

SCEPTRE FUNDING NO. 1 PLC

(incorporated in England and Wales with limited liability under registration number 6956673)

£360,250,000 5.253 per cent. Bonds due 2027

Issue Price: 99.995 per cent.

The £360,250,000 5.253 per cent. Bonds due 2027 (the **Bonds**), of Sceptre Funding No. 1 PLC (the **Issuer**) will be issued at the issue price stated above on 29 July 2009 (or such later date as may be agreed by the Issuer, HSBC Bank plc (the **Lead Manager**), BNP Paribas, Lloyds TSB Bank plc, Mitsubishi UFJ Securities International plc and The Royal Bank of Scotland plc (the **Co-Managers** and, together with the Lead Manager, the **Managers**) (the **Closing Date**).

Interest on the Bonds is payable by reference to successive interest periods (each, an **Interest Period**). Interest will be payable quarterly in arrear in pounds sterling on 9 February, 9 May, 9 August and 9 November in each year (subject to adjustment as specified herein for non-Business Days) commencing on 9 November 2009. The first Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Interest Payment Date falling on 9 November 2009.

The Bonds will mature on the Interest Payment Date falling in February 2027 unless previously redeemed. The Bonds will be subject to mandatory redemption in part or in full and may be subject to optional redemption in part or in full before such date in certain circumstances. See *Terms and Conditions – Redemption*.

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

The Bonds are expected, on issue, to be assigned a AAA rating by Fitch and a Aaa rating by Moody's.

The Bonds will initially be represented by a single temporary global bond in bearer form (the **Temporary Global Bond**), without coupons or talons, which will be deposited with a common depositary (the **Common Depositary**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg** and, together with Euroclear, the **Clearing Systems**), on or about the Closing Date. The Temporary Global Bond will be exchangeable not earlier than 40 days after the Closing Date (and upon certification of non-U.S. beneficial ownership) for interests in a single permanent global bond in bearer form (the **Permanent Global Bond** and, together with the Temporary Global Bond, the **Global Bonds**), without coupons or talons, which will also be deposited with the Common Depositary. Save in certain limited circumstances, Bonds in definitive form will not be issued in exchange for Global Bonds.

The prospectus (the **Prospectus**) has been approved by the Irish Financial Services Regulatory Authority (the **Irish Financial Regulator**), as competent authority under Directive 2003/71/EC (the **Prospectus Directive**). The Irish Financial Regulator only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange Limited (the **Irish Stock Exchange**) for the Bonds to be admitted to the Official List and trading on its regulated market. This document constitutes a prospectus for the purposes of the Prospectus Directive.

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

Lead Manager

HSBC 

Co-Managers

BNP PARIBAS
Mitsubishi UFJ Securities International plc

Lloyds TSB Corporate Markets
The Royal Bank of Scotland

The date of this Prospectus is 27 July 2009

THE BONDS WILL BE OBLIGATIONS SOLELY OF THE ISSUER AND WILL NOT BE GUARANTEED BY, OR BE THE RESPONSIBILITY OF, ANY OTHER PERSON OR ENTITY. IN PARTICULAR, THE BONDS WILL NOT BE OBLIGATIONS OF, AND WILL NOT BE GUARANTEED BY, THE BOND TRUSTEE, THE ISSUER SECURITY TRUSTEE, THE BORROWER SECURITY TRUSTEE, THE MANAGERS, THE CASH MANAGER, THE ACCOUNT BANK OR THE PAYING AGENT (EACH AS DEFINED HEREIN), OR QAM FUNDING LIMITED PARTNERSHIP (THE **BORROWER**), THE OBLIGORS (AS DEFINED HEREIN) OR ANY OTHER COMPANY OR ENTITY IN THE SAME GROUP OF COMPANIES AS ANY OF THEM (OTHER THAN THE ISSUER).

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

No person is or has been authorised to give any information or to make any representation concerning the issue and sale of the Bonds other than those contained in this Prospectus. If any such information or representation is given or made by any broker, seller or any other person, it must not be relied upon as having been authorised by the Issuer or the Managers. Neither the delivery of this Prospectus nor any offer, sale, allotment or solicitation made in connection with the offering of any of the Bonds shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer, any Obligor or any member of the group of companies of which Land Securities Group PLC (the **Land Securities Group**) is the parent company or in the information contained herein since the date hereof or that the information contained herein is correct at any time subsequent to the date hereof.

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

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance can be given by the Managers as to the accuracy or completeness of such information. None of the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee, the Cash Manager, the Account Bank, the Paying Agents or the Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. In making an investment decision, investors must rely on their own examination of the terms of this Prospectus, including the merits and risks involved. The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Bonds.

Other than the approval by the Irish Financial Regulator of this Prospectus as a prospectus in accordance with the requirements of the Prospectus Directive, no action has been or will be taken to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part of it) comes are required by the Issuer, and the Managers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of the Bonds and distribution of this Prospectus, see *Subscription and Sale*.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Managers or any of them to subscribe for or purchase any of the Bonds in any jurisdiction where such action would be unlawful and neither this Prospectus, nor any part thereof, may be used for, or in connection with, any offer

to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

References in this Prospectus to **£**, **Sterling**, **sterling**, **pounds sterling** or **Pounds Sterling** are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

In connection with the issue of the Bonds, HSBC Bank plc (in its capacity as **Stabilisation Manager**) or persons acting for it may over-allot the Bonds (provided that the aggregate principal amount of the Bonds allotted does not exceed 105 per cent. of the aggregate principal amount of the Bonds) or effect transactions with a view to supporting the market price of the Bonds at a higher level than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any agent of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.

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TRANSACTION OVERVIEW

The information in this section is an overview of the key features of the transaction. This overview should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus.

An index of the defined terms used in this Prospectus appears at the end of this Prospectus.

*In this Prospectus, references to the **Conditions** are to the terms and conditions of the Bonds as set out in this Prospectus, and references to a particular numbered **Condition** are to be construed accordingly.*

Issue of the Bonds and the Issuer/Borrower Loan Agreement

The transaction structure diagram below illustrates the transactions that will take place in connection with the issuance of the Bonds. On the Closing Date, the Issuer will issue the Bonds and enter into a loan agreement (the **Issuer/Borrower Loan Agreement** and together with the Bank Agreement, the Cash Management Agreement, the Borrower Security Documents, the Property Trust Deed, the Beneficiary Undertaking, the Subordination Deed, the Tax Deed of Covenant and the Master Definitions and Construction Schedule, the **Borrower Documents**) pursuant to which it will advance a loan (the **Issuer/Borrower Loan**) to the Borrower on the Closing Date in an amount equal to the initial aggregate principal amount of the Bonds.

