circumstances giving rise to such illegality are capable of remedy and are remedied within a period of 60 days following (A) receipt by the Principal Obligor of notification of such illegality from the Obligor Security Trustee or (B) if earlier, the date on which any Obligor becomes aware of such illegality;
- (n) *litigation*: the commencement of any litigation, arbitration, administrative proceedings or governmental or regulatory investigations, proceedings or disputes against an Obligor or its assets, revenues or undertakings which, in any such case, is likely to be adversely determined against it and which, if so adversely determined, has or is reasonably expected to have a Material Adverse Effect; or
- (o) *breach of Tax Deed of Covenant*: an Obligor or any Non-Restricted Group Entity which is a party to the Tax Deed of Covenant fails duly to perform or comply with any of its covenants under the Tax Deed of Covenant or any of its representations or warranties in the Tax Deed of Covenant is or proves to have been incorrect or misleading in any respect when made if

the foregoing has, or is reasonably expected to have, a Material Adverse Effect, provided that, in any case, either such failure or breach is not capable of remedy or such failure or breach is not remedied within a period of 60 Business Days following (A) receipt by the Principal Obligor of notification of such failure or breach from the Obligor Security Trustee or (B) if earlier, the date on which any Obligor or such Non-Restricted Group Entity became aware of such failure or breach.

The Common Terms Agreement will provide that a Potential Obligor Event of Default or an Obligor Event of Default in respect of a particular Obligor may be remedied by such Obligor becoming a Released Obligor in accordance with the Common Terms Agreement.

Remedy Of Financial Covenant

Under the terms of the Common Terms Agreement, a breach of the Financial Covenant may be remedied by one or more of the following:

- (a) *Historical ICR*: in the case of a breach of the Historical ICR component of the Financial Covenant, through:
 - (i) the deposit of an amount into the Debt Collateralisation Account which, had such amount been so deposited on the first day of the most recent Historical Calculation Period; and/or
 - (ii) the Prepayment of Non-Contingent Loans in accordance with the provisions described in the section entitled “– *Prepayment of Non-Contingent Loans*”, page 88, above, which, had such Non-Contingent Loans been Prepaid on the first day of the most recent Historical Calculation Period; and/or
 - (iii) the addition of Additional Properties into the Estate which, had such properties been Mortgaged Properties on the first day of the most recent Historical Calculation Period,(or any combination of the foregoing) would have ensured that such breach would not have occurred; and/or
- (b) *Projected ICR*: in the case of a breach of the Projected ICR component of the Financial Covenant, through:
 - (i) the deposit of an amount into the Debt Collateralisation Account which, had such amount been so deposited on the first day of the relevant Forward-Looking Calculation Period; and/or
 - (ii) the Prepayment of Non-Contingent Loans in accordance with the provisions described in the section entitled “– *Prepayment of Non-Contingent Loans*”, page 88, above, which, had such Non-Contingent Loans been Prepaid on the first day of the relevant Forward-Looking Calculation Period; and/or
 - (iii) the addition of Additional Properties into the Estate which, had such properties been Mortgaged Properties on the first day of the relevant Forward-Looking Calculation Period,(or any combination of the foregoing) would have ensured that such breach would not have occurred; and/or
- (c) *LTV*: in the case of a breach of the LTV component of the Financial Covenant, through:
 - (i) the deposit of an amount into the Disposal Proceeds Account, the Debt Collateralisation Account or any other Approved Blocked Account which, had such amount been netted against the Security Group Net Debt Outstanding on the most recent Calculation Date; and/or
 - (ii) the Prepayment of Non-Contingent Loans in accordance with the provisions described in the section entitled “– *Prepayment of Non-Contingent Loans*”, page 88, above, which, had such Non-Contingent Loans been Prepaid on the most recent Calculation Date; and/or
 - (iii) the addition of Additional Properties into the Estate which, had such properties been Mortgaged Properties on the most recent Calculation Date,(or any combination of the foregoing) would have ensured that such breach would not have occurred; and/or

- (d) *Ratings Test*: in the case of breach of any or all components of the Financial Covenant, through any remedial action approved as a Rating Affirmed Matter.

For the avoidance of doubt: (1) a single deposit, Prepayment of Non-Contingent Loans or addition of Additional Mortgaged Properties may be used to remedy a breach of all of the Historical ICR, Projected ICR, and LTV components of the Financial Covenant and (2) the Obligors shall have regard only to the interest that would have been earned on the deposits referred to in paragraphs (a)(i) and (b)(i) above for the purposes of determining whether a breach of the Historical ICR or Projected ICR component of the Financial Covenant, respectively, has been remedied.

Acceleration Of Secured Obligations And Enforcement Of Obligor Security

The occurrence of an Obligor Event of Default under the Common Terms Agreement will entitle the Obligor Security Trustee to Accelerate all Secured Obligations (see the section entitled “– *Acceleration of Secured Obligations*”, page 141, below). Further, it will entitle the Obligor Security Trustee and the Note Trustee to take enforcement action in respect of the Obligor Security (see the section entitled “– *Loan Enforcement Notice and Enforcement Action*”, page 138, below). All monies standing to the credit of all of the Obligor Accounts may, in these circumstances, only be withdrawn with the prior consent of the Obligor Security Trustee. The occurrence of a P1 Trigger Event or a P2 Trigger Event will also entitle the Obligor Security Trustee to take Enforcement Action in respect of the Obligor Security and, in the case of an occurrence of a P1 Trigger Event, to Accelerate all Secured Obligations.

Disclosure Of Information By The Obligor Security Trustee

The Common Terms Agreement will prohibit the Obligor Security Trustee from disclosing to any person (unless required by law or court order or expressly permitted by an Obligor Transaction Document or by an Obligor in writing), any Valuation Report which discloses the Market Value of any individual Mortgaged Property or anything other than the aggregate value of the Estate as a whole.

B. SECURITY TRUST AND INTERCREDITOR DEED

The Issuer, FinCo, the other Original Obligors, the Note Trustee, the Obligor Security Trustee, Land Securities Group PLC (as a Stakeholder) the Initial ACF Providers and each of the other Obligor Secured Creditors (among others) will, on or about the Exchange Date, enter into the Security Trust and Intercreditor Deed pursuant to which:

- (a) certain covenants to pay, and certain guarantees and indemnities will be given by the Obligors to the Obligor Security Trustee, and certain fixed and floating security will be expressed to be granted by the Obligors to the Obligor Security Trustee (see the section entitled “– *Security granted by the Obligors*”, page 127, below);
- (b) the claims of the Obligor Secured Creditors and any Stakeholders against the Obligors and the rights of priority and of enforcement in respect of the Obligor Secured Creditors’ rights under the Obligor Transaction Documents will be regulated (see the sections entitled “– *Undertakings of the Obligor Secured Creditors and Stakeholders*”, page 131, below and “– *Security Group Priority of Payments*”, page 145, below); and
- (c) the procedure for instructing the Obligor Security Trustee, including instructions (i) to give any Loan Enforcement Notice to the Obligors or to take any Enforcement Action, (ii) to Accelerate the Secured Obligations, (iii) to concur in making modifications of, to give consent under or to grant waivers in respect of any breach or proposed breach of, the Obligor General Transaction Documents (or to grant a release from the Obligor Security) and (iv) to remove the Obligor Security Trustee and to appoint any successor thereof, will be set out (see the section entitled “– *Intercreditor arrangements*”, page 133, below).

Any Obligor joining the Security Group after the Exchange Date shall accede to, *inter alia*, the Security Trust and Intercreditor Deed (and shall give certain covenants to pay, certain guarantees and indemnities and grant certain fixed and floating security to the Obligor Security Trustee (see the section entitled “– *Security granted by the Obligors*”, page 127, below) by way of an Obligor Accession Deed (see “– *Additional Obligors*”, page 70, above).

After the Exchange Date, any person who wishes to lend to, or become a creditor of, the Obligors on a secured basis will be required to become an Obligor Secured Creditor and accordingly after the Exchange Date shall accede to the Common Terms Agreement and the Security Trust and

Intercreditor Deed by way of a Creditor Accession Deed, the form of which will be set out in the Common Terms Agreement. Any Stakeholder becoming such after the Exchange Date shall accede to the Security Trust and Intercreditor Deed by way of an accession deed, the form of which will be set out in the Security Trust and Intercreditor Deed.

Security granted by the Obligors

Covenants to pay and Guarantees

Pursuant to the Security Trust and Intercreditor Deed, each Obligor will jointly and severally covenant with the Obligor Security Trustee to discharge and pay, on demand, each and every sum owing by it and any other Obligor to the Obligor Security Trustee or to any other Obligor Secured Creditor on account of the Secured Obligations.

Further, each Obligor will irrevocably and unconditionally, and jointly and severally (but subject to the next paragraph):

- (a) guarantee to the Obligor Security Trustee for itself and on behalf of the other Obligor Secured Creditors each and every obligation of each other Obligor in respect of the Secured Obligations; and
- (b) indemnify the Obligor Security Trustee immediately on demand against any loss or liability suffered by it or any of the other Obligor Secured Creditors if the guarantee of, or any obligation guaranteed by such Obligor or any other Obligor becomes unenforceable, invalid or illegal, and the amount of the loss or liabilities under such indemnity will be equal to the amount that the Obligor Security Trustee would otherwise have been entitled to recover for itself or, as the case may be, on behalf of such Obligor Secured Creditor,

(the guarantees and indemnities above, the “**Guarantee**”).

The claims of the Obligor Security Trustee in respect of the Guarantee given by each Nominee shall be recoverable only from the enforcement proceeds in respect of the Obligor Security granted to the Obligor Security Trustee by such Nominee and/or to the extent of the Trust Property available to such Nominee to make payments under the Guarantee. If the Obligor Security Trustee determines that the value of the Trust Property of any Nominee (including such Nominee's right to an indemnity out of the Trust Property) is less than the amount actually due and payable under the Guarantee of such Nominee, the claims under the Guarantee shall be reduced to an amount equal to the value of such Trust Property.

Fixed and floating security granted by the Obligors

Pursuant to the Security Trust and Intercreditor Deed, each Obligor shall grant to the Obligor Security Trustee, as security for the Secured Obligations, the following security interests over its present and future assets including, to the extent applicable to such Obligor and such assets:

- (a) (i) (in the case of real property in England and Wales) a first ranking charge by way of legal mortgage (or, in the case of real estate properties in Scotland, a Standard Security) over its freehold and/or leasehold interests in the real properties intended to constitute the Initial Estate and any real property thereafter belonging to any Obligor and brought into the Estate and (ii) (subject to any Permitted Encumbrances referred to in paragraph (h) of the definition thereof) a first ranking fixed equitable mortgage over all other real property assets;
- (b) a first fixed charge over all plant, machinery and other chattels owned by it and situated in or at the Mortgaged Properties;
- (c) a first fixed charge over the Obligor Accounts;
- (d) a first fixed charge over the entire issued share capital held by it in each of its subsidiaries and all dividends, interest and other monies receivable by it in respect of such share capital (including redemption, any bonus or any rights arising under any preference, option, substitution or conversion relating to such share capital);
- (e) a first fixed charge over its rights under any agreement relating to the purchase of any Mortgaged Properties in England and Wales;
- (f) a first fixed charge over all rights, title and interest, present and future, in Intellectual Property Rights but only insofar and to the extent that such Intellectual Property Rights are used by it in connection with its Mortgaged Properties;
- (g) a first fixed charge over any interest in any Eligible Investments held by or on behalf of it;

- (h) a first fixed charge over all of its goodwill;
- (i) a first fixed charge over all of its uncalled share capital;
- (j) a first fixed charge over all Monetary Claims and all related rights in respect of those Monetary Claims other than any claims and rights which are otherwise subject to a fixed charge or assignment (at law or in equity) pursuant to the Security Trust and Intercreditor Deed;
- (k) an assignment by way of security of all its rights to and in all Rental Income (including all its rights under any guarantee of rental income contained in or relating to any Leasing Agreement);
- (l) an assignment by way of security of all proceeds receivable by each Obligor under the Insurance Policies and of all related rights in respect of those Insurance Policies;
- (m) an assignment by way of security of its rights, title and interest in the Obligor Transaction Documents (excluding the Reorganisation Documents) to which it is a party; and
- (n) a first floating charge over the whole or substantially the whole of its undertaking, assets, property and rights whatsoever and wheresoever, present and future (the floating charge referred to in this paragraph (n), the **"STID Floating Security"**).

However, in respect of the following Obligors, the following assets shall be excluded from the security created under paragraphs (a), (b), (e) and (n) above:

- (1) for Ravenscroft Properties Limited, its interest in the property known as Fremlin Walk, Maidstone, for so long as there is a covenant in favour of The Royal Bank of Scotland PLC not to create any security over such interests; and
- (2) for The City of London Real Property Company Limited, the agreement for lease between itself and IPC Magazines Group Limited ("**IPC**") for so long as there is a covenant in favour of IPC not to create any security over such agreement for lease.

The STID Floating Security shall be deferred in point of priority to all fixed security validly created by the Obligors under the Obligor Security Documents.

Freedom to deal

In respect of the security interests granted under the Obligor Security Documents, the Security Trust and Intercreditor Deed will provide that, provided an Enforcement Period is not continuing at such time, each Obligor will be free to deal with any of its assets (including any assets of an Obligor and any shares held in an Obligor secured in favour of the Obligor Security Trustee or the Issuer under the Obligor Security Documents) except to the extent that such Obligor is restricted from doing so by virtue of the existence of the security interests over the Mortgaged Properties and the following provisions in the Obligor General Transaction Documents:

- (a) the conditions as set out in the Common Terms Agreement regulating the release of Mortgaged Properties, Intellectual Property Rights and shares in Obligors from the Obligor Security (see the sections entitled "*– Released Properties*", page 75, above, and "*– Released Obligors*", page 72, above);
- (b) the covenants as set out in the Common Terms Agreement (see the sections entitled "*T1 Covenants*", "*T2 Covenants*", "*Initial T3 Covenants*" and "*Final T3 Covenants*", page 102 *et seq.* above);
- (c) the conditions as set out in the Common Terms Agreement regulating withdrawals from Obligor Accounts (see the section entitled "*– Special Provisions concerning Obligor Accounts*", page 115, above);
- (d) the obligation of the Obligors to make payments in accordance with the *Security Group Priority of Payments*, page 145 *et seq.* below; and
- (e) the provision as set out in the Security Trust and Intercreditor Deed as set out in "*– Prohibition against assignments*", immediately below.

Notwithstanding the assignment of all rights, title and interests of the Obligors in the Obligor Transaction Documents to the Obligor Security Trustee, each Obligor shall, subject to and in accordance with the provisions of the Common Terms Agreement and the Security Trust and Intercreditor Deed, be entitled at any time other than during any Enforcement Period (other than a P2 Enforcement Period) freely to exercise all of the rights and powers expressed to be granted to

it under the Obligor Transaction Documents. However, during an Enforcement Period any amounts to be paid to an Obligor under the Obligor Transaction Documents shall be applied in accordance with the then applicable Security Group Post-Enforcement Priority of Payments.

In respect of any Charged Property apart from the Mortgaged Properties, the Intellectual Property Rights (to the extent they are Charged Property) and shares in the Obligors (to the extent they are Charged Property), the procedure for release of which is dealt with in the Common Terms Agreement (see “– *Released Properties*”, page 75, above, in respect of the Mortgaged Properties and the Intellectual Property Rights and “– *Released Obligors*”, page 72, above, in respect of shares in the Obligors), and with which an Obligor will be free to deal with by virtue of the above, a purchaser of such Charged Property may request confirmation that neither the STID Floating Security nor the OFCA Floating Security have crystallised from the Obligor Security Trustee (in respect of the Obligor Security held by it) and the Note Trustee (in respect of the OFCA Floating Security) (such confirmation to be given in accordance with the provisions of the Security Trust and Intercreditor Deed).

Prohibition against assignments

The Security Trust and Intercreditor Deed shall provide that the Obligors are prohibited from assigning or purporting to assign to any person other than the Obligor Security Trustee the rights, title, interest or benefit of any Obligor Account, any Obligor Transaction Document, any Leasing Agreement, any Development Contract or any Insurance Policy.

Trust for Obligor Secured Creditors

The Obligor Security Trustee will, subject to the section entitled “– *Floating charges held by the Obligor Security Trustee and the Issuer*” immediately below and the remainder of this paragraph, hold the benefit of all the security created in its favour and the covenants to pay and the Guarantees granted by the Obligors as referred to in “– *Covenants to pay and Guarantees*”, page 127, above, on trust for the benefit of itself and the other Obligor Secured Creditors. Furthermore:

- (a) the benefit of the security over amounts credited to any Liquidity Facility Reserve Account will be held on trust by the Obligor Security Trustee for the benefit of the applicable Liquidity Facility Provider so as to secure the repayment of any standby drawing under the relevant Liquidity Facility Agreement;
- (b) the benefit of the security over any amount credited to any DCA Ledger designated for the Collateralisation of any ICL Loan will be held on trust by the Obligor Security Trustee solely for the Issuer, and the benefit of the security over any amount credited to any DCA Ledger designated for the Collateralisation of any ACF Loan will be held on trust by the Obligor Security Trustee solely for the ACF Provider(s) of the corresponding ACF Loan, so as to secure repayment or Actual Prepayment of the corresponding ICL Loan or ACF Loan (as the case may be); and
- (c) the Obligor Security Trustee shall hold the benefit of the security over (i) any amount credited to any Swap Collateral Account designated in respect of a Swap Counterparty on trust for that Swap Counterparty as security for the repayment or redelivery of collateral to the Swap Counterparty, and (ii) any amount credited to any Swap Excluded Amount Account designated in respect of a Swap Counterparty on trust for that Swap Counterparty as security for the obligation of the relevant Obligor to pay (A) an amount equal to any tax credit received by an Obligor which falls within paragraph (b) of the definition of “**Swap Excluded Amounts**” and (B) any termination sum due to such Swap Counterparty.

Floating charges held by the Obligor Security Trustee and the Issuer

Pursuant to the Security Trust and Intercreditor Deed, the Obligor Security Trustee will hold the STID Floating Security on trust for the benefit of itself and the other Obligor Secured Creditors other than the Issuer. The Issuer will hold the floating charges granted by the Obligors pursuant to the Obligor Floating Charge Agreement (the “**OFCA Floating Security**”) for the benefit of itself (see “*Obligor Floating Charge Agreement*”, page 155, below) (however, the Note Trustee will be the assignee (by way of security) of the OFCA Floating Security pursuant to the Issuer Deed of Charge, see “– *Issuer Deed of Charge*”, page 168, below).

The OFCA Floating Security (as in the case of the STID Floating Security, see “– *Fixed and floating security granted by the Obligors*”, page 127, above) will be deferred in point of priority to all fixed security validly created by the Obligors under the Obligor Security Documents. The OFCA

Floating Security and the STID Floating Security will rank *pari passu* with one another and, for such purpose, will be expressed to be created simultaneously.

Enforceability of the floating charges: The Security Trust and Intercreditor Deed shall provide that the STID Floating Security shall become enforceable during an Enforcement Period (other than a P2 Enforcement Period) (see “– *Loan Enforcement Notice and Enforcement Action*”, page 138, below).

The Obligor Floating Charge Agreement shall provide that the OFCA Floating Security shall become enforceable by the Note Trustee (by appointing an administrative receiver):

- (a) during an Enforcement Period, provided that, if the commencement of an Enforcement Period is due to the delivery of a Loan Enforcement Notice pursuant to a P2 Trigger Event, the OFCA Floating Security shall not become enforceable unless and until the occurrence of an Enforcement Trigger Event other than a P2 Trigger Event; or
- (b) if the Note Trustee has actual notice of an application for the appointment of an administrator in respect of an Obligor or has actual notice of the giving of a notice of intention to appoint an administrator in respect of an Obligor or has actual notice of the filing of a notice of appointment of an administrator of an Obligor with the court.

Appointment of an administrative receiver: The Obligor Floating Charge Agreement shall provide that the Note Trustee (being the assignee by way of security of the OFCA Floating Security by virtue of the Issuer Deed of Charge) shall enforce the OFCA Floating Security in respect of any Obligor, by appointing an administrative receiver, if it has actual notice either (i) of an application for the appointment of an administrator, (ii) of the giving of a notice of intention to appoint an administrator, in respect of such Obligor or (iii) of the filing of a notice of appointment of an administrator in respect of an Obligor with the court, such appointment to take effect upon the final day by which the appointment must be made in order to prevent an administration proceeding or (where an Obligor or the directors of an Obligor have initiated the administration) not later than that final day.

In addition, the Note Trustee will (subject to “– *Indemnity of the Note Trustee*” below), during an Enforcement Period, enforce the OFCA Floating Security in respect of any Obligor by the appointment of an administrative receiver (if the Note Trustee has not already done so pursuant to the foregoing). The Note Trustee shall not, however, be entitled to do so if the Enforcement Period commences following only a P2 Trigger Event.

In either case, the Note Trustee shall not be liable for any failure to appoint, save in the case of its own negligence, wilful default or fraud.

Indemnity of the Note Trustee: The Note Trustee shall not be obliged to appoint an administrative receiver unless it is indemnified and/or secured to its satisfaction. However, the Obligor Floating Charge Agreement shall provide that, in the event that the Note Trustee is required to enforce the OFCA Floating Security by appointing an administrative receiver following receipt of actual notice of an application for the appointment of an administrator or actual notice of the giving of a notice of intention to appoint an administrator, or has actual notice of the filing of a notice of appointment of an administrator in respect of an Obligor with the court, then the Note Trustee shall agree that it is adequately indemnified and secured in respect of such appointment by virtue of its rights against the Obligors under the Obligor Floating Charge Agreement and against the Issuer under the Issuer Deed of Charge, and the security it has in respect of such rights. The Obligors shall covenant in the Obligor Floating Charge Agreement that, in the event the Note Trustee appoints an administrative receiver by reason of it having actual notice of an application for the appointment of an administrator or actual notice of the giving of a notice of intention to appoint an administrator, they waive any claims against the Note Trustee in respect of such appointment.

Appointment of an administrator: The Security Trust and Intercreditor Deed shall provide that the Obligor Security Trustee shall not (notwithstanding any Secured Creditor Instruction to the contrary) make any application to appoint an administrator or give any notice of intention to appoint an administrator unless the Note Trustee has agreed to such action.

Consultation in dealings with administrative receiver of the floating charge assets: Any administrative receiver appointed by the Note Trustee pursuant to the Obligor Floating Charge Agreement in respect of any assets over which it is so appointed shall consult with the Obligor Security Trustee as holder of the STID Floating Security (being an equal ranking floating charge over the same assets) and, if necessary, request the release of such assets from the STID

Floating Security. The release of any assets (over which the Note Trustee has appointed an administrative receiver) from the STID Floating Security upon enforcement of the OFCA Floating Security shall constitute the taking of Enforcement Action in respect of the Obligor Security (see “– *Loan Enforcement Notice and Enforcement Action*”, page 138, below).

Proceeds: The Security Trust and Intercreditor Deed and the Obligor Floating Charge Agreement will provide that the proceeds of enforcement of the OFCA Floating Security by the Note Trustee (or any administrative receiver appointed by it) will be applied, together with any proceeds of enforcement of the other Obligor Security by the Obligor Security Trustee (or any Receiver appointed by it), in accordance with the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments or the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments (as the case may be). Any proceeds of enforcement of the OFCA Floating Security will be paid to the Issuer and will be taken into account by the Obligor Security Trustee in ensuring that the Issuer recovers no more than its *pro rata* proportion of the aggregate proceeds of enforcement of all Obligor Security.

Undertakings of the Obligor Secured Creditors and Stakeholders

Pursuant to the terms of the Security Trust and Intercreditor Deed, each Obligor Secured Creditor (other than the Obligor Security Trustee) will undertake not to:

- (a) permit or require any Obligor to discharge any of the Secured Obligations owed to it, save to the extent and in the manner permitted by the Common Terms Agreement and the Security Trust and Intercreditor Deed (including the Security Group Priority of Payments);
- (b) Accelerate, or permit or require any Obligor to Accelerate, pay, prepay (by way of Prepayment or otherwise), repay, redeem, purchase or otherwise acquire any of the Secured Obligations owed by such Obligor (including any obligation under any Swap Agreement), save (i) to the extent and in the manner permitted by the Common Terms Agreement and the Security Trust and Intercreditor Deed and (ii) for the mandatory prepayment of ACF Loans in the event that it becomes unlawful for an ACF Provider to perform any of its obligations as contemplated by the relevant ACF Agreement or to fund or maintain any ACF Loan;
- (c) take, accept or receive the benefit of any Encumbrance, guarantee, indemnity or other assurance against financial loss from any of the Obligors in respect of any of the Secured Obligations owed to it, unless it is given pursuant to the terms of the Obligor Security Documents;
- (d) take, receive or recover from any of the Obligors by cash receipt, set-off, any right of combination of accounts, proceedings of any kind or in any other manner whatsoever (except, in respect of the Account Bank, the right to net the credit and debit balances of the Collection Account and/or any Operating Account as permitted under the Account Bank and Cash Management Agreement) the whole or any part of the Secured Obligations owed to it, save to the extent expressly permitted by the Common Terms Agreement and the Security Trust and Intercreditor Deed and any netting or set-off expressly permitted under any Swap Agreements (including any collateral arrangements relating thereto);
- (e) except as permitted by the Security Trust and Intercreditor Deed or the Common Terms Agreement (as described in the section “– *Intercreditor arrangements*”, page 133, below), agree to any modification to, any consent under or any waiver in respect of any breach or proposed breach of, any Obligor Transaction Document to which it is a party; or
- (f) take any Enforcement Action in respect of the Obligor Security except in accordance with the provisions of the Security Trust and Intercreditor Deed and the other Obligor Security Documents.

Notwithstanding the undertakings described above:

- (a) if an ACF Agreement contains provisions requiring any Obligor to make mandatory prepayment of ACF Loans following an election by the Issuer to exercise its right to redeem the Notes upon the occurrence of a Ratings Event (see “– *Repayment of ICL Loans and ACF Loans on Ratings Event*”, page 82 above) or a REITs Event (see “– *Repayment of ICL Loans and ACF Loans on REITs Event*”, page 81 above), the prepayment of such ACF Loans shall not constitute a breach of the undertakings described above; and

- (b) if a Swap Agreement contains provisions permitting a Swap Counterparty to terminate the relevant Swap Agreement (as described in paragraphs (a) to (e) under “– *Termination*”, page 165 below), the termination of such Swap Agreement in accordance with those termination provisions shall not constitute a breach of the undertakings described above.

Each Obligor will undertake in the Security Trust and Intercreditor Deed that it will not do or agree to do any act whereby an Obligor Secured Creditor would be in breach of any of (a) to (e) above.

Each Obligor Secured Creditor agrees that only the Obligor Security Trustee is entitled to deliver a Loan Enforcement Notice or a Loan Acceleration Notice, and only the Obligor Security Trustee or any Receiver appointed by the Obligor Security Trustee may take Enforcement Action against any Obligor (however, the Note Trustee may enforce the OFCA Floating Security as described in “– *Floating charges held by the Obligor Security Trustee and the Issuer*”, page 129, above). The Obligor Security Trustee shall not be obliged to do any of the above unless it is instructed to do so by a Secured Creditor Instruction and indemnified and/or secured to its satisfaction and the Note Trustee shall not be obliged to do any of the above unless it is instructed in accordance with the Conditions (otherwise than as regards the appointment of an administrative receiver (see “– *Appointment of an administrative receiver*”, page 130, above).

Each Stakeholder shall, in the Security Trust and Intercreditor Deed, with respect to any monetary claims it may have from time to time against any Obligor (“**Stakeholder Claims**”), agree not to:

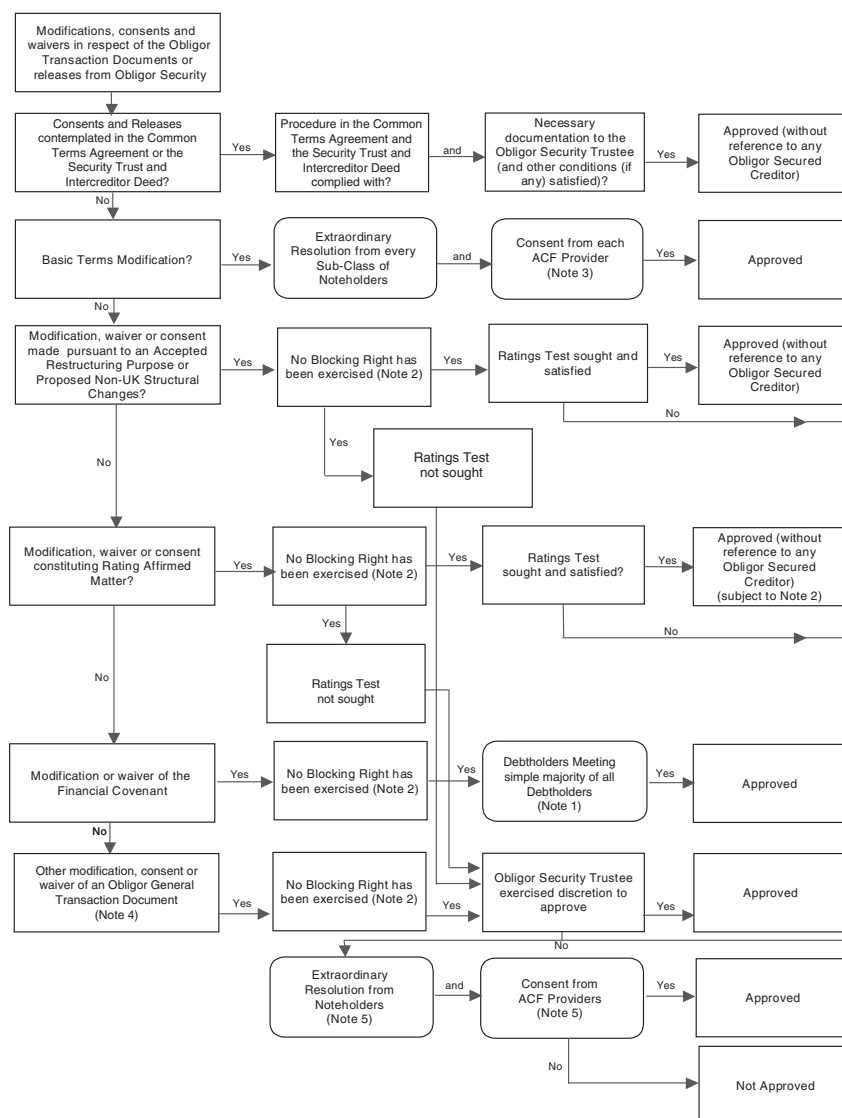
- (a) permit or require any Obligor to discharge, acquire or collateralise any Stakeholder Claim owed to it, save to the extent and in the manner permitted by the Common Terms Agreement and the Security Trust and Intercreditor Deed (including the Security Group Priority of Payments);
- (b) take, accept or receive the benefit of any Encumbrance, guarantee, indemnity or other assurance against financial loss in respect of any Stakeholder Claim unless the same is permitted under the Common Terms Agreement or the Security Trust and Intercreditor Deed; or
- (c) take, receive or recover from any of the Obligors by cash receipt, set-offs any right of combination of accounts, proceedings of any kind or in any other manner whatsoever the whole or any part of the Stakeholder Claims owed to it, save to the extent expressly permitted by the Security Trust and Intercreditor Deed and the Common Terms Agreement.

Intercreditor arrangements

Modifications, consents or waivers

The arrangements in respect of modifications, consents or waivers in respect of the Obligor Transaction Documents and releases from Obligor Security are illustrated by the flowchart below:

Modifications Flowchart



Notes to the flowchart:

Note 1: If, in the opinion of the Obligor Security Trustee, there is (or may be) a conflict of interest as between Noteholders on the one hand and ACF Providers on the other hand or there is (or may be) a conflict of interest between Debtholders of different Classes, it may convene separate Debtholders' Meetings in respect of those Noteholders and ACF Providers, or in respect of those Classes of Debtholders (as the case may be) as provided in "– Conflict of Interest", page 144, below.

Note 2: If a Blocking Right has been granted in respect of the modification in question, the Obligor Security Trustee shall not concur in making such modification if such Blocking Right has been exercised. (see "– Specific Rights for Swap Counterparties and Liquidity Facility Providers", page 135, above and see "– Blocking Rights", page 144, below).

Note 3: The ACF Providers (or a requisite majority thereof) shall approve such modification, consent or waiver in accordance with their respective ACF Agreement. Any modification to any Security Group Priority of Payments will require the consent of each Swap Counterparty and each Liquidity Facility Provider (if any) if it changes the ranking of such Swap Counterparty or such Liquidity Facility Provider (see "– Specific rights for Swap Counterparties and Liquidity Facility Providers", page 135, below).

Note 4: A modification, consent or waiver would fall within the category of "Other modification, consent or waiver", as it appears in the above flowchart, if (a) it is not (i) a Basic Terms Modification, (ii) made pursuant to an Accepted Restructuring Purpose, (iii) made pursuant to Proposed Non-UK Structural Changes, (iv) a Rating Affirmed Matter or (v) a modification or waiver of the Financial Covenant, and in respect of which no Blocking Right had been exercised and (b) in the opinion of the Obligor Security Trustee (1) it is required to correct a manifest error, or an error in respect of which an English court could reasonably be expected to make a rectification order, or it is of a formal, minor, administrative or technical nature or is necessary or desirable for the purposes of clarification or (2) it is not materially prejudicial to the interests of the Most Senior Class of Debtholders (see "– Other modifications, consents or waivers", page 137, below).

Note 5: A modification, consent or waiver, which is not (i) a Basic Terms Modification, (ii) made pursuant to an Accepted Restructuring Purpose, (iii) made pursuant to Proposed Non-UK Structural Changes, (iv) a Rating Affirmed Matter or (v) a modification or waiver of the Financial Covenant which must be approved by the Most Senior Class of Debtholders in accordance with the mechanics as set out in "– Other modifications, consents or waivers" below (subject to the exercise of any Blocking Rights). If, however, such modification, waiver or consent (i) is made pursuant to an Accepted Restructuring Purpose, (ii) made

pursuant to Proposed Non-UK Structural Changes or (iii) constitutes a Rating Affirmed Matter, but the Ratings Test has not been satisfied, then such modification, consent or waiver must be approved by the P1 Debtholders and P2 Debtholders (as applicable) in accordance with the mechanics as set out in “– Rating Affirmed Matters” below (subject to Blocking Rights). If the Ratings Test in those circumstances has not been sought by the Obligors and the Obligor Security Trustee has not exercised its discretion to approve, then the approval of the Most Senior Class of Debtholders and the P2 Debtholders (if not the Most Senior Class of Debtholders) will be sought if either such Class of Debtholders would be materially prejudiced.

Consents and Releases against compliant documentation

The Security Trust and Intercreditor Deed will provide that the Obligor Security Trustee will, without the consent of any Obligor Secured Creditor, the Note Trustee or any Noteholder, give any consent under the Obligor Transaction Documents or grant any release from the Obligor Security (as applicable) if (i) such consent or release is expressly contemplated in the Common Terms Agreement or the Security Trust and Intercreditor Deed, (ii) the relevant Obligor has complied with the procedures set out in the Common Terms Agreement (if any) or the Security Trust and Intercreditor Deed for obtaining the Obligor Security Trustee’s consent under the Obligor Transaction Document or the grant of any release from the Obligor Security, and (iii) such Obligor provides any necessary documentation and/or satisfies any other requirements as set out in the Common Terms Agreement or the Security Trust and Intercreditor Deed.

Basic Terms Modifications

The Security Trust and Intercreditor Deed will provide that no modification will be made, waiver granted or consent given in respect of any Obligor Transaction Documents which relates to or has the effect of:

- (a) postponing the date of maturity or any date fixed for payment of principal or interest in respect of any Note, any ICL Loan or any ACF Loan;
- (b) bringing forward the date of maturity or any date fixed for payment of principal or interest on any Note, any ICL Loan or any ACF Loan;
- (c) reducing or cancelling the amount of principal or interest due on any date in respect of any Note, any ICL Loan or any ACF Loan, or modifying the method of calculating the amount of any payment of principal and interest in respect of any Note, any ICL Loan or any ACF Loan;
- (d) changing the currency in which amounts due in respect of any Note, any ICL Loan or any ACF Loan are payable (other than, in respect of any Note, any ICL Loan or any ACF Loan payable in sterling, owing to the United Kingdom adopting the euro as its lawful currency);
- (e) changing any Security Group Priority of Payments in respect of any Priority 1 Debt, Priority 2 Debt or Subordinated Debt relative to each other **provided that**, for the avoidance of doubt, the creation or modification of the Secondary Debt Ranks (see “– *Ranking of Financial Indebtedness*”, page 82, above) shall not be a Basic Terms Modification;
- (f) changing any Issuer Priority of Payments in respect of any Priority 1 Notes, Priority 2 Notes or Subordinated Notes relative to each other **provided that**, for the avoidance of doubt, the creation or modification of the Secondary Debt Ranks (see “– *Ranking of Financial Indebtedness*”, page 82, above) shall not be a Basic Terms Modification;
- (g) changing the Sequential Prepayment Regime;
- (h) (while a T3 Covenant Regime applies) prepaying Non-Contingent Loans otherwise than in accordance with the Sequential Prepayment Regime;
- (i) changing the definition of “**ACF Providers’ Confirmation**”, “**Extraordinary Resolution**”, “**Basic Terms Modification**”, “**Debtholders’ Meeting**”, “**Secured Creditor Instruction**” or “**Qualifying Debtholders**”;
- (j) changing the quorum requirement at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution;
- (k) changing the majority required to approve a proposed Secured Creditor Instruction at a Debtholders’ Meeting; or
- (l) effecting the exchange, conversion or substitution of any Note, any ICL Loan or any ACF Loan for, or the conversion of such Note, ICL Loan or ACF Loan, into, shares, bonds or other obligations or securities of the Issuer or any Obligor or any other person or body corporate formed or to be formed (other than as expressly contemplated by and in accordance with any Transaction Document, including in respect of any Note, in accordance with Condition 15(d) (*Substitution of Issuer*) and Clause 17 (*Substitution of the Issuer*) of the Trust Deed),

(each a “**Basic Terms Modification**”) unless:

- (1) the Note Trustee has confirmed to the Obligor Security Trustee that each Sub-Class of Notes (other than any Sub-Class of Notes where all Noteholders are Obligors or Non-Restricted Group Entities) then outstanding has duly passed an Extraordinary Resolution (as defined in the Conditions) approving such Basic Terms Modification;
- (2) each Representative of the ACF Providers has confirmed to the Obligor Security Trustee by way of an ACF Providers’ Confirmation that it has been duly instructed by the ACF Provider (or the requisite instructing group of ACF Providers) in accordance with the relevant ACF Agreement to approve such Basic Terms Modification (provided that the Representatives of ACF Providers shall disregard (i) ACF Providers who are Non-Restricted Group Entities or (ii) Opt-out ACF Providers in giving the aforementioned confirmation to the Obligor Security Trustee); and
- (3) in respect of any such modification, waiver or consent where the Swap Counterparties and/or Liquidity Providers have a Blocking Right, such Blocking Right has not been duly exercised.

Specific rights for Swap Counterparties and Liquidity Facility Providers

The Obligor Security Trustee shall not, without the consent of the Swap Counterparties or the Liquidity Facility Providers (as the case may be), concur in making, granting or giving:

- (i) any modification to the terms of the Security Group Priority of Payments which changes the ranking of any payment obligation in favour of a Swap Counterparty or a Liquidity Facility Provider relative to any payment obligation in favour of any other Obligor Secured Creditor;
- (ii) in the case of the Swap Counterparties only, any modification to the Hedging Covenant which (a) would result in the Security Group being hedged for interest rate fluctuations in relation to the Non-Contingent Loans in an amount which exceeds the maximum amount permitted under the Hedging Covenant (as such amount may be amended from time to time with the consent of the Swap Counterparties), or (b) during the course of any Enforcement Action, would amend the amount of Swap Transactions required in order for the Security Group to be in compliance with the Hedging Covenant; and
- (iii) any modification, consent or waiver which would (a) impose a new obligation on a Swap Counterparty or a Liquidity Facility Provider, (b) result in an increase in the payment obligations of a Swap Counterparty or a Liquidity Facility Provider under the Obligor Transaction Documents, or (c) make any other obligation of a Swap Counterparty or a Liquidity Facility Provider under the Obligor General Transaction Documents more onerous.

Rating Affirmed Matters

The Security Trust and Intercreditor Deed will provide that, upon the request of the Obligors, the Obligor Security Trustee will, without the consent of any Obligor Secured Creditor, the Note Trustee or any Noteholder (but subject to exercise of any Blocking Rights), permit any of the following:

- (a) *Headroom Tests*: drawing, issuing or incurring any Priority 1 Debt, Priority 2 Debt or Unsecured Debt as Permitted Drawings notwithstanding a breach of the relevant Headroom Test (see “– *Permitted Financial Indebtedness*”, page 83 *et seq.* above);
- (b) *Headroom Tests*: modifying any level of LTV, Projected ICR or Historical ICR as prescribed in the Headroom Tests (see “– *Permitted Financial Indebtedness*”, page 83 *et seq.* above);
- (c) *Maturity Restrictions*: drawing, issuing or incurring, or changing any maturity date of, any Priority 1 Debt, Priority 2 Debt or Subordinated Debt notwithstanding a breach of the Maturity Restrictions (see “– *Maturity Restrictions*”, page 85, above);
- (d) *Maturity Restrictions*: modifying any of the Maturity Restrictions or any part thereof (see “– *Maturity Restrictions*”, page 85, above);
- (e) *Liquidity Facility*: waiving the requirement to enter into any Liquidity Facility Agreement following a breach of the Liquidity Threshold or cancelling any commitment under any Liquidity Facility Agreement which will result in a breach of the Liquidity Threshold (excluding any cancellation which is expressly permitted under the Obligor Transaction Documents) (see “– *Mandatory Liquidity Provisions*”, page 86 *et seq.* above);
- (f) *Liquidity Facility*: modifying the Mandatory Liquidity Provisions or any part thereof (see “– *Mandatory Liquidity Provisions*”, page 86 *et seq.* above);

- (g) *Hedging Covenant*: waiving the requirement to enter into, entering into or terminating any Swap Transaction which will result in a breach of the Hedging Covenant (excluding any termination which is expressly permitted under the Obligor Transaction Documents) (see “– *Swap Agreements and Hedging Covenant*”, page 87 *et seq.* above);
- (h) *Hedging Covenant*: modifying the Hedging Covenant or any part thereof (see “– *Swap Agreements and Hedging Covenant*”, page 87 *et seq.* above);
- (i) *Changes in Applicable Accounting Principles*: modifying the Tier Thresholds (or any part thereof), or any level of LTV, Projected ICR or Historical ICR as prescribed in the Headroom Test or the Financial Covenant, pursuant to the adoption of the Proposed Accounting Principles which requires an Accounting Principles Confirmation (see “– *Changes in Applicable Accounting Principles*”, page 98, above);
- (j) *Testing*: modifying any Tier Threshold (or any part thereof), or any level of P1 LTV as prescribed in the P1 Debt Test (see “– *The Tier Tests*”, page 94 *et seq.* above);
- (k) *Property Covenants*: conducting any Dealing which will result in a breach of any Property Covenant, the covenant regarding Acquisitions (see “*Acquisitions*”, page 112, above) or the covenant regarding Lease Surrenders (see “*Lease Surrenders*”, page 112, above) or which is to be disregarded for the purpose of considering whether a Property Covenant, the covenant regarding Acquisition or the covenant regarding Lease Surrenders has been breached (see “– *Property Covenants*”, page 102 *et seq.* above);
- (l) *Property Covenants*: modifying any of the Property Covenants, the covenant regarding Acquisitions (see “*Acquisitions*”, page 112 above) or the covenant regarding Lease Surrenders (see “*Lease Surrenders*”, page 112 above) or any part thereof (see “– *Property Covenants*”, page 102 *et seq.* above);
- (m) *Restricted Payments from Sales Proceeds*: making a Restricted Payment with any part of the Sales Proceeds relating to any Disposal or Deemed Disposal not otherwise permitted in accordance with the Common Terms Agreement (see “– *Additional negative covenants of the Obligors*”, page 110, above);
- (n) *Restricted Payments*: (while the Final T3 Covenant Regime applies) making a Restricted Payment, other than a payment made solely from the net proceeds of issue of equity in an Obligor and/or the incurrence of Subordinated Debt and/or Unsecured Debt (see “– *Final T3 Covenants*”, page 114, above); and
- (o) *Remedy of Financial Covenant*: the Obligors taking any action not otherwise specified in the Common Terms Agreement to remedy the breach of the Financial Covenant (see “– *Remedy of Financial Covenant*”, page 125, above),

(each a “**Rating Affirmed Matter**”) provided that, in each case, the Ratings Test in respect of such Rating Affirmed Matter has been satisfied.

Further, the Obligor Security Trustee shall not concur in the Rating Affirmed Matter if a Blocking Right has been given in respect of such matter and such Blocking Right has been exercised or if the matter constitutes a Basic Terms Modification, a modification pursuant to an Accepted Restructuring Purpose or a Proposed Non-UK Structural Change or a modification or waiver of the Financial Covenant and the requirements relating to the implementation of such modification, consent or waiver have not been satisfied.

No confirmation from Rating Agencies: If a modification, consent or waiver constitutes a Rating Affirmed Matter, but:

- (i) the Obligor Security Trustee has not received the necessary confirmation(s) from the Rating Agency (or Rating Agencies) that the Ratings Test has been satisfied in relation thereto; or
- (ii) the Obligors have not sought such confirmation,

then the Obligor Security Trustee shall not concur in making such modification, give such consent or grant such waiver unless:

- (1) in the case of (i) above, the Note Trustee confirms (a “**P1/P2 Noteholder Confirmation**”) to the Obligor Security Trustee that Noteholders who are part of P1 Debtholders and Noteholders who are part of P2 Debtholders have duly passed Extraordinary Resolutions approving such modification, waiver or consent, and (ii) each Representative of ACF Providers who are P1 Debtholders and P2 Debtholders confirms (a “**P1/P2 ACF Providers**”

Confirmation”) to the Obligor Security Trustee by way of an ACF Providers’ Confirmation that it has been duly instructed by such ACF Providers (or the requisite instructing group of ACF Providers) to approve such modification, consent or waiver; or

- (2) in the case of (ii) above, either (a) in the opinion of the Obligor Security Trustee it is not materially prejudicial to the interests of the Most Senior Class of Debtholders and the P2 Debtholders (if not the Most Senior Class of Debtholders) (and, in determining material prejudice, the Obligor Security Trustee shall be entitled to have regard to whether, among other things, the Ratings Test is satisfied), or (b) to the extent that the interests of either the Most Senior Class of Debtholders or the P2 Debtholders (if not the Most Senior Class of Debtholders) are materially prejudiced, the Note Trustee and the Representatives of the ACF Providers who are P1 Debtholders and P2 Debtholders provide to the Obligor Security Trustee a P1/P2 Noteholder Confirmation and a P1/P2 ACF Providers’ Confirmation, respectively,

provided in each case that the Representatives of ACF Providers shall disregard (i) ACF Providers who are Non-Restricted Group Entities or (ii) Opt-out ACF Providers in giving the aforementioned confirmation to the Obligor Security Trustee.

Restructuring

The Obligor Security Trustee will in certain circumstances concur in making modifications to the Obligor Transaction Documents for an Accepted Restructuring Purpose or in order to effect Proposed Non-UK Structural Changes (see “– *Restructuring of the Security Group and the Estate*”, page 77, above).

Notwithstanding the above, if any part of the Proposed Restructuring Modifications or the Proposed Non-UK Obligor Modifications also constitutes any Basic Terms Modification, the Obligor Security Trustee shall not concur in making such Proposed Restructuring Modifications or the Proposed Non-UK Obligor Modifications unless the conditions for the Obligor Security Trustee to concur in making a Basic Terms Modification (as set out in the section entitled “– *Basic Terms Modifications*”, page 134, above) are satisfied.

Furthermore, if any part of the Proposed Restructuring Modifications or the Proposed Non-UK Obligor Modifications involves a modification over which a Blocking Right has been given in respect of such modification, the Obligor Security Trustee shall not concur in making such Proposed Restructuring Modifications or the Proposed Non-UK Obligor Modifications (as the case may be) if such Blocking Right has been exercised (see “– *Blocking Rights*”, page 144, below).

If the Obligor Security Trustee has not received the necessary confirmation(s) from the Rating Agency (or Rating Agencies, as applicable) that the Ratings Test has been satisfied in respect of the Proposed Restructuring Modifications or the Proposed Non-UK Obligor Modifications (or the Obligors have not sought such confirmation), then neither the Obligor Security Trustee nor the Note Trustee shall concur in making, or be obliged to effect in any way, such modification unless the conditions as set out in “– *No confirmation from Rating Agencies*”, page 136, above have been satisfied.

Modification and waiver of the Financial Covenant

The Security Trust and Intercreditor Deed will provide that the Obligor Security Trustee shall not concur in making a modification to, or grant a waiver in respect of a breach or a proposed breach of the Financial Covenant unless (and then only if no Blocking Right in relation thereto has been exercised) it has been instructed by a Secured Creditor Instruction duly approved at a Debtholders’ Meeting.

Such a proposed Secured Creditor Instruction shall be approved if more than 50% of the votes (determined on a pound-for-pound basis by Principal Amounts Outstanding (see the section entitled “– *Pound-for-pound voting*”, page 140, below)) cast in the Debtholders’ Meeting by Representatives of all Debtholders (being the “Qualifying Debtholders” for the purposes of such Debtholders’ Meeting) are in favour of such proposed Secured Creditor Instruction and shall be binding on all Obligor Secured Creditors (subject to the section entitled “– *Conflict of Interest*”, page 144, below).

Other modifications, consents or waivers

The Security Trust and Intercreditor Deed will provide that the Obligor Security Trustee may in its discretion concur in making any other modification to, give any other consent under, or grant any

other waiver in respect of any breach or a proposed breach of any Obligor General Transaction Document if:

- (a) in its opinion, it is required to correct a manifest error, or an error in respect of which an English court could reasonably be expected to make a rectification order, or it is of a formal, minor, administrative or technical nature or is necessary or desirable for the purposes of clarification; or
- (b) such modification, consent or waiver is not, in the opinion of the Obligor Security Trustee, materially prejudicial to the interests of the Most Senior Class of Debtholders.

However, the Obligor Security Trustee shall not concur in making a modification, give any consent or grant any waiver in respect of any breach or potential breach of any Obligor General Transaction Document if a Blocking Right has been given in respect of such modification, waiver or consent and such Blocking Right has been exercised, or if the matter constitutes a Basic Terms Modification, a Rating Affirmed Matter, is made pursuant to an Accepted Restructuring Purpose or a Proposed Non-UK Structural Change or if it constitutes a modification or waiver of the Financial Covenant.

In exercising its discretion to concur in making such modification to, give such consent under, or grant such waiver in respect of any breach or proposed breach of, any Obligor General Transaction Document, the Obligor Security Trustee shall be entitled to have regard to the Ratings Test if, in any particular circumstance, it considers that the Ratings Test is an appropriate test or the only appropriate test to apply in that particular circumstance in exercising such discretion.

Furthermore, if neither (a) nor (b) above applies, the Obligor Security Trustee shall (subject to the exercise of any Blocking Rights and the provisions relating to Basic Terms Modifications, Rating Affirmed Matters, Accepted Restructuring Purpose and Proposed Non-UK Structural Changes, and modifications or waivers of the Financial Covenant) concur in making any modification to, give any consent under or grant any waiver in respect of any Obligor Transaction Document and:

- (i) (if there is any Class of Noteholders that is part of the Most Senior Class of Debtholders) the Note Trustee has confirmed to the Obligor Security Trustee that such Class of Noteholders has duly passed an Extraordinary Resolution approving such modification, consent or waiver; and
- (ii) (if any ACF Provider is a member of the Most Senior Class of Debtholders) each Representative of any ACF Provider who is a member of the Most Senior Class of Debtholders has confirmed to the Obligor Security Trustee by way of an ACF Providers' Confirmation that it has been duly instructed by the ACF Provider (or the requisite instructing group of ACF Providers) in accordance with the relevant ACF Agreement to approve such modification, consent or waiver (provided that the Representatives of ACF Providers shall disregard (i) ACF Providers who are Non-Restricted Group Entities or (ii) Opt-out ACF Providers in giving the aforementioned confirmation to the Obligor Security Trustee).

Otherwise than pursuant to the Security Trust and Intercreditor Deed or the Common Terms Agreement, and in accordance with the restrictions therein contained, all as described above, no modifications may be made, or waivers or consents given in respect of, the Obligor General Transaction Documents. This is without prejudice to (i) the restrictions described above relating more broadly to all Obligor Transaction Documents, whether or not Obligor General Transaction Documents, and (ii) the modification of any Obligor Transaction Document (other than an Obligor General Transaction Document) by agreement amongst the parties thereto provided such is not restricted by the Security Trust and Intercreditor Deed.

If any modifications to the Common Terms Agreement and/or the Security Trust and Intercreditor Deed are made in accordance with the above provisions, the Obligor Security Trustee is authorised by all relevant Obligor Secured Creditor(s) to execute the modifying documentation on its or their behalf (and such execution shall bind all relevant Obligor Secured Creditors).

Loan Enforcement Notice and Enforcement Action

The Security Trust and Intercreditor Deed shall provide that, following the occurrence of any Enforcement Trigger Event (as defined below) and whilst it is continuing (or in the case of any Enforcement Trigger Event other than a failure to pay any amount due in respect of Priority 2 Debt as mentioned in paragraph (a)(iii) below, whilst such Enforcement Trigger Event is continuing as at the most recent Tier Test Calculation Date or Additional Calculation Date (whichever is the most recent)), the Obligor Security Trustee shall, if instructed to do so by a Secured Creditor

Instruction, deliver a Loan Enforcement Notice and, following the delivery of such Loan Enforcement Notice, take any Enforcement Action.

During an Enforcement Period, the whole of the Obligor Security shall become enforceable provided that, if the commencement of an Enforcement Period is due to the delivery of a Loan Enforcement Notice pursuant to a P2 Trigger Event, the STID Floating Security and the OFCA Floating Security shall not become enforceable unless and until the delivery of a Loan Enforcement Notice pursuant to a P1 Trigger Event or an Obligor Event of Default.

When the Obligor Security Trustee has actual notice of any Enforcement Trigger Event, it shall convene a Debtholders' Meeting, at which the relevant Qualifying Debtholders (as defined below) may decide whether to instruct the Obligor Security Trustee to deliver a Loan Enforcement Notice and/or take any Enforcement Action.

Further details concerning the enforceability of the OFCA Floating Security and the taking of Enforcement Action in respect thereof are set out in the section entitled "*– Floating charges held by the Obligor Security Trustee and the Issuer*", page 128, above.

The **Enforcement Trigger Events** are:

- (a) if there is any Priority 2 Debt outstanding:
 - (i) as of a Tier Test Calculation Date or an Additional Calculation Date, the LTV (or Additional LTV, as the case may be) calculated as of that day (ignoring for the purposes of such calculation all Financial Indebtedness other than outstanding Priority 1 Debt, Priority 2 Debt and Outstanding Bond Debt Amount) exceeds 85%;
 - (ii) as of a Tier Test Calculation Date or an Additional Calculation Date, the Projected ICR (or Additional Projected ICR, as the case may be) calculated as of that day (ignoring for the purposes of such calculation all Financial Indebtedness other than outstanding Priority 1 Debt, Priority 2 Debt and Outstanding Bond Debt Amount) is equal to or less than 1.15:1; or
 - (iii) an Obligor fails to pay when due any amount in respect of any Priority 2 Debt (excluding, in the case of any principal amounts, amounts falling due by reason of any Acceleration of the Priority 2 Debt) (a "**P2 Non-Payment Event**") provided that no such P2 Non-Payment Event shall occur if the due amount is paid within ten Business Days of its due date,(each a "**P2 Trigger Event**"); or
- (b) if there is any Priority 1 Debt outstanding as of a Tier Test Calculation Date or an Additional Calculation Date:
 - (i) the LTV (or Additional LTV, as the case may be) calculated as of that day (ignoring for the purposes of such calculation all Financial Indebtedness other than outstanding Priority 1 Debt) exceeds 85%;
 - (ii) the Projected ICR (or Additional Projected ICR, as the case may be) calculated as of that day (ignoring for the purposes of such calculation all Financial Indebtedness other than outstanding Priority 1 Debt) is equal to or less than 1.15:1; or
 - (iii) the LTV (or Additional LTV, as the case may be) calculated as of that day (ignoring for the purposes of such calculation all Financial Indebtedness other than outstanding Priority 1 Debt, Priority 2 Debt and Outstanding Bond Debt Amount) exceeds 100%,(each a "**P1 Trigger Event**"); or
- (c) the occurrence of an Obligor Event of Default other than a P2 Non-Payment Event (for the avoidance of doubt, a failure to pay any amount which would have been a P2 Non-Payment Event but for the exception provided under paragraph (a)(iii) above shall nonetheless be an Obligor Event of Default if such failure to pay falls within paragraph (a) of the definition of "**Obligor Event of Default**").

Notwithstanding any Secured Creditor Instruction, unless and until the Obligor Security Trustee is instructed to deliver a Loan Enforcement Notice and/or take such Enforcement Action as instructed (and is indemnified and/or secured to its satisfaction), it shall not be under any obligation to do so.

The Obligor Security Trustee shall deliver a Loan Enforcement Notice if:

- (a) in respect of a Loan Enforcement Notice proposed to be delivered pursuant to a P1 Trigger Event or a P2 Trigger Event, the Obligor Security Trustee convenes separate Debtholders' Meetings for the P1 Debtholders and the P2 Debtholders and more than $66\frac{2}{3}\%$ of votes cast by P1 Debtholders are in favour and/or more than $66\frac{2}{3}\%$ of votes cast by P2 Debtholders are in favour of such Secured Creditor Instruction; or
- (b) in any other case, if more than $66\frac{2}{3}\%$ of votes cast by the Most Senior Class of Debtholders are in favour of such Secured Creditor Instruction,

where voting is determined in each case on a pound-for-pound basis by reference to the Principal Amounts Outstanding (see the section entitled "*– Pound-for-pound voting*", page 140 below) (subject to "*– Conflict of Interest*", page 144 below).

Following the delivery of a Loan Enforcement Notice, the Obligor Security Trustee shall take such Enforcement Action (including, *inter alia*, an appointment of any Receiver in respect of the Obligor Security held by it (or refrain from doing so) and the granting of consent by the Obligor Security Trustee to an administrative receiver appointed by the Note Trustee for dealings by such administrative receiver in respect of assets over which such administrative receiver is appointed and, if necessary, the release of such assets from the STID Floating Security) as instructed by a Secured Creditor Instruction approved in a Debtholders' Meeting, with more than $66\frac{2}{3}\%$ of the votes (determined on a pound-for-pound basis by Principal Amounts Outstanding (see the section entitled "*– Pound-for-pound voting*", page 143, below) cast in the Debtholders' Meeting by Representatives of the relevant Qualifying Debtholders (but subject to the section entitled "*– Conflict of Interest*", page 144, below).

The "Qualifying Debtholders" for the purpose of a Debtholders' Meeting for approving any proposed Secured Creditor Instruction for the taking of any Enforcement Action are:

- (a) following the delivery of a Loan Enforcement Notice delivered pursuant to the occurrence of a P2 Trigger Event (for so long as there is any Priority 2 Debt outstanding), the P2 Debtholders until:
 - (i) the delivery of a Loan Enforcement Notice delivered pursuant to the occurrence of a P1 Trigger Event (if there is any Priority 1 Debt outstanding at such time), when the Qualifying Debtholders become the P1 Debtholders; or
 - (ii) the delivery of a Loan Acceleration Notice, when the Qualifying Debtholders become the Most Senior Class of Debtholders;
- (b) following the delivery of a Loan Enforcement Notice delivered pursuant to the occurrence of a P1 Trigger Event (if there is any Priority 1 Debt outstanding at such time), the P1 Debtholders; and
- (c) following the delivery of a Loan Enforcement Notice in any other case (including upon the occurrence of any Obligor Event of Default other than a P2 Non-Payment Event), the Most Senior Class of Debtholders (unless a Loan Enforcement Notice has previously been delivered pursuant to a P2 Trigger Event, in which case the Qualifying Debtholders continue to be the P2 Debtholders until such time as described in paragraph (a) or (b) above).

If any Receiver appointed pursuant to a Secured Creditor Instruction wishes to consult the Obligor Security Trustee on the conduct of the receivership, it may do so provided that the Obligor Security Trustee shall only be obliged so to consult if it is instructed by a Secured Creditor Instruction from the Qualifying Debtholders (from time to time).

P2 Enforcement Period

In respect of any Secured Creditor Instruction (given by the P2 Debtholders) following the occurrence of a P2 Trigger Event appointing any Receiver(s) and instructing such Receiver(s) to dispose of any Mortgaged Property, the Security Trust and Intercreditor Deed shall set out certain instructions which any Receiver(s) are required to comply with to seek to ensure that it/they act(s) prudently and in the interests of all Obligor Secured Creditors.

During a P2 Enforcement Period, any Receiver appointed shall be required to devise, and report as soon as reasonably practicable to the Representatives of all Debtholders on, a plan for the orderly disposal of Mortgaged Properties (and related Intellectual Property Rights) and the prepayment or repayment of Priority 1 Debt and Priority 2 Debt (and items appearing above them in the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments) sufficient to reduce

the LTV to less than 80%, to increase the Projected ICR to at least 1.2:1 and to increase Historical ICR or the Pro Forma Historical ICR to at least 1.2:1.

A Receiver appointed during a P2 Enforcement Period shall have all the powers given to him pursuant to the Security Trust and Intercreditor Deed or otherwise, provided that while the Receiver is implementing the disposal plan, it shall exercise those powers only in respect of the Mortgaged Properties and the Intellectual Property Rights, and only to the extent necessary to carry out such plan.

Removal of a Receiver

The Obligors shall be entitled to require that any Receiver appointed by the Obligor Security Trustee in respect of any Obligor's assets pursuant to a P2 Trigger Event be removed from office if:

- (i) there is no longer any Enforcement Trigger Event and no Obligor Event of Default which is continuing unwaived; and
- (ii) pursuant to the Tier Tests carried out on the latest Tier Test Calculation Date the LTV was no more than 80%, the Projected ICR was at least 1.2:1 and the Historical ICR or the Pro Forma Historical ICR was at least 1.2:1.

If two directors of the Principal Obligor certify to the Obligor Security Trustee as mentioned in (i) and (ii) above, the Obligor Security Trustee shall, as soon as practicable and in consultation with the Principal Obligor, remove such Receiver from office, at which time the Enforcement Period shall end.

Acceleration of Secured Obligations

The Security Trust and Intercreditor Deed will provide that the Obligor Security Trustee shall (if instructed to do so by a Secured Creditor Instruction) Accelerate all Secured Obligations, by giving a Loan Acceleration Notice to the Obligors, following the occurrence of a P1 Trigger Event (if there is any Priority 1 Debt outstanding) and whilst such P1 Trigger Event is continuing as at the most recent Tier Test Calculation Date or Additional Calculation Date (whichever is the most recent) or if an Obligor Event of Default shall have occurred and whilst it is continuing.

Unless and until the Obligor Security Trustee is instructed to deliver a Loan Acceleration Notice (and is indemnified and/or secured to its satisfaction), it shall not be under any obligation to do so.

A proposed Secured Creditor Instruction to instruct the Obligor Security Trustee to deliver a Loan Acceleration Notice shall be approved following the occurrence of a P1 Trigger Event (if there is any Priority 1 Debt Outstanding) or if an Obligor Event of Default has occurred and whilst it is continuing, shall be approved if more than 50% of the votes (determined on a pound-for-pound basis by reference to Principal Amounts Outstanding (see the section entitled “– *Pound-for-pound voting*”, page 143, below) cast in the Debtholders' Meeting by Representatives of the Most Senior Class of Debtholders (being the “Qualifying Debtholders” for the purposes of such Debtholders' Meeting) are in favour of such proposed Secured Creditor Instruction and shall be binding on all Obligor Secured Creditors (subject to the section entitled “– *Conflict of Interest*”, page 144, below).

P1 ICL Call Option

The Security Trust and Intercreditor Deed will provide that the Issuer and the Note Trustee shall grant a call option in favour of the Obligor Security Trustee (to be held on trust for the benefit of those ACF Providers from time to time providing ACF Loans constituting Priority 2 Debt (the “**P2 ACF Providers**”)). Such call option (the “**P1 ICL Call Option**”) is exercisable following the delivery of a Loan Acceleration Notice. The P1 ICL Call Option gives the P2 ACF Providers the entitlement (but not the obligation) to purchase (by way of novation to the Exercising ACF Providers (as defined below) or any nominated entity approved by the Exercising ACF Providers) the Issuer's (and the Note Trustee's) rights, title and interest in all (but not some only) ICL Loans corresponding to Priority 1 Notes (the “**Priority 1 ICL Loans**”) (to the extent of principal and interest, but excluding the Issuer's rights to any Ongoing Facility Fee, which will continue to be held by the Issuer (and assigned to the Note Trustee by way of security)), at their Principal Amount Outstanding plus accrued but unpaid interest up to (but excluding) the date of mandatory redemption of the Priority 1 Notes (see below).

The Security Trust and Intercreditor Deed shall provide that any one or more P2 ACF Providers (the “**Exercising ACF Providers**”), may (through their Representative(s)) exercise the P1 ICL Call Option, whereupon the Exercising ACF Providers shall be obliged to purchase all Priority 1 ICL Loans outstanding. Once the Exercising ACF Providers (through their Representative(s)) have approved the exercise of the P1 ICL Call Option, the Obligor Security Trustee shall, following receipt of all funds required for the exercise of the P1 ICL Call Option, instruct the Issuer and the Note Trustee to assign their rights, title and interest in the Priority 1 ICL Loans (to the extent of any rights, title and interest in principal and interest) to the Exercising ACF Providers (or its nominated entity) against receipt of the exercise price and if there are more than one Exercising ACF Providers, *pro rata* according to the portion of the Exercise Price paid by each Exercising ACF Provider.

Upon the exercise of the P1 ICL Call Option, funds received by the Issuer from the exercise of the P1 ICL Call Option shall be applied towards mandatory redemption of all Priority 1 Notes in accordance with Condition 8(f) (*Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*).

Noteholders holding Priority 1 Notes shall, by virtue of the mandatory redemption as described above, no longer be Qualifying Debtholders. The persons acquiring the Priority 1 ICL Loans shall then become Qualifying Debtholders in respect of the Principal Outstanding Amounts in respect of such loans, save that such loans shall be treated as Priority 1 ACF Loans for such purposes. The Issuer (and the Note Trustee, as assignee by way of security), following the exercise of the P1 ICL Call Option, will continue to have claims against the Security Group in respect of the Ongoing Facility Fee, as well as any ICL Loans other than the Priority 1 ICL Loans.

Removal of the Obligor Security Trustee

The Security Trust and Intercreditor Deed will provide that the Obligor Security Trustee may be removed by way of a Secured Creditor Instruction. However, the removal shall not be effective until a successor trustee (such successor trustee must be a trust corporation or a professional corporate trustee of repute) is appointed (after consultation with the Obligors) either by way of a Secured Creditor Instruction or, in certain circumstances, by the outgoing Obligor Security Trustee.

Such proposed Secured Creditor Instruction shall be approved if more than 50% of the votes (determined on a pound-for-pound basis (see the section entitled “– *Pound-for-pound voting*”, page 143, below, by reference to Principal Amounts Outstanding) cast in the Debtholders’ Meeting by Representatives of **the Most Senior Class of Debtholders** (being the “Qualifying Debtholders” for the purposes of such Debtholders’ Meeting) are in favour of such proposed Secured Creditor Instruction and shall be binding on all Obligor Secured Creditors (subject to the section entitled “– *Conflict of Interest*”, page 144, below).

Secured Creditor Instructions and Debtholders’ Meetings

The Security Trust and Intercreditor Deed will provide that a Secured Creditor Instruction is the mechanism used to instruct the Obligor Security Trustee to concur to a modification or to grant a waiver of the Financial Covenant, the delivery of a Loan Enforcement Notice or a Loan Acceleration Notice by the Obligor Security Trustee, the taking of Enforcement Action including giving directions regarding the conduct of any receivership and the withdrawal of any notice given by the Obligor Security Trustee to convert the STID Floating Security into fixed charges (as permitted by the terms of the Security Trust and Intercreditor Deed) and the removal of the Obligor Security Trustee and the appointment of a successor thereof.

The Security Trust and Intercreditor Deed will provide that a proposed Secured Creditor Instruction will become effective if it is approved in a Debtholders’ Meeting (or, if required, each separate Debtholders’ Meeting (see the section entitled “– *Conflict of Interest*”, page 144, below)) by the relevant Qualifying Debtholders (see the foregoing paragraphs for the identity of the Qualifying Debtholders in each case).

A Debtholders’ Meeting may be convened by any Obligor, the Obligor Security Trustee or upon request in writing to the Obligor Security Trustee, the Issuer, the Note Trustee, any ACF Provider(s) providing ACF Loans having aggregate Principal Amount Outstanding of at least 10 per cent of the aggregate Principal Amounts Outstanding of all ACF Loans then outstanding (the “**Aggregate ACF PAO**”), or any Noteholder(s) holding Notes (through an instruction to the Note Trustee) with an aggregate Principal Amount Outstanding of at least 10 per cent of the aggregate Principal Amount Outstanding of all Notes then outstanding (the “**Aggregate Notes PAO**”)

(provided that in each case the ACF Providers or the Noteholders (as the case may be) must provide or hold not less than 5 per cent of the sum of the Aggregate Notes PAO and the Aggregate ACF PAO).

The Obligor Security Trustee shall give 21 clear days' notice to all Representatives of the relevant Qualifying Debtholders of any Debtholders' Meetings (including the Note Trustee, as the Representative for Noteholders who are Qualifying Debtholders) and the proposed Secured Creditor Instruction to be voted on thereat. If the proposed Secured Creditor Instruction involves a matter which is affected by a Blocking Right, the Obligor Security Trustee shall give notice of such Debtholders' Meeting only after the expiry of the period for the exercise of the relevant Blocking Right, or the notification from all ACF Providers entitled to exercise such Blocking Right (through their Representative) to the Obligor Security Trustee that the relevant Blocking Right will not be exercised, whichever is the earlier. The Obligor Security Trustee will give notice of the proposal to the holders of Blocking Rights promptly after the relevant request for the convening of a Debtholders' Meeting.

Such proposed Secured Creditor Instruction shall (absent the exercise of an applicable Blocking Right) be approved if the requisite percentage of votes cast in the relevant Debtholders' Meeting by Representatives of the relevant Qualifying Debtholders are in favour of such proposed Secured Creditor Instruction, provided that, if there are Noteholders who are Qualifying Debtholders, such proposed Secured Creditor Instruction shall only be approved if the Note Trustee confirms to the Obligor Security Trustee that the quorum requirement for a meeting of Noteholders convened to instruct the Note Trustee to vote in a Debtholders' Meeting has been met (that is, one or more persons holding or representing Notes having an aggregate Principal Amount Outstanding of no less than 25 per cent of each relevant Sub-Class of Notes or, at any adjourned meeting of Noteholders, one or more persons being or representing Noteholders, whatever the principal amount of the relevant Notes held or represented (see Condition 15(b) of the Notes) (the "**Quorum Requirement**")). If the Notes are in global form and no physical meeting of the relevant Noteholders is held, the Quorum Requirement will be satisfied if the Note Trustee has received instructions from the relevant Noteholders in a principal amount at least equal to the relevant Quorum Requirement. Such instructions will be given to the Note Trustee through the clearing systems in accordance with the Trust Deed.

Pound-for-pound voting

In a Debtholders' Meeting, voting by Qualifying Debtholders shall be determined on a pound-for-pound basis by Principal Amounts Outstanding then owed to the relevant Qualifying Debtholders, so that all votes in favour of the proposal and against the proposal (across Noteholders and ACF Providers), irrespective of whether a majority of Noteholders or ACF Providers are in favour of or against the proposal, are considered on an aggregated basis.

Although the Issuer is an Obligor Secured Creditor of the Security Group in respect of its Secured Obligations (being the ICL Loans provided to FinCo under the Intercompany Loan Agreement), pursuant to the Issuer Deed of Charge, the Issuer has assigned by way of security its interest in the ICL Loans and the security therefor to the Note Trustee for the benefit of, *inter alios*, the Noteholders. Therefore the Security Trust and Intercreditor Deed shall provide that certain Class or Classes of Noteholders (to the extent that they are Qualified Debtholders and subject to the next paragraph) will be able to vote in Debtholders' Meetings rather than the Issuer. The Security Trust and Intercreditor Deed shall also provide that ACF Providers (to the extent they are Qualifying Debtholders and subject to the next paragraph) can vote in Debtholders' Meetings, but no other Obligor Secured Creditor shall be entitled to vote in any Debtholders' Meeting.