The Borrower will pay interest on the Issuer/Borrower Loan at a fixed rate of interest. The Issuer's obligation to pay interest and principal on the Bonds will be met primarily from payments of interest and principal received from the Borrower under the Issuer/Borrower Loan. A facility fee will also be payable by the Borrower pursuant to the Issuer/Borrower Loan Agreement, the amount of which will correspond to the Issuer's expenses and (non-debt) liabilities.

The Property and the Building

50 Queen Anne's Gate/102 Petty France, London SW1 (the **Building**) will be held under an overriding lease by Property Trustee 1 and Property Trustee 2 (as trustees for the Borrower) for a term commencing on the date of the lease and expiring on 22 December 2026 (the **Overriding Lease**). By virtue of the Overriding Lease, the rent from the Occupational Tenant (currently the Secretary of State for Communities and Local Government) under the Occupational Lease will be payable to or to the order of the Property Trustees (as landlords) on trust for the Borrower. The rights of the landlord, in respect of the Occupational Lease, are vested in the Property Trustees. In this Prospectus, the Property Trustees' leasehold interest in the Building, which is derived from the Overriding Lease, is referred to as the **Property**. The freehold interest in respect of the Building (the **Freehold**) is held by Land Securities Reserve A Limited. The Freehold is not being mortgaged or otherwise secured in favour of the Bondholders or any of the transaction parties for the purposes of this transaction. See *Risk Factors – The Overriding Lease*.

Rental payments received by the Property Trustees will be paid into the rental receipts account held with the Account Bank in the joint names of the Property Trustees and operated by the Cash Manager (the **Rental Receipts Account**).

On each Interest Payment Date prior to enforcement of the Loan Security, the Cash Manager will apply amounts standing to the credit of the Rental Receipts Ledger (maintained with respect to the Rental Receipts Account) in accordance with the Borrower Pre-Enforcement Priority of Payments, which will include payments of interest, principal and the facility fee then due to the Issuer under the Issuer/Borrower Loan Agreement. Excess cash not required for the payment of other items in such priority of payments may be paid out to Land Securities Group companies which are outside of the financing structure.

The Loan Security Structure

Pursuant to a trust deed dated on or before the Closing Date (the **Property Trust Deed**), the Property Trustees will declare a trust in respect of the Property in favour of the Borrower. In order to secure its obligations under the Issuer/Borrower Loan Agreement, the Borrower will enter into a deed of charge (the **Borrower Deed of Charge**), pursuant to which the Borrower will grant in favour of the Borrower Security Trustee (on trust for the secured creditors of the Borrower (the **Borrower Secured Creditors**)) first fixed security over all of its beneficial interest in the trust constituted by the Property Trust Deed (the **Property Trust**). This interest will include the beneficial interest in the Property and in the rents payable by the Occupational Tenant.

The obligations of the Borrower under the Issuer/Borrower Loan Agreement will be jointly and severally guaranteed on a limited recourse basis by the Property Trustees, Holdco and the General Partner. The Property Trustees' obligations under such Guarantee will in turn be secured by a legal mortgage over the Property and a notified security assignment of rents granted by the Property Trustees pursuant to the Borrower Deed of Charge. As security for Holdco's obligations, Holdco will grant first fixed security over its shares in the Property Trustees. As security for the General Partner's obligations, the General Partner will grant first fixed security over its interest in the issued shares of Holdco.

As security for its obligations, each of the Obligors will also grant a floating charge over all of its property, assets and undertakings.

All of the security interests granted by the Obligors in connection with the Issuer/Borrower Loan are, together, referred to as the **Loan Security** and will be held on trust by the Borrower Security Trustee for the benefit of the Borrower Secured Creditors (of which the Issuer is the primary creditor).

The Borrower is a special purpose limited partnership whose activities are limited to the beneficial ownership of the Property and the transactions and other matters referred to in or contemplated by this Prospectus.

The Issuer Security Structure

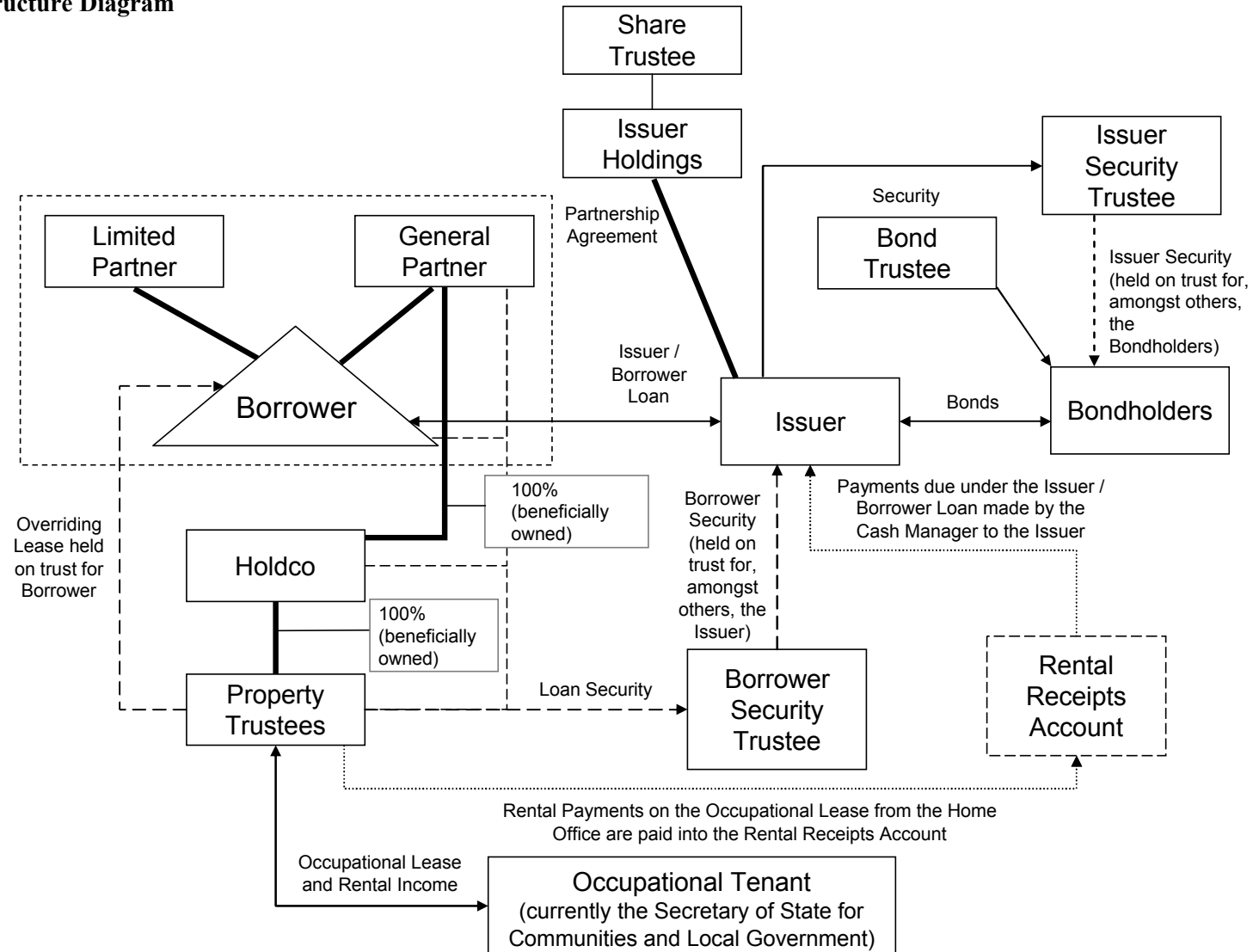
Under the Issuer Deed of Charge, the obligations of the Issuer under the Bonds will be secured in favour of the Issuer Security Trustee (for the benefit of the Bondholders and certain other secured creditors of the Issuer (the **Issuer Secured Creditors**)) by fixed and floating charges over all the property, undertaking and assets of the Issuer (which comprises, primarily, its rights in respect of the Issuer/Borrower Loan and the Loan Security).