The Qualifying Debtholders will vote at a Debtholders' Meeting through their Representatives. The Note Trustee shall act as the Representative of the relevant Noteholders in any Debtholders' Meeting. The Representatives of the ACF Providers shall be designated in the relevant ACF Agreement and Creditor Accession Deed.

If any Noteholder is a Qualifying Debtholder in any Debtholders' Meeting, then for the purpose of voting in the Debtholders' Meeting, the Note Trustee (pursuant to the Conditions and Trust Deed) shall convene a meeting of Noteholders of any relevant Class or Sub-Class of Notes to consider any proposed Secured Creditor Instruction to be voted on at such Debtholders' Meeting and to instruct the Note Trustee to vote on the relevant proposal (see Condition 15(b) (*Debtholders' Meetings*)). The Note Trustee shall then vote in accordance with the instructions given at the

meeting of Noteholders as instructed by the relevant Noteholders, irrespective of whether the votes in favour of (or against) the proposal form a majority as between Noteholders.

If a Representative is representing more than one ACF Provider in a Debtholders' Meeting relating to a proposed Secured Creditor Instruction, it shall also vote in favour of and against the relevant proposed Secured Creditor Instruction, as instructed by the ACF Providers in accordance with the relevant ACF Agreement.

If any Note held by any Qualifying Debtholder or any ACF Loan provided by any Qualifying Debtholder is denominated in any currency other than sterling, the Obligor Security Trustee shall, for the purpose of determining votes cast in a Debtholders' Meeting, determine the exchange rate to convert the Principal Amount Outstanding of such Note or ACF Loan into sterling, such exchange rate being the most recent exchange rate for converting the ICL Loan corresponding to the relevant Note or the ACF Loan into sterling for the purpose of calculating the Security Group Net Debt Outstanding (see "*– Currency Conversion Rates and Unhedged Sterling Interest Charges*", page 99, above).

Blocking Rights

An Obligor may grant to any ACF Provider, under any ACF Agreement, rights of veto ("**Blocking Rights**") in respect of any modification, consent or waiver which may otherwise be made, granted or given under the Common Terms Agreement (including positive and negative covenants) and the Security Trust and Intercreditor Deed, and FinCo has granted to the Initial ACF Providers under the Initial ACF Agreement certain such Blocking Rights. Where a Blocking Right has been granted, the Obligor Security Trustee shall not concur in making any modification, give any consent, or grant any waiver in respect of breaches or potential breaches which may otherwise be made or given by the Obligor Security Trustee if the relevant ACF Providers have exercised such Blocking Right (by notifying the Obligor Security Trustee (through its Representative) of its objection to the proposed modification, consent or waiver within 14 days of notification from the Obligor Security Trustee or an Obligor regarding the proposal for such modification, consent or waiver).

If an Obligor has agreed that it will notify any Representative of an ACF Provider which has been granted a Blocking Right of any proposal by such Obligor which would entitle such ACF Provider to exercise such Blocking Right, it shall notify the Obligor Security Trustee at the same time as it notifies such ACF Provider.

Any such Blocking Right may, in accordance with the relevant ACF Agreement, be exercisable by any ACF Provider, by a requisite majority of ACF Providers or by every ACF Provider unanimously, in each case in accordance with the relevant ACF Agreement.

In order for such Blocking Right to be effective, such ACF Agreement shall state that such Blocking Right has been provided pursuant to the Security Trust and Intercreditor Deed, and the relevant Obligor together with the relevant ACF Provider shall notify the Obligor Security Trustee jointly in writing of the Blocking Right(s) which has/have been provided to the relevant ACF Provider(s).

In addition, the Obligors have granted the Swap Counterparties and the Liquidity Facility Providers the specific rights described in "*Specific rights for Swap Counterparties and Liquidity Facility Providers*", page 135, above and any references to Blocking Rights in this document shall include such specific rights.

Any purported modification made, waiver granted or consent given in respect of the Obligor Transaction Documents will not be valid if a Blocking Right has been exercised in accordance with the terms of the Security Trust and Intercreditor Deed.

Conflict of Interest

In situations where the Qualifying Debtholders for a Debtholders' Meeting consist of both Noteholders and ACF Providers or of different Classes or Sub-Classes of Debtholders, which, in the opinion of the Obligor Security Trustee, gives or may give rise to a conflict of interest between such Qualifying Debtholders, it may, in its discretion, convene separate Debtholders' Meetings in respect of each Class of Qualifying Debtholders, each Class of Noteholders, or each Class of ACF Providers (or, in each case, each Sub-Class thereof (if any)). In such circumstances, a proposed Secured Creditor Instruction shall only be approved if, in lieu of being approved at a single Debtholders' Meeting, it is duly approved (by the same requisite majority as applies to the single Debtholders' Meeting) at separate Debtholders' Meetings of each Class of Qualifying Debtholders, Noteholders or ACF Providers (or, as the case may be, each Sub-Class thereof (if any)).

Security Group Priority of Payments

Security Group Pre-Enforcement Priority of Payments

Under the Security Trust and Intercreditor Deed, each Obligor will agree that, prior to the enforcement of the Obligor Security, the Security Group will not:

- (1) on any day where there is a Shortfall (as defined below), pay any item in the Security Group Pre-Enforcement Priority of Payments unless and until it has paid in full, and to the extent the same has fallen due and payable on or before that day, each item that appears above the relevant item; or
- (2) on any day, pay any sum in respect of the last item in the Security Group Pre-Enforcement Priority of Payments unless and until it has paid in full, to the extent the same has fallen due and payable on or before that day, each other item in the Security Group Pre-Enforcement Priority of Payments,

provided that it is not necessary for the Obligors to pay amounts due and payable on any given day described in paragraph (e) below before paying any other amount due and payable in the Security Group Pre-Enforcement Priority of Payments on the same day, if the Obligors would still be able to pay such amounts with Available Cash (as defined below) after paying any such other amount on that day.

For the purpose of the Security Group Pre-Enforcement Priority of Payments, a “**Shortfall**” means in respect of the Security Group Pre-Enforcement Priority of Payments a shortfall in Available Cash as compared to the aggregate amount due and payable on the day in question in respect of each item (other than the last item) in the Security Group Pre-Enforcement Priority of Payments.

“**Available Cash**” means on any day all amounts (other than Swap Excluded Amounts) that can be, and are, drawn that day from loan facilities which may be applied and the sum of all credit balances on all Obligor Accounts to the extent available to be withdrawn in accordance with the Obligor Transaction Documents, in each case for the purpose of making payments in respect of the Security Group Pre-Enforcement Priority of Payments. To the extent that funds in certain Obligor Accounts may be withdrawn for the purpose of paying a particular item in the Security Group Pre-Enforcement Priority of Payments (see “– *Special Provisions concerning Obligor Accounts*”, page 115, above), the Obligor shall be entitled to apply such funds as withdrawn as Available Cash towards payment of such particular item only.

The **Security Group Pre-Enforcement Priority of Payments** provides for Available Cash to be applied by the Cash Manager in the following order of priority in and towards satisfaction of the following items:

- (a) *first*, amounts due and payable by LSF to any Non-Restricted Group Entity in respect of any Rental Loans.
- (b) *second*:
 - (i) the Fees and Expenses due and payable by the Obligors to the Obligor Security Trustee under any Obligor Transaction Document;
 - (ii) an amount by way of an Ongoing Facility Fee equal to the Issuer’s obligation to pay the Fees and Expenses which have become due and payable to the Note Trustee under the Issuer Transaction Documents; and
 - (iii) an amount by way of an Ongoing Facility Fee equal to the Issuer’s obligation to lend to each Additional Obligor an amount of £1,000 by way of deferred loan pursuant to the Obligor Floating Charge Agreement.
- (c) *third*:
 - (i) prior to the delivery of a Note Enforcement Notice only, an amount by way of Ongoing Facility Fee equal to (1) the amounts which have become due and payable by the Issuer to third parties (including any Tax Authority) at item (b) of the Issuer Pre-Enforcement Priority of Payments (but only, in relation to any liability to pay United Kingdom corporation tax, to the extent that the Issuer has insufficient profits to discharge that payment in full) incurred in the course of the Issuer’s business and (2) any other sum which the Issuer is required to pay which is not specifically referred to in this Security Group Priority of Payments; and

- (ii) any amounts due and payable by the Obligors in respect of all United Kingdom corporation tax and other tax for which, in either case, any of the Obligors is primarily liable.
- (d) *fourth*:
 - (i) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of the Paying Agents, the Agent Bank, the Transfer Agents and the Registrar which have become due and payable under the Agency Agreement;
 - (ii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of the Account Bank and any Replacement Cash Manager which have become due and payable under the Account Bank and Cash Management Agreement;
 - (iii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of any Class R Agent which have become due and payable under any Class R Underwriting Agreement;
 - (iv) the Fees and Expenses due and payable by the Obligors to the Account Bank and any Replacement Cash Manager under the Account Bank and Cash Management Agreement;
 - (v) the Fees and Expenses due and payable by the Obligors to any Facility Agent and any arrangers under any ACF Agreement or any Liquidity Facility Agreement;
 - (vi) the Fees and Expenses due and payable by the Obligors to any Property Manager; and
 - (vii) the Fees and Expenses due and payable by the Obligors to the Replacement Servicer under the Servicing Agreement.
- (e) *fifth*, to the extent the same fall due in the course of their businesses, any amounts which have become due and payable by the Obligors in respect of their operating costs and expenses (other than as provided elsewhere in this priority of payments), including but not limited to:
 - (i) amounts due and payable to the Servicer under the Servicing Agreement for servicing the Security Group;
 - (ii) amounts due and payable to the Servicer in relation to the secondment of staff to the Security Group for the management of the Mortgaged Properties; and
 - (iii) amounts due and payable in respect of any Servicer Loan.
- (f) *sixth*, any interest due and payable by the Obligors in respect of any Unsecured Debt (but excluding any Unsecured Debt owed to any Non-Restricted Group Entity).
- (g) *seventh*, principal, interest and any amounts other than as provided elsewhere in this priority of payments due and payable by FinCo to any Liquidity Facility Provider under any Liquidity Facility Agreement (but excluding any Liquidity Facility Subordinated Amounts).
- (h) *eighth*, any amount due and payable by an Obligor to any Swap Counterparty under any Swap Agreement, provided that this item (h) excludes:
 - (i) any Swap Termination Amounts;
 - (ii) any Swap Subordinated Amounts; and
 - (iii) any amount due and payable pursuant to a Swap Excluded Obligation.
- (i) *ninth*:
 - (i) any interest due and payable in respect of the Priority 1 Debt;
 - (ii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay any underwriting fee due and payable to any Class R Underwriters under any Class R Underwriting Agreement;
 - (iii) any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Priority 1 Debt; and
 - (iv) any Swap Termination Amounts to the extent not satisfied by any premium received by the relevant Obligor from a replacement swap counterparty providing a replacement Swap Transaction,

provided that this item (i) excludes any Priority 1 Debt Step-Up Amounts.

(j) *tenth*:

- (i) any interest due and payable in respect of the Priority 2 Debt;
- (ii) any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Priority 2 Debt,

provided that this item (j) excludes any Priority 2 Debt Step-Up Amounts.

(k) *eleventh*, any amount required to be Prepaid by the Obligors in or towards Mandatory Prepayment of Loans as required by any Mandatory Prepayment Provision (see “–*Prepayment of Non-Contingent Loans*”, page 88, *et seq.* above) and in accordance with the Sequential Prepayment Regime).

(l) *twelfth*:

- (i) any principal due and payable by the Obligors in respect of any Priority 1 Debt; and
- (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of the Priority 1 Debt,

provided that this item (l) excludes:

- (1) principal falling due prematurely in respect of Priority 1 Debt otherwise than by reason of Acceleration or amounts required to be Prepaid under the Mandatory Prepayment Provision;
- (2) any premium due and payable in respect of Priority 1 Debt as a result of Prepayment of any Loan; and
- (3) any Priority 1 Debt Step-Up Amounts.

(m) *thirteenth*:

- (i) any principal due and payable by the Obligors in respect of any Priority 2 Debt; and
- (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of the Priority 2 Debt,

provided that this item (m) excludes:

- (1) principal falling due prematurely in respect of Priority 2 Debt otherwise than by reason of Acceleration or amounts to be Prepaid under the Mandatory Prepayment Provision;
- (2) any premium due and payable in respect of Priority 2 Debt as a result of Prepayment of any Loan; and
- (3) any Priority 2 Debt Step-Up Amounts.

(n) *fourteenth*, any interest due and payable in respect of the Subordinated Debt (but excluding the Subordinated Debt Subordinated Amounts).

(o) *fifteenth*:

- (i) any principal due and payable by the Obligors in respect of any Subordinated Debt; and
- (ii) all amounts due and payable by the Obligors in respect of any Subordinated Debt (other than as provided elsewhere in this priority of payments) (including any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Subordinated Debt),

provided that this item (o) excludes:

- (1) principal falling due prematurely in respect of Subordinated Debt otherwise than by reason of Acceleration;
- (2) any premium due and payable in respect of Subordinated Debt as a result of Prepayment of any Loan; and
- (3) any Subordinated Debt Subordinated Amounts.

(p) *sixteenth*:

- (i) any Liquidity Facility Subordinated Amounts due and payable by FinCo; and

- (ii) any Swap Subordinated Amounts, to the extent not satisfied by any premium received by the relevant Obligor from a replacement Swap Counterparty providing a replacement Swap Transaction, due and payable by the Obligors.
- (q) *seventeenth*, any Priority 1 Debt Step-Up Amounts due and payable by the Obligors.
- (r) *eighteenth*, any Priority 2 Debt Step-Up Amounts due and payable by the Obligors.
- (s) *nineteenth*, any Subordinated Debt Subordinated Amounts due and payable by the Obligors.
- (t) *twentieth*, any amounts that are required to be paid or Prepaid by any Obligor under the Obligor Transaction Documents (other than as provided elsewhere in this priority of payments) including any premium payable as a result of Prepayment of any Loan or any principal falling due prematurely otherwise than by reason of Acceleration.
- (u) *twenty-first*, any other amounts that are permitted to be paid by the Obligors under (or not prohibited from being paid by the Obligors by) the Obligor Transaction Documents (including any Restricted Payments).

Any amount contained in any item above which is indicated to be due and payable shall exclude any amount that has already been paid and, in respect of any amounts which are not Secured Obligations, any amounts which are disputed by the Obligors in good faith. For the avoidance of doubt, an amount is not due and payable on a given day if such amount is merely accruing, and an amount which is due on a given day but payable within a specified period shall be treated as due and payable upon the expiry of such period.

If there is a Shortfall on any day the Security Group shall pay each item in the Security Group Pre-Enforcement Priority of Payments in full, it shall pay such item to the extent it has Available Cash to do so, and where other items are ranked *pari passu* with such item, on a *pro rata* basis together with such item.

Furthermore, if there is a Shortfall on any day, it shall be carried forward to the next day (except to the extent there is a Shortfall in respect of interest amounts due and payable in respect of any Priority 1 Debt, Priority 2 Debt or Subordinated Debt on any day, in which case such Shortfall shall, after being carried forward for 5 Business Days, be carried forward to the next Loan Payment Date in respect of the relevant Loan), and any Available Cash on the next day or the next Loan Payment Date (as the case may be) shall be applied towards amounts due and payable (including the amounts carried forward to that day or date) in accordance with the Security Group Pre-Enforcement Priority of Payments with no change to the priority of the amounts carried forward (unless and until another Security Group Priority of Payments applies, in which case such amounts shall be paid at the new priority level in respect of that item at the relevant time).

If any interest amount is carried forward for any period exceeding 5 Business Days, the Security Group shall, on any day on which any other amount (the “**relevant amount**”) contained in any equal or lower ranking items in the Security Group Pre-Enforcement Priority of Payments is due and payable, reserve for interest accrued from the due date of payment of such interest amount until the date of payment of the relevant amount before the relevant amount may be paid. Any amount so reserved shall be available to be withdrawn on the next Loan Payment Date for the relevant Loan, and shall be applied against the item in respect of which it was reserved.

If any Secured Obligation is not paid as a result of a Shortfall, its deferral in accordance with the foregoing shall not prevent its non-payment constituting an Obligor Event of Default at the end of any applicable grace period.

If an item within the Security Group Pre-Enforcement Priority of Payments contains amounts payable in respect of Subordinated Debt, the precise ranking of Subordinated Debt *vis-à-vis* any other Subordinated Debt (in respect of the various categories of claims in respect thereof) will be designated in accordance with the Secondary Debt Rank to be made in accordance with the Common Terms Agreement (see “– *Ranking of Financial Indebtedness*”, page 82, above).

Security Group Post-Enforcement Priority of Payments – General

During the enforcement of the Obligor Security, any proceeds of enforcement or cash receipts (other than the Swap Excluded Amounts) shall, before the Acceleration of the Secured Obligations and to the extent lawful, be applied towards the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments as set out below. After the Acceleration of the Secured Obligations, any proceeds of enforcement or cash receipts (other than the Swap Excluded

Amounts) shall then be applied to the extent lawful in accordance with the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments as set out below.

Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments

Under the Security Trust and Intercreditor Deed, each Obligor Secured Creditor will agree that, after the enforcement of the Obligor Security and prior to the Acceleration of the Secured Obligations, each Obligor Secured Creditor's claims shall rank according to the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments.

All monies received or recovered by the Obligor Security Trustee (or a Receiver appointed by it) in respect of the Obligor Security held by the Obligor Security Trustee and the Guarantees given in favour of the Obligor Security Trustee or otherwise (other than the Swap Excluded Amounts), together with all monies received or recovered by the Note Trustee (or a Receiver appointed by it) and paid to the Obligor Security Trustee, in respect of the enforcement of OFCA Floating Security, shall, subsequent to the enforcement of the Obligor Security and prior to the Acceleration of the Secured Obligations, be applied (to the extent that it is lawfully able to do so) on each Loan Payment Date (or, in the case of items (a) and (c), on any day on which such amounts are due and payable or, in the case of item (e) on any day on which such amounts are due and payable if required to be paid by law or to ensure the continued corporate existence of an Obligor) by or on behalf of the Obligor Security Trustee, or as the case may be any Receiver, in accordance with the **Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments** (and including any amounts of Financial Indebtedness to be Actually Prepaid or Collateralised and any amount to be reserved under item (e) for servicer fees due to services falling due before or on the next Loan Payment Date) as set out below:

- (a) *first*, amounts due and payable by LSF to any Non-Restricted Group Entity in respect of any Rental Loans.
- (b) *second*:
 - (i) the Fees and Expenses due and payable by the Obligors to the Obligor Security Trustee or any Receiver under any Obligor Transaction Document;
 - (ii) the Fees and Expenses due and payable by the Obligors to the Note Trustee and any Receiver appointed under the Obligor Floating Charge Agreement; and
 - (iii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay Fees and Expenses which have become due and payable to the Note Trustee and any Receiver appointed under any Issuer Transaction Document.
- (c) *third*:
 - (i) prior to the delivery of a Note Enforcement Notice only, an amount by way of Ongoing Facility Fee equal to (1) the amounts which have become due and payable by the Issuer to third parties (including any Tax Authority) at item (b) of the Issuer Pre-Enforcement Priority of Payments (but only, in relation to any liability to pay United Kingdom corporation tax, to the extent that the Issuer has insufficient profits to discharge that payment in full) incurred in the course of the Issuer's business and (2) any other sum which the Issuer is required to pay which is not specifically referred to in this Security Group Priority of Payments; and
 - (ii) any amount due and payable by the Obligors in respect of all United Kingdom corporation tax and other tax for which, in either case, any of the Obligors is primarily liable.
- (d) *fourth*:
 - (i) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of the Paying Agents, the Agent Bank, the Transfer Agents and the Registrar which have become due and payable under the Agency Agreement;
 - (ii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of the Account Bank and any Replacement Cash Manager which have become due and payable under the Account Bank and Cash Management Agreement;

- (iii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of any Class R Agent which have become due and payable under any Class R Underwriting Agreement;
 - (iv) the Fees and Expenses due and payable by the Obligors to the Account Bank and any Replacement Cash Manager under the Account Bank and Cash Management Agreement;
 - (v) the Fees and Expenses due and payable by the Obligors to any Facility Agent and any arrangers under any ACF Agreement or any Liquidity Facility Agreement;
 - (vi) the Fees and Expenses due and payable by the Obligors to any Property Manager; and
 - (vii) the Fees and Expenses due and payable by the Obligors to the Replacement Servicer under the Servicing Agreement.
- (e) *fifth*, to the extent the same fall due in the course of its business, any amounts due and payable by the Obligors in respect of their operating costs and expenses (other than as provided elsewhere in this priority of payments), including but not limited to:
- (i) amounts due and payable to the Servicer under the Servicing Agreement for servicing the Security Group;
 - (ii) amounts due and payable to the Servicer in relation to the secondment of staff to the Security Group for the management of the Mortgaged Properties; and
 - (iii) amounts due and payable in respect of any Servicer Loan.
- (f) *sixth*, principal, interest and any amounts other than as provided elsewhere in this priority of payments due and payable by FinCo to any Liquidity Facility Provider under any Liquidity Facility Agreement (but excluding any Liquidity Facility Subordinated Amounts).
- (g) *seventh*, any amount due and payable by an Obligor to any Swap Counterparty under any Swap Agreement, provided that this item (g) excludes:
- (i) any Swap Termination Amounts;
 - (ii) any Swap Subordinated Amounts; and
 - (iii) any amount due and payable pursuant to a Swap Excluded Obligation.
- (h) *eighth*:
- (i) any interest due and payable in respect of the Priority 1 Debt;
 - (ii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay any underwriting fee due and payable to any Class R Underwriters under any Class R Underwriting Agreement;
 - (iii) any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Priority 1 Debt; and
 - (iv) any Swap Termination Amounts to the extent not satisfied by any premium received by the relevant Obligor from a replacement swap counterparty providing a replacement Swap Transaction,
- provided that this item (h) excludes any Priority 1 Debt Step-Up Amounts.
- (i) *ninth*:
- (i) any interest due and payable in respect of the Priority 2 Debt;
 - (ii) any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Priority 2 Debt,
- provided that this item (i) excludes any Priority 2 Debt Step-Up Amounts.
- (j) *tenth*:
- (i) Actual Prepayment or Collateralisation of the full amount of the principal in respect of Priority 1 Debt (whether such amount is due and payable or not) by the Obligors (less any amounts which have already been repaid, Actually Prepaid or Collateralised);
 - (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of the Priority 1 Debt.
- provided that this item (k) excludes any Priority 1 Debt Step-Up Amounts.

- (k) *eleventh*:
 - (i) Actual Prepayment or Collateralisation of the full amount of the principal in respect of Priority 2 Debt (whether such amount is due and payable or not) by the Obligors (less any amounts which have already been repaid, Actually Prepaid or Collateralised); and
 - (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of the Priority 2 Debt,
 provided that this item (l) excludes any Priority 2 Debt Step-Up Amounts.
- (l) *twelfth*, any interest due and payable in respect of the Subordinated Debt (but excluding the Subordinated Debt Subordinated Amounts).
- (m) *thirteenth*:
 - (i) any principal due and payable by the Obligors in respect of any Subordinated Debt; and
 - (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of any Subordinated Debt (including any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Subordinated Debt),
 provided that this item (n) excludes the Subordinated Debt Subordinated Amounts.
- (n) *fourteenth*:
 - (i) any Liquidity Facility Subordinated Amounts due and payable by FinCo; and
 - (ii) any Swap Subordinated Amounts, to the extent not satisfied by any premium received by the relevant Obligor from a replacement Swap Counterparty providing a replacement Swap Transaction due and payable by the Obligors.
- (o) *fifteenth*, any Priority 1 Debt Step-Up Amounts due and payable by the Obligors.
- (p) *sixteenth*, any Priority 2 Debt Step-Up Amounts due and payable by the Obligors.
- (q) *seventeenth*, any Subordinated Debt Subordinated Amounts due and payable by the Obligors.
- (r) *eighteenth*, any surplus (if any) shall be deposited promptly in an Obligor Account as chosen by the Obligor Security Trustee.

All monies standing to the credit of all Obligor Accounts shall only be withdrawn with the prior consent of the Obligor Security Trustee.

If the proceeds received or recovered are insufficient to discharge an item in the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments in full, such item shall be discharged to the extent there are sufficient funds to do so and, where other items are ranked *pari passu* with such item, on a *pro rata* basis together with such item.

If an item within the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments contains amounts payable in respect of Subordinated Debt, the precise ranking of Subordinated Debt *vis-à-vis* any other Subordinated Debt (in respect of the various categories of claims in respect thereof) will be designated in accordance with the Secondary Debt Rank to be made in accordance with the Common Terms Agreement (see “– *Ranking of Financial Indebtedness*”, page 82, above).

Reserving – interest and others: For the purpose of the above priority of payments (i) any interest due and payable on the day in question in any item shall include accrued interest of the same level of priority to (but excluding) the day in question and (ii) items as described in (h)(iii), (i)(ii), (k)(ii) and (l)(ii) above which are due and payable on the day in question shall include, if such amount accrues on a periodic basis, any such amount accrued from the last Loan Payment Date to (but excluding) the day in question. Any sums so included but not yet due and payable shall be reserved for the relevant item before any lower item may be paid (or reserved for), in such manner as the Obligor Security Trustee and any Cash Manager (or any Replacement Cash Manager) may determine. Any amounts reserved may be released upon the next application of this priority of payments as additional funds for that purpose.

In respect of any ICL Loan which corresponds to a Class or Sub-Class of Indexed Notes (where the amount of principal payable is subject to adjustment by the relevant Index Ratio as specified in the Pricing Supplement), the amount of interest that is required to be reserved for the purpose

of the above priority of payments shall also include any increases in premium subsequent to the delivery of the Loan Enforcement Notice payable by FinCo as a result of increases in premium on the Indexed Notes.

Reserving/Actually Prepaying – principal: On any day where the above priority of payment applies, the full balance of the principal amount outstanding (less any amount standing to the credit of the relevant DCA Ledger) in respect of all Priority 1 Debt and Priority 2 Debt shall be considered to be due and payable (irrespective of whether the relevant Loan has become due and payable or (in respect of any Revolving Loan) whether the relevant revolving facility is reduced), and all such principal amounts (other than in respect of Revolving ICL Loans, which shall be Collateralised on a *pro rata* basis with the Actual Prepayment or Collateralisation of all other ICL Loans) shall be Prepaid by Actual Prepayment, to the extent of funds available at the relevant priority level, on a *pro rata* basis. However, in respect of any outstanding Early Redemption Premium ICL Loan, the Obligor Security Trustee (or as the case may be, the Note Trustee and/or any Receiver) shall, instead of Actually Prepaying such amounts from available funds, Collateralise such amount by crediting such funds to the relevant DCA Ledger (and upon such amounts being Collateralised, the principal amount of such Early Redemption Premium ICL Loan shall be treated, for the purpose of the above priority of payments, as extinguished *pro tanto*), and any amount so Collateralised shall be released at the time specified in “– *Repayment following enforcement and Collateralisation*”, page 157, below.

In respect of any ICL Loan which corresponds to a Class or Sub-Class of Indexed Notes (where the amount of principal payable is subject to adjustment by the relevant Index Ratio as specified in the Pricing Supplement), the principal amount to be Prepaid shall include any premium accreted up to the date of the delivery of the Loan Enforcement Notice and exclude any premium payable subsequent to such date, as such premium has already been dealt with by the previous paragraph.

Security Group Post-Enforcement (Post-Acceleration) Priority of Payments

Under the Security Trust and Intercreditor Deed, each Obligor Secured Creditor will agree that, following the enforcement of Obligor Security and the Acceleration of the Secured Obligations by the Obligor Security Trustee, each Obligor Secured Creditor's claims shall rank according to the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments.

All monies received or recovered by the Obligor Security Trustee (or the Receiver appointed by it) in respect of the Obligor Security and the Guarantees held by the Obligor Security Trustee or otherwise (other than the Swap Excluded Amounts), together with all monies received or recovered by the Note Trustee (or a Receiver appointed by it) and paid to the Obligor Security Trustee in respect of the enforcement of the OFCA Floating Security shall, subsequent to the enforcement of the Obligor Security and the Acceleration of the Secured Obligations, be applied (to the extent that it is lawfully able to do so) by or on behalf of the Obligor Security Trustee or, as the case may be, any Receiver, in accordance with the **Security Group Post-Enforcement (Post-Acceleration) Priority of Payments** as set out below:

- (a) *first*, amounts due and payable by LSF to any Non-Restricted Group Entity in respect of any Rental Loans.
- (b) *second*:
 - (i) the Fees and Expenses due and payable by the Obligors to the Obligor Security Trustee or any Receiver under any Obligor Transaction Document;
 - (ii) the Fees and Expenses due and payable by the Obligors to the Note Trustee and any Receiver appointed under the Obligor Floating Charge Agreement; and
 - (iii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay Fees and Expenses which have become due and payable to the Note Trustee and any Receiver appointed under any Issuer Transaction Document.
- (c) *third*, prior to the delivery of a Note Enforcement Notice only, an amount by way of Ongoing Facility Fee equal to (1) the amounts which have become due and payable by the Issuer to third parties (including any Tax Authority) at item (b) of the Issuer Pre-Enforcement Priority of Payments (but only, in relation to United Kingdom corporation tax, to the extent that the Issuer has insufficient profits to discharge that payment in full) incurred in the course of the Issuer's business and (2) any other sum which the Issuer is required to pay which is not specifically referred to in this Security Group Priority of Payments.

- (d) *fourth*:
 - (i) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of the Paying Agents, the Agent Bank, the Transfer Agents and the Registrar which have become due and payable under the Agency Agreement;
 - (ii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of the Account Bank and any Replacement Cash Manager which have become due and payable under the Account Bank and Cash Management Agreement;
 - (iii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay the Fees and Expenses of any Class R Agent which have become due and payable under any Class R Underwriting Agreement;
 - (iv) the Fees and Expenses due and payable by the Obligors to the Account Bank and any Replacement Cash Manager under the Account Bank and Cash Management Agreement;
 - (iv) the Fees and Expenses due and payable by the Obligors to any Facility Agent and any arrangers under any ACF Agreement or any Liquidity Facility Agreement (if applicable);
 - (v) the Fees and Expenses due and payable by the Obligors to any Property Manager; and
 - (vi) the Fees and Expenses due and payable by the Obligors to any Replacement Servicer under the Servicing Agreement.
- (e) *fifth*, principal, interest and any amounts other than as provided elsewhere in this priority of payments due and payable by FinCo to any Liquidity Facility Provider under any Liquidity Facility Agreement (but excluding any Liquidity Facility Subordinated Amounts).
- (f) *sixth*, any amount due and payable by an Obligor to any Swap Counterparty under any Swap Agreement, provided that this item (f) excludes:
 - (i) any Swap Termination Amounts;
 - (ii) any Swap Subordinated Amounts; and
 - (iii) any amount due and payable pursuant to a Swap Excluded Obligation.
- (g) *seventh*:
 - (i) any interest due and payable in respect of the Priority 1 Debt;
 - (ii) an amount by way of an Ongoing Facility Fee equal to the Issuer's obligations to pay any underwriting fee due and payable to any Class R Underwriters under any Class R Underwriting Agreement;
 - (iii) any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Priority 1 Debt; and
 - (iv) any Swap Termination Amounts to the extent not satisfied by any premium received by the relevant Obligor from a replacement Swap Counterparty providing a replacement Swap Transaction,

provided that this item (g) excludes any Priority 1 Debt Step-Up Amounts.
- (h) *eighth*:
 - (i) any principal due and payable by the Obligors in respect of any Priority 1 Debt; and
 - (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of the Priority 1 Debt,

provided that this item (h) excludes the Priority 1 Debt Step-Up Amounts.
- (i) *ninth*:
 - (i) any interest due and payable in respect of the Priority 2 Debt;
 - (ii) any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Priority 2 Debt,

provided that this item (i) excludes any Priority 2 Debt Step-Up Amounts.
- (j) *tenth*:
 - (i) any principal due and payable by the Obligors in respect of any Priority 2 Debt; and

- (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of the Priority 2 Debt,
provided that this item (j) excludes the Priority 2 Debt Step-Up Amounts.
- (k) *eleventh*, any interest due and payable in respect of the Subordinated Debt (but excluding the Subordinated Debt Subordinated Amounts).
- (l) *twelfth*:
 - (i) any principal due and payable by the Obligors in respect of any Subordinated Debt; and
 - (ii) all amounts due and payable by the Obligors (other than as provided elsewhere in this priority of payments) in respect of any Subordinated Debt (including any facility and commitment fees payable to any ACF Provider or any Facility Agent under any ACF Agreement in respect of Subordinated Debt),
provided that this item (l) excludes the Subordinated Debt Subordinated Amounts.
- (m) *thirteenth*:
 - (i) any Liquidity Facility Subordinated Amounts due and payable by FinCo; and
 - (ii) any Swap Subordinated Amounts, due and payable by the Obligors, to the extent not satisfied by any premium received by the relevant Obligor from a replacement Swap Counterparty providing a replacement Swap Transaction.
- (n) *fourteenth*, any Priority 1 Debt Step-Up Amounts due and payable by the Obligors.
- (o) *fifteenth*, any Priority 2 Debt Step-Up Amounts due and payable by the Obligors.
- (p) *sixteenth*, any Subordinated Debt Subordinated Amounts due and payable by the Obligors.
- (q) *seventeenth*, any surplus (if any) together with all amounts standing to the credit of all Obligor Accounts shall be paid to the Principal Obligor on behalf of the Obligors to deal with as they see fit.

If the proceeds received or recovered are insufficient to discharge an item in the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments in full, such item shall be discharged to the extent there are sufficient funds to do so, and where other items are ranked *pari passu* with such item, on a *pro rata* basis together with such item. Any amount contained in any item above which is indicated to be due and payable shall exclude any amount that has already been paid.

If any amounts have been credited to DCA Ledgers, then for the purpose of determining the outstanding principal amounts of the Loans relating thereto, the *pro rata* claims of the Issuer and the ACF Providers in respect of such Loans outstanding shall be calculated after application of the amount credited to such DCA Ledgers.

If an item within the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments contains amounts payable in respect of Subordinated Debt, the precise ranking of Subordinated Debt *vis-à-vis* any other Subordinated Debt (in respect of the various categories of claims in respect thereof) will be designated in accordance with the Secondary Debt Rank to be made in accordance with the Common Terms Agreement (see the sections entitled “– *Ranking of Financial Indebtedness*”, page 82, above).

Governing Law

The Security Trust and Intercreditor Deed will (subject to certain aspects of Jersey and Scottish security, which will be governed by Jersey law and Scots law, respectively) be governed by English law.

C. INITIAL STANDARD SECURITIES

On or about the Exchange Date, any Original Obligor holding Mortgaged Properties situated in Scotland will enter into the Initial Standard Securities with the Obligor Security Trustee in accordance with the Conveyancing and Feudal Reform (Scotland) Act 1970, pursuant to which such Obligor will grant Standard Securities over such Mortgaged Properties.

Governing Law

The Initial Standard Securities will be governed by Scots law.

D. OBLIGOR FLOATING CHARGE AGREEMENT

On the Exchange Date, the Original Obligors, the Issuer, the Obligor Security Trustee and the Note Trustee will enter into the Obligor Floating Charge Agreement pursuant to which each Obligor will grant in favour of the Issuer, as security for (i) FinCo's obligations in respect of the ICL Loans and (ii) such Obligor's own obligations to the Issuer, a first ranking floating charge over the whole of their undertaking, assets, property and rights whatsoever and wheresoever, present and future (defined as "**OFCA Floating Security**", page 129, above).

Any Obligor joining the Security Group after the Exchange Date shall accede to, *inter alia*, the Obligor Floating Charge Agreement (and grant a floating charge to the Issuer to the same extent as the other existing Obligors) by way of an Obligor Accession Deed (see "*– Additional Obligors*", page 70, above). The Issuer shall, on the date such Additional Obligor accedes to the Obligor Floating Charge Agreement, make a loan to such Additional Obligor in the amount of £1,000, which shall be deferred in respect of its repayment until the Obligors are under no further actual or contingent liability under the Guarantees. Such loan shall be secured by the Obligor Floating Charge Agreement but shall not be capable of being repaid until the deferred repayment date referred to above.

The circumstances where the OFCA Floating Security may become enforceable and/or be enforced are set out in the section entitled "*– Enforceability of the floating charges*", page 130, above. The Obligors shall jointly and severally indemnify the Note Trustee for the Fees and Expenses incurred by it in appointing a Receiver (including an administrative receiver) in respect of any Obligor.

Governing Law

The Obligor Floating Charge Agreement will be governed by English law.

E. TRUST DECLARATIONS AND BENEFICIARY UNDERTAKINGS

With a view to mitigating the risk that neither the Obligor Security Trustee (under the Security Trust and Intercreditor Deed) nor the Note Trustee (as the Issuer's assignee under the Obligor Floating Charge Agreement) could block the appointment of an administrator in respect of Partnerships and JerseyCos, each Relevant Member has transferred its Mortgaged Properties to two nominees (each, a "**Nominee**") for each Mortgaged Property. The pair of nominees relating to each relevant Mortgaged Property will (as trustees) hold such Mortgaged Property (the "**Trust Property**") on a trust of land for the Relevant Members (as defined in the Trusts of Land and Appointment of Trustees Act 1996). Each Nominee will be a wholly-owned subsidiary of a special purpose company ("**SubCo**") which in turn will be wholly-owned by Land Securities Portfolio Management Limited. The terms of the trust will provide that no part of the beneficial interest in the Mortgaged Property will be transferred or will pass to the Nominees.

The Nominees will, as trustees, and at the direction of each Relevant Member, provide a limited recourse guarantee and indemnity to the Obligor Security Trustee in respect of the Obligors' obligations under the Obligor Transaction Documents (including the Intercompany Loan Agreement). Each Relevant Member will then agree with the relevant Nominees that they may indemnify themselves out of the relevant trust assets to discharge any liability incurred in the proper exercise of their powers or at the Relevant Member's direction (including the performance of any guarantee and indemnity granted by it) and that such Relevant Member will waive its rights to call for the Nominees (as trustees) to remedy any breach of trust before becoming entitled to such indemnification.

Pursuant to the relevant Beneficiary Undertaking, each Relevant Member will covenant to the Obligor Security Trustee that it will not call for a return of its legal interest in its Mortgaged Properties or for a dissolution of the trust or for a transfer of its Mortgaged Properties and will covenant that it will not transfer its beneficial interests in its Mortgaged Properties other than as permitted under the Obligor Transaction Documents.

The following security will be granted under the Security Trust and Intercreditor Deed in favour of the Obligor Security Trustee for the benefit of the Obligor Secured Creditors: (1) the Relevant Members will each grant a first fixed charge over their beneficial interests in their Mortgaged Properties, (2) the Nominees relating to each Mortgaged Property will grant full fixed and floating security over all of their property, assets and undertaking, (3) SubCo will grant full fixed and floating security over all its property, assets and undertaking (to be in the form of fixed, equitable

mortgages as regards the shares in the Nominees) and (4) Land Securities Portfolio Management Limited will grant full fixed and floating security over, *inter alia*, all its property, assets and undertaking (to be in the form of fixed, equitable mortgages over the shares in SubCo).

The inability of the Obligor Security Trustee and the Note Trustee to appoint an administrative receiver to block the appointment of an administrator as described above is mitigated by the Obligor Security Trustee taking the following steps if the Relevant Member goes into administration, and SubCo and the Nominees are not insolvent at that time:

- (a) the Obligor Security Trustee appoints a receiver in respect of Land Securities Portfolio Management Limited's shares in SubCo;
- (b) the receiver will then gain control over SubCo by exercising Land Securities Portfolio Management Limited's fixed security over the shares of SubCo and thereby control the Nominees through the ability to appoint directors in respect of these companies; and
- (c) the Nominees (as trustees of the relevant Mortgaged Property of the Relevant Member in question) may then either:
 - (i) hold and manage such Mortgaged Property and collect rent in the ordinary course (notwithstanding the appointment of an administrator over such Relevant Member's assets); or
 - (ii) sell the Mortgaged Property at arm's length and at its commercial value thereby overreaching the beneficial interest of the Relevant Member (i.e. thereby conveying good legal and beneficial title to the purchaser).

Governing Law

The Trust Declarations and Beneficiary Undertakings will be governed by English law.

F. INTERCOMPANY LOAN AGREEMENT

General Principles

The Intercompany Loan Agreement, which will be entered into on or about the Exchange Date between the Issuer (as lender), FinCo (as borrower), the Obligor Security Trustee and the Note Trustee, will provide that all funds raised by the issue of the Notes will be lent by the Issuer to FinCo. FinCo will be entitled under the terms thereof, to on-lend amounts equal to the monies so lent to it to other members of the Security Group or the Non-Restricted Group and/or apply the same, subject to the provisions of the Common Terms Agreement, for any other lawful purpose (see Chapter 5 "*Use of Proceeds*", page 171, below).

The Issuer will apply payments of interest, premia and fees and repayment of principal to fund its financial outgoings, whether in respect of the Notes or otherwise, and will retain a profit of 0.01% of the principal amount advanced.

The Issuer will advance a separate ICL Loan under the Intercompany Loan Agreement in respect of each issue of a Sub-Class of Notes.

Term ICL Loans

Initial ICL Loans

The Initial ICL Loans will be made on the Exchange Date by the Issuer to FinCo under the Intercompany Loan Agreement and will be funded by the issue to Land Securities PLC, at par, of the Initial Notes. There will be no premia or discounts associated with the Initial ICL Loans.

Further Term ICL Loans

Whenever a Sub-Class of Notes is issued after the Exchange Date, the Issuer will make an advance by way of an ICL Loan to FinCo under the Intercompany Loan Agreement in an amount equal to the nominal principal amount of such Notes and in the same currency. If the Notes are issued at a premium, then the Issuer shall pay an equivalent amount by way of a premium in respect of the corresponding Term ICL Loan to FinCo. Conversely, if the Notes are issued at a discount, FinCo shall, on the date on which the corresponding Term ICL Loan is made, pay to the Issuer a reverse premium in an amount equal to the discount.

Principles applicable to all Term ICL Loans

The following will apply to all Term ICL Loans:

Scheduled Maturity/ies: Each Term ICL Loan shall have (a) scheduled maturity date(s) which fall(s) on or before (as provided in the Pricing Supplement) the Note Payment Date(s) for the corresponding Notes on which all or a portion of the principal amount of such Notes is scheduled to be redeemed, and the amount to be repaid on each such maturity date shall be equal to the amount to be redeemed on the corresponding Note Payment Date.

Voluntary Prepayments: FinCo may Actually Prepay any Term ICL Loan, in whole or in part, in accordance with the provisions set out in the section “– *Prepayment of Non-Contingent Loans*”, page 88, above, and provided that it shall have notified the Issuer in sufficient time to enable the Issuer to give notice of voluntary redemption of the corresponding Notes under Condition 8(b) (*Optional Redemption*), in accordance with Condition 16 (*Notices*). FinCo can only Actually Prepay any ICL Loan on a date on which this Issuer is permitted or required to redeem the corresponding Notes in accordance with Condition 8 (*Redemption Purchase and Cancellation*).

Mandatory Prepayments on Issuer Redemptions: FinCo shall Actually Prepay Term ICL Loans to the extent that the Issuer shall have given notice, and shall be obliged under any provision of Condition 8 (*Redemption, Purchase and Cancellation*), other than Condition 8(b) (*Optional Redemption*) or Condition 8(f) (*Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*), to redeem all (or, as the case may be, some) of the corresponding Notes. Any such Actual Prepayment shall be made on the date on which such redemption is required to be made.

Repayment following enforcement and Collateralisation: If a Loan Enforcement Notice shall have been delivered in accordance with the Security Trust and Intercreditor Deed and, pursuant thereto, the obligations of FinCo under the Intercompany Loan Agreement in respect of any Fixed Rate ICL Loan are required to be Collateralised, then, upon the earlier of the first date on which such Fixed Rate ICL Loan is fully Collateralised and the date of final maturity in respect of such Fixed Rate ICL Loan, FinCo will be obliged to repay such Fixed Rate ICL Loan in full together with all interest accrued thereon provided that FinCo shall only be required to make such repayment if the relevant date falls during an Enforcement Period.

Interest: Each Term ICL Loan shall bear interest at a rate equal to the rate of interest payable in respect of the corresponding Sub-Class of Notes plus 0.01% per annum, such interest to be payable on the relevant ICL Loan Payment Date. Interest will accrue for the full period from (and including) each corresponding Note Payment Date (or, in the case of the first payment of interest on any Term ICL Loan, the date on which it was advanced) to (but excluding) the next (or first) Note Payment Date for the corresponding Sub-Class of Notes.

Premia on prepayments: If an ICL Loan is Actually Prepaid, and the Issuer will be required pursuant to Condition 8 (*Redemption, Purchase and Cancellation*) to pay any premium in respect of the redemption, to the extent of such Actual Prepayment, of the corresponding Sub-Class of Notes, then FinCo shall be obliged to pay to the Issuer, on the date on which such Actual Prepayment is made, a prepayment premium in respect of the Actual Prepayment in an amount equal to the redemption premium relating to such Notes.

Revolving ICL Loans

If any Class R1 Notes or Class R2 Notes are issued, they will be of a revolving nature. They may be repurchased in whole or in part by the Issuer from the Class R Underwriters immediately on issue. If so, they will be capable of being resold to the Class R Underwriters pursuant to the relevant Class R Underwriting Agreement, on any Note Payment Date for the Class R Notes. The same will apply in the case of any Class R Notes which shall have been resold on any previous such Note Payment Date and which shall have been repurchased by the Issuer in accordance with the Conditions.

To the extent that Class R1 Notes are issued without being immediately repurchased or are resold, the Issuer will make a Revolving R1 ICL Loan to FinCo, and to the extent Class R2 Notes are issued without being immediately repurchased or are resold, the Issuer will make a Revolving R2 ICL Loan to FinCo, in each case under the Intercompany Loan Agreement and in an amount equal to the principal amount of Class R Notes issued or sold (unless an Obligor Event of Default or a Potential Obligor Event of Default has occurred and is continuing). If the Class R Notes are issued at a premium or a discount, this will be dealt with in the same manner as is the case for any premium or discount on a Term ICL Loan (see “– *Further Term ICL Loans*” above). Each Revolving ICL Loan will be repayable on the ICL Loan Payment Date following that on which it

was made. Any Revolving R1 ICL Loan will be Priority 1 Debt and any Revolving R2 ICL Loan will be Priority 2 Debt.

The repayment of a Revolving ICL Loan may be financed by the making of a further Revolving ICL Loan provided that (a) no Obligor Event of Default or Potential Obligor Event of Default has occurred and is continuing and (b) the Issuer is either (i) able to finance such further Revolving ICL Loan by reselling Class R Notes to the Class R Underwriters in the requisite amount pursuant to the relevant Class R Underwriting Agreement in accordance with Condition 8(i) or (ii) not required to repurchase the corresponding Class R Notes by virtue of Condition 8(i)(iii). The same conditions would apply to the making of Revolving ICL Loans in principal amounts exceeding any maturing Revolving ICL Loan.

If, by reason of the existence of the circumstances described in (a) or (b) of the above paragraph, the Issuer is not permitted to make any further Revolving ICL Loans to FinCo, the maturity of any outstanding Revolving ICL Loans will, provided a Loan Acceleration Notice has not been given, automatically be extended to the next ICL Loan Payment Date. If in such circumstances there is an outstanding Revolving R1 ICL Loan which may not be refinanced in whole or in part by a further Revolving R1 ICL Loan (see “– *Reborrowing restrictions and requirements applicable to Revolving R1/R2 Loans*”, page 95, above), then to that extent such outstanding Revolving R1 ICL Loan will automatically be reconstituted as a Revolving R2 ICL Loan (unless refinanced from other resources), and interest thereon will accrue accordingly.

Revolving ICL Loans shall bear interest in accordance with the same principles mentioned above for Term ICL Loans, such interest to be payable on their respective ICL Loan Payment Dates. Interest will accrue for the full period from (and including) the date on which a Revolving ICL Loan is made to (but excluding) the Note Payment Date for the corresponding Class R Notes immediately following the date on which such Revolving ICL Loan is made.

If a Revolving ICL Loan is Collateralised following enforcement, as provided for in “– *Reserving/Actually Prepaying – principal*”, page 152, above, then such Revolving ICL Loan shall become repayable on the earlier of the first date on which such Revolving ICL Loan is fully Collateralised and the first date on which such Revolving ICL Loan may no longer be refinanced with the proceeds of the resale of corresponding Class R Notes by reason of the Class R Underwriters no longer being obliged to repurchase the same from the Issuer provided that FinCo will only be obliged to make such repayment if the relevant date falls during an Enforcement Period.

Exchange Date Fee and Ongoing Facility Fee

Under the terms of the Intercompany Loan Agreement, FinCo will be required to pay to the Issuer, (A) a fee in an amount equal to certain fees and expenses incurred by the Issuer in connection with the issue of the Initial Notes and (B) in accordance with the then applicable Security Group Priority of Payments, a fee (the “**Ongoing Facility Fee**”) in an amount equal to all sums (other than any payments of interest on, payments or repayments of principal of, or any premia payable on, any Notes in accordance with Condition 8 (*Redemption, Purchase and Cancellation*) or any Pricing Supplement and certain other amounts which the Issuer is able to fund from its own resources) which the Issuer is required to pay for any reason to any person in accordance with the Issuer Payment Priorities, as consideration for the Issuer making the Initial ICL Loans available to FinCo. Payments by way of Ongoing Facility Fee will usually be made on each ICL Loan Payment Date. However, if the Issuer anticipates that it may be obliged to pay any such sum other than on a Note Payment Date, it shall be entitled to demand a sum equal thereto from FinCo by way of the Ongoing Facility Fee which FinCo shall pay as soon as practicable thereafter.

Security

The obligations of FinCo under the Intercompany Loan Agreement will be secured by the other Obligors pursuant to the Obligor Security Documents and such obligations will be guaranteed by the other Obligors pursuant to the Security Trust and Intercreditor Deed.

Withholding Tax

All payments made by FinCo to the Issuer will be made free and clear of, and without withholding or deduction for or on account of, 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 from FinCo 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.

Purchase of Notes

From time to time, FinCo may purchase Notes and surrender such Notes to the Issuer for cancellation. Upon such cancellation, an amount of the relevant ICL Loan relating to such Notes equal to the Principal Amount Outstanding of such Note plus an amount of interest on the relevant ICL Loan equal to the aggregate of any accrued and unpaid interest on the Principal Amount Outstanding of such Note will be treated as having been Actually Prepaid by FinCo (see “– *Prepayment of Non-Contingent Loans*”, page 88, above).

Governing Law

The Intercompany Loan Agreement will be governed by English law.

G. ACCOUNT BANK AND CASH MANAGEMENT AGREEMENT

Extent of Roles

On or about the Exchange Date, among others, the Original Obligors, the Issuer, the Obligor Security Trustee, the Note Trustee, the Cash Manager and the Account Bank will enter into the Account Bank and Cash Management Agreement pursuant to which the Account Bank will agree to maintain the Accounts and the Cash Manager will be appointed to act as cash manager in respect of amounts standing from time to time to the credit of the Accounts.

The description of the operation of the Accounts in this section will only apply prior to the enforcement of the Issuer Security (in the case of the Issuer Accounts) or the Obligor Security (in the case of the Obligor Accounts). Following the enforcement of the Issuer Security (in the case of the Issuer Accounts) the Issuer Accounts will be operated in accordance with the Issuer Deed of Charge (see “– *Issuer Deed of Charge*”, page 168, below). During an Enforcement Period, the Obligor Accounts will be operated in accordance with the Security Trust and Intercreditor Deed (see “– *Security Trust and Intercreditor Deed*”, page 126, above) and the Obligor Floating Charge Agreement (see “– *Obligor Floating Charge Agreement*”, page 155, above).

Under the Account Bank and Cash Management Agreement:

- (a) the Cash Manager:
 - (i) will not be permitted to sub-contract or delegate the performance of any of its obligations to any sub-contractor, agent, representative or delegate (other than the Servicer or any Obligor), without the prior written consent of (A) in the case of the Issuer Accounts, the Note Trustee, and (B) in the case of the Obligor Accounts, the Obligor Security Trustee; and
 - (ii) will give the Account Bank all directions necessary to enable the Account Bank to operate the Accounts in accordance with the terms of the Account Bank and Cash Management Agreement, the relevant mandates and normal banking practice; and
- (b) the Account Bank:
 - (i) will be appointed to maintain the Accounts in accordance with the terms of the Account Bank and Cash Management Agreement;
 - (ii) will undertake not to exercise any rights of set-off, lien, counterclaim or consolidation of accounts in respect of the Accounts (other than the Collection Account and the Operating Accounts, in respect of which netting as between overdraft obligations owed by the Obligors to the Account Bank and Collection Account and Operating Account balances will be permitted); and
 - (iii) will represent and warrant that it is an Eligible Bank.

Requirement for Eligible Bank

If the Account Bank ceases to be an Eligible Bank then within 30 Business Days of notification as such, the Cash Manager will be required (save in certain limited circumstances where there is no bank carrying on business in London which is an Eligible Bank) to arrange for the transfer of the Accounts, in each case to an Eligible Bank and on terms acceptable to the Note Trustee and the Obligor Security Trustee.

Issuer Accounts

The Issuer will on or before the Exchange Date establish the Initial Issuer Account for the purpose of receiving payments in sterling from FinCo under the Intercompany Loan Agreement and/or the Obligors under the Guarantees and making payments in sterling in accordance with the relevant Issuer Priority of Payments.

In the event that the Issuer will be receiving or paying amounts in a currency for which the Issuer does not have an account, the Issuer shall instruct the Account Bank to open a new account (to be designated as an "Issuer Account") in such currency.

Collection Account

Land Securities (Finance) Limited will on or before the Exchange Date establish the Collection Account with the Account Bank for the principal purpose of collecting revenues and discharging Security Group operating expenses, although such account may be credited with any funds received by the Obligors which are not required under the Obligor Transaction Documents to be paid into any of the other Obligor Accounts and may be debited for any corporate purpose of any Obligor (including, without limitation, the crediting of such amounts to any Operating Account) subject to the Security Group Priority of Payments.

The Collection Account may be overdrawn, except to the extent that such would result in Net Unsecured Debt being greater than the Unsecured Debt Limit.

All rental income (including service and insurance charges) in respect of the Mortgaged Properties shall, among other cash receipts, be paid into the Collection Account. If any sum required to be paid into the Collection Account is denominated in a currency other than sterling, a sub-account of the Collection Account shall be established for the purpose of crediting sums in that currency.

The Obligors shall be permitted to transfer any sums received into the Collection Accounts by way of rental income (including service and insurance charges) relating to properties which are not Mortgaged Properties to a Non-Restricted Group Entity, by way of repayment of Rental Loans.

Operating Accounts

Any Obligor may hold a current account with the Account Bank which shall be used primarily as an overdraft account, save to the extent that such would result in Net Unsecured Debt being greater than the Unsecured Debt Limit.

Disposal Proceeds Account

FinCo will on or before the Exchange Date establish the Disposal Proceeds Account, the principal purpose of which is to receive and subsequently apply Sales Proceeds, Deemed Disposal Proceeds and certain insurance proceeds as more particularly described in "*– Special Provisions concerning Obligor Accounts*", page 115, above.

Debt Collateralisation Account

FinCo will on or before the Exchange Date establish the Debt Collateralisation Account, which can be voluntarily funded at any time by the Obligors. Any drawings from such account may only be used to repay or Prepay Non-Contingent Loans (including Buyback of Notes) or as otherwise permitted by the Common Terms Agreement (see "*– Special Provisions concerning Obligor Accounts*", page 115, above).

Income Replacement Account

FinCo will on or before the Exchange Date establish the Income Replacement Account, the principal purpose of which is, for so long as a T3 Covenant Regime applies (subject always to the Surrender Threshold where the Initial T3 Covenant Regime applies), to hold amounts which, along with the interest accruing, will be sufficient to replace the lost rental income resulting from Surrenders of material Leasing Agreements where the relevant Mortgaged Property is not re-let on terms that are substantially equivalent to the surrendered Leasing Agreement and to disburse to the Collection Account amounts equal to the rental income that has been so lost on the days on which it would otherwise have been paid by tenants (see "*– Special Provisions concerning Obligor Accounts*", page 115, above). In addition, a separate liquidity ledger of the Income Replacement Account may be established by the Cash Manager (see "*– Mandatory Liquidity Provisions*", page 86, above).

Tax Reserve Accounts

The Obligors will be required to maintain certain reserves for tax under the Tax Deed of Covenant (including reserves for the payment of tax in respect of certain disposals and certain other transactions). These reserves will be deposited into the Tax Reserve Accounts, in accordance with the Tax Deed of Covenant.

Any sum standing to the credit of the Tax Reserve Accounts will be released in order to pay the tax for which it was reserved and otherwise as permitted by, and in accordance with, the Tax Deed of Covenant.

Swap Collateral Accounts

Following a Swap Counterparty Downgrade, the relevant Swap Counterparty may be required to provide collateral to the Obligor party to the applicable Swap Agreement in support of such Swap Counterparty's obligations under such Swap Agreement. Any such collateral will be held in a Swap Collateral Account (see "*Special Provisions concerning Obligor Accounts*", page 115, above).

Swap Excluded Amount Account

To the extent that any payment is due to a Swap Counterparty following termination of any Swap Transaction, any premium received by an Obligor entering into a replacement transaction will be deposited in a Swap Excluded Amount Account. Further, any tax credit received by an Obligor (in the form of a cash payment) in respect of any additional payment made by a Swap Counterparty to such Obligor as a result of the imposition of tax upon a payment due from such Swap Counterparty will be deposited in a Swap Excluded Amount Account. (See "*Special Provisions concerning Obligor Accounts*", page 115, above).

Other Obligor Accounts

In addition, the Obligors may be required to open and maintain the Liquidity Reserve Account (see "*Mandatory Liquidity Provisions*", page 86, above), the Cardinal Place Development Account (see "*Cardinal Place Development*", page 113, above) and the Development Accounts (see "*Developments in Partnerships and Non-UK Obligors*", page 106, above).

Investing in Eligible Investments

The Account Bank and Cash Management Agreement will enable the Cash Manager to invest funds standing to the credit of certain of the Accounts in Eligible Investments.

Account Bank: Responsibilities

The Account Bank will be obliged only to deal with the account holders in respect of the Issuer Accounts and the Obligor Accounts and the Note Trustee and Obligor Security Trustee as follows:

- (a) until enforcement of the Issuer Security or during an Enforcement Period in relation to the Obligor Security (see "*Extent of Roles*", page 159, above), the Account Bank will be able to assume that any requested withdrawal from the Issuer Accounts or the Obligor Accounts is permitted, and such accounts may be operated in accordance with the account mandates; and
- (b) after enforcement, in the case of the Issuer Accounts and during an Enforcement Period, in the case of the Obligor Accounts (i) the Issuer Accounts will be operated solely by the Note Trustee and (ii) the case of the Obligor Accounts will be operated solely by such of the Note Trustee and the Obligor Security Trustee as may be jointly notified to the Account Bank by the Note Trustee and the Obligor Security Trustee in writing.

In neither case shall the Account Bank be obliged to enquire as to the application of any funds withdrawn from any of such accounts.

Ledgers

The Cash Manager will be required to maintain ledgers in respect of the Debt Collateralisation Account, the Disposal Proceeds Account, the Income Replacement Account and the Tax Reserve Accounts as follows:

- (a) *Debt Collateralisation Account*: The Cash Manager will establish a separate DCA Ledger for each ICL Loan and ACF Loan in respect of which a credit has been made to the Debt Collateralisation Account in accordance with the Common Terms Agreement (see "*Prepayment of Non-Contingent Loans*", page 88, above), the ledger amount to be equal to

the credit to the Debt Collateralisation Account. To the extent that amounts are withdrawn from the Debt Collateralisation Account to repay or prepay principal in respect of any ICL Loan or ACF Loan, the corresponding DCA Ledger will be debited accordingly.

- (b) *Disposal Proceeds Account*: The Cash Manager will establish a ledger for each Mortgaged Property or, as the case may be, Obligor that is Disposed of or released from the Estate and in respect of which Sales Proceeds, Deemed Disposal Proceeds, insurance proceeds or certain amounts are credited to the Disposal Proceeds Account in accordance with the Common Terms Agreement, the ledger amount to be equal to the credit to the Disposal Proceeds Account. To the extent that amounts are withdrawn from the Disposal Proceeds Account, the Cash Manager shall make a corresponding debit to the ledger established for the Mortgaged Property or Obligor in respect of which such debit is made.
- (c) *Income Replacement Account*: The Cash Manager will establish a ledger for each Leasing Agreement that shall have been Surrendered and in respect of which a Surrender Amount shall have been deposited into the Income Replacement Account, the ledger amount to be equal to the credit to the Income Replacement Account. To the extent that amounts are withdrawn from the Income Replacement Account, the Cash Manager shall make a corresponding debit to the ledger established for the relevant Surrender.
- (d) *Tax Reserve Accounts*: The Cash Manager will establish a ledger for each separate Disposal or Specified Arrangement in respect of which an amount has been credited to a Tax Reserve Account in accordance with the Tax Deed of Covenant, the ledger amount to be equal to the credit to such Tax Reserve Account. To the extent that amounts are withdrawn from such Tax Reserve Account in respect of a Tax Liability (or as a result of the extinguishment or non-existence of a Tax Liability) relating to that Disposal or Specified Arrangement, the Cash Manager shall make a corresponding debit to the ledger established for that Disposal or Specified Arrangement.

The Cash Manager may make Eligible Investments to the extent of balances on the Debt Collateralisation Account, the Disposal Proceeds Account, the Income Replacement Account and the Tax Reserve Accounts (in the case of the Income Replacement Account, to the extent permitted by the Account Bank if a special deposit rate has been agreed and certain other Obligor Accounts). In any such case, the Cash Manager will attribute the investment to a particular sub-ledger (the “**investment sub-ledger**”) that relates to the relevant Obligor Account and shall debit the amount invested to a cash sub-ledger (the “**cash sub-ledger**”) and credit the corresponding investment sub-ledger. The investment sub-ledger will be debited to the extent of any repayment or realisation in respect of the relevant investment and the cash sub-ledger will be credited with a corresponding sum. Any sum recovered or realised in respect of an Eligible Investment over and above the principal amount invested may be retained by the Cash Manager from the recovered or realised sum and credited to the Collection Account.

VAT Group

The Cash Manager will be required to be a member of the Land Securities VAT Group.

Governing Law

The Account Bank and Cash Management Agreement will be governed by English law.

H. SERVICING AGREEMENT

On or about the Exchange Date, Land Securities Properties Limited (“**LSP**”), FinCo, the other Obligors, the Issuer, the Obligor Security Trustee and the Note Trustee will enter into the Servicing Agreement.

Under the Servicing Agreement, LSP will be appointed as the initial Servicer of the Security Group and the Issuer.

Services

The Servicer will provide or procure the provision of, *inter alia*, the following services (the “**Services**”) to the Security Group:

- (i) management and administrative services (including administrative services, accounting, auditing, financing, taxation, treasury, debt management and legal services, corporate compliance and advice, trustee services, IT consultancy and company secretarial services);

- (ii) portfolio management services (including operation, due diligence, management, funding, marketing, leasing, selling and purchasing of the Mortgage Properties, dealing with sales enquiries and reports, rent reviews, tenant enquiries and administration, insurance and value enhancement, property encumbrance and rent collection and all capital, maintenance and other expenditure in to or relating to the Mortgaged Properties or the business and assets of the Security Group);
- (iii) services relating to the Security Group's Developments (including all services in connection with the planning, management and delivery of development schemes);
- (iv) cash management services to the Security Group (including performance of the duties of the Cash Manager under the Account Bank and Cash Management Agreement);
- (v) the appointment and management of, or procurement of, professional advisers, delegates, agents or contractors to perform any of the Services; and
- (vi) any other services from time to time that may be agreed between any Obligor and the Servicer.

The Servicer will in the Servicing Agreement agree to provide cash management services to the Issuer.

The Servicer will also provide or procure the provision of services both to the Security Group and the Issuer, to enable them to comply with their obligations under the Transaction Documents.

Servicer Loans

On and from the Exchange Date, the Security Group may request that LSP pays any of its ongoing fees and expenses. As a result, the Land Securities Intra-Group Funding Deed will provide that a Servicer Loan will be made by LSP to Land Securities (Finance) Limited ("**LSF**") in the amount of the expense. The Land Securities Intra-Group Funding Deed will further provide that each such Servicer Loan may be repaid on demand to LSP or, at the option of LSP, may be applied towards repayment of the Day One Loan (to the extent it remains outstanding) (see "*Land Securities Intra-Group Funding Deed*", page 164, below).

Standard of care

The Servicer has agreed to perform the Services with due skill and care to the standard of a professional service provider engaged in the provision of services of a similar nature to persons carrying on businesses of a similar nature to those of the service recipients.

Payment of fees

The fees for the provision of the Services will be capped in any Financial Year at an amount per annum based on a percentage of the Market Value of the Estate but such cap will not cover any fees charged by third parties who are engaged to provide the Services and whose fees are invoiced to the Security Group or any out-of-pocket costs and expenses incurred by the Servicer in performing the Services and which are to be paid or reimbursed by the Security Group. The Principal Obligor (acting on behalf of the recipients of the Services) may agree with the Servicer to increase the fee cap or to change the method of calculating the fee cap provided such increase or change would not cause the then current ratings of the Notes to be downgraded as a result.

The fee in respect of services provided will be payable at such times as may be agreed between the Servicer and the Security Group from time to time. Any unpaid balance will be carried forward until the next payment date.

The initial annual capped fee will be 0.10% of the Market Value of the Estate indicated in the Initial Valuation Report from the Exchange Date until the end of the current Financial Year, and thereafter 0.25% of the Market Value of the Estate in the following Financial Year.

Removal or resignation of the Servicer

The Principal Obligor may (with the consent of the Obligor Security Trustee and the Note Trustee) upon written notice to the Servicer, terminate the appointment of the Servicer as Servicer under the Servicing Agreement in the following circumstances:

- (i) default is made by the Servicer in the performance or observance of any of its duties or obligations under the Servicing Agreement which would reasonably be expected to have a Material Adverse Effect, and such default continues unremedied for a period of 20 Business Days after receipt by the Servicer of written notice from the Principal Obligor (acting on

behalf of the recipients of the Services) requiring the same to be remedied, provided that where the relevant default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its duties or obligations, such default shall not constitute a termination event if, within such period of 20 Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Principal Obligor (on behalf of the Service Recipients) may specify to remedy such default or to indemnify the Service Recipients against the consequences of such default;

- (ii) an order is made or an effective resolution passed for winding up the Servicer;
- (iii) the Servicer ceases or threatens to cease to carry on its business or becomes unable to pay its debts as they fall due or otherwise becomes insolvent; or
- (iv) proceedings are initiated against the Servicer under any applicable liquidation, administration, insolvency, composition, reorganisation (other than a reorganisation where the Servicer is solvent) or other similar laws, save where such proceedings are being contested in good faith by the Servicer, or if the Servicer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally (other than a reorganisation where the Servicer is solvent),

provided that a substitute servicer is appointed prior to such termination taking effect.

Following an Enforcement Trigger Event (other than a P2 Trigger Event) and whilst it is continuing, the Obligor Security Trustee may (provided a substitute servicer is appointed) suspend the appointment of the Servicer during which time no fees or compensation will be payable to the Servicer and the Servicer will not be obliged to perform any of its duties or obligations during such period.

Subject to the fulfilment of a number of conditions set out in the Servicing Agreement, the Servicer may voluntarily resign by giving not less than 12 months' notice to the Principal Obligor, the Obligor Security Trustee and the Note Trustee, provided that a substitute servicer is appointed prior to the resignation taking effect.

Right to sub-contract and delegation by the Servicer

The Servicer may sub-contract or delegate from time to time the performance of its rights, duties, powers or obligations under the Servicing Agreement. However, the Servicer will remain primarily liable to the Obligors and the Issuer for the Services notwithstanding any such delegation or sub-contracting.

Governing Law

The Servicing Agreement will be governed by English law.

I. LAND SECURITIES INTRA-GROUP FUNDING DEED

The Land Securities Intra-Group Funding Deed will be entered into on or about the Exchange Date between LSP, LSF, the Obligors (other than FinCo) and certain Non-Restricted Group Entities (the **"Participating NRGs"**).

The Land Securities Intra-Group Funding Deed will provide for all payments and loans made between Participating NRGs and the Security Group (other than FinCo) to be between LSP and LSF.

In this way, the aggregate amount owing by the Security Group (other than FinCo) to the Non-Restricted Group, and *vice versa*, will be obligations only of LSF and LSP respectively. Moreover, the Land Securities Intra-Group Funding Deed will provide that any amounts due and owing to LSP from LSF may be netted against any amounts due and owing to LSF from LSP, subject to the treatment of Rental Loans and Servicer Loans, as described in *"– Servicer Loans"*, page 163, above and of Rental Loans as described below.

On the Exchange Date, as a result of the corporate reorganisation forming the Non-Restricted Group and the Security Group (see section entitled *"– Corporate Reorganisation of the Land Securities Group"*, page 21, above), certain of the current loan relationships existing between the Non-Restricted Group and the Security Group will be reorganised and, in combination with certain amounts payable by the Security Group to the Non-Restricted Group as part of the reorganisation, will result in a single outstanding loan being made by LSF to LSP (the **"Day One Loan"**).

On and from the Exchange Date, rent and other amounts owed by tenants to Participating NRGs will be paid into the Collection Account held with LSF, and the Land Securities Intra-Group Funding Deed will provide that a corresponding Rental Loan for such amount will be entered into between LSP and LSF. The Land Securities Intra-Group Funding Deed will further provide that each such Rental Loan may, at LSP's option, be repaid on demand to LSP or, at the option of LSP, may be netted or set off against the Day One Loan (to the extent it remains outstanding).

Governing Law

The Land Securities Intra-Group Funding Deed will be governed by English law.

J. HEDGING ARRANGEMENTS

Initial Swap Agreements

Land Securities PLC and each Initial Swap Counterparty are party to a 1992 ISDA Master Agreement (Multicurrency – Cross Border), together with the schedule thereto and any confirmation in respect of any transaction thereunder, entered into on or before the date of this Offering Circular (each an “**Initial Swap Agreement**”). The Initial Swap Agreements will (to the extent required by the Hedging Covenant) hedge the interest rate risk of the Security Group (taken as a whole) arising as a result of any Obligor being required to pay a floating rate of interest on Non-Contingent Loans.

Land Securities PLC's obligations to each Initial Swap Counterparty will be secured pursuant to the Obligor Security Documents.

Further Swap Agreements

Pursuant to the Hedging Covenant described in the section entitled “– *Swap Agreements and Hedging Covenant*”, page 87, above, FinCo or any Financial SPV Obligor may enter into further Swap Agreements with qualifying counterparties.

Termination

Land Securities PLC will be entitled to terminate the transactions entered into under the Initial Swap Agreements in certain circumstances, including a failure to pay by an Initial Swap Counterparty, certain insolvency events affecting an Initial Swap Counterparty, breach of certain obligations under the Initial Swap Agreement, credit support default, misrepresentation, merger without assumption, certain tax events, illegality affecting the Initial Swap Agreement and a failure to take one of the actions specified below following a rating downgrade event affecting an Initial Swap Counterparty.

Land Securities PLC will, outside any Enforcement Period, also be entitled to terminate transactions under the Initial Swap Agreements at its discretion where it is of the reasonable opinion that the relevant transaction or part thereof is not required to ensure compliance with the Hedging Covenant. During any Enforcement Period (but prior to the delivery of a Loan Acceleration Notice), Land Securities PLC (or, in respect of any other Swap Agreement, the Obligor party thereto) shall be required to terminate all related Swap Transactions on a *pro rata* basis upon any repayment or prepayment of any Non-Contingent Loan.

Each Initial Swap Counterparty will be entitled to terminate the relevant Initial Swap Agreement in certain circumstances including those listed below:

- (a) a failure by Land Securities PLC to make a payment when due following the expiry of the applicable grace period;
- (b) certain insolvency events affecting Land Securities PLC (being, in summary, dissolution or the passing of a resolution for its winding-up or liquidation);
- (c) illegality affecting the relevant Initial Swap Agreement;
- (d) certain tax events (including as described below);
- (e) the Obligor Security Trustee, upon a Secured Creditor Instruction, giving a Loan Acceleration Notice.

It is anticipated that future Swap Agreements will contain similar restrictions (except that where the Swap Agreement is entered into with a Financial SPV Obligor, the insolvency events with respect to any such Obligor that will give rise to a right of a Swap Counterparty to terminate a Swap

Agreement will not be more extensive than those set out in the standard form 1992 ISDA Master Agreement (Multi-Currency – Cross Border) or the standard form 2002 ISDA Master Agreement).

A termination payment may be due upon termination of some or all of the transactions under any Swap Agreement.

Swap Counterparty Rating Downgrade

If the short term or long term unsecured, unsubordinated and unguaranteed debt obligations of a Swap Counterparty are rated below the Swap Counterparty Minimum Short Term Ratings or the Swap Counterparty Minimum Long Term Ratings respectively (and, in the case of a downgrade by S&P or Fitch, as a result of such downgrade the then current rating of the Notes is downgraded or placed under review for possible downgrade by S&P or Fitch, as applicable) (a “**Swap Counterparty Downgrade**”), then such Swap Counterparty will be obliged, within a certain period of time, to take one of certain remedial measures which may include the following:

- (a) procure that a third party which is rated no lower than the Swap Counterparty Minimum Long Term Ratings and the Swap Counterparty Minimum Short Term Ratings specified by the Rating Agency (and as set out in the Swap Agreement) which has downgraded the relevant Swap Counterparty becomes a co-obligor or guarantor of the obligations of such Swap Counterparty; or
- (b) provide collateral in support of such Swap Counterparty's obligations under the relevant Swap Agreement in the amounts specified in such Swap Agreement; or
- (c) subject to the restrictions on transfer described below, transfer all of its obligations with respect to the relevant Swap Agreement to a replacement third party which is rated no lower than the Swap Counterparty Minimum Long Term Ratings and the Swap Counterparty Minimum Short Term Ratings (as set out in the Swap Agreement); or
- (d) take such other action as may be agreed with the relevant Rating Agency.

If such Swap Counterparty fails to take one of the actions described above within the applicable period of time following the Swap Counterparty Downgrade, then Land Securities PLC or the relevant Obligor will be entitled to terminate such Swap Agreement (such entitlement being subject to the requirement to find a replacement swap counterparty to the extent that termination of the Swap Agreement would result in a payment being due to the Swap Counterparty).

Intercreditor rights

All Swap Agreements will be secured by the Obligor Security. Swap Counterparties will not be entitled to vote on any issue (other than pursuant to its Blocking Rights as described in “*Intercreditor Arrangements – Specific rights for Swap Counterparties and Liquidity Facility Provider*”, page 133 pursuant to the Security Trust and Intercreditor Deed). As an Obligor Secured Creditor, each Swap Counterparty will be bound by the restrictions on taking action against Obligors otherwise than as permitted by the Security Trust and Intercreditor Deed.

Withholding Tax

All payments to be made by either party under the Initial Swap Agreements are to be made without deduction or withholding for or on account of tax unless such deduction or withholding is required by applicable law.

If Land Securities PLC is required to make such a deduction or withholding from any payment to be made to any Initial Swap Counterparty under any Initial Swap Agreement, Land Securities PLC will not be required to pay any additional amounts to the Initial Swap Counterparty in respect of the amounts so required to be withheld or deducted, but the Initial Swap Counterparty will, if such deduction or withholding is as a result of a change in law (or the application or official interpretation thereof), have the right to terminate the Initial Swap Agreement (subject to the Initial Swap Counterparty's obligation to use reasonable efforts to transfer its rights and obligations in respect of the Initial Swap Agreement to another office or to a third party swap provider such that payments made by or to that other office or third party swap provider under the Initial Swap Agreement can be made without any deduction or withholding for or on account of tax).

If any Initial Swap Counterparty is required to make a deduction or withholding for or on account of an Indemnifiable Tax (as defined in the Swap Agreement) from any payment to be made to Land Securities PLC under any Initial Swap Agreement, the sum to be paid by the Initial Swap Counterparty will be increased to the extent necessary to ensure that, after that deduction or

withholding is made, the amount received by Land Securities PLC is equal to the amount that Land Securities PLC would have received had that deduction or withholding not been required to be made. If such deduction or withholding is as a result of a change in law (or the application or official interpretation thereof), the Initial Swap Counterparty will in certain circumstances have the right to terminate the Initial Swap Agreement (subject to the Initial Swap Counterparty's obligation to use reasonable efforts to transfer its rights and obligations in respect of the Initial Swap Agreement to another office or to a third party swap provider such that payments made by or to that other office or third party swap provider under the Initial Swap Agreement can be made without any deduction or withholding for or on account of tax).

Transfers

A Swap Counterparty may, at its own cost, novate all its interest and obligations in the Swap Agreement to any third party provided that, amongst other requirements set out in the relevant Swap Agreement, such third party (or such third party's guarantor) is rated no lower than the Swap Counterparty Minimum Long Term Ratings and the Swap Counterparty Minimum Short Term Ratings specified by the Rating Agencies (as set out in the Swap Agreement), a Termination Event or an Event of Default (both as defined in the Swap Agreement) will not occur as a result of the transfer and no additional amount will be payable as a result of such transfer by the Obligor to the Swap Counterparty or the replacement swap counterparty on the next date on which payment will be made in respect of a transaction under the Swap Agreement. It will be a condition of transfer that the replacement swap counterparty accedes to the Security Trust and Intercreditor Deed and the Common Terms Agreement.

Governing Law

Each Initial Swap Agreement will be governed by English law.

K. TAX DEED OF COVENANT

The obligations of the Issuer, FinCo and the other Obligors under the Transaction Documents will be supported by the Tax Deed of Covenant, under which the Issuer, FinCo, the Obligors and Land Securities Group PLC will give certain representations, warranties and covenants in relation to tax matters for the benefit of the Obligor Security Trustee and the Note Trustee.

Pursuant to the terms of the Tax Deed of Covenant, each of the Issuer, FinCo and the other Obligors will make representations, warranties and covenants in relation to, among other things, the payment of tax by such companies, certain group tax matters, secondary tax liabilities and VAT grouping. Land Securities Group PLC will also make certain representations, warranties and covenants relating to tax matters affecting the Issuer and the Security Group, including in relation to secondary tax liabilities.

The Tax Deed of Covenant will also contain provisions requiring the funding and release of reserves in relation to the tax arising to an Obligor as a result of the making of disposals, the entry into of Specified Arrangements, entry into of certain other types of transaction (including contingent tax liabilities arising to Obligors as a result of certain intra-group transactions) and also certain tax disputes where the effect of such transactions might result in a liability to Tax that exceeds a specified minimum threshold. The Tax Deed of Covenant also sets out certain confirmations required to be given in relation to certain such transactions.

The Tax Deed of Covenant will also contain provisions relating to the consequences for the Security Group where the entry into of a particular transaction at a time when the T1 or T2 Covenant Regime applies to the Security Group results in the operation of the Transaction LTV Test (in relation to the operation of the Transaction LTV Test, see "*The Transaction LTV Test*", page 97, above). If the operation of the Transaction LTV Test results in the Transaction LTV exceeding the T2 Threshold, the Tax Deed of Covenant will contain provisions which determine the amount (if any) to be reserved in respect of Disposal Tax or Transaction Tax (as the case may be) with respect to the relevant transaction and the circumstances in which any such reserve may be released.

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

L. ISSUER DEED OF CHARGE

Issuer Security

The Notes and certain other obligations of the Issuer (including the amounts owing to the Note Trustee under the Trust Deed, to the Note Trustee and any receiver appointed under the Issuer Deed of Charge, to the Replacement Cash Manager and the Account Bank under the Account Bank and Cash Management Agreement and to the Agents under the Agency Agreement) will be secured by, *inter alia*, the following security interests:

- (a) a first fixed charge over the Issuer Accounts;
- (b) an assignment by way of security of the interests of the Issuer under each Issuer Transaction Document (other than the Trust Deed and the Issuer Deed of Charge);
- (c) an assignment and (in respect of the Issuer's Scottish assets) an assignation by way of security of the beneficial rights (and, in respect of the Issuer's Scottish assets, all rights) of the Issuer under the Obligor Transaction Documents; and
- (d) a first floating charge over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever, present and future, including its uncalled capital,

all as more particularly set out in the Issuer Deed of Charge.

Issuer Pre-Enforcement Priority of Payments

Except where the Issuer has received funds from FinCo in Prepayment of any ICL Loan (in which case those funds will be applied as described in the sections entitled “– *Prepayment of Non-Contingent Loans*”, page 88, above and “– *Intercompany Loan Agreement*”, page 156, above), prior to the delivery of a Note Enforcement Notice, amounts standing to the credit of the Issuer Accounts will be applied by the Issuer on each Note Payment Date in accordance with the following priority of payments (the “**Issuer Pre-Enforcement Priority of Payments**”) in making payment of any amounts then due and payable (provided that payments may be made out of the Issuer Accounts other than on a Note Payment Date to satisfy liabilities in paragraphs (a)(ii) and (b) below):

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of (i) the amounts due in respect of Fees and Expenses payable to the Note Trustee, any Receiver under the Issuer Deed of Charge and the Trust Deed and (ii) the £1,000 deferred loan which the Issuer is obliged to make under the Obligor Floating Charge Agreement to each Additional Obligor on the date on which such Additional Obligor becomes a party to the Obligor Floating Charge Agreement;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by the Issuer:
 - (i) to third parties that have become payable under obligations incurred in the course of the Issuer's business other than as provided elsewhere in this Issuer Pre-Enforcement Priority of Payments; and
 - (ii) in respect of all United Kingdom corporation tax and other tax under the laws of any jurisdiction for which, in each case, the Issuer is primarily liable;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts which have become due and payable by the Issuer in respect of:
 - (i) Fees and Expenses of the Paying Agents, the Agent Bank, the Transfer Agents and the Registrar incurred under the Agency Agreement;
 - (ii) Fees and Expenses of any Class R Agent under any Class R Underwriting Agreement;
 - (iii) Fees and Expenses of the Account Bank under the Account Bank and Cash Management Agreement; and
 - (iv) Fees and Expenses of the Replacement Cash Manager under the Account Bank and Cash Management Agreement;
- (d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of interest due but unpaid in respect of the Priority 1 Notes (other than any Note Step-Up Amounts);

- (e) *fifth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of interest due but unpaid in respect of the Priority 2 Notes (other than any Note Step-Up Amounts);
- (f) *sixth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal and all other amounts then due in respect of the Priority 1 Notes (other than any Note Step-Up Amounts);
- (g) *seventh*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal due but unpaid in respect of the Priority 2 Notes (other than any Note Step-Up Amounts);
- (h) *eighth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal due but unpaid in respect of the Subordinated Notes (other than any Note Step-Up Amounts);
- (i) *ninth*, in or towards satisfaction of any amounts due in respect of any Note Step-Up Amounts in respect of Priority 1 Notes;
- (j) *tenth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of interest due but unpaid in respect of the Subordinated Notes (other than any Note Step-Up Amounts);
- (k) *eleventh*, in or towards satisfaction of any amounts due in respect of any Note Step-Up Amounts in respect of Priority 2 Notes;
- (l) *twelfth*, in or towards satisfaction of any amounts due in respect of any Note Step-Up Amounts in respect of Subordinated Notes; and
- (m) *thirteenth*, the surplus (if any) to the Issuer or any other person entitled thereto.

Any Class of Subordinated Notes issued under the Programme will rank after the Priority 1 Notes and the Priority 2 Notes in point of security. The precise ranking of any Class of Subordinated Notes relative to any other Class of Subordinated Notes (in respect of the various categories of claims in respect thereof) will be designated in accordance with the Secondary Debt Rank to be made in accordance with the Common Terms Agreement (see “– *Ranking of Financial Indebtedness*”, page 82, above).

Issuer Post-Enforcement Priority of Payments

All monies received or recovered by the Note Trustee or any Receiver appointed under the Issuer Deed of Charge following the enforcement of the Issuer Security will be applied in accordance with the following priority of payment (the “**Issuer Post-Enforcement Priority of Payments**”):

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of Fees and Expenses payable to the Note Trustee, any Receiver under the Issuer Deed of Charge and the Trust Deed;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts which have become due and payable by the Issuer in respect of:
 - (i) Fees and Expenses of the Paying Agents, the Agent Bank, the Transfer Agents and the Registrar incurred under the Agency Agreement;
 - (ii) Fees and Expenses of any Class R Agent under any Class R Underwriting Agreement;
 - (iii) Fees and Expenses of the Account Bank under the Account Bank and Cash Management Agreement; and
 - (iv) Fees and Expenses of the Replacement Cash Manager under the Account Bank and Cash Management Agreement;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of interest due but unpaid in respect of the Priority 1 Notes (other than any Note Step-Up Amounts);
- (d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal and all other amounts then due in respect of the Priority 1 Notes (other than any Note Step-Up Amounts);

- (e) *fifth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of interest due but unpaid in respect of the Priority 2 Notes (other than any Note Step-Up Amounts);
- (f) *sixth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal due but unpaid in respect of the Priority 2 Notes (other than any Note Step-Up Amounts);
- (g) *seventh*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of interest due but unpaid in respect of the Subordinated Notes (other than any Note Step-Up Amounts);
- (h) *eighth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal due but unpaid in respect of the Subordinated Notes (other than any Note Step-Up Amounts);
- (i) *ninth*, in or towards satisfaction of any amounts due in respect of any Note Step-Up Amounts in respect of Priority 1 Notes;
- (j) *tenth*, in or towards satisfaction of any amounts due in respect of any Note Step-Up Amounts in respect of Priority 2 Notes;
- (k) *eleventh*, in or towards satisfaction of any amounts due in respect of any Note Step-Up Amounts in respect of Subordinated Notes; and
- (l) *twelfth*, the surplus (if any) to the Issuer or any other person entitled thereto.

The precise ranking of any Class of Subordinated Notes relative to any other Class of Subordinated Notes (in respect of the various categories of claims in respect thereof) will be designated in accordance with the Secondary Debt Rank to be made in accordance with the Common Terms Agreement (see “– *Ranking of Financial Indebtedness*”, page 82, above).

Governing Law

The Issuer Deed of Charge will be governed by English law provided that certain terms thereof will be governed by Scots law or Jersey law.

CHAPTER 5

USE OF PROCEEDS

The proceeds of issue of the Initial Notes will be lent by the Issuer to FinCo under the Intercompany Loan Agreement and further on-lent to Land Securities PLC, in each case, on the Exchange Date.

After the Exchange Date, the proceeds from each subsequent issue of Notes under the Programme (other than any Class R Notes, in the case of which some or all of the proceeds of issue may be applied in repurchasing the same in whole or in part on the relevant Issue Date) will be on-lent to FinCo under the terms of the Intercompany Loan Agreement to be applied by FinCo for the Security Group's lawful purposes, including the making of loans to Non-Restricted Group Entities and the payment of dividends and other Restricted Payments.

Where Class R Notes are resold by the Issuer to the Class R Underwriters, the proceeds of such sale will be applied in making a revolving loan to FinCo, pursuant to the Intercompany Loan Agreement, which will be available for any lawful purpose of FinCo.

CHAPTER 6

THE ISSUER

INTRODUCTION

Land Securities Capital Markets PLC was incorporated in England on 30 July 2004 under the Companies Act 1985 as a public company with limited liability under registered number 5193511. The registered office of the Issuer is at 5 Strand, London WC2N 5AF. The authorised share capital of the Issuer is £1,000,000, divided into 1,000,000 shares of a nominal or par value of £1 each, 50,000 of which have been issued and fully paid up. All of the issued ordinary shares are held by Land Securities PLC apart from two such shares, legal title to which is held by a nominee company on trust for Land Securities PLC.

PRINCIPAL ACTIVITIES

The principal objects of the Issuer are set out in Clause 4 of its Memorandum of Association and include carrying on the business of an investment company.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation and issue of the Notes, the other documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

There is no intention to accumulate surpluses in the Issuer except in the circumstances set out in “– *Issuer Deed of Charge*”, page 167, above.

The Issuer will covenant to observe certain restrictions on its activities which will be set out in the Trust Deed.

DIRECTORS

The directors of the Issuer and their respective business addresses and occupations are:

| Name | Business Address | Occupation |
|------------------------|---------------------------|-------------------------|
| Francis Salway | 5 Strand, London WC2N 5AF | Chief Executive |
| Mark Collins | 5 Strand, London WC2N 5AF | Chief Operating Officer |
| Ian Ellis | 5 Strand, London WC2N 5AF | Director |
| Andrew Macfarlane..... | 5 Strand, London WC2N 5AF | Finance Director |
| Martin Wood | 5 Strand, London WC2N 5AF | Director |
| David Rough | 5 Strand, London WC2N 5AF | Non-Executive Director |

The company secretary of Land Securities Capital Markets PLC is Christine Shaw.

The Issuer has no employees or premises.

CAPITALISATION AND INDEBTEDNESS STATEMENT OF THE ISSUER

The combined capitalisation and indebtedness of the Issuer as at 2 November 2004, as adjusted for the issue of the Initial Notes, is as follows:

| | At 2 November 2004 as adjusted £ |
|--|---|
| Authorised share capital 1,000,000 ordinary shares of £1 each | |
| Issued share capital and reserves | |
| 50,000 ordinary shares, allotted and fully paid..... | 50,000 |
| Indebtedness | |
| Initial Notes..... | 2,298,288,000 |
| Total Financing..... | 2,298,288,000 |
| Total capitalisation and indebtedness | 2,298,338,000 |

Save as otherwise disclosed herein, 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 acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

ACCOUNTANTS' REPORT

The following is the text of a report received by the directors of the Issuer from PricewaterhouseCoopers LLP, chartered accountants, the registered auditors and reporting accountants to the Issuer.



PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

Land Securities Capital Markets PLC
5 Strand
London
WC2N 5AF
2 November 2004

Dear Sirs

Land Securities Capital Markets PLC (the 'Company')

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 2 November 2004 (the "Offering Circular") of the Company.

The Company was incorporated as Land Securities Capital Markets PLC on 30 July 2004. Save for entering into any agreements in connection with the transaction described in Chapter 2 of the Offering Circular, the Company has not yet commenced to trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company.

The Company has accepted responsibility for the information contained in the Offering Circular (except the Land Securities Information (which has the meaning set out in the Offering Circular)). Each of Land Securities PLC and Land Securities Group PLC have each accepted responsibility for the Land Securities Information.

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

Basis of opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at 24 September 2004 and the result for the period then ended.

Financial information

The balance sheet of the Company at 24 September 2004 is as follows:

| | Notes | £ |
|--|-------|---------------|
| Current assets | | |
| Debtors falling due within one year..... | 1 | 50,000 |
| | | <u>50,000</u> |
| Capital and Reserves | | |
| Called up share capital | 2 | 50,000 |
| | | <u>50,000</u> |

Profit and Loss Account

For the period from incorporation on 30 July 2004 to 24 September 2004 the Company did not trade and received no income and incurred no expenditure. Consequently during this period the Company made neither a profit nor a loss.

Notes to the financial information

1 Debtors

| | 2004 £ |
|--|---------------|
| Falling due within one year | |
| Amounts owed by a group undertaking..... | 50,000 |
| | <u>50,000</u> |

2 Share capital

| | Authorised | Allotted and fully paid 2004 £ |
|-----------------------------------|------------------|---|
| Ordinary shares of £1 each | 1,000,000 | 50,000 |
| At 24 September 2004 | <u>1,000,000</u> | <u>50,000</u> |

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

CHAPTER 7

FINCO

INTRODUCTION

LS Property Finance Company Limited was incorporated in England on 25 June 2004 as a private company with limited liability with registered number 5163698. The registered office of FinCo is at 5 Strand, London WC2N 5AF. The authorised share capital of FinCo is £1,000,000, divided into 1,000,000 shares of a nominal or par value of £1 each, 100 of which have been issued and are fully paid up. All of the issued ordinary shares are held by Land Securities PLC.

PRINCIPAL ACTIVITIES

The principal objects of FinCo are set out in Clause 3 of its Memorandum of Association and include carrying on the business of an investment company.

FinCo has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation of the Intercompany Loan Agreement, the Initial ACF Agreement and the other documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

FinCo will covenant to observe certain restrictions on its activities which will be set out in the Common Terms Agreement.

DIRECTORS AND COMPANY SECRETARY OF FINCO

The directors of FinCo and their respective business addresses are:

| Name | Business Address | Occupation |
|-------------------------|---------------------------|--------------------------|
| Andrew Macfarlane | 5 Strand, London WC2N 5AF | Director |
| Martin Wood..... | 5 Strand, London WC2N 5AF | Director |
| David Holt | 5 Strand, London WC2N 5AF | Director |
| Francis Salway | 5 Strand, London WC2N 5AF | Director |
| Sean West..... | 5 Strand, London WC2N 5AF | Director |
| Keith Hannah | 5 Strand, London WC2N 5AF | Director |
| Stephen Leung..... | 5 Strand, London WC2N 5AF | Director |
| Chris Gill | 5 Strand, London WC2N 5AF | Director |
| David Rough | 5 Strand, London WC2N 5AF | Director (Non-executive) |

The company secretary of FinCo is Peter Dudgeon.

CAPITALISATION AND INDEBTEDNESS STATEMENT OF FINCO

The combined capitalisation and indebtedness of FinCo as at 2 November 2004, as adjusted for the borrowing of the Initial ICL Loans and the Initial ACF Loans, is as follows:

| | At 2 November 2004 as adjusted £ |
|--|--|
| Authorised share capital 1,000,000 ordinary shares of £1 each | |
| Issued share capital and reserves | |
| 100 ordinary shares, allotted and fully paid..... | 100 |
| Indebtedness | |
| Initial ICL Loans..... | 2,298,288,000 |
| Initial ACF Loans | 960,000,000 |
| Total Financing | 3,258,288,000 |
| Total capitalisation and indebtedness | 3,258,288,100 |

Save as otherwise disclosed herein, at the date of this Offering Circular, FinCo 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

The following is the text of a report received by Land Securities Group PLC, Land Securities PLC and the Issuer from PricewaterhouseCoopers LLP, chartered accountants, the registered auditors and reporting accountants to FinCo.



PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

Land Securities Group PLC
5 Strand
London WC2N 5AF

Land Securities PLC
5 Strand
London WC2N 5AF

Land Securities Capital Markets PLC
5 Strand
London WC2N 5AF

2 November 2004

Dear Sirs

LS Property Finance Company Limited (the 'Company')

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 2 November 2004 (the "Offering Circular") of Land Securities Capital Markets PLC.

The Company was incorporated as TRUSHELFCO (No. 3070) on 25 June 2004, changed its name to LS Property Finance Company Limited with effect from 29 July 2004. Save for entering into any agreements in connection with the transaction described in Chapter 2 of the Offering Circular, the Company has not yet commenced to trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company.

Land Securities Capital Markets PLC has accepted responsibility for the information contained in the Offering Circular (except the Land Securities Information (which has the meaning set out in the Offering Circular)). Each of Land Securities PLC and Land Securities Group PLC have accepted responsibility for the Land Securities Information. This report forms part of the Land Securities Information.

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

Basis of opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company at 24 September 2004 and the result for the period then ended.

Financial information

The balance sheet of the Company at 24 September 2004 is as follows:

| | Notes | £ |
|---|-------|------------|
| Current assets | | |
| Debtors falling due within one year | 1 | 100 |
| | | <u>100</u> |
| Capital and Reserves | | |
| Called up share capital | 2 | 100 |
| | | <u>100</u> |

Profit and Loss Account

For the period from incorporation on 25 June 2004 to 24 September 2004 the Company did not trade and received no income and incurred no expenditure. Consequently during this period the Company made neither a profit nor a loss.

Notes to the financial information

1 Debtors

| | 2004 £ |
|---|------------|
| Falling due within one year | |
| Amounts owed by a group undertaking | 100 |
| | <u>100</u> |

2 Share capital

| | Authorised | Allotted and fully paid 2004 £ |
|-----------------------------------|------------------|---|
| Ordinary shares of £1 each | 1,000,000 | 100 |
| At 24 September 2004 | <u>1,000,000</u> | <u>100</u> |

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

CHAPTER 8

MAIN OBLIGORS

(A) LAND SECURITIES PLC

INTRODUCTION

Land Securities PLC was incorporated in England on 1 July 1955 as a private company with limited liability with registered number 551412. It was re-registered on 18 December 1981 as a public company with limited liability. The registered office of Land Securities PLC is at 5 Strand, London WC2N 5AF. The authorised share capital of Land Securities PLC is £720,000,001 divided into 720,000,001 shares of a nominal or par value of £1 each, 530,791,385 of which have been issued and are fully paid up (and one of which is a deferred ordinary share). All of the issued ordinary shares (including the deferred ordinary share) are held by Land Securities Group PLC apart from two such shares, legal title to which is held by nominees on trust for Land Securities PLC.

PRINCIPAL ACTIVITIES

The principal objects of Land Securities PLC are set out in Clause 4 of its Memorandum of Association and include carrying on the business of a property holding and investment trust company.

DIRECTORS AND COMPANY SECRETARY OF LAND SECURITIES PLC

The directors of Land Securities PLC and their respective business addresses are:

| Name | Business Address | Occupation |
|------------------------|---------------------------|-------------------|
| A. Mark Collins | 5 Strand, London WC2N 5AF | Director |
| Ian Ellis..... | 5 Strand, London WC2N 5AF | Director |
| Martin Wood..... | 5 Strand, London WC2N 5AF | Director |
| Andrew Macfarlane..... | 5 Strand, London WC2N 5AF | Director |
| Francis Salway | 5 Strand, London WC2N 5AF | Director |
| David Holt | 5 Strand, London WC2N 5AF | Director |

The company secretary of Land Securities PLC is Peter Dudgeon.

(B) RAVENSEFT PROPERTIES LIMITED

INTRODUCTION

Ravenseft Properties Limited was incorporated in England on 5 August 1949 as a private company with limited liability with registered number 471606. The registered office of Ravenseft Properties Limited is at 5 Strand, London WC2N 5AF. The authorised share capital of Ravenseft Properties Limited is £890,000,100 divided into 890,000,100 shares of a nominal or par value of £1 each, all of which have been issued and are fully paid up. All of the issued ordinary shares are held by Land Securities Portfolio Management Limited apart from one such share, legal title to which is held by a nominee company on trust for Land Securities PLC.

PRINCIPAL ACTIVITIES

The principal objects of Ravenseft Properties Limited are set out in Clause 3 of its Memorandum of Association and include carrying on the business of a property investment company.

DIRECTORS AND COMPANY SECRETARY OF RAVENSEFT PROPERTIES LIMITED

The directors of Ravensft Properties Limited and their respective business addresses are:

| Name | Business Address | Occupation |
|--|---------------------------|-------------------|
| Land Securities Management Services Limited..... | 5 Strand, London WC2N 5AF | Director |
| Land Securities Portfolio Management Limited | 5 Strand, London WC2N 5AF | Director |

The company secretary of Ravensft Properties Limited is Peter Dudgeon.

(C) RAVENSIDE INVESTMENTS LIMITED

INTRODUCTION

Ravenside Investments Limited was incorporated in England on 21 June 1971 as a private company with limited liability with registered number 1015140. The registered office of Ravenside Investments Limited is at 5 Strand, London WC2N 5AF. The authorised share capital of Ravenside Investments Limited is £175,000,002 divided into 175,000,002 shares of a nominal or par value of £1 each, all of which have been issued and are fully paid up. All of the issued ordinary shares are held by Land Securities Portfolio Management Limited apart from one such share, legal title to which is held by a nominee company on trust for Land Securities PLC.

PRINCIPAL ACTIVITIES

The principal objects of Ravenside Investments Limited are set out in Clause 3 of its Memorandum of Association and include carrying on the business of a property investment company.

DIRECTORS AND COMPANY SECRETARY OF RAVENSIDE INVESTMENTS LIMITED

The directors of Ravenside Investments Limited and their respective business addresses are:

| Name | Business Address | Occupation |
|--|---------------------------|-------------------|
| Land Securities Management Services Limited..... | 5 Strand, London WC2N 5AF | Director |
| Land Securities Portfolio Management Limited | 5 Strand, London WC2N 5AF | Director |

The company secretary of Ravenside Investments Limited is Peter Dudgeon.

(D) THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

INTRODUCTION

The City of London Real Property Company Limited was incorporated in England on 11 April 1864 as a private company with limited liability with registered number 1160. The registered office of The City of London Real Property Company Limited is at 5 Strand, London WC2N 5AF. The authorised share capital of The City of London Real Property Company Limited is £269,636,808 divided into 269,636,808 shares of a nominal or par value of £1 each, all of which have been issued and are fully paid up. All of the issued ordinary shares are held by Land Securities Portfolio Management Limited apart from one such share, legal title to which is held by a nominee company on trust for Land Securities PLC.

PRINCIPAL ACTIVITIES

The principal objects of The City of London Real Property Company Limited are set out in Clause 3 of its Memorandum of Association and include carrying on the business of a property investment company.

DIRECTORS AND COMPANY SECRETARY OF THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

The directors of The City of London Real Property Company Limited and their respective business addresses are:

| Name | Business Address | Occupation |
|--|---------------------------|-------------------|
| Land Securities Management Services Limited..... | 5 Strand, London WC2N 5AF | Director |
| Land Securities Portfolio Management Limited | 5 Strand, London WC2N 5AF | Director |

The company secretary of The City of London Real Property Company Limited is Peter Dudgeon.

CHAPTER 9

LAND SECURITIES GROUP BUSINESS AND INFORMATION REGARDING THE ESTATE

INTRODUCTION

The Land Securities Group is a property investment, development and property outsourcing group operating only in the United Kingdom providing commercial accommodation and property services to a wide range of occupiers across the UK. Its property holdings comprise investment properties together with operating properties (which are used in its outsourcing and services business).

The Land Securities Group's investment properties are concentrated in two principal segments of the UK commercial property market. These are:

- (a) Central London offices; and
- (b) retail, which includes shopping centres, retail warehouses, out of town retail parks across the UK and Central London and high street shops.

As at 31 March 2004, the Land Securities Group's total investment portfolio was valued at £7.91 billion. The investment portfolio comprised over 4,500 tenancies and over 2,000 occupiers in 219 properties and at 31 March 2004 the rent roll was £491.1 million. As at the Exchange Date, the majority of the Land Securities Group's investment portfolio will form the Initial Estate.

THE ESTATE

On the Exchange Date, the Land Securities Group will be reorganised to form two sub-groups: the Security Group (comprising the Obligors, although the Issuer will not be an Obligor despite being owned by Land Securities PLC) and the Non-Restricted Group, and the current financing and security arrangements of the Security Group will be refinanced.

The Estate comprised in the Security Group will be the majority of the investment portfolio of the Land Securities Group as a whole, comprising a portfolio of diverse property assets and rental income across all the sectors referred to in the section entitled “– *Introduction*” above.

As at the Exchange Date, the Estate owned by the Security Group will constitute 142 Mortgaged Properties. According to the Initial Valuation Report (see Chapter 10 “*Summary of Initial Valuation Report*”, page 185, below for a summary of thereof), the Market Value of the properties comprised in the Estate as at the date of valuation of the Initial Estate was £6.145 billion.

It is intended to actively manage the Estate of the Security Group so as to enhance property asset values and future income generation, including but not limited to the use of selective acquisitions and disposals, investment in appropriate partnerships and joint ventures, refurbishment of the existing Estate where appropriate and ongoing development.

MARKET VALUE OF THE ESTATE BY REGION AND SECTOR

The table below shows the Market Value of the Estate by Region and Sector.

MARKET VALUE OF THE INITIAL ESTATE BY REGION AND SECTOR (AS AT 31 MARCH 2004*)
% FIGURES CALCULATED BY REFERENCE TO THE MARKET VALUE OF THE ESTATE OF £6.196 BILLION
(AS SET OUT IN THE INITIAL VALUATION REPORT)

| | OFFICES (%) | SHOPPING CENTRES AND SHOPS (%) | RETAIL WAREHOUSES (%) | RESIDENTIAL (%) | OTHER (%) | TOTAL (%) |
|--------------------------------|----------------|---|-----------------------------|--------------------|--------------|--------------|
| London (Central) | 42.80 | 12.03 | 0.00 | 0.12 | 1.02 | 56.0% |
| South East and Eastern | 0.37 | 4.48 | 6.06 | 0.00 | 1.06 | 12.0% |
| Wales and the South West | 0.21 | 1.93 | 1.65 | 0.01 | 0.00 | 3.8% |
| Midlands..... | 0.07 | 1.54 | 3.32 | 0.00 | 0.00 | 4.9% |
| North | 0.09 | 9.93 | 6.57 | 0.00 | 0.95 | 17.5% |
| Scotland | 0.00 | 3.03 | 2.64 | 0.00 | 0.09 | 5.8% |
| TOTAL | 43.5% | 32.9% | 20.3% | 0.1% | 3.1% | 100.0% |

TOP TEN MORTGAGED PROPERTIES BY MARKET VALUE

The top ten Mortgaged Properties by Market Value (as at 31 March 2004, according to the Initial Valuation Report) that will be comprised in the Estate as at the Exchange Date account for 26.9% of the Market Value of the Estate.

PERCENTAGE OF THE ESTATE BY MARKET VALUE AND NUMBER OF MORTGAGED PROPERTIES

The table below shows the percentage of the Estate by Market Value and number of Mortgaged Properties.

PERCENTAGE OF THE ESTATE BY MARKET VALUE (AS AT 31 MARCH 2004*)
AND NUMBER OF MORTGAGED PROPERTIES

| £M | VALUE % | NO. OF PROPERTIES |
|----------------|---------|----------------------|
| 0-9.99 | 1.72 | 33 |
| 10-24.99 | 8.11 | 30 |
| 25-49.99 | 22.59 | 40 |
| 50-99.99 | 22.02 | 20 |
| Over 100 | 45.56 | 19 |
| TOTAL | 100 | 142 |

* This table includes two "Additional Properties" (as defined in paragraph 1.5 of the summary of the Initial Valuation Report (see Chapter 10, "Summary of Initial Valuation Report", page 185, below)) totalling £127,250,000 (2.07%) which are valued as at 31 July 2004 within the London figures for Office and Shops and Shopping Centres.

TOP THREE TENANTS AS A PERCENTAGE OF TOTAL RENTAL INCOME

The table below shows the top three tenants in relation to the Estate as a percentage of total Rental Income.

| TOP 3 TENANTS (AS AT 31 MARCH 2004) | RENTAL INCOME PAID AS A PERCENTAGE OF TOTAL RENTAL INCOME OF THE ESTATE (PASSING RENT) |
|--|--|
| Government | 11.2 |
| AO Services..... | 4.0 |
| Dresdner Bank..... | 3.1 |
| TOTAL..... | 18.3 |

CHAPTER 10
SUMMARY OF INITIAL VALUATION REPORT



The Directors
Land Securities PLC
5 Strand
London WC2N 5AF

The Directors
Deutsche Trustee Company Limited
(in their capacity as Obligor Security Trustee and as Note Trustee)
Winchester House
1 Great Winchester Street
London EC2N 2DB

Citigroup Global Markets Limited ("Sole Arranger and Dealer Manager")
Canada Square
Canary Wharf
London E14 5LB

Land Securities Capital Markets PLC ("Issuer")
5 Strand,
London WC2N 5AF

Citibank International PLC ("Facility Agent")
(on behalf of the Lenders who are to become party to the Initial ACF
Agreement (as defined in the Offering Circular) pursuant to the primary
and general syndication of the ACF Facility Agreement)
Loans Agency Office
2nd Floor
4 Harbour Exchange Square
London E14 9GE

LS Property Finance Company Limited ("FinCo")
5 Strand
London WC2N 5AF

2 November 2004

Dear Sirs,

Property Valuation
Land Securities PLC (the "Company")

In accordance with instructions received from Land Securities PLC, confirmed in correspondence dated 22 September 2004, we have pleasure in reporting to you as follows:

1.0 Scope of Instructions

- 1.1 We are instructed by the Company under the terms of an agreement made in March 2003 to undertake and provide valuations every six months for financial reporting purposes.



Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Registered Office: 20 Hanover Square, London W1S 1HZ

Over 200 offices worldwide

- 1.2 Our latest valuation ("the Latest Valuation") was prepared for the purposes of the Company's financial statements at 31 March 2004 (the "Valuation Date") in the capacity of External Valuer in accordance with the RICS Appraisal and Valuation Standards (5th edition, as amended) published by the Royal Institution of Chartered Surveyors.
- 1.3 We are now instructed by the Company, pursuant to their letter of engagement dated 22 September 2004, to confirm our valuation of certain freehold, feuhold and leasehold properties (the "Properties") owned by the Company and its subsidiaries (which Company and its subsidiaries are to be comprised in the Security Group, as defined in the Offering Circular), at the Valuation Date for the purposes of inclusion both in a prospectus, offer and consent solicitation document (the "Prospectus") to be issued by Land Securities PLC to the holders of certain series of bonds and debenture stock issued by it on, or about 27 September 2004, and in a Circular (the "Offering Circular") to be dated on, or about 2 November 2004, comprising listing particulars with regard to the Issuer and the notes issued by it under a £4,000,000,000 multicurrency note issuance programme to be established by the Issuer, which notes are to be listed on the Irish Stock Exchange.
- 1.4 We are also required to confirm whether, in our opinion, a revaluation as at the date hereof would result in any adverse change to the aggregate valuations in the Latest Valuation.
- 1.5 In addition we are instructed to provide our valuation of two properties (the "Additional Properties") which have been acquired subsequently, as at 31 July 2004 and which are to be included within the Original Mortgaged Properties and in this Initial Valuation Report (both as defined in the Offering Circular).

2.0 The Properties

- 2.1 The Properties which are the subject of this report, consist of some 140 holdings which were included within the Company's larger portfolio upon which we reported our opinion of the individual property values as at 31 March 2004 for financial reporting purposes, as included in the Latest Valuation.
- 2.2 We confirm that the Properties were included with those in respect of which we reported to the Directors of the Company on 23 April 2004 for financial reporting purposes and are those for which we have now been instructed to confirm our valuation at the Valuation Date. We have been informed by Land Securities PLC that the Properties, taken together with the Additional Properties, are all of the Original Mortgaged Properties as defined in the Prospectus and the Offering Circular.

3.0 Basis of Valuation

- 3.1 As instructed, and in accordance with the current requirements of the RICS Appraisal and Valuation Standards (5th edition, as amended), the valuation was prepared on the basis of Market Value which is defined in Chapter 3 as follows:

"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."

This is consistent with the method of valuation for Mortgaged Properties and Developments, situated in England, Wales and Scotland, provided for in the Offering Circular.

- 3.2 We note that Trading Properties (as defined in the Offering Circular) are to be valued at the lower of cost and net realisable value as determined by the Obligors. No Trading Properties were included in the Original Mortgaged Properties or in this Initial Valuation Report.

4.0 Tenure and Tenancies

- 4.1 We have not had access to the title deeds or leases of the Properties being valued and our valuation was based on the information supplied to us by the Company and its advisers as to tenure and tenancies.
- 4.2 Save where matters have been drawn to our attention, or we have been notified to the contrary prior to the date of this report, whether by virtue of statements in the Certificates of Title or Title Overview Reports referred to below, or as otherwise disclosed to us, our valuation was on the basis that:
- (a) each property possessed a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;
 - (b) in respect of leasehold properties, there were no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;
 - (c) leases to which the properties were subject were on full repairing and insuring terms, and contained no unusual or onerous provisions or covenants which would affect value and where the repairing terms were subject to schedules of condition, these would not have materially affected Market Value;

- (d) in respect of leases subject to impending or outstanding rent reviews and lease renewals, we assumed that all notices had been served validly and within appropriate time limits; and
- (e) vacant possession could be given of all accommodation which was unlet.

4.3 Subsequent to our valuation we have received and considered thirty nine drafts of solicitors' certificates of title (the "Certificates of Title") which have been produced in connection with the proposed offering in respect of a sample. The 38 reports cover a sample of 41 of the Properties which we understand were selected so as to include those of the Properties which individually had a Market Value as at 30 September 2003 in excess of £50 million, together with a small number having a lesser value but included to ensure a regional spread and one of the Additional Properties (collectively the "Sampled Properties"). As at 31 March 2004 the Sampled Properties accounted for some 63% of the aggregate Market Value of the Properties. We have also considered Title Overview Reports prepared by solicitors which (amongst other things) provided brief details in tabulated form concerning each of the Properties (the "Title Overview Reports"). We confirm that in our response provided below, as to whether, in our opinion, a valuation as at the date hereof would result in any adverse change, this additional information has been taken into account.

5.0 Town Planning

- 5.1 We did not make formal searches in respect of the Properties, but generally relied on verbal enquiries and any informal information received from the Local Planning Authorities, together with information provided by the Company, now supplemented by the Certificates of Title.
- 5.2 Our valuation was on the basis that each of the Properties had been erected in accordance with a valid planning permission, and was being occupied and used, without any breach of planning consent or other statutory regulations, save to the extent as disclosed by any information referred to in paragraph 5.1.

6.6 Structure and Condition

- 6.1 We have neither carried out a structural survey of any of the Properties, nor tested any services, plant or machinery. We were therefore unable to give any opinion on the condition of the structure and services. However, our valuation took into account any information supplied to us and any defects noted during our inspections. Otherwise, our valuation was on the basis that there were no latent defects, wants of repair or other matters which would materially affect our valuation.
- 6.2 For the purposes of the valuation we assumed that, where appropriate, suitable action had been taken to ensure compliance with the Disability Discrimination Act 1995 in respect of the Properties.

7.0 Site Condition and Environmental Matters

- 7.1 We had not investigated ground conditions. Unless advised to the contrary, our valuation was on the basis that all buildings had been constructed having appropriate regard to existing ground conditions.
- 7.2 We had not carried out any scientific investigations or tests to establish the existence or otherwise of any environmental contamination in relation to the Properties. The Company has established procedures for identifying and investigating environmental matters and we have previously been provided with reports for the majority of the properties which we have discussed with the Company. The environmental reviews which have been carried out have not, we understand, led the Directors to believe that there are any significant potential environmental problems affecting the Properties.
- 7.3 We have now also been provided with Environmental Risk Assessment reports, undertaken by Messrs Watts and Partners, in respect of 15 of the Properties and a report undertaken by WSP Environmental Limited in respect of one of the Additional Properties, and have considered the conclusions set out therein. Save as disclosed by the Environmental Risk Assessment reports or otherwise disclosed by the Company, in arriving at our valuation we have assumed that there are no such matters which would materially affect our valuation. We confirm that in our response provided below as to whether in our opinion a valuation as at the date hereof would result in any adverse change, this additional information (as detailed in 7.2 and 7.3 hereof) has been taken into account.

8.0 Inspections

- 8.1 We have previously inspected all of the Properties for valuation purposes internally and externally, and at least externally within the last 12 months. Any references to floor areas in this report conform with the RICS Code of Measuring Practice, and include agreed areas on letting, rent review or lease renewal as advised to us by the Company. Any references to the ages of buildings are approximate.

9.0 Information

- 9.1 Our valuation was based on the information with which we had been supplied or which we had obtained from our enquiries. We relied on this as being correct and complete and on there being no undisclosed matters which would affect our valuation.
- 9.2 In respect of tenants' covenants, whilst we took into account information of which we were aware, we did not receive any formal report on the financial status of any tenant.

10.0 Taxation and Costs

- 10.1 In accordance with market practice, we have deducted usual purchaser's costs in arriving at our opinions of Market Value, including full liability for UK Stamp Duty Land Tax as applicable at the valuation date. In certain instances, our inquiries indicate that the properties fall within designated "disadvantaged areas" and, accordingly, qualify for Stamp Duty Land Tax exemption. Where such is the case our valuations reflected this status. No allowances were made for vendor's expenses of realisation or for any taxation liability arising from a sale of any property. Our valuations were exclusive of any Value Added Tax.

11.0 Valuation of the Properties as at 31 March 2004.

- 11.1 Subject to the foregoing **we are of the opinion** that the aggregate of individual Market Values of the freehold, feuhold and leasehold interests in the Properties was, as at the Valuation Date of 31st March 2004, in the sum of **£6,017,552,000 (Six Thousand and Seventeen Million, Five Hundred and Fifty Two Thousand Pounds)**.
- 11.2 The valuation stated above represents the aggregate of the values attributed to the individual properties and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot or number of lots.

12.0 Update on Valuation Conclusions

- 12.1 In our opinion, having regard to the further information provided to us by the Company and its advisers, a revaluation of the Properties, as at today's date, would not result in an adverse change in our opinion of the aggregate value of those same Properties from that provided as at the Valuation Date of 31 March 2004.

13.0 Valuation of the Additional Properties as at 31 July 2004

- 13.1 We have been informed by Land Securities PLC that the Original Mortgaged Properties, as defined in the Offering Circular, will include the Additional Properties which comprise two freehold properties which have been acquired since 31 March 2004.
- 13.2 Subject to the foregoing **we are of the opinion** that the aggregate of individual Market Values of the freehold interests in the Additional Properties was, as at 31 July 2004, in the sum of **£127,250,000 (One Hundred and Twenty Seven Million, Two Hundred and Fifty Thousand Pounds)**.

13.3 In our opinion, a revaluation of the Additional Properties as at today's date would not result in an adverse change to the aggregate valuation of those same properties from that provided at 31 July 2004.

14.0 The Properties – Description, Tenure, Tenancies and Analysis

14.1 The Properties and the valuations are further described below and in the tables which follow.

14.2 The Properties and the Additional Properties comprise 142 holdings including some 206 property interests as recognised by the Company. Where the Company owns a number of interests in close proximity these have been combined and are counted for this purpose as a single holding. Where a property interest comprises more than one title these have been counted as a single property interest for this purpose. The Properties comprise mainly commercial investment properties together with a number held for, or in course of, development.

14.3 The valuation of the Properties by tenure and use is shown in Appendix 1. Short leasehold properties are defined as those leasehold properties having an unexpired term of less than 50 years at the Valuation Date. In accordance with the Company's accounting policy, those leasehold properties having an unexpired term in excess of 900 years at the Valuation Date are included in the total for freehold properties above. In those cases where the Company's holding is comprised of mixed tenure, the valuation was apportioned between the respective categories of tenure having regard to the interests held.

14.4 The Properties are categorised by the Company as Investment Properties, Developments and Properties Held for Development as shown in Appendix 2. Those classed as developments comprise part of the Company's Development Programme. The company defined its Development Programme, for the purposes of its 2004 annual report, as projects which are completed but less than 95% let; Developments on site; Committed developments (being projects which are approved and the building contract let); and authorised developments (those projects approved by the board for which building contract has not yet been let). The properties categorised as developments for the purposes of this report fall within the definition of Development in the Offering Circular.

14.5 The Properties categorised as Developments, at 31 March 2004, include Cardinal Place, London SW1 (50,750 m² Offices and 9,250 m² retail) Caxtongate Phase III, New Street Birmingham (2,238 m² retail) and extensions to the Company's retail warehouse parks at Bexhill-on-Sea (3,112m²), Kingsway Retail Park, Dundee (8,649m²) and Almondvale Retail Park Livingston (9,383m²) together with completed projects not yet 95% let at 30 Gresham Street (36,450 m² Offices), Empress State Building, London SW6 (40,410m² Offices and 1,660m² retail and leisure) and The Gate, Newcastle Upon Tyne (18,556m² leisure).

- 14.6 Within the valuations, properties in the course of development have been valued in their existing state at the Valuation Date. The estimated total cost, including carrying charges, of completing the developments was some £219,628,000. On the assumption that these developments had been completed (with the benefit of those lettings already secured) at the Valuation Date the total value attributed to these properties would have been £777,775,000. On the further assumption that these developments had been completed and let on standard lease terms and at our opinion of rental values at the Valuation Date, the total value attributed to these properties would have been £885,700,000.
- 14.7 The Properties are also categorised by Region (as defined in the Offering Circular) which correlates with the Company's categorisation according to regional location, based upon the official Government Office Regions, and as used by Investment Property Databank Limited whose services the Company employs for performance monitoring purposes.
- 14.8 The Properties are categorised by the Company by Sector (as defined in the Offering Circular) as follows: Offices; Shops and Shopping Centres; Retail Warehouses; Residential; and Other, (as defined in the Offering Circular). In the tables which follow the Properties are shown according to their principal uses. Where Properties are of mixed use the valuations have been apportioned having regard to the value attributed to each of the above categories. The results of this analysis are shown in Appendices 1 and 3.
- 14.9 An analysis of the Properties by value and number of holdings is provided at Appendix 4 and a brief description of the Top Ten Holdings, by value, is provided at Appendix 5.
- 14.10 The properties are let under the terms of leases mainly expressed on effectively full repairing and insuring terms, with Landlord's costs recoverable by means of service charges, and incorporating rent reviews at regular intervals (typically every fifth year) with a mean average unexpired lease term of 10.4 years as at 31 March 2004. This excludes short-term lettings such as car-parks, advertising hoardings, residential leases and long ground leases.
- 14.11 The Company categorises the organisations and other entities which comprise its tenants. Analysis of this categorisation in respect of the Properties, as at 31 March 2004, provides the following breakdown by Passing Rent (as defined in the Offering Circular):

| Tenant Category | % |
|-------------------------------|-------------|
| Corporate | 77.5 |
| Government | 11.2 |
| Partnership | 7.3 |
| Local Authority (Incl Police) | 2.6 |
| Individual | 1.2 |
| Charity | 0.2 |
| Total | 100% |

15.0 Confidentiality and Disclosure

- 15.1 We confirm that Knight Frank LLP is appointed by the Directors of Land Securities PLC as External Valuer, as defined in the RICS Appraisal and Valuation Standards (5th edition as amended). Knight Frank has fulfilled this role since the introduction of regular valuations by the Company in 1979, prior to which Knight Frank provided valuation and other advice on a less frequent basis from the early 1960's. The signatory of this report has been responsible for this instruction since 1999. We further confirm that in relation to Knight Frank's preceding financial year, the proportion of the total fees paid by the Company to the total fee income of Knight Frank was less than 5%. We recognise and support the RICS Rules of Conduct and have established procedures for identifying conflicts of interest.
- 15.2 This Valuation Report is provided for the sole use of the addressees for the purpose for which it has been prepared as defined in our instructions including publication in both the proposed Prospectus and the proposed Offering Circular. In accordance with normal practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Neither the whole or any part of this Certificate may be reproduced or referred to in any documents, circular or statement or disclosed to a third party, without our prior written approval as to the form and context in which it appears. For the avoidance of doubt, such approval is required whether or not this Firm is referred to by name.

Yours faithfully,

P P S Barnard BSc FRICS

For and on Behalf of

Knight Frank LLP



Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Registered Office: 20 Hanover Square, London W1S 1HZ

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Appendix 1

LAND SECURITIES PLC - Valuation by Tenure and Sector

| | Freehold | Leasehold | | Total | |
|---|----------------------|-------------------------|--------------------------|----------------------|---------------|
| | | Over 50 years to run | Under 50 years to run | | |
| | £ | £ | £ | £ | % |
| THE PROPERTIES as at 31 March 2004 | | | | | |
| OFFICES | | | | | |
| LONDON | 1,883,864,000 | 590,765,000 | 32,875,000 | 2,507,504,000 | 40.81 |
| ELSEWHERE IN THE UNITED KINGDOM | 28,665,000 | 16,550,000 | 325,000 | 45,540,000 | 0.74 |
| SHOPS AND SHOPPING CENTRES | | | | | |
| LONDON | 495,050,000 | 239,335,000 | 60,000 | 734,445,000 | 11.95 |
| ELSEWHERE IN THE UNITED KINGDOM | 819,677,000 | 457,620,000 | 7,590,000 | 1,284,887,000 | 20.91 |
| RETAIL WAREHOUSES | | | | | |
| | 1,062,550,000 | 182,000,000 | 0 | 1,244,550,000 | 20.25 |
| RESIDENTIAL | | | | | |
| | 7,286,000 | 1,365,000 | 0 | 8,651,000 | 0.14 |
| OTHER | | | | | |
| | 191,315,000 | 0 | 660,000 | 191,975,000 | 3.12 |
| ADDITIONAL PROPERTIES as at 31 July 2004 | | | | | |
| OFFICES - LONDON | 122,600,000 | | | 122,600,000 | 2.00 |
| SHOPS - LONDON | 4,650,000 | | | 4,650,000 | 0.08 |
| Total £ | 4,615,657,000 | 1,487,635,000 | 41,510,000 | 6,144,802,000 | 100.00 |
| PERCENTAGE BY TENURE | 75.11 | 24.21 | 0.68 | 100.00 | |

Notes:

1) The Freehold totals include values of leaseholds with unexpired terms in excess of 900 years.

Appendix 2

LAND SECURITIES PLC - VALUATION BY CATEGORY AND TENURE

| | Freehold | Leasehold | | Total | |
|---|---------------|---------------|--------------|---------------|--------|
| | | Over 50 | Under 50 | | |
| | | years to run | years to run | | |
| Categorised as: | £ | £ | £ | £ | % |
| | | | | | |
| THE PROPERTIES as at 31 March 2004 | | | | | |
| Investment | 4,119,307,000 | 1,180,110,000 | 38,885,000 | 5,338,302,000 | 86.88 |
| Development | 354,190,000 | 163,000,000 | 0 | 517,190,000 | 8.42 |
| Held For Development | 14,910,000 | 144,525,000 | 2,625,000 | 162,060,000 | 2.64 |
| | | | | | |
| THE ADDITIONAL PROPERTIES as at 31 July 2004 | | | | | |
| Investment | 127,250,000 | | | 127,250,000 | 2.07 |
| | | | | | |
| Total £ | 4,615,657,000 | 1,487,635,000 | 41,510,000 | 6,144,802,000 | 100.00 |
| PERCENTAGE BY TENURE | 75.11 | 24.21 | 0.68 | 100.00 | |

Appendix 3

LAND SECURITIES PLC - ALL PROPERTIES - VALUATION BY REGION AND SECTOR

| Property Location | Office | Shops & Shopping Centres | Retail Warehouses | Residential | Other | Location Total |
|--|----------------------|--------------------------|----------------------|------------------|--------------------|----------------------|
| | £ | £ | £ | £ | £ | £ |
| London (Central) | 2,630,104,000 | 739,095,000 | 0 | 7,626,000 | 62,770,000 | 3,439,595,000 |
| South East & Eastern Wales and the South West | 22,805,000 | 275,387,000 | 372,530,000 | 0 | 65,380,000 | 736,102,000 |
| Midlands | 13,025,000 | 118,880,000 | 101,565,000 | 915,000 | 0 | 234,385,000 |
| North | 4,100,000 | 94,485,000 | 204,210,000 | 0 | 0 | 302,795,000 |
| Scotland | 5,610,000 | 609,985,000 | 403,970,000 | 110,000 | 58,300,000 | 1,077,975,000 |
| Totals | 2,675,644,000 | 2,023,982,000 | 1,244,550,000 | 8,651,000 | 191,975,000 | 6,144,802,000 |

Note 1: The above table includes the Additional Properties totalling £127,250,000 at 31st July 2004 within the London (Central) Office and Shop figures.

LAND SECURITIES PLC - ALL PROPERTIES - VALUATION BY REGION AND SECTOR - %

| Property Location | Office | Shops & Shopping Centres | Retail Warehouses | Residential | Other | Location Total |
|--|--------------|--------------------------|-------------------|-------------|-------------|----------------|
| | % | % | % | % | % | % |
| London (Central) | 42.80 | 12.03 | 0.00 | 0.12 | 1.02 | 56.0% |
| South East & Eastern Wales and the South West | 0.37 | 4.48 | 6.06 | 0.00 | 1.06 | 12.0% |
| Midlands | 0.21 | 1.93 | 1.65 | 0.01 | 0.00 | 3.8% |
| North | 0.07 | 1.54 | 3.32 | 0.00 | 0.00 | 4.9% |
| Scotland | 0.09 | 9.93 | 6.57 | 0.00 | 0.95 | 17.5% |
| Totals | 43.5% | 32.9% | 20.3% | 0.1% | 3.1% | 100.0% |

Note 1: The above table includes the Additional Properties totalling £127,250,000 (2.07%) at 31st July 2004 within the London (Central) Office and Shop figures.

Note 2: 0.00% = Value statistically insignificant.

Appendix 4

LAND SECURITIES PLC - ALL PROPERTIES - % PORTFOLIO BY VALUE AND NUMBER OF PROPERTIES

| £m | Value £ | Value % | No. of properties |
|----------|----------------------|------------|-------------------|
| 0-9.99 | 105,727,000 | 1.72 | 33 |
| 10-24.99 | 498,070,000 | 8.11 | 30 |
| 25-49.99 | 1,387,955,000 | 22.59 | 40 |
| 50-99.99 | 1,353,375,000 | 22.02 | 20 |
| Over 100 | 2,799,675,000 | 45.56 | 19 |
| | 6,144,802,000 | 100 | 142 |

Note: The above table includes the Additional Properties with values totalling £127,250,000 at 31 July 2004

Appendix 5

LAND SECURITIES PLC

TOP 10 HOLDINGS (BY VALUE) AT 31 MARCH 2004

| | | |
|----|-----------------------------------|--|
| 1 | White Rose Shopping Centre, Leeds | The centre was opened in 1997. The centre is located on the edge of Leeds and has a Debenhams department store. The 60,390m ² scheme also includes 11 major space units and a further 73 shops and food court. |
| 2 | Gunwharf Quays, Portsmouth | A major waterfront retail and leisure property mainly built in 2001 providing a total of 41,290m ² with 87 shops, restaurants, bars and nightclub/leisure uses. The retail units are let to major high street and designer brands for discount retailing. |
| 3 | Cardinal Place, London SW1 | Cardinal Place is a major West End development due to complete in 2005. The 60,550m ² scheme comprises modern offices in three buildings with ground floor retail. Marks and Spencer has signed a lease for a major retail store. |
| 4 | The Bridges, Sunderland | The Bridges shopping centre has a Debenhams department store, as well as a further four major stores and 94 shops providing a substantial retail attraction in the heart of Sunderland. Originally built in 1969 and refurbished in 1988, a major extension was added in 2000. |
| 5 | 30 Gresham Street, London EC2 | 30 Gresham Street is a major office development completed in December 2003. The 36,450m ² building provides Grade A headquarters, air conditioned, office space with potential for trading floors and is currently available for letting. |
| 6 | Team Valley, Gateshead | Team Valley retail park has 21 retail warehouses and a fast food restaurant providing some 35,240m ² . The park has undergone a programme of upgrading and an extension is planned. |
| 7 | Eland House, London SW1 | Eland House, built in 1995, which forms part of the Company's major Victoria property portfolio, provides some 23,170m ² of offices, occupied by the Offices of the Deputy Prime Minister. |
| 8 | Almondvale Centre, Livingston | Originally built in two phases the Almondvale Centre now provides a total of 48,310m ² of retail and leisure space in the heart of Livingston, Scotland. The shopping centre, refurbished and substantially extended in 1996, has a range of high street names on offer including BHS, Next, Woolworths, WHSmiths, Boots the Chemist. |
| 9 | Devonshire House, London W1 | Devonshire House is located in the heart of London's West End on Piccadilly. Partly refurbished in 1996/1997, the 14,190m ² property includes offices, showrooms and retail space. |
| 10 | Portland House, London SW1 | Portland House forms part of the Company's major Victoria property portfolio and provides some 29,120 m ² of offices in a 28 storey tower. The property has been the subject of a programme of rolling refurbishment. |

Total Value £1,653,025,000 (26.90% of total value of The Properties)

Individual holding values in excess of £140,000,000

CHAPTER 11

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which (subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement and, save for the italicised paragraphs) will be incorporated by reference into each Note in definitive form (if any) issued in exchange for the Global Note(s) representing Notes in bearer, or, as the case may be, registered, form and each Individual Note Certificate representing Notes in registered form (only if such incorporation by reference is permitted by the relevant stock exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Note in definitive form and each Individual Note Certificate representing Notes in registered form will have endorsed thereon or attached thereto such text (as so completed, amended, varied or supplemented). For a summary of the provisions of the Notes whilst in global form, see Chapter 14 "Summary of Provisions Relating to the Notes while in Global Form", page 244, below. Further information with respect to each Sub-Class of Notes will be given in the relevant Pricing Supplement which will provide for those aspects of these Conditions which are applicable to such Sub-Class of Notes.

Contents

1. *Form, Denomination, Title*
2. *Exchanges of Bearer Notes for Registered Notes and Transfers of Registered Notes*
3. *Status of Notes*
4. *Security and Relationship with Issuer Secured Creditors*
5. *Issuer Covenants*
6. *Interest and other Calculations*
7. *Indexation*
8. *Redemption, Purchase and Cancellation*
9. *Payments*
10. *Taxation*
11. *Issuer Events of Default*
12. *Enforcement Against Issuer*
13. *Prescription*
14. *Replacement of Notes, Coupons, Receipts and Talons*
15. *Meetings of Noteholders, Modification, Waiver and Substitution*
16. *Notices*
17. *European Economic and Monetary Union*
18. *Miscellaneous*

Land Securities Capital Markets PLC (the "**Issuer**") has established a multicurrency programme (the "**Programme**") for the issuance of up to £4,000,000,000 Notes (the "**Notes**"). Notes issued under the Programme on a particular Issue Date comprise a Series (a "**Series**"), and each Series comprises one or more Classes of Notes (each a "**Class**"). Each Class may comprise one or more sub-classes (each a "**Sub-Class**").

A Class designation denotes priority ranking in point of security. First ranking Notes will be designated as "**Class A Notes**" or (if issued pursuant to a Class R Underwriting Agreement) as Class R1 Notes ("**Class R1 Notes**" and, together with the Class A Notes, the "**Priority 1 Notes**"), second ranking Notes will be designated as "**Class B Notes**" or (if issued pursuant to a Class R Underwriting Agreement) as Class R2 Notes ("**Class R2 Notes**" and, together with the Class R1 Notes, the "**Class R Notes**", and the Class B Notes together with the Class R2 Notes, the "**Priority 2 Notes**") and any Notes issued in any Class or Classes of Notes designated as ranking below the Priority 2 Notes will be designated as the "**Subordinated Notes**".

A Sub-Class of Notes may have economic terms that differ from the other Sub-Class(es) of Notes in the same Class and each Sub-Class may therefore be denominated in a different currency or

have different interest rates and/or interest payment dates, maturity dates or other terms. Notes of any Sub-Class may be zero coupon ("**Zero Coupon Notes**"), fixed rate ("**Fixed Rate Notes**"), floating rate ("**Floating Rate Notes**"), index-linked ("**Indexed Notes**"), dual currency Notes ("**Dual Currency Notes**"), partly paid Notes ("**Partly Paid Notes**"), instalment Notes ("**Instalment Notes**") or any other type of Note issued by the Issuer from time to time and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

The terms and conditions applicable to any particular Sub-Class of Notes are these terms and conditions ("**Conditions**") as supplemented, amended and/or replaced by a pricing supplement relating to such Sub-Class (a "**Pricing Supplement**"). In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

The Pricing Supplement for this Note (or the relevant provisions thereof) supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. Reference to a "**Pricing Supplement**" is to the Pricing Supplement (or the relevant provisions thereof) annexed to this Note.

The Notes are subject to and have the benefit of a trust deed dated 3 November 2004 (the "**Exchange Date**") (as amended, supplemented, restated and/or novated from time to time, the "**Trust Deed**") between the Issuer and Deutsche Trustee Company Limited as trustee for the Noteholders (the "**Note Trustee**", which expression includes the trustee or trustees of the Trust Deed from time to time).

The Notes have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the "**Agency Agreement**") dated on or about the Exchange Date between the Issuer, the Note Trustee, the Principal Paying Agent, the other Paying Agents, the Transfer Agents and the Registrar. As used herein, each of "**Principal Paying Agent**", "**Paying Agents**", "**Agent Bank**", "**Transfer Agents**" and/or "**Registrar**" means, in relation to the Notes, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Agent Bank, Transfer Agents and/or Registrar respectively and, in each case, any successor to such person in such capacity. The Notes may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of Schedule 1 to the Agency Agreement, the "**Calculation Agency Agreement**") between, among others, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the "**Calculation Agent**"). In these Conditions, "**Agents**" means the Principal Paying Agent, the Paying Agents, the Agent Bank, the Transfer Agents, the Registrar and any Calculation Agent and "**Agent**" means any of them.

On or before the Exchange Date, the Issuer has also entered into a note subscription agreement (the "**Note Subscription Agreement**") with Land Securities PLC, pursuant to which Land Securities PLC has agreed to purchase the Notes issued by the Issuer on the Exchange Date (the "**Initial Notes**"). Following the issue of the Initial Notes on the Exchange Date, Land Securities PLC will transfer the Initial Notes in full or partial consideration of the redemption or repurchase by Land Securities PLC of other bonds previously issued by Land Securities PLC (the "**Existing Bonds**").

On or about the Exchange Date, the Issuer will enter into a loan agreement (the "**Intercompany Loan Agreement**") with LS Property Finance Company Limited ("**FinCo**") pursuant to which the Issuer will make loan advances to FinCo and which will provide for the making of further advances to FinCo with the proceeds of any issue of further Notes under the Programme. The obligation of FinCo to pay interest and/or repay principal under the Intercompany Loan Agreement will exclusively support the Issuer's obligations in respect of the Notes and will be secured pursuant to the Obligor Security Documents.

On or about the Exchange Date, the Issuer will enter into an account bank and cash management agreement (the "**Account Bank and Cash Management Agreement**") with Lloyds TSB Bank plc (the "**Account Bank**", which term shall include the successors or assignees thereof), Land Securities (Finance) Limited (the "**Cash Manager**"), FinCo, the Obligors, the Obligor Security Trustee (each as defined below) and the Note Trustee.

On or about the Exchange Date, the Issuer will enter into a deed of charge (the "**Issuer Deed of Charge**") with, among others, the Note Trustee in its capacity as trustee for the Issuer Secured Creditors (as defined below), pursuant to which the Issuer will grant fixed and floating charge

security over all its assets and undertakings (the “**Issuer Security**”) to the Note Trustee for itself and on behalf of the Noteholders, any receiver appointed under the Issuer Deed of Charge, each Agent, the Account Bank and any Replacement Cash Manager and any other creditors who accede to the Issuer Deed of Charge from time to time in accordance with the terms thereof (together, the “**Issuer Secured Creditors**”).

On or about the Exchange Date, the Issuer will enter into a security trust and intercreditor deed (the “**Security Trust and Intercreditor Deed**”) with the Note Trustee, Deutsche Trustee Company Limited as security trustee for the Issuer and the other Obligor Secured Creditors (as defined in the Security Trust and Intercreditor Deed) (the “**Obligor Security Trustee**”), the Obligors (as defined in the Security Trust and Intercreditor Deed) and the other Obligor Secured Creditors, pursuant to which the Obligor Security Trustee will hold the Obligor Security on trust for the Obligor Secured Creditors (including, save as regards the floating charges contained in the Security Trust and Intercreditor Deed, the Issuer) and the Obligor Secured Creditors (including the Issuer) will agree to certain intercreditor arrangements.

On or about the Exchange Date, the Issuer will enter into a floating charge agreement (the “**Obligor Floating Charge Agreement**”) with the Note Trustee, the Obligor Security Trustee and the Obligors, pursuant to which the Issuer will have the benefit of a first ranking floating charge over the whole of each Obligor’s undertaking, assets, property and rights whatsoever and wheresoever, present and future.

On or about the Exchange Date, the Issuer will enter into a common terms agreement (the “**Common Terms Agreement**”) with the Note Trustee, the Obligor Security Trustee, the Obligors and the other Obligor Secured Creditors pursuant to which the Issuer will have the benefit of certain representations, warranties and covenants made by the Obligors.

On or about the Exchange Date, certain Obligors will grant standard securities (the “**Standard Securities**”) over their real estate properties in Scotland, the benefit of which will be held on trust in accordance with the Security Trust and Intercreditor Deed.

The Security Trust and Intercreditor Deed, the Obligor Floating Charge Agreement and the Standard Securities will secure (*inter alia*) the obligations of FinCo under the Intercompany Loan Agreement, which (by virtue of the Issuer Deed of Charge) will mean that the Notes are indirectly secured by all the assets over which such security is created. The Issuer Deed of Charge will enable the Note Trustee to exercise all of the Issuer’s rights in respect of the Intercompany Loan Agreement and the security documents referred to above.

The Obligors (who will grant such security) will be affiliates of the Issuer, including in particular FinCo and Land Securities PLC.

It is a condition of the redemption of the Existing Bonds that certain ratings are assigned to the Initial Notes by each of Standard and Poor’s and Fitch. This will not occur unless (*inter alia*) such security is granted as referred to above to the satisfaction of the Obligor Security Trustee, the Note Trustee and each of such Rating Agencies.

On or before the Exchange Date, the Issuer will enter into a dealership agreement (the “**Dealership Agreement**”) with the Obligors and the dealers named therein (the “**Dealers**”) in respect of the Programme, pursuant to which any of the Dealers may enter into subscription agreements in relation to Classes or Sub-Classes of Notes (other than any Class R Notes) issued by the Issuer after the Exchange Date, and pursuant to which the Dealers will agree to subscribe for the relevant Classes or Sub-Classes of Notes.

After the Exchange Date, the Issuer may enter into an underwriting agreement (a “**Class R Underwriting Agreement**”) with the underwriters named therein (the “**Class R Underwriters**”), pursuant to which the Class R Underwriters will agree to underwrite the issue and sale of Class R Notes.

On or about the Exchange Date, the Issuer will also enter into a deed of covenant (the “**Tax Deed of Covenant**”) with the Note Trustee, the Obligor Security Trustee, the Obligors and Land Securities Group PLC.

The Trust Deed, the Notes (including the applicable Pricing Supplements), the Agency Agreement, the Issuer Deed of Charge, the Security Trust and Intercreditor Deed, the Intercompany Loan Agreement, the Obligor Floating Charge Agreement, the Common Terms Agreement, the Account Bank and Cash Management Agreement and the Tax Deed of Covenant are together referred to as the “**Issuer Transaction Documents**”.

Terms not defined in these Conditions have the meaning set out in the Trust Deed.

Certain statements in these Conditions are summaries of, and are subject to, the detailed provisions appearing (or which will, as from the Exchange Date, appear) in the Trust Deed, the Issuer Deed of Charge, the Agency Agreement, any Class R Underwriting Agreement, the Dealership Agreement or the other Issuer Transaction Documents. Copies of, *inter alia*, the Issuer Transaction Documents are available for inspection during normal business hours at the specified offices of the Paying Agents (in the case of Bearer Notes) or the specified offices of the Transfer Agents and the Registrar (in the case of Registered Notes) (each as defined below), save that, if this Note is an unlisted Note of any Sub-Class, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Sub-Class and such Noteholder must provide evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity.

The Noteholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Pricing Supplement and the provisions of the Agency Agreement applicable to them. In addition, the Noteholders are entitled to the benefit of, are bound by, and will be deemed to have notice of the provisions of the Issuer Deed of Charge, the Intercompany Loan Agreement, the Common Terms Agreement and the other Issuer Transaction Documents applicable to them upon their execution by the parties thereto on or before the Exchange Date.

Any reference in these Conditions to a matter being “**specified**” means as the same may be specified in the relevant Pricing Supplement.

1. **Form, Denomination and Title**

(a) *Form and Denomination*

The Notes will be issued either (i) in bearer form (“**Bearer Notes**”), serially numbered in a Specified Denomination (as specified in the Pricing Supplement) or (ii) in registered form (“**Registered Notes**”) serially numbered in the Specified Denomination or an integral multiple thereof. References in these Conditions to “**Notes**” include Bearer Notes and Registered Notes and all Sub-Classes, Classes and Series of Notes.

Interest bearing Bearer Notes (other than Class R Notes) are issued with Coupons (as defined below) and, where appropriate, a Talon (as defined below) attached. After all the Coupons attached to, or issued in respect of, any Bearer Note which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Any Bearer Note which is an Instalment Note will be issued with one or more Receipts (as defined below) and, where appropriate, a Talon attached thereto. After all the Receipts attached to, or issued in respect of, any Instalment Note which was issued with a Talon have matured, a receipt sheet comprising further Receipts (other than Receipts which would be void) and (if necessary) a further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

(b) *Title*

Title to Bearer Notes, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Notes passes by registration in the register (the “**Register**”), which the Issuer shall procure will be kept by the Registrar.

In these Conditions, subject as provided below, each “**Noteholder**”, “**holder**” and “**Holder**” (in relation to a Note) means (i) in relation to a Bearer Note, the bearer of any Bearer Note and (ii) in relation to a Registered Note, the person in whose name a Registered Note is registered. The expressions “**Noteholder**”, “**holder**” and “**Holder**” also include the bearers of Receipts (which, in relation to Class A Notes will be “**Class A Receipts**”, in relation to Class B Notes, “**Class B Receipts**”, in relation to the Subordinated Notes, “**Subordinated Receipts**” and, together, the “**Receipts**”) appertaining to Bearer Notes which are Instalment Notes (the “**Receiptholders**”), the holders of the Coupons (which, in relation to Class A Notes, will be “**Class A Coupons**”, in relation to Class B Notes, “**Class B Coupons**”, in relation to the Subordinated Notes, “**Subordinated Coupons**” and, together, the “**Coupons**”) (if any) appertaining to interest bearing Bearer Notes (the “**Couponholders**”) and the expression Couponholders or Receiptholders includes the bearers of Talons in relation to

Coupons or Receipts as applicable (which, in relation to Class A Notes, will be “**Class A Talons**”, in relation to Class B Notes, “**Class B Talons**”, in relation to the Subordinated Notes, “**Subordinated Talons**” and together, the “**Talons**”) (if any) for further Coupons or Receipts, as applicable, attached to such Notes (the “**Talonholders**”).