Other structural features

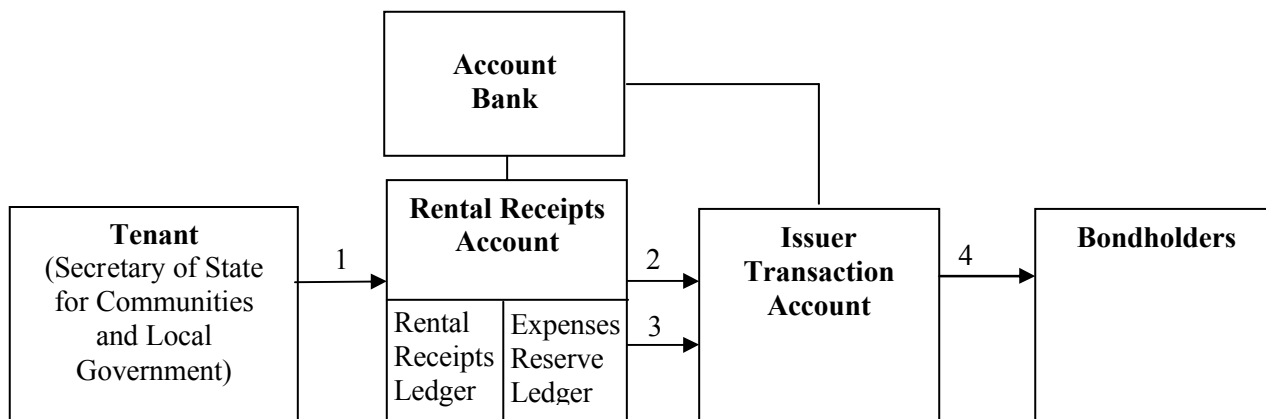
Other structural elements in this transaction will include:

1. cash management and account bank arrangements to be entered into between, amongst others, the Issuer, the Borrower and, as applicable, the Cash Manager and the Account Bank; and
2. a gilt lock transaction was entered into by, amongst others, the Borrower and HSBC Bank plc which will settle on or prior to the Closing Date in order to manage the Borrower's interest rate exposure for the purposes of this transaction (the **Gilt Lock**).

Transaction Structure Diagram



Cashflow Structure Diagram



1. The Tenant will pay the rent due under the Occupational Lease into the Rental Receipts Account. Rental payments received by the Property Trustees will be credited by the Cash Manager to the Rental Receipts Account. Funds held in the Rental Receipts Account may be invested in Eligible Investments.
2. On each Interest Payment Date, the Cash Manager will apply amounts standing to the credit of the Rental Receipts Ledger (maintained with respect to the Rental Receipts Account) in accordance with the Borrower Pre-Enforcement Priority of Payments. This will include certain Borrower expenses and payments to the Issuer of interest, principal and the facility fee to cover the Issuer's expenses then due to the Issuer under the Issuer/Borrower Loan Agreement. Amounts not required for the payment of other items in such priority of payments will be credited to the General Account and may be paid out to Land Securities Group companies which are outside the finance structure.
3. If there is a shortfall in funds standing to the credit of the Rental Receipts Ledger on any Interest Payment Date to make payment of certain expenses of the Borrower, the Cash Manager will apply amounts standing to the credit of the Expenses Reserve Ledger (also maintained with respect to the Rental Receipts Account).
4. The payments received by the Issuer under the Issuer/Borrower Loan Agreement from the Rental Receipts Account will be used by the Issuer to make payments due in accordance with the relevant Issuer Priority of Payments, including payments of interest and principal due to the Bondholders in accordance with the conditions of the Bonds.

The Parties

Issuer:

Sceptre Funding No. 1 PLC (the **Issuer**) is a public company incorporated in England and Wales with limited liability under registration number 6956673. The Issuer has been established as a special purpose vehicle for the limited purposes of the issue of the Bonds and the transactions and matters referred to in or contemplated by this Prospectus. Its entire share capital will be held on trust for discretionary purposes.

Borrower:

QAM Funding Limited Partnership (the **Borrower**, where appropriate, acting through the General Partner) is a limited partnership established and registered with registration number LP13511 under the Limited Partnerships Act 1907 and formed pursuant to a limited partnership agreement dated 24 June 2009 (such agreement, as amended from time to time, the **Partnership Agreement**) between, *inter alios*, the General Partner and the Limited Partner.

QAM (GP) Limited (the **General Partner**) is a private company incorporated in England and Wales with limited liability under registration number 6941167.

QAM (LP) Limited (the **Limited Partner**) is a private company incorporated in England and Wales with limited liability under registration number 6941212.

The General Partner and each Limited Partner are in this Prospectus each referred to as a **Partner** and, together, as the **Partners**.

Property Trustees:

QAM Property Trustee No 1 Limited (**Property Trustee 1**) is a private company incorporated in England and Wales with limited liability under registered number 6944806 and QAM Property Trustee No 2 Limited (**Property Trustee 2**) is a private company incorporated in England and Wales with limited liability under registered number 6944809 (each, a **Property Trustee** and, together, the **Property Trustees**).

Holdco:

QAM (Holdings) Limited (**Holdco**) is a private company incorporated in England and Wales with limited liability under registered number 6943373. The entire issued share capital in Holdco is held by the General Partner.

In this Prospectus, the term **Guarantors** means the General Partner, Holdco and the Property Trustees. The Borrower and the Guarantors are referred to as the **Obligors**.

Bond Trustee:

Deutsche Trustee Company Limited (in this capacity, the **Bond Trustee**), acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, will act as trustee for the holders of the Bonds pursuant to the Trust Deed constituting the Bonds.

<i>Issuer Security Trustee:</i>	Deutsche Trustee Company Limited (in this capacity, the Issuer Security Trustee), acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, will act as security trustee for the Issuer Secured Creditors pursuant to the Issuer Deed of Charge.
<i>Borrower Security Trustee:</i>	Deutsche Trustee Company Limited (in this capacity, the Borrower Security Trustee), acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, will act as security trustee for the Borrower Secured Creditors pursuant to the Borrower Deed of Charge and the other documents under which security for the Issuer/Borrower Loan will be granted (together, the Loan Security Documents).
<i>Cash Manager:</i>	Deutsche Bank AG, London Branch (the Cash Manager) will be appointed by, among others, the Issuer and the Borrower to provide cash management services to them under the terms of the Cash Management Agreement.
<i>Account Bank:</i>	Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB (the Account Bank), will act as account bank for the Issuer, the Property Trustees and the Borrower with respect to their respective accounts opened and maintained pursuant to the Bank Agreement.
<i>Paying Agents:</i>	Deutsche Bank AG, London Branch will act as principal paying agent in respect of the Bonds pursuant to the Agency Agreement (the Principal Paying Agent and, together with such additional or other paying agents, if any, appointed from time to time, pursuant to the Agency Agreement, the Paying Agents).
<i>Lead Manager:</i>	HSBC Bank plc (the Lead Manager) will act as lead manager of the transaction.
<i>Co-Managers:</i>	BNP Paribas, Lloyds TSB Bank plc, Mitsubishi UFJ Securities International plc and The Royal Bank of Scotland plc (the Co-Managers and, together with the Lead Manager, the Managers).
The Bonds	
<i>Description of the Bonds:</i>	On 29 July 2009 or such later date as may be agreed by the Issuer, the Managers and the Bond Trustee (the Closing Date), the Issuer will issue £360,250,000 5.253 per cent. Bonds due 2027 (the Bonds) to the bondholders (the Bondholders).
<i>Status, form and denomination:</i>	<p>The Bonds will constitute secured, direct and unconditional obligations of the Issuer. The Bonds will be constituted by the Trust Deed.</p> <p>Certain debts of the Issuer will rank senior in priority to the Bonds as set out in the relevant priority of payments of the Issuer.</p>
<i>Withholding Tax:</i>	All payments in respect of the Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, levies,

duties, imposts, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent is required by law to make any payment in respect of the Bonds subject to any such withholding or deduction.

In such an event, the Issuer or such Paying Agent shall make such payment after such withholding or deduction has been made.

Neither the Issuer nor any Paying Agent nor any other person will be obliged to pay additional amounts in respect of any such withholding or deduction.

Security for the Bonds:

The Issuer's obligations under the Bonds (together with its obligations to the other Issuer Secured Creditors) will be secured over the assets of the Issuer by fixed and floating security created pursuant to the Issuer Deed of Charge (the **Issuer Security**).

The Issuer Security Trustee will hold the Issuer Security on trust for the Issuer Secured Creditors.

Cashflows of the Issuer:

The priorities of payment for the application of monies received by the Issuer prior to and following enforcement will be set out in the Cash Management Agreement and the Issuer Deed of Charge, respectively.

Final redemption:

Unless previously redeemed in full or purchased and cancelled, the Bonds will mature at their then Principal Amount Outstanding on the Interest Payment Date falling on 9 February 2027 (the **Final Maturity Date**).

Scheduled redemption of the Bonds:

Prior to the service of a bond acceleration notice, the Bonds will be subject to mandatory *pro rata* redemption in part in quarterly instalments commencing on the first Interest Payment Date in an aggregate amount equal to the applicable scheduled amortisation amount for the Bonds as set out in Condition 6.2.

Mandatory redemption of the Bonds following certain events under the Issuer/Borrower Loan Agreement:

Following a mandatory prepayment of the Issuer/Borrower Loan as a result of:

- (a) the Borrower being obliged to prepay the Issuer/Borrower Loan by reason of receipt of compensation being received by it in respect of a compulsory acquisition of the Property;
- (b) a change of law pursuant to which it has become unlawful for the Issuer to make, fund or allow to remain outstanding the Issuer/Borrower Loan, and prior to the acceleration of the Bonds; or
- (c) the acceleration of the Issuer/Borrower Loan and/or the Loan Security being enforced prior to the Final Maturity Date,

the Issuer will be required to redeem the relevant Bonds in accordance with the Conditions together with accrued but unpaid interest thereon.

Optional redemption of the Bonds by the Issuer:

The Issuer may, on any date and in accordance with the Conditions, redeem the whole or any part of the Bonds at the price specified in the Conditions, which will be an amount calculated by reference to a

modified spens formula as set out in Condition 6.3(b).

Mandatory redemption of the Bonds following optional prepayment of the Issuer/Borrower Loan Agreement:

In addition, if the Borrower elects to prepay the Issuer/Borrower Loan in whole or in part (other than in circumstances where it has the right to do so following the imposition of a withholding or deduction on payments to be made by it and consequent gross-up obligation), then the Issuer will be required to redeem a like principal amount of the Bonds. The price for a redemption of the Bonds in these circumstances will be calculated with reference to the modified spens formula as set out in Condition 6.3(b).

Optional redemption for tax reasons:

On any Interest Payment Date, the Issuer may redeem all (but not some only) of the Bonds at their Principal Amount Outstanding together with accrued interest thereon in accordance with the Conditions in the event that by reason of a change in law or regulations (or the application of official interpretation thereof), which change becomes effective on or after the Closing Date, any amount for or on account of tax will be required to be deducted or withheld from any payment due from the Issuer under the Bonds.

Mandatory redemption of the Bonds following optional prepayment for tax reasons of the Issuer/Borrower Loan Agreement:

The Issuer will be required to redeem the Bonds if the Borrower elects to prepay the Issuer/Borrower Loan by reason of the imposition of a withholding or deduction on payments to be made by it and consequent gross-up obligation. Any such redemption will be on an Interest Payment Date and the Bonds will be redeemed at their Principal Amount Outstanding together with accrued but unpaid interest thereon.

Ratings:

It is expected that, when issued, the Bonds will be assigned the following ratings, by each of Fitch Ratings Ltd. (**Fitch**) and Moody's Investors Service Limited (**Moody's**) (together, the **Rating Agencies**):

Fitch
AAA

Moody's
Aaa

Listing:

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

Purchases:

The Issuer is not permitted to purchase Bonds. The Borrower may purchase Bonds.

Some or all of the Bonds purchased by the Borrower may be surrendered to the Issuer for cancellation against full discharge and satisfaction of an amount of the Issuer/Borrower Loan equal to the aggregate amount outstanding of the Bonds so purchased and surrendered and upon such surrender will be cancelled by or on behalf of the Issuer.