The bearer of any Bearer Note, Coupon, Receipt or Talon and the registered holder of any Registered Note will (except as otherwise required by law) be deemed and treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Note, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Note, a duly executed transfer of such Note in the form endorsed on the Note Certificate in respect thereof) and no person will be liable for so treating the holder.

(c) *Fungible Issues of Notes comprising a Sub-Class*

A Sub-Class of Notes may comprise a number of issues of Notes of such Sub-Classes in addition to the initial issue of such Sub-Class, each of which will be issued on identical terms and conditions save for the first Note Payment Date, the Issue Date and the Issue Price. Such further issues of the same Sub-Class will be consolidated with and form a single series with the prior issues of Notes of that Sub-Class.

2. **Exchanges of Notes and Transfers of Registered Notes**

(a) *Exchange of Notes*

Registered Notes may not be exchanged for Bearer Notes and *vice versa*.

(b) *Transfer of Registered Notes*

A Registered Note may upon the terms and subject to the conditions of the Agency Agreement be transferred upon the surrender of the relevant Individual Note Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Note may not be transferred unless (i) the principal amount of Registered Notes to be transferred and (ii) the remaining principal amount of the Registered Notes (if any) to be retained by the relevant transferor are, in each case, Specified Denominations. In the case of a transfer of part only of a holding of Registered Notes represented by an Individual Note Certificate, a new Individual Note Certificate in respect of the balance not transferred will be issued to the transferor within three Business Days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

(c) *Delivery of New Individual Note Certificates*

Each new Individual Note Certificate to be issued upon transfer of Registered Notes will, within three Business Days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the form of transfer, or be mailed at the risk of the Noteholder entitled to the Individual Note Certificate to such address as may be specified in such form of transfer. For these purposes, a form of transfer received by the Registrar after the Record Date (as defined in Condition 9(b) below) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the business day (as defined in Condition 9(g) below) following the due date for such payment.

(d) *No Charge*

The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(e) *Closed Periods*

No transfer of a Registered Note may be registered during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount or Redemption Amount on that Note.

3. **Status of Notes**

(a) *Status of Class A Notes and Class R1 Notes*

This Condition 3(a) is applicable only in relation to Notes that are specified as being a Sub-Class of Class A Notes or Class R1 Notes in the relevant Pricing Supplement.

The Class A Notes, Class A Coupons, Class A Talons, Class A Receipts (if any) and the Class R1 Notes will be direct and unconditional obligations of the Issuer, secured in the manner described in Condition 4 (*Security and Relationship with Issuer Secured Creditors*) and rank *pari passu* and *pro rata* without any preference among themselves.

(b) *Status of Class B Notes and Class R2 Notes*

This Condition 3(b) is applicable only in relation to Notes that are specified as being a Sub-Class of Class B Notes or Class R2 Notes in the relevant Pricing Supplement.

Any Class B Notes, Class B Coupons, Class B Talons, Class B Receipts (if any) and the Class R2 Notes will be direct and unconditional obligations of the Issuer, secured in the manner described in Condition 4 (*Security and Relationship with Issuer Secured Creditors*) and subordinated to the Class A Notes, Class A Coupons, Class A Talons, Class A Receipts (if any) and the Class R1 Notes and rank *pari passu* and *pro rata* without any preference among themselves.

(c) *Status of Subordinated Notes*

This Condition 3(c) is applicable only in relation to Notes that are specified as being a Sub-Class of Subordinated Notes in the relevant Pricing Supplement.

Any Subordinated Notes, Subordinated Coupons, Subordinated Talons and Subordinated Receipts (if any) will be direct and unconditional obligations of the Issuer, secured in the manner described in Condition 4 (*Security and Relationship with Issuer Secured Creditors*) and subordinated to the Class B Notes, Class B Coupons, Class B Talons, Class B Receipts (if any) and the Class R2 Notes and rank *pari passu* and *pro rata* without any preference among themselves. The precise ranking of the Subordinated Notes *vis-à-vis* any other Class of Subordinated Notes issued by the Issuer is as specified in the Pricing Supplement.

The Issuer may after the Issue Date issue further Classes or Sub-Classes of Subordinated Notes which rank in priority to, *pari passu* and *pro rata* with, or subordinate to, the Subordinated Notes existing at the time of such issue provided that the Issuer may only issue further Classes or Sub-Classes of Subordinated Notes which rank in priority to Subordinated Notes existing at the time of such issue if such issue has been approved by the Note Trustee (acting on an Extraordinary Resolution of the Noteholders of any Affected Class).

In these Conditions “**Affected Class**” means:

- (i) in relation to the proposed introduction or change of any Secondary Debt Rank or Primary Debt Rank, each Sub-Class of Notes which corresponds to an ICL Loan which, as a result of such introduction or change, will become subordinated in point of security to any other Subordinated ICL Loan or Subordinated ACF Loan to which it is not then subordinated;
 - (ii) in relation to the proposed incurrence of any Subordinated Debt after a Subordinated Debt Split, each Sub-Class of Notes which corresponds to a Subordinated ICL Loan that will be subordinate in point of security to the Subordinated Debt proposed to be drawn;
 - (iii) in relation to the proposed change of the Primary Debt Rank of any ICL Loan, the Sub-Class of Notes which corresponds to such Loan; and
 - (iv) in relation to any proposal to use funds standing to the credit of a DCA Ledger in respect of an ICL Loan to Prepay any Loan other than such ICL Loan, the Sub-Class of Notes which corresponds to such ICL Loan.
- (d) *Note Trustee not responsible for monitoring compliance*

The Note Trustee shall not be responsible for monitoring compliance by the Issuer with any of its obligations under the Issuer Transaction Documents except by means of receipt of a certificate from the Issuer which will state, among other things, that no Issuer Event of Default is outstanding. The Note Trustee shall be entitled to rely on such certificates absolutely. The

Note Trustee is not responsible for monitoring compliance by any of the parties with their respective obligations under the Issuer Transaction Documents. The Note Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any two Authorised Signatories of the Issuer, the Obligors (or any of them) or any other party to any Issuer Transaction Document to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Note Trustee may require to be satisfied. The Note Trustee is in no way bound to call for further evidence or be responsible for any loss that may be occasioned by acting on any such certificate although the same may contain some error or is not authentic. The Note Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

4. **Security and Relationship with Issuer Secured Creditors**

(a) *Security*

As far as permitted by and subject to compliance with any applicable law and as continuing security for the payment and discharge of the Issuer's obligations in respect of the Notes, Coupons and Receipts and in respect of the other Issuer Secured Creditors under the Issuer Transaction Documents (including the remuneration, fees, expenses and other claims of the Note Trustee under the Trust Deed, and of the Note Trustee and any Receiver appointed under the Issuer Deed of Charge, to any Replacement Cash Manager and the Account Bank under the Account Bank and Cash Management Agreement and to the Agents under the Agency Agreement) (the "**Issuer Secured Liabilities**") the Issuer will create the following security (the "**Issuer Security**") in favour of the Note Trustee for itself and on behalf of the other Issuer Secured Creditors (including, without limitation, the Note Trustee on behalf of the Noteholders) by execution of the Issuer Deed of Charge on or about the Exchange Date:

- (i) a first fixed charge over the Issuer Accounts;
- (ii) an assignment and assignation by way of security of the interest of the Issuer under each Issuer Transaction Document (other than the Trust Deed and the Issuer Deed of Charge);
- (iii) an assignment by way of security of the beneficial interest of the Issuer under the Obligor Transaction Documents; and
- (iv) a first floating charge over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever, present and future, including its uncalled capital,

all as more particularly set out in the Issuer Deed of Charge.

All Notes issued by the Issuer under the Programme will share in the Issuer Security as more particularly set out in the Issuer Deed of Charge.

(b) *Relationship among Noteholders and with other Issuer Secured Creditors*

Except where expressly provided otherwise in the Trust Deed and/or these Conditions, including Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as a single class as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee, but requiring the Note Trustee in any such case to have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding if, in the Note Trustee's opinion, there is a conflict between the interests of the holders of such Class and any other Class of Notes then outstanding.

So long as any of the Notes remain outstanding, in the exercise of its rights, authorities and discretions under the Trust Deed, the Note Trustee is only required to have regard to the interests of the Noteholders or, as the case may be, the holders of the Most Senior Class of Notes then outstanding and not to the interests of the other Issuer Secured Creditors.

The Trust Deed and these Conditions contain provisions limiting the powers of the holders of any Class of Notes other than the Most Senior Class of Notes, *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution which may affect the interests of the holders of each of the other Classes of Notes ranking equally with or senior to such Class. Except in certain circumstances set out in the Trust Deed and these Conditions (including Condition 15 (*Meetings of Noteholders, Modification, Waiver and*

Substitution)), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes, the exercise of which will be binding on all such holders, irrespective of the effect thereof on their interests.

In exercising its rights, powers, trusts, authorities, duties and discretions in accordance with this Condition, the Note Trustee shall disregard any Step-Up Amounts for the purposes of determining whether there are any Notes of a particular Class outstanding.

In these Conditions, “**Most Senior Class of Notes**” means (i) any outstanding Class A Notes and Class R1 Notes, or (ii) if no Class A Notes or Class R1 Notes are then outstanding, any outstanding Class B Notes and Class R2 Notes, or (iii) if no Class A Notes, Class R1 Notes, Class B Notes or Class R2 Notes are then outstanding, the most senior outstanding Class of the Subordinated Notes, in each case, if instructing, directing or requesting the Note Trustee on any matter, acting together whether by means of an Extraordinary Resolution or a written instruction, direction or request of the holders of at least one quarter of the principal amount of the relevant Class of Notes then outstanding.

(c) *Relationship with Obligor Secured Creditors*

The Security Trust and Intercreditor Deed will include provisions relating to the holding of meetings between the providers of secured finance to the Obligors and Noteholders and voting on certain issues concerning the Obligors.

(i) *Debtholders’ Meetings*: On issues relating to the enforcement of the security interests granted by the Obligors, the acceleration of secured obligations owed by the Obligors, the removal of the Obligor Security Trustee and the appointment of any successor thereof, and the modification or waiver of the Financial Covenant (as defined in the Common Terms Agreement), the Obligor Security Trustee shall, in accordance with the Security Trust and Intercreditor Deed, hold a Debtholders’ Meeting, at which certain Class(es) or Sub-Class(es) of Noteholders who are Qualifying Debtholders for the purpose of such Debtholders’ Meeting (“**Qualifying Noteholders**”) are eligible to vote (the composition of the Qualifying Debtholders (and hence Qualifying Noteholders) in respect of a Debtholders’ Meeting being prescribed in the Security Trust and Intercreditor Deed). At any Debtholders’ Meeting, the Note Trustee shall act as the Representative (as defined in the Security Trust and Intercreditor Deed) of such Qualifying Noteholders. The Note Trustee will vote on behalf of such Qualifying Noteholders in accordance with Condition 15(b) (*Debtholders’ Meetings*) below, and any decision reached at a Debtholders’ Meeting shall bind all Classes of Noteholders.

(ii) *Extraordinary Resolutions*: On issues relating to the modification of, the consents under, or the waivers in respect of breaches or potential breaches of, the Obligor Transaction Documents (including any Basic Terms Modification, the creation or modification of Primary Debt Ranks or Secondary Debt Ranks, consent for the Obligors to incur Subordinated Debt (as defined in the Common Terms Agreement) which rank prior to, or *pari passu* with, any Subordinated Notes), the Obligor Security Trustee may, in accordance with the Security Trust and Intercreditor Deed, seek confirmation from the Note Trustee that the holders of the Most Senior Class of Notes then outstanding (or, in the case of a Basic Terms Modification, the holders of each Sub-Class of Notes, or in the case of the modification of Primary Ranks or the creation or modification of Secondary Debt Ranks, the holders of Notes comprised in any Affected Class) have passed an Extraordinary Resolution approving such modification, consent or waiver, in accordance with Condition 15(a) (*Meetings of Noteholders*). Any such Extraordinary Resolution shall bind all Noteholders.

(d) *Application Prior to Enforcement*

Prior to enforcement of the Issuer Security by the Note Trustee, the Cash Manager, on behalf of the Issuer, is required to apply funds available to the Issuer in accordance with the Issuer Pre-Enforcement Priority of Payments (as set out in the Issuer Deed of Charge).

(e) *Enforceable Security*

In the event of the Issuer Security becoming enforceable as provided in Condition 11(b) (*Default Events*) below, the Note Trustee may, at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights with respect to the Issuer Security, but it shall not be bound to do so unless instructed by the holders of the Most

Senior Class of Notes then outstanding, and without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Noteholder, provided that the Note Trustee shall not be obliged to take any action unless it is indemnified and/or secured to its satisfaction.

Although the Issuer holds certain floating charges granted by the Obligors under the Obligor Floating Charge Agreement (and the Note Trustee is an assignee by way of security of such floating charges pursuant to the Issuer Deed of Charge), the Issuer and the Note Trustee have agreed with the Obligor Security Trustee in the Obligor Floating Charge Agreement that any proceeds from the enforcement of the security contained in the Obligor Floating Charge Agreement shall be shared between the Issuer and the other Obligor Secured Creditors, by applying such proceeds towards the applicable priority of payments as set out in the Security Trust and Intercreditor Deed.

The Obligor Floating Charge Agreement shall also provide that the Note Trustee (as the assignee by way of security of the floating charges contained therein) will be required to appoint an administrative receiver in respect of any Obligor if the Note Trustee has actual notice of an application for the appointment of an administrator or of the giving of notice of intention to appoint an administrator in respect of such Obligor, such appointment to take effect upon the final day by which the appointment must be made in order to prevent an administration from proceeding or (where an Obligor or the directors of an Obligor have initiated its administration) not later than that final day (and the Obligor Floating Charge Agreement shall provide that the Note Trustee shall agree that it is adequately indemnified and secured in respect of its making such appointment by virtue of its indemnification rights against the Issuer under the Issuer Deed of Charge and against the Obligors under the Obligor Floating Charge Agreement, and the security it has in respect of those rights).

(f) *Application After Enforcement*

After enforcement of the Issuer Security in accordance with Condition 4(e) (*Enforceable Security*), the Note Trustee shall (to the extent that such funds are available) use all monies received or recovered by it under the Issuer Deed of Charge (except proceeds in respect of the floating charge contained in the Obligor Floating Charge Agreement) to make payments in accordance with the Issuer Post-Enforcement Priority of Payments (as set out in the Issuer Deed of Charge).

(g) *Note Trustee not liable for security*

The Note Trustee will not be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Issuer Security, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the Issuer Security, whether such defect or failure was known to the Note Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the Issuer Security whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Issuer Security. The Note Trustee has no responsibility for the value of any Issuer Security.

5. **Issuer Covenants**

So long as any of the Notes remain outstanding, the Issuer has agreed to comply with the covenants set out in the Issuer Deed of Charge.

The Note Trustee shall be entitled to rely absolutely on a certificate signed by two directors of the Issuer in relation to any matter relating to such covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

6. **Interest and other Calculations**

(a) *Interest Rate and Accrual*

Each Note other than (i) Zero Coupon Notes and (ii) any Class R Note for so long as it is held by the Issuer bears interest on its Principal Amount Outstanding (as defined below) or as otherwise specified in the relevant Pricing Supplement from the Interest Commencement

Date (as defined below) at the Interest Rate (as defined below), such interest being payable in arrear (unless otherwise specified in the relevant Pricing Supplement) on each Note Payment Date (as defined below).

Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date (as defined below).

In the case of accrued interest on any Class of Notes other than the Most Senior Class of Notes (as defined in Condition 4(b) above) (or any accrued Note Step-Up Amount relating to the Most Senior Class of Notes), if, on any Note Payment Date prior to the delivery of a Note Enforcement Notice under Condition 11(a), there are insufficient funds available to the Issuer to pay such accrued interest or such accrued Note Step-Up Amount, the Issuer's liability to pay such accrued interest or accrued Note Step-Up Amount will be treated as not having fallen due and will be deferred until the earlier of: (i) the next following Note Payment Date on which the Issuer has, in accordance with the Issuer Pre-Enforcement Priority of Payments, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); and (ii) the Note Payment Date following the full and final repayment of all Notes which rank in priority to such Notes. Any deferred interest on a Sub-Class of Notes shall be payable *pari passu* and *pro rata* with deferred interest on all other Sub-Classes of Notes in that Class. Interest will accrue on such deferred interest at the rate otherwise payable on unpaid principal of such Notes.

In this Condition, "**Note Step-Up Amount**" means, in relation to any Sub-Class of Notes, the amount of the interest payable in respect thereof which represents an increase in Margin equal to the Note Step-Up Rate (in the case of Floating Rate Notes or, where Condition 6(f) (*Floating Rate Step-Up*) applies, Fixed Rate Notes, Indexed Notes or Zero Coupon Notes), from a specific date, as specified in the relevant Pricing Supplement; and "**Note Step-Up Rate**" means the rate specified in the relevant Pricing Supplement as such.

(b) *Business Day Convention*

If any date referred to in these Conditions or the relevant Pricing Supplement is specified to be subject to adjustment in accordance with a Business Day Convention and would otherwise fall on a day that is not a Business Day (as defined below), then if the Business Day Convention specified in the relevant Pricing Supplement is:

- (i) the "**Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day;
- (ii) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (iii) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

(c) *Floating Rate Notes*

Subject to Condition 6(f) (*Floating Rate Step-Up*) this Condition 6(c) is applicable only if the relevant Pricing Supplement specifies the Notes as Floating Rate Notes.

If "**Screen Rate Determination**" is specified in the relevant Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Notes for each Note Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on the following basis:

- (i) if the Page (as defined below) displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 6(j) (*Definitions*) below);

- (ii) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates (as defined in Condition 6(j) (*Definitions*) below) which appear on the Page as of the Relevant Time (as defined in Condition 6(j) (*Definitions*) below) on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that Page or, in the case of (ii) above, fewer than two such rates appear on that Page or if, in either case, the Page is unavailable, the Agent Bank (or the Calculation Agent, if applicable) will:
 - (a) request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(j) (*Definitions*) below) to provide a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre (as defined in Condition 6(j) (*Definitions*) below) interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and
 - (b) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested in Condition 6(c)(iii), the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the Reference Banks at approximately 11.00 a.m. (local time in the Relevant Financial Centre of the Relevant Currency) on the first day of the relevant Note Interest Period (as defined in Condition 6(j) (*Definitions*) below) for loans in the Relevant Currency to leading European banks for a period equal to the relevant Note Interest Period and in the Representative Amount (as defined in Condition 6(j) (*Definitions*) below),

and the Interest Rate for such Note Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined. However, if the Agent Bank (or the Calculation Agent, if applicable) is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Note Interest Period, the Interest Rate applicable to the Notes during such Note Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Note Interest Period.

If “**ISDA Determination**” is specified in the relevant Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Notes for each Note Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Note Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions (as defined in Condition 6(j) (*Definitions*) below)) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(j) (*Definitions*) below);
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Note Interest Period, (2) if the relevant Floating Rate Option is based on EURIBOR, the first day of that Note Interest Period or (3) in any other case, as specified in the relevant Pricing Supplement; and
- (iv) all other terms are as specified in the relevant Pricing Supplement.

No interest shall be payable on any Class R Notes while held by the Issuer.

(d) *Fixed Rate Notes*

Subject to Condition 6(f) (*Floating Rate Step-Up*), this Condition 6(d) is applicable only if the relevant Pricing Supplement specifies the Notes as Fixed Rate Notes.

The Interest Rate applicable to the Notes for each Note Interest Period will be the fixed rate specified in the relevant Pricing Supplement.

(e) *Indexed Notes*

Subject to Condition 6(f) (*Floating Rate Step-Up*), this Condition 6(e) is applicable only if the relevant Pricing Supplement specifies the Notes as Indexed Notes.

Payments of principal on, and the interest payable in respect of, the Notes will be subject to adjustment for indexation as set out in Condition 7(b) (*Application of the Index Ratio*). The Interest Rate applicable to the Notes for each Note Interest Period will be at the rate specified in the relevant Pricing Supplement.

(f) *Floating Rate Step-Up*

This Condition 6(f) is applicable only if the relevant Pricing Supplement specifies the Floating Rate Step-Up as applicable.

From and including the Note Step-Up Date specified in the relevant Pricing Supplement, the Interest Rate in respect of any Sub-Class of Notes that are specified in the Pricing Supplement as Floating Rate Notes, Fixed Rate Notes, Indexed Notes or Zero Coupon Notes will be determined in accordance with the terms of Condition 6(c) (*Floating Rate Notes*), save that the Margin shall be increased by the Note Step-Up Rate specified in the Pricing Supplement.

(g) *Rounding*

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified in the Pricing Supplement):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);
- (ii) all figures will be rounded according to market convention; and
- (iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, “**unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(h) *Calculations*

The amount of interest payable in respect of any Note for each Note Interest Period shall be calculated by multiplying the product of the Interest Rate and the Principal Amount Outstanding of such Note during that Note Interest Period by the Day Count Fraction (as defined below) and, in the case of Indexed Notes only, adjusted according to the indexation set out in Condition 7(b) (*Application of the Index Ratio*), unless an Interest Amount is specified in respect of such period in the relevant Pricing Supplement, in which case the amount of interest payable in respect of such Note for such Note Interest Period will equal such Interest Amount.

(i) *Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Cash Manager or the Agent Bank (or the Calculation Agent, if applicable), as applicable, may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an “**Instalment Amount**”), in the case of the Cash Manager, or obtain any quote or make any determination or calculation, in the case of the Agent Bank (or the Calculation Agent, if applicable), the Agent Bank (or the Calculation Agent, if applicable) will determine the Interest Rate and calculate the amount of interest payable (the “**Interest Amounts**”) in respect of each Specified Denomination of Notes for the relevant Note Interest Period (including, for the avoidance of doubt, any applicable Index Ratio to be calculated in accordance with Condition 7(b) (*Application of the Index Ratio*)) and obtain such quote or make such determination or calculation, as the case may be, and the Cash Manager shall calculate the Redemption Amount or Instalment Amount.

The Agent Bank will cause the Interest Rate and the Interest Amounts for each Note Interest Period and the relevant Note Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Notes, the Paying Agents or, in the case of Registered Notes, the Registrar and, in each case, the Note Trustee, the Issuer, the Noteholders and the Irish Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Notes have then been admitted to listing, trading and/or quotation as soon as possible after its determination but in no event later than (i) (in case of notification to the Irish Stock Exchange and each other listing authority, stock exchange and/or quotation system on which the relevant Notes have then been admitted to listing, trading and/or quotation) the commencement of the relevant Note Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination.

The Interest Amounts and the Note Payment Date so published 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 Note Interest Period. Any such amendment will be promptly notified to the Irish Stock Exchange and each other listing authority, stock exchange and/or quotation system on which the relevant Sub-Class or Class of Notes are for the time being listed, traded and/or quoted or by which they have been admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 16 (*Notices*). If the Notes become due and payable under Condition 11 (*Issuer Events of Default*), the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Note Trustee. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable), the Cash Manager or, as the case may be, the Note Trustee pursuant to this Condition 6 or Condition 7 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Definitions*

In these Conditions and in the relevant Pricing Supplement, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

“Business Day” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Pricing Supplement; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Pricing Supplement.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting a Note Interest Period, the **“Calculation Period”**):

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

- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“Determination Period” means the period from and including a Determination Date in any year but excluding the next Determination Date; and

“Determination Date” means the date specified as such in the Pricing Supplement or, if none is so specified, the Note Payment Date;

- (ii) if **“Actual/365”** or **“Actual/Actual”** is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366, and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **“Actual/365 (Fixed)”** is specified, the actual number of days in the Calculation Period divided by 365;
- (iv) if **“Actual/360”** is specified, the actual number of days in the Calculation Period divided by 360;
- (v) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if **“30E/360”** or **“Eurobond Basis”** is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

“euro” means the lawful currency of the Participating Member States;

“Interest Commencement Date” means, in respect of any Sub-Class of Notes, the Issue Date or such other date as may be specified in the relevant Pricing Supplement;

“Interest Determination Date” means, with respect to an Interest Rate and a Note Interest Period in respect of any Sub-Class of Notes, the date specified as such in the relevant Pricing Supplement or, if none is so specified, the day falling two Business Days in London prior to the first day of such Note Interest Period (or if the specified currency is sterling the first day of such Note Interest Period) (as adjusted in accordance with any Business Day Convention (as defined above) specified in the relevant Pricing Supplement);

“Interest Rate” means, in respect of any Sub-Class of Notes, the rate of interest payable from time to time in respect of such Notes and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Pricing Supplement;

“ISDA Definitions” means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Series of Notes of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” means, in respect of any Sub-Class of Notes, the date specified as such in the relevant Pricing Supplement;

"Margin" means, in respect of any Sub-Class of Floating Rate Notes, the rate per annum (or otherwise as specified in the relevant Pricing Supplement) (expressed as a percentage) specified as such in item 18(vii) of the relevant Pricing Supplement and, in relation to Fixed Rate Notes, Indexed Notes and Zero Coupon Notes, for the purposes of Condition 6(f), means the rate specified as such in item 19 of the relevant Pricing Supplement;

"Maturity Date" means, in respect of any Sub-Class of Notes, the date specified in the relevant Pricing Supplement as the final date on which the full principal amount of the Note is due and payable;

"Note Interest Period" means, in respect of any Sub-Class of Notes, the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Note Payment Date and each successive period beginning on (and including) a Note Payment Date and ending on (but excluding) the next succeeding Note Payment Date;

"Note Payment Dates" means, in respect of any Sub-Class of Notes, the dates specified as such in the relevant Pricing Supplement;

"Page" means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service ("**Reuters**") and the Telerate Monitor Screen ("**Telerate**")) as may be specified in the relevant Pricing Supplement, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

"Participating Member State" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities (as amended), and "**Participating Member States**" means all of them;

"Principal Amount Outstanding" means, at any date (a) in relation to a Note, the principal amount of that Note upon issue less any repayment of principal made to the Holder(s) thereof and plus (in the case of a Partly Paid Note) principal amounts received by the Issuer from the relevant Noteholder after the relevant Issue Date in respect thereof and (b) in relation to any Sub-Class or Class, the aggregate principal amount of all Notes in such Sub-Class or Class less any repayment of principal made to the Holder(s) thereof and plus (in the case of a Sub-Class or Class of Partly Paid Notes) principal amounts received by the Issuer from the relevant Noteholder after the relevant Issue Date in respect thereof, provided that, in the case of (b) for the purposes of Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*) only, it shall exclude those Notes (if any) which are for the time being held by (1) the Issuer, any Obligor or any Non-Restricted Group Entity, (2) any person for the benefit of the Issuer or any of its subsidiaries or holding companies or any subsidiaries of any of its holding companies or (3) any person who has failed to surrender for repurchase any Class R Note on any Note Payment Date (other than where the Issuer was not obliged to repurchase the same);

"Redemption Amount" means, in respect of any Sub-Class of Notes, the amount provided under Condition 8 (*Redemption, Purchase and Cancellation*), unless otherwise specified in the relevant Pricing Supplement;

"Reference Banks" means the institutions specified as such or, if none, four major banks selected by the Agent Bank (or the Calculation Agent, if applicable) in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable), on behalf of the Issuer, in its sole and absolute discretion;

"Relevant Currency" means the currency specified as such or, if none is specified, the currency in which such Notes are denominated;

"Relevant Date" means, in respect of any Sub-Class of Notes, the earlier of (a) the date on which all amounts in respect of such Notes have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Notes in accordance with Condition 7(b) (*Application of Index Ratio*)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*);

“Relevant Financial Centre” means, with respect to any Sub-Class of Notes, the financial centre specified as such in the relevant Pricing Supplement or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

“Relevant Rate” means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Pricing Supplement);

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Pricing Supplement or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

“Representative Amount” means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Pricing Supplement as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

“Specified Duration” means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Pricing Supplement or, if none is specified, a period of time equal to the relative Note Interest Period;

“TARGET Settlement Day” means any day on which the TARGET system is open; and

“TARGET system” means the Trans-European Automated Real-Time Gross Settlement Express Transfer system.

(k) *Agent Bank, Calculation Agent and Reference Banks*

The Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to this Note and for so long as it is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Note Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint (with the prior written consent of the Note Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(l) *Determination or Calculation by Note Trustee*

If the Agent Bank (or the Calculation Agent, if applicable) or the Cash Manager, as applicable, does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Note Trustee shall (without liability for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Trust Deed) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable) or the Cash Manager, as applicable.

(m) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 6 (*Interest and Other Calculations*), whether by the Principal Paying Agent, the Agent Bank

(or the Calculation Agent, the Note Trustee or the Cash Manager, if applicable), shall (in the absence of wilful default, negligence, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Note Trustee, the Cash Manager, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders, Couponholders and other Issuer Secured Creditors and (in the absence as aforesaid) no liability to the Issuer, the Note Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Cash Manager, the Agent Bank or, if applicable, any Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(n) *Interest on Dual Currency Notes*

The rate or amount of interest payable in respect of Dual Currency Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(o) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

7. **Indexation**

This Condition 7 is applicable only if the relevant Pricing Supplement specifies the Notes as Indexed Notes.

(a) *Definitions*

“affiliate” means, in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls, directly or indirectly, that person or any entity, directly or indirectly, under common control with that person and, for this purpose, **“control”** means control as defined in the Companies Act 1985;

“Base Index Figure” means (subject to Condition 7(c)(i) (*Change in base*)) the base index figure as specified in the relevant Pricing Supplement;

“Index” or **“Index Figure”** means, subject as provided in Condition 7(c)(i) (*Change in base*), unless otherwise specified in the relevant Pricing Supplement, the UK Retail Price Index (RPI) (for all items) published by the Office for National Statistics (January 1987 — 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference to the Index Figure applicable to a particular month shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and 7(e) (*Cessation of or Fundamental Changes to the Index*), be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication. If the Index is replaced, the Issuer will describe the replacement Index in a supplementary offering circular;

“Index Ratio” applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure;

“Limited Index Ratio” means (a) in respect of any month prior to the relevant Issue Date (as defined in Condition 6(j) (*Definitions*)), the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“Limited Indexation Factor” means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, **provided that** (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Pricing Supplement, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Pricing Supplement, it shall be deemed to be equal to such Minimum Indexation Factor;

“Limited Indexation Month” means any month specified in the relevant Pricing Supplement for which a Limited Indexation Factor is to be calculated;

“Limited Indexed Notes” means Indexed Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Pricing Supplement) applies; and

“Reference Gilt” means the index-linked Treasury Stock specified as such in the relevant Pricing Supplement for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer and approved by the Note Trustee (an **“Indexation Adviser”**).

(b) *Application of the Index Ratio*

Each payment of interest and principal in respect of the Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or (in the case of Limited Indexed Notes) the Limited Index Ratio applicable to the month in which such payment falls to be made and rounded in accordance with Condition 6(g) (*Rounding*).

(c) *Changes in Circumstances Affecting the Index*

(i) *Change in base:* If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of **“Index”** and **“Index Figure”** in Condition 7(a) (*Definitions*) shall (unless otherwise specified in the relevant Pricing Supplement) be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure (specified in the relevant Pricing Supplement) and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) *Delay in publication of Index:* If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the **“relevant month”**) before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the **“date for payment”**), the Index Figure applicable to the month in which the date for payment falls shall be (1) (unless otherwise specified in the relevant Pricing Supplement) such substitute index figure (if any) as the Note Trustee considers to have been published by the Bank of England for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Note Trustee) or (2) if no such determination is made by such Indexation Adviser within 7 days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(c)(i) (*Change in base*)) before the date for payment.

(d) *Application of Changes*

Where the provisions of Condition 7(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, where an Index Figure has been applied pursuant to Condition 7(c)(ii)(2), the Index Figure relating to the relevant month is subsequently published while a Note is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and
- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) *Cessation of or Fundamental Changes to the Index*

- (i) If (1) the Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental

change which would, in the opinion of the Note Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the relevant Noteholders, the Note Trustee will give written notice of such occurrence to the Issuer, and the Issuer and the Note Trustee together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the relevant Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

- (ii) If the Issuer and the Note Trustee fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Issuer and the Note Trustee or, failing agreement on the making of such appointment within 20 business days following the expiry of the 20 business day period referred to above, by the Note Trustee (in each case, such bank or other person so appointed being referred to as the “**Expert**”), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the relevant Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Note Trustee in connection with such appointment shall be borne by the Issuer.
- (iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Note Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Note Trustee and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the other Issuer Secured Creditors, the Note Trustee and the Noteholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 16 (*Notices*) of such amendments as promptly as practicable following such notification.

8. **Redemption, Purchase and Cancellation**

(a) *Scheduled Partial and Final Redemption*

Unless previously redeemed, or purchased and cancelled as provided below, each Note will be redeemed at its Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) on the date or dates (or, in the case of Floating Rate Notes, on the Note Payment Date(s)) specified in the relevant Pricing Supplement plus accrued but unpaid interest (other than in the case of Zero Coupon Notes) and, in the case of Indexed Notes, as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*).

(b) *Optional Redemption*

Subject as provided below, upon giving not more than 60 nor less than 30 days' notice to the Note Trustee and all of the Noteholders in accordance with Condition 16 (*Notices*), the Issuer may (prior to the Maturity Date) redeem any Sub-Class of the Notes in whole or in part (but on a *pro rata* and *pari passu* basis only) on any day at their Redemption Amount (provided that Floating Rate Notes may not be redeemed before the date (if any) specified in the relevant Pricing Supplement) as follows:

- (i) in respect of Fixed Rate Notes, the Redemption Amount will, unless otherwise specified in the relevant Pricing Supplement, be an amount equal to the higher of (i) the Principal Amount Outstanding of the relevant Notes or the relevant portion thereof to be redeemed and (ii) an amount calculated by multiplying the Principal Amount Outstanding of such Notes by that price (expressed as a percentage) (as reported in writing to the Issuer and the Note Trustee by a financial adviser nominated by the Issuer and approved by the Note Trustee) (and rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Notes on the Relevant Date (as defined below) is equal to the Redemption Rate (as defined

below), plus, in either case, accrued but unpaid interest on the Principal Amount Outstanding of the relevant Notes to (but excluding) the date of redemption, provided that, in any case where Condition 6(f) (*Floating Rate Step-Up*) applies, from and including the date which is two years prior to the Maturity Date specified in the relevant Pricing Supplement, the Redemption Amount shall be equal to the Principal Amount Outstanding of the relevant Notes or the relevant portion thereof to be redeemed plus accrued but unpaid interest on such amount to (but excluding) the date of redemption.

For the purposes of this Condition 8(b)(i): “**Redemption Rate**” means the Relevant Swap Mid Curve Rate or, if the Relevant Swap Mid Curve Rate is not able to be determined, such rate as may be approved by the Note Trustee; “**Gross Redemption Yield**” means a yield calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries, as reported in the Journal of the Institute of Actuaries, Volume 105, Part 1, 1978, page 18 or such other basis as the Note Trustee may approve; “**Relevant Date**” means the date which is two Business Days prior to the publication or dispatch of the notice of redemption under this Condition 8(b); “**Relevant Swap Mid Curve Rate**” means the mid-point of the bid-side and offer-side rates for the fixed leg of a hypothetical interest rate swap with a notional profile equal to the semi-annual interest that would be payable on the relevant Sub-Class of Notes to be redeemed, with the same payment dates as the relevant Notes, against a floating leg of Six Month Sterling LIBOR with no spread, where such hypothetical interest rate swap is between two highly-rated (AA- or equivalent or higher) and fully collateralised market counterparties (the Relevant Swap Mid Curve Rate shall be determined by a financial adviser (nominated by the Issuer and approved by the Note Trustee) using its standard valuation methodology as at the date of calculation) as at or about 11.00 a.m. (London time) on such Relevant Date; and “**Six Month Sterling LIBOR**” means the rate of interest for six month sterling deposits as determined as at or about 11.00 a.m. (London time) on the Relevant Date by reference to the display designated as the British Bankers Association LIBOR Rates as quoted on the Telerate Monitor as Telerate Screen No. 3750 or such other page as may replace Telerate Screen No. 3750 on that service for the purposes of displaying such information; or if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Note Trustee) as may replace the Telerate Monitor);

- (ii) in respect of Floating Rate Notes, the Redemption Amount will, unless otherwise specified in the relevant Pricing Supplement, be the Principal Amount Outstanding of the relevant Notes (plus any premium for early redemption specified in the relevant Pricing Supplement) plus any accrued but unpaid interest on the Principal Amount Outstanding of the relevant Notes to (but excluding) the date of redemption;
- (iii) in respect of Indexed Notes, the Redemption Amount will be that specified in the relevant Pricing Supplement; and
- (iv) in respect of Zero Coupon Notes, the Redemption Amount will (unless otherwise specified in the relevant Pricing Supplement) be an amount equal to the sum of:
 - (A) the Reference Price; and
 - (B) the product of the Accrual Yield (compounded annually) and the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption,

and where such calculation is to be made for a period which is less than a full year, such calculation shall be made on the basis of the Day Count Fraction specified in the Pricing Supplement for the purposes of this Condition 8(b)(iv) or, if none is so specified, a Day Count Fraction of 30/360, plus accrued but unpaid interest on the Principal Amount Outstanding of the relevant Notes to (but excluding) the date of redemption.

In this Condition 8(b)(iv), “**Accrual Yield**” and “**Reference Price**” have the meanings given to them in the relevant Pricing Supplement.

In any such case:

- (1) prior to giving any notice of redemption under this Condition 8(b), the Issuer shall provide to the Note Trustee a certificate signed by two directors of the Issuer that it will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Notes as aforesaid and to pay any other amounts ranking in priority to such Notes on the relevant redemption date; and
- (2) where Condition 6(f) (*Floating Rate Step-Up*) applies, any date of redemption falling on or after the Note Step-Up Date shall be required to be a Note Payment Date.

(c) *Optional Redemption as Result of REITs Event*

Following the satisfaction of all conditions precedent in respect of a REITs Event, the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Note Trustee and all of the Noteholders in accordance with Condition 16 (*Notices*), redeem all (but not some only) of the Notes in whole on any day at a Redemption Amount to be determined in accordance with Condition 8(b)(i), (ii), (iii) or (iv), as applicable, plus accrued but unpaid interest (if applicable) on the Principal Amount Outstanding of the relevant Notes to (but excluding) the date of redemption, except that, where the Notes are Fixed Rate Notes, for the purposes of the calculation of the Redemption Amount, the Redemption Rate shall be equal to the sum of Relevant Swap Mid Curve Rate and the Relevant REIT Redemption Spread.

Before giving any notice of redemption under this Condition 8(c), the Issuer shall provide to the Note Trustee a certificate signed by two directors of the Issuer (a) stating that the Issuer is entitled to effect such redemption under this Condition 8(c) and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied and (b) confirming that the Issuer will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Notes as aforesaid and to pay any other amounts ranking in priority to such Notes on the relevant redemption date.

For the purposes of this Condition 8(c), the "**Relevant REIT Redemption Spread**" means (i) in respect of any Sub-Class of Notes with an unexpired maturity greater than 12 years, 0.20 per cent per annum, (ii) in respect of any Sub-Class of Notes with an unexpired maturity greater than 5 years but less than 12 years, 0.125 per cent per annum and (iii) in respect of any Sub-Class of Notes with an unexpired maturity less than 5 years, 0.00 per cent per annum provided that, where any Sub-Class of Notes is a Sub-Class in respect of which there is a Note Step-Up Date, the maturity date for such Sub-Class of Notes shall be deemed, for the purposes of this Condition 8(c), to be that Note Step-Up Date.

(d) *Optional Redemption as Result of Ratings Event*

Following the satisfaction of all conditions precedent in respect of a Ratings Event, the Issuer may seek to exercise its option to redeem the Notes by notifying the holders of each Sub-Class of Notes in accordance with Condition 16 of the occurrence of such Ratings Event and its intention to redeem the Notes if a Noteholders' Affirmation (as defined below) is passed. The Issuer shall also convene a meeting of each such Sub-Class to take place at least 21 days following such notification. If at such meeting 75% or more by Principal Amount Outstanding of the Noteholders of the relevant Sub-Class of Notes vote in favour of such redemption on a specified date (a "**Noteholders' Affirmation**"), then the Issuer shall redeem such Sub-Class of Notes in whole (but not in part) on that date (provided that Floating Rate Notes may not be redeemed before the date (if any) specified in the relevant Pricing Supplement). If at such meeting, less than 75% of the Noteholders of the relevant Sub-Class vote in favour of such redemption, then the Issuer shall not redeem any of the Notes of such Sub-Class.

Any redemption under this Condition 8(d) will be made (I) if the Notes are not Fixed Rate Notes, at the Redemption Amount determined in accordance with Condition 8(b)(ii), (iii) or (iv) or (II) if the Notes are Fixed Rate Notes, at a Redemption Amount equal to the higher of (i) their Principal Amount Outstanding and (ii) an amount calculated by multiplying the Principal Amount Outstanding of such Notes by that price (expressed as a percentage) (as reported in writing to the Issuer and the Note Trustee by a financial adviser selected by the Issuer and approved by the Note Trustee) (and rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield (as defined below) on such Notes on the Reference Date (as defined below) is equal to the sum of (a) Gross Redemption Yield

at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) and (b) the Issue Spread for the relevant Notes (as per the relevant Pricing Supplement), in each case plus accrued but unpaid interest on the Principal Amount Outstanding to (but excluding) the date of redemption.

Before giving any notification under this Condition 8(d), the Issuer shall provide to the Note Trustee a certificate signed by two directors of the Issuer (a) stating that the Issuer is entitled to effect such redemption under this Condition 8(d) and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied and (b) confirming that the Issuer will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Notes as aforesaid and to pay any other amounts ranking in priority to such Notes on the relevant redemption date.

For the purposes of this Condition 8(d): the “**Issue Spread**” shall be the spread on the relevant Class of Notes as specified in the relevant Pricing Supplement; “**Gross Redemption Yield**” means a yield calculated on the basis indicated by the Joint Index and Classification Committee of the Institute of Actuaries, as reported in the Journal of the Institute of Actuaries, Volume 105, Part 1, 1978, page 18 or such other basis as the Note Trustee may approve; “**Reference Date**” means the date which is two Business Days prior to the dispatch of the notice of redemption under this Condition 8(d); and “**Reference Gilt**” means the Treasury Stock specified in the relevant Pricing Supplement while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Note Trustee), determine to be appropriate.

(e) *Optional Redemption for Index Event or Taxation Reasons*

(i) *Optional Redemption for Index Events*: Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 60 nor less than 30 days’ notice to the Note Trustee and the holders of the Indexed Notes in accordance with Condition 16 (*Notices*), redeem all (but not some only) of the Indexed Notes of all Sub-Classes on any day at the Redemption Amount specified in relation to such Notes in the relevant Pricing Supplement, together with accrued but unpaid interest on the Principal Amount Outstanding of such Notes up to (but excluding) the date on which such redemption occurs. Before giving any notice of redemption under this Condition 8(e)(i), the Issuer shall provide to the Note Trustee a certificate signed by two directors of the Issuer (a) stating that the Issuer is entitled to effect such redemption under this Condition 8(e)(i) and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied and (b) confirming that the Issuer will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Notes as aforesaid and to pay any other amounts ranking in priority to such Notes on the relevant redemption date.

For the purposes of this Condition 8(e), “**Index Event**” means (i) if the Index Figure for three consecutive months is to be determined on the basis of an Index Figure previously published as provided in Condition 7(c)(ii) (*Delay in publication of Index*) and the Issuer has been notified by the Principal Paying Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty’s Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt (as defined in Condition 7(a) (*Definitions*) above), and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

(ii) *Optional Redemption for Taxation Reasons*: If at any time the Issuer satisfies the Note Trustee that (a) the Issuer would, on the next Note Payment Date, be obliged to deduct or withhold from any payment of interest or principal in respect of the Notes (other than in respect of default interest), 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 other authority thereof by reason of any change in tax law (or the application or official interpretation thereof) or (b) FinCo would, on or about the next interest payment date under the Intercompany Loan Agreement, be obliged to increase

any sum payable by it to the Issuer under the Intercompany Loan Agreement as a result of FinCo being required to deduct or withhold 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 other authority thereof by reason of any change in tax law (or the application or official interpretation thereof) from that payment, then the Issuer may, upon giving not more than 60 days nor less than 30 days' notice to the Note Trustee and the Noteholders in accordance with Condition 16 (*Notices*), redeem all (but not some only) of the Notes on any date at their Principal Amount Outstanding plus accrued but unpaid interest thereon to (but excluding) the date of redemption (adjusted, in the case of Indexed Notes, in accordance with Condition 7(b) (*Application of the Index Ratio*)) without premium or penalty. Before giving any notice of redemption under this Condition 8(e)(ii), the Issuer shall provide to the Note Trustee a certificate signed by two directors of the Issuer (a) stating that the Issuer is entitled to effect such redemption under this Condition 8(e)(ii) and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied and (b) confirming that the Issuer will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Notes as aforesaid and to pay any other amounts ranking in priority to such Notes on the relevant redemption date.

(f) *Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*

If the Issuer receives (or is to receive) any monies (a) pursuant to the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments or the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments, (b) pursuant to the exercise of the P1 ICL Call Option (as defined in the Security Trust and Intercreditor Deed) or (c) other than in accordance with Condition 8(b) (*Optional Redemption*), 8(c) (*Optional Redemption as Result of REITs Event*), 8(d) (*Optional Redemption as Result of Ratings Event*) or 8(e) (*Optional Redemption for Index Event or Taxation Reasons*) above, in Prepayment of all or any ICL Loan under the Intercompany Loan Agreement, the Issuer shall, upon giving not more than 30 nor less than 10 days' notice to the Note Trustee and the Noteholders in accordance with Condition 16 (*Notices*), redeem all of the Notes of the relevant Sub-Class of Notes on their next respective Note Payment Dates at their Principal Amount Outstanding plus accrued but unpaid interest to (but excluding) the date of redemption or (where part only of such ICL Loan has been Prepaid) the proportion of the relevant Sub-Class of Notes which the prepayment amount bears to the amount of the relevant ICL Loan. Before giving any notice of redemption under this Condition 8(f), the Issuer shall provide to the Note Trustee a certificate signed by two directors of the Issuer stating that the Issuer is required to effect such redemption under this Condition 8(f) and setting forth a statement of facts showing that the conditions precedent to the obligation of the Issuer so to redeem have been satisfied.

(g) *Purchase of Notes (other than Class R Notes) by the Issuer*

The Issuer may not at any time purchase any of the Notes (other than Class R Notes in accordance with Condition 8(i) (*Issue, repurchases and resales of Class R Notes by Issuer*)).

(h) *Purchase of Notes by FinCo and other Obligor*

FinCo and any of the other Obligors (provided that such Obligor is ordinarily resident in the United Kingdom for United Kingdom tax purposes) may at any time purchase Notes of any Class in accordance with applicable law and the provisions of the Common Terms Agreement. Any Notes purchased by FinCo may, at the option of FinCo, be surrendered to the Issuer. Upon surrender of any such Note (other than a Class R Note), the Note will be cancelled.

If not all the Registered Notes are to be purchased, upon surrender of the existing Individual Note Certificate, the Registrar shall forthwith upon the written request of the Noteholder concerned issue a new Individual Note Certificate in respect of the Notes which are not to be purchased and despatch such Individual Note Certificate to the Noteholder (at the risk of the Noteholder and to such address as the Noteholder may specify in such request).

(i) *Issue, repurchases and resales of Class R Notes by Issuer*

- (i) After the Exchange Date, the Issuer may enter into a Class R Underwriting Agreement (as defined below) and issue Class R1 Notes and Class R2 Notes, in which case it may use the proceeds from the issue of the Class R Notes immediately to repurchase (but not cancel) such Class R Notes. The Issuer may only issue Class R Notes if it enters into a Class R Underwriting Agreement and if the aggregate nominal amount of Class R1 Notes issued is equal to the aggregate nominal amount of Class R2 Notes issued.
- (ii) The Issuer will (save to the extent that Condition 8(i)(iii) applies and save where an Issuer Event of Default or a Potential Issuer Event of Default is outstanding) on any Note Payment Date falling on or prior to the Note Payment Date falling on or before the last day of the period agreed as being the period throughout which the underwriters will be bound to repurchase from the Issuer any Class R Notes (the “**Underwriting Period**”) repurchase all Class R Notes outstanding on each Note Payment Date at a price which is equal to their Principal Amount Outstanding, plus accrued but unpaid interest to (but excluding) the date of repurchase. The Issuer may at its option cancel, hold or resell all or any of the Class R Notes so purchased (or purchased by FinCo and surrendered to the Issuer pursuant to Condition 8(h) (*Purchase of Notes by FinCo and other Obligors*) above) provided that it shall not on any Note Payment Date resell, or procure the resale of, more than 50 per cent of the aggregate Principal Amount Outstanding of the Class R Notes or cancel Class R Notes such that the aggregate nominal amount of Class R1 Notes then outstanding and the aggregate nominal amount of Class R2 Notes then outstanding is unequal.
- (iii) Notwithstanding the provisions of Condition 8(i)(ii), the Issuer shall not, during the Underwriting Period, be obliged to repurchase from holders any Class R Notes in respect of which it holds insufficient funds to effect such repurchase in accordance with Condition 8(i)(ii), if such insufficiency arises as a result of the Class R Underwriters not being obliged to repurchase Class R Notes from the Issuer to finance such repurchase from holders by the Issuer, or as a result of any Class R Underwriter failing to honour its commitment under the Class R Underwriting Agreement to purchase Class R Notes from the Issuer. The Class R Notes to be repurchased on a Note Payment Date, in respect of which there are insufficient funds to effect such repurchase in full, shall be repurchased *pro rata* from the holders of the Class R Notes using such funds as are available for such purpose pursuant to the Issuer Pre-Enforcement Priority of Payments.
- (iv) If, by virtue of the operation of Condition 8(i)(iii), the Issuer is not obliged to repurchase all the Class R Notes on any Note Payment Date, the Issuer shall, as soon as reasonably practicable after becoming aware that it will not be repurchasing such Class R Notes by virtue of the operation of Condition 8(i)(iii) (and, in any event, by no later than 11.00 a.m. on the Note Payment Date upon which it would otherwise have repurchased such Class R Notes), give notice to the Class R Noteholders, the Note Trustee, the Rating Agencies and the Principal Paying Agent, in accordance with the provisions of Condition 16 (*Notices*), specifying the amount of Class R Notes which will not be repurchased on such Note Payment Date.
- (v) Any Class R Notes held by or on behalf of the Issuer at the close of business on the Note Payment Date falling at the end of the Underwriting Period shall be cancelled and any Class R Notes purchased by the Issuer on or after such Note Payment Date shall be cancelled immediately upon such repurchase.
- (vi) *Definition of “Class R Underwriting Agreement”*

A Class R Underwriting Agreement shall mean an underwriting agreement entered into with underwriters whose short-term and long-term ratings are at least equal to the Minimum Short Term Ratings and the Minimum Long Term Ratings (each as defined in or for the purposes of the Common Terms Agreement) from each of the Rating Agencies rating the Class R Notes pursuant to which:

- (1) such underwriters agree during the Underwriting Period to purchase and repurchase from the Issuer on request all or any Class R Notes then in issue on (subject to (2) below in the case of certain repurchases) such terms as are agreed between them;

- (2) the only condition that may apply to the repurchase of Class R Notes by the underwriters up to a maximum aggregate nominal amount not exceeding that of all Class R Notes then in circulation shall be that no Issuer Event of Default or Potential Issuer Event of Default shall have occurred and be continuing; and
- (3) if (but for any Obligor Event of Default or Potential Obligor Event of Default, as defined in the Common Terms Agreement) FinCo would be obliged under the Common Terms Agreement to refinance, in whole or in part, any ICL Loan (as defined in or for the purposes of the Common Terms Agreement) corresponding to any Class R1 Notes under the Intercompany Loan Agreement (which corresponds to any Class R1 Notes) with another ICL Loan from the Issuer (which is to be financed by the repurchase price payable by the underwriters for Class R2 Notes), the underwriters are obliged (subject only to (2) above, and notwithstanding any Obligor Event of Default or Potential Obligor Event of Default) to repurchase Class R2 Notes from the Issuer in an amount sufficient to finance the making of such ICL Loan.

(vii) *Maturity of Class R Notes*

Subject to satisfying the Ratings Test, the Class R Notes may mature on a date falling after the end of the Underwriting Period, as specified in the relevant Pricing Supplement.

(j) *Redemption of Instalment Notes*

Unless previously redeemed, purchased and cancelled as provided in this Condition 8 (*Redemption, Purchase and Cancellation*), each Note specified as an Instalment Note will be partially redeemed on each specified Instalment Date and at the specified Instalment Amount. In the case of early redemption, the Redemption Amount of such Instalment Note will be determined pursuant to Conditions 8(b) (*Optional Redemption*), 8(c) (*Optional Redemption as Result of REITs Event*), 8(d) (*Optional Redemption as Result of Ratings Event*), 8(e) (*Optional Redemption for Index Event or Taxation Reasons*) and 8(f) (*Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*) above, as applicable.

(k) *Redemption of Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of Conditions 8(b) (*Optional Redemption*), 8(c) (*Optional Redemption as Result of REITs Event*), 8(d) (*Optional Redemption as Result of Ratings Event*), 8(e) (*Optional Redemption for Index Event or Taxation Reasons*) and 8(f) (*Mandatory Redemption on Prepayment or Acceleration under the Security Trust and Intercreditor Deed*) and the applicable Pricing Supplement.

(l) *Cancellation*

In respect of all Notes redeemed by the Issuer, the Bearer Notes or the Registered Notes shall be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will be cancelled forthwith (together with, in the case of Bearer Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(m) *Subordination of principal*

In the case of principal on any Class of Notes other than the Most Senior Class of Notes, if, on any Note Payment Date prior to the delivery of a Note Enforcement Notice under Condition 11(a), there are insufficient funds available to the Issuer in accordance with the Issuer Payment Priorities to pay such principal due, the Issuer's liability to pay such principal will be treated as not having fallen due and will be deferred until the earlier of: (i) the next following Note Payment Date on which the Issuer has, in accordance with the Issuer Pre-Enforcement Priority of Payments, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); and (ii) the Note Payment Date following the full and final repayment of all Notes which rank in priority to such Notes. Any deferred principal on a

Sub-Class of Notes shall be payable *pro rata* and *pari passu* with deferred principal on all other Sub-Classes of Notes in such Class. Interest will accrue on such deferred principal at the rate otherwise payable on unpaid principal of such Notes.

9. **Payments**

(a) *Bearer Notes*

Payments to the Noteholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due which is maintained by the payee with, or (in the case of Notes in definitive form only) a cheque payable in that currency drawn on, a bank in the Relevant Financial Centre.

(b) *Registered Notes*

Payments of principal (or, as the case may be Redemption Amounts or other amounts payable on redemption) in respect of any Registered Note shall be made by cheque (denominated in the currency in which such payment is due) drawn on, or, upon application by a holder (or the first named of joint holders) of such Registered Note to the specified office of the Registrar not later than the fifteenth day before the due date for any such payment (the “**Record Date**”), by transfer to an account (denominated in the currency in which such payment is due) maintained by the payee with, a bank in the Relevant Financial Centre upon surrender (or, in the case of part payment only, endorsement) of the relevant Individual Note Certificates at the specified office of the Registrar.

Payments of interest (or, as the case may be Interest Amounts) in respect of any Registered Note shall be made by cheque (denominated in the currency in which such payment is due) drawn on, or, upon application by a holder (or the first named of joint holders) of such Registered Note to the specified office of the Registrar not later than the relevant Record Date, by transfer to an account (denominated in the currency in which such payment is due) maintained by the payee with, a bank in the Relevant Financial Centre and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Individual Note Certificates at the specified office of the Registrar.

(c) *Payments in the United States of America*

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

- (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due;
- (ii) payment in full of such amounts at all such offices outside the United States of America is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and
- (iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(d) *Payments subject to fiscal laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 9. No commission or expenses shall be charged to the Noteholders, Couponholders or Receiptholders (if any) in respect of such payments.

(e) *Appointment of the Agents*

The Paying Agents, the Agent Bank, the Transfer Agents and the Registrar appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. Any Calculation Agent will be listed in the relevant Pricing Supplement and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right, with the prior written consent of the Note Trustee at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent (in the case of Bearer Notes), (ii) a Registrar (in the case of Registered Notes), (iii) an Agent Bank or Calculation Agent (as specified in the relevant Pricing Supplement) (in the case of Floating Rate Notes or Indexed Notes), (iv) if European Union Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is brought into force, a Paying Agent in an EU member state that does not impose a requirement to withhold or deduct any amount for or on account of any Tax pursuant to that Directive or any law implementing or complying with, or introduced in order to conform to, that Directive (if such an EU member state exists); and (v) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system, which, while any Notes are admitted to trading on the Irish Stock Exchange, shall be in Ireland. Notice of any such variation, termination or appointment will be given in accordance with Condition 16 (*Notices*).

(f) *Unmatured Coupons and Receipts and Unexchanged Talons*

- (i) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Note which is a Bearer Note (other than a Fixed Rate Note, unless it has all unmaturing Coupons attached), unmaturing Coupons and Receipts relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (ii) Upon the date for redemption of any Note, any unmaturing Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iii) Upon the due date for redemption of any Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iv) Where any Note, which is a Bearer Note and is a Fixed Rate Note, is presented for redemption without all unmaturing Coupons and any unexchanged Talons relating to it, a sum equal to the aggregate amount of the missing unmaturing Coupons will be deducted from the amount of principal due for payment and redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a Note Payment Date, interest accrued from the preceding Note Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Note and Coupon.

(g) *Non-Business Days*

Subject as provided in the relevant Pricing Supplement, if any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the cities referred to in the definition of Business Days and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an

account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a TARGET Settlement Day.

(h) *Talons*

On or after the Note Payment Date for the final Coupon or Receipt forming part of a coupon or receipt sheet issued in respect of any Note, the Talon forming part of such coupon or receipt sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon or receipt sheet (and if necessary another Talon for a further coupon or receipt sheet but excluding any Coupons or Receipts which may have become void pursuant to Condition 13 (*Prescription*)).

10. **Taxation**

All payments in respect of the Notes, Receipts and Coupons will be made (whether by the Issuer, any Paying Agent, the Registrar or the Note Trustee) without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer, any Paying Agent or the Registrar or, where applicable, the Note Trustee is required by applicable law to make such a withholding or deduction. In that event, the Issuer, such Paying Agent, the Registrar or the Note Trustee, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, any Paying Agent, the Registrar or the Note Trustee will be obliged to make any additional payments to the Noteholders, Receiptholders or the Couponholders in respect of such withholding or deduction.

11. **Issuer Events of Default**

(a) *Default Events*

If an Issuer Event of Default (as defined below) occurs and is continuing, then the Note Trustee may, at its discretion, at any time (in accordance with the provisions of the Trust Deed), having certified (in the case of Condition 11(a)(ii)) in writing that in its opinion the happening of such event is materially prejudicial to the interests of the holders of the Most Senior Class of Notes and shall, upon the Note Trustee being (i) so requested in writing by holders of at least one quarter in principal amount of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*)) of the holders of the Most Senior Class of Notes then outstanding and (ii) indemnified and/or secured to its satisfaction, give notice (a “**Note Enforcement Notice**”) to the Issuer and the Noteholders declaring the Notes to be immediately due and repayable.

Each of the following will constitute an “**Issuer Event of Default**” under the Notes:

- (i) if default is made for a period of six days in the payment of any sum due in respect of the Most Senior Class of Notes then outstanding (or any Sub-Class of them) (other than the payment of any Note Step-Up Amount); or
- (ii) if the Issuer fails to perform or observe any of its obligations (other than payment obligations referred to in (i) above) under the Notes (including these Conditions) or the Issuer Transaction Documents and, if the Note Trustee considers that such default can be remedied, such failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii) if any order is made by any competent court or any resolution passed for the winding up or dissolution of the Issuer (or any analogous proceedings) save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved by the Note Trustee or sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding; or
- (iv) if (other than as referred to in (v) below) (1) any other proceedings are initiated against the Issuer under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws and such proceedings are not being disputed in good faith, (2) an administrative receiver or other receiver, administrator or other similar official is appointed in relation to the Issuer or in relation to, in the opinion

of the Note Trustee, the whole or any substantial part of the undertaking or assets of the Issuer, (3) an encumbrancer (other than the Note Trustee) takes possession of, in the opinion of the Note Trustee, the whole or any substantial part of the undertaking or assets of the Issuer or (4) a distress or execution or other process is levied or enforced upon or sued out against, in the opinion of the Note Trustee, the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases (other than in relation to the circumstances described in (2) where no grace period shall apply) such order, appointment, possession or process (as the case may be) is not discharged or stayed or does not cease to apply within 14 days; or

(v) if the Issuer or its directors (or any of them) initiates or consents to judicial proceedings relating to itself (except for the purposes of any amalgamation, merger, consolidation, reorganisation or other similar arrangement referred to in paragraph (iii) above) (including, without limitation, the giving of notice of intention to appoint an administrator or the filing of an application for administration by the Issuer or any of the directors of the Issuer) under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally; or

(vi) if the Issuer becomes unable to pay its debts as they fall due or is adjudicated or found bankrupt.

(b) *Consequences of Notes becoming Due and Payable and Delivery of Note Enforcement Notice*

Upon delivery of a Note Enforcement Notice in accordance with Condition 11(a) (*Default Events*) above, all Classes of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed and the Issuer Security shall become enforceable by the Note Trustee in accordance with the Issuer Deed of Charge.

(c) *Confirmation of no Issuer Event of Default*

The Issuer shall provide written confirmation to the Note Trustee, on an annual basis, that no Issuer Event of Default has occurred.

12. Enforcement Against Issuer

No Noteholder is entitled to take any action against the Issuer or any assets of the Issuer to enforce its rights in respect of the Notes or to enforce any of the Issuer Security. The Note Trustee will act (subject to Condition 4(e) (*Enforcement of Security*)) on the instructions of the holders of the Most Senior Class of Notes then outstanding and the Note Trustee shall not be bound to take any such action unless it is indemnified and/or secured to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing.

Neither the Note Trustee nor the Noteholders may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Issuer Deed of Charge and subject to the Trust Deed) or other proceeding under any similar law for so long as any Notes are outstanding or for two years and a day after the latest Maturity Date on which any Note of any Series is due to mature.

13. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 6(j) (*Definitions*)) in respect thereof.

14. Replacement of Notes, Coupons, Receipts and Talons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the Irish Stock Exchange or any other relevant exchange on which Notes are listed (in the case of listed Notes) (and each other listing authority, stock exchange and or quotation system upon which the relevant Notes have then been admitted to listing, trading and/or quotation), at the specified office of

the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders (in addition to a meeting of Noteholders held pursuant to Condition 8(d) (*Optional Redemption as Result of Ratings Event*)) to consider any matter affecting their interests, including the modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed and any other Issuer Transaction Document (excluding the Account Bank and Cash Management Agreement and the Servicing Agreement, save insofar as they relate to the Issuer) to which the Note Trustee is a party or over which it has security. Any modification may (subject to the other terms of this Condition 15(a)) be made if sanctioned by a resolution passed at a meeting or meetings of the relevant Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority of not less than $66\frac{2}{3}$ per cent of the votes cast (an “**Extraordinary Resolution**”) at such meeting or meetings. Such a meeting may be convened by the Note Trustee or the Issuer, and shall be convened by the Issuer upon the request in writing of the relevant Noteholders holding not less than one-tenth in nominal amount of the relevant Notes for the time being outstanding.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent (or 75 per cent in the case of a meeting of Noteholders convened to vote on an Extraordinary Resolution in relation to a Basic Terms Modification (as defined in the Security Trust and Intercreditor Deed) (save as regards any meeting convened by the Issuer pursuant to Condition 8(d) (*Optional Redemption as Result of Ratings Event*)) in respect of the Notes and the other Transaction Documents) in principal amount of the relevant Notes for the time being outstanding or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the principal amount of the relevant Notes held or represented (or one or more persons holding or representing not less than 25 per cent in principal amount of the relevant Notes for the time being outstanding, in the case of a meeting of Noteholders convened to vote on an Extraordinary Resolution in relation to a Basic Terms Modification). Any Extraordinary Resolution duly passed at any such meeting shall be binding on all of the Noteholders, Receiptholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Note Trustee shall, if requested in writing by Noteholders holding Notes having in aggregate a Principal Amount Outstanding of at least 50% of the aggregate Principal Amount Outstanding of all the Notes, notify the Issuer of the Noteholders’ desire for a meeting between the Issuer and the Noteholders to discuss the asset backing for the Notes and any issues directly relevant thereto. The Issuer shall, following receipt of such a notice from the Note Trustee, give to the Noteholders notice in accordance with Condition 16 of a meeting to be held in London for such purpose falling not earlier than 30 days and not later than 60 days after receipt by it of the notice from the Note Trustee. All Noteholders shall be entitled to attend any such meeting and to raise with the Issuer’s representatives present at such meeting (who shall include at least one director) any questions which relate directly to the asset backing for the Notes.

In the absence of any Obligor Event of Default or Issuer Event of Default, the Note Trustee (and the Noteholders) shall not be entitled to require the Issuer to convene more than one such meeting in any period of twelve months.

A Rating Agency may, on request, attend meetings of Noteholders at which an Extraordinary Resolution is to be considered unless the Noteholders at such meeting vote to exclude them in accordance with the Trust Deed. Any Rating Agency present at such a meeting must leave the meeting when the Noteholders cast their votes on the relevant Extraordinary Resolution. A Rating Agency may not attend any other type of Noteholder meeting.

(b) *Debtholders' Meetings*

Pursuant to the Issuer Deed of Charge, the Issuer has assigned by way of security its interest in respect of the advances to FinCo under the Intercompany Loan Agreement and the security therefor to the Note Trustee for the benefit of, *inter alios*, the Noteholders. Accordingly the Security Trust and Intercreditor Deed provides that the relevant Qualifying Noteholders shall be entitled to instruct the Note Trustee to vote in Debtholders' Meetings instead of the Issuer on certain proposals relating to the Obligor and the Obligor Secured Creditors. Such proposal, if duly approved in such Debtholders' Meeting shall be a "**Secured Creditor Instruction**".

Any Noteholder who is a Qualifying Noteholder will vote at a Debtholders' Meeting solely by instructing the Note Trustee to vote on its behalf as its Representative (as defined in the Security Trust and Intercreditor Deed) in such Debtholders' Meeting. In any Debtholders' Meeting, voting shall be determined on a pound-for-pound basis by reference to the Principal Amount Outstanding owed to each of the relevant Qualifying Debtholders, so that all votes in favour of the proposal and against the proposal from the Qualifying Noteholders and the other Qualifying Debtholders (who are not Noteholders) are considered on an aggregated basis, irrespective of whether a majority of such Qualifying Noteholders are in favour of or against the proposal.

If any Noteholder is a Qualifying Noteholder, then for the purpose of voting in such Debtholders' Meeting, the Note Trustee shall convene a meeting of the Qualifying Noteholders of any relevant Class or Sub-Class in accordance with the Trust Deed to consider the proposed Secured Creditor Instruction and to instruct the Note Trustee how to vote on each Qualifying Noteholder's behalf on such proposal. After obtaining the instruction of the Qualifying Noteholders who are present at such meeting, the Note Trustee shall vote in the Debtholders' Meeting in accordance with such instructions.

The Obligor Security Trustee shall, pursuant to the Security Trust and Intercreditor Deed, request the Note Trustee to confirm that the quorum requirement for any meeting of Qualifying Noteholders had been satisfied, that is, one or more persons holding or representing at least 25 per cent in principal amount of the relevant Notes for the time being outstanding or, at any adjourned meeting of Qualifying Noteholders, one or more persons being or representing Qualifying Noteholders, whatever the principal amount of the relevant Notes held or represented.

Irrespective of the result of voting at a meeting of Noteholders in relation to a proposed Secured Creditor Instruction, any Secured Creditor Instruction duly approved at a Debtholders' Meeting shall be binding on all of the Noteholders, Receiptholders and Couponholders.

(c) *Modification, consent and waiver*

As more fully set out in the Trust Deed (and subject to the conditions and qualifications therein), the Note Trustee may, without the consent of the Noteholders of any Sub-Class, concur with the Issuer and any other relevant parties in making (i) any modification of these Conditions, the Trust Deed or any other Issuer Transaction Document (excluding the Account Bank and Cash Management Agreement and the Servicing Agreement save insofar as they relate to the Issuer) which is of a formal, minor or technical nature or is made to correct a manifest error or an error in respect of which an English Court could reasonably be expected to make a rectification order; (ii) any other modification and granting any consent under or waiver or authorisation of any breach or proposed breach of these Conditions, the Trust Deed or any other Issuer Transaction Document or other document (other than a Basic Terms Modification or a change in respect of the Financial Covenant) which is, in the opinion of the Note Trustee, not materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding; and (iii) any modification of these Conditions, the Trust Deed or any other Issuer Transaction Documents or other document (other than a Basic Terms Modification or a change in respect of the Financial Covenant) if such modification is made

for an Accepted Restructuring Purpose or pursuant to Proposed Non-UK Structural Changes (as defined in or for the purposes of the Common Terms Agreement) and no Ratings Event occurs in respect of the proposed modification. Any such modification, consent, waiver or authorisation shall be binding on all Noteholders and the holders of all relevant Receipts and Coupons and, in each case, if the Note Trustee so requires, notice thereof shall be given by the Issuer to the Noteholders as soon as practicable thereafter.

No Extraordinary Resolution in respect of a Basic Terms Modification or a change in respect of the Financial Covenant shall be binding on the Note Trustee or the Noteholders (or any of them) unless the Obligor Security Trustee has confirmed to the Note Trustee that such modification has also been approved by each of the other providers of finance to the Obligors in accordance with the relevant credit facility agreements between FinCo (or any other Obligor) and the other providers of such finance.

The Note Trustee, in exercising its discretion to concur in making any modification, granting any consent under or waiver for authorisation of any breach or proposed breach of these Conditions, the Trust Deed or any other Issuer Transaction Document (other than a Basic Terms Modification or a change in respect of the Financial Covenant), shall be entitled to have regard to the Ratings Test (as defined in the Common Terms Agreement) and it may consider the Ratings Test to be an appropriate test or the only appropriate test to apply in that circumstance in exercising its discretion.

(d) *Substitution of the Issuer*

As more fully set forth in the Trust Deed (and subject to the conditions and qualifications therein), the Note Trustee may also agree with the Issuer, without reference to the Noteholders, to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Trust Deed and the Notes of all Series.

16. Notices

Notices to holders of Registered Notes will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in Ireland (which is expected to be the Irish Times). The Issuer shall also ensure that all notices are duly published in a manner that complies with the rules and regulations of the Irish Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed. Any such notice (other than to holders of Registered Notes as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16 (*Notices*).

The Note Trustee will also provide a Rating Agency, at its request from time to time, with all notices, written information and reports that the Note Trustee sends or makes available to all Noteholders of any Class or Sub-Class except to the extent that such notices, information or reports contain information confidential to third parties.

17. Miscellaneous

(a) *Governing Law*

The Trust Deed, the Issuer Deed of Charge (except in respect of certain terms that may relate to the creation, subsistence or enforcement of security in assets governed by law other than English law), the Notes, the Coupons, the Receipts, the Talons (if any) and the other Issuer Transaction Documents are, and all matters arising from or in connection with such documents shall be governed by, and shall be construed in accordance with, English law.

(b) *Third Party Rights*

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

CHAPTER 12

PRO FORMA PRICING SUPPLEMENT

The Pricing Supplement in respect of each Sub-Class of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.