Governing law:

The Bonds and the Transaction Documents will be governed by English law.

The Issuer/Borrower Loan

The Issuer/Borrower Loan:

On the Closing Date, the Issuer will, under the terms of the Issuer/Borrower Loan Agreement, advance to the Borrower the Issuer/Borrower Loan.

The Borrower may (to the extent it has funds available for such purpose) prepay monies advanced and outstanding under the Issuer/Borrower Loan, in whole or in part, on any date.

Such prepayment by the Borrower will be at the principal amount outstanding of the Issuer/Borrower Loan (or the relevant part thereof) together with a premium equal to any premium payable by the Issuer on the redemption of a like principal amount of the Bonds, plus accrued interest and costs (in each case where payable).

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

If the Borrower would be required to make any withholding or deduction in respect of United Kingdom taxes from payments in respect of the Issuer/Borrower Loan, then the Borrower will have the right to prepay the Issuer/Borrower Loan at its principal amount outstanding together with accrued interest and costs (in each case where payable).

Loan Events of Default:

Events of default applicable to the Issuer/Borrower Loan will be set out in the Issuer/Borrower Loan Agreement. They will cover non-payment, breach of other obligations, misrepresentation, insolvency, insolvency proceedings, creditors' process and effectiveness of Borrower Documents (where applicable, subject to grace and cure periods and/or materiality).

Guarantee:

The obligations of the Borrower under the Issuer/Borrower Loan Agreement will be guaranteed (the **Guarantee**) on a joint and several basis by each of the General Partner, Holdco and the Property Trustees (together in such capacity, the **Guarantors**). The Guarantee will be limited in recourse to the proceeds of enforcement of the Loan Security Documents.

Security for the Issuer/Borrower Loan:

As security for the repayment of the Issuer/Borrower Loan, the Obligors will, on the Closing Date, enter into a deed of charge and assignment (the **Borrower Deed of Charge**) pursuant to which each Obligor will grant security over all its assets. The security to be granted under the Borrower Deed of Charge will comprise:

- (a) *Security to be granted by the Borrower:*

The General Partner will grant, *inter alia*, the following security interests on behalf of the Borrower:

- (i) a first fixed charge over the Borrower's rights under the Property Trust Deed and in respect of the Property Trust; this will include the Borrower's beneficial interests in:
 - (A) the Property;
 - (B) the Occupational Lease and rental income derived therefrom (the **Rental Income**); and
 - (C) the Rental Receipts Account;
 - (ii) first fixed assignments and/or charges over all the Borrower's other assets (including its rights under the Borrower Documents to which it is a party); and
 - (iii) a first floating charge over all the Borrower's assets and undertaking to the extent not secured by the fixed security interests described above.
- (b) *Security to be granted by the Property Trustees:*

The Property Trustees will grant, *inter alia*, the following security interests:

- (i) a first fixed mortgage over the Property;
 - (ii) a first fixed assignment over its interest (as landlord) under the Occupational Lease;
 - (iii) a first fixed assignment of the Rental Income;
 - (iv) a first fixed charge over Rental Receipts Account; and
 - (v) a first floating charge over all their respective assets and undertakings (including their respective rights under the Borrower Documents to which each is a party (other than the Property Trust Deed)) to the extent not secured by the fixed security interests described above.
- (c) *Security to be granted by the other Obligors:*

Each other Obligor will grant full first fixed and floating security over all its assets and undertaking (including over the shares of any other Obligor owned by it).

For a fuller description of the security interests to be granted by the Obligors under the Borrower Deed of Charge, see *Summary of Principal Documents – Borrower Deed of Charge*.

<i>Subordination Deed:</i>	In addition, the Limited Partner will enter into a subordination deed (the Subordination Deed) with, among others, the Borrower Security Trustee, subordinating all indebtedness owed by the Borrower to the Limited Partner (on the terms set out therein) to all liabilities owed by the Borrower to the Issuer under or in connection with the Issuer/Borrower Loan Agreement and the Borrower Deed of Charge.
<i>Cashflows of the Borrower:</i>	The priorities of payment for the application of monies received by the Borrower prior to and following enforcement of the Loan Security will be set out in the Cash Management Agreement and the Borrower Deed of Charge, respectively. These are described further in <i>Resources Available to the Issuer and the Borrower</i> .
<i>Occupational Lease Covenant:</i>	The Borrower will covenant in the Issuer/Borrower Loan Agreement that it will not take any steps to forfeit or otherwise terminate the Occupational Lease unless it first obtains the prior written consent of the Borrower Security Trustee.
<i>The Overriding Lease:</i>	<p>The Overriding Lease will be granted by the current freeholder of the Building, Land Securities Reserve A Limited, and will be held by Property Trustee 1 and Property Trustee 2 for a term commencing shortly before the Closing Date and expiring on 22 December 2026.</p> <p>The yearly rent under the overriding lease will be a peppercorn (if demanded) and the tenant covenants will mirror in all material respects the covenants in the Occupational Lease.</p> <p>The landlord will be able to forfeit the lease if the tenant covenants are not performed but there will be no right of forfeiture for administration, receivership, liquidation or other insolvency events related to the Property Trustees as the Overriding Tenant. The Overriding Lease will be an excluded lease for the purposes of the Landlord and Tenant Act 1954.</p> <p>Further details of the Overriding Lease and the Occupational Lease are set out in the sections <i>Overriding Lease</i> and <i>Current Lease and Reversionary Lease</i>, respectively.</p>

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Bonds. If you are considering investing in the Bonds, you should carefully read and consider all the information contained in this Prospectus, including the risk factors set out here, prior to making any investment decision.

Liability under the Bonds

The Bonds will be the obligation solely of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Bonds will not be obligations or responsibilities of, and will not be guaranteed by Land Securities Group PLC, any company in the same group of companies as, or affiliated to Land Securities Group PLC, the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee, the Paying Agents, the Managers, the Cash Manager, the Account Bank, or any other party.

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

Limited resources of the Issuer

The ability of the Issuer to meet its obligations under the Bonds and other ancillary secured obligations will be dependent on the receipt by it of principal, interest and a facility fee from the Borrower under the Issuer/Borrower Loan Agreement. Prior to the enforcement of the Issuer Security, the Issuer is not expected to have any other funds available to it to meet its obligations under the Bonds and in respect of making any payment ranking in priority to, or *pari passu* with, the Bonds.

In the event that the Issuer Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under the Bonds in accordance with the Issuer Post-Enforcement Priority of Payments, to pay in full all principal and interest and other amounts whatsoever due in respect of the Bonds, then the assets of the Issuer may be insufficient to meet claims in respect of any such unpaid amounts.