Pricing Supplement dated [date]

Land Securities Capital Markets PLC

Note Issuance Programme in the amount of £4,000,000,000 (the “Programme”)

Issue of [Sub-Class] [Aggregate Nominal Amount of Sub-Class] [Title of Notes]

This document constitutes the Pricing Supplement relating to the issue of [indicate relevant Sub-Class] Notes described herein to be issued on the date hereof pursuant to the Programme. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (as amended from time to time) set forth in the Offering Circular dated 2 November 2004 (as supplemented from time to time, the “**Offering Circular**”). This Pricing Supplement must be read in conjunction with the Offering Circular.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | | |
|----|------|---|--|
| 1. | (i) | Issuer: | Land Securities Capital Markets PLC |
| 2. | (i) | Series Number: | [●] |
| | (ii) | Sub-Class Number: | [●] |
| | | <i>(If fungible with an existing Sub-Class, insert details of that Sub-Class, including the date on which the Notes become fungible).</i> | |
| 3. | | Relevant Currency or Currencies: | [●] |
| 4. | | Aggregate Nominal Amount: | |
| | (i) | Series: | [●] |
| | (ii) | Sub-Class: | [●] |
| 5. | (i) | Issue Price: | [●] per cent of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| | (ii) | Net proceeds: | [●] |
| 6. | | Specified Denominations: | |
| | | (in the case of Registered Notes, this means the minimum integral amount in which transfers can be made). Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). | [●] |
| 7. | (i) | Issue Date: | [●] |
| | (ii) | Interest Commencement Date (if different from the Issue Date): | [●] |

8. Maturity Date: *[specify date or (for Floating Rate Notes) Note Payment Date falling in [the relevant month and year]]*
9. Instalment Date: *[N/A/specify in relation to Instalment Notes]*
10. Interest Basis: *[[●] per cent Fixed Rate]
[[specify reference rate] +/- [●] per cent Floating Rate]
[Zero Coupon]
[Indexed Linked Interest]*
11. Redemption/Payment Basis: *[Redemption at par]
[Index Linked Redemption]
[Partly Paid]
[Instalment]
[Dual Currency]
[specify other]*
12. Put/Call Options: *[Issuer Call Option [(further particulars specified below)]]*
13. Status and Ranking: *[●]*
14. Listing: *[exchanges as applicable]*
15. Method of distribution: *[Syndicated/Non-syndicated]*
16. Other relevant provisions: *[specify]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. **Fixed Rate Note Provisions** *[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Rate: *[●] per cent per annum [payable [quarterly / other (give details)] in arrear]*
- (ii) Issue Spread: *[●] per cent. per annum*
- (iii) Interest Determination Date: *[●] in each year (insert regular note payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon – only relevant where day count fraction is Actual/Actual (ISMA))*
- (iv) Note Payment Date(s): *[●], [●], [●] and [●] in each year [adjusted in accordance with [specify Business Date Convention and applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]*
- (v) First Note Payment Date: *[●]*
- (vi) Fixed Coupon Amount[(s)]: *[●] per [●] in Nominal Amount*
- (vii) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (viii) Day Count Fraction: *[Actual/Actual ISMA]
[Actual/365 or Actual/Actual]
[Actual/365 fixed] [Actual/360]
[30/360 or 360/360 or bond basis]
[30E/360 or Eurobond basis]*
- (ix) Other terms relating to the method of calculating interest for Fixed Rate Notes: *[Not Applicable/give details]*

| | | |
|--------|---|--|
| (x) | Reference Gilt: | [●] |
| 18. | Floating Rate Note Provisions | [Applicable/Not Applicable/Applicable in accordance with Condition 6(f)] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Note Payment Dates: | [●], [●], [●] and [●] in each year [adjusted in accordance with [specify Business Day Convention and applicable Business Centre(s) for the definition of "Business Day"]/not adjusted] |
| (ii) | Business Day Convention: | [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)] |
| (iii) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination/other (give details)] |
| (iv) | Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank): | [Not applicable/Calculation Agent] |
| (v) | Screen Rate Determination: | |
| | – Relevant Rate: | [●] |
| | – Interest Determination Date(s): | [●] |
| | – Relevant Screen Page: | [●] |
| (vi) | ISDA Determination: | |
| | – Floating Rate Option: | [●] |
| | – Designated Maturity: | [●] |
| | – Reset Date: | [●] |
| (vii) | Margin(s): | [+/-][●] per cent per annum |
| (viii) | Minimum Rate of Interest: | [Specify/Not Applicable] |
| (ix) | Maximum Rate of Interest: | [Specify/Not Applicable] |
| (x) | Day Count Fraction: | [Actual/Actual ISMA] [Actual/365 or Actual/Actual] [Actual/365 fixed] [Actual/360] [30/360 or 360/360 or bond basis] [30E/360 or Eurobond basis] |
| (xi) | Additional Business Centre(s): | [●] |
| (xii) | Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | [●] |
| (xiii) | Relevant Financial Centre: | [●] |
| (xiv) | Relevant Time: | [●] |
| (xv) | Specified Duration: | [●] |
| (xvi) | Representative Amount: | [●] |
| 19. | Floating Rate Step-Up (Condition 6(f)) | [Not Applicable] [Applicable] |
| (i) | Note Step-Up Rate | [●] per cent |
| (ii) | Note Step-Up Date | [insert date prior to Maturity Date] |

| | | | |
|-----|--------|--|--|
| | (iii) | Margin (for purposes of Condition 6(f)) | [●] per cent |
| 20. | | Zero Coupon Note Provisions | [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph) |
| | (i) | Accrual Yield: | [●] per cent per annum |
| | (ii) | Reference Price: | [●] |
| | (iii) | Any other formula/basis of determining amount payable: | [●] |
| | (iv) | Day Count Fraction in relation to Early Redemption Amounts and late payment: | [Condition [●]/specify other] (Consider applicable day count fraction if not US dollar denominated) |
| 21. | | Indexed Note Provisions | [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph) |
| | (i) | Index/Formula: | [●] |
| | (ii) | Base Index Figure: | [●] |
| | (iii) | Interest Rate: | [●] |
| | (iv) | Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): | [Not Applicable/Calculation Agent] |
| | (v) | Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: | [●] |
| | (vi) | Note Payment Dates: | [●], [●], [●] and [●] in each year [adjusted in accordance with [specify Business Day Convention and applicable Business Centre(s) for the definition of "Business Day"]/not adjusted] |
| | (vii) | First Note Payment Date: | [●] |
| | (viii) | Business Day Convention: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |
| | (ix) | Additional Business Centre(s): | [●] |
| | (x) | Minimum Indexation Factor: | [Not Applicable/specify] |
| | (xi) | Maximum Indexation Factor: | [Not Applicable/specify] |
| | (xii) | Limited Indexation Month(s): | [●] |
| | (xiii) | Reference Gilt: | [Not Applicable/specify] |
| | (xiv) | Day Count Fraction: | [Actual/Actual ISMA] [Actual/365 or Actual/Actual] [Actual/365 fixed] [Actual/360] [30/360 or 360/360 or bond basis] [30E/360 or Eurobond basis] |
| 22. | | Dual Currency Note Provisions | [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph) |
| | (i) | Rate of Exchange/method of calculating Rate of Exchange: | [Give details] |

- (ii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Relevant Currency or Currencies is/are payable: [●]
23. **Other Note Provisions** [specify]
- PROVISIONS RELATING TO REDEMPTION**
24. **Issuer Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): [In the case of Floating Rate Notes, not before [●] and at a premium of [●], if any]
- (ii) Redemption Amount(s) and method, if any, of calculation of such amount(s): [●]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●]
- (b) Maximum Redemption Amount: [●]
- (iv) Notice period (if other than as set out in the Conditions): [●]
25. **Final Redemption Amount** [Par/other/see Appendix]
26. **Zero Coupon Notes/Indexed Notes**
- (i) Accrual Yield/Reference Price on redemption under Condition 8(b)(iv): [Specify/Not Applicable]
- (ii) Redemption Amount(s) payable in relation to Indexed Notes on redemption under Condition 8(e): [Specify/Not Applicable]
27. **Additional Redemption Provisions:** [specify]

STATUS AND RANKING OF THE NOTES

28. Class: [Class A Notes/Class B Notes/Class R1 Notes/Class R2 Notes/Subordinated Notes]
29. Priority: [Priority 1 Notes/Priority 2 Notes/Subordinated Notes]
30. If Subordinated Notes, ranking in relation to other Classes of Subordinated Notes: [specify]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

31. Form of Notes: [Bearer/Registered/Bearer and Registered/Any other form as permitted – specify (if issued in any other form)]
- (i) If issued in Bearer form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in

- the Permanent Global Note/for tax reasons]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note/for tax reasons]
- (ii) If issued in Registered form: [Global Note exchangeable for Individual Note Certificates]
- [Restricted Initial Note]
- [Individual Note Certificate (in the case of Initial Notes offered or sold to Qualifying UK Investors)]
- (iii) If issued in any other form: [*specify*]
32. Additional Financial Centre(s) or other special provisions relating to Note Payment Dates: [Not Applicable/*give details. Note that this item relates to the place of payment, and not interest period end dates, as previous reference to Note Payment Dates relate*]
33. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Not Applicable/*give details*]
34. Details relating to Partly Paid Notes (amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment): [Not Applicable/*give details*]
35. Details relating to Instalment Notes: [Not Applicable/*give details*]
- (i) Instalment Date: [●]
- (ii) Instalment Amount: [●]
36. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions in [●] [annexed to this Pricing Supplement] apply [*annex applicable provisions as necessary*]
37. Consolidation provisions: [Not Applicable/The provisions [in Condition [●] [annexed to this Pricing Supplement] apply]
38. Other terms or special conditions: [Not Applicable/*give details*]
39. TEFRA rules: [TEFRA C/TEFRA D/Not applicable]

ICL LOAN TERMS

40. Interest rate on relevant ICL Loan: (exceeding the rate payable on the Notes which are the subject of this Pricing Supplement by a margin of 0.01% per annum)
41. Term of relevant ICL Loan: [●]
42. Other relevant provisions (including as to priority ranking and ICL Loan Payment Dates): [●]

DISTRIBUTION

43. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable] [In connection with the issue of the Notes, [*name of stabilising institution*]]

may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time / Not Applicable

44. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
45. Selling restrictions: The selling restrictions set out in the Offering Circular apply
46. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

47. ISIN Code: [●]
48. Common Code: [●]
49. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
50. Delivery: Delivery [against/free of] payment
51. Additional Paying Agent(s) (if any): [●]

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the Programme for the issuance of Notes by Land Securities Capital Markets PLC.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _____
Duly authorised

CHAPTER 13

FORM OF THE NOTES

Form And Exchange – Bearer Notes

Each Sub-Class of Notes (or part thereof) issued in bearer form will be issued either as a Temporary Global Note, without Coupons, Receipts or Talons attached, or as a Permanent Global Note, without Coupons, Receipts or Talons attached, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note, or, as the case may be, Permanent Global Note will be deposited prior to the Issue Date of the relevant Sub-Class of Notes with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

The relevant Pricing Supplement in respect of a Sub-Class of Notes (or part thereof) issued in bearer form will also specify whether the TEFRA C Rules or the TEFRA D Rules are applicable in relation to the Notes.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being represented by “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Coupons, Receipts or Talons attached, not earlier than 40 days after the Issue Date of the relevant Sub-Class of Notes upon certification as to non-U.S. beneficial ownership of principal and interest. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, payments of principal and interest in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office (as defined in the Agency Agreement) of the Paying Agent; and
- (b) receipt by the Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system,

within 15 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the aggregate initial principal amount of the Temporary Global Note and any Temporary Global Note representing a fungible Sub-Class of Notes with the Sub-Class of Notes represented by the first Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement;
- (b) at any time, if so specified in the relevant Pricing Supplement;
- (c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, and if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (d) if the Issuer certifies to the Note Trustee that it has become or will, on the next Note Payment Date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Notes were not represented by a Permanent Global Note.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly

authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Paying Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Sub-Class of Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Sub-Class of Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note so exchanged to the bearer of the Temporary Global Note against the presentation (and, in the case of final exchange, surrender) of the Temporary Global Note at the Specified Office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the issue of such Notes.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement;
- (b) at any time, if so specified in the relevant Pricing Supplement;
- (c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, and if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (d) if the Issuer certifies to the Note Trustee that it has become or will, on the next Note Payment Date, become subject to adverse tax consequences which would not be suffered if the Notes were not represented by a Permanent Global Note.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Paying Agent within 30 days of the bearer requesting such exchange.

Conditions applicable to the Notes

The Conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the Conditions set out in Chapter 11 “*Terms and Conditions of the Notes*”, page 199, above and the provisions of the relevant Pricing Supplement which supplement, amend, vary and/or replace those Conditions.

The Conditions applicable to any Global Note will differ from those Conditions which would apply to the Definitive Note to the extent described under Chapter 14 “*Summary Of Provisions Relating to the Notes While in Global Form*”, page 244, below.

Legend concerning United States persons

Global Notes and Definitive Notes and any Coupons, Receipts and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon, Receipt or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Form and Exchange – Registered Notes

Global Certificates

Registered Notes held in Euroclear and/or Clearstream, Luxembourg (or another clearing system) will be represented by a Global Note Certificate which will be registered in the name of a nominee for, and deposited with, a depositary for Euroclear and/or Clearstream, Luxembourg (or such other relevant clearing system).

Individual Note Certificates

Initial Notes of each Sub-Class which are offered and sold to Qualifying UK Investors will be represented by Individual Note Certificates registered in the name of the holders thereof.

Exchange for Individual Note Certificates

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg (or other relevant clearing system) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or (b) at any time at the request of the registered Holder if so specified in the Pricing Supplement.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate to the Registrar or the Transfer Agents (as the case may be) of such information as is required to complete and deliver such Individual Note Certificates (including the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar or the Transfer Agents (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Form of Restricted Initial Notes, Transfer Restrictions and Exchange

Form of Restricted Initial Notes

The Restricted Initial Notes have been issued in registered, restricted form (“**Restricted Initial Notes**”).

Restricted Initial Notes are represented by interests in a Restricted Global Note, which has been deposited on the Exchange Date with, and registered in the name of a common depositary for Euroclear and Clearstream. Restricted Initial Notes are subject to certain restrictions on transfer and will not be fungible with Initial Notes of the same Sub-Class which are issued in bearer form or in the form of Individual Note Certificates.

Transfers and Transfer Restrictions

Each prospective purchaser of Restricted Initial Notes, by accepting delivery of this Offering Circular, will be deemed to have represented and agreed that such person acknowledges that this Offering Circular is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Restricted Initial Notes other than pursuant to Rule 144A under the Securities Act ("**Rule 144A**"). Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise it with respect thereto is unauthorized and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Notwithstanding anything herein to the contrary, except as reasonably necessary to comply with applicable securities law, investors (and each employee, representative or other agent of the investors) may disclose to any and all persons, without limitation of any kind, the U.S. federal tax treatment and U.S. federal tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such U.S. federal tax treatment and U.S. federal tax structure (as such terms are defined for purposes of Sections 6011, 6111 and 6112 of the U.S. Internal Revenue Code and the Treasury Regulations promulgated thereunder).

Each purchaser or transferee of Restricted Initial Notes represented by a Rule 144A Global Certificate (or beneficial interest therein) will be deemed to have represented, warranted, acknowledged and agreed that:

- (1) The purchaser and each person for which it is acting (a) is a qualified institutional buyer ("**QIB**") within the meaning of Rule 144A, (b) is aware that the sale of such Rule 144A Notes (or beneficial interest therein) to it is being made in reliance on Rule 144A, (c) is acquiring such Restricted Initial Notes (or beneficial interests therein) for its own account or for the account of a QIB as to which the purchaser exercises sole investment discretion and such purchaser or transferee has full power to make the acknowledgements, representations and agreements on behalf of each such account contained in (1) through (6) herein, and (d) will provide notice of the transfer restrictions described in this section "*Transfers and Transfer Restrictions*" to any subsequent transferees.
- (2) The purchaser understands and agrees that such Restricted Initial Notes have not been and will not be registered under the Securities Act and that such Restricted Initial Notes may be reoffered, resold, pledged or otherwise transferred only (a)(i) to the Issuer; (ii) under a registration statement that has been declared effective under the Securities Act; (iii) for so long as the notes are eligible for resale under Rule 144A, to a person that is a QIB purchasing for its own account or for the account of another QIB as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A or (iv) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S; or (v) under any other available exemption from the registration requirements of the Securities Act, and (b) in accordance with all applicable securities laws including the securities laws of any state of the United States.
- (3) The purchaser is not purchasing such Restricted Initial Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Restricted Initial Notes involves certain risks, including the risk of loss of its entire investment in the Restricted Initial Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuer and the Restricted Initial Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Restricted Initial Notes, including an opportunity to ask questions of, and request information from, the Issuer.
- (4) In connection with the purchase of the Restricted Initial Notes: (a) none of the Issuer, the Arranger, or any affiliate thereof, the Note Trustee, or any person acting on behalf of the foregoing, is acting as a fiduciary or financial or investment advisor for the purchaser; (b) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Arranger, or any affiliate thereof, the Note Trustee, or any person acting on behalf of the foregoing, other than in this Offering Circular and any representations expressly set forth in a written agreement with such party; (c) none of the Issuer, the Arranger or any affiliate thereof, the Note Trustee, or any person acting on behalf of the foregoing, has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation

whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Restricted Initial Notes; (d) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Trust Deed) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, the Arranger, or any affiliate thereof, the Note Trustee, or any person acting on behalf of the foregoing; (e) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Restricted Initial Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; (f) the purchaser is a sophisticated investor; and (g) the purchaser understands that these acknowledgements, representations and agreements are required in connection with U.S. securities laws and it agrees to indemnify and hold harmless the Issuer, the Arranger, any affiliate thereof, and the Note Trustee from and against all losses, liabilities, claims, costs, charges and expenses which they may incur by reason of its failure to fulfil any of the terms, conditions or agreements set forth above or by reason of any breach of its representations and warranties herein.

- (5) The purchaser understands that pursuant to the terms of the Trust Deed, the Issuer has agreed that the Rule 144A Global Certificates offered in reliance on Rule 144A will bear the legend set forth below, will be represented by one or more Rule 144A Global Certificates and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below. The Rule 144A Global Certificates may not at any time be held by or on behalf of U.S. persons that are not QIBs.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE RE-OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO COMPLIANCE WITH APPLICABLE STATE AND OTHER SECURITIES LAWS AND SUBJECT TO THE ISSUER'S AND THE NOTE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE TRUST DEED HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE DEPOSITARY OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO THE DEPOSITARY OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE DEPOSITARY OR ITS NOMINEE, HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE DEPOSITARY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE TRUST DEED REFERRED TO ON THE REVERSE HEREOF.

EACH PURCHASER OF THIS SECURITY OR ANY INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PURCHASER OF THIS SECURITY OR BOOK-ENTRY INTERESTS HEREIN A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

- (6) The purchaser acknowledges that the Issuer, the Registrar, the Note Trustee, the Arranger and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Restricted Initial Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

CHAPTER 14

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

CLEARING SYSTEM ACCOUNTHOLDERS

References in the Conditions of the Notes to “**Noteholder**” are references to the bearer of the relevant Global Note or the person shown in the records of the relevant clearing system as the holder of the Global Note Certificate.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Note or a Global Note Certificate (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to such Accountholder and in relation to all other rights arising under the Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. As long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note or the registered holder of the Global Note Certificate, as the case may be.

AMENDMENT TO CONDITIONS

Global Notes will contain provisions that apply to the Notes which they represent, some of which will modify the effect of the Conditions of the Notes as set out in this Offering Circular. The following is a summary of certain of those provisions:

- *Meetings:* The holder of a Global Note shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note shall be treated as having one vote in respect of each minimum denomination of Notes for which such Global Note may be exchanged.
- *Cancellation:* Cancellation of any Note represented by a Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by a reduction in the principal amount of the relevant Global Note.
- *Notices:* So long as any Notes are represented by Global Notes, notices in respect of those Notes may be given by delivery of the relevant notice to Euroclear Bank S.A./N.V. as operator of the Euroclear System or Clearstream Banking, *société anonyme* or any other relevant clearing system as specified in the relevant Pricing Supplement for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in Ireland. Such notices shall be deemed to have been received by the Noteholders on the day of delivery to such clearing systems.

CHAPTER 15

UNITED KINGDOM TAXATION

The comments below are of a general nature and should be treated with appropriate caution. They are not, and do not purport to constitute, legal or tax advice.

The comments are based on the Issuer's understanding of United Kingdom tax law and the published practice of the United Kingdom Inland Revenue as at the date of this Offering Circular and are subject to changes therein. They summarise certain aspects of United Kingdom taxation in relation to the Notes but do not deal with all United Kingdom taxation aspects of acquiring, holding or disposing of the Notes. In particular, they relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of taxpayers (such as dealers). The comments are made on the assumption that there will be no substitution of the Issuer pursuant to the Trust Deed or Condition 15(d) and do not consider the tax consequences of any such substitution.

Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes, whether or not such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Noteholders who are in any doubt as to their tax position or who may be liable to taxation in any jurisdiction other than the United Kingdom should consult their own professional advisers.

UNITED KINGDOM WITHHOLDING TAX ON PAYMENTS OF INTEREST ON THE NOTES

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988. On the basis of the United Kingdom Inland Revenue's published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Irish Stock Exchange is a recognised stock exchange for these purposes. While the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent) subject to such relief as may be available under the provisions of any applicable double taxation treaty. Noteholders should be aware that the Conditions do not provide for any additional payments to be made by any person in this, or any other, situation.

PROVISION OF INFORMATION

Where any interest on Notes is paid to Noteholders (or to any person acting on their behalf) by 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 Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). 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 Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

STAMP DUTY AND STAMP DUTY RESERVE TAX

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on the transfer by delivery of a Note. No United Kingdom stamp duty or stamp duty reserve tax is payable on the transfer of the Initial Notes on the Exchange Date.

CHAPTER 16

SUBSCRIPTION AND SALE

A. DEALERSHIP AGREEMENT

Notes (other than any Class R Notes) issued after the Exchange Date may be sold from time to time by the Issuer to any one or more of Citigroup Global Markets Limited and any other Dealer appointed from time to time (the “**Dealers**”). The arrangements under which Notes (other than any Class R Notes) may from time to time be agreed to be sold by the Issuer to, and purchased by, any Dealer are set out in a dealership agreement dated on or about the date of this Offering Circular (the “**Dealership Agreement**”) made between, among others, the Issuer, the Principal Obligor, the Arranger and each Dealer and the Subscription Agreements relating to each Sub-Class of Notes issued. Any such agreement will, *inter alia*, make provision for the price at which Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series, Class or Sub-Class of Notes.

In the Dealership Agreement, the Issuer, failing which each of the Obligors (jointly and severally), have agreed to reimburse the Arranger and the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Notes under the Dealership Agreement and the Issuer and each Obligor acting jointly and severally have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

B. CLASS R UNDERWRITING AGREEMENTS

The Issuer may (but is not obliged to) enter into underwriting arrangements in relation to the issue of Class R Notes. The Conditions provide that the Issuer may not issue Class R Notes otherwise than in conjunction with the entry into of a Class R Underwriting Agreement (as defined in Condition 8(i)(vi)).

Pursuant to a Class R Underwriting Agreement, the Issuer will be entitled (but not obliged) at its option from time to time during the Underwriting Period (as defined in Condition 8(i)(ii)), without the consent of Noteholders, to resell, or procure the resale of, up to 50% of the aggregate Principal Amount Outstanding of the Class R1 Notes and the Class R2 Notes on any Note Payment Date, on the satisfaction of certain conditions. These conditions will include, in particular, the delivery to the Class R Underwriters of a certificate to the effect that no Issuer Event of Default or Potential Issuer Event of Default has occurred and is subsisting immediately prior to the resale of such Class R Notes. This is the only permitted condition in the case of a resale of Class R Notes in an aggregate amount not exceeding the aggregate amount of Class R Notes then in circulation.

The Conditions will provide that, at any time that any Class R Notes are in circulation, the Issuer shall repurchase such Class R Notes from the holders thereof provided that, if such Class R Underwriters are not then under an obligation to repurchase such Class R Notes from the Issuer on the same Note Payment Date or, if they are, they do not provide to the Issuer the purchase price therefor, the Issuer is not under an obligation to repurchase such Class R Notes.

If, pursuant to the Intercompany Loan Agreement, it becomes necessary to repay on any Note Payment Date any part of a Revolving R1 ICL Loan with the proceeds of a Revolving R2 ICL Loan any Class R Underwriting Agreement will provide that the Issuer will on that Note Payment Date not be able to resell Class R1 Notes to the Class R Underwriters save to the extent to which the proceeds thereof could be lent to FinCo. The amount of the Revolving R1 ICL Loan that shall be lent to FinCo in such circumstances will be that (if any) which, on the basis of the latest P1 Debt Test, will ensure that the T1 Threshold is not breached.

The Class R Underwriters in respect of the Class R2 Notes will, however, be obliged at the Issuer's request to repurchase Class R2 Notes from the Issuer in an aggregate principal amount equal to the aggregate principal amount of Class R1 Notes which were (as described above) not permitted to be resold.

Minimum Ratings

FinCo will be required to ensure that each Class R Underwriter is an entity which has the Minimum Short Term Ratings (from each of the Rating Agencies).

If any Class R Underwriter ceases to have such Minimum Short Term Ratings from any of the Rating Agencies, such Class R Underwriter shall within 30 days of such downgrade take such action, at its own expense, satisfactory to such Rating Agency so that the rating assigned to the Class R1 Notes by such Rating Agencies is not adversely affected by the downgrade.

Selling Restrictions

Each of the Dealers and the Class R Underwriters will represent in the Dealership Agreement and any Class R Underwriting Agreement (as the case may be), among other things, that:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to the expiry of a period of 6 months from the relevant Issue Date of such Notes, 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 POS Regulations or the Financial Services and Markets Act 2000 (the “**FSMA**”);
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it 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 the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

Each of the Dealers and the Class R Underwriters will also represent and agree in the Dealership Agreement (as the same may be supplemented or modified by agreement of the Issuer and the relevant Dealer(s) in relation to any Sub-Class of Notes as set out in the relevant Pricing Supplement) and any Class R Underwriting Agreement (as the case may be) that it has not offered or sold, and will not offer or sell, the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Sub-Class of which such Notes are part, as determined and certified by such Dealer (or in the case of a Sub-Class of Notes distributed to one or more Dealers on a syndicated basis, by the Dealer acting as lead manager), 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 or Rule 144A under the Securities Act and, accordingly, that:

- (a) neither it nor any of its affiliates (including any person acting on its behalf or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes; and
- (b) it and its affiliates have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

Each Dealer and Class R Underwriter will also undertake in the Dealership Agreement (as the same may be supplemented or modified by agreement of the Issuer and the relevant Dealer(s) in relation to any Sub-Class of Notes as set out in the relevant Pricing Supplement) and any Class R Underwriting Agreement (as the case may be) that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchases Notes from it during the distribution compliance period a confirmation or notice in substantially the following form:

“The Securities covered hereby have not been registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until 40 days after completion of the distribution of the Sub-Class of which such Notes are part, as determined and certified by such Dealer (or in the case of a Sub-Class of Notes distributed to one or more Dealers on a syndicated basis, by the Dealer acting as lead manager), except in either case in accordance with Regulation S under the Securities Act or Rule 144A, if available. Terms used above have the meanings given to them by Regulation S.”

In addition (and subject to the representations of the Dealers in the Dealership Agreement being supplemented or modified by agreement of the Issuer and the relevant Dealer(s) in relation to any Sub-Class of Notes as set out in the relevant Subscription Agreement):

- (a) each of the Dealers and the Class R Underwriters will represent and agree that except to the extent permitted under the TEFRA D Rules (i) it has not offered or sold, and during the restricted period that it will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes that are sold during the restricted period;
- (b) each of the Dealers and the Class R Underwriters will further represent and agree that it has, and throughout the restricted period it will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if any of the Dealers or Class R Underwriters is a United States person, such Dealer or the Class R Underwriter will represent that it is acquiring the Notes for the purpose of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of the TEFRA D Rules; and
- (d) with respect to each affiliate of any Dealer or Class R Underwriter which acquires Notes from it for the purpose of offering or selling such Notes during the restricted period, the relevant Dealer or Class R Underwriter will either (i) repeat and confirm the representations and agreements contained in paragraphs (a), (b) and (c) on its behalf or (ii) agree that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (a), (b) and (c).

Terms used in this paragraph have the meanings given to them by Regulation S and by the United States Internal Revenue Code 1986, as amended, and regulations thereunder, including the TEFRA D Rules.

Further, each Dealer and Class R Underwriter will represent and agree in the Dealership Agreement (as the same may be supplemented or modified by agreement of the Issuer and the relevant Dealer(s) in relation to any Sub-Class of Notes as set out in the relevant Pricing Supplement) and any Class R Underwriting Agreement (as the case may be) that:

- (a) except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act, 1963 (as amended) of Ireland, (the “**1963 Act**”), it has not offered or sold and will not offer or sell any Notes in Ireland or elsewhere (i) in the case of Notes to be listed on the Irish Stock Exchange, by means of any document prior to application for listing the Notes being made and the Irish Stock Exchange having approved the relevant listing particulars in accordance with the European Communities (Stock Exchange) Regulations 1984 (as amended) of Ireland (the “**1984 Regulations**”) and thereafter by means of any document other than (A) the relevant listing particulars (as amended, supplemented or varied from time to time) and/or (B) a form of application issued in connection with the Notes which indicates where the relevant listing particulars can be obtained or inspected or which is issued with the relevant listing particulars and (ii) in the case of Notes which are not to be listed on the Irish Stock Exchange, by means of any document otherwise than in compliance with the provisions of Part III of the 1963 Act;
- (b) it has complied with and will comply with (i) in the case of Notes to be listed on the Irish Stock Exchange, all applicable provisions of the 1963 Act and the 1984 Regulations and (ii) in the case of Notes which are not listed on the Irish Stock Exchange, all applicable provisions of the 1963 Act with respect to anything done by it in relation to the Notes in, from or otherwise involving Ireland;
- (c) it has not made and will not make any offer of any other Notes which would require a prospectus to be issued under the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 of Ireland; and
- (d) to the extent applicable, it will not underwrite the issue of or place the Notes otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act, 1995 (as amended), including, without limitation, Sections 9, 23 (including any advertising restrictions

made thereunder) and 37 (including any codes of conduct issued thereunder) and the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21.

Notice To U.S. Holders Of Existing Note Debt

The Notes (including the Restricted Initial Notes) have not been and will not be registered under the Securities Act or any state securities laws. Accordingly, each United States holder of Existing Note Debt electing to receive Restricted Initial Notes on the Exchange Date in exchange for such Existing Note Debt will be required to agree on its own behalf, and each subsequent holder of the Restricted Initial Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Restricted Initial Notes, prior to the date which is two years after the later of the date of original issue and the last date on which the Issuer or any affiliate of the Issuer (including Land Securities PLC) was the owner of such Restricted Initial Notes (or any predecessor thereto) (the “**Resale Restriction Terminate Date**”), only (a) to the Issuer, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Restricted Initial Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a qualified institutional buyer (as defined in Rule 144A) that purchases for its own account or for the account of another qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (e) pursuant to any other available exemption from the registration requirements of the Securities Act.

CHAPTER 17

GENERAL INFORMATION

1. The establishment of the Programme and the issue of the Notes thereunder were duly authorised by resolutions of the board of directors of the Issuer passed on 29 October 2004. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
2. It is expected that each Sub-Class of Notes which is to be admitted to the Official List of the Irish Stock Exchange will be admitted separately as and when issued, subject only (in the case of Bearer Notes) to the issue of the Temporary Global Notes, or, as the case may be, Permanent Global Notes. The listing of the Programme in respect of the Notes (including the Initial Notes) is expected to be granted a few days before the Exchange Date.

However, Notes may also be issued pursuant to the Programme which will not be listed on the Irish Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealers (or Class R Underwriters) may agree.
3. The Initial Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and the ISIN for each Sub-Class of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If any further Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.
4. Save as disclosed in this Offering Circular, neither the Issuer nor FinCo is 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 nor FinCo aware that any such proceedings are pending or threatened.
5. None of FinCo or the Obligors is involved in any legal or arbitration proceedings which may have, or have had, during the 12 months preceding the date of this Offering Circular a significant effect on the Security Group's or the Issuer's financial position, nor are the Obligors aware that any such proceedings are pending or threatened.
6. Since the date of its incorporation, the Issuer has, save as disclosed in this Offering Circular, not:
 - (a) commenced operations;
 - (b) made up accounts as at the date of this Offering Circular; or
 - (c) entered into any contracts or arrangements not being in its ordinary course of business.
7. Since the date of its incorporation, FinCo has, save as disclosed in this Offering Circular, not:
 - (a) commenced operations;
 - (b) made up accounts as at the date of this Offering Circular; or
 - (c) entered into any contracts or arrangements not being in its ordinary course of business.
8. Each of PricewaterhouseCoopers LLP, Knight Frank LLP, Nabarro Nathanson, Decherts and Dundas & Wilson CS LLP has given and not withdrawn its written consent to the inclusion herein of its report or review or references to it, as applicable, in the form and context in which they appear.
9. Save as disclosed in this Offering Circular, since 30 July 2004 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer.
10. Save as disclosed in this Offering Circular, since 25 June 2004 (being the date of incorporation of FinCo), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of FinCo.
11. Save as disclosed in this Offering Circular, neither the Issuer nor FinCo has any outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer nor FinCo created any mortgage, charge or security or given any guarantees.

12. The first financial year in respect of the Issuer and FinCo will be to 31 March 2005. Neither the Issuer nor FinCo will publish interim accounts. The financial year end in respect of each of the Obligors and the end of the accounting period in respect of the Issuer and FinCo is on 31 March in each year. The first financial year after the Exchange Date for each of the Obligors will end on 31 March 2005.
13. For so long as the Programme remains in effect or any Notes are outstanding, copies of the following documents may (when published) be inspected during usual business hours at the Specified Offices of the Irish Paying Agent and at the registered office of the Issuer:
- (a) the Memorandum and Articles of Association of the Issuer, FinCo and each other Obligor;
 - (b) the latest audited financial statements for the Issuer and the Security Group (in the latter case, consolidated);
 - (c) the Dealership Agreement;
 - (d) any Class R Underwriting Agreement;
 - (e) each Subscription Agreement;
 - (f) the consents referred to in paragraph 8 above; and
 - (g) prior to the Exchange Date, drafts (subject to modification) and, after the Exchange Date, copies of the following documents:
 - (i) this Offering Circular;
 - (ii) any Pricing Supplement relating to the Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system in the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by the relevant Noteholders);
 - (iii) the Trust Deed;
 - (iv) the Agency Agreement;
 - (v) the Issuer Deed of Charge;
 - (vi) the Intercompany Loan Agreement;
 - (vii) the Security Trust and Intercreditor Deed;
 - (viii) the Obligor Floating Charge Agreement;
 - (ix) the Common Terms Agreement;
 - (x) the Initial Standard Securities;
 - (xi) the Account Bank and Cash Management Agreement;
 - (xii) the Tax Deed of Covenant;
 - (xiii) any transfers of Mortgaged Properties owned by Obligors that are partners in UK partnerships or are incorporated in Jersey;
 - (xiv) the Trust Agreements for each such title;
 - (xv) the Beneficiary Undertakings in relation to Mortgaged Properties beneficially owned by Obligors that are UK partnerships or are incorporated in Jersey; and
 - (xvi) the latest short-form Valuation Report on the Estate (which shall be substantially in the form of the summary report set out in Chapter 10 "*Summary of Initial Valuation Report*", page 185, above).
14. There has been no significant change in the financial or trading position of the Obligors since the end of the last financial period for which the audited financial statements have been published.
15. Any websites mentioned in this Offering Circular do not form part of the listing particulars approved by the Irish Stock Exchange.
16. Approval of this Offering Circular by the Irish Stock Exchange is conditional upon the occurrence of the reorganisation pursuant to the Reorganisation Documents prior to the issue of any Notes under the Programme.

GLOSSARY OF DEFINED TERMS

The following terms that are used in this Offering Circular have the following meanings:

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| “Acceleration” | <p>means an acceleration of the Secured Obligations (or equivalent action) including, in the case of:</p> <ul style="list-style-type: none">(a) any Loan (other than any Contingency Bond), the declaration that the principal amount thereof is immediately due and payable on demand and the making of a demand therefor;(b) any Contingency Bond, demanding that the liability of each Obligor thereunder be immediately collateralised by paying to the Obligor Security Trustee a sum equal to the maximum contingent liability thereunder;(c) any Swap Agreement, the early termination of any obligations (whether by reason of an event of default, termination event or other right of early termination) thereunder; or(d) any finance lease, the termination of the same by the lessor or the demand by the same for the prepayment of all amounts due to accrue thereunder, <p>(and “Accelerate” shall be construed accordingly).</p> |
| “Accepted Restructuring Purpose” | <p>means the purpose of achieving efficiencies in financing the business operations of the Security Group in anticipation of, or in accordance with, potential or actual changes in (i) law or regulation (including, without limitation the introduction of real estate investment trusts or property investment funds or investment vehicles of a similar nature in the United Kingdom whether or not in accordance with suggestions set out in the HM Treasury and Inland Revenue consultation paper dated March 2004 entitled <i>“Promoting more flexible investment in property – a consultation”</i>), (ii) practice in relation to the management, holding, or development of, providing Services in relation to or investment in property or (iii) the taxation law relating to the management, holding, or development of, providing Services in relation to or investment in property.</p> |
| “Account Bank” | <p>means Lloyds TSB Bank plc, acting in such capacity through its office at Bailey Drive, Gillingham Business Park, Gillingham, Kent ME8 0LS, or such other entity or entities appointed as account bank from time to time, subject to and in accordance with the terms of the Account Bank and Cash Management Agreement.</p> |
| “Account Bank and Cash Management Agreement” | <p>means the account bank and cash management agreement to be dated on or about the Exchange Date and entered into between the Obligors, the Issuer, the Account Bank, the Cash Manager, the Servicer, the Obligor Security Trustee and the Note Trustee.</p> |
| “Accounting Principles Confirmation” | <p>means the confirmation required by the Common Terms Agreement to be provided by the Rating Agencies in certain circumstances in order for any Proposed Accounting Principles to be adopted by the Obligors. See <i>“– Changes in Applicable Accounting Principles”</i>, page 98, above.</p> |
| “Accounts” | <p>means the Issuer Accounts and the Obligor Accounts.</p> |
| “ACF Agreement” | <p>means the Initial ACF Agreement or a Further ACF Agreement.</p> |
| “ACF Loan” | <p>means the principal amount of each borrowing or contingent liability or other form of Financial Indebtedness of an Obligor under an ACF Agreement.</p> |

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| “ACF Loan Payment Date” | means, for any ACF Loan, any date for the payment of interest thereon or the repayment of principal thereof. |
| “ACF Provider” | means an Initial ACF Provider or a Further ACF Provider. |
| “ACF Providers’ Confirmation” | means, in respect of any matter, a confirmation from a Representative (of one or more ACF Providers) that it has been duly instructed on such matter by such ACF Provider (or the requisite instructing group of ACF Providers) in accordance with the relevant ACF Agreement. |
| “Acquisition” | means the introduction into the Estate (by way of purchase or otherwise) of any legal or beneficial interest in any real estate and includes any acquisition of shares in any company or other entity which owns any such interest in any real estate property which shall be treated as the acquisition of the interest in the real estate property in question (and “Acquire” shall be construed accordingly). |
| “Actually Prepay” | means, in respect of: <ul style="list-style-type: none"> (a) a Non-Contingent Loan which is not a Revolving Loan, to repay all or part of the principal of such Financial Indebtedness at a time when such principal would not have been due or repayable but for the delivery of a voluntary notice of prepayment by the relevant borrower; or (b) a Non-Contingent Loan which is a Revolving Loan, to repay (and not concurrently redraw under the same Loan facility) principal on such loan prior to the service of a Loan Acceleration Notice, and “Actually Prepaying” , “Actual Prepayment” and “Actually Prepaid” are to be construed accordingly. |
| “Additional Assets” | with respect to any Obligor, means assets which are included in such Obligor’s balance sheet (as contained in its Latest Accounts), excluding: <ul style="list-style-type: none"> (a) real estate; (b) rental income, service charges or other income or recoveries relating to real estate; (c) an Obligor Account (excluding a Collection Account and any Operating Account) or the debt represented thereby; (d) prepayments or accruals (including amounts arising by reason of UITF 28); (e) intercompany debtor balances, guarantees or bonds or Monetary Claims owing between Obligors; and (f) an asset over which any Encumbrance (other than any floating charge) has been created. |
| “Additional Calculation Date” | means, in respect of any Proposed Additional Transaction, each Business Day (selected by the Obligors in accordance with the Common Terms Agreement) upon which the Additional Tier Tests are conducted. See “– <i>The Additional Tier Tests and Headroom Tests</i> ”, page 95, above. |
| “Additional LTV” | means, in respect of any Proposed Additional Transaction, the modified LTV calculated on the relevant Additional Calculation Date (which assumes, for the purposes of such calculation, that such transaction completed as of such date). |
| “Additional Mortgaged Property” | means a Nominated Eligible Property which has become part of the Estate following the satisfaction of the relevant conditions set out in the Common Terms Agreement, described in “– <i>Additional Mortgaged Properties</i> ”, page 74, above. |

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| “Additional Obligor” | means each nominated Eligible Obligor which has executed (among other things) an Obligor Accession Deed, immediately following the countersignature of that deed by the Obligor Security Trustee and the Note Trustee. |
| “Additional Projected ICR” | means, in respect of any Proposed Additional Transaction, the modified Projected ICR calculated on the relevant Additional Calculation Date (which assumes, for the purposes of such calculation, that such transaction completed as of such date). |
| “Additional Tier Determination Date” | means, in respect of the Additional Tier Tests conducted in respect of any Proposed Additional Transaction: <ul style="list-style-type: none"> (a) if such Additional Tier Tests will result in a more restrictive Covenant Regime applying, the date immediately before the relevant Proposed Completion Date; or (b) if such Additional Tier Tests will result in the same or a less restrictive Covenant Regime applying, the date upon which all elements of such transaction are completed. |
| “Additional Tier Test” | means, in respect of each Proposed Additional Transaction, the calculations of the Additional LTV, the Additional Projected ICR and (if the Obligors have elected to calculate the Pro Forma Historical ICR in respect of that proposed transaction) the Pro Forma Historical ICR. |
| “Adjusted Principal Amount” | means, in respect of any Financial Indebtedness, the Principal Amount Outstanding of such indebtedness, as calculated in accordance with the principles set out in paragraphs (a) to (d) (inclusive) of the definition of “Security Group Net Debt Outstanding”. |
| “Affected Class” | means: <ul style="list-style-type: none"> (a) in relation to the proposed introduction or change of any Secondary Debt Rank or Primary Debt Rank, each Sub-Class of Notes which corresponds to a Subordinated ICL Loan which, as a result of such introduction or change, will become subordinated in point of security to any other Subordinated ICL Loan or Subordinated ACF Loan to which it is not then subordinated; (b) in relation to the proposed incurrence of any Subordinated Debt after a Subordinated Debt Split, each Sub-Class of Notes which corresponds to a Subordinated ICL Loan that will be subordinate in point of security to the Subordinated Debt proposed to be drawn; (c) in relation to the proposed change of the Primary Debt Rank of any ICL Loan, the Sub-Class of Notes which corresponds to such Loan; and (d) in relation to any proposal to use funds standing to the credit of a DCA Ledger in respect of an ICL Loan to Prepay any Loan other than such ICL Loan, the Sub-Class of Notes which corresponds to such ICL Loan. |
| “Agency Agreement” | means the agency agreement dated on or about the Exchange Date and entered into between the Issuer, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agents and the Note Trustee. |
| “Agent Bank” | means Deutsche Bank AG London, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, or such other entity or entities appointed as agent bank from time to time, subject to and in accordance with the terms of the Agency Agreement. |

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| “Agents” | means the Paying Agents, the Agent Bank, the Registrar, the Transfer Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement. |
| “Aggregate Credit Balance” | means the sum of: <ul style="list-style-type: none"> (i) the aggregate credit balances (if any) on all Operating Accounts (excluding, for the avoidance of doubt, the Collection Accounts); (ii) the credit balances (if any) on the Collection Accounts (to the extent that the same exceeds the aggregate of all outstanding Rental Loans and Servicer Loans); and (iii) any sum which would, but for any technical or administrative error in the transmission of funds only, be standing to the credit of a Collection Account or an Operating Account. |
| “Aggregate Projected Development Cost” | means, at any time, the aggregate projected actual cost to the Obligor (excluding finance charges or allocation of overheads) of carrying out all Development Projects (as determined by the Obligor acting in good faith), to the extent that such cost is committed pursuant to building contracts in respect of Development Projects and would be committed pursuant to the proposed building contract which has resulted in the requirement to run the Development Test; such projected cost to exclude provisions for contingencies, sums already spent and costs which are to be met by a third party pursuant to a forward funding or forward sale agreement in respect of which any condition precedent to the commencement of the Development Projects has been satisfied. |
| “Agreed Form of Certificate of Title or Report on Title” | means (a) a certificate of title or report on title, in substantially the form of the document entitled “Form of Report on Title” initialled (for identification purposes only) on or about the Exchange Date by the Principal Obligor and the Obligor Security Trustee, (b) such other form of certificate of title or report on title as may be approved by the Obligor Security Trustee or (c) the then current City of London Law Society approved form of certificate on title. |
| “Agreed Form of Legal Opinion” | means the legal opinions required to be given in respect of certain matters under the Common Terms Agreement or the Security Trust and Intercreditor Deed, from time to time, in the forms agreed between the Obligor and the Obligor Security Trustee from time to time (or, in the case of Further Credit Assets, between the Obligor, the Obligor Security Trustee and the Rating Agencies). |
| “Agreed Form of RM Security Structure Documents” | means the forms of RM Security Structure Documents entered into on or about the Exchange Date in respect of the Initial RM Properties, or such other forms of RM Security Structure Documents as may be agreed between the Obligor and the Obligor Security Trustee from time to time. |
| “Agreed Form of Security” | means: <ul style="list-style-type: none"> (a) in the case of property situated in England and Wales, a first-ranking charge by way of a legal mortgage; (b) in the case of property situated in Scotland, a Standard Security; (c) in the case of property situated outside England, Wales and Scotland, such other form of security as may be agreed from time to time between the Obligor and the Obligor Security Trustee as being, for the purposes of the Common Terms Agreement and the Security Trust and Intercreditor |

Deed, equivalent in all material respects to a first-ranking charge by way of a legal mortgage over property situated in England and Wales;

- (d) in the case of shares, such form of security as (in the case of shares in companies incorporated in England and Wales, Scotland or Jersey) is customarily used to create a first ranking fixed charge or (in the case of shares in any other companies) may be agreed from time to time between the Obligors and the Obligor Security Trustee as being, for the purposes of the Common Terms Agreement and the Security Trust and Intercreditor Deed, equivalent in all material respects to a first ranking fixed charge over shares in companies incorporated in England and Wales; or
- (e) in the case of any Further Credit Asset, such form of security as has been agreed between the Obligors, the Obligor Security Trustee and the Rating Agencies in respect of that Further Credit Asset.

“Agreed Form of Security Document”

means a document which creates an Agreed Form of Security and which is in a form agreed between the Obligors and the Obligor Security Trustee from time to time.

“Allocated Debt”

means, in relation to a Mortgaged Property, the Security Group Net Debt Outstanding (as calculated as of the latest Tier Test Calculation Date) multiplied by a fraction, the numerator of which is the Market Value of the relevant Mortgaged Property and the denominator of which is the Total Collateral Value (as calculated as of the latest Tier Test Calculation Date).

“Allocated Debt Amount”

means, in relation to a Mortgaged Property, 130% of the Allocated Debt relating thereto.

“Amortisation Determination Date”

means a day which is:

- (a) the second Business Day preceding the first day upon which the Obligors become required to Prepay Non-Contingent Loans in accordance with a Mandatory Prepayment Provision (other than the Headroom Test Prepayment Provision and the DPA Prepayment Provision); and
- (b) as of which there is no continuing obligation to make Prepayments in accordance with any other Mandatory Prepayment Provision (other than the Headroom Test Prepayment Provision and the DPA Prepayment Provision).

“Amortisation Schedule”

means, at any date, a notional quarterly amortisation schedule (calculated on a 25 year mortgage annuity basis, irrespective of the actual maturity of any Loans then outstanding with payment dates falling on successive Financial Quarter Dates throughout the 25 year period) in respect of an amount of debt equal to the Adjusted Principal Amount of Priority 1 Debt and Priority 2 Debt incurred pursuant to Non-Contingent Loans outstanding at such date (ignoring any such debt that has been Collateralised other than pursuant to any of the Mandatory Prepayment Provisions), assuming an interest rate over the 25 year period equal to the then current yield to maturity (at the time of preparation of such schedule) on the UK gilt with the maturity closest to the end of that period plus 1% and rounded up to the nearest 1/2%.

“Applicable Accounting Principles”

means either generally accepted accounting principles in the United Kingdom (as applied by the Obligors as of the Exchange Date) or such other accounting principles as may be adopted by

the Obligors for certain purposes under the Obligor Transaction Documents in accordance with the Common Terms Agreement. See “– *Changes in Applicable Accounting Principles*”, page 98, above.

“Approved Blocked Account”

means any Obligor Account (other than the Income Replacement Account and any Development Account) so designated as a blocked account by the Obligors and approved as such by the Obligor Security Trustee.

“Approved Firm”

in relation to a required legal opinion, means a firm of lawyers from the panel of lawyers agreed between the Principal Obligor and the Obligor Security Trustee from time to time, the firm proposed by the Obligors in respect of that legal opinion to be specifically approved for that purpose by the Obligor Security Trustee in advance; for these purposes the initial agreed panel is (a) in relation to matters of English law, Slaughter and May, Clifford Chance LLP, Allen & Overy LLP, Linklaters, Freshfields Bruckhaus Deringer, Ashurst, SJ Berwin, Nabarro Nathanson and Dechert; (b) in relation to matters of Scots law, Dundas & Wilson CS LLP, Tods Murray and DLA Scotland LLP; and (c) in relation to matters of Jersey law, Mourant de Feu and Carey Olsen, in each case including successors to these firms or any firm arising as a result of a merger entered into by one or more of these firms.

“Approved Jurisdiction”

in respect of an Obligor, a proposed Additional Obligor or a partnership of Obligors means:

- (a) as to the management or tax residence of such Obligor or proposed Additional Obligor or a partnership of Obligors that is incorporated or established in England and Wales, Scotland or Jersey: England and Wales or Scotland; or
- (b) as to the place of incorporation, establishment or tax residence of such Obligor or proposed Additional Obligor (in each case, outside Great Britain): any jurisdiction nominated by such Obligor in respect of which (1) legal (including as to insolvency and security) opinions satisfactory to the Rating Agencies can (on the basis of applicable laws and the interpretation thereof) be given in respect of, among other things, its ownership (were it to be an Obligor) of Mortgaged Properties and (2) a tax opinion (or tax opinions) satisfactory to the Rating Agencies can be given to the Obligor Security Trustee and the Dealers addressing relevant tax issues arising from the introduction into the Security Group of such proposed Additional Obligor and its intended activities.

“Approved Property Manager List”

means the list of property managers, each of which shall be a suitable company in the business of real estate acting through an individual who shall be a fellow of the Royal Institution of Chartered Surveyors of at least 10 years’ experience of commercial property in the United Kingdom, agreed between the Principal Obligor and the Obligor Security Trustee from time to time (or, in the absence of agreement, such list as formulated by the Obligor Security Trustee).

“Auditors”

means PricewaterhouseCoopers LLP or such other international or other leading United Kingdom firm of auditors chosen by the Principal Obligor and notified to the Obligor Security Trustee and the Note Trustee from time to time.

“Authorised Signatory”

means an officer of any of the Obligors who appears on the list of authorised signatories for the purpose of executing certificates pursuant to the Common Terms Agreement and the Security

Trust and Intercreditor Deed (other than Compliance Certificates, the certification of Dormant Obligor status and any other certificate which is specifically required to be given by the directors) which has been delivered by the Obligors to the Obligor Security Trustee (as such list may be amended or updated by a director of the Principal Obligor from time to time).

“Available Cash”

means, in respect of the Security Group Pre-Enforcement Priority of Payments on any day, all amounts (other than Swap Excluded Amounts) that can be, and are, drawn that day from loan facilities which may be applied, and the sum of all credit balances on all Obligor Accounts to the extent available to be withdrawn in accordance with the Obligor Transaction Documents, in each case for the purpose of making payments in respect of the Security Group Pre-Enforcement Priority of Payments (and to the extent that funds in certain Obligor Accounts may be withdrawn for the purpose of making payments under a particular item in the Security Group Pre-Enforcement Priority of Payments, the Obligor shall be entitled to apply such funds as have been withdrawn as Available Cash towards payment of such particular item in the Security Group Pre-Enforcement Priority of Payments).

“Basic Terms Modifications”

has the meaning given to it in “– *Basic Terms Modifications*”, page 134, above.

“Bearer Notes”

means those Notes issued in bearer form.

“Beneficiary Undertaking”

means a deed so entitled whereby an Obligor (or Obligors who are partners in a partnership that is not itself an Eligible Obligor) that own(s) the beneficial interest in a Mortgaged Property give(s) certain undertakings to, among others, the Obligor Security Trustee.

“Blocking Right”

has the meaning given to it in “– *Blocking Rights*” on page 144.

“Business Day”

means, unless the context otherwise requires, a day on which commercial banks and foreign exchange markets settle payments and are open for general business in London.

“Buyback”

means, in respect of an ICL Loan, the deemed repayment of all or part of the principal of such ICL Loan in accordance with the Common Terms Agreement upon the acquisition (by FinCo) of Notes which correspond to such Loan, the surrender of such Notes to the Issuer and their cancellation. See “– *Prepayment of Non-Contingent Loans*”, page 88, above.

“Calculation Certificate”

means a certificate as to the results of one or more of the Calculation Tests delivered by the Obligors to the Obligor Security Trustee under the Common Terms Agreement from time to time. See “– *Calculation Certificates*”, page 98, above.

“Calculation Date”

means a Scheduled Calculation Date, an Additional Calculation Date, an Optional Calculation Date or a Transaction LTV Calculation Date.

“Calculation Period”

means a Historical Calculation Period or a Forward-Looking Calculation Period.

“Calculation Test”

means the Tier Tests, the P1 Debt Test, the Additional Tier Tests, the Transaction LTV Test, the Headroom Tests and the Prepayment Headroom Test.

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| “Cash Manager” | means Land Securities (Finance) Limited in its capacity as cash manager for the Obligors and the Issuer, or such other entity or entities appointed as cash manager from time to time, subject to and in accordance with the terms of the Account Bank and Cash Management Agreement. |
| “Certificate of Title” | means: <ul style="list-style-type: none"> (a) in relation to a Mortgaged Property introduced or to be introduced to the Estate on or before the Exchange Date, a certificate of title prepared by Nabarro Nathanson or Dechert (in the case of Mortgaged Properties located in England or Wales) or Dundas & Wilson CS LLP (in the case of Mortgaged Properties located in Scotland); and (b) in relation to any Additional Mortgaged Property, a certificate of title prepared by an Approved Firm. |
| “CGT Group” | means a group for the purposes of section 170 of the Taxation of Chargeable Gains Act 1992. |
| “CHAPS” | means the Clearing House Automated Payments System. |
| “Change of Control Event” | means either of (a) the acquisition of control of Land Securities Group PLC by one or more persons acting in concert (where “control” means the ability to direct the affairs of Land Securities Group PLC (whether by virtue of the ownership (direct or indirect) of shares and/or by contract and/or by any other means) (excluding any such acquisition of control pursuant to a scheme of arrangement or composition pursuant to which the beneficial owners of the shares of any company which directly or indirectly owns the shares of Land Securities Group PLC are substantially the same persons as those who beneficially held the shares of Land Securities Group PLC prior to such scheme or composition, or (b) the members of the Security Group are no longer under the Common Control of Land Securities Group PLC. |
| “Change of Control Period” | means the period between the occurrence of a Change of Control Event (unless the Ratings Test has been satisfied in respect of such event) and the first Ratings Affirmation to occur after such event. |
| “Change of Control Prepayment Provision” | means the provision of the Common Terms Agreement that will require the Obligors to Prepay Non-Contingent Loans in accordance with the most recent Amortisation Schedule for so long as certain LTV thresholds are breached while a Change of Control Period applies and either the T1 Covenant Regime or the T2 Covenant Regime applies. See “– <i>Due to breach of LTV threshold during Change of Control Period</i> ”, page 92, above. |
| “Charged Property” | means the property, assets, rights and undertaking of each Obligor that are the subject of the security interests created in or pursuant to the Obligor Security Documents. |
| “Class” | means: <ul style="list-style-type: none"> (a) in respect of Notes, a reference to a class of Notes, being the Class A Notes, the Class B Notes, the Class R1 Notes, the Class R2 Notes or any class of Subordinated Notes designated as a Class of Notes pursuant to a Pricing Supplement; (b) in respect of Noteholders, Noteholders holding a particular Class of Notes; (c) in respect of ACF Providers, the ACF Providers of ACF Loans ranking in point of security <i>pari passu</i> with each other (and in the case where multiple ACF Providers (under a |

single ACF Agreement) are making multiple ACF Loans ranking in multiple points of security, an ACF Provider shall belong to a Class of ACF Providers to the extent it has made an ACF Loan ranking in a particular point of security, together with other ACF Providers making ACF Loans ranking at the same point of security under different ACF Agreements (if any));

- (d) in respect of Debtholders, a Class of ACF Providers together with the Class of Noteholders holding Notes in respect of which the corresponding ICL Loans rank *pari passu* with the ACF Loans from such Class of ACF Providers; and
- (e) in respect of Qualifying Debtholders, a Class of Debtholders who are Qualifying Debtholders.

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| “Class A Notes” | means any Notes designated as such pursuant to a Pricing Supplement and issued on the Exchange Date or thereafter. |
| “Class B Notes” | means any Notes designated as such pursuant to a Pricing Supplement and issued after the Exchange Date. |
| “Class R Agent” | means any agent for any Class R Underwriter acting in such capacity. |
| “Class R Notes” | means Class R1 Notes and/or Class R2 Notes (as the context requires). |
| “Class R1 Notes” | means revolving notes designated as such pursuant to a Pricing Supplement and issued after the Exchange Date. |
| “Class R2 Notes” | means revolving notes designated as such pursuant to a Pricing Supplement and issued after the Exchange Date. |
| “Class R Underwriters” | means any underwriter of the Class R Notes appointed from time to time by the Issuer in accordance with a Class R Underwriting Agreement. |
| “Class R Underwriting Agreement” | means any underwriting agreement entered into after the Exchange Date between, <i>inter alios</i> , one or more underwriters, FinCo and the Issuer. |
| “Clearstream, Luxembourg” | means Clearstream Banking, <i>société anonyme</i> . |
| “Collateralise” | means, with respect to any Non-Contingent Loan, to deposit, into the Debt Collateralisation Account, an amount in respect of all or part of the principal amount outstanding of such Non-Contingent Loan and “Collateralisation” shall be construed accordingly. |
| “Collection Account” | means one or more accounts designated as a “Collection Account”, held in the name of Land Securities (Finance) Limited and maintained with the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement, or such other account(s) so designated in the name of Land Securities (Finance) Limited as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank in replacement of such account(s). |
| “Common Control” | means, in relation to the Obligors, (a) the control of all of the Obligors by any one person, (b) the majority of the board of directors of all the Obligors being the same individuals and/or legal entities or (c) the management of the Mortgaged Properties of each Obligor being contracted to the same external manager (other than any Property Manager), where, in the case of (a) above, “control” means the ability to direct the affairs of all the Obligors whether by virtue of the ownership (direct or indirect) of shares and/or by contract and/or by any other means. |

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| “Common Control Covenant” | means the T1 Covenant of the Obligors not to permit any Obligor to cease to be under Common Control except in accordance with the relevant provisions of the Common Terms Agreement (which provisions are described in “– <i>Released Obligors</i> ”, page 72, above). |
| “Common Depositary” | means Deutsche Bank AG London. |
| “Common Terms Agreement” | means the common terms agreement to be dated on or about the Exchange Date and entered into between, among others, the Original Obligors, the Issuer, the Obligor Secured Creditors, the Note Trustee and the Obligor Security Trustee. |
| “Compliance Certificate” | means each of the certificates to be given to (among others) the Obligor Security Trustee and the Rating Agencies pursuant to the covenants described in “– <i>Compliance Certificate</i> ”, page 113, above. |
| “Concentration Limits” | means the Sector Concentration Limit, the Geographic Concentration Limit and the Tenant Concentration Limit. |
| “Conditions” | means, in respect of the Initial Notes, the terms and conditions applicable to such Notes as contained in the Trust Deed, and in respect of Classes and/or Sub-Classes of Notes to be issued after the Exchange Date, the terms and conditions applicable to such Notes as contained in the Trust Deed as amended or supplemented from time to time (in each case as construed together with the relevant Pricing Supplement). |
| “Contingency Bond” | means an ACF Loan by way of a Performance Bond or other contingent liability of any of the Obligors (other than under the Guarantees, but including any contingent liability referred to in paragraph (i) of the definition of Financial Indebtedness). |
| “Coupon” | means an interest coupon appertaining to a Definitive Note (other than a Zero Coupon Note) and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 14 (<i>Replacement of Notes, Coupons, Receipts and Talons</i>). |
| “Couponholders” | means the several persons who are, for the time being, holders of the Coupons. |
| “Covenant Regimes” | means the T1 Covenant Regime, the T2 Covenant Regime, the Initial T3 Covenant Regime and the Final T3 Covenant Regime. |
| “Creditor Accession Deed” | means a deed (in the form set out in the Common Terms Agreement) pursuant to which any proposed creditor of the Security Group may accede to the Common Terms Agreement and the Security Trust and Intercreditor Deed in the capacity of an Obligor Secured Creditor. |
| “Dangerous Substance” | means any substance capable (whether alone or in combination with any other) of causing serious pollution or contamination, harm or damage to property or to the Environment. |
| “Day One Loan” | means the amount outstanding as of the Exchange Date between LSF (as lender) and LSP (as borrower) under the Land Securities Intra-Group Funding Deed. |
| “DCA Ledgers” | means the sub-ledgers established and maintained by the Cash Manager on behalf of the Obligors in respect of amounts standing to the credit of the Debt Collateralisation Account from time to time in accordance with the Common Terms Agreement and the Account Bank and Cash Management Agreement. See “– <i>Collateralisation</i> ”, page 89, above. |

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| “Dealers” | means any dealers appointed by the Issuer from time to time under the Dealership Agreement, and references to the “relevant Dealer(s)” means, in relation to any Sub-Class of Notes (other than Class R Notes), the Dealer or Dealers with whom the Issuer has agreed the issue of the Notes of such Sub-Class. |
| “Dealership Agreement” | means the dealership agreement related to the Programme dated on or before the Exchange Date and entered into between, among others, certain financial institutions as dealers and the Issuer. |
| “Dealing” | means any voluntary act (which includes any Acquisition and any Disposal, the entering into or varying of any Leasing Agreement, the entering into of any Development Contract, exercising any right under, or the varying or surrendering of any such contract and carrying out any Development or other works in respect thereof) and “Deal” shall be construed accordingly. |
| “Debt Collateralisation Account” | means the account designated as the “Debt Collateralisation Account”, held in the name of FinCo and maintained with the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement, or such other account as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank to replace such designated account. |
| “Debtholder” | means a Noteholder or an ACF Provider. |
| “Debtholders’ Meeting” | means a meeting of Debtholders, held in accordance with the Security Trust and Intercreditor Deed. |
| “Debt Ranks” | means the Primary Debt Ranks and the Secondary Debt Ranks. |
| “Deduction Amount” | in respect of any Relevant Obligor means the lower of £600,000 and 20% of the value of such Obligor’s Additional Assets, such value to be determined by reference to such Obligor’s Latest Accounts. |
| “Deemed Disposal” | means, in respect of any Mortgaged Property, an Obligor which holds such Mortgaged Property ceasing to be under Common Control. |
| “Deemed Disposal Proceeds” | means, in relation to the Deemed Disposal of one more Mortgaged Properties, an amount equal to the lower of (a) the aggregate of the Allocated Debt Amount for each such Mortgaged Property and (b) the aggregate of the Market Values of such properties. |
| “Deemed Tax Borrowings” | means, in summary, the sum of (a) the amount of unpaid Disposal Tax in excess of £50,000,000 (subject to Transaction Indexation) and (b) the amount of unpaid Transaction Tax in excess of £50,000,000 (subject to Transaction Indexation), save to the extent that such Disposal Tax or Transaction Tax is already reserved for in a Tax Reserve Account. |
| “Definitive Note” | means a Bearer Note issued in definitive form, in or substantially in the form set out in Part C (<i>Form of Definitive Note</i>) of Schedule 3 of the Trust Deed. |
| “Degrouping Charge” | means, in summary, any liability to pay tax that would arise to an Obligor as a result of the application of Section 179 Taxation of Chargeable Gains Act 1992, Section 111 Finance Act 2002, Section 113 Finance Act 2002 or either of paragraphs 3 or 9 of Schedule 7 Finance Act 2003 were that Obligor to leave the relevant tax group. |

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| “Development” | means the construction on any Obligor Property of a building (including a substantial refurbishment of an existing building, meaning a refurbishment which can only be carried out if 60% or more of the total lettable space of any building on the Obligor Property in question is vacant). |
| “Development Account” | means any account opened in accordance with the covenants referred to in “– <i>Developments in Partnerships and Non-UK Obligors</i> ”, page 106, above, or “– <i>Cardinal Place Development</i> ”, page 113, above. |
| “Development Contract” | means any building contract relating to the carrying out of any Development. |
| “Development Project” | <p>means works in respect of any Obligor Property which:</p> <ul style="list-style-type: none"> (a) constitute a Development the cost of which exceeds £10 million (subject to Indexation) (but for this purpose only taking account of cost which is committed pursuant to building contracts which have been or are about to be entered into); or (b) are not works to which paragraph (a) above applies, but the Obligors have designated them as works to which this paragraph (b) is to apply; <p>and (in either case) such works:</p> <ul style="list-style-type: none"> (i) have not commenced but are the subject of a building contract to carry out the same; or (ii) are in progress; or (iii) have reached practical completion under the building contract or contracts for the same but the Obligor Property in question has not been revalued in a Valuation Report since the date of practical completion as aforesaid. |
| “Development Test” | means a test under the Common Terms Agreement to determine, among other things, the extent to which certain amounts expended by the Obligors in respect of Development Projects in respect of Obligor Properties may be included in the calculation of Total Collateral Value. See “– <i>Development</i> ”, page 106, above. |
| “Disposal” | means the sale, transfer, disposition, lease, declaration of trust or other method of disposal of any legal or beneficial interest in, or any right to receive income or capital from, any Mortgaged Property (other than by way of a Leasing Agreement) or any agreement to do any of the foregoing by an Obligor and includes any disposal of shares or other ownership interest in any company or other entity which owns any such interest in any Mortgaged Property (and includes, for the avoidance of doubt, any such transfer in connection with any dividend in specie made by any Obligor), and “ Dispose ” and “ Disposed ” shall be construed accordingly. |

“Disposal Proceeds Account”

means an account designated as the “Disposal Proceeds Account”, held in the name of FinCo and maintained by the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement, or such other account so designated in FinCo's name as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank in replacement of such account.

“Disposal Tax”

means, in summary, at any time, the liability to Tax that would arise to any member or members of the Security Group in respect of one or more disposals of real property assets or shares in companies (including the liability to Tax that could arise on the crystallisation of any Degrouping Charge), the amount thereof in relation to any particular disposal to be computed in accordance with the Tax Deed of Covenant.

“Disposal Threshold Value”

means the Market Value of any Mortgaged Property which is, or is to be, the subject of a Disposal as of (a) the Mortgage Date; (b) (if applicable) the date of the last Ratings Affirmation or (c) if such Mortgaged Property is a Post-Division Property, an amount equal to $A \times (B \div C)$, where “A” equals the Market Value of the relevant Undivided Property as of the Mortgage Date for such Undivided Property; “B” equals the Market Value of such Post-Division Property and “C” equals the aggregate Market Values of all Post-Division Properties into which such Undivided Property was split.

“Disposals Threshold”

means, at any time, (i) if the T1 Covenant Regime applies, 30% of the Market Value of the Estate or (ii) if the T1 Covenant Regime does not apply, 20% of the Market Value of the Estate, provided that in each case the Market Value of the Estate (for these purposes only) shall be the aggregate of:

- (a) the Market Value of the Estate shown in the Initial Valuation Report or (if applicable) as shown in the Valuation Report immediately before the most recent (as at the time of assessment of the Disposals Threshold) Ratings Affirmation; and
- (b) the aggregate Market Value of any Mortgaged Properties introduced into the Estate after the issue of the Initial Valuation Report or, as the case may be, the date of the most recent Ratings Affirmation (the Market Value of which shall be taken by reference to the Valuation Report(s) upon which the introduction thereof was based or (as the case may be) by reference to the Valuation Report in respect of the Estate immediately before the last Ratings Affirmation); and
- (c) if there are any Development Projects as at the time of assessment of the Disposals Threshold, the aggregate of development costs spent in respect thereof since, in the case of each relevant Development Project, the date of the relevant Valuation Report relating to the Mortgaged Property in question as ascertained by reference to subparagraph (a) or (b) above (as the case may be).

“Dormant Obligor”

means any Obligor which no longer holds any Mortgaged Property or other real estate assets, any shares in any Obligor which is not a Dormant Obligor or any Obligor Account and which is not a party in the capacity of primary debtor (other than as a result of its obligations under the Security Trust and Intercreditor Deed) to any ACF Agreement.

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| “DPA Prepayment Provision” | means the provision of the Common Terms Agreement that will require the Obligors to use certain amounts standing to the credit of the Disposal Proceeds Account to Prepay Non-Contingent Loans, as described in “– <i>Disposal and Insurance Proceeds</i> ”, page 116, above. |
| “Dual Currency Notes” | means Notes, designated as such in the relevant Pricing Supplement, in respect of which the amount payable (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree. |
| “Due Diligence Legal Reports” | means the Certificates of Title and the Title Overview Report described in “– <i>Investigations and Certificates of Title</i> ”, page 54, above. |
| “Early Redemption Premium ICL Loan” | means (i) any Floating Rate ICL Loan which is a Revolving ICL Loan, (ii) any Floating Rate ICL Loan the principal amount outstanding of which is subject to adjustment and (iii) any ICL Loan not referred to in paragraphs (i) or (ii) which is not a Floating Rate ICL Loan. |
| “Eligible Bank” | means an authorised institution under FSMA which meets the Minimum Short Term Ratings and the Minimum Long Term Ratings. |
| “Eligible Investments” | <p>means:</p> <ul style="list-style-type: none"> (a) sterling gilt-edged securities; (b) sterling demand or time deposits, certificates of deposit, short-term debt obligations (including commercial paper), money market funds or equivalent investments in respect of which the relevant debtor or guarantor has the Minimum Short Term Rating (and, in relation to money market funds and equivalent investments, the long term unsecured, unsubordinated and unguaranteed debt obligations of the relevant debtor or guarantor are rated not less than Aaa by Moody’s, should it be a Rating Agency); and (c) euro demand or time deposits, certificates of deposit, short-term debt obligations (including commercial paper), money market funds or equivalent investments in respect of which the relevant debtor or guarantor has the Minimum Short Term Rating (and, in relation to money market funds and equivalent investments, the long term unsecured, unsubordinated and unguaranteed debt obligations of the relevant debtor or guarantor are rated not less than Aaa by Moody’s, should it be a Rating Agency), <p>provided that:</p> <ul style="list-style-type: none"> (i) subject to paragraph (ii) below, such investments have maturity dates falling not later than one year after the date of acquisition thereof or are callable on demand; (ii) in the case of investments acquired with funds standing to the credit of any DCA Ledger, such investments have maturity dates which are no later than the last scheduled payment date of the relevant Non-Contingent Loan; (iii) in the case of the investments referred to in paragraph (c) above, the aggregate principal amount of such investments does not exceed the aggregate principal amount of euro-denominated Financial Indebtedness which is not hedged into sterling; and |

- (iv) in the case of the investments referred to in paragraphs (b) and (c) above, if such investments have a term to maturity of more than six months from the date of acquisition thereof, the relevant debtor or guarantor also has the Minimum Long Term Ratings from Moody's, should it be a Rating Agency.

"Eligible Obligor"

means:

- (a) a company which is resident for tax purposes in the United Kingdom and incorporated in England and Wales, Scotland or Jersey, or
- (b) any other entity established under the laws of England and Wales or Scotland and resident for tax purposes in the United Kingdom in respect of which (1) legal (including as to insolvency and security) opinions satisfactory to the Rating Agencies can (on the basis of applicable laws and the interpretation thereof) be given in respect of, among other things, its ownership (were it to be an Obligor) of Mortgaged Properties and (2) a tax opinion (or tax opinions) satisfactory to the Rating Agencies can be given to the Obligor Security Trustee, the Note Trustee and the Dealers addressing relevant tax issues arising from the introduction into the Security Group of such proposed Obligor and its intended activities;
- (c) any company or other entity incorporated or established in an Approved Jurisdiction and tax-resident in that same Approved Jurisdiction; or
- (d) any limited liability partnership established under the Limited Liability Partnerships Act 2000 which is managed in an Approved Jurisdiction.

"Eligible Property"

means any freehold, leasehold or heritable property or other real estate.

"Encumbrance"

means:

- (a) a mortgage, charge, security, pledge, lien, assignment, standard security, assignation or other encumbrance securing any obligation of any person or any agreement or arrangement having a similar effect (including any title transfer and retention arrangement); or
- (b) any arrangement under which money or claims to, or the benefit of, a bank or other account of an Obligor may be applied, set off or made subject to a combination of accounts so as to effect the discharge of any sum owed or payable to any person.

"Enforcement Action"

means any action, other than the delivery of a Loan Enforcement Notice or a Loan Acceleration Notice, to enforce the Obligor Security held by the Obligor Security Trustee and/or to preserve any of the rights of the Obligor Security Trustee and/or any Obligor Secured Creditor (including the appointment and/or removal of any Receiver in respect of the Obligor Security held by the Obligor Security Trustee and (if such Receiver is appointed) instructing the Receiver to take or not take such action) and the release of any assets (over which the Note Trustee has appointed an administrative receiver) from the STID Floating Security upon enforcement of the OFCA Floating Security.