Absence of secondary market; limited liquidity

Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List of the Irish Stock Exchange. However, there can be no assurance that a secondary market in the Bonds will develop or, if it does develop, that it will provide Bondholders with liquidity of investment, or that it will continue for the life of the Bonds. Therefore, Bondholders may not be able to sell their Bonds easily. In addition, the market value of certain of the Bonds may fluctuate with changes in prevailing rates of interest. Consequently, any sale of Bonds by Bondholders in any secondary market which may develop may be at a discount to the original purchase price of such Bonds.

Denominations and trading

The Bonds have a denomination consisting of a minimum authorised denomination of £50,000 plus higher integral multiples of £1,000. Accordingly, it is possible that the Bonds may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if Definitive Bonds are required to be issued, a Bondholder who holds a principal amount of less than the minimum authorised denomination at the relevant time may not receive a Definitive Bond in respect of such holding and may need to purchase a principal amount of Bonds such that their holding amounts to the minimum authorised denomination.

If Definitive Bonds are issued, Bondholders should be aware that Definitive Bonds which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

Furthermore, at any meeting of Bondholders while the Bonds are represented by a Global Bond, any vote cast will be valid only if it is in respect of at least £50,000 in nominal amount and will be cast in respect of each £1 (or such other amount as the Bond Trustee may in its absolute discretion stipulate) in principal amount outstanding of the Bonds held or represented by the person voting. The quorum requirements for meetings of Bondholders will also disregard any holdings to the extent that they cannot be represented by a holding of at least £50,000.

Ratings of Bonds

The ratings assigned to the Bonds by the Rating Agencies are primarily based on the Issuer/Borrower Loan and considerations of other relevant structural features of the transaction (such as the extent to which the payments of rent made by the tenant occupying the Building under the Occupational Lease (the **Occupational Tenant**) are adequate to make payments required under the Bonds) and reflect only the views of the Rating Agencies.

The ratings address the views of the relevant Rating Agency as to the likelihood of full and timely payment to the Bondholders of interest on the Bonds and scheduled principal of the Bonds on each Interest Payment Date and by the Final Maturity Date. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or the unavailability of information or if, in the Rating Agencies' judgement, circumstances so warrant.

Rating agencies other than the Rating Agencies could seek to rate the Bonds. Such **unsolicited ratings** may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Bonds. If lower than the comparable rating assigned to the Bonds by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Bonds. Unless the context otherwise requires, any references to **ratings** or **rating** in this Prospectus are to ratings assigned by the Rating Agencies only.

In any particular circumstance the Bond Trustee, the Issuer Security Trustee or the Borrower Security Trustee (as the case may be) will be entitled, for the purposes of exercising any power, trust, authority, duty or discretion or the giving of any waiver under or in relation to the Issuer Documents or the Borrower Documents (together, the **Transaction Documents**) to which it is a party or in respect of which it has security, to have regard to the then current ratings of the Bonds and any reconfirmation thereof.

Any such reconfirmation may or may not be given at the sole discretion of the Rating Agencies and cannot be construed as advice for the benefit of any parties to the transaction. It should be noted that the Rating Agencies will not be responsible for the consequences of failure or delay in responding to any request for a reconfirmation of the ratings of the Bonds.

Delays in the Payments System

Payments under the Issuer/Borrower Loan Agreement will be made to the Issuer on or before each Interest Payment Date. However, delays may arise in the receipt or execution of payment instructions by any of the Borrower, the Cash Manager, the Occupational Tenant or the Account Bank, resulting in delays in the Issuer receiving such payments under the Issuer/Borrower Loan Agreement and, consequently, the Bondholders not receiving payment under the Bonds until after the due date for any such payment.

Withholding tax under the Bonds

Under current law, all payments under the Bonds can be made without deduction or withholding for or on account of any United Kingdom tax provided that they are and continue to be officially listed in Ireland in accordance with provisions corresponding to those generally applicable in European Economic Area States and are and continue to be admitted to trading on the Irish Stock Exchange (as to which see *United Kingdom Taxation*).

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

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

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

Liability under the Issuer/Borrower Loan

Save for limited recourse guarantees given by the Guarantors, the Borrowers' obligations under the Issuer/Borrower Loan Agreement will be its obligations solely. Except as stated above, the Issuer/Borrower Loan will not be the obligation or responsibility of or guaranteed by or receive the benefit of security from any other person or entity. In particular, the Issuer/Borrower Loan will not be the obligation or responsibility of, and will not be guaranteed by or receive the benefit of security from, the Borrower Security Trustee, the Managers or the Account Bank, the Land Securities Group PLC or any company in the Land Securities Group. See *Summary of Principal Documents – Issuer/Borrower Loan Agreement* below.

Limited resources of the Borrower

The ability of the Borrower to meet its obligations under the Issuer/Borrower Loan will be primarily dependent on the payment of rent by the Occupational Tenant pursuant to the Occupational Lease. Other than the foregoing, prior to the enforcement of the security for the Issuer/Borrower Loan, the Borrower may not have any other funds available to meet its obligations under the Issuer/Borrower Loan Agreement (and in respect of making any payment ranking in priority to or *pari passu* with the Issuer/Borrower Loan).

No independent investigation of warranties

None of the Borrower Security Trustee, the Issuer Security Trustee, the Issuer, the Managers or the Bond Trustee has conducted any independent investigations of the accuracy of the various representations and warranties given by the Obligor in the Issuer/Borrower Loan Agreement, the Borrower Deed of Charge, or any other Borrower Document.

Withholding tax under the Issuer/Borrower Loan

Under current law, all payments made under the Issuer/Borrower Loan Agreement can be made without deduction or withholding for or on account of any United Kingdom tax provided that the Issuer is and continues to be beneficially entitled to such payments and the Issuer is and continues to be resident in the United Kingdom for United Kingdom tax purposes. In the event that any withholding or deduction for or on

account of United Kingdom tax is required to be made from any payment due by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement, the amount of that payment will be increased so that, after that withholding or deduction has been made, the Issuer will receive an amount equal to that which it would have received had no such withholding or deduction been required to be made. If the Borrower does not have sufficient funds to enable it to make such increased payments to the Issuer, the Issuer's ability to meet its payment obligations under the Bonds could be adversely affected. In the circumstances described in *Summary of Principal Documents – Issuer/Borrower Loan Agreement – Prepayment* below, the Borrower will have the option (but not the obligation) to prepay the Issuer/Borrower Loan in full together with accrued interest. If the Borrower chooses to prepay the Issuer/Borrower Loan in full, the Issuer will then be obliged to redeem all of the Bonds.

Risks relating to certain additional tax matters

Change of tax law

The statements in relation to United Kingdom taxation set out in this Prospectus are based on current law and the practice of HM Revenue & Customs and other relevant authorities in force or applied in the United Kingdom at the date of this Prospectus. Any changes in such law or practice might have an adverse effect on the financial position of the Issuer or the Borrower.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the EU Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Risks relating to Insolvency Considerations

Security and insolvency considerations

The Issuer will enter into the Issuer Deed of Charge pursuant to which it will grant the Issuer Security in respect of certain of its obligations, including its obligations under the Bonds (as to which, see *Summary of*

Principal Documents – Issuer Deed of Charge). Similarly, the Borrower will enter into the Borrower Deed of Charge pursuant to which it will grant security in respect of certain of its obligations, including its obligations under the Issuer/Borrower Loan Agreement (as to which, see *Summary of Principal Documents – Borrower Deed of Charge*). In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer or Borrower, the ability to realise the Issuer Security and/or the Borrower Security, respectively, may be delayed and/or the value of the relevant security impaired. While the transaction structure is designed to minimise the likelihood of the Issuer or the Borrower becoming insolvent, there can be no assurance that the Issuer and/or the Borrower will not become insolvent and/or the subject of insolvency proceedings and/or that the Bondholders would not be adversely affected by the application of insolvency laws.

In addition, it should be noted that, to the extent that the assets of the Issuer or the Borrower are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge (see *Security over bank accounts* below)), section 176A of the Insolvency Act 1986 may require a "prescribed part" of the Issuer's or the Borrower's (as the case may be) net available property (which would otherwise be available to satisfy the claims of secured creditors under the Issuer Deed of Charge and/or the Borrower Deed of Charge, respectively) to be set aside (subject to a maximum prescribed part of £600,000) to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer and the Borrower in the Issuer Documents and/or Borrower Documents, respectively, are intended to ensure it has no significant creditors other than the secured creditors under the Issuer Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Bondholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Issuer Security or Borrower Security.

Administration of the Borrower

The Insolvency Act 1986 would prohibit a secured creditor (such as the Borrower Security Trustee) from enforcing its security against the assets of the Borrower, if it were to be placed into administration, unless the consent of the administrator or the leave of the court had been obtained. As the Borrower is a limited partnership, it will not, as a matter of English law, be possible to appoint an administrative receiver to it in order for the appointment of the administrator in respect of the Borrower and its assets to be blocked.

To ensure that in the event of an administration in respect of the Borrower, the rental income continues to be applied in meeting the Borrower's obligations under the Issuer/Borrower Loan Agreement, the Obligors have entered into the arrangements described in *Summary of Principal Documents – Issuer/Borrower Loan Agreement, – Borrower Deed of Charge, – Property Trust Deed* and *– Beneficiary Undertaking*. Pursuant to these arrangements the Property Trustees (together with the other Guarantors) will guarantee the Borrower's obligations. The Property Trustees will be required and be empowered to satisfy their obligations under the Guarantee out of the Trust Property and any payments so made to the Issuer will not violate the automatic stay provisions that would come into place upon the commencement of any administration in respect of the Borrower. Furthermore, subject to receiving the consent of the Borrower Security Trustee, it will be open to the Property Trustees to sell legal title to the Property to a third-party purchaser and thereby overreach the Borrower's beneficial interest in the Property. Such a sale would not require the consent of any administrator of the Borrower or the leave of the court if the Borrower was in administration.

The effectiveness of such arrangements, however, could be challenged by an administrator or third-party creditor of the Borrower in the courts of England and Wales. Any such challenge could give rise to delays in enforcement of the security in respect of the Property (including the rental income).

Security over bank accounts

The charges granted over the bank accounts by virtue of the Issuer Deed of Charge and the Borrower Deed of Charge will be expressed to be fixed security. However it is possible that these charges may be held by a

court to constitute floating charges and that the charges granted over the assets from which the monies paid into such accounts are derived may also be held by a court to constitute floating charges. In these circumstances, in the event of any charging company going into liquidation or administration (or there being a provisional liquidator or receiver appointed) any preferential creditors and liquidation or administration expenses in respect of such charging company would be payable in priority to the Issuer Secured Creditors or the Borrower Secured Creditors (as appropriate). In addition, in respect of each such charging company a fund of up to £600,000 would be set aside in order to make payments due to any unsecured creditors of that company (in priority over debts secured only by a floating charge). In any such circumstance, this could reduce amounts available to the Issuer to make payments due in respect of the Bonds.

Risks relating to Bonds generally

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted contrary to the majority.

The Conditions also provide that the Bond Trustee may, without the consent or sanction of the Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds which, in the opinion of the Bond Trustee, would not be materially prejudicial to the interests of the Bondholders or any modification which is, in the opinion of the Bond Trustee, of a formal, minor or technical nature or is to correct a manifest error or an error which is, to the satisfaction of the Bond Trustee, proven or (ii) the substitution of another company as principal debtor under any Bonds in place of the Issuer, in the circumstances described in Condition 11 (*Meetings of Bondholders, Modification and Waiver*).

Risks relating to the Property

Late payment or non-payment of rent

There is a risk that rental payments due under the Occupational Lease on or before the relevant Interest Payment Date will not be paid on the due date or not paid at all. If any payment of rent is not received on or prior to the immediately following Interest Payment Date, there may be insufficient cash available to the Borrower to make payments to the Issuer under the Issuer/Borrower Loan in full or at all and this may result in there being an Event of Default under the Bonds.

Occupational Lease provisions

As landlord under the Occupational Lease, the Property Trustees covenant to allow the Occupational Tenant quiet enjoyment of the Building. A breach by the relevant Property Trustee of this covenant could give rise to a dispute with the Occupational Tenant and the Occupational Tenant might seek to withhold rental payments.

The Overriding Lease

The Property will be held by the Property Trustees (as nominees for the Borrower) under, and for the term of, the Overriding Lease. By virtue of the Overriding Lease, the rent from the Occupational Tenant (currently the Secretary of State for Communities and Local Government) under the Occupational Lease will be payable to or to the order of the Property Trustees (as landlords) on trust for the Borrower. The rights of the landlord in respect of the Occupational Lease will vest in the Property Trustees on behalf of the

Borrower. The Freehold is held by Land Securities Reserve A Limited. The Freehold is not being mortgaged or otherwise secured in favour of the transaction parties or any of them.

The Borrower Security Trustee will as a result not be able to sell the Freehold in a default scenario.

The only substantial asset which the Property Trustees and the Borrower have is the Property. There can be no assurance that there would be a market for the Property, or that the value of the Property would not diminish during the life of the transaction.

Final instalment of rent

The basic rent (as referred to in *Current Lease and Reversionary Lease*) for the period from 29 September 2026 to 24 December 2026 is payable in arrear and the final instalment thereof will be payable on 25 December 2026 (i.e., after expiry of the Overriding Lease) to the then reversioner under the Occupational Lease. The Overriding Lease will include a provision to the effect that the reversioner will pay to the Borrower an amount equal to the rents payable under the Occupational Lease in relation to the period from 29 September 2026 to 23 December 2026, if and when received from the Occupational Tenant.