"Enforcement Period"

means any period following the delivery of a Loan Enforcement Notice, provided that, if any Loan Enforcement Notice is delivered in respect of a P2 Trigger Event and any Receiver appointed in

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| | respect of such P2 Trigger Event is removed pursuant to “– <i>Removal of a Receiver</i> ” page 141, the Enforcement Period shall end on the date on which such Receiver is removed. |
| “Enforcement Trigger Event” | means an event which would entitle the Obligor Security Trustee to take Enforcement Action or certain Qualifying Debtholders to vote on whether to take any Enforcement Action as listed in the section entitled “– <i>Loan Enforcement Notice and Enforcement Action</i> ”, page 138, above. |
| “English Property” | means any one or more of the Mortgaged Properties or (depending on the context) proposed Mortgaged Properties which are located in England and Wales. |
| “Enterprise Act” | means the Enterprise Act 2002. |
| “Environment” | means air (including air within buildings or other natural or man-made structures whether above or below ground), land (including any buildings or other permanent structures on, in or below the land), water (including water within buildings or other natural or man-made structures), flora, fauna and humans. |
| “Environmental Action” | means any civil, criminal, regulatory or administrative proceedings, suit, action or formal written notice to which the relevant Obligor is subject pursuant to Environmental Law. |
| “Environmental Contamination” | means (a) the presence or release, emission, leakage or spillage of any Dangerous Substance at, or their migration from, any site owned or occupied by the Obligors into any part of the Environment or (b) any accident, fire, explosion or sudden event at any site owned, occupied or used by any Obligor which is directly or indirectly caused by or attributable to any Dangerous Substance, in each case which causes or is likely to cause a significant risk of harm or damage to the Environment. |
| “Environmental Law” | means all directly applicable European, national or local statutes, statutory instruments, regulations, directives, statutory guidance and regulatory codes of practice and common law concerning the protection of the Environment which are capable of enforcement by legal process. |
| “Environmental Permit” | means any permit, licence, authorisation or consent required or issued under Environmental Law. |
| “Environmental Reports” | means: <ul style="list-style-type: none"> (a) the environmental risk assessment reports undertaken by Messrs Watts and Partners in respect of 15 of the Mortgaged Properties and dated 23 September 2004; and (b) the reports on any environmental search, risk assessment or other investigation in relation to any Additional Mortgaged Property disclosed to the Valuers. |
| “Estate” | means on any date all of the Mortgaged Properties on such date. |
| “Euroclear” | means Euroclear Bank S.A./N.V. as operator of the Euroclear System. |
| “Exchange Date” | means the date upon which Land Securities PLC transfers the Initial Notes as consideration for the redemption or repurchase of the Existing Note Debt (being on or about the Business Day after the date of this Offering Circular). |
| “Exchange Event” | means: <ul style="list-style-type: none"> (a) Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces |

an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence; or

- (b) as a result of any amendment to, or a change in 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 Exchange Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of such Notes which would not be required were such Notes in definitive form.

“Existing Bank Debt”

means:

- (a) the £600,000,000 revolving credit facility dated 26 March 2001 (as amended and novated) between, amongst others, Land Securities PLC as borrower, Lloyds TSB Bank plc Capital Markets as arranger and Lloyds TSB Bank plc as agent;
- (b) the £800,000,000 credit facilities agreement dated 22 May 2002 (as amended) between, amongst others, Land Securities PLC as borrower, Barclays Capital, Lloyds TSB Bank plc Capital Markets, The Royal Bank of Scotland plc and Salomon Brothers International Limited as mandated lead arrangers and Lloyds TSB Bank plc Capital Markets as agent;
- (c) the £150,000,000 bilateral loan agreement dated 10 September 2003 between Land Securities PLC (as borrower) and HSBC Bank plc (as lender); and
- (d) the £1,000,000,000 revolving credit facility dated on or about 27 September 2004 between, among others, Land Securities PLC as borrower, Barclays Capital, Citigroup Global Markets Limited and Lloyds TSB Bank plc as arrangers and Lloyds TSB Bank plc as agent.

“Existing Note Debt”

means:

- (a) the £200,000,000 9.50 per cent bonds due 2007
- (b) the £400,000,000 5.875 per cent bonds due 2013;
- (c) the £200,000,000 9.00 per cent bonds due 2020;
- (d) the £200,000,000 6.375 per cent bonds due 2024;
- (e) the £400,000,000 10.00 per cent first mortgage debenture stock due 2025;
- (f) the £200,000,000 10.00 per cent first mortgage debenture stock due 2027; and
- (g) the £200,000,000 10.00 per cent first mortgage debenture stock due 2030,

in each case issued by Land Securities PLC (and, for the avoidance of doubt, the amounts specified herein refer to face value of the relevant bonds or debentures at the time of their issuance).

“Extraordinary Resolution”

has the meaning given to it in the Conditions.

“Facility Agent”

means an agent in respect of (a) a syndicated facility under which ACF Loans will or may be provided under an ACF Agreement or (b) a Liquidity Facility.

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| “Fees and Expenses” | means, in respect of any Facility Agent, the Note Trustee, the Obligor Security Trustee, any Receiver, any Paying Agent, any Transfer Agent, the Registrar, any Class R Agent, the Agent Bank, any Property Manager, any Replacement Cash Manager or any Replacement Servicer, any fees, costs, expenses, other remuneration and indemnity payments payable to such person (in that capacity) which are due and payable. |
| “Final T3 Covenant Regime” | means the covenant regime that will apply under the Common Terms Agreement if any of the Initial T3 Thresholds are breached at the relevant time. See “– <i>Determining the Applicable Covenant Regime</i> ”, page 100, and “– <i>Applicable Covenants</i> ”, page 101, above. |
| “Final T3 Covenants” | means the covenants so designated and set out in the Common Terms Agreement, as described in “– <i>Final T3 Covenants</i> ”, page 114, above. |
| “Financial Covenant” | means the covenant described in “– <i>Financial Covenant</i> ”, page 102, above. |
| “Financial Half-Year” | means the period from and including 1 April 2005 and ending 30 September 2005 and thereafter each six-month period ending on 30 September or 31 March of each year (or, if the Security Group should alter its accounting reference period, the last day of each such period and the date falling six months after each such day). |
| “Financial Indebtedness” | means any indebtedness incurred by an Obligor in respect of: <ul style="list-style-type: none"> (a) the principal amount, mandatory premia (excluding any prepayment premia) and any capitalised element (including rolled-up interest and accreted capital but excluding any amount representing issue costs and other fees), of money borrowed or raised, whether or not for cash (including in respect of any debenture, bond, loan stock, commercial paper or similar debt instrument and debit balances at banks) provided, for the avoidance of doubt, that the principal amount that is to be taken into account at any date shall not exceed the principal amount that would be payable on that date were the relevant debt to be accelerated; (b) liabilities in respect of any letter of credit, standby letter of credit, Performance Bond, acceptance credit, bill discounting or note purchase facility and any receivables purchase, factoring or discounting arrangements; (c) rental or hire payments under any contract between a lessor and a lessee treated as a finance lease in accordance with the Applicable Accounting Principles but excluding liabilities under any lease of property treated as a finance lease (in accordance with Applicable Accounting Principles) or otherwise capitalised; (d) the unconditional deferred purchase price of assets or services (excluding any retention or withholding from such purchase price entered into or arising in the ordinary course of business), where in each case both the primary intention for which and the commercial effect thereof was borrowing money; (e) the marked-to-market value at inception of any foreign exchange agreement, Swap Transaction or other derivative transaction or similar arrangement which in each case has, at its inception, the commercial effect of borrowing; |

- (f) all unconditional obligations to purchase, redeem, retire, defease or otherwise acquire for value any share capital of any person pursuant to transactions the primary intention for which and the commercial effect of which is the borrowing of money;
- (g) the right of reimbursement that a party to a forward funding agreement, entered into with such Obligor, has (if any) in respect of its contributions under such agreement if such Obligor's primary intention in entering into, and the commercial effect of, such agreement is the borrowing of money;
- (h) any other transactions of a similar nature to those referred to in paragraphs (a) to (g) above where borrowing is the primary purpose; and
- (i) all Financial Indebtedness of other persons (other than an Obligor) of the kinds referred to in paragraphs (a) to (h) above guaranteed or indemnified by an Obligor (or having the commercial effect of being guaranteed or indemnified by such Obligor, where such commercial effect is the primary purpose of the relevant transaction),

but excludes:

- (1) Rental Loans and Servicer Loans (to the extent of funds standing to the credit of a Collection Account);
- (2) amounts owed to the Account Bank (to the extent of the Aggregate Credit Balance);
- (3) any amounts of indebtedness (whether actual or contingent) owed by one Obligor to another Obligor;
- (4) any preference share or other form of share capital, or partnership interest, even if accounted for as a liability in accordance with the Applicable Accounting Principles; and
- (5) without double counting, any indebtedness of any Obligor, to the extent that the Obligor has given irrevocable instructions to the Account Bank to repay or prepay such indebtedness from a Collection Account or an Operating Account and, but for a technical or administrative error in the transmission of funds only, such indebtedness would have been repaid or prepaid at the relevant time.

“Financial Quarter Date”

means 31 March, 30 June, 30 September and 31 December in any year.

“Financial SPV Obligor”

means any Additional Obligor established for the primary purpose of acting as a financing vehicle for the Security Group and which complies with the obligation of a Financial SPV Obligor to have only the Permitted Business specified in paragraph (a) of the definition thereof.

“Financial Year”

means:

- (a) the period commencing on the Exchange Date and ending on 31 March 2005; and
- (b) thereafter, each period of one year ending on 31 March in each year, or if the financial year as defined in section 223 of the Companies Act 1985 is changed by the Security Group each period of one year (or less) ending on the last day of such financial year of the Security Group from time to time as notified to the Obligor Security Trustee.

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| “FinCo” | means LS Property Finance Company Limited, a private limited company incorporated under the laws of England and Wales with registered number 5163698 and whose registered office is at 5 Strand, London WC2N 5AF. |
| “Fitch” | means Fitch Ratings Limited or its successor by way of name change or merger from time to time. |
| “Fixed Rate ICL Loan” | means any advance by the Issuer to FinCo under the Intercompany Loan Agreement with a fixed rate of interest (save, in certain cases, for the final two years of its tenor, which shall be ignored in construing this definition). |
| “Fixed Rate Notes” | means Notes which carry a fixed rate of interest and are designated as such in the relevant Pricing Supplement (save, in certain cases, for the final two years of its tenor, which shall be ignored in construing this definition). |
| “Floating Rate ACF Loan” | means any advance by an ACF Provider to an Obligor under an ACF Agreement with a floating rate of interest. |
| “Floating Rate ICL Loan” | means any advance by the Issuer to FinCo under the Intercompany Loan Agreement with a floating rate of interest. |
| “Floating Rate Loans” | means the Floating Rate ICL Loans and the Floating Rate ACF Loans. |
| “Floating Rate Notes” | means Notes which carry a floating rate of interest and are designated as such in the relevant Pricing Supplements. |
| “Forfeiture Risk Property” | means any leasehold property which would otherwise be a Mortgaged Property but for receipt by an Obligor of any notice or threat of intended forfeiture proceedings in relation to that property on account of the charge under the Obligor Security having been granted without landlord consent. |
| “Form of Transfer” | means the form of transfer endorsed on an Individual Note Certificate in the form or substantially in the form set out in Part A of Schedule 2 to the Trust Deed, in the case of a Rule 144A Individual Note Certificate and in the form or substantially in the form set out in Part C of Schedule 2 to the Trust Deed, in the case of a Regulation S Individual Note Certificate. |
| “Forward-Looking Calculation Period” | means, in relation to any Calculation Date, the period of twelve months occurring immediately after that date. |
| “FSMA” | means the Financial Services and Markets Act 2000. |
| “Further ACF Agreement” | means any agreement, which is entered into after the Exchange Date and which meets certain criteria set out in the Common Terms Agreement, for the provision of bank or other third party funding to the Obligors or pursuant to which the Obligors may incur Secured Financial Indebtedness by way of loan guarantees or Performance Bonds. See “– <i>Further ACF Agreements</i> ”, page 80, above. |
| “Further ACF Loan” | means an ACF Loan other than an Initial ACF Loan. |
| “Further ACF Provider” | means each person who executes a Creditor Accession Deed in such capacity (provided that such deed is countersigned by the Obligor Security Trustee). |
| “Further Credit Assets” | bears the meaning given to that term in “– <i>Additional Mortgaged Properties</i> ”. |
| “Further ICL Loan” | means an ICL Loan other than an Initial ICL Loan. |
| “Further Priority 1 Debt” | means any Financial Indebtedness of any of the Obligors which is incurred after the Exchange Date in compliance with the Common Terms Agreement and which is attributed the Debt |

Rank of "Priority 1 Debt" in accordance with the provisions described in the section entitled "*– Ranking of Financial Indebtedness*", page 82, above.

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| "General Tax Reserve Account" | means the account designated as the "General Tax Reserve Account", held in the name of FinCo and maintained by the Account Bank pursuant to the Account Bank and Cash Management Agreement, or any other such account so designated in the name of FinCo as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank in replacement of such account. |
| "Geographic Concentration Limit" | means a limit imposed by the Common Terms Agreement on the percentage of Total Collateral Value that may be attributed to any particular Region. See " <i>– Geographic diversity – negative covenant</i> ", page 103, above. |
| "Global Note" | means a Permanent Global Note and/or a Temporary Global Note, as the context may require. |
| "Global Note Certificate" | means, in relation to any Series, any Rule 144A Global Note Certificate, Regulation S Global Note Certificate or any Non-DR Global Note Certificate in or substantially in the forms set out in Schedule 2 of the Trust Deed. |
| "Government Tenant" | means the Crown or a Secretary of State or other Minister of the Crown, appointed on behalf of the Crown in order to perform the functions of the Crown, or any body corporate, agency or other body whose obligations, pursuant to relevant Leasing Agreements, are directly guaranteed to the relevant Obligors by or in the name of the Crown. |
| "Guarantees" | means the guarantees and indemnities granted by the Obligors under the Security Trust and Intercreditor Deed, described in " <i>– Covenants to pay and Guarantees</i> ", page 127, above. |
| "Headroom Test Prepayment Provision" | means the provision of the Common Terms Agreement that will require the Obligors to Prepay Priority 1 Debt or Priority 2 Debt if the Prepayment Headroom Test is not satisfied as of any Tier Test Calculation Date or Additional Calculation Date. See " <i>– Upon breach of Prepayment Headroom Test</i> ", page 91, above. |
| "Headroom Tests" | means the P1 Headroom Test, the P2 Headroom Test, the SD Headroom Test and the UD Headroom Test. |
| "Hedging Covenant" | means the covenant set out in the Common Terms Agreement regarding the entry into Swap Transactions by the Obligors, described in " <i>– Swap Agreements and Hedging Covenant</i> ", page 87, above. |
| "Historical Calculation Period" | means, in respect of a Calculation Date, the period of twelve months which ends on (and includes) such Calculation Date. |
| "Historical EBITDA" | <p>means, in respect of any Historical Calculation Period, the consolidated or <i>pro forma</i> consolidated operating profit of the Security Group (taking into account changes in its composition) for that period calculated in accordance with the Applicable Accounting Principles (but including for the avoidance of doubt any releases from the Income Replacement Account), but before:</p> <ul style="list-style-type: none">(a) any Historical Interest Charges;(b) any amount attributable to amortisation of goodwill or other intangible assets or the amortisation or the writing off of acquisition or refinancing costs and any deduction for depreciation of assets; and |

- (c) any accrued tax for such Historical Calculation Period in respect of all amounts and items included in or taken into account in calculating that consolidated operating profit and before any adjustments to deferred tax assets or liabilities in that period,

and excluding:

- (i) fair value adjustments or impairment charges (to the extent they involve no payment of cash);
- (ii) items that would be treated as extraordinary or exceptional income or charges under the Applicable Accounting Principles for such Historical Calculation Period;
- (iii) any amount attributable to the writing up or writing down of any assets of any Obligor after the Exchange Date or, in the case of an Obligor becoming such after the Exchange Date, after the date of its becoming such and, in each case, in respect of such Historical Calculation Period;
- (iv) any non-cash amount attributed to share-based payments;
- (v) any other non-cash items, including any change in the mark-to-market value of any derivative transaction (but not so as to exclude UITF 28 as it affects any rent-free periods relating to tenancies granted by or to the Obligors, accruals and prepayments relating to rental income and operating expenses and specific bad debt provisions);
- (vi) any amounts attributable to the disposal of any properties or other assets during such Historical Calculation Period; and
- (vii) any operating profit or loss attributable to an Obligor for any period during such Historical Calculation Period for which such Obligor was not under Common Control.

“Historical ICR”

means, as of any Calculation Date, the ratio of the Historical EBITDA to the Historical Interest Charges in respect of the Historical Calculation Period in respect of such Calculation Date.

“Historical ICR Event”

means, in respect of any Scheduled Calculation Date, that both of the following conditions are satisfied:

- (a) the Historical ICR calculated as of that date falls below any Tier Threshold and the Projected ICR calculated in respect of the same Calculation Period exceeded that same Tier Threshold; and
- (b) the Historical ICR calculated as of the immediately preceding Scheduled Calculation Date fell below any Tier Threshold and the Projected ICR calculated in respect of the same Calculation Period exceeded that same Tier Threshold.

“Historical Interest Charges”

means, in relation to a Historical Calculation Period:

- (a) without double-counting, the accrued cost of interest on Financial Indebtedness of the Security Group (excluding any non-cash items, front end fees (whether or not amortised) and exceptional and extraordinary items but after taking account of any relevant hedging) for such Historical Calculation Period;

less:

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| | (b) without double-counting, any interest receivable by any member of the Security Group from a third party over the relevant Historical Calculation Period other than interest on the Income Replacement Account but including interest on amounts standing to the credit of the Liquidity Ledger. |
| “HoldCo” | means Land Securities Intermediate Limited. |
| “ICL Loan” | means an advance by the Issuer made to FinCo under the Intercompany Loan Agreement from the proceeds of issue of Notes. |
| “ICL Loan Payment Dates” | means, in relation to each ICL Loan, the dates falling on or before (as specified in the relevant Pricing Supplement) the Note Payment Dates in respect of the Notes to which the ICL Loan relates. |
| “ICR” | means the Historical ICR or the Projected ICR. |
| “IFRS” | means International Financial Reporting Standards. |
| “Income Replacement Account” | means the account designated as the “Income Replacement Account” held in the name of FinCo and maintained by the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement, or such other account as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank in replacement of such account. |
| “Index Event” | has the meaning given to such term in Condition 8(e)(i) (<i>Optional Redemption for Index Events</i>). |
| “Index Ratio” | has the meaning given to such term in Condition 7(a) (<i>Definitions</i>). |
| “Indexation” | <p>of any figure expressed to be subject thereto means that figure multiplied by the higher of 1 and the fraction A/B, where:</p> <p>“A” is the Total Collateral Value calculated as at the latest Scheduled Calculation Date falling on the last day of the most recently completed Financial Year and rounded down to the nearest whole multiple of £500,000,000; and</p> <p>“B” is £6,500,000,000</p> |
| “Indexed Notes” | means Notes (other than Class R Notes) in respect of which the amount payable in respect of principal and interest is calculated by reference to an index and/or formula as the Issuer and the relevant Dealer(s) may agree, and are designated as such in the relevant Pricing Supplement. |
| “Individual Note Certificate” | means any Rule 144A Individual Note Certificate, Regulation S Note Certificate or any Non-DR Individual Note Certificate in or substantially in the forms set out in Schedule 2 of the Trust Deed. |
| “Industrial Sector” | means the use of a Mortgaged Property primarily for industrial purposes within Use Classes B1 or B2 or B8 of the Use Classes Order 1987. |
| “Initial ACF Agreement” | means the authorised credit facilities agreement to be dated on or about the Exchange Date and entered into between, among others, FinCo and the Initial ACF Providers. |
| “Initial ACF Loans” | means the ACF Loans made to FinCo on or about the Exchange Date under the Initial ACF Agreement. |
| “Initial ACF Providers” | means the providers of lending facilities under the Initial ACF Agreement and “Initial ACF Provider” means any one of them. |
| “Initial Estate” | means the Mortgaged Properties as at the Exchange Date. |

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| “Initial ICL Loan” | means an advance made by Issuer to FinCo under the Intercompany Loan Agreement funded using the proceeds of issue of a Sub-Class of the Initial Notes to Land Securities PLC on the Exchange Date. |
| “Initial Issuer Account” | means the account designated as the “Initial Issuer Account”, held in the name of the Issuer and maintained with the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement, or such other account so designated as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank in replacement of such account. |
| “Initial Nominees” | means those companies specified as such in Schedule 1. |
| “Initial Notes” | means the seven Sub-Classes of Class A Notes issued by the Issuer on the Exchange Date to Land Securities PLC. |
| “Initial Priority 1 Debt” | means any Financial Indebtedness of FinCo in respect of the Initial ICL Loans and the Initial ACF Loans. |
| “Initial RM Properties” | means the properties, owned by Relevant Members, which are to be included in the Initial Estate. |
| “Initial Standard Securities” | means each first ranking standard security in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970 granted over a Scottish Property substantially in the form set out in a Schedule to the Security Trust and Intercreditor Deed, to be entered into on or about the Exchange Date. |
| “Initial Swap Agreement” | means each Swap Agreement amended or dated on or about the Exchange Date and entered into between Land Securities PLC and an Initial Swap Counterparty. |
| “Initial Swap Counterparties” | means the providers of Swap Transactions under the Initial Swap Agreements, and “Initial Swap Counterparty” means any one of them. |
| “Initial T3 Covenant Regime” | means the covenant regime that will apply under the Common Terms Agreement if any of the T2 Thresholds, but none of the Initial T3 Thresholds, are breached at the relevant time. See “– <i>Determining the Applicable Covenant Regime</i> ”, page 100, and “– <i>Applicable Covenants</i> ”, page 101, above. |
| “Initial T3 Covenants” | means the covenants described in “– <i>Initial T3 Covenants</i> ”, page 112, above. |
| “Initial T3 Threshold” | means (a) in respect of the LTV and the Additional LTV, 80% and (b) in respect of the Historical ICR, the Pro Forma Historical ICR, the Projected ICR and the Additional Projected ICR, 1.20:1. |
| “Initial Valuation Report” | means the valuation report dated 2 November 2004 issued by Knight Frank LLP in respect of the Initial Estate, a summary of which is set out in Chapter 10 “ <i>Summary of Initial Valuation Report</i> ”, page 185, above. |
| “Insolvency Act” | means the Insolvency Act 1986. |
| “Instalment Notes” | means any Notes (other than Class R Notes) specified as such in the relevant Pricing Supplement. |
| “Insurance Policies” | means all liability and material damage policies from time to time effected in respect of any of the Mortgaged Properties. |
| “Intellectual Property Release” | means, in respect of any Intellectual Property Right, a deed, agreement or other document that, upon the due execution thereof by the Obligor Security Trustee and the completion of such other formalities as may be required, is effective to release or re-convey to the relevant Obligor the entire security interest in |

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| | respect of such Intellectual Property Right held by the Obligor Security Trustee (for itself and on behalf of the other Obligor Secured Creditors) under the Obligor Transaction Documents. |
| “Intellectual Property Rights” | means copyright, patents, database rights and rights in know-how, trade marks, get-up and the theme and formatting of trading outlets, and registered designs and design rights (each whether registered or unregistered), applications for registration and the right to apply for registration for any of the foregoing, any licence in respect of any of the foregoing, and all other intellectual property rights and equivalent or similar forms of protection existing anywhere in the world. |
| “Intercompany Loan Agreement” | means the intercompany loan agreement dated on or about the Exchange Date and entered into between, <i>inter alios</i> , the Issuer, FinCo and the Note Trustee. |
| “Interest Commencement Date” | means, in the case of interest-bearing Notes, the date specified in the applicable Pricing Supplement from (and including) which such Notes bear interest, which may or may not be the Issue Date. |
| “Intermediate Valuation Report” | means a report setting out the Market Value of one or more Mortgaged Properties by a Valuer (other than a Valuation Report on the Estate), which report has been prepared since the most recent Valuation Report on the Estate. |
| “Intra-Security Group Disposal” | means the Disposal of a Mortgaged Property or Obligor from one Obligor to another Obligor. |
| “Investor Report” | means each of the reports required to be delivered by the Obligors on each Reporting Date pursuant to the Common Terms Agreement, as described in “– <i>Investor Reports</i> ”, page 108, above. |
| “Irish Paying Agent” | means Deutsche International Corporate Services (Ireland) Ltd, acting through its office at 5 Harbourmaster Place, International Financial Services Centre, North Wall Quay, Dublin 1, or such other entity or entities appointed as paying agent in Ireland from time to time, subject to and in accordance with the terms of the Agency Agreement. |
| “Irish Stock Exchange” | means the Irish Stock Exchange Limited. |
| “ISDA” | means the International Swap and Derivatives Association, Inc. |
| “Issue Date” | means the date of issue of any Notes. |
| “Issue Price” | means in relation to any Notes the price as stated in the relevant Pricing Supplement, generally expressed as a percentage of the nominal amount of the Notes, at which such Notes will be issued. |
| “Issuer” | means Land Securities Capital Markets PLC, a public company with limited liability incorporated under the laws of England and Wales with registered number 5193511 and whose registered office is at 5 Strand, London WC2N 5AF. |
| “Issuer Accounts” | means: <ul style="list-style-type: none"> (a) the Initial Issuer Account; and (b) any other account designated as an “Issuer Account”, held in the name of the Issuer and maintained with the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement and opened, with the consent of the Note Trustee, at any branch of the Account Bank or at an Eligible Bank for the purpose of making payments in currencies other than sterling. |

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| “Issuer Deed of Charge” | means the deed of charge to be dated on or about the Exchange Date and entered into between, among others, the Issuer and the Note Trustee. |
| “Issuer Event of Default” | means any of the events listed in Condition 11 (<i>Issuer Events of Default</i>). |
| “Issuer Payment Priorities” | means the Issuer Pre-Enforcement Priority of Payments or, as applicable, the Issuer Post-Enforcement Priority of Payments. |
| “Issuer Post-Enforcement Priority of Payments” | means the payment priorities for the Issuer applicable post-enforcement of the Issuer Security, as contained in the Issuer Deed of Charge. |
| “Issuer Pre-Enforcement Priority of Payments” | means the payment priorities for the Issuer which are applicable pre-enforcement of the Issuer Security, as contained in the Issuer Deed of Charge. |
| “Issuer Secured Creditors” | means the Note Trustee, the Noteholders, any receiver appointed under the Issuer Deed of Charge, the Account Bank, the Cash Manager and any Replacement Cash Manager (so long as they are not members of the Land Securities Group), the Registrar, the Transfer Agents, the Paying Agents, the Agent Bank and any other creditors who accede to the Issuer Deed of Charge from time to time in accordance with the terms thereof. |
| “Issuer Secured Liabilities” | has the meaning given to such term in Condition 4(a) (<i>Security</i>). |
| “Issuer Security” | means the security interests created by the Issuer pursuant to the Issuer Deed of Charge. |
| “Issuer Transaction Documents” | means: <ul style="list-style-type: none"> (a) this Offering Circular (including all documents incorporated by reference into it) and any Supplemental Offering Circular; (b) the Notes and any Pricing Supplement relating to the Notes; (c) the Trust Deed; (d) Note Subscription Agreement; (e) Dealership Agreement; (f) any Class R Underwriting Agreement; (g) the Agency Agreement; (h) the Issuer Deed of Charge; (i) the Account Bank and Cash Management Agreement; (j) the Servicing Agreement; (k) the Tax Deed of Covenant; (l) the Common Terms Agreement; (m) the Security Trust and Intercreditor Deed; (n) the Intercompany Loan Agreement; (o) the Obligor Floating Charge Agreement; and (p) any other agreement, instrument or deed designated as such by the Issuer and the Note Trustee. |
| “JerseyCo” | means an Obligor that is a company incorporated in Jersey. |
| “Land Securities Group” | means the direct and indirect subsidiaries of Land Securities Group PLC (including the Issuer and the Obligors). |
| “Land Securities Group PLC” | means Land Securities Group PLC, a public company listed on the London Stock Exchange with limited liability incorporated under the laws of England and Wales with registered number 4369054 and whose registered office is at 5 Strand, London WC2N 5AF. |

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| “Land Securities Information” | means the information contained in “– <i>Corporate Reorganisation of the Land Securities Group</i> ”, page 21, Chapter 7 “ <i>FinCo</i> ”, page 176, Chapter 8 “ <i>Main Obligors</i> ”, page 180, Chapter 9 “ <i>Land Securities Group Business and Information regarding the Estate</i> ”, page 183, above, Appendix 1 (<i>Land Securities Group PLC: last annual consolidated accounts</i>) and any other information relating to the business of Land Securities Group PLC and Land Securities PLC or any one or more Non-Restricted Group Entities or Security Group members. |
| “Land Securities Intra-Group Funding Deed” | is the deed described in “– <i>Land Securities Intra-Group Funding Deed</i> ”, page 164, above. |
| “Latest Accounts” | in respect of any Obligor, means that Obligor’s most recent annual audited financial statements then available (or, if such Obligor has become a member of the Security Group since the date of its last annual audited financial statements, any <i>pro forma</i> financial statements drawn up at the time it became an Obligor). |
| “Lease Surrender” | bears the same meaning as Surrender. |
| “Leasing Agreement” | means any lease, licence or other occupational agreement (or any agreement to enter into such a lease, licence or other occupational agreement in the future) to which a Mortgaged Property is subject, other than any lease, licence or other agreement pursuant to which all or some of the capital value of the relevant Mortgaged Property is transferred by the lessor to the lessee. |
| “Letting Criteria” | means the criteria, set out in the Common Terms Agreement, that the Obligors will be required to satisfy in respect of certain Leasing Agreements. See “– <i>Leasing</i> ”, page 104, above. |
| “Liquidity Downgrade Event” | means a Liquidity Facility Provider’s short term, unsecured, unsubordinated and unguaranteed debt obligations ceasing to be rated at least the Minimum Short Term Ratings. |
| “Liquidity Effective Date” | means, in respect of any Liquidity Relevant Date: <ul style="list-style-type: none"> (a) if the Liquidity Threshold was breached (in the case of a Liquidity Threshold Initial Breach Date) or breached further (in the case of any other Liquidity Relevant Date) as of the Liquidity Relevant Date solely as a result of a fall in the Market Value of Mortgaged Properties and/or any other circumstances beyond the control of the Obligors, the date falling six months after such Liquidity Relevant Date; or (b) if the Liquidity Threshold was breached (in the case of a Liquidity Threshold Initial Breach Date) or breached further (in the case of any other Liquidity Relevant Date) as a result of, <i>inter alia</i>, one or more voluntary acts of the Obligors, the date falling two months after such Liquidity Relevant Date. <p>See “– <i>Mandatory Liquidity Provisions</i>”, page 86, above.</p> |
| “Liquidity Event” | means a Liquidity Downgrade Event or when a Liquidity Facility Provider declines to renew the commitment period of a Liquidity Facility and that Liquidity Facility Provider or FinCo is unable to put in place a replacement Liquidity Facility Provider which has the Minimum Short Term Ratings. |
| “Liquidity Facility” | means the facility granted under a Liquidity Facility Agreement. |
| “Liquidity Facility Agreement” | means a liquidity facility agreement to assist the Obligors in making payments of interest on Financial Indebtedness and certain other items ranking prior thereto in the Security Group Pre-Enforcement Priority of Payments, which shall be on customary market terms (including as to availability and the |

consequences of Liquidity Events) and entered into between, *inter alios*, FinCo, one or more Liquidity Facility Providers and the Obligor Security Trustee at any time.

“Liquidity Facility Provider”

means a provider of the Liquidity Facility under a Liquidity Facility Agreement.

“Liquidity Facility Reserve Account”

means any account so designated held in the name of FinCo and maintained at any branch of an Eligible Bank approved by the Obligor Security Trustee, for the purpose of providing a fund from which liquidity advances will be made if a Liquidity Event occurs under any Liquidity Facility Agreement.

“Liquidity Facility Subordinated Amounts”

means, in relation to a Liquidity Facility:

- (a) any increased costs payable by FinCo under the relevant Liquidity Facility Agreement save to the extent representing the cost of regulatory capital attributable to such Liquidity Facility; and
- (b) the aggregate of any amounts payable by FinCo to the relevant Liquidity Facility Provider in respect of its obligation to increase any payments made by it in respect of such Liquidity Facility as a result of FinCo being obliged to withhold or deduct an amount for or on account of tax from such payments.

“Liquidity Ledger”

means the sub-ledger of the same name established and maintained by the Cash Manager on behalf of the Obligors used to record deposits and withdrawals of certain amounts to and from the Income Replacement Account in accordance with the Common Terms Agreement and the Account Bank and Cash Management Agreement. See “– *Income Replacement Account*”, page 118, above.

“Liquidity Prepayment Provision”

means the provision of the Common Terms Agreement that will require the Obligors to Prepay Loans in accordance with the most recent Amortisation Schedule if the Obligors do not have the requisite amount standing to the credit of the Liquidity Ledger and/or the requisite amount committed under Liquidity Facilities during any Liquidity Relevant Period in accordance with the Mandatory Liquidity Provisions. See “– *Pursuant to the Mandatory Liquidity Provisions*”, page 91, above.

“Liquidity Relevant Date”

means the Tier Test Determination Date or Additional Tier Determination Date for the Tier Test Calculation Date or Additional Calculation Date as of which the LTV breaches the Liquidity Threshold.

“Liquidity Relevant Period”

means, in respect of any Liquidity Relevant Date, the period between the Liquidity Effective Date immediately following such Liquidity Relevant Date and the first Tier Test Calculation Date or Additional Calculation Date as of which the Liquidity Threshold is not breached. See “– *Mandatory Liquidity Provisions*”, page 86, above.

“Liquidity Threshold”

means, in respect of the LTV calculated pursuant to either the Tier Tests or the Additional Tier Tests, 56%. See “– *Mandatory Liquidity Provisions*”, page 86, above.

“Liquidity Threshold Initial Breach Date”

means a Liquidity Relevant Date if the Liquidity Threshold was not breached as of the Tier Test Calculation Date or Additional Calculation Date immediately preceding such Liquidity Relevant Date. See “– *Mandatory Liquidity Provisions*”, page 86, above.

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| “Loan Acceleration Notice” | means a notice delivered by the Obligor Security Trustee pursuant to the Security Trust and Intercreditor Deed by which the Obligor Security Trustee declares that all Secured Obligations shall be Accelerated. |
| “Loan Enforcement Notice” | means a notice delivered by the Obligor Security Trustee pursuant to the Security Trust and Intercreditor Deed by which the Obligor Security held by the Obligor Security Trustee becomes enforceable. |
| “Loan Payment Date” | means either an ICL Loan Payment Date or an ACF Loan Payment Date. |
| “Loans” | means ICL Loans and ACF Loans. |
| “Lower Ranking Notes” | means, in relation to any Class of Notes, Notes of a Class or Classes (if any) ranking in point of security below such Class of Notes. |
| “Lpartnerships” | means Land Securities Partnerships Limited. |
| “LPHL” | means Land Securities Property Holdings Limited. |
| “LPL” | means Land Securities Properties Limited. |
| “LPML” | means Land Securities Portfolio Management Limited. |
| “LSF” | means Land Securities (Finance) Limited. |
| “LSP” | means Land Securities Properties Limited. |
| “LTL” | means Land Securities Trillium Limited. |
| “LTV” | means, as of any date, the percentage equal to the Security Group Net Debt Outstanding divided by the Total Collateral Value (with the quotient being multiplied by 100) each as at such date. |
| “Mandatory Liquidity Provisions” | means the provisions of the Common Terms Agreement referred to in “- <i>Mandatory Liquidity Provisions</i> ”, page 86, above. |
| “Mandatory Prepayment” | means a Prepayment that is required by the Mandatory Prepayment Provisions. |
| “Mandatory Prepayment Provisions” | means the Ratings Event Prepayment Provision, the Headroom Test Prepayment Provision, the T3 Prepayment Provision, the Liquidity Prepayment Provision, the P1 Debt Prepayment Provision, the Change of Control Prepayment Provision and the DPA Prepayment Provision (see the section entitled “ <i>Mandatory Prepayment Provisions</i> ”, page 90 <i>et seq.</i>). |
| “Market Value” | means: <ul style="list-style-type: none"> (a) in the case of a Trading Property, the lower of the cost and the net realisable value of such Trading Property, in each case as determined by the Obligors; (b) in the case of a Development or other Mortgaged Property (other than a Mortgaged Property referred to in paragraph (c) or (e) below) which is not a Trading Property, the market value attributed to such Mortgaged Property in the most recent Valuation Report on the Estate; (c) in the case of a Nominated Eligible Property or a Development or other Mortgaged Property which was not valued in connection with the most recent Valuation Report on the Estate, the market value attributed thereto in the most recent Valuation Report on such Development or property; (d) in the case of the Estate as a whole, the Total Collateral Value; and |

- (e) in the case of a Post-Division Property which was not valued in connection with the most recent Valuation Report on the Estate, the Market Value attributed to such Post-Division Property in the certificate referred to in “– *Division of Mortgaged Properties*”, page 76, above;

provided, in the case of paragraphs (b) to (e) (inclusive), the market value of any Development or other Mortgaged Property, or any Nominated Eligible Property, will be determined by the relevant Valuers in accordance with whichever of the following is applicable:

- (i) the definition of “market value” contained in Chapter 3 of the current (as at the Exchange Date) edition of the RICS Appraisal and Valuation Standards (for Nominated Eligible Properties and Mortgaged Properties situated in England, Wales or Scotland);
- (ii) Standard 4.10 of the current (as at the Exchange Date) edition of The European Valuation Standards issued by The European Group of Valuers’ Associations (for Nominated Eligible Properties and Mortgaged Properties situated in Europe (as defined by the European Group of Valuers’ Associations) but outside England, Wales or Scotland);
- (iii) a method of valuation in accordance with International Valuation Standard 1 of the International Valuation Standards (as at the Exchange Date) issued by the International Valuation Standards Committee (for Nominated Eligible Properties and Mortgaged Properties situated outside of England, Wales, Scotland and Europe (as defined by the European Group of Valuers’ Associations)); or
- (iv) subject to any requirement to the contrary contained in any applicable listing rules (where market value is calculated pursuant to such rules), such other methodology for determining market value as may be selected from time to time by the Obligors and notified to the Rating Agencies and the Obligor Security Trustee in the Investor Report published immediately before such proposed methodology is implemented being a methodology (including but not limited to those in accordance with International Valuation Standards issued by the International Valuations Standards Committee) which is generally accepted amongst broadly based property investment and development businesses in the jurisdiction in which the Mortgaged Properties for which the basis of valuation is to change are located.

“Material Adverse Effect”

means any effect which:

- (a) is materially adverse to the ability of the Obligors (taken as a whole) to perform in a timely manner all or any of their payment obligations under any of the Obligor Transaction Documents; or
- (b) results in (i) any Obligor Transaction Document being not legal, valid and binding on, or not enforceable against, any party thereto or (ii) the security over the assets expressed to be encumbered thereby not being valid or enforceable against the Obligors, in each case, and taken in the context of the obligations of the Obligors as a whole, in any respect that, in the case of (i) or (ii), above, is material and adverse to the interests of the Obligor Secured Creditors.

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| “Material Damage Policy” | means an insurance policy pursuant to which cover against the risk of material damage to one or more Mortgaged Properties is maintained by one or more Obligors. |
| “Maturity Restrictions” | means the restrictions, set out in the Common Terms Agreement and described in “– <i>Maturity Restrictions</i> ”, page 85, above, in respect of the maturity of Secured Financial Indebtedness. |
| “Maximum Drawing Amount” | means the higher of: <ul style="list-style-type: none"> (a) £200,000,000; and (b) 2% of the Total Collateral Value from time to time. |
| “Minimum Amortisation Amount” | means, in respect of the ACF Loans and the ICL Loans at any time: <ul style="list-style-type: none"> (a) the aggregate of the scheduled amortisation amounts specified in the most recent Amortisation Schedule in respect of the quarterly dates occurring before such time; <i>less</i> (b) the aggregate of all Prepayments made since the most recent Amortisation Determination Date. |
| “Minimum Long Term Ratings” | means, for any person, that the long term unsecured, unsubordinated and unguaranteed debt obligations of such person are rated (but only where the following are Rating Agencies at the relevant time) at least AA by S&P, Aa2 by Moody’s and A+ by Fitch (or such other ratings as may be agreed with the relevant Rating Agency from time to time). |
| “Minimum Short Term Ratings” | means, for any person, that the short term unsecured, unsubordinated and unguaranteed debt obligations of such person are rated (but only where the following are Rating Agencies at the relevant time) at least A-1+ by S&P, P-1 by Moody’s and F-1+ by Fitch (or such other ratings as may be agreed with the relevant Rating Agency from time to time). |
| “Minor Occupational Agreements” | means a Leasing Agreement which is: <ul style="list-style-type: none"> (a) lease or licence of an Automated Teller Machine; or (b) a licence (which does not create a landlord and tenant interest); or (c) a concession or franchise (which does not create a landlord and tenant interest); or (d) a lease or licence of one or more car parking spaces; or (e) a lease for a term granted of five years or less which has a passing rent of less than £25,001 (subject to RPI Indexation); or (f) a lease, licence or wayleave agreement or easement relating to telecommunications equipment or other services; or (g) documentation relating to advertising promotions and the like; or (h) a lease of an electricity sub-station; or (i) a lease of management offices or premises, <p>but excluding any such Leasing Agreement if the inclusion of the same as a Minor Occupational Agreement would result in (i) the aggregate Rental Income derived from all such Leasing Agreements in respect of any particular Mortgaged Property exceeding 10% of the Rental Income for the Mortgaged Property in question and/or (ii) the aggregate Rental Income derived from</p> |

all such Leasing Agreements in respect of the Estate as a whole exceeding 5% of the Rental Income derived from the Estate to the intent (in any such case) that any Leasing Agreements of the type listed above, which will result in any excess over and above that amount of Rental Income, will not be treated as Minor Occupational Agreements.

“Monetary Claims”

means, in respect of each Obligor, any book and other debts and monetary claims owing to such Obligor and any proceeds thereof (including any proceeds, claims or sums of money deriving from or in relation to any Leasing Agreement, any Development Contract, any Insurance Policy, any Intellectual Property Rights, any Eligible Investment, any court order, any judgment or any decree).

“Moody’s”

means Moody’s Investors Service Limited or its successor by way of name change or merger from time to time.

“More Senior Notes”

means, in relation to any Class or Sub-Class of Notes, Notes of a Class or Classes, or of a Sub-Class or Sub-Classes (if any) ranking in point of security above such Class of Notes.

“Mortgage Date”

has the meaning given to such term in “– *Additional Mortgaged Properties*”, page 74, above.

“Mortgaged Properties”

means, at any time, Original Mortgaged Properties, Additional Mortgaged Properties and Post-Division Properties which in each case are not Released Properties (and excluding Undivided Properties which have been split into Post-Division Properties).

“Most Senior Class of Debtholders”

means:

- (a) Noteholders of Notes corresponding to ICL Loans comprised in Priority 1 Debt (if any) and ACF Providers of ACF Loans comprised in Priority 1 Debt (if any), for so long as there is any Priority 1 Debt outstanding;
- (b) thereafter, Noteholders of Notes corresponding to ICL Loans comprised in Priority 2 Debt (if any) and ACF Providers of ACF Loans comprised in Priority 2 Debt (if any), for so long as there is any Priority 2 Debt outstanding;
- (c) thereafter, Noteholders of Notes corresponding to ICL Loans comprised in Subordinated Debt (if any) and ACF Providers of ACF Loans comprised in Subordinated Debt (if any) (or, if there are different rankings (in point of security) of Subordinated Debt according to the Secondary Debt Rank, the Subordinated Debt of the highest ranking according to the Secondary Debt Rank).

“Most Senior Class of Notes”

means the Priority 1 Notes for so long as there are any Priority 1 Notes outstanding and, thereafter, the Priority 2 Notes for so long as there any Priority 2 Notes outstanding and, thereafter, the Subordinated Notes (or, if there are different rankings (in point of security) of Subordinated Notes, the Subordinated Notes of the highest ranking (in point of security) according to the Secondary Debt Rank).

“Net Sales Proceeds”

means, in relation to a Mortgaged Property, the Sales Proceeds or Deemed Disposal Proceeds relating to such Mortgaged Property less (a) any amounts required to be deposited into a Tax Reserve Account in connection with its Disposal in accordance with the Tax Deed of Covenant or (b) if no deposit is required to be made into a Tax Reserve Account to fund the payment of that tax, any tax associated with the Disposal of such Mortgaged Property in each case, disregarding the availability of

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| | capital losses which would be available to offset the tax associated with the Disposal (and, in relation to (a) to reduce the amount required to be so deposited) other than losses that have accrued to the Obligor that made such Disposal. |
| “Net Unsecured Debt” | means, at any time, the aggregate Adjusted Principal Amount of all Unsecured Debt (other than Financial Indebtedness incurred under a Contingency Bond); provided that (a) the Outstanding Bond Debt Amount shall be excluded to the extent of the amount of Permitted Drawings of Priority 1 Debt or Priority 2 Debt that the Obligors could make under a committed facility at that time and (b) the amount of Unsecured Debt outstanding under commercial paper issued by any Obligor shall be excluded to the extent of the amount of Permitted Drawings of Priority 1 Debt, Priority 2 Debt or Subordinated Debt that the Obligors could make under a committed facility at that time. |
| “Nominated Eligible Property” | means any Eligible Property held by one or more Obligors which has been nominated by an Obligor for inclusion in the Estate in accordance with the Common Terms Agreement. |
| “Nominees” | means the Initial Nominees and any Additional Obligors who act as Trustees of Land under a Trust Declaration. |
| “Non-Contingent Loan” | means any Loan which is not a Contingency Bond. |
| “Non-DR Global Note Certificate” | means, in respect of any Series, the non dual registered global note certificate to be issued in the form or substantially in the form set out in Part F (<i>Form of Non-DR Global Note Certificate</i>) of Schedule 2 to the Trust Deed. |
| “Non-DR Individual Note Certificate” | means, in respect of any Series, the non dual registered individual note certificate to be issued in the form or substantially in the form set out in Part E (<i>Form of Non-DR Individual Note Certificate</i>) of Schedule 2 to the Trust Deed. |
| “Non-GB Property” | means a Mortgaged Property or (depending on the context) Nominated Eligible Property which is located outside England, Wales and Scotland. |
| “Non-Restricted Group” | means all of the Non-Restricted Group Entities. |
| “Non-Restricted Group Cash Manager” | means Land Securities Properties Limited. |
| “Non-Restricted Group Entity” | means any entity (or shareholders in any entity) which is a member of the Land Securities Group but which is neither a member of the Security Group nor the Issuer. |
| “Non-UK Obligor” | means a person incorporated or established in an Approved Jurisdiction and resident for tax purposes only in an Approved Jurisdiction successfully nominated as an Obligor by the Principal Obligor for the purpose of achieving efficiencies in the business operations of the Security Group (see “– <i>Proposed Non-UK Structural Changes</i> ”, page 78, above). |
| “Non-UK Obligor Proposal Certificate” | means a certificate delivered by the Principal Obligor to the Obligor Security Trustee, Note Trustee and the Rating Agencies in relation to the Proposed Non-UK Structural Changes and to make modifications to certain of the terms and conditions of, or covenants contained in, the Common Terms Agreement, the Tax Deed of Covenant and other Transaction Documents in connection with the accession of the Proposed Non-UK Obligor, as described in “– <i>Restructuring of the Security Group and the Estate</i> ”, page 77 above. |
| “Note Enforcement Notice” | has the meaning given to it in Condition 11 (<i>Issuer Events of Default</i>). |

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| “Noteholders” | means the holders from time to time of Notes or (as the context requires) any Class or Sub-Class of Notes. |
| “Noteholders’ Affirmation” | means, in relation to a Sub-Class of Notes, an affirmation in a meeting by the Noteholders of the relevant Sub-Class of Notes that, as a result of the occurrence of a Ratings Event in relation thereto, they wish the Issuer to redeem such Sub-Class of Notes in whole. |
| “Note Interest Period” | has the meaning ascribed to it in Condition 6(j) (<i>Definitions</i>) and the relevant Pricing Supplement. |
| “Note Payment Date” | has the meaning ascribed to it in Condition 6(j) (<i>Definitions</i>) and the relevant Pricing Supplement. |
| “Notes” | means the Class A Notes, the Class B Notes, the Class R Notes or the Subordinated Notes or any Class or Sub-Class thereof, as the context requires, issued by the Issuer under the Programme. |
| “Note Step-Up Amount” | means, in relation to any Sub-Class of Notes, the amount of the interest payable in respect thereof which represents an increase in Margin (in the case of Floating Rate Notes or, where Condition 6(f) (<i>Floating Rate Step-Up</i>) applies Fixed Rate Notes, Indexed Notes or Zero Coupon Notes) from a specific date, as specified in the relevant Pricing Supplement. |
| “Note Step-Up Date” | means, in relation to any Sub-Class of Notes, the date (if any) as specified in the relevant Pricing Supplement on and from which there is an increase in margin (in the case of Floating Rate Notes) or an increase in interest rate (in the case of Fixed Rate Notes). |
| “Note Subscription Agreement” | means the note subscription agreement dated on or before the Exchange Date and entered into between the Issuer and Land Securities PLC in relation to the Initial Notes. |
| “Note Trustee” | means Deutsche Trustee Company Limited, having its registered address at Winchester House, 1 Great Winchester Street, London EC2N 2DB, in its capacity as trustee for the Noteholders pursuant to the Trust Deed, or such other entity or entities appointed as successor note trustee from time to time, subject to and in accordance with the terms of the Trust Deed. |
| “Obligor Accession Deed” | means the deeds (the form of which will be set out in the Common Terms Agreement) to be executed by the Principal Obligor and a nominated Eligible Obligor pursuant to which such Eligible Obligor may accede as an Obligor to the Common Terms Agreement, the Security Trust and Intercreditor Deed, Account Bank and Cash Management Agreement, the Servicing Agreement, the Tax Deed of Covenant and the Obligor Floating Charge Agreement as the case may be, certain of which grant the fixed and floating charges granted by the Obligors pursuant to the Security Trust and Intercreditor Deed and the Obligor Floating Charge Agreement. |
| “Obligor Accounts” | means the Collection Accounts, the Disposal Proceeds Account, the Debt Collateralisation Account, the Income Replacement Account, any Liquidity Facility Reserve Account, the General Tax Reserve Account, the Specific Tax Reserve Account, any Approved Blocked Account, any Swap Collateral Account, any Swap Excluded Amount Account and any other bank account held from time to time by any Obligor to which it is beneficially entitled. |
| “Obligor Event of Default” | means any one of the events relating to the Obligors which are defined as such in the Common Terms Agreement and which are described in “– <i>Obligor Events of Default</i> ” beginning on page 123, above. |

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| “Obligor Floating Charge Agreement” | means the floating charge agreement to be dated on or about the Exchange Date and entered into between the Issuer, the Obligor Security Trustee, the Note Trustee and the Obligors. |
| “Obligor General Transaction Documents” | means the Obligor Transaction Documents other than the ACF Agreements, the Swap Agreements, the Liquidity Facility Agreements and the Intercompany Loan Agreement. |
| “Obligor Property” | means any interest in any real estate in any location owned by an Obligor. |
| “Obligors” | means the Original Obligors together with any Additional Obligor (and each an “Obligor”). |
| “Obligor Secured Creditors” | <p>at any time means:</p> <ul style="list-style-type: none"> (a) the Obligor Security Trustee (for itself and for and on behalf of the other Obligor Secured Creditors); (b) the Issuer; (c) the Note Trustee as assignee by way of security of the Issuer’s rights under the Obligor Transaction Documents and in respect of its indemnification rights against the Obligors under the Obligor Floating Charge Agreement; (d) the Initial ACF Providers; (e) the Initial Swap Counterparties; (f) the Account Bank; (g) any Receiver appointed under the Security Trust and Intercreditor Deed and the Obligor Floating Charge Agreement; (h) any Further ACF Provider; (i) any Replacement Cash Manager; (j) any Replacement Servicer; (k) any Liquidity Facility Provider; and (l) any Swap Counterparty other than an Initial Swap Counterparty; <p>and in the case of (h) to (l) above, to the extent that it is party (either as at the Exchange Date or by way of accession) to the Common Terms Agreement and the Security Trust and Intercreditor Deed and remains as a party thereto at the relevant time.</p> |
| “Obligor Security” | means the security interests created by the Obligors pursuant to the Obligor Security Documents. |
| “Obligor Security Documents” | <p>means:</p> <ul style="list-style-type: none"> (a) the Security Trust and Intercreditor Deed; (b) any supplemental mortgage executed pursuant to the Security Trust and Intercreditor Deed; (c) any Obligor Accession Deed; (d) the Initial Standard Securities; (e) any Supplemental Standard Securities; (f) the Obligor Floating Charge Agreement; (g) the Trust Declarations; (h) the Beneficiary Undertakings; and |

- (i) any other document or instrument granted in favour of the Obligor Security Trustee (on behalf of the Obligor Secured Creditors) creating or evidencing the security for all or any part of the Secured Obligations.

“Obligor Security Trustee”

means Deutsche Trustee Company Limited, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, in its capacity as trustee for the Obligor Secured Creditors from time to time under the Security Trust and Intercreditor Deed, or such other entity or entities appointed as successor obligor security trustee from time to time, subject to and in accordance with the terms of the Security Trust and Intercreditor Deed.

“Obligor Transaction Documents”

means each or any of:

- (a) the Common Terms Agreement;
- (b) the Swap Agreements;
- (c) any Liquidity Facility Agreements;
- (d) the Intercompany Loan Agreement;
- (e) the ACF Agreements;
- (f) the Obligor Security Documents;
- (g) the Account Bank and Cash Management Agreement;
- (h) the Tax Deed of Covenant;
- (i) the Reorganisation Documents;
- (j) the Servicing Agreement; and
- (k) any other agreement, instrument or deed designated as such by the Obligors and the Obligor Security Trustee.

“Occupier”

means the lessee or other party entitled to occupy any Mortgaged Property (or part thereof) pursuant to any Leasing Agreement.

“OFCA Floating Security”

means the floating charges granted by the Obligors in favour of the Issuer pursuant to the Obligor Floating Charge Agreement and assigned by way of security to the Note Trustee pursuant to the Issuer Deed of Charge (see the section entitled “*Floating charges held by the Obligor Security Trustee and the Issuer*”, page 129, above).

“Office Sector”

means the use of a Mortgaged Property primarily as offices within Use Class B1 of the Use Classes Order 1987.

“Ongoing Facility Fee”

means the facility fee payable from the Obligors to the Issuer under the Intercompany Loan Agreement after the Exchange Date.

“Operating Accounts”

means any accounts in the name of the Obligors and held with the Account Bank, the principal purpose of each of which is to provide an overdraft facility to the relevant Obligor.

“Optional Calculation Date”

means any date designated as such by any Obligor in a notice in writing to the Issuer, the Obligor Security Trustee and the Note Trustee.

“Opt-out ACF Provider”

means an ACF Provider which, as specified in the relevant ACF Agreement, has agreed with the relevant Obligor that it will exercise its voting rights given to it under the Security Trust and Intercreditor Deed.

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| “Original Mortgaged Properties” | means the properties listed as such in the Security Trust and Intercreditor Deed. |
| “Original Obligors” | means the companies listed in Schedule 1 (<i>Details of Obligors (other than Additional Obligors)</i>) to this Offering Circular, page 317, below and certain other entities who will form part of the Security Group as at the Exchange Date by execution of the Common Terms Agreement. |
| “Other Parties” | means the Arranger, the Dealers, the Note Trustee, the Paying Agents, the Transfer Agents, the Registrar, the Agent Bank, the Swap Counterparties, the Account Bank, any Liquidity Facility Provider, any Class R Underwriters, any Class R Agent, the Cash Manager, the Obligor Security Trustee, FinCo, HoldCo, the Obligors, Land Securities PLC and Land Securities Group PLC. |
| “Other Risks Policy” | means an insurance policy pursuant to which cover against third party liabilities and such other property related risks as in the reasonable opinion of the Obligors ought to be covered, judged by the standard of a reasonably prudent owner and operator of businesses similar to the businesses of the Obligors. |
| “Other Sector” | means the use or primary use of a Mortgaged Property for any purpose other than as Office Sector, Shopping Centres and Shops Sector, Retail Warehouses Sector, Industrial Sector, or Residential Sector. |
| “Outstanding Bond Debt Amount” | means, at any time, the aggregate principal amount of Existing Note Debt then outstanding (except to the extent that the Obligors have collateralised their obligations in respect of the same to the satisfaction of the trustee of the relevant Existing Note Debt, as certified to the Obligor Security Trustee by two Authorised Signatories). |
| “P1 Breach Amount” | <p>means, at any time, the aggregate of (i) the amount by which Security Group Net Debt Outstanding (as calculated in accordance with the P1 Debt Test) exceeded 55% of the Total Collateral Value as of the most recent P1 Breach Date (or 50%, if such P1 Breach Date fell during a Change of Control Period) and (ii) all Priority 1 Debt incurred by the Security Group since that P1 Breach Date (if any), less:</p> <ul style="list-style-type: none"> (a) all Priority 1 Debt repaid or Prepaid since that P1 Breach Date; (b) all Revolving R1/R2 ACF Loans converted from Priority 1 Debt into Priority 2 Debt since that P1 Breach Date; and (c) all Revolving R1 ICL Loans refinanced with Revolving R2 ICL Loans since that P1 Breach Date. |
| “P1 Breach Certificate Date” | has the meaning given to that term in “– Due to breach of P1 Debt Test”, page 92, above. |
| “P1 Breach Date” | <p>means:</p> <ul style="list-style-type: none"> (a) a Tier Test Calculation Date as of which the P1 LTV exceeds 55% (or, during a Change of Control Period, 50%); or (b) an Additional Calculation Date as of which the P1 LTV exceeds 55% (or, during a Change of Control Period, 50%), and the relevant Additional LTV calculated as of that date (ignoring all Financial Indebtedness other than Priority 1 Debt and amounts ranking senior to Priority 1 Debt in accordance with the relevant Security Group Priority of Payments) is not less than or equal to 55% (or, during a Change of Control Period, 50%). |

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| “P1 Debtholders” | means Noteholders of Notes corresponding to ICL Loans comprised in Priority 1 Debt (if any) and ACF Providers of ACF Loans comprised in Priority 1 Debt (if any). |
| “P1 Debt Prepayment Provision” | means the provision of the Common Terms Agreement that will require the Obligors to Prepay Non-Contingent Loans in accordance with the most recent Amortisation Schedule for so long as the P1 LTV calculated as of the most recent Calculation Date exceeds 55% (or, if a Change of Control Period applies, 50%) and such remains the case after the Obligors have refinanced, to the extent required and to the extent they are able to do so, Revolving R1/R2 Loans which are Priority 1 Debt with other funds. See “– <i>Due to breach of P1 Debt Test</i> ”, page 92, above. |
| “P1 Debt Test” | means the recalculation of the LTV as of certain Calculation Dates (ignoring for the purposes of such recalculation all Financial Indebtedness other than outstanding Priority 1 Debt and amounts ranking senior to Priority 1 Debt in accordance with the relevant Security Group Priority of Payments). See “– <i>The P1 Debt Test</i> ”, page 94, above. |
| “P1 Headroom Test” | means the test, conducted from time to time in accordance with the Common Terms Agreement, pursuant to which it will be determined whether the Obligors will be permitted to effect (or enter into binding commitments in respect of) Proposed Additional Transactions (including certain drawings of Further Priority 1 Debt) from time to time. See “– <i>Permitted Financial Indebtedness</i> ”, page 83, and “– <i>The Additional Tier Tests and Headroom Tests</i> ”, page 95, above. |
| “P1 ICL Call Option” | means a call option given by the Issuer and the Note Trustee in favour of the Obligor Security Trustee (to be held on trust for the P2 ACF Providers), exercisable following the delivery of a Loan Acceleration Notice and giving the P2 ACF Providers the entitlement (but not the obligation) to purchase (by way of assignment) the Issuer’s (and the Note Trustee’s) rights, title and interest in the Priority 1 ICL Loans (to the extent of principal and interest only). |
| “P1 LTV” | means the modified loan to value ratio calculated pursuant to the P1 Debt Test. |
| “P1 Trigger Event” | means any event which would entitle the P1 Debtholders to vote on whether to instruct the Obligor Security Trustee to take any Enforcement Action and/or to Accelerate the Secured Obligations as listed in the section entitled “– <i>Loan Enforcement Notice and Enforcement Action</i> ”, page 138, above. |
| “P2 ACF Providers” | means ACF Providers providing ACF Loans constituting Priority 2 Debt. |
| “P2 Debtholders” | means Noteholders of Notes corresponding to ICL Loans comprised in Priority 2 Debt (if any) and ACF Providers of ACF Loans comprised in Priority 2 Debt (if any). |
| “P2 Enforcement Period” | means any Enforcement Period commencing with the delivery of a Loan Enforcement Notice pursuant to a P2 Trigger Event and ending on (i) the date of removal of a Receiver as requested by the Obligors as set out in “– <i>Removal of a Receiver</i> ” page 141, or (ii) the change in Qualifying Debtholders pursuant to a Loan Enforcement Notice delivered pursuant to an Enforcement Trigger Event (other than a P2 Trigger Event). |

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| “P2 Headroom Test” | means the test, conducted from time to time in accordance with the Common Terms Agreement, pursuant to which it will be determined whether the Obligors will be permitted to effect (or enter into binding commitments in respect of) Proposed Additional Transactions (including certain drawings of Priority 2 Debt) from time to time. See “– <i>Permitted Financial Indebtedness</i> ”, page 83, and “– <i>The Additional Tier Tests and Headroom Tests</i> ”, page 95, above. |
| “P2 Non-Payment Event” | means an Obligor fails to pay when due any amount in respect of any Priority 2 Debt (excluding, in the case of any principal amounts, amounts falling due by reason of any Acceleration of the Priority 2 Debt). |
| “P2 Trigger Event” | means any event which would entitle the P2 Debtholders to vote on whether to instruct the Obligor Security Trustee to take any Enforcement Action as listed in the section entitled “– <i>Loan Enforcement Notice and Enforcement Action</i> ”, page 138, above. |
| “Participating NRGs” | has the meaning given to it in “ <i>Land Securities Intra-Group Funding Deed</i> ”, page 164, above. |
| “Partly Paid Notes” | means Notes (other than Class R Notes) designated as such in the relevant Pricing Supplement issued in the amount as specified in the relevant Pricing Supplement and in respect of which further instalments will be payable in the amounts and on the dates as specified in the relevant Pricing Supplement. |
| “Partnership” | means a partnership governed by the Partnership Act 1890 and/or the Limited Partnerships Act 1907, all of the partners of which are Obligors. |
| “Passing Rent” | means the rent firstly or principally reserved, payable by the relevant lessee pursuant to the corresponding Leasing Agreement, as are payable on an annualised basis from time to time, whether in advance or arrears, and irrespective of whether such sums are inclusive or exclusive of any sum representing a reimbursement of any costs incurred by the lessor, whether in respect of services, insurance premiums or otherwise. |
| “Paying Agents” | means the Principal Paying Agent and the Irish Paying Agent and such other or further paying agents for the Notes as may from time to time be appointed in accordance with the terms of the Agency Agreement. |
| “Performance Bond” | means a guarantee or indemnity in respect of a financial instrument (in the nature of a demand bond) issued by a financial institution granted by at least one Obligor. |
| “Permanent Global Note” | in relation to any Series, a permanent global note in the form or substantially in the form set out in Part B (<i>Form of Permanent Global Note</i>) of Schedule 3 of the Trust Deed. |
| “Permitted Business” | means: <ul style="list-style-type: none"> (a) in relation to FinCo or a Financial SPV Obligor, making loans (or providing other financial accommodation) to members of the Security Group, the incurring of Permitted Financial Indebtedness other than Unsecured Debt and the entry into Swap Agreements in accordance with the Hedging Covenant; (b) in relation to Land Securities (Finance) Limited, making loans (or providing other financial accommodation) to members of the Land Securities Group and borrowing (or receiving other financial accommodation) from members of the Land Securities Group; |

- (c) in relation to HoldCo, holding shares in the Issuer, Land Securities PLC or any other Obligor;
- (d) in the case of SubCo, holding shares in the Nominees;
- (e) in the case of each of the Nominees and Wood Street (Jersey) Limited, holding the legal title to a Mortgaged Property and where relevant holding any Development Account; and
- (f) in relation to any other Obligor (other than a Financial SPV Obligor), directly or indirectly investing in commercial and residential property (including by way of trading the same, engaging in and trading Developments and outsourcing) primarily in the United Kingdom, providing real estate-related services to the Occupiers of Mortgaged Properties in respect of such Mortgaged Properties, all businesses ancillary to the above, holding shares in any other Obligor (or in any company, including a subsidiary, for whose liabilities it is not in any way responsible and in respect of which any obligation to contribute capital is counted towards the Unsecured Debt Limit), the incurring of Permitted Financial Indebtedness and (in the case of Land Securities PLC) exercising its rights and performing its obligations under the Initial Swap Agreements.

“Permitted Drawing”

means, at any time, the drawing, issuance or incurrence of Priority 1 Debt, Priority 2 Debt, Subordinated Debt or Unsecured Debt which in each case satisfies the requirements set out in “– *Permitted Financial Indebtedness*”, page 83, above.

“Permitted Encumbrance”

means:

- (a) any Encumbrance arising under the Obligor Security Documents;
- (b) liens arising solely under statute or by operation of law and in the ordinary course of any Obligor’s business and not as a result of any default or omission on the part of any Obligor unless contested in good faith;
- (c) rights of set-off existing in the ordinary course of business activities between any Obligor and its respective suppliers or customers;
- (d) rights of set-off, banker’s liens or the like arising by operation of law or by contract by virtue of the provision to any Obligor of permitted clearing bank facilities or committed overdrafts;
- (e) any retention of title to goods, hire purchase, conditional sale agreement or arrangements having similar effect, in relation to goods supplied to any Obligor where such credit arrangement is required by the supplier in the ordinary course of its business and on customary terms;
- (f) any Encumbrance (other than by way of mortgage or Standard Security, or equivalent, over any properties) securing any deferred purchase arrangements entered into in the ordinary course of business;
- (g) any Encumbrance arising in the ordinary course of any Obligor’s business where it is required to give to a local authority a guarantee that highway works in association with a development of a property will be completed in a satisfactory manner; and

- (h) any Encumbrance over assets (other than Mortgaged Properties, shares in Obligors and bank accounts) in addition to those referred to in paragraphs (a) to (g), having an aggregate book value not exceeding £25,000,000 (subject to Indexation).

Provided that no floating charge (other than under (a) above) shall be a Permitted Encumbrance.

“Permitted Financial Indebtedness”

means Financial Indebtedness incurred in accordance with certain provisions of the Common Terms Agreement (including those described in the section entitled “– *Permitted Financial Indebtedness*”, page 83, above).

“person”

shall be construed as a reference to any person, firm, company, body corporate, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing, and includes his permitted successors, transferees, assigns and assignees and any person deriving title under or through him, whether in security or otherwise:

“POS Regulations”

means the Public Offers of Securities Regulations 1995 (as amended).

“Post-Division Properties”

means Mortgaged Properties that were once part of one or more Undivided Properties.

“Potential Issuer Event of Default”

means any event which will become (if there is no remedy of that event within the period provided in the Conditions for its remedy) an Issuer Event of Default.

“Potential Obligor Event of Default”

means any event (referred to in the definition of “Obligor Event of Default”) which will become (with the passage of time, the giving of notice, the making of any determination under the Obligor Transaction Documents or any combination thereof, and assuming for these purposes only no intervening remedy) an Obligor Event of Default.

“Prepay”

means Actually Prepay, Collateralise or Buyback (and “**Prepaid**” and “**Prepayment**” shall be construed accordingly).

“Prepayment Amount”

means, with respect to any Actual Prepayment, the principal amount of the Loan so Prepaid.

“Prepayment Headroom Test”

means the test conducted as of certain Calculation Dates for the purpose of determining, in accordance with the P2 Headroom Test, whether the Obligors have sufficient headroom to cover the Outstanding Bond Debt Amount (if any). See “– *Prepayment Headroom Test*”, page 98, above.

“Pricing Supplement”

means the pricing supplement issued in relation to each Sub-Class of Notes as a supplement to the Conditions and giving details of such Sub-Class.

“Primary Debt Rank”

means the following ranks (listed in descending order of seniority in respect of their ranking in point of security):

- (a) Priority 1 Debt;
- (b) Priority 2 Debt;
- (c) Subordinated Debt; and
- (d) Unsecured Debt.

“Principal Amount Outstanding”

means at any date:

- (a) in relation to a Note, the principal amount of that Note upon issue less any repayment of principal made to the holder(s) thereof on or prior to that date and plus (in the case of a

Partly Paid Note) principal amounts received by the Issuer from the relevant Noteholder or (in the case of an Indexed Note) any accretion to principal, in each case, after the relevant Issue Date in respect thereof;

- (b) in relation to a Sub-Class or Class, the aggregate principal amount of all Notes in such Sub-Class or Class less any repayment of principal made to the holder(s) thereof on or prior to that date and plus (in the case of a Sub-Class or Class of Partly Paid Notes) principal amounts received by the Issuer from the relevant Noteholder or (in the case of a Sub-Class or Class of Indexed Notes) any accretion to principal, in each case, after the relevant Issue Date in respect thereof;
- (c) in relation to the Notes generally, the aggregate Principal Amount Outstanding of all Sub-Classes or Classes of Notes in issue (as determined in accordance with paragraph (b) above);
- (d) in relation to an ICL Loan or (subject to (e) and (f) below) an ACF Loan, the principal amount outstanding for the time being of that loan at that date;
- (e) in relation to loan guarantees or indemnities granted by an Obligor to a Non-Restricted Group Entity or other third party, the maximum principal amount guaranteed or indemnified under such loan guarantee or indemnity, as applicable, as at that date; and
- (f) in relation to Performance Bonds, 15% of the fixed, liquidated or maximum principal amount guaranteed or indemnified under such Performance Bond as at that date,

provided that, for the purpose of any Debtholders' Meeting or any meeting of Noteholders, it shall exclude (A) in the case of paragraphs (a), (b) and (c) above, those Notes (if any) which are for the time being held by (1) the Issuer, any Obligor or any Non-Restricted Group Entity, (2) any person for the benefit of the Issuer or any of its subsidiaries or holding companies or any subsidiaries of any of its holding companies or (3) any person who has failed to surrender for repurchase any Class R Note on any Note Payment Date (other than where the Issuer was not obliged to repurchase the same), and (B) in the case of paragraph (d) above, any ACF Loans owed to a Non-Restricted Group Entity or an Opt-out ACF Provider.

“Principal Obligor”

means Land Securities PLC or, if Land Securities PLC (or a replacement Principal Obligor) is no longer an Obligor, the Obligor nominated by the then Principal Obligor or its replacement.

“Principal Paying Agent”

means Deutsche Bank AG London, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, or such other entity or entities appointed as principal paying agent from time to time, subject to and in accordance with the terms of the Agency Agreement.

“Principal Transfer Agent”

means Deutsche Bank AG London in its capacity as principal transfer agent, or such other entity or entities appointed as principal transfer agent from time to time, subject to and in accordance with the terms of the Agency Agreement.

“Priority 1 Debt”

means Initial Priority 1 Debt and Further Priority 1 Debt.

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| “Priority 1 Debt Step-Up Amounts” | means any amount of interest payable in respect of any ICL Loans or ACF Loans constituting Priority 1 Debt which represents an increase in margin (in the case of Floating Rate Loans) or an increase in interest rate (in the case of Fixed Rate Loans) (i) from a scheduled date for any reason or (ii) (in the case of an ACF Loan) due to a failure to pay any amount due under such ACF Agreement. |
| “Priority 1 ICL Loans” | means ICL Loans corresponding to Priority 1 Notes. |
| “Priority 1 Notes” | means Class A Notes and Class R1 Notes. |
| “Priority 2 Debt” | means any Financial Indebtedness of any of the Obligor which is incurred after the Exchange Date in compliance with the Common Terms Agreement and which is attributed the Debt Rank of “Priority 2 Debt” in accordance with the provisions described in “– <i>Ranking of Financial Indebtedness</i> ”, page 82, above. |
| “Priority 2 Debt Step-Up Amounts” | means any amount of interest payable in respect of any ICL Loans or ACF Loans constituting Priority 2 Debt which represents an increase in margin (in the case of Floating Rate Loans) or an increase in interest rate (in the case of Fixed Rate Loans) (i) from a scheduled date for any reason or (ii) (in the case of an ACF Loan) due to a failure to pay any amount due under such ACF Agreement. |
| “Priority 2 Notes” | means Class B Notes and Class R2 Notes. |
| “Pro Forma Historical ICR” | means, in respect of any Proposed Additional Transaction, the modified Historical ICR calculated on of the relevant Additional Calculation Date (assuming that such transaction was completed as of the first day of the most recently completed Historical Calculation Period). |
| “Programme” | means the £4,000,000,000 multicurrency programme for the issuance of Notes established by the Issuer. |
| “Prohibited Transaction” | <p>means any transaction or Dealing (including (i) the introduction of a Nominated Eligible Property into the Estate or an Eligible Obligor into the Security Group, (ii) the removal of a Mortgaged Property from the Estate or an Obligor from the Security Group or (iii) the incurrence or Prepayment of Financial Indebtedness) in respect of which any one of the following is true:</p> <ul style="list-style-type: none"> (a) it would cause a breach (or, if already breached, a further breach) of the Financial Covenant were a Tier Test Calculation Date to occur immediately following the completion of such transaction or Dealing; (b) it would cause any Concentration Limit to be exceeded (or, if already exceeded, to be further exceeded); or (c) it would cause any covenant given by the Obligor under the Obligor Transaction Documents (other than the covenants referred to in paragraphs (a) and (b) above) to be breached (or, if already breached, to be breached further), <p>provided that transactions or Dealings which are completed on the same day shall be deemed to constitute a single transaction.</p> |
| “Projected EBITDA” | means, in respect of any Forward-Looking Calculation Period, the sterling projected consolidated or <i>pro forma</i> consolidated operating profit of the Security Group (taking into account projected changes in its composition) for that period calculated |

in accordance with the Applicable Accounting Principles (but including for the avoidance of doubt any projected releases from the Income Replacement Account), but before:

- (a) any Projected Interest Charges;
- (b) any amount projected to be attributable to amortisation of goodwill or other intangible assets or the amortisation or the writing off of acquisition or refinancing costs and any deduction for depreciation of assets; and
- (c) any tax projected to accrue for such Forward-Looking Calculation Period in respect of all amounts and items included in or taken into account in calculating that projected consolidated operating profit and before making any adjustments to projected deferred tax assets or liabilities in that period,

and excluding:

- (i) fair value adjustments or impairment charges (to the extent they involve no payment of cash);
- (ii) items that would be treated as extraordinary or exceptional income or charges under the Applicable Accounting Principles for such Forward-Looking Calculation Period;
- (iii) any amount attributable to the writing up or writing down of any assets of any Obligor after the Exchange Date or, in the case of an Obligor becoming such after the Exchange Date, after the date of its becoming such and, in each case, in respect of such Forward-Looking Calculation Period;
- (iv) any non-cash amount attributed to share-based payments;
- (v) any other non-cash items, including any change in the mark-to-market value of any derivative transaction (but not so as to exclude UITF 28 as it affects any rent-free periods relating to tenancies granted by or to the Obligors, accruals and prepayments relating to rental income and operating expenses and specific bad debt provisions); and
- (vi) any amounts attributable to the projected disposal of any properties or other fixed assets during such Forward-Looking Calculation Period.

“Projected ICR”

means, in respect of any Forward-Looking Calculation Period, the ratio of the Projected EBITDA to the Projected Interest Charges each in respect of such Forward-Looking Calculation Period, converting all non-sterling amounts into sterling as required.

“Projected Interest Charges”

means, in relation to a Forward-Looking Calculation Period:

- (a) without double-counting, the projected accrued cost of interest on Financial Indebtedness of the Security Group (excluding any non-cash items, front end fees (whether or not amortised) and exceptional and extraordinary items but after taking account of any relevant hedging) for such Forward-Looking Calculation Period calculated on an accruals basis;

less:

- (b) without double-counting, any projected interest receivable by any member of the Security Group from a third party over the relevant Forward-Looking Calculation Period other than interest on the Income Replacement Account but including interest on amounts standing to the credit of the Liquidity Ledger.

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| “Projection Methodologies Confirmation” | means the confirmation required by the Common Terms Agreement to be provided by the Rating Agencies in order for the Obligors to adopt certain material changes to the projection methodologies used to calculate certain financing ratios under the Common Terms Agreement. See “– <i>Standard of care regarding projections</i> ”, page 97, above. |
| “Property Covenants” | means the covenants as set out in the Common Terms Agreement, which are set out under the headings of “– <i>Sector diversity – positive covenant</i> ”, “– <i>Sector diversity – negative covenant</i> ”, “– <i>Geographic diversity – negative covenant</i> ”, “– <i>Tenant Concentration Limit</i> ”, “– <i>Disposal permitted while Concentration Limit exceeded</i> ”, “– <i>Property Management</i> ”, “– <i>Leasing</i> ”, “– <i>Development</i> ” and “– <i>Disposals – negative covenants</i> ”, from page 102 to page 106, as the same may be modified and/or supplemented by any relevant T2 Covenant or T3 Covenant. |
| “Property Manager” | means a property manager selected by the Obligors from the Approved Property Manager List. |
| “Property Owner” | means, with respect to any Eligible Property, the Obligor or Obligors that hold the legal and beneficial title to such property. |
| “Property Release” | means, in respect of any Mortgaged Property, a deed, agreement or other document (which will in each case be in a form that shall have been pre-agreed between the Obligor and the Obligor Security Trustee) that, upon the due execution thereof by the Obligor Security Trustee and, in the case of Mortgaged Properties located in a jurisdiction other than England, Wales or Scotland, the completion of such other formalities as may be required in that jurisdiction, will be effective to release or re-convey to the relevant Obligor the entire security interest in respect of such Mortgaged Property held by the Obligor Security Trustee (for itself and on behalf of the other Obligor Secured Creditors) under the Obligor Transaction Documents. |
| “Proposed Accounting Principles” | means the accounting principles generally accepted by property companies in the United Kingdom (including but not limited to the International Financial Reporting Standards as then applied) which the Obligors elect (in accordance with the Common Terms Agreement) to adopt for the purpose of preparing, calculating and determining financial information, the loan to value and interest cover ratios under the Obligor Transaction Documents. See “– <i>Changes in Applicable Accounting Principles</i> ”, page 98, above. |
| “Proposed Additional Transaction” | means each transaction or combination of transaction (together with certain repayment of Financial Indebtedness) in respect of which the Obligors are required by the Common Terms Agreement to conduct the Additional Tier Tests. See “– <i>The Additional Tier Tests and Headroom Tests</i> ”, page 95, above. |
| “Proposed Completion Date” | means, in respect of any Proposed Additional Transaction, the first date upon which the Obligors propose to pay any amount (whether or not for cash), release security or transfer title to any Mortgaged Property or the shares of any Obligor, incur Financial Indebtedness, make any Prepayment, withdraw funds from the Disposal Proceeds Account, Debt Collateralisation Account or any Approved Blocked Account or otherwise complete such Proposed Additional Transaction. |

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| “Proposed Non-UK Obligor” | means an Eligible Obligor which the Principal Obligor may nominate as a person to which of one or more Mortgaged Properties will be transferred or by which one or more Mortgaged Properties will be acquired. See “– <i>Restructuring of the Security Group and the Estate</i> ”, page 77, above. |
| “Proposed Non-UK Obligor Modifications” | means the modifications proposed to be made by the Obligors to certain of the terms and conditions of, or the covenants contained in, the Common Terms Agreement and/or other Transaction Documents in connection with any proposed transfer of one or more Mortgaged Properties to a Proposed Non-UK Obligor or any proposed acquisition of one or more Mortgaged Properties by a Proposed Non-UK Obligor. See “– <i>Restructuring of the Security Group and the Estate</i> ”, page 77, above. |
| “Proposed Non-UK Structural Changes” | means any proposed transfers or acquisitions of or changes to the composition, holding structure or corporate structure of the Mortgaged Properties and/or the Security Group in connection with the nomination of a Proposed Non-UK Obligor as an Additional Obligor. See “– <i>Restructuring of the Security Group and the Estate</i> ”, page 77, above. |
| “Proposed Restructuring Modifications” | means the modifications proposed to be made by the Obligors to certain of the terms and conditions of, or the covenants contained in, the Common Terms Agreement and/or the other Transaction Documents in connection with any proposed restructuring of the Security Group and/or the Estate. See “– <i>Restructuring of the Security Group and The Estate</i> ”, page 77, above. |
| “Proposed Structural Changes” | means any proposed changes to the composition, holding structure or corporate structure of the Mortgaged Properties and/or the Security Group in connection with an Accepted Restructuring Purpose. |
| “Prospectus, Offer and Consent Solicitation Document” | means the document so entitled issued by Land Securities PLC on 27 September 2004 to certain holders of the Existing Note Debt. |
| “QIBs” | means Qualified Institutional Buyers, as defined under Rule 144A of the United States Securities Act of 1933. |
| “Qualifying Debtholders” | means the Debtholders that are entitled to vote at a Debtholders’ Meeting as described in the section entitled “– <i>Intercreditor Arrangements</i> ”, page 133, above. |
| “Qualifying Noteholders” | means Noteholders who are Qualifying Debtholders in respect of a Debtholders’ Meeting. |
| “Qualifying Self-Insured Mortgaged Properties” | means any Mortgaged Property or any stand-alone building on any Mortgaged Property where the Leasing Agreement in respect thereof imposes on the lessee an unqualified obligation, at its own cost, to fully reinstate the premises in question in the event of damage or destruction to the same, and such lessee is (a) a Government Tenant or a lessee who has, or whose obligations under the relevant Leasing Agreement are guaranteed by an entity which has, at all times, an actual or shadow/private corporate rating of, depending upon which of S&P, Fitch and/or Moody’s are a Rating Agency at the relevant time, AA or higher from S&P or AA or higher from Fitch or Aa2 or higher from Moody’s (or, in each case, the short-term equivalent of such rating if the basis of such ratings changes in the future), or (b) any other lessee provided that at all times the aggregate Market Value of Mortgaged Properties to which this part (b) may apply shall not exceed 5% of the Total Collateral Value. |

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| “Qualifying UK Investors” | means holders of Existing Note Debt which is debenture stock who have certified that they are resident in the United Kingdom. |
| “R1/R2 Pro Rata Amount” | means, on any P1 Breach Certificate Date, the P1 Breach Amount then outstanding multiplied by a fraction, the numerator of which is the principal amount of Revolving R1/R2 ACF Loans which are Priority 1 Debt then outstanding and the denominator of which is the aggregate of all Revolving R1/R2 Loans which are Priority 1 Debt then outstanding. |
| “R1/R2 Tranche” | means a tranche which is designated as such in a Revolving R1/R2 ACF Agreement. |
| “Rating Affirmed Matters” | means certain matters which shall be approved by the Obligor Security Trustee (in certain circumstances) if the Ratings Test is satisfied, as set out in “ <i>Rating Affirmed Matters</i> ”, page 135, above. |
| “Rating Agencies” | means, at any time, any two or more internationally recognised rating agencies (which term shall include S&P, Fitch and Moody’s) appointed from time to time by the Obligors to rate the Notes (or if, at any time, there is only one internationally recognised rating agency, such rating agency). |
| “Ratings Affirmation” | means a written statement, from each Rating Agency to the Obligors, of the ratings then assigned by that Rating Agency to each of the Class A Notes and the Class B Notes. |
| “Ratings Event” | <p>means, at any time, the occurrence of either of the following events:</p> <ul style="list-style-type: none"> (a) a Ratings Reset Event has not occurred and any of the following occur at that time: <ul style="list-style-type: none"> (i) if S&P is a Rating Agency at that time, S&P downgrades the ratings of (i) the Class A Notes to A+ or lower or (ii) the Class B Notes to BBB+ or lower; (ii) if Fitch is a Rating Agency at that time, Fitch downgrades the ratings of (i) the Class A Notes to A+ or lower or (ii) the Class B Notes to BBB+ or lower; (iii) if Moody’s is a Rating Agency at that time, Moody’s downgrades the ratings of (i) the Class A Notes to A2 or lower or (ii) the Class B Notes to Baa2 or lower; or (iv) if any other internationally recognised rating agency is a Rating Agency at that time, such rating agency downgrades the ratings of (i) the Class A Notes to a rating equivalent to A+ or lower or (ii) the Class B Notes to a rating equivalent to BBB+ or lower; or (b) a Ratings Reset Event has occurred and any of the entities referred to in paragraph (a), if it is a Rating Agency at that time, downgrades any Sub-Class of Notes by more than one notch below the Reset Rating applicable to such Sub-Class of Notes, <p>provided that, for the purposes of the foregoing, a designation of “negative outlook” (or equivalent) will not amount to a downgrade.</p> |
| “Ratings Event Prepayment Provision” | means the provision of the Common Terms Agreement that will require the Obligors to Prepay Non-Contingent Loans in accordance with the most recent Amortisation Schedule following the occurrence of a Ratings Event or the failure of the Obligors to obtain a Ratings Affirmation at least once in any five year period. See “– <i>Upon Ratings Event or failure to obtain Ratings Affirmation</i> ”, page 91, above. |

“Ratings Reset Event”

means that the following has occurred:

- (a) following the occurrence of a Ratings Event, the Issuer has elected to exercise its right to redeem the Notes in accordance with Condition 8(d); and
- (b) at a meeting of any Sub-Class of Noteholders duly convened in accordance with Condition 8(d), less than 75% of the Noteholders of such Sub-Class voted in favour of redemption of such Notes.

“Ratings Test”

means receipt of a confirmation from each of at least two Rating Agencies (or, if at any time there is only one Rating Agency, that Rating Agency) that, in respect of any event or matter in respect of which such confirmation is required or sought, either:

- (a) no Ratings Event in respect of such Rating Agency has occurred or will occur as a result of the relevant event or matter; or
- (b) that Rating Agency will not downgrade any of the Notes as a result of the relevant event or matter.

“Receipt”

means a receipt attached on issue to a Definitive Note redeemable in instalments for the payment of principal and includes any replacements for Receipts issued pursuant to Condition 14 (*Replacement of Notes, Coupons, Receipts and Talons*).

“Receiptholders”

means the several persons who are for the time being holders of the Receipts.

“Receiver”

means any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act 1986 and who is appointed:

- (a) by the Obligor Security Trustee under the Obligor Security Documents in respect of the whole or any part of the Obligor Security; or
- (b) by the Note Trustee (as assignee by way of security of the Issuer's rights under the Obligor Transaction Documents) under the Obligor Floating Charge Agreement in respect of the whole or any part of the security granted in favour of the Issuer under the Obligor Floating Charge Agreement; or
- (c) by the Note Trustee under the Issuer Deed of Charge in respect of the whole or any part of the Issuer Security.

“Redemption Amount”

means (if such amount is provided in the Conditions) the amount payable upon redemption of the Notes in certain circumstances as specified in the relevant Conditions.

“Region”

means either:

- (a) London, the South East and Eastern, the Midlands, Wales and the South West, the North, Scotland and Northern Ireland as shown (in each case) on the plan included in Schedule 2 with any Mortgaged Properties, or proposed Mortgaged Properties, which straddle boundaries between Regions being allocated to a particular Region by the Obligors by reference to the predominant Region in which the Mortgaged Property is located by land area; or
- (b) all areas outside Great Britain.

“Registered Notes”

means those Notes issued in registered form.

“Registers of Scotland”

means the Land Register of Scotland and the General Register of Sasines.

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| “Registrar” | means Deutsche Bank Trust Company Americas and Lloyds TSB Bank plc in their respective capacities as registrar and any other entity appointed as a registrar from time to time, subject to and in accordance with the Agency Agreement. |
| “Regulations” | means the requirements of the European Communities (Stock Exchange) Regulations, 1984 of Ireland (as amended). |
| “Regulation S Global Registered Note Certificate” | means, in relation to any Series, an unrestricted global note certificate representing the Notes of such Series in the form or substantially in the form set out in Part D (<i>Form of Regulation S Global Note Certificate</i>) of Schedule 2 to the Trust Deed and bearing the legends required by DTC but not the Rule 144A Legend. |
| “Regulation S Individual Note Certificate” | means, in relation to any Series, an unrestricted individual note certificate representing a Noteholder’s entire initial holding of Notes of such Series in the form or substantially in the form set out in Part C (<i>Form of Regulation S Individual Note Certificate</i>) of Schedule 2 to the Trust Deed. |
| “Reintroduced Property” | means a real estate property which was (but is no longer) a Mortgaged Property. |
| “REITs Event” | <p>means the receipt by the Note Trustee of a certificate signed by two Authorised Signatories of the Principal Obligor certifying that:</p> <ul style="list-style-type: none"> (i) a Restructuring Proposal Certificate has been delivered in accordance with the Common Terms Agreement; (ii) the Principal Obligor has sought to obtain confirmations that the Ratings Test is satisfied in respect of the Proposed Structural Changes and/or Proposed Restructuring Modifications set out in such Restructuring Proposal Certificate; and (iii) either (a) the Ratings Test has not been satisfied in respect of such Proposed Structural Changes and/or Proposed Restructuring Modifications or (b) the proposed modifications set out in the Restructuring Proposal Certificate cannot be carried out for any reason (including, without limitation, due to the exercise of blocking rights by any of the parties to the Transaction Documents or the failure to pass a resolution in relation to a Basic Terms Modification), <p>provided that a REITs Event shall only occur in relation to any relevant law passed such as is referred to in the definition of Accepted Restructuring Purpose (when a change in law has occurred) if such certificate is received by the Note Trustee not later than 3 years after the effective date of the enabling legislation and in any case (whether or not there has been any changes in law), within 5 years of the Exchange Date.</p> |
| “Released Obligor” | means an entity which was an Obligor but in respect of which the Obligor Security Trustee executed a deed (the form of which will be set out in the Common Terms Agreement) which released such entity from all of its obligations under the Obligor Transaction Documents. |
| “Released Property” | means a property which is no longer part of the Estate following the execution of a Property Release in respect of such property by the Obligor Security Trustee in accordance with the Common Terms Agreement. |

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| “Relevant Member” | means a JerseyCo (other than a JerseyCo which is bare trustee for a company incorporated in England and Wales) or any of the partners of a Partnership. |
| “Relevant Swap Mid Curve Rate” | has the meaning given to such term in Condition 8(b)(i). |
| “Rental Income” | means the annual rent, licence fees and other analogous payments contractually receivable from Occupiers in respect of Mortgaged Properties (or any particular Mortgaged Property or any part thereof, as the case may be) pursuant to Leasing Agreements (excluding payments in respect of any service charge and insurance charge and, in cases where the annual rent, licence fee or other analogous payment contractually receivable as aforesaid is inclusive of service charge and insurance charge payments, excluding these elements on the basis of a proper assessment by the Principal Obligor’s directors of the payments that would be contractually receivable if service charge and insurance charge payments were separately payable). |
| “Rental Loans” | means loans made by any Non-Restricted Group Entity to Land Securities (Finance) Limited by way of annual rent, licence fees and similar payments, including amounts in respect of service charges and insurance charges, being paid by such Non-Restricted Group Entity’s tenants into a Collection Account. |
| “Reorganisation Documents” | means all the agreements and instruments, entered into on or about the Exchange Date or to be entered into on or about the Exchange Date which effect or relate to the transfer of shares or assets between members of the Land Securities Group. |
| “Replacement Cash Manager” | means, at any time, the company (if any) not being a member of the Land Securities Group which is appointed, for the time being, as cash manager under and in accordance with the Account Bank and Cash Management Agreement. |
| “Replacement Servicer” | means, at any time, the company (if any) not being a member of the Land Securities Group which is appointed for the time being as servicer under and in accordance with the Servicing Agreement. |
| “Reporting Date” | means the day which falls 90 days after the end of each Financial Half-Year or, if such day is not a Business Day, the following Business Day. |
| “Representatives” | means in respect of Qualifying Debtholders who are Noteholders, the Note Trustee, and in respect of Qualifying Debtholders who are ACF Providers, such person as designated in the relevant ACF Agreement. |
| “Required Liquidity Amount” | <p>means, at any time, the product of $A \times B \times C$, where:</p> <ul style="list-style-type: none"> (a) “A” equals the number of percentage points by which the LTV exceeded 55% as of the most recent Liquidity Relevant Date (provided that “A” (1) shall be calculated to zero decimal places with all fractions being rounded down and (2) shall not exceed 15); (b) “B” equals 1/15; and (c) “C” equals the aggregate of all interest expense (after taking account of hedging) that will accrue in respect of Non-Contingent Loans which are Priority 1 Debt during the 18 month period immediately following the most recent Liquidity Relevant Date (assuming for these purposes that (1) no repayments, Actual Prepayments or Buybacks will be |

made in respect of Priority 1 Debt during that period and (2) in respect of Priority 1 Debt all applicable base or reference rates and margins will remain, throughout that period, as they were on the most recent Liquidity Relevant Date).

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| "Reset Ratings" | means, in respect of any Sub-Class of Notes and any Rating Agency, the ratings assigned by that Rating Agency to such Sub-Class as of the date of the most recent Ratings Reset Event. |
| "Residential Sector" | means the use of a Mortgaged Property primarily for residential purposes within Use Class C3 of the Use Classes Order 1987. |
| "Restricted Initial Notes" | has the meaning given to that term in the section entitled " <i>– Form of Restricted Initial Notes</i> ", page 240, above. |
| "Restricted Payment" | means any payment or other disposal of cash or other funds or assets, including (but not restricted to) by way of advance of a loan, payment of a dividend or other return on capital, a distribution, payment of interest, payment of premium, repayment of a loan, payment of fees, the making of a gift or a capital contribution or reduction of capital, in each case, to a Non-Restricted Group Entity or a Stakeholder, or purchase of tax relief from a Non-Restricted Group Entity or a Stakeholder. |
| "Restricted Payment Covenant" | means the covenants referred to in " <i>– other Restricted Payments</i> ", page 110, and " <i>– Restricted Payments</i> ", page 113, above. |
| "Restructuring Proposal Certificate" | means a certificate delivered by the Principal Obligor to the Obligor Security Trustee, the Note Trustee and the Rating Agencies in relation to a proposed restructuring of the Security Group and/or the Estate and/or to make modifications to certain of the terms and conditions of, or the covenants contained in, the Common Terms Agreement and/or the other Transaction Documents which meets the relevant requirements set out in the Common Terms Agreement, all for an Accepted Restructuring Purpose, as described in " <i>– Restructuring of the Security Group and the Estate</i> ", page 77, above. |
| "Retail Warehouses Sector" | means the use of a Mortgaged Property primarily for retail warehouse purposes within Use Class A1 of the Use Classes Order 1987. |
| "Revolving ICL Loan" | means a Revolving R1 ICL Loan or a Revolving R2 ICL Loan. |
| "Revolving Loan" | means any revolving loan outstanding under the Intercompany Loan Agreement or an ACF Agreement. |
| "Revolving R1/R2 ACF Agreement" | means an agreement which is designated as such and which meets certain additional criteria set out in the Common Terms Agreement. See " <i>– Revolving R1/R2 ACF Loans</i> ", page 81, above. |
| "Revolving R1/R2 ACF Loans" | means a Loan advanced from the R1/R2 Tranche of a Revolving R1/R2 ACF Agreement. |
| "Revolving R1/R2 Loans" | means the Revolving R1/R2 ACF Loans and the Revolving ICL Loans. |
| "Revolving R1 ICL Loan" | means a loan referable to the Class R1 Notes in circulation from time to time (if any) and made by the Issuer under the Intercompany Loan Agreement. |
| "Revolving R2 ICL Loan" | means a loan referable to the Class R2 Notes in circulation from time to time (if any) and made by the Issuer under the Intercompany Loan Agreement. |

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| “RM Security Structure” | means the security structure effected by the RM Security Structure Documents in respect of such properties which any Relevant Member proposes to introduce into the Estate. |
| “RM Security Structure Documents” | means, in respect of any Relevant Member and any property which such Relevant Member proposes to introduce into the Estate, the relevant (a) Nominees’ legal charge, (b) Relevant Member’s equitable charge, (c) Trust Declaration and (d) Beneficiary Undertaking, in each case as described in “– <i>Trust Declaration and Beneficiary Undertakings</i> ”, page 155, above. |
| “RPC Exception” | means: <ul style="list-style-type: none"> (a) any Restricted Payment expressly permitted by an Obligor Transaction Document (including, without limitation, repayment by Land Securities (Finance) Limited of Rental Loans or Servicer Loans, payments to a Non-Restricted Group Entity made in accordance with the Obligor Transaction Documents and made to such Non-Restricted Group Entity solely in its capacity as an ACF Provider and payments for the purchase of tax relief where the relevant conditions in the Tax Deed of Covenant are satisfied); (b) any Restricted Payment made from the net proceeds arising out of (i) the issue of equity or (ii) any Subordinated Debt or Unsecured Debt provided to one or more Obligors in accordance with the terms of the Common Terms Agreement; (c) any Restricted Payment made as a Rating Affirmed Matter; and (d) any Restricted Payment constituting the consideration for an Acquisition on arm’s-length terms. |
| “RPI Base Index Figure” | means 188.1. |
| “RPI Indexation” | means, in respect of any number, that number multiplied by the RPI Index Ratio. |
| “RPI Index Figure” | means, at any time, the UK Retail Price Index (RPI) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index (the relevant publication being the most recent publication prior to such time and the relevant RPI Index Figure being that relating to the month before that of publication). |
| “RPI Index Ratio” | means at any time the RPI Index Figure divided by the RPI Base Index Figure. |
| “Rule 144A Global Certificate” | means, in relation to any Series, a restricted global note certificate representing the Notes of such Series to be issued in the form set out in Part B (<i>Form of Rule 144A Global Certificate</i>) of Schedule 2 to the Trust Deed and bearing the Rule 144A Legend and any legends required by DTC. |
| “Rule 144A Individual Note Certificate” | means, in relation to any Series, a restricted individual note certificate representing a Noteholder’s entire holding of Notes of such Series in the form or substantially in the form set out in Part A (<i>Form of Rule 144 individual Note Certificate</i>) of Schedule 2 to the Trust Deed and bearing the Rule 144A Legend. |
| “Rule 144A Legend” | means the transfer restriction legend relating to the Securities Act set out in the forms of the Rule 144A Global Certificate and the Rule 144A Individual Note Certificate. |
| “S&P” | means Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. or its successor by way of name change or merger from time to time. |

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| “Sales Proceeds” | means, in relation to the Disposal of a Mortgaged Property or of an Obligor (a) the gross proceeds of sale thereof (and of any other part of the Charged Property sold in connection with any Mortgaged Property) as and when received by the relevant vendor Obligor(s) less (b) an amount equal to the costs and expenses incurred by the relevant vendor Obligor(s) in connection with the relevant Disposal (including any amount to be paid in respect of any indemnity relating to such costs and expenses) or, where the Disposal is for a non-cash consideration in whole or in part and where a T3 Covenant Regime applies, the amount which the Obligors are obliged to credit to the Disposal Proceeds Account pursuant to the provision in “ <i>Disposal and Insurance Proceeds</i> ”, page 116, above. |
| “Scheduled Calculation Dates” | means: <ul style="list-style-type: none"> (a) if the T1 Covenant Regime or the T2 Covenant Regime applies, the last day of each Financial Half-Year (commencing on 31 March 2005); or (b) if a T3 Covenant Regime applies, the last day of each Financial Half-Year (commencing on 31 March 2005) and each day falling three months after the last day of each Financial Half-Year. |
| “Scottish Assets” | means all assets of the Obligors situated in, or governed by the laws of, Scotland. |
| “Scottish Property” | means any one or more of the Mortgaged Properties or proposed Mortgaged Properties located in Scotland. |
| “SD Headroom Test” | means the test, conducted from time to time in accordance with the Common Terms Agreement, pursuant to which it will be determined whether certain proposed drawings of Further Subordinated Debt are Permitted Drawings, as described in “– <i>Permitted Financial Indebtedness</i> ”, page 83, above. |
| “Secondary Debt Rank” | means sub-ranks, established by the Obligors in accordance with the Common Terms Agreement, which specify the ranking (in point of security only) of Subordinated ICL Loans and Subordinated ACF Loans <i>inter se</i> . See “– <i>Ranking of Financial Indebtedness</i> ”, page 82, above. |
| “Sector” | means the Office Sector, Shopping Centres and Shops Sector, Retail Warehouses Sector, Industrial Sector, Residential Sector or Other Sector. |
| “Sector Concentration Limit” | means a limit imposed by the Common Terms Agreement on the percentage of Total Collateral Value that may be attributable to any Sector. See “– <i>Sector diversity – negative covenant</i> ”, page 103, above. |
| “Secured Creditor Instruction” | means any instruction given to the Obligor Security Trustee as approved in a Debtholders’ Meeting or separate Debtholders’ Meetings, if so required by the Obligor Security Trustee. |
| “Secured Creditors” | means the Issuer Secured Creditors and the Obligor Secured Creditors. |
| “Secured Financial Indebtedness” | means any Financial Indebtedness of a member of the Security Group which is secured under the Obligor Security Documents. |
| “Secured Obligations” | means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Obligor Secured Creditor under each Obligor Transaction Document to which such Obligor is a party. |
| “Securities Act” | means the United States Securities Act of 1933, as amended. |

“Security Group”

means all the Obligors.

“Security Group Net Debt Outstanding”

means, at any time, a sum equal to the aggregate of each Obligor’s Financial Indebtedness then outstanding (without double counting), less the sum of the aggregate amount then standing to the credit of the Debt Collateralisation Account, the Disposal Proceeds Account, any Liquidity Facility Reserve Account (but only to the extent that the standby loan drawn under the relevant Liquidity Facility Agreement and deposited into such Liquidity Facility Reserve Account is treated as Financial Indebtedness for the purposes of this definition) and any Approved Blocked Account and the value of any Eligible Investments then held by any Obligor and made with funds standing to the credit of the Debt Collateralisation Account, the Disposal Proceeds Account, any Liquidity Facility Reserve Account (subject as provided above) or any Approved Blocked Account, provided that, for the purposes of this definition:

- (a) to the extent that any Financial Indebtedness comprises loan guarantees, loan indemnities or similar instruments granted by an Obligor to a Non-Restricted Group Entity or other third party, the maximum principal amount from time to time outstanding under such loan and at that time guaranteed, indemnified or otherwise payable under each such guarantee, indemnity or similar instrument, as applicable, shall be included as the amount of Financial Indebtedness in respect thereof;
- (b) to the extent that any Financial Indebtedness comprises a Performance Bond, 15% of the fixed, liquidated or maximum principal amount payable in respect of such Performance Bond from time to time shall be included as the amount of Financial Indebtedness in respect thereof;
- (c) if any ICL Loan corresponds to a Sub-Class of Notes which are Zero Coupon Notes or Indexed Notes, the Obligors’ liability in respect of such Loan will be treated as being equal to the cost of prepaying such Notes at that time (excluding any penalties for early redemption); and
- (d) if any Financial Indebtedness of any Obligor is a guarantee or similar instrument in respect of any item that would be comprised in Security Group Net Debt Outstanding referred to in any of (a) to (c) above, if owed by an Obligor (but is owed by a person other than an Obligor), the liability under such guarantee or other instrument shall be treated as the amount that would be taken into account in determining Security Group Net Debt Outstanding in respect of such item.

“Security Group Post-Enforcement (Post-Acceleration) Priority of Payments”

means the priority of payments applicable to the Security Group after the enforcement of the Obligor Security and Acceleration of the Secured Obligations set out on page 152, above.

“Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments”

means the priority of payments applicable to the Security Group after the enforcement of the Obligor Security but before the Acceleration of the Secured Obligations set out on page 149, above.

“Security Group Pre-Enforcement Priority of Payments”

means the priority of payments applicable to the Security Group before the enforcement of the Obligor Security set out on page 145, above.

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| “Security Group Priority of Payments” | means the Security Group Pre-Enforcement Priority of Payments, the Security Group Post-Enforcement (Pre-Acceleration) Priority of Payments or the Security Group Post-Enforcement (Post-Acceleration) Priority of Payments (whichever applies at the relevant time). |
| “Security Trust and Intercreditor Deed” | means the security trust and intercreditor deed to be dated on or about the Exchange Date and entered into between the Obligors, Land Securities Group PLC, the Issuer, the Note Trustee, the Obligor Security Trustee, the Obligor Secured Creditors and others. |
| “Sequential Prepayment Regime” | means the regime, set out in the Common Terms Agreement, that will require certain Prepayments of Loans made pursuant to the Mandatory Prepayment Provisions, while an Event of Default is continuing unwaived or while a T3 Covenant Regime applies to be made in descending order of seniority. See “– <i>Order of Prepayment</i> ”, page 89, above. |
| “Series” | means in respect of each Issue Date, the series of Notes to be issued under the Programme on such Issue Date. |
| “Servicer” | means Land Securities Properties Limited in its capacity as servicer to the Security Group or such other entity or entities appointed as servicer from time to time, subject to and in accordance with the terms of the Servicing Agreement. |
| “Servicer Loan” | means loans made to FinCo by any Non-Restricted Group Entity by way of such Non-Restricted Group Entity discharging, on behalf of an Obligor, any liability of that Obligor in respect of operating costs and expenses relating to its Permitted Business(es). |
| “Services” | has the meaning given to it in “– <i>Services</i> ”, page 162, above. |
| “Servicing Agreement” | means the agreement described in “– <i>Servicing Agreement</i> ”, page 162, above. |
| “Shopping Centres and Shops Sector” | means the use of a Mortgaged Property primarily for retail purposes within Use Classes A1 (other than retail warehouses), A2 or A3 of the Use Classes Order 1987. |
| “Shortfall” | means in respect of the Security Group Pre-Enforcement Priority of Payments a shortfall in Available Cash as compared to the aggregate amount due and payable on the day in question in respect of each item (other than the last item) in the Security Group Pre-Enforcement Priority of Payments. |
| “Single Tenant” | means any one tenant or any group of tenants who are affiliates of each other. (For the purposes of this definition, two persons will be affiliates of each other if (a) one such person is a direct or indirect subsidiary or subsidiary undertaking of the other person, (b) one such person expressly and unconditionally guarantees the obligations of the other person under the relevant Leasing Agreement, (c) both such persons are direct or indirect subsidiaries or subsidiary undertakings of a third person or (d) the obligations of both such persons under the relevant Leasing Agreements are expressly and unconditionally guaranteed by the same third person.) |
| “Specific Tax Reserve Account” | means the account designated as the “Specific Tax Reserve Account”, held in the name of FinCo and maintained by the Account Bank pursuant to the Account Bank and Cash Management Agreement, or any other such account so designated in the name of FinCo as may be opened, with the |

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| | consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank in replacement of such account. |
| “Specified Arrangement” | means, in summary, certain transactions or series of transactions (other than certain types of transactions, including, <i>inter alia</i> , disposals) to which an Obligor becomes a party, the tax treatment of which has particular attributes or effects which would have a material effect on the taxation of that Obligor. |
| “Stakeholder” | means (i) a holder (other than an Obligor) of shares or other ownership interests (including a partnership interest) in any Obligor or any partnership in which an Obligor is a partner and (ii) any provider of services (including, but not limited to, cash management services) to the Security Group which is a Non-Restricted Group Entity. |
| “Standard Securities” | means the Initial Standard Securities and the Supplemental Standard Securities. |
| “Step-Up Amounts” | means any (a) Priority 1 Debt Step-Up Amount, (b) Priority 2 Debt Step-Up Amount, or (c) Subordinated Debt Step-Up Amount. |
| “sterling” | means the lawful currency of the United Kingdom as at the Exchange Date. |
| “STID Floating Security” | means the floating charges granted by the Obligors in favour of the Obligor Security Trustee pursuant to the Security Trust and Intercreditor Deed (see the section entitled “– <i>Fixed and floating security granted by the Obligors</i> ”, page 127, above). |
| “Sub-Class” | means: <ul style="list-style-type: none"> (a) in respect of Notes, Notes of a particular Class which are identical with each other (save, in the case of fungible Notes, as to Issue Date, Interest Commencement Date and Issue Price); (b) in respect of Noteholders, Noteholders holding a particular Sub-Class of Notes; (c) in respect of ACF Providers (i) where one or more ACF Providers (under a single ACF Agreement) are making one or more ACF Loans ranking in a single point of security, such ACF Provider (or ACF Providers) party to such ACF Agreement, and (ii) where one or more ACF Providers (under a single ACF Agreement) are making one or more ACF Loans ranking in multiple points of security, such ACF Provider (or ACF Providers) party to such ACF Agreement who are making ACF Loans ranking at a single point of security; (d) in respect of Debtholders, a Sub-Class of Noteholders or a Sub-Class of ACF Providers; and (e) in respect of Qualifying Debtholders, a Class of Noteholders who are Qualifying Debtholders or a Sub-Class of ACF Providers who are Qualifying Debtholders. |
| “SubCo” | means LS Nominees Holdings Limited. |
| “Subordinated ACF Loans” | means ACF Loans having the Primary Debt Rank of Subordinated Debt. |
| “Subordinated ACF Provider” | means each ACF Provider which is a provider of Permitted Financial Indebtedness ranking in point of security after Priority 2 Debt. |

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| “Subordinated Debt” | means any Financial Indebtedness of any of the Obligors which is incurred after the Exchange Date and in compliance with the Common Terms Agreement and which is attributed the Primary Debt Rank of “Subordinated Debt” in accordance with the provisions described in “– <i>Ranking of Financial Indebtedness</i> ”, page 82, above. |
| “Subordinated Debt Split” | means the establishment by the Obligors of Secondary Debt Ranks for each Subordinated ICL Loan and Subordinated ACF Loan in accordance with the Common Terms Agreement. See “– <i>Ranking of Financial Indebtedness</i> ”, page 82, above. |
| “Subordinated Debt Step-Up Amounts” | means any amount of interest payable in respect of any ICL Loans or ACF Loans constituting Subordinated Debt which represents an increase of margin (in the case of Floating Rate Loans) or an increase in interest rate (in the case of Fixed Rate Loans) (i) from a specific date for any reason or (ii) (in the case of an ACF Loan) due to a failure to pay any amount due under such ACF Agreement. |
| “Subordinated Debt Subordinated Amounts” | means, in relation to any Subordinated Debt: <ul style="list-style-type: none"> (a) (in relation to ACF Loans) any increased costs payable under any ACF Agreement save to the extent that such increased costs represent the cost of regulatory capital attributable to the ACF Loans; and (b) any Subordinated Debt Step-Up Amount. |
| “Subordinated ICL Loans” | means ICL Loans having the Primary Debt Rank of Subordinated Debt. |
| “Subordinated Notes” | means any Class of Notes designated as such pursuant to a Pricing Supplement (with the ranking in point of security among Classes of Subordinated Notes being determined in accordance with the Security Trust and Intercreditor Deed and specified in the relevant Pricing Supplement on the basis of the agreement reached in accordance with the Common Terms Agreement (see paragraph (c) of the section entitled “– <i>Ranking of Financial Indebtedness</i> ”, page 82, above)). |
| “Subscription Agreement” | means an agreement supplemental to the Dealership Agreement substantially in the form set out in Schedule 7 (<i>Pro Forma Subscription Agreement</i>) to the Dealership Agreement or in such other form as may be agreed between, among others, the Issuer and the relevant Dealer(s). |
| “Supplemental Standard Securities” | means each first ranking standard security in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970 granted over a Scottish Property substantially in the form set out in a Schedule to the Security Trust and Intercreditor Deed, to be entered into after the Exchange Date. |
| “Surrender” | means the surrender of any Leasing Agreement or other voluntary disposal or relinquishment of the right to receive Rental Income (or analogous payments) from any Occupier (and “ surrendered ” shall be construed accordingly). |
| “Surrender Amount” | means, in respect of any Surrender, the aggregate net present value of each lease payment foregone as a result of such Surrender, which shall be calculated in respect of each such payment by applying a reinvestment rate certified in writing by two Authorised Signatories to the Obligor Security Trustee as being available in respect of amounts credited to the Income Replacement Account (which may be a special rate agreed with the Account Bank in respect of the particular Surrender Amount). |

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| “Surrender Threshold” | means, as at any date, 2% of the Passing Rent projected to be receivable from the Estate (as determined by the Obligor as of the most recent Tier Test Calculation Date over the period of 12 months commencing on such Calculation Date. |
| “Swap Agreement” | means an agreement between an Obligor and a Swap Counterparty for the purpose of effecting one or more Swap Transactions. |
| “Swap Collateral Account” | means, in relation to a Swap Agreement, an account designated as a “Swap Collateral Account”, held in the name of the Obligor which is party to the Swap Agreement and maintained with the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement, or such other account as may be opened with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank to replace such designated account(s). |
| “Swap Counterparties” | means the Initial Swap Counterparties and any other swap counterparty with which any Obligor enters into any Swap Agreement, and “Swap Counterparty” means any one of them. |
| “Swap Counterparty Downgrade” | means the short term or long term unsecured, unsubordinated and unguaranteed debt obligations of a Swap Counterparty being rated below the Swap Counterparty Minimum Short Term Ratings or the Swap Counterparty Minimum Long Term Ratings, respectively (and, in the case of a downgrade by S&P or Fitch, as a result of such downgrade the then current rating of any Sub-Class of Notes is downgraded or placed under review for possible downgrade by S&P or Fitch, as applicable). |
| “Swap Counterparty Minimum Long Term Ratings” | means: <ul style="list-style-type: none"> (a) for any Swap Counterparty where the Swap Transaction is an interest rate swap or similar, that the long term unsecured, unsubordinated and unguaranteed debt obligations of such Swap Counterparty are rated at least BBB- by S&P, A1 by Moody’s and A by Fitch (whichever of them are Rating Agencies at the relevant time), or such other rating as may be agreed with the relevant Rating Agency from time to time; (b) for any Swap Counterparty where the Swap Transaction is a currency swap or similar, that the long term unsecured, unsubordinated and unguaranteed debt obligations of such Swap Counterparty are rated at least BBB- by S&P, A1 by Moody’s and A+ by Fitch (whichever of them are Rating Agencies at the relevant time), or such other rating as may be agreed with the relevant Rating Agency from time to time; or (c) for any Swap Counterparty where the Swap Transaction is not an interest rate swap, a currency swap or similar, that the long term unsecured, unsubordinated and unguaranteed debt obligations of such Swap Counterparty have such rating as may be agreed with the relevant Rating Agency from time to time. |
| “Swap Counterparty Minimum Short Term Ratings” | means: <ul style="list-style-type: none"> (a) for any Swap Counterparty where the Swap Transaction is an interest rate swap or similar, that the short term unsecured, unsubordinated and unguaranteed debt obligations of such Swap Counterparty are rated at least A-1 by S&P, P-1 by Moody’s and F1 by Fitch (whichever of |

them are Rating Agencies at the relevant time), or such other rating as may be agreed with the relevant Rating Agency from time to time;

- (b) for any Swap Counterparty where the Swap Transaction is a currency swap or similar, that the short term unsecured, unsubordinated and unguaranteed debt obligations of such Swap Counterparty are rated at least A-1+ by S&P, P-1 by Moody's and F1 by Fitch (whichever of them are Rating Agencies at the relevant time), or such other rating as may be agreed with the relevant Rating Agency from time to time; or
- (c) for any Swap Counterparty where the Swap Transaction is not an interest rate swap, a currency swap or similar, that the short term unsecured, unsubordinated and unguaranteed debt obligations of such Swap Counterparty have such rating as may be agreed with the relevant Rating Agency from time to time.

"Swap Excluded Amount Account"

means, in relation to a Swap Agreement, an account designated as a "Swap Excluded Amount Account", held in the name of the Obligor which is party to such Swap Agreement and maintained with the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement, or such other account as may be opened with the consent of the Obligor Security Trustee, at any branch of the Account Bank or at an Eligible Bank to replace such designated account(s).

"Swap Excluded Amounts"

means:

- (a) amounts standing to the credit of any Swap Collateral Account;
- (b) an amount equal to any tax credit received by an Obligor in respect of any additional payment made by a Swap Counterparty in accordance with the terms of the applicable Swap Agreement as a result of the imposition of tax upon the payment due from such Swap Counterparty; and
- (c) any premium received by an Obligor from a replacement Swap Counterparty providing a replacement Swap Transaction.

"Swap Excluded Obligation"

means, in accordance with the terms of any Swap Agreement, any obligation of the Obligor party thereto to the applicable Swap Counterparty to: (i) return collateral equivalent to that provided by such Swap Counterparty; or (ii) pay an amount equal to any tax credit received by such Obligor in respect of any additional payment made by the Swap Counterparty as a result of the imposition of tax upon the payment due from such Swap Counterparty.

"Swap Subordinated Amounts"

means any amount due to a Swap Counterparty from any Obligor on termination of a Swap Agreement due to the occurrence of (i) an event of default where the relevant Swap Counterparty is the defaulting party or (ii) any termination event due to a Swap Counterparty Downgrade.

"Swap Termination Amounts"

means any amount due to a Swap Counterparty from any Obligor on termination of a Swap Agreement, but excluding any amount which constitutes a Swap Subordinated Amount.

"Swap Transaction"

means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, interest rate or currency or future or option contract, foreign

exchange or currency purchase or sale agreement, interest rate swap, currency swap or combined similar agreement or any derivative transaction protecting against fluctuations in any interest rate or currency price or inflation.

“T1 Covenant Regime”

means the covenant regime that will apply under the Common Terms Agreement if none of the T1 Thresholds are breached at the relevant time. See “– *Determining the Applicable Covenant Regime*”, page 100, and “– *Applicable Covenants*”, page 101, above.

“T1 Covenants”

means the covenants described in “*T1 Covenants*”, page 102, above.

“T1 Threshold”

means, in the case of:

- (a) LTV and Additional LTV, 55% (or 50% if the relevant Calculation Date falls within a Change of Control Period); and
- (b) Historical ICR, Pro Forma Historical ICR, Projected ICR and Additional Projected ICR, 1.85:1.

“T2 Covenant Regime”

means the covenant regime that will apply under the Common Terms Agreement if any of the T1 Thresholds, but none of the T2 Thresholds, are breached at the relevant time. See “– *Determining the Applicable Covenant Regime*”, page 100, and “– *Applicable Covenants*”, page 101, above.

“T2 Covenants”

means the covenants described in “– *T2 Covenants*”, page 111, above.

“T2 Threshold”

means, in the case of:

- (a) LTV and Additional LTV, 65% (or 60% if the relevant Calculation Date falls within a Change of Control Period and, earlier in that Change of Control Period, the LTV was less than 60%); and
- (b) Historical ICR, Pro Forma Historical ICR, Projected ICR and Additional Projected ICR, 1.45:1.

“T3 Covenant Regime”

means either the Initial T3 Covenant Regime or the Final T3 Covenant Regime.

“T3 Covenants”

means the Initial T3 Covenants and the Final T3 Covenants.

“T3 Prepayment Provision”

means the provision of the Common Terms Agreement that will require the Obligors to Prepay Non-Contingent Loans in accordance with the most recent Amortisation Schedule for so long as a T3 Covenant Regime applies. See “– *While a T3 Covenant Regime applies*”, page 91, above.

“Talons”

has the meaning given to that term in Condition 1(b).

“TARGET System”

means the Trans-European Automated Real Time Gross Settlement Express Transfer System.

“Tax”

means any present or future tax, levy, impost, duty or other charge or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed, collected or assessed by, or payable to a Tax Authority other than any non-domestic rates (as imposed by the Local Government Finance Act 1992) and “**Taxes**”, “**taxation**”, “**taxable**” and comparable expressions shall be construed accordingly.

| | |
|--------------------------------------|--|
| “Tax Authority” | means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function with respect to Tax (including the United Kingdom Inland Revenue and H.M. Customs & Excise). |
| “Tax Deed of Covenant” | means the deed of covenant to be dated on or about the Exchange Date and entered into between, <i>inter alios</i> , the Issuer, the Obligors, Land Securities Group PLC, the Cash Manager, the Note Trustee and the Obligor Security Trustee. |
| “Tax Reserve Accounts” | means the General Tax Reserve Account and the Specific Tax Reserve Account. |
| “TEFRA C Rules” | means United States Treasury Regulation § 1.163 – 5 (c) (2) (i) (C). |
| “TEFRA D Rules” | means United States Treasury Regulation § 1.163 – 5 (c) (2) (i) (D). |
| “Temporary Global Note” | means, in relation to any Series, a temporary global note in the form or substantially in the form set out in Part A (<i>Form of Temporary Global Note</i>) of Schedule 3 to the Trust Deed. |
| “Tenant Concentration Limit” | means a limit imposed by the Common Terms Agreement on the percentage of Rental Income that may be receivable from any Single Tenant. See “– <i>Tenant concentration limit</i> ”, page 103, above. |
| “Term ICL Loans” | means the Initial ICL Loans and any other ICL Loan which is not a Revolving ICL Loan. |
| “Tier Determination Date” | means, in respect of the Tier Tests, the date upon which such Tier Tests are conducted (being no later than the latest date on or by which the relevant Calculation Certificate in respect of such Tier Tests is required to be delivered). |
| “Tier Test Calculation Dates” | means each Scheduled Calculation Date and Optional Calculation Date. |
| “Tier Tests” | means the calculation of the LTV, the Projected ICR and (if the Obligors have elected or are required to calculate it as of the relevant date) the Historical ICR. |
| “Tier Threshold” | means the T1 Threshold, the T2 Threshold or the Initial T3 Threshold. |
| “Title Overview Reports” | has the meaning given to it in “– <i>Investigations and Certificates of Title</i> ”, page 54, above. |
| “Total Collateral Value” | <p>means, at any time, the aggregate of the value of all Further Credit Assets (as determined in accordance with such criteria as have been agreed with the Rating Agencies as of that time) and the market value of the Estate as shown in the most recent Valuation Report on the Estate, in the latter case, as adjusted to take account of:</p> <ul style="list-style-type: none"> (a) in respect of any Mortgaged Property (other than a Trading Property) valued in connection with the most recent Valuation Report on the Estate which has been Disposed of by an Obligor after the date thereof, by deducting the Market Value of such Mortgaged Property; (b) in respect of any Mortgaged Property (other than a Trading Property) added to, and remaining in, the Estate since the most recent Valuation Report on the Estate, by adding the Market Value of such Mortgaged Property; |

- (c) in respect of any Mortgaged Property (the legal and beneficial title of which is owned by an Obligor which has ceased to be under Common Control), by deducting the Market Value attributable to each of such Mortgaged Properties valued in connection with the most recent Valuation Report on the Estate;
- (d) in relation to any Development Projects, by adding an amount equal to all costs of development spent by the Obligors in respect of such Development Projects since the date of the most recent Valuation Reports for such Development Projects (as determined by the Obligors using the most recent information available to them, which information shall in any case be no older than the information set out in the most recently available month-end management accounts of the Security Group), provided that the Development Test is satisfied as of the most recent Tier Test Calculation Date;
- (e) in relation to any Mortgaged Property which is a Trading Property, by adding the Market Value of such Trading Property; and
- (f) in relation to any Mortgaged Property in respect of which the Obligors have actual knowledge that the Agreed Form of Security does not exist in favour of the Obligor Security Trustee or any Forfeiture Risk Property, by deducting the Market Value of such Mortgaged Property,

provided that, for the purposes of (d) above, if the Development Test is not satisfied as of the most recent Tier Test Calculation Date, the Market Values of certain of the relevant Development Projects shall be reduced to the relevant site value, which, in such circumstances, shall be requested by the Obligors of the Valuers as an update to the latest Valuation Report(s) for such Development Projects. The Development Projects whose Market Value will be reduced will be those selected by the Obligors, but on the basis that the Development Test must be met in relation to the remaining Development Projects and provided further that, for the purposes of the Calculation Tests and the Development Test only:

- (i) Total Collateral Value shall be adjusted by deducting from it the aggregate of the Deduction Amounts for each Relevant Obligor;
- (ii) **“Relevant Obligor”** means an Obligor identified as such by the Principal Obligor which:
 - (1) is not a holding company or an intermediate holding company;
 - (2) on the basis of its Latest Accounts, has unsecured creditors in excess of £2,000 (subject to Indexation); and
 - (3) owns Additional Assets,

provided that any Obligor which was a Relevant Obligor according to its Latest Accounts but has ceased to be an Obligor before the relevant Calculation Date shall be disregarded.

“Trading Property”

means a Mortgaged Property or Nominated Eligible Property which has been designated as such by the Principal Obligor pursuant to a notice in writing to the Obligor Security Trustee.

| | |
|---|--|
| “Transaction Document” | means an Issuer Transaction Document or an Obligor Transaction Document. |
| “Transaction Indexation” | means Indexation but replacing the number 1 in that definition by 3/5. |
| “Transaction LTV” | means the LTV calculated assuming that the Security Group has borrowed on the date of calculation an amount equal to the Deemed Tax Borrowings. |
| “Transaction LTV Calculation Date” | means, in summary, in relation to a transaction in relation to which the Transaction LTV Test is required to be run, a date prior to (but not more than 10 Business Days prior to) the date on which any Obligor either: <ul style="list-style-type: none"> (a) effects a disposal outside of the CGT Group (which shall for these purposes include the crystallisation of a Degrouping Charge) in respect of which the Disposal Tax is in excess of £25,000,000 (subject to Indexation), resulting in the aggregate amount of Disposal Tax within the Security Group in respect of disposals exceeding £50,000,000 (subject to Transaction Indexation); or (b) enters into (or is treated for the purposes of the Transaction LTV Test as entering into) a Specified Arrangement where the aggregate unpaid Transaction Tax in respect of that and any other Specified Arrangements previously entered into by member(s) of the Security Group is in excess of £50,000,000 (subject to Transaction Indexation). |
| “Transaction LTV Test” | means the calculation of the Transaction LTV. |
| “Transaction Tax” | means, in summary, a potential saving of Tax on the part of any member or members of the Security Group in respect of a Specified Arrangement which is not supported by a satisfactory legal opinion to the standard, and issued by a law firm or QC of the standing or (in relation to VAT) a firm of accountants stipulated in the Tax Deed of Covenant, the amount thereof in relation to any particular Specified Arrangement to be computed in accordance with the Tax Deed of Covenant. |
| “Transfer Agents” | means the Principal Transfer Agent and any other transfer agent appointed from time to time, subject to and in accordance with the Agency Agreement. |
| “Trust Declaration” | means any agreement setting out the terms whereby two Trustees of Land which are Obligors hold the title to a Mortgaged Property for the Obligor that owns such Mortgaged Property beneficially. |
| “Trust Deed” | means the trust deed dated on or about the Exchange Date and entered into between the Issuer and the Note Trustee. |
| “Trust Property” | means, in respect of any Nominee, those Mortgaged Properties held by such Nominee as a Trustee of Land for a Relevant Member pursuant to the RM Security Structure Documents. |
| “Trustee of Land” | means a person appointed, jointly with one or more other persons, as a trustee of land (as that phrase is interpreted under the Trusts of Land and Appointment of Trustees Act 1996). |
| “UD Headroom Test” | means the test, conducted from time to time in accordance with the Common Terms Agreement, pursuant to which it will be determined whether certain proposed drawings of Unsecured Debt are Permitted Drawings, as described in “– <i>Permitted Financial Indebtedness</i> ”, page 83, above. |
| “Undivided Property” | has the meaning given to it in “– <i>Division of Mortgaged Properties</i> ”, page 76, above. |

| | |
|---|--|
| “Unsecured Debt” | means Financial Indebtedness incurred by any Obligor that is not Secured Financial Indebtedness. |
| “Unsecured Debt Limit” | means, on any date, the higher of (a) £150,000,000 and (b) 2% of the Total Collateral Value as at that date. |
| “Valuation Report” | means, in respect of a Mortgaged Property, the most recent report by the Valuers on the Market Value of such Mortgaged Property, as contained in either (a) the Valuation Report on the Estate, or (b) the Intermediate Valuation Report relating to that Mortgaged Property (if any), whichever is the more recent, and, in respect of a Nominated Eligible Property, the most recent report by the Valuers on the Market Value of such Nominated Eligible Property in the valuation report by the Valuers in relation to such Nominated Eligible Property dated not more than 12 months before the Mortgage Date in respect of such Mortgaged Property which shall in all cases specify the applicable Sector(s) and Region for such Mortgaged Property. |
| “Valuation Report on the Estate” | means the Initial Valuation Report and each subsequent valuation report issued by the Valuers with respect to the Estate as at the date thereof provided that, in each case, it shall have been duly delivered to the Obligor Security Trustee in accordance with the Common Terms Agreement. |
| “Valuers” | means Knight Frank LLP, Jones Lang LaSalle, CB Richard Ellis, DTZ, Cushman & Wakefield Healey & Baker, King Sturge, Weatherall Green & Smith and FPD Savills, in each case including successors to such firms or any firm arising as a result of a merger entered into by one or more of these firms or such other valuer instructed by the Obligors as may have been approved by the Obligor Security Trustee and “Valuer” means any one of the foregoing. |
| “Zero Coupon Notes” | means Notes (other than Class R Notes) designated as such in the relevant Pricing Supplement which do not bear interest. |

SCHEDULE 1

DETAILS OF OBLIGORS (OTHER THAN ADDITIONAL OBLIGORS)

| OBLIGOR | REGISTERED NUMBER | PLACE OF INCORPORATION |
|--|----------------------|---------------------------|
| Land Securities Intermediate Limited | 5075691 | England |
| Land Securities PLC | 551412 | England |
| LS Property Finance Company Limited | 5163698 | England |
| LS Nominees Holdings Limited | 5196142 | England |
| Land Securities (Finance) Limited | 680609 | England |
| Land Securities Portfolio Management Limited | 3934750 | England |
| 109-114 Fenchurch Street (No.1) Limited | 4156682 | England |
| 109-114 Fenchurch Street (No.2) Limited | 4156633 | England |
| 12 Gough Square (No.1) Limited | 4161275 | England |
| 12 Gough Square (No.2) Limited | 4161151 | England |
| 59-60 Grosvenor Street (No. 1) Limited | 4161200 | England |
| 59-60 Grosvenor Street (No. 2) Limited | 4161209 | England |
| 57-60 Haymarket (No.1) Limited | 4161279 | England |
| 57-60 Haymarket (No.2) Limited | 4161241 | England |
| 9 Hart Street (No.1) Limited | 4161154 | England |
| 9 Hart Street (No.2) Limited | 4161299 | England |
| 1 New Change (No.1) Limited | 4161250 | England |
| 1 New Change (No.2) Limited | 4161255 | England |
| 455/473 Oxford Street (No.1) Limited | 4163704 | England |
| 455/473 Oxford Street (No.2) Limited | 4164258 | England |
| 475/497 Oxford Street (No.1) Limited | 4163697 | England |
| 475/497 Oxford Street (No.2) Limited | 4163688 | England |
| 484/504 Oxford Street (No.1) Limited | 4163672 | England |
| 484/504 Oxford Street (No.2) Limited | 4163658 | England |
| 72/78 Piccadilly (No.1) Limited | 4163648 | England |
| 72/78 Piccadilly (No.2) Limited | 4163637 | England |
| 38/40 Trinity Square (No.1) Limited | 4161308 | England |
| 38/40 Trinity Square (No.2) Limited | 4161139 | England |
| Cedric (New Fetter Lane) (No.1) Limited | 4161303 | England |
| Cedric (New Fetter Lane) (No.2) Limited | 4161295 | England |
| Clive House (No.1) Limited | 4161282 | England |
| Clive House (No.2) Limited | 4161210 | England |
| De La Warr Rd (Bexhill) (No. 1) Limited | 4163682 | England |
| De La Warr Rd (Bexhill) (No. 2) Limited | 4163705 | England |
| 54 Victoria Street (No.1) Limited | 4161224 | England |
| 54 Victoria Street (No.2) Limited | 4161195 | England |
| 66/74 Victoria Street (No.1) Limited | 4161317 | England |
| 66/74 Victoria Street (No.2) Limited | 4161332 | England |
| AH13 Limited | 4166131 | England |
| Alan House (Nottingham) (No.1) Limited | 4166100 | England |
| Alan House (Nottingham) (No.2) Limited | 4166093 | England |
| Almondvale (Livingston) Limited | 4165712 | England |
| Clock Tower (Canterbury) (No.1) Limited | 4165773 | England |
| Clock Tower (Canterbury) (No.2) Limited | 4165763 | England |
| Craven Place Limited | 4936259 | England |
| Dashwood House Limited | 2514081 | England |
| Eastgate House (Exeter) Limited | 4166119 | England |
| EH53 Limited | 4364941 | England |
| EPR626566 Limited | 4364851 | England |
| Eron Investments Limited | 237658 | England |
| Garrard Street (Reading) No.1 Limited | 4365439 | England |
| Garrard Street (Reading) No.2 Limited | 4365404 | England |
| LS Parkfield Road Limited | 3685517 | England |

| OBLIGOR | REGISTERED NUMBER | PLACE OF INCORPORATION |
|--|----------------------|---------------------------|
| GEP16 Limited | 4364857 | England |
| Gunwharf Quays Limited | 4056210 | England |
| LC25 Limited | 4364850 | England |
| LM Property Investments Limited | 3938 | Jersey |
| LS Allington Towers Limited | 85987 | Jersey |
| LS Centre Properties Limited | 3685506 | England |
| LS Greater London House Limited | 5118836 | England |
| <i>The Redwood Limited Partnership</i> | | |
| LS Redwood (No.1) Limited | 4699931 | England |
| LS Redwood (No.2) Limited | 4699933 | England |
| LS Redwood GP Limited | 4699929 | England |
| LS Redwood LP Limited | 4699930 | England |
| LS Whitefriars Limited | 4089238 | England |
| LS (Stamford Street) Limited | 4532012 | England |
| LS81 Limited | 4364859 | England |
| Ravenseft Properties Limited | 471606 | England |
| Ravenside Investments Limited | 1015140 | England |
| <i>Stag Place Limited Partnership</i> | | |
| Stag Place (GP) Limited | 4530976 | England |
| Stag Place (LP) Limited | 4530975 | England |
| Stag Place (No.1) Limited | 4532021 | England |
| Stag Place (No.2) Limited | 4532017 | England |
| City of London Real Property Company Limited (The) | 1160 | England |
| VS18 Limited | 4364955 | England |
| VS85 Limited | 4364959 | England |
| Watling Street (Canterbury) Limited | 4166132 | England |
| WCH95 Limited | 4166126 | England |
| WR25 Limited | 4364853 | England |
| Wood Street (Jersey) Limited | 76379 | Jersey |
| Other Initial Nominees | | |
| Allington Nominees (No.1) Limited | 5206134 | England |
| Allington Nominees (No.2) Limited | 5206135 | England |
| Cheapside Nominees (No.1) Limited | 5229148 | England |
| Cheapside Nominees (No.2) Limited | 5229253 | England |
| The Bridges Nominees (No.1) Limited | 5229167 | England |
| The Bridges Nominees (No.2) Limited | 5229173 | England |

SCHEDULE 2

REGIONS



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APPENDIX 1

LAND SECURITIES GROUP ACCOUNTS

Set out below is an extract from the Annual Report 2004 of Land Securities Group PLC and the page numbering in this Appendix reflects that in the Annual Report 2004

Independent auditors' report to the members of Land Securities Group PLC

We have audited the financial statements on pages 60 to 79 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ('the auditable part').

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Independent auditors' report continued

to the members of Land Securities Group PLC

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the financial highlights, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give

reasonable assurance that the financial statements and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2004 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
18 May 2004

Consolidated profit and loss account for the year ended 31 March 2004

| | Notes | 2004 £m | 2003 £m |
|---|-------|----------------|------------|
| Gross property income – Group | 2 | 1,285.8 | 1,071.3 |
| Plus share of joint ventures | 2 | 195.3 | 168.2 |
| Gross property income – Total | 2 | 1,481.1 | 1,239.5 |
| Operating profit – Group | 2,3 | 464.7 | 462.4 |
| Share of operating profits of joint ventures | 2 | 101.1 | 87.8 |
| Profit on sales of fixed asset properties (including share of joint ventures) | 2 | 63.9 | 41.7 |
| Profit on ordinary activities before interest and taxation | 2 | 629.7 | 591.9 |
| Net interest payable by Group – ordinary | 6 | (174.4) | (144.9) |
| – exceptional | 6 | – | (51.7) |
| Net interest payable by joint ventures – ordinary | 6 | (82.2) | (75.4) |
| – exceptional | 6 | – | (0.3) |
| Profit on ordinary activities before taxation | | 373.1 | 319.6 |
| Taxation | 7 | (84.8) | (89.7) |
| Profit on ordinary activities after taxation | | 288.3 | 229.9 |
| Dividends | 8 | (173.2) | (167.4) |
| Retained profit for the financial year | 21 | 115.1 | 62.5 |
| Earnings per share | | | |
| Basic earnings per share | 9 | 61.84p | 46.46p |
| Diluted earnings per share | 9 | 61.76p | 46.44p |
| Adjusted earnings per share* | 9 | 47.86p | 50.89p |
| Adjusted diluted earnings per share* | 9 | 47.80p | 50.88p |
| Dividends per share | 8 | 37.10p | 35.50p |

All income was derived from within the United Kingdom from continuing operations. No operations were discontinued during the year.

*the comparatives in respect of the above have been restated as set out in Note 9

Statement of total recognised gains and losses for the year ended 31 March 2004

| | 2004 £m | 2003 £m |
|--|---------------|------------|
| Profit on ordinary activities after taxation | 288.3 | 229.9 |
| Unrealised surplus/(deficit) on revaluation of investment properties | 400.7 | (56.8) |
| Unrealised surplus on revaluation of joint venture's investment properties | 6.2 | – |
| Taxation on revaluation surpluses realised on sales of investment properties | (27.3) | (25.4) |
| Total gains and losses recognised since the last financial statements | 667.9 | 147.7 |

Note of historical cost profits and losses

| | 2004 £m | 2003 £m |
|--|----------------|------------|
| Profit on ordinary activities before taxation | 373.1 | 319.6 |
| Revaluation surplus arising in previous years now realised on sales of investment properties | 333.0 | 281.2 |
| Historical cost profit on ordinary activities before taxation | 706.1 | 600.8 |
| Taxation | (84.8) | (89.7) |
| Taxation on revaluation surpluses realised on sales of investment properties | (27.3) | (25.4) |
| Historical cost profit on ordinary activities after taxation | 594.0 | 485.7 |
| Dividends | (173.2) | (167.4) |
| Retained historical cost profit for the financial year | 420.8 | 318.3 |

The Notes on pages 63 to 79 form an integral part of these financial statements.

Balance sheets at 31 March 2004

| | Notes | Group | | Company | |
|---|-------|------------|------------|------------|------------|
| | | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Fixed assets | | | | | |
| Intangible asset | | | | | |
| Goodwill | 11 | 34.3 | 36.7 | – | – |
| Tangible assets | | | | | |
| Investment properties | 12 | 7,880.9 | 7,823.9 | – | – |
| Operating properties | 12 | 769.2 | 557.4 | – | – |
| Total properties | 12 | 8,650.1 | 8,381.3 | – | – |
| Other tangible fixed assets | 12 | 51.0 | 41.5 | – | – |
| | | 8,701.1 | 8,422.8 | – | – |
| Investment in Group undertaking | 13 | | | 4,092.7 | 4,092.7 |
| Investment in joint ventures | | | | | |
| Share of gross assets of joint ventures | 14 | 257.2 | 1,170.2 | | |
| Share of gross liabilities of joint ventures | 14 | (5.1) | (1,063.4) | | |
| | | 252.1 | 106.8 | | |
| | | 8,987.5 | 8,566.3 | 4,092.7 | 4,092.7 |
| Current assets | | | | | |
| Trading properties | | 85.0 | 52.6 | – | – |
| Debtors falling due within one year | 15 | 339.7 | 273.5 | 7.8 | 5.1 |
| Debtors falling due after one year | 15 | 20.4 | 15.9 | – | – |
| Investments: short term deposits | | 219.0 | 3.4 | – | 0.9 |
| Cash at bank and in hand | | 22.8 | 96.0 | 5.2 | 0.1 |
| | | 686.9 | 441.4 | 13.0 | 6.1 |
| Creditors falling due within one year | 16 | (1,371.2) | (594.9) | (591.9) | (495.6) |
| Net current liabilities | | (684.3) | (153.5) | (578.9) | (489.5) |
| Total assets less current liabilities | | 8,303.2 | 8,412.8 | 3,513.8 | 3,603.2 |
| Creditors falling due after one year | | | | | |
| Debentures, bonds and loans | 17 | (1,995.9) | (2,648.4) | – | – |
| Other creditors | 18 | (35.9) | (22.3) | – | – |
| Provision for liabilities and charges | 19 | (185.0) | (179.0) | – | – |
| Investment in joint ventures (Telereal) | | | | | |
| Share of gross assets of joint venture | 14 | 1,108.0 | – | | |
| Share of gross liabilities of joint venture | 14 | (1,155.9) | – | | |
| | | (47.9) | – | | |
| | | 6,038.5 | 5,563.1 | 3,513.8 | 3,603.2 |
| Capital and reserves | | | | | |
| Called up share capital | 20 | 55.0 | 76.9 | 55.0 | 76.9 |
| Share premium account | 21 | 15.9 | 13.3 | 15.9 | 13.3 |
| Merger reserve | 21 | – | – | 373.6 | 373.6 |
| Capital redemption reserve | 21 | 22.1 | 0.1 | 22.1 | 0.1 |
| Revaluation reserve | 21 | 3,112.8 | 3,038.9 | – | – |
| Profit and loss account | 21 | 2,832.7 | 2,433.9 | 3,047.2 | 3,139.3 |
| Shareholders' funds (including non-equity interests) | 21 | 6,038.5 | 5,563.1 | 3,513.8 | 3,603.2 |
| Net assets per share (basic) | 10 | 1294p | 1188p | | |
| Adjusted net assets per share (diluted)* | 10 | 1331p | 1219p | | |

I J Henderson A E Macfarlane
Directors

The financial statements on pages 60 to 79 were approved by the directors on 18 May 2004.

*the comparative in respect of the above has been restated as set out in Note 10

Consolidated cash flow statement for the year ended 31 March 2004

| | 2004 £m | 2003 £m |
|--|----------------|------------|
| Net cash inflow from operating activities | 456.4 | 484.4 |
| Distributions received from joint venture* | 51.0 | 55.3 |
| Interest received from joint venture | 7.6 | 7.7 |
| Returns on investments and servicing of finance | | |
| Interest received | 16.1 | 4.3 |
| Interest paid | (221.1) | (292.0) |
| Cost of re-profiling an interest rate swap | (21.1) | – |
| Net cash outflow from investments and servicing of finance | (226.1) | (287.7) |
| Taxation (Corporation tax paid) | (37.1) | (95.8) |
| Net cash inflow from operating activities and investments after finance charges | 251.8 | 163.9 |
| Capital expenditure | | |
| Development programme expenditure | (190.2) | (301.4) |
| Acquisition of investment properties | (205.1) | (139.1) |
| Other investment property related expenditure | (111.0) | (52.5) |
| Capital expenditure associated with property outsourcing | (234.5) | (120.2) |
| Capital expenditure on properties | (740.8) | (613.2) |
| Sale of fixed asset investment properties | 698.2 | 425.5 |
| Sale of fixed asset operating properties | 2.0 | 10.8 |
| Net expenditure on properties | (40.6) | (176.9) |
| Net expenditure on non-property related fixed assets | (8.2) | (12.9) |
| Net cash outflow from capital expenditure | (48.8) | (189.8) |
| Acquisitions | | |
| Repayment of loan capital by joint venture* | 121.0 | 25.3 |
| Equity dividends paid | (167.5) | (176.6) |
| Cash inflow/(outflow) before use of liquid resources | 156.5 | (177.2) |
| Management of liquid resources (Investments: short term deposits) | (215.6) | 57.5 |
| Financing | | |
| Issue of shares | 2.7 | 1.2 |
| Purchase of own share capital | (22.0) | (516.2) |
| Increase in debt | 22.0 | 728.2 |
| Net cash inflow from financing | 2.7 | 213.2 |
| (Decrease)/increase in cash in year | (56.4) | 93.5 |

Reconciliation of net cash flow to movements in net debt

| | 2004 £m | 2003 £m |
|--|------------------|------------|
| (Decrease)/increase in cash in year | (56.4) | 93.5 |
| Cash outflow/(inflow) from increase/(decrease) in liquid resources | 215.6 | (57.5) |
| Cash inflow from increase in debt | (22.0) | (728.2) |
| Change in net debt resulting from cash flow | 137.2 | (692.2) |
| Non-cash changes in debt | 16.3 | 45.0 |
| Movement in net debt in year | 153.5 | (647.2) |
| Net debt at 1 April | (2,589.3) | (1,942.1) |
| Net debt at 31 March | (2,435.8) | (2,589.3) |

Reconciliation of Group operating profit to net cash inflow from operating activities

| | 2004 £m | 2003 £m |
|--|--------------|------------|
| Operating profit – Group | 464.7 | 462.4 |
| Depreciation and amortisation | 31.5 | 28.6 |
| Increase in trading properties | (3.6) | (15.7) |
| Increase in debtors | (91.9) | (16.1) |
| Increase in creditors | 55.7 | 25.2 |
| Net cash inflow from operating activities | 456.4 | 484.4 |

*the presentation of the cash flow statement has been revised to show loan repayments and distributions from the joint ventures separately and the comparative figures have been reclassified accordingly

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention modified by the revaluation of investment properties. Compliance with SSAP19 'Accounting for Investment Properties' requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of this departure is given in (h)(iii) below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

(a) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2004. Subsidiaries, joint ventures and joint arrangements with an accounting reference date other than 31 March have been consolidated on the basis of management accounts made up to 31 March 2004. Group undertakings and interests in joint ventures and joint arrangements acquired during the year are accounted for from the date of acquisition.

The joint ventures are included under the gross equity method in accordance with FRS9 'Associates and Joint Ventures'. This requires the Group's share of the joint venture's profit and loss account to be shown separately in the income statement, and the Group's share of the joint venture's gross assets and liabilities to be shown on the face of the balance sheet.

The Group has interests in various partnerships which are treated as 'joint arrangements' in the Group's financial statements. The Group's share of the assets, liabilities, income and expenditure of these partnerships is included in the relevant sections of the consolidated profit and loss account and balance sheet as required by FRS9.

(b) Consolidated profit and loss account and other primary statements

The profit on ordinary activities before taxation is arrived at after taking into account income and outgoings on all properties, including those under development. In accordance with FRS3 'Reporting Financial Performance', profits and losses on properties sold during the year are calculated by comparing net sales proceeds with book values.

Surpluses and deficits relating to previous years realised on investment properties sold during the year are transferred directly from the revaluation reserve to retained profits and do not pass through the profit and loss account.

Unrealised capital surpluses and deficits, including those arising on the periodic revaluation of properties, are taken to the revaluation reserve.

(c) Gross property income

The Group's gross property income comprises rental income, service charges and other recoveries from tenants of its investment and trading properties, property services income earned by its property outsourcing business and proceeds of sales of trading properties. Income is credited to the profit and loss account as space and other services are provided to customers. Gross property income includes costs recovered from tenants and outsourcing customers. Rental income includes the net income from managed operations such as car parks, food courts, serviced offices and flats.

Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fee.

Property services income represents unitary charges and the recovery of other direct property or contract expenditure reimbursable by customers.

In accordance with the Accounting Standards Board's (ASB) Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) the Group treats any incentive for lessees to enter into lease agreements as a revenue cost and accounts for rental income from the commencement date of any rent-free period. The cost of all lease incentives (such as rent-free periods or contributions to tenants' fitting out costs) is, therefore, offset against the total rent due. The net rental income is then spread evenly over the shorter of the period from the rent commencement date to the date of the next rent review or the lease end date.

(d) Bid costs

In accordance with the ASB's Urgent Issues Task Force Abstract 34 'Pre-contract Costs' (UITF34), bid costs incurred prior to the exchange of a contract, with no material pre-conditions to completion, and which do not comprise incidental costs associated with the acquisition of fixed assets or finance costs, are expensed.

(e) Pensions

Contributions to defined benefit pension schemes, which are based on independent actuarial advice, are charged to the profit and loss account on a basis that spreads the expected costs of benefits over the employees' working lives with the Group. Variations from regular costs are spread over the anticipated remaining working lives of employees in the schemes.

The Group has applied the transitional provisions of FRS17 'Retirement Benefits' and appropriate additional disclosures have been included in Note 5.

(f) Taxation

In accordance with FRS16 'Current Taxation', taxation arising on the sales of properties is charged to the profit and loss account in respect of the excess of net sale proceeds over book value and to the statement of total recognised gains and losses in respect of prior year revaluation surpluses realised on those sales.

No provision is made for the taxation which would become payable under present legislation if the Group's properties were sold at the amounts at which they are carried in the financial statements. However an estimate of the potential liability is shown in Note 19.

In accordance with FRS19 'Deferred Tax':

(i) deferred tax is recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give the Group an obligation to pay more or less tax in the future.

(ii) deferred tax is not recognised on revaluation gains and losses where these are not taken to the profit and loss account.

(iii) full provision is made for timing differences which, in the Group's case, arise primarily from capital allowances and industrial building allowances and the capitalisation and timing of recognition of certain interest payable. Following the sale or demolition of a property, any deferred tax provision not crystallised is released to the profit and loss account.

(g) Goodwill

The goodwill arising on the acquisition of Trillium, calculated as the excess of cost over the fair value of net assets acquired, was capitalised in the year in which it arose and is amortised to the profit and loss account over the life of the PRIME contract.

(h) Investment properties

(i) Valuation

Investment properties, including those that comprise part of the development programme, are carried in the financial statements at market values based on the latest professional valuation. A valuation was carried out by Knight Frank as at 31 March 2004. Properties are treated as acquired when the Group enters into an unconditional purchase contract and as sold when subject to an unconditional contract for sale. Additions to properties consist of costs of a capital nature and, in the case of investment properties under development, certain capitalised interest (see Note (h)(ii) below).

Pre-commitment expenditure incurred in studying the feasibility of potential development and refurbishment schemes is written off to the profit and loss account and included in 'other direct property expenditure' if it is likely that the related project will be abortive or that the expenditure will be of no benefit to an alternative scheme that is being pursued. Prior to the decision being made as to whether a potential development or refurbishment scheme should proceed or be aborted, pre-commitment costs are carried as a prepayment in the balance sheet. Certain internal staff and associated costs directly attributable to the management of major development schemes during the construction phase are capitalised. Other overhead costs in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred.

Notes to the financial statements

for the year ended 31 March 2004

1. Accounting policies (continued)

(ii) Capitalisation of interest

Gross interest associated with direct expenditure on properties under development or undergoing major refurbishment is capitalised. The rate used is the Group's pre-tax weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended, however, if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site or property if it was acquired specifically for redevelopment in the short-term. Interest is not capitalised on the acquisition cost of properties previously held as investments.

(iii) Depreciation and amortisation

In accordance with SSAP19, depreciation is not provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired. This is a departure from the Companies Act 1985 which requires all tangible assets to be depreciated. In the opinion of the directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require properties to be included in the financial statements at market value. The effect of depreciation is implicitly reflected in the valuation of investment properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years and revaluation surpluses/deficits would have been correspondingly increased/decreased.

(i) Operating properties

These are properties owned and managed by Land Securities Trillium, the Group's property outsourcing business unit, and which do not satisfy the definition of 'investment properties'. Operating properties are carried at depreciated cost and not revalued, and are subject to periodic impairment reviews. Such reviews compare forecast book values with forecast net sales proceeds at the point in the future when the assets are expected to be sold. Provisions are made if any shortfall in value is identified.

Freehold land is carried at historical cost and is not depreciated.

Freehold buildings are depreciated in equal annual instalments over 50 years. Any premiums paid to acquire leaseholds are amortised over their unexpired lease terms.

Expenditure which enhances the economic benefits of a freehold building is capitalised and depreciated over appropriate periods up to a maximum of 50 years. Capital expenditure on leasehold properties is depreciated over the shortest of the life of the asset, the expected period of occupation of the relevant building and the remaining life of the underlying property outsourcing contract. Repair and maintenance expenditure is written off to the profit and loss account as incurred.

(j) Other tangible fixed assets

These comprise computers, motor vehicles, furniture, fixtures and fittings, and improvements to Group offices and are depreciated on a straight-line basis over their estimated useful lives of between two and five years.

(k) Investments in Group undertakings

The Company's investments in the shares of Group undertakings are carried at cost. Assets and liabilities of acquired entities are brought into consolidation at fair value as at the date of acquisition. Where the cost of acquisition exceeds the fair value of the net assets acquired, the difference is treated as goodwill and capitalised in the Group's balance sheet in the year of acquisition. The goodwill arising is amortised to the profit and loss account in accordance with Note (g).

The results and cash flows of acquired Group undertakings are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

(l) Trading properties

Trading properties are those properties held as stock for sale and, being current assets, are carried at the lower of cost and net realisable value.

Transfers of property from fixed assets – Investment Properties to current assets – Trading Properties are made at the current carrying value at the date of transfer. This departure from the requirements of the Companies Act 1985, which requires current assets to be held at the lower of cost or net realisable value, is, in the opinion of the directors, necessary for the financial statements to show a true and fair view in accordance with applicable accounting standards. Had the provisions of the Act been followed, the net assets of the Group could be artificially reduced on transfer and the profit on disposal, calculated by reference to a lower carrying value, could give rise to an artificially high profit.

Transfers of property from current assets – Trading Properties to fixed assets – Investment Properties are made at the current carrying value at the date of transfer.

Trading profits are recognised upon exchange of contracts for the unconditional sale of property.

(m) Provisions for liabilities and charges

Provision is made for dilapidations that will crystallise in the future where, on the basis of the present condition of the property, an obligation already exists and can be reliably estimated. The estimate will be revised if necessary over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances. Unless there is evidence to the contrary, it is assumed that the dilapidations obligation arises in the last five years of a lease. The estimate of the amount of the likely obligation takes account of relevant external advice.

(n) Financial instruments

The Group uses interest rate swaps to help manage its interest rate risk.

Where interest rate swaps are hedging existing interest rate exposures or are expected to hedge future interest rate exposures, the differences between the interest payable by the Group and the interest payable to the Group by the swap counterparties are dealt with on an accruals basis. Where interest rate swaps are not deemed likely to hedge interest rate exposures for the foreseeable future, the mark to market value of the relevant interest rate swaps is taken to the profit and loss account.

Gains and losses arising on the cancellation of swaps are taken to the profit and loss account unless the swaps had been pre-designated as hedging specific borrowings. In the latter case, the accounting treatment of the gain or loss on cancelling the swaps will typically mirror the accounting treatment of the hedged borrowing.

(o) Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work completed. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account, less any related foreseeable losses and payments on account are shown in stocks.

2. Segmental information

An analysis of turnover, profit before interest and taxation, and net assets by business sector is set out below. The business sectors consist of property investment (which comprises the investment portfolio and development activities) and property outsourcing.

| (i) Profit and loss account | Business sectors including the results of joint ventures | | | Analysis of total results between Group and share of joint ventures | | Business sectors including the results of joint ventures | | | Analysis of total results between Group and share of joint ventures | |
|---|--|----------------------------------|------------------|---|------------------------------------|--|----------------------------------|------------------|---|------------------------------------|
| | Property investment 2004 £m | Property out-sourcing 2004 £m | Total 2004 £m | Group 2004 £m | Share of joint ventures 2004 £m | Property investment 2003 £m | Property out-sourcing 2003 £m | Total 2003 £m | Group 2003 £m | Share of joint ventures 2003 £m |
| Rental income (Note (a)) | 515.1 | – | 515.1 | 514.5 | 0.6 | 519.7 | – | 519.7 | 519.7 | – |
| Service charges and other recoveries | 65.6 | – | 65.6 | 65.6 | – | 55.9 | – | 55.9 | 55.9 | – |
| Property services income (Note (b)) | – | 802.0 | 802.0 | 636.2 | 165.8 | – | 658.3 | 658.3 | 492.0 | 166.3 |
| Long term contract income | 49.6 | – | 49.6 | 49.6 | – | – | – | – | – | – |
| Proceeds of sales of trading properties | 19.9 | 28.9 | 48.8 | 19.9 | 28.9 | 3.7 | 1.9 | 5.6 | 3.7 | 1.9 |
| Gross property income | 650.2 | 830.9 | 1,481.1 | 1,285.8 | 195.3 | 579.3 | 660.2 | 1,239.5 | 1,071.3 | 168.2 |
| Rents payable | (14.9) | (164.7) | (179.6) | (139.7) | (39.9) | (17.0) | (146.0) | (163.0) | (115.0) | (48.0) |
| Other direct property or contract expenditure (Note (c)) | (87.1) | (422.7) | (509.8) | (509.8) | – | (71.1) | (327.8) | (398.9) | (398.9) | – |
| Indirect property or contract expenditure | (44.5) | (30.4) | (74.9) | (56.8) | (18.1) | (35.3) | (23.7) | (59.0) | (43.0) | (16.0) |
| Long term contract expenditure | (49.6) | – | (49.6) | (49.6) | – | – | – | – | – | – |
| Bid costs | – | (6.2) | (6.2) | (6.2) | – | – | (4.7) | (4.7) | (4.7) | – |
| Costs of sales of trading properties | (18.2) | (23.3) | (41.5) | (18.2) | (23.3) | (2.4) | (1.4) | (3.8) | (2.4) | (1.4) |
| Operating profit before depreciation and amortisation | 435.9 | 183.6 | 619.5 | 505.5 | 114.0 | 453.5 | 156.6 | 610.1 | 507.3 | 102.8 |
| Depreciation | (4.1) | (36.4) | (40.5) | (27.6) | (12.9) | (9.8) | (29.9) | (39.7) | (24.7) | (15.0) |
| Amortisation of goodwill | – | (2.4) | (2.4) | (2.4) | – | – | (2.2) | (2.2) | (2.2) | – |
| Profit on sale of fixed asset properties | 431.8 | 144.8 | 576.6 | 475.5 | 101.1 | 443.7 | 124.5 | 568.2 | 480.4 | 87.8 |
| | 52.1 | 11.8 | 63.9 | 52.0 | 11.9 | 26.6 | 15.1 | 41.7 | 26.6 | 15.1 |
| Segment profit | 483.9 | 156.6 | 640.5 | 527.5 | 113.0 | 470.3 | 139.6 | 609.9 | 507.0 | 102.9 |
| Common costs (Note (d)) | | | (10.8) | | | | | (11.7) | | |
| Group reorganisation costs | | | – | | | | | (6.3) | | |
| Profit on ordinary activities before interest and taxation | | | 629.7 | | | | | 591.9 | | |

Notes

(a) Rental income includes **£9.3m** (2003: £7.3m) of rent receivable allocated to rent free periods.

(b) Property services income for property outsourcing comprises **£449.4m** (2003: £342.4m) in respect of unitary charge and **£186.8m** (2003: £149.6m) in respect of capital projects and other reimbursable costs.

(c) Other direct property or contract expenditure includes pre-commitment costs written off of **£2.4m** (2003: £3.1m).

(d) Common costs are costs associated with central Group management.

| (ii) Net assets | Property investment £m | Property outsourcing £m | Total 2004 £m | Property investment £m | Property outsourcing £m | Total 2003 £m |
|--|---------------------------|----------------------------|---------------------|---------------------------|----------------------------|---------------------|
| Properties in development programme (Note 12) | 732.2 | – | 732.2 | 963.3 | – | 963.3 |
| Other investment properties | 7,148.7 | – | 7,148.7 | 6,860.6 | – | 6,860.6 |
| Operating properties – relating to the PRIME contract | – | 380.7 | 380.7 | – | 372.7 | 372.7 |
| – relating to the Employment Services contract | – | 99.7 | 99.7 | – | – | – |
| – relating to the BBC contract | – | 288.8 | 288.8 | – | 184.7 | 184.7 |
| Goodwill and other tangible fixed assets | 9.1 | 76.2 | 85.3 | 12.0 | 66.2 | 78.2 |
| Fixed assets | 7,890.0 | 845.4 | 8,735.4 | 7,835.9 | 623.6 | 8,459.5 |
| Investment in joint ventures | 252.1 | (47.9) | 204.2 | – | 106.8 | 106.8 |
| Net current assets/(liabilities) (excluding financing and dividends) | (139.0) | 44.2 | (94.8) | (50.2) | 37.9 | (12.3) |
| | 8,003.1 | 841.7 | 8,844.8 | 7,785.7 | 768.3 | 8,554.0 |
| Financing and dividends payable | | | (2,585.4) | | | (2,789.6) |
| Long term liabilities and provisions | | | (220.9) | | | (201.3) |
| Net assets | | | 6,038.5 | | | 5,563.1 |

Notes to the financial statements
for the year ended 31 March 2004

3. Operating profit

| | 2004 £m | 2003 £m |
|--|------------|------------|
| Operating profit is stated after charging | | |
| Directors' remuneration | 3.8 | 3.2 |
| Depreciation | 29.1 | 26.4 |
| Auditors' remuneration: | | |
| Audit fees (Company £82,000 (2003: £80,000)) | 0.5 | 0.5 |
| Non-audit fees | | |
| Bid support – Land Securities Trillium Limited | 0.1 | 0.2 |
| Taxation | 0.4 | 1.0 |
| Other advice | 0.2 | 0.5 |
| Total non-audit | 0.7 | 1.7 |

4. Revenue profit

| Notes | Group £m | Share of joint ventures £m | Total 2004 £m | Group £m | Share of joint ventures £m | Total 2003 £m |
|---|--------------|-------------------------------------|---------------------|-------------|-------------------------------------|---------------------|
| Profit on ordinary activities before taxation | 342.3 | 30.8 | 373.1 | 292.4 | 27.2 | 319.6 |
| Profit on sale of fixed asset properties | (52.0) | (11.9) | (63.9) | (26.6) | (15.1) | (41.7) |
| Exceptional items | | | | | | |
| Deficit on purchase and redemption of convertible bonds | 6 | – | – | 28.2 | – | 28.2 |
| Cost of cancellation/novation of interest rate swaps | 6 | – | – | 23.5 | 0.3 | 23.8 |
| Group reorganisation costs | | – | – | 6.3 | – | 6.3 |
| Revenue profit before taxation | 290.3 | 18.9 | 309.2 | 323.8 | 12.4 | 336.2 |

As bid costs have become a normal part of Trillium's business it is no longer considered appropriate to eliminate them when calculating revenue profit. The basis of the calculation of revenue profit has therefore been revised, and the comparatives have been restated in accordance with this new definition of revenue profit. Revenue profits are now defined as profits before taxation, adjusted to eliminate only profits on disposal of fixed asset properties and the effect of exceptional items.

5. Employees, directors and pensions

| | 2004 No. | 2003 No. | 2004 £m | 2003 £m |
|--|--------------|-------------|-------------|------------|
| Employees | | | | |
| The average number of employees during the year, excluding directors, and the corresponding aggregate employee costs were: | | | | |
| Indirect property or contract and administration | 411 | 392 | 30.9 | 31.6 |
| Direct property or contract services: | | | | |
| Full time | 1,200 | 984 | 47.7 | 43.2 |
| Part time | 66 | 52 | 1.4 | 0.6 |
| | 1,677 | 1,428 | 80.0 | 75.4 |
| Employee costs | | | | |
| Salaries | | | 64.2 | 59.5 |
| Social Security | | | 6.8 | 6.4 |
| Other pension | | | 9.0 | 9.5 |
| | | | 80.0 | 75.4 |

In addition to the above, 338 employees are employed by Land Securities Trillium Telecom Services Limited, a wholly owned Group company. These employees are made available to Telereal Services Limited, a joint venture company, to deliver services to BT. All related employee costs are reimbursed to the Group by Telereal Services Limited.

| | 2004 £m | 2003 £m |
|--|------------|------------|
| Directors | | |
| Aggregate emoluments excluding pensions | 3.1 | 2.4 |
| Company contributions to pension schemes | 0.3 | 0.5 |
| | 3.4 | 2.9 |

Four directors (2003: four) have retirement benefits accruing under money purchase pension schemes. Retirement benefits accrue to one director (2003: one) under the Group's defined benefit pension scheme.

Information on directors' emoluments, share options and interests in the Company's shares is given in the Remuneration Committee's Report on pages 51 to 56.

Pensions

The charge to profit and loss account for pension costs during the year is made up as follows:

| | 2004 £m | 2003 £m |
|------------------------------|------------|-------------|
| Regular pension cost | 3.3 | 3.2 |
| Variations from regular cost | 2.3 | 3.2 |
| Other schemes | 4.2 | 3.6 |
| Net pension amount | 9.8 | 10.0 |

The amount under other schemes includes the actual contributions paid to the Group's defined contribution schemes and, in respect of 2003, sums paid to the BBC scheme as required under the terms of the participation in the BBC scheme in the period to 31 March 2003. This is due to the Land Securities Trillium outsourcing arrangement with the BBC.

Defined benefit scheme

Land Securities Scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies ('the Scheme') is the most significant defined benefit pension scheme of the Group. The Scheme, which is closed to new entrants and which is non-contributory for employees, provides defined benefits based on final pensionable salary. The assets of the Scheme are held in a self-administered trust fund which is separate from the Group's assets.

Contributions to the Scheme are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit method. As the Scheme is closed to new members, the current service cost will be expected to increase as a percentage of salary, under the projected unit method, as members approach retirement.

The last formal actuarial valuation, undertaken for the purposes of setting the ongoing contribution rate, was carried out as at 1 July 2003.

| | At valuation 1/7/2003 % |
|---|----------------------------|
| The key assumptions adopted for this valuation were as follows: | |
| Rate of increase in pensionable salaries | 4.75 |
| Rate of increase in pensions in payment | 2.50 |
| Discount rate | |
| Prior to retirement | 6.00 |
| In retirement | 5.00 |
| Inflation | 2.50 |
| Actuarial value of assets (% of market value) | 95.00 |

The deficit in the Scheme has increased from £1.2m as at 6 April 2001 to £22.0m as at 1 July 2003 and this decline has been reflected in the FRS17 figures disclosed in previous years. This increase is primarily due to the sharp fall in equity markets over that period (a fall of some 20%) and an increase in life expectancy that has been revealed by recent industry investigations. The market value of the Scheme's invested assets (excluding the value of annuities purchased to provide certain pensions in payment) as at 1 July 2003 was £65.5m. The actuarial value of these assets represented 79% of the value of the Scheme's liabilities at that date.

As a result of this valuation, the actuary recommended that the employer contributions of 30% of pensionable salary be continued together with additional employer contributions to address the deficit.

In order to address the deficit in the Scheme, the Group made an additional one-off cash contribution of £7.5m in March 2003 together with the first payment of an additional annual contribution of £1.5m recommended by the Scheme's actuary. A further annual contribution of £1.5m was made in March 2004.

The £7.5m contribution paid in March 2003 is being amortised and charged to the profit and loss account over 10 years, the estimated remaining service life of the Scheme's active members. The pension charges in 2003 and 2004 reflect the amortisation and the £1.5m additional annual contributions as variations from regular costs.

Employer contributions will continue at 30% of pensionable salaries until completion of the next formal valuation, due no later than 1 July 2006. In addition, discussions are under way between the Trustees of the Scheme and the Group about the level of additional contributions that are required to address the deficit revealed in the 1 July 2003 valuation.

Trillium Plan

The Group participated in the BBC pension scheme until 31 March 2003 in respect of 168 employees who transferred from the BBC to Land Securities Trillium Media Services Limited as part of the Land Securities Trillium's outsourcing contracts with the BBC. With effect from 1 April 2003, Land Securities Trillium Media Services Limited put in place a defined benefit scheme with the same terms and conditions as the BBC pension scheme for the employees who transferred from the BBC ('the Trillium Plan'). As at 31 March 2004 the Trillium Plan had assets of £11.1m. This includes a bulk transfer payment of £8.1m that is expected to be received in due course from the BBC pension scheme. As part of the PRIME agreement, the Group is obliged to provide pension benefits under a now closed funded defined benefit scheme applicable to less than 20 employees. This scheme is included within the Trillium Plan.

The assets and liabilities in respect of the Trillium Plan have been included in the consolidated FRS17 disclosure below.

Contributory money purchase scheme

A contributory money purchase scheme was introduced on 1 January 1999 for all new administrative and senior property based employees, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based employees. A further separate similar scheme, previously set up by Trillium, is also in operation for Land Securities Trillium employees.

Other schemes

Land Securities Trillium Telecom Services Limited has put in place a defined benefit pension scheme with the same terms and conditions as the BT scheme for 333 staff who transferred from BT to the scheme from 1 May 2002. All relevant pension costs are rechargeable to Telereal Services Limited.

There are also certain historic unfunded pensions being paid to three former directors of Land Securities PLC or their dependants in accordance with their service contracts.

All death-in-service and benefits for incapacity arising during employment provided by the Group are wholly insured. No post retirement benefits other than pensions are made available to employees of the Group.

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5. Employees, directors and pensions (continued)

Additional disclosures under FRS17 'Retirement Benefits'

As noted above, a full actuarial valuation of the Land Securities Scheme was undertaken on 1 July 2003. This valuation, and the latest formal valuation of the Trillium Plan, were updated to 31 March 2004 for the purposes of the following additional disclosures required by the transitional provisions of FRS17. The major assumptions used in this valuation, were (in nominal terms):

| | 2004 % | 2003 % | 2002 % |
|--|--------------|-----------|-----------|
| Rate of increase in pensionable salaries | 4.00* | 4.75 | 5.00 |
| Rate of increase in pensions in payment | 2.75 | 2.50 | 2.75 |
| Discount rate | 5.50 | 5.50 | 6.00 |
| Inflation | 2.75 | 2.50 | 2.75 |

*plus an allowance of 1% per annum for promotional salary increases in respect of Land Securities Scheme employees.

The market value of the assets in the Schemes (including annuities purchased to provide certain pensions in payment) and the expected rate of return (net of investment management expenses) were:

| | 2004 % | 2003 % | 2002 % | 2004 £m | 2003 £m | 2002 £m |
|---------------------------------------|-------------|-----------|-----------|----------------|------------|------------|
| Equities | 7.50 | 7.50 | 7.50 | 42.9 | 31.9 | 46.2 |
| Bonds and insurance contracts | 5.00 | 5.50 | 6.00 | 58.8 | 34.1 | 28.7 |
| Other | 4.00 | 3.75 | 4.00 | 2.9 | 10.4 | 2.7 |
| Total market value of scheme assets | | | | 104.6 | 76.4 | 77.6 |
| Actuarial value of scheme liabilities | | | | (121.8) | (95.0) | (87.5) |
| Deficit in the scheme | | | | (17.2) | (18.6) | (9.9) |
| Related deferred tax asset | | | | 5.2 | 5.6 | 3.0 |
| Net pension liability | | | | (12.0) | (13.0) | (6.9) |

Set out below is an analysis of the amounts that would be charged to the profit and loss account and the statement of total recognised gains and losses in respect of the Group's material defined benefit pension scheme.

| | 2004 £m | 2003 £m |
|---|--------------|------------|
| Analysis of the amounts that would be charged to the profit and loss account in accordance with FRS17 | | |
| Analysis of the amount charged to operating profit* | | |
| Current service cost | 4.0 | 3.2 |
| Curtailment and settlement costs | 0.3 | 0.9 |
| Operating cost | 4.3 | 4.1 |
| Analysis of amount credited to other finance income* | | |
| Expected return on pension scheme assets | 5.4 | 5.3 |
| Interest on pension scheme liabilities | (6.0) | (5.3) |
| Net return | (0.6) | – |

*these analyses show the amounts that would have been recognised in the statement of recognised gains and losses and the profit and loss account had FRS17 been fully implemented

| | 2004 £m | 2003 £m |
|---|---------------|------------|
| Analysis of the amounts that would be recognised in the statement of total recognised gains and losses in accordance with FRS17 | | |
| Analysis of gains and losses | | |
| Actual return less expected return on pension scheme assets | 13.7 | (16.3) |
| Experience gains and losses arising on the scheme liabilities | 0.2 | 2.7 |
| Changes in assumptions underlying the present value of the scheme assets | (13.6) | (3.6) |
| Actuarial profit/(loss) | 0.3 | (17.2) |
| Movement in deficit during year | | |
| Deficit in the scheme at the beginning of the year | (18.6) | (9.9) |
| Operating cost | (4.3) | (4.1) |
| Employer contributions | 5.8 | 12.3 |
| Other income plus any risk benefit premiums paid direct to insurer | 0.2 | 0.3 |
| Net return | (0.6) | – |
| Actuarial gain/(loss) | 0.3 | (17.2) |
| Deficit in the scheme at the end of the year | (17.2) | (18.6) |

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for the year ended 31 March 2004

| History of experience gains and losses | 2004 £m | 2003 £m |
|--|------------|------------|
| Difference between the actual and expected return on scheme assets | 13.7 | (16.3) |
| Value of pension scheme assets | 104.6 | 76.4 |
| Percentage of pension scheme assets | 13.1% | -21.3% |
| Experience gains on pension scheme liabilities | 0.2 | 2.7 |
| Value of pension scheme liabilities | 121.8 | 95.0 |
| Percentage of pension scheme liabilities | 0.1% | 2.8% |
| Actuarial gain/(loss) | 0.3 | (17.2) |
| Value of pension scheme liabilities | 121.8 | 95.0 |
| Percentage of pension scheme liabilities | 0.2% | -18.1% |

The consolidated balance sheet includes a net pension asset of **£6.0m** (2003: £6.7m) representing the unamortised balance of the £7.5m special contribution made by the Group in March 2003. Full adoption of FRS17 would result in the pension asset being replaced by the net pension liability of **£12.0m** (2003: £13.0m), giving rise to a decrease in net assets of **£18.0m** (2003: £19.7m).

6. Net interest payable

| | Group £m | Share of joint ventures £m | Total 2004 £m | Group £m | Share of joint ventures £m | Total 2003 £m |
|---|-------------|-------------------------------------|---------------------|-------------|-------------------------------------|---------------------|
| Interest payable | | | | | | |
| Borrowings not wholly repayable within five years | (154.7) | (76.9) | (231.6) | (117.2) | (70.1) | (187.3) |
| Borrowings wholly repayable within five years | (70.4) | – | (70.4) | (76.2) | – | (76.2) |
| Other interest payable | (1.0) | – | (1.0) | (2.5) | – | (2.5) |
| Loans from joint venture partners | – | (7.6) | (7.6) | – | (7.7) | (7.7) |
| | (226.1) | (84.5) | (310.6) | (195.9) | (77.8) | (273.7) |
| Interest capitalised in relation to properties under development | 35.6 | – | 35.6 | 39.0 | – | 39.0 |
| | (190.5) | (84.5) | (275.0) | (156.9) | (77.8) | (234.7) |
| Interest receivable | | | | | | |
| Short term deposits | 5.7 | 2.3 | 8.0 | 0.9 | – | 0.9 |
| Other interest receivable | 2.8 | – | 2.8 | 3.4 | 2.4 | 5.8 |
| Loan to joint venture | 7.6 | – | 7.6 | 7.7 | – | 7.7 |
| Net interest payable – ordinary | (174.4) | (82.2) | (256.6) | (144.9) | (75.4) | (220.3) |
| Deficit on purchase and redemption of convertible bonds | – | – | – | (28.2) | – | (28.2) |
| Cost of cancellation/novation of interest rate swaps | – | – | – | (23.5) | (0.3) | (23.8) |
| Net interest payable – exceptional | – | – | – | (51.7) | (0.3) | (52.0) |

Interest has been capitalised at the Group's pre-tax weighted average borrowing rate for non-specific borrowings for the year of **7.7%** (2003: 8.3%). Non-specific borrowings exclude certain bank debt which is specific to the PRIME contract.

Group interest payable on borrowings includes **£4.8m** (2003: £0.7m) in respect of the amortisation of bond discounts and issue expenses.

7. Taxation

| | 2004 £m | 2003 £m |
|--|------------|------------|
| Analysis of tax charge for the year | | |
| Corporation tax on Group profit for the period at 30% (2003: 30%) | 73.3 | 32.0 |
| Adjustments to current tax in respect of prior periods | (1.5) | (7.8) |
| Share of joint venture's current tax | 14.7 | 14.5 |
| Total current tax | 86.5 | 38.7 |
| Deferred tax on Group timing differences arising in the year | 31.5 | 59.2 |
| Deferred tax released in respect of property disposals in the year | (31.6) | (8.2) |
| Share of joint venture's deferred tax | (1.6) | – |
| Total deferred tax | (1.7) | 51.0 |
| Tax charge for the year | 84.8 | 89.7 |

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7. Taxation (continued)

| | 2004 £m | 2003 £m |
|---|-------------|-------------|
| Factors affecting the tax charge for the year | | |
| The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2003: 30%) | | |
| The differences are explained below: | | |
| Profit on ordinary activities before taxation | 373.1 | 319.6 |
| Tax at 30% | 111.9 | 95.9 |
| Effects of: | | |
| Capital allowances | (26.8) | (29.1) |
| Depreciation of fixed assets qualifying for capital allowances | 5.9 | 7.9 |
| Tax relief on capitalised interest and other timing differences | 91.0 | 74.7 |
| Reduced rate of tax on profit on disposal of assets | (8.4) | (32.0) |
| Telereal depreciation and goodwill amortisation | (5.9) | (3.4) |
| Non-allowable expenses and non-taxable items | 4.7 | 5.3 |
| Prior year corporation tax adjustments | 6.6 | 1.9 |
| | (1.5) | (7.8) |
| Current tax | 86.5 | 38.7 |

The Group's share of Telereal's tax charge is stated after disallowing depreciation charges but without the availability of capital allowances which were retained by British Telecom plc.

Included in the total tax charge is a net credit of **£18.3m** (2003: charge of £0.6m) attributable to property sales, including the release of deferred taxation. In 2003 a tax credit of £15.7m was attributable to exceptional items.

| 8. Dividends | Dividends per ordinary share | | Profit and loss account | |
|---|------------------------------|---------------|-------------------------|------------|
| | 2004 pence | 2003 pence | 2004 £m | 2003 £m |
| Ordinary shares – interim | 9.90 | 9.50 | 46.1 | 44.1 |
| – final | 27.20 | 26.00 | 126.8 | 121.1 |
| B shares | | | 0.3 | 0.5 |
| Additional prior year dividends – ordinary shares | | | – | 1.7 |
| | 37.10 | 35.50 | 173.2 | 167.4 |

B shares carry the right to a dividend of 70% of six month LIBOR paid twice yearly. The annualised dividend rates for the periods to 17 April 2003, 17 October 2003 and 17 April 2004 were 2.8%, 2.5% and 2.8% respectively of the nominal value of the shares.

Additional prior year dividends relate to increases in share capital arising after the respective prior period ends but before their corresponding dividend record dates.

| 9. Earnings per share | Profit after taxation and B share dividends | | Weighted average number of ordinary shares | | Earnings per share | |
|---|---|------------|--|---------------|--------------------|---------------|
| | 2004 £m | 2003 £m | 2004 No. m | 2003 No. m | 2004 pence | 2003 pence |
| Earnings per share | 288.0 | 229.4 | 465.7 | 493.8 | 61.84 | 46.46 |
| Effect of dilutive share options | | | 0.6 | 0.1 | (0.08) | (0.02) |
| Diluted earnings per share | 288.0 | 229.4 | 466.3 | 493.9 | 61.76 | 46.44 |
| Earnings per share | 288.0 | 229.4 | 465.7 | 493.8 | 61.84 | 46.46 |
| Fixed asset property disposals after current and deferred tax | (82.2) | (41.1) | | | (17.65) | (8.32) |
| Effect of exceptional items after taxation | – | 42.6 | | | – | 8.62 |
| Deferred tax arising from capital allowances on investment properties | 8.3 | 11.1 | | | 1.78 | 2.25 |
| Deferred tax arising from capitalised interest on investment properties | 8.8 | 9.3 | | | 1.89 | 1.88 |
| Adjusted earnings per share | 222.9 | 251.3 | 465.7 | 493.8 | 47.86 | 50.89 |
| Diluted earnings per share | 288.0 | 229.4 | 466.3 | 493.9 | 61.76 | 46.44 |
| Fixed asset property disposals after current and deferred tax | (82.2) | (41.1) | | | (17.63) | (8.32) |
| Effect of exceptional items after taxation | – | 42.6 | | | – | 8.63 |
| Deferred tax arising from capital allowances on investment properties | 8.3 | 11.1 | | | 1.78 | 2.25 |
| Deferred tax arising from capitalised interest on investment properties | 8.8 | 9.3 | | | 1.89 | 1.88 |
| Adjusted diluted earnings per share | 222.9 | 251.3 | 466.3 | 493.9 | 47.80 | 50.88 |

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Adjusted earnings per share is based on revenue profits. In calculating the tax charge on revenue profits, the deferred tax arising on capital allowances in respect of investment properties has been eliminated because experience has shown that these allowances are not in practice repayable. Because capitalised interest on the development programme is becoming increasingly significant, and it is a permanent timing difference, the deferred taxation arising on capitalised interest is also now eliminated when calculating adjusted earnings per share.

Following the recalculation of the adjusted earnings on the revised basis described above, it became apparent that the calculation of the adjusted earnings per share for the six months ended 30 September 2003 required revision. The revised figures are set out below.

| | Six months ended 30/9/2003 | |
|-------------------------------------|-------------------------------|------------------|
| | Reported pence | Revised pence |
| Adjusted earnings per share | 26.66 | 24.74 |
| Adjusted diluted earnings per share | 26.65 | 24.73 |

| 10. Net assets per share | Equity shareholders' funds | | Number of ordinary shares | | Net assets per share | |
|---|----------------------------|------------|---------------------------|---------------|----------------------|---------------|
| | 2004 £m | 2003 £m | 2004 No. m | 2003 No. m | 2004 pence | 2003 pence |
| Net assets per share | 6,030.1 | 5,532.7 | 465.9 | 465.6 | 1294 | 1188 |
| Deferred tax arising from capital allowances on investment properties | 101.4 | 124.7 | | | 23 | 27 |
| Deferred tax arising from capitalised interest on investment properties | 30.0 | 21.2 | | | 6 | 5 |
| Joint venture's negative investment | 47.9 | – | | | 10 | – |
| Adjusted net assets per share | 6,209.4 | 5,678.6 | 465.9 | 465.6 | 1333 | 1220 |
| Net assets per share | 6,030.1 | 5,532.7 | 465.9 | 465.6 | 1294 | 1188 |
| Exercise of outstanding share options | – | – | 0.6 | 0.1 | (1) | – |
| Diluted net assets per share | 6,030.1 | 5,532.7 | 466.5 | 465.7 | 1293 | 1188 |
| Diluted net assets per share | 6,030.1 | 5,532.7 | 466.5 | 465.7 | 1293 | 1188 |
| Deferred tax arising from capital allowances on investment properties | 101.4 | 124.7 | | | 22 | 26 |
| Deferred tax arising from capitalised interest on investment properties | 30.0 | 21.2 | | | 6 | 5 |
| Joint venture's negative investment | 47.9 | – | | | 10 | – |
| Adjusted diluted net assets per share | 6,209.4 | 5,678.6 | 466.5 | 465.7 | 1331 | 1219 |

The additional deferred tax liability arising from capital allowances on investment properties is excluded from the calculation of the adjusted net assets as the Group's experience is that deferred tax on capital allowances in relation to such properties is unlikely to crystallise in practice. In addition, the deferred tax on capitalised interest on these properties is added back as this is a permanent timing difference. This is a change to the basis of calculation and the prior year figures have been restated accordingly.

| 11. Goodwill | Cost £m | Amortisation £m | Net £m |
|---------------------------|------------|--------------------|-----------|
| At 1 April 2003 | 42.0 | (5.3) | 36.7 |
| Amortisation for the year | – | (2.4) | (2.4) |
| At 31 March 2004 | 42.0 | (7.7) | 34.3 |

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12. Fixed assets

| | Freehold £m | Leasehold Over 50 years to run £m | Under 50 years to run £m | Total properties £m | Other tangible fixed assets £m | Total £m |
|---|----------------|---|-----------------------------------|---------------------------|--|----------------|
| Cost/valuation | | | | | | |
| At 1 April 2003 | 6,222.5 | 2,057.1 | 120.4 | 8,400.0 | 83.7 | 8,483.7 |
| Additions | 564.8 | 217.5 | 10.2 | 792.5 | 17.2 | 809.7 |
| Reclassifications | 25.2 | (40.0) | 8.4 | (6.4) | 6.4 | – |
| Sales | (585.4) | (47.3) | – | (632.7) | (8.9) | (641.6) |
| Investment properties sold to joint venture | (105.1) | (134.9) | – | (240.0) | – | (240.0) |
| Investment properties transferred to trading properties | (28.5) | – | – | (28.5) | – | (28.5) |
| | 6,093.5 | 2,052.4 | 139.0 | 8,284.9 | 98.4 | 8,383.3 |
| Unrealised surplus on revaluation | 305.6 | 97.2 | (2.1) | 400.7 | – | 400.7 |
| At 31 March 2004 | 6,399.1 | 2,149.6 | 136.9 | 8,685.6 | 98.4 | 8,784.0 |
| Accumulated depreciation | | | | | | |
| At 1 April 2003 | (10.2) | (2.0) | (6.5) | (18.7) | (42.2) | (60.9) |
| Depreciation for the year | (9.7) | (0.2) | (7.5) | (17.4) | (11.7) | (29.1) |
| Reclassifications | 1.8 | 1.8 | (3.2) | 0.4 | (0.4) | – |
| Sales | 0.2 | – | – | 0.2 | 6.9 | 7.1 |
| At 31 March 2004 | (17.9) | (0.4) | (17.2) | (35.5) | (47.4) | (82.9) |
| Net book value | | | | | | |
| At 31 March 2004 | 6,381.2 | 2,149.2 | 119.7 | 8,650.1 | 51.0 | 8,701.1 |
| At 31 March 2003 | 6,212.3 | 2,055.1 | 113.9 | 8,381.3 | 41.5 | 8,422.8 |

Freeholds include **£442.9m** (2003: £408.9m) of leaseholds with unexpired terms exceeding 900 years; leaseholds under 50 years include **£11.4m** (2003: £12.1m) with unexpired terms of 20 years or less. Other tangible assets include computers, motor vehicles, furniture, fixtures and fittings, and improvements to Group offices.

Additional analysis in respect of the movements in investment and operating properties is set out below:

| | Investment properties | | | Operating properties £m | Total £m |
|---|-------------------------------|--------------------------------|----------------|-------------------------------|-------------|
| | Portfolio management £m | Development programme £m | Total £m | | |
| Market value at 1 April 2003 | 6,876.6 | 967.4 | 7,844.0 | | |
| Less amount included in prepayments in respect of UITF28 adjustments | (16.0) | (4.1) | (20.1) | | |
| Net book value at 1 April 2003 | 6,860.6 | 963.3 | 7,823.9 | 557.4 | 8,381.3 |
| Properties transferred from portfolio management into the development programme during the year (at 1 April 2003 valuation) | (18.1) | 18.1 | – | – | – |
| Developments completed, let and transferred from the development programme into portfolio management during the year | 451.0 | (451.0) | – | – | – |
| Transfer of investment properties to trading properties | (28.5) | – | (28.5) | – | (28.5) |
| Reclassification of certain costs as other tangible fixed assets | – | 1.0 | 1.0 | (7.0) | (6.0) |
| Property acquisitions | 205.1 | – | 205.1 | 109.8 | 314.9 |
| Capital expenditure | 111.0 | 213.6 | 324.6 | 117.7 | 442.3 |
| Capitalised interest | 0.8 | 25.4 | 26.2 | 9.1 | 35.3 |
| Sales | (590.1) | (40.4) | (630.5) | (2.0) | (632.5) |
| Properties sold to joint venture | (240.0) | – | (240.0) | – | (240.0) |
| | 6,751.8 | 730.0 | 7,481.8 | 785.0 | 8,266.8 |
| Depreciation | (1.6) | – | (1.6) | (15.8) | (17.4) |
| Unrealised surplus on revaluation | 398.5 | 2.2 | 400.7 | – | 400.7 |
| Net book value at 31 March 2004 | 7,148.7 | 732.2 | 7,880.9 | 769.2 | 8,650.1 |
| Plus amount included in prepayments in respect of UITF28 adjustments | 23.9 | 1.9 | 25.8 | | |
| Market value at 31 March 2004 (Group) | 7,172.6 | 734.1 | 7,906.7 | | |
| Market value at 31 March 2004 (Group and share of joint venture) | 7,416.1 | 734.1 | 8,150.2 | | |

Fixed asset properties include capitalised interest of **£111.0m** (2003: £79.5m).

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The classification of properties between portfolio management and the development programme is defined in the Glossary (page 98). Operating properties are carried at depreciated cost and are not revalued.

The historical cost of investment properties is **£4,589.5m** (2003: £4,577.9m).

Proposed developments are excluded from the development programme as experience has shown that these schemes can be subject to substantial revision. In addition to the development programme, investment properties include properties to the value of **£179.3m** (2003: £180.5m) in respect of proposed developments.

Developments are transferred out of the development programme when physically complete and 95% let. Schemes completed during the year include The Bullring (Birmingham), Kingsway West (Phase 1) (Dundee), Portman House (London W1), 7 Soho Square (London W1) and 25/31 Sidwell Street (Exeter). The total development profit earned on schemes completed in the year was **£82.7m** (2003: £24.3m). This comprises development profits on those properties completed during the first half of £78.8m plus a further uplift in the second half on those properties of £22.4m offset by losses on those projects completed in the second half of £18.5m.

| Capital commitments | 2004 £m | 2003 £m |
|---------------------|------------|------------|
| Contracted | 665.0 | 586.6 |

13. Investment in Group undertaking

| | £m |
|-----------------------------------|---------|
| At 1 April 2003 and 31 March 2004 | 4,092.7 |

The investment represents 100% of the issued share capital of Land Securities PLC, a company incorporated and operating in the United Kingdom.

14. Investment in joint ventures

| Summary financial information of Group's share of joint ventures | Telereal £m | Scottish Retail Property Limited Partnership £m | Total 2004 £m | Telereal £m | Scottish Retail Property Limited Partnership £m | Total 2003 £m |
|--|----------------|--|---------------------|----------------|--|---------------------|
| Profit and loss account | | | | | | |
| Property services and rental income | 165.8 | 0.6 | 166.4 | 166.3 | – | 166.3 |
| Proceeds of sales of trading properties | 28.9 | – | 28.9 | 1.9 | – | 1.9 |
| Gross property income | 194.7 | 0.6 | 195.3 | 168.2 | – | 168.2 |
| Rents payable | (39.9) | – | (39.9) | (48.0) | – | (48.0) |
| Indirect property or contract expenditure | (18.0) | (0.1) | (18.1) | (16.0) | – | (16.0) |
| Costs of sales of trading properties | (23.3) | – | (23.3) | (1.4) | – | (1.4) |
| Depreciation | (12.9) | – | (12.9) | (15.0) | – | (15.0) |
| Operating profit | 100.6 | 0.5 | 101.1 | 87.8 | – | 87.8 |
| Profit on sale of fixed asset properties | 11.9 | – | 11.9 | 15.1 | – | 15.1 |
| Profit before interest and taxation | 112.5 | 0.5 | 113.0 | 102.9 | – | 102.9 |
| Net interest payable | (82.2) | – | (82.2) | (75.7) | – | (75.7) |
| Profit before taxation | 30.3 | 0.5 | 30.8 | 27.2 | – | 27.2 |
| Taxation | (13.0) | (0.1) | (13.1) | (14.5) | – | (14.5) |
| Profit after taxation | 17.3 | 0.4 | 17.7 | 12.7 | – | 12.7 |
| Balance sheet | | | | | | |
| Fixed assets – Investment properties | – | 243.5 | | – | – | |
| – Operating properties | 1,033.5 | – | | 1,056.9 | – | |
| Current assets | 74.5 | 13.7 | | 113.3 | – | |
| | 1,108.0 | 257.2 | | 1,170.2 | – | |
| Liabilities due within one year | (56.1) | (5.1) | | (75.3) | – | |
| Liabilities due after one year | (1,099.8) | – | | (988.1) | – | |
| | (1,155.9) | (5.1) | | (1,063.4) | – | |
| Net investment in joint ventures | (47.9) | 252.1 | | 106.8 | – | |
| Net debt | (1,073.0) | – | | (949.6) | – | |

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14. Investment in joint ventures (continued)

| | Telereal £m | Scottish Retail Property Limited Partnership £m | Total £m |
|-----------------------------------|----------------|--|--------------|
| Net investment in joint ventures | | | |
| At 1 April 2003 | 106.8 | – | 106.8 |
| Properties contributed | – | 245.5 | 245.5 |
| Share of post tax profits | 17.3 | 0.4 | 17.7 |
| Distributions | (51.0) | – | (51.0) |
| Loan repayments | (121.0) | – | (121.0) |
| Unrealised surplus on revaluation | – | 6.2 | 6.2 |
| At 31 March 2004 | (47.9) | 252.1 | 204.2 |

The Group has two joint ventures, both of which are 50% owned and draw up accounts to 31 March, as follows:

- Telereal is a 50:50 joint venture between Land Securities Trillium and the Pears Group, which acquired the majority of the properties of British Telecommunications ('BT') on 13 December 2001. Telereal is responsible for providing accommodation and estate management services to BT in return for a total availability and service charge under a 30-year contract.
- The Scottish Retail Property Limited Partnership is a joint venture between Land Securities Properties Limited and British Land Property Management Limited, which manages four shopping centres in Aberdeen and East Kilbride. The partnership was created on 16 March 2004.

The Group's share of Telereals' securitised and bank debt of **£1,079.7m** (2003: £988.1m) is non-recourse to the Group. The Group's notional 50% share of the fair value of Telereal's financial liabilities is **£1,149.1m** (2003: £1,050.8m).

Telereal includes two limited partnerships, Telereal Securitised Property Limited Partnership and Telereal General Property Limited Partnership, which are registered in England and Wales and whose accounts are dealt with in the Group financial statements by way of gross equity accounting as set out above. Advantage has been taken of the exemption conferred by Regulation 7 of The Partnership and Unlimited Companies (Accounts) Regulations 1993 in not delivering the financial statements of the partnerships to the Registrar of Companies.

| 15. Debtors | Group | | Company | |
|-------------------------------------|--------------|--------------|------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Falling due within one year | | | | |
| Trade debtors – property investment | 29.5 | 34.7 | – | – |
| – property outsourcing | 147.2 | 77.7 | – | – |
| Property sales debtors | 3.4 | 24.6 | – | – |
| Other debtors | 54.4 | 52.0 | – | – |
| Prepayments and accrued income | 105.2 | 84.5 | – | – |
| Taxation recoverable | – | – | 7.8 | 5.1 |
| | 339.7 | 273.5 | 7.8 | 5.1 |
| Falling due after one year | | | | |
| Other debtors | 20.4 | 15.9 | – | – |

| 16. Creditors falling due within one year | Group | | Company | |
|---|----------------|--------------|--------------|--------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Debentures, bonds and loans (Note 17) | 681.7 | 23.5 | – | – |
| Loans from Group undertakings | – | – | 465.0 | 374.1 |
| Overdrafts | – | 16.8 | – | – |
| Trade creditors | 80.8 | 58.5 | – | – |
| Taxation and Social Security | 85.1 | 23.9 | – | – |
| Proposed Final Dividend | 126.8 | 121.1 | 126.8 | 121.1 |
| Capital creditors | 92.6 | 69.2 | – | – |
| Other creditors | 22.7 | 15.4 | – | – |
| Accruals and deferred income | 281.5 | 266.5 | 0.1 | 0.4 |
| | 1,371.2 | 594.9 | 591.9 | 495.6 |

Capital creditors represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year-end, and for work completed on investment properties but not paid for at the financial year-end. Deferred income principally relates to rents received in advance.

The Company's loans from Group undertakings comprises **£358.9m** (2003: £338.1m) repayable on the earlier of 31 December 2005 and demand and **£106.1m** (2003: £36.0m) with no fixed repayment date.

| 17. Debentures, bonds and loans | Nominal value | | Unamortised discount and issue costs | | Book value | |
|---|----------------------------------|---------------------------------|--------------------------------------|--------------------------|----------------------------------|---------------------------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Unsecured | | | | | | |
| 10 ¾ per cent Exchange Bonds due 2004 | 21.2 | 21.2 | – | – | 21.2 | 21.2 |
| 9 ½ per cent Bonds due 2007 | 200.0 | 200.0 | – | – | 200.0 | 200.0 |
| 5 ⅞ per cent Bonds due 2013 | 400.0 | 400.0 | (5.4) | (6.0) | 394.6 | 394.0 |
| 9 per cent Bonds due 2020 | 200.0 | 200.0 | (3.0) | (3.2) | 197.0 | 196.8 |
| 6 ¾ per cent Bonds due 2024 | 200.0 | 200.0 | (2.0) | (2.1) | 198.0 | 197.9 |
| Syndicated bank debt | 289.0 | 603.0 | (1.4) | (2.5) | 287.6 | 600.5 |
| Commercial paper | 358.1 | – | – | – | 358.1 | – |
| | 1,668.3 | 1,624.2 | (11.8) | (13.8) | 1,656.5 | 1,610.4 |
| Secured | | | | | | |
| 6 ¼ per cent Mortgage Debenture 2000/05 | – | 8.4 | – | – | – | 8.4 |
| 6 ½ per cent Mortgages 2000/05 | – | 8.4 | – | – | – | 8.4 |
| 7 ¾ per cent Mortgage 2008 | 5.4 | 5.5 | – | – | 5.4 | 5.5 |
| 6 ¾ per cent First Mortgage Debenture Stock 2008/13 | 32.3 | 32.3 | – | – | 32.3 | 32.3 |
| 10 per cent First Mortgage Debenture Stock 2025 | 400.0 | 400.0 | – | – | 400.0 | 400.0 |
| 10 per cent First Mortgage Debenture Stock 2027 | 200.0 | 200.0 | – | – | 200.0 | 200.0 |
| 10 per cent First Mortgage Debenture Stock 2030 | 200.0 | 200.0 | – | – | 200.0 | 200.0 |
| Bank loan | 193.1 | 198.4 | (9.7) | 8.5 | 183.4 | 206.9 |
| | 1,030.8 | 1,053.0 | (9.7) | 8.5 | 1,021.1 | 1,061.5 |
| Falling due within one year (Note 16) | 2,699.1 (691.4) | 2,677.2 (23.5) | (21.5) 9.7 | (5.3) – | 2,677.6 (681.7) | 2,671.9 (23.5) |
| Falling due after one year | 2,007.7 | 2,653.7 | (11.8) | (5.3) | 1,995.9 | 2,648.4 |

In accordance with FRS4 'Capital Instruments' where bonds are issued at a discount or incur issue expenses they are stated net of those costs.

The carrying value of the secured bank loan comprises the loan amount (currently **£193.1m** (2003: £198.4m)), the fair value of the linked interest rate swap outstanding at the time of the acquisition of Trillium and the upfront arrangement fees relating to this funding. Both the swap and the upfront fees are being written off over the life of the borrowings. Either party to the swap can terminate the agreement on 15 April 2005 and every second anniversary thereafter. The loan and swap were restructured after the year-end to reflect the Employment Services addition to the PRIME contract.

The interest rate on the secured bank loan, which is variable, includes a margin which varies according to the Group's credit rating. This has been swapped into a current fixed rate of 5.09%.

Secured loans are charged on properties of Group undertakings. From time to time, short term deposits are charged as temporary security until substitutes have been agreed for properties taken out of charge. At 31 March 2004 short term deposits of **£154.0m** (2003: £nil) were charged as temporary security for borrowings until substitutions have been agreed for properties taken out of charge. The bank loan is secured on the unitary charge receivable from the DWP under the PRIME Agreement and also on most properties held by Land Securities Trillium.

| 18. Other creditors falling due after one year | Group | | Company | |
|--|-------------|-------------|------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Deferred income | 15.5 | 16.9 | – | – |
| Other creditors | 20.4 | 5.4 | – | – |
| | 35.9 | 22.3 | – | – |

| 19. Provision for liabilities and charges | | | |
|---|---------------------|----------------------------|--------------|
| | Dilapidations £m | Deferred taxation £m | Total £m |
| At 1 April 2003 | 5.9 | 173.1 | 179.0 |
| Net charge for the year | 5.8 | 31.5 | 37.3 |
| Released in respect of property disposals during the year | – | (31.6) | (31.6) |
| Other movements | – | 0.3 | 0.3 |
| At 31 March 2004 | 11.7 | 173.3 | 185.0 |

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for the year ended 31 March 2004

19. Provision for liabilities and charges (continued)

| | 2004 £m | 2003 £m |
|--|--------------|------------|
| Deferred tax is provided as follows | | |
| Excess of capital allowances over depreciation – investment properties | 101.4 | 124.7 |
| – operating properties | 34.8 | 21.7 |
| Capitalised interest – investment properties | 30.0 | 21.2 |
| – operating properties | 4.4 | 3.0 |
| Other timing differences | 2.7 | 2.5 |
| | 173.3 | 173.1 |

| | 2004 £m | 2003 £m |
|--|--------------|------------|
| Estimated tax on contingent capital gains are as follows | | |
| Tax on capital gains that would become payable by the Group, if it were to dispose of all of its investment properties at the amount stated on the balance sheet | 490.0 | 435.0 |
| Potential reduction in tax on contingent capital gains if properties were sold within their owning companies | (75.0) | (110.0) |
| Tax on contingent capital gains assuming no further mitigation | 415.0 | 325.0 |

The deferred taxation provision that would be released in the event of sales of investment properties on the assumption that the proceeds of qualifying assets equate for tax purposes to the tax written down value would be **£101.4m** (2003: £124.7m), and a further **£30.0m** (2003: £21.2m) would be released in respect of capitalised interest.

| 20. Called up share capital | Authorised | | Allotted and fully paid | |
|---|---------------|---------------|-------------------------|------------|
| | 2004 No. m | 2003 No. m | 2004 £m | 2003 £m |
| Ordinary shares of 10p each | 600.0 | 600.0 | 46.6 | 46.5 |
| Non-equity B shares of £1.02 each | 540.0 | 540.0 | 8.4 | 30.3 |
| Redeemable preference shares of £1 each | 0.1 | 0.1 | – | 0.1 |
| | | | 55.0 | 76.9 |

The holders of B shares are not entitled to receive notification of any general meeting of Land Securities Group PLC, or to attend, speak or vote at any such meeting. B shares carry the right to a dividend of 70% of six month LIBOR paid twice yearly. In the event of the winding up of Land Securities Group PLC, the holders of the B shares will be entitled to 102p in respect of each B share held together with the relevant proportion of the dividend payable.

The holders of B shares may elect to have their shares redeemed at six-monthly intervals. On 17 April 2003 and 17 October 2003, 18,439,941 and 3,099,927 B shares were redeemed respectively. On 17 April 2004 a further 1,661,077 B shares were redeemed. Land Securities Group PLC may, on giving notice in writing to the holders of B shares, redeem for £1.02 per share all, but not some, of the remaining B shares.

On 31 March 2004 all the redeemable preference shares of £1 each were redeemed at par.

| Movements in the share capital of the Company were | Number of shares |
|--|--------------------|
| At 1 April 2003 | 465,562,808 |
| Issued on the exercise of options under: | |
| 1993 Savings Related Share Option Schemes | 47,237 |
| 1984 Executive Share Option Scheme | 97,500 |
| 2000 Executive Share Option Scheme | 217,000 |
| At 31 March 2004 | 465,924,545 |

| Executive and Savings Scheme Related Share Option Schemes | Option price | 2002 Executive Share Option Scheme | 2000 Executive Share Option Scheme | 1984 Executive Share Option Scheme | 1993 Savings Related Share Option Schemes | Total |
|---|--------------|------------------------------------|------------------------------------|------------------------------------|---|------------------|
| At 1 April 2003 | | 107,500 | 3,802,562 | 133,000 | 653,790 | 4,696,852 |
| Granted | 788p | 1,678,524 | – | – | – | 1,678,524 |
| Granted | 677p | – | – | – | 227,578 | 227,578 |
| Exercised | | – | (217,000) | (97,500) | (47,237) | (361,737) |
| Lapsed | | (21,157) | (127,500) | – | (60,805) | (209,462) |
| At 31 March 2004 | | 1,764,867 | 3,458,062 | 35,500 | 773,326 | 6,031,755 |

The options outstanding under the 2002 Executive Share Option Scheme are exercisable at prices between 756p and 788p up to 2013, provided the associated performance conditions are met, those under the 2000 scheme at prices between 801p and 869p up to 2012, and those under the 1984 scheme at 618.6p up to July 2004. The options outstanding under the Savings Related Share Option Schemes are exercisable at prices between 628p and 736p, after three, five or seven years from the date of grant.

21. Shareholders' funds

| (i) Group | Ordinary shares £m | Non-equity B shares £m | Redeemable preference shares £m | Share premium account £m | Capital redemption reserve £m | Revaluation reserve £m | Profit and loss account £m | Total £m |
|--|-----------------------|---------------------------|------------------------------------|-----------------------------|----------------------------------|---------------------------|-------------------------------|----------------|
| At 1 April 2003 | 46.5 | 30.3 | 0.1 | 13.3 | 0.1 | 3,038.9 | 2,433.9 | 5,563.1 |
| Repayment of B shares | – | (21.9) | – | – | 21.9 | – | (21.9) | (21.9) |
| Redemption of redeemable preference shares | – | – | (0.1) | – | 0.1 | – | (0.1) | (0.1) |
| Exercise of options | 0.1 | – | – | 2.6 | – | – | – | 2.7 |
| Unrealised surplus on revaluation of investment properties | – | – | – | – | – | 400.7 | – | 400.7 |
| Unrealised surplus on revaluation of investment properties within joint venture | – | – | – | – | – | 6.2 | – | 6.2 |
| Realised on disposals of investment properties | – | – | – | – | – | (333.0) | 333.0 | – |
| Taxation on revaluation surpluses realised on disposals of investment properties | – | – | – | – | – | – | (27.3) | (27.3) |
| Retained profit for the financial year | – | – | – | – | – | – | 115.1 | 115.1 |
| At 31 March 2004 | 46.6 | 8.4 | – | 15.9 | 22.1 | 3,112.8 | 2,832.7 | 6,038.5 |
| Comprising | | | | | | | | |
| Equity shareholders' funds | 46.6 | – | – | 15.9 | 22.1 | 3,112.8 | 2,832.7 | 6,030.1 |
| Non-equity shareholders' funds | – | 8.4 | – | – | – | – | – | 8.4 |
| | 46.6 | 8.4 | – | 15.9 | 22.1 | 3,112.8 | 2,832.7 | 6,038.5 |

| (ii) Company | Ordinary shares £m | Non-equity B shares £m | Redeemable preference shares £m | Share premium account £m | Capital redemption reserve £m | Merger reserve account £m | Profit and loss account £m | Total £m |
|--|-----------------------|---------------------------|------------------------------------|-----------------------------|----------------------------------|------------------------------|-------------------------------|----------------|
| At 1 April 2003 | 46.5 | 30.3 | 0.1 | 13.3 | 0.1 | 373.6 | 3,139.3 | 3,603.2 |
| Repayment of B shares | – | (21.9) | – | – | 21.9 | – | (21.9) | (21.9) |
| Redemption of redeemable preference shares | – | – | (0.1) | – | 0.1 | – | (0.1) | (0.1) |
| Exercise of options | 0.1 | – | – | 2.6 | – | – | – | 2.7 |
| Retained loss for the financial year | – | – | – | – | – | – | (70.1) | (70.1) |
| At 31 March 2004 | 46.6 | 8.4 | – | 15.9 | 22.1 | 373.6 | 3,047.2 | 3,513.8 |
| Comprising | | | | | | | | |
| Equity shareholders' funds | 46.6 | – | – | 15.9 | 22.1 | 373.6 | 3,047.2 | 3,505.4 |
| Non-equity shareholders' funds | – | 8.4 | – | – | – | – | – | 8.4 |
| | 46.6 | 8.4 | – | 15.9 | 22.1 | 373.6 | 3,047.2 | 3,513.8 |

Land Securities Group PLC has not presented its own profit and loss account, as permitted by Section 230(1)(b) Companies Act 1985. The retained loss for the year of the Company, dealt within its financial statements, was **£70.1m** (2003: profit £18.7m).

22. Analysis of net debt

| | At 1/4/2003 £m | Transfers £m | Cash flow £m | Amortisation of discount and issue costs £m | Cost of reprofiling an interest rate swap £m | At 31/3/2004 £m |
|------------------------------|-------------------|-----------------|-----------------|--|---|--------------------|
| Net bank balance/(overdraft) | 79.2 | – | (56.4) | – | – | 22.8 |
| Liquid resources | 3.4 | – | 215.6 | – | – | 219.0 |
| Debt due within one year | (23.5) | (221.8) | (454.7) | (2.8) | 21.1 | (681.7) |
| Debt due after one year | (2,648.4) | 221.8 | 432.7 | (2.0) | – | (1,995.9) |
| Net debt | (2,589.3) | – | 137.2 | (4.8) | 21.1 | (2,435.8) |

Notes to the financial statements
for the year ended 31 March 2004

23. Financial assets and liabilities

This note should be read in conjunction with the comments set out in the OFR on page 34.

The Group has defined financial assets and liabilities as those assets and liabilities of a financial nature, namely cash, investments, borrowings and interest rate swaps.

All the Group's financial assets and liabilities are either sterling based or have been swapped into sterling and, with the exception of the committed bank facilities and commercial paper, are at fixed rates.

The Group's financial assets and liabilities and their fair values are:

| | Book value | | Fair value | | Excess of fair value over book value | |
|---|------------------|------------|------------------|------------|--------------------------------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Financial assets | | | | | | |
| Short term investments and cash* | 241.8 | 102.1 | 241.8 | 102.1 | – | – |
| Financial liabilities | | | | | | |
| Debentures, bonds, other loans and overdrafts | (2,677.6) | (2,688.7) | (3,249.1) | (3,204.9) | (571.5) | (516.2) |
| Non-equity B shares | (8.4) | (30.3) | (8.4) | (30.3) | – | – |
| Redeemable preference shares | – | (0.1) | – | (0.1) | – | – |
| Financial instruments | | | | | | |
| Interest rate swaps | – | – | (44.5) | (82.3) | (44.5) | (82.3) |
| | (2,444.2) | (2,617.0) | (3,060.2) | (3,215.5) | (616.0) | (598.5) |

*short term investments and cash include **£154.0m** (2003: £nil) of short term deposits charged as temporary security for borrowings as disclosed in Note 17

| | Financial liabilities | |
|---|-----------------------|------------|
| | 2004 | 2003 |
| Weighted average period of fixed interest rates | 12.4 years | 13.3 years |
| Weighted average fixed interest rate | 7.3% | 7.9% |

Fair value has been calculated by taking the market value, for those instruments which have a listing, or where one is not available, the fair value is calculated using a discounted cash flow approach. The difference between book value and fair value will not result in any change to the cash flows of the Group unless, at some stage in the future, fixed rate borrowings are purchased in the market, or repaid, at a price different to the nominal value.

The Group has entered into a number of interest rate swaps in the name of Land Securities PLC. Land Securities PLC has interest rate swaps with a nominal value of £800.0m upon which it pays a fixed rate of interest and receives six month LIBOR, all of which are operational. The interest rate swaps terminate between April 2007 and September 2030, and have fixed interest rates of between 4.999% and 5.585%. Land Securities PLC has a further interest rate swap with a nominal value of £200.0m upon which it receives a fixed rate of interest of 4.895% and pays six month LIBOR. This interest rate swap was entered into in March 2004 with a commencement date of 25 March 2004 and a termination date of April 2007. In the case of four £100m fixed rate payer swaps, the counterparties have a right to terminate the swaps mid-life.

In December 2003, Land Securities PLC novated a swap with a nominal value of £100.0m to Trillium (Prime) Property GP Limited, a related Group company. The swap was repriced and reprofiled to match the expected amortisation of the project finance debt, which it is hedging. The current nominal value of the swap is £78.7m and the Group is paying interest at 4.975%.

As the intention of the above interest rate swaps is to fix the interest rates on existing and new borrowings, their mark to market value has not been recognised in the financial statements and instead net interest is accrued through the profit and loss account.

In addition, there is a further interest rate swap with a notional value of £191.0m, which was taken out by Trillium (Prime) Property Ltd Partnership to hedge the secured bank loan, which funds the PRIME contract. This swap mirrors the repayment schedule of the associated bank loan. As part of the fair value accounting exercise on the acquisition of Trillium, this swap was marked to market at a cost of £14.9m in November 2000. The cost is being amortised over the life of the interest rate swap as a credit to interest payable. The interest rate swap was repriced and reprofiled in December 2003 at a cost of £21.1m. The cost of the repricing and reprofiling is being amortised over the life of the interest rate swap.

| Unrecognised gains and losses on instruments used for hedging, and the movements therein are as follows: | Unrecognised losses £m |
|--|---------------------------|
| Unrecognised losses on hedges at 1 April 2003 | (82.3) |
| Losses arising in previous years that were recognised in the year ended 31 March 2004 | 3.0 |
| Gains arising in the year ended 31 March 2004 that were not recognised in the year | 34.8 |
| Unrecognised gains and (losses) on hedges at 31 March 2004 | (44.5) |
| Of which: | |
| Gains and (losses) expected to be recognised in the year ending 31 March 2005 | – |
| Gains and (losses) expected to be recognised in the year ending 31 March 2006 or later | (44.5) |
| | (44.5) |

23. Financial assets and liabilities

| | Financial assets | | Financial liabilities | | Undrawn committed borrowing facilities | |
|--|------------------|------------|-----------------------|------------|--|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| The maturity and repayment profiles of the Group's financial assets and liabilities, excluding the non-equity B shares and redeemable preference shares, and the expiry periods of its undrawn committed borrowing facilities are: | | | | | | |
| One year or less, or on demand | 241.8 | 102.1 | 681.7 | 40.1 | – | – |
| More than one year but no more than two years | – | – | – | 29.8 | 800.0 | – |
| More than two years but no more than five years | – | – | 374.0 | 829.8 | 580.0 | 899.5 |
| More than five years | – | – | 1,621.9 | 1,789.0 | – | – |
| | 241.8 | 102.1 | 2,677.6 | 2,688.7 | 1,380.0 | 899.5 |

24. Principal Group and associated undertakings

The principal wholly owned Group undertaking of Land Securities Group PLC is Land Securities PLC.

The principal Group undertakings of Land Securities PLC, all of which are wholly owned, and its associated undertakings, which are 50% owned, are:

Wholly owned Group undertakings

| | |
|------------------------------------|--|
| Group operations | Investment property business |
| Land Securities Properties Limited | Ravenseft Properties Limited |
| Property outsourcing | The City of London Real Property Company Limited |
| Land Securities Trillium Limited | Ravenside Investments Limited |
| | Ravenseft Industrial Estates Limited |

Associated undertakings

| |
|---|
| Telereal Services Limited |
| Telereal Trading Property Limited |
| Telereal Securitised Property Limited Partnership |
| Telereal General Property Partnership |
| Scottish Retail Property Limited Partnership |

All principal Group undertakings are incorporated in England and Wales.

During the year, the Group has been a member of the following limited partnerships, all of which are registered in England. The accounts of the partnerships, drawn up to 31 March (with the exception of the partnerships forming the Birmingham Alliance, which are prepared to 31 December), are dealt with in the Group's financial statements as 'joint arrangements' on the basis explained in Note 1(a). The 100% results of the partnerships are set out below:

| Partnership | Group share % | Gross assets | | Gross liabilities | | Profit/(loss) before tax | |
|--|---------------|--------------|------------|-------------------|------------|--------------------------|------------|
| | | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Martineau Limited Partnership* | 33⅓ | 116.8 | 132.0 | (4.5) | (3.5) | 5.0 | 5.4 |
| Martineau Galleries Limited Partnership* | 33⅓ | 112.4 | 112.2 | (1.3) | (2.1) | 3.5 | 4.0 |
| Bullring Limited Partnership* | 33⅓ | 747.9 | 362.9 | (316.1) | (213.5) | 18.4 | (0.7) |
| Gunwharf Quays Limited Partnership** | n/a | – | 147.9 | – | (3.3) | – | 7.7 |
| Ebbfleet Limited Partnership | 50 | 39.1 | 35.3 | (0.1) | (0.4) | – | – |

*forming the Birmingham Alliance

**on 30 November 2003 Land Securities Group PLC acquired the 50% interest in the Gunwharf Quays Limited Partnership it did not already own

Advantage has been taken of the exemption conferred by Regulation 7 of The Partnership and Unlimited Companies (Accounts) Regulations 1993 in not delivering the financial statements of the partnerships to the Registrar of Companies.

The gross liabilities of these partnerships consist generally of capital and revenue accruals and also, in the case of Bullring Limited Partnership, £290.3m (2003: £195.5m) of loans from partners; at 31 March 2004 there was no third party debt in these partnerships (2003: £nil).

25. Related party transactions

The Group has a 50% interest in Telereal. The Group, principally through Land Securities Trillium Telecom Services Limited, provides staff to Telereal to deliver services to BT, for which it received £17.8m (2003: £17.7m) in the year ended 31 March 2004.

The subordinated loan from the Group to Telereal was repaid during the year, (2003: £121.0m).

The Group has a 50% interest in the Scottish Retail Property Limited Partnership. During the year the Group made sales of investment properties to the Partnership for consideration of £240.0m.

The Group receives fees in respect of accounting and asset management services from the partnerships forming the Birmingham Alliance. These fees are calculated on an arms length basis.

26. Contingent liabilities

The Group has a contingent liability arising from a performance guarantee that Land Securities PLC, as the parent company of Land Securities Trillium Limited, has given, severally with its Telereal joint venture partner, for the performance by Telereal Services Limited of its service obligations to BT together with a guarantee related to transaction issues associated with the BT outsourcing contract. The Group's maximum liability under the guarantee is £50m plus a further amount which is capped by reference to amounts either distributed or available for distribution to each shareholder by certain of the Telereal companies up to a further £50.7m. The transaction element of the guarantee is capped at £10m. The maximum potential liability which the Company could be exposed to under such arrangements is capped at £110.7m. The total maximum liability of £110.7m will, however, amortise over time in accordance with a contractual formula included and defined in the agreement with BT. At 31 March 2004, the estimated amount of the Group's exposure to the guarantee was approximately £100.7m.

Land Securities Group PLC (the Company) has given guarantees in the normal course of business to third parties in respect of the obligations of certain Group companies. The directors consider that the guarantees are unlikely to result in material loss to the Company.

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