The reversioner will hold its interest in the Building under a separate overriding lease for a term of one year commencing on 20 December 2026. There is a risk that that final instalment of the basic rent will not be paid on the due date or at all by the Occupational Tenant to that reversioner and/or that the reversioner does not pay to the Borrower on the due date or at all an amount equal to that rent when received. If the Borrower does not receive this final instalment then it will have insufficient funds to make the final payment then due in respect of the Bonds. The Property Trustees will have a charge over that overriding lease as security for payment of that final instalment of rent.

Property Management

Except to the limited extent described herein, none of the Issuer Security Trustee, any Bondholder, the Borrower Security Trustee or the Issuer has any right to participate in the management or affairs of the Borrower, or the Cash Manager. In particular, such parties cannot supervise the functions relating to the management or operation of the Building and the leasing and re-leasing of the Building or otherwise.

Cash Management

Neither the Borrower, the Issuer nor the General Partner has any executive management resources of its own. The Issuer and the Borrower will rely upon the Cash Manager for certain cash management functions and other parties for certain other executive and administrative functions. Failure by the Cash Manager to perform its obligations could have a material adverse effect upon the Borrower's ability to repay the Issuer/Borrower Loan. There can be no assurance that, were the Cash Manager to resign or its appointment be terminated, a suitable replacement service provider could be found or found in a timely manner and engaged on terms acceptable to the Borrower Security Trustee.

Compulsory Purchase

Any property in the United Kingdom may at any time be compulsorily acquired by a public authority possessing compulsory purchase powers (for instance, local authorities and in respect of rail proposals, Network Rail) if it can demonstrate that the acquisition is required for a particular purpose; for example, in the case of compulsory purchase for planning purposes, that acquisition would facilitate development, redevelopment or improvement which is likely to contribute to social, economic or environmental well being. No such compulsory purchase proposals have been revealed in respect of the Building following an investigation of title and a review of the replies to local authority search enquiries made by Allen & Overy LLP in respect of the Building dated 2 June 2009.

In practice, any promoter of a compulsory purchase order would need to demonstrate that compulsory purchase was necessary or desirable and in the public interest. In the event of an order being made in respect of all or any part of the Building, compensation would be payable on a basis broadly equivalent to the open market value of all owners' and tenants' proprietary interests in the Building (which would include the Property) and all related costs at the time of the related purchase. If the whole of the Building were to be acquired in this way, the Overriding Lease held by the Property Trustees as nominees for the Borrower would be acquired and from the date the acquiring authority had possession the Occupational Tenant would cease to be obliged to make any further rental payments to the Property Trustees under the Occupational Lease. If part of the Building were to be acquired in this way, the rent payable under the Occupational Lease would be apportioned to take account of the reduction in the extent of the Building.

Compensation would normally be payable to the Borrower in respect of the land acquired and the diminution in value of its retained land, reduction in rent arising as a result of the apportionment and other adverse impacts of the compulsory purchase scheme. If the Building (and therefore the Property) is compulsorily purchased, the Borrower will be obliged (following receipt of the compensation payments in respect of such purchase) to prepay the Issuer/Borrower Loan in full. If, however, the compensation payable to the Property Trustees (for the benefit of the Borrower) is less than amounts due under the Issuer/Borrower Loan, there would be a shortfall in funds available to the Issuer for redemption of the Bonds.

In addition, there is often a delay between the compulsory purchase of a property and the payment of compensation, although advance payment of compensation is available representing 90 per cent. of the level of compensation which is agreed or which the acquiring authority considers is due. Should such delay occur in the case of the compulsory purchase of the Building then, unless the Borrower has other funds available to it, it may fail to meet its obligations under the Issuer/Borrower Loan on a timely basis.

Frustration of Occupational Lease

A lease could, in exceptional circumstances, be frustrated under English law. Frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue. However, the Occupational Lease does contain an obligation on the Occupational Tenant to continue to pay rent even in the event that it is frustrated.

Mortgagee in Possession Liability

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

Factors which are material for the purpose of assessing the market risks associated with Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Bonds, there is no assurance that this would not adversely affect the realisable value of the Bonds or any part thereof or, pending such realisation (or if the Bonds or any part thereof cannot be sold), the ability of the Issuer to make payments of interest and principal on the Bonds.

It is possible that, prior to the maturity of the Bonds, the United Kingdom may become a participating member state in the European Monetary Union and that the euro may become the lawful currency of the United Kingdom. In that event: (a) all amounts payable in respect of the Bonds may become payable in euro; and (b) applicable provisions of law may allow or require the Bonds to be redenominated into euro and additional measures to be taken in respect of such Bonds. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Bonds.

Change of law

The structure of the issue of the Bonds and the making of the Issuer/Borrower Loan under the Issuer/Borrower Loan Agreement are based on English law in effect as at the date of this Prospectus. No

assurance can be given as to the impact of any possible changes to English law, the interpretation thereof or administrative practice after the date of this Prospectus.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds, and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in fixed rate bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Bonds are legal investments for it, (2) Bonds can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Implementation of Basel II Risk-Weighted Asset Framework

Following the issue of proposals from the Basel Committee on Banking Supervision (**Basel Committee**) for reform of the 1988 Capital Accord, a new framework has been developed by the Basel Committee on Banking Supervision which places enhanced emphasis on market discipline and sensitivity to risk. A comprehensive version of the final text of the framework was published in June 2006 under the title "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" (the **Framework**). The Framework is being implemented in stages (partly from year-end 2006 and the most advanced from year-end 2007). However, the Framework is not self-implementing and, accordingly, implementation dates in participating countries are dependent on the relevant national implementation process in those countries.

In the European Union (**EU**), the Framework has been implemented through the Capital Requirements Directive (**Directive**). The Directive reflects the structure and the major components of the Framework, but has been tailored to the specific features of the EU market. Under the Directive, the Framework has been implemented in stages (from year-end 2006 (in respect of the standardised approach to the risk-weighting of assets) and from year-end 2007 (in respect of the more advanced internal ratings based approaches to the risk-weighting of assets)). In the United Kingdom, the Directive has been implemented by the Financial Services Authority and detailed rules are contained in its Handbook.

The Basel Committee announced in April 2008 its intention to take steps to strengthen certain aspects of the Framework. Following on from this the Basel Committee has published proposals for significant changes and there have been calls from various regulators for further revisions. The European Commission has also proposed changes to the Capital Requirements Directive and, in October 2008, amendments to the Directive were put forward to the European Parliament and the Council of Ministers for consideration. The proposed amendments aim to ensure that the risks inherent in banks' portfolios relating to complex structured credit products, such as "resecuritisations" or collateralised debt obligations of ABS, are better reflected in minimum capital requirements, risk management practices and accompanying disclosures to the public. The proposals are part of the Basel Committee's broader work programme, which it announced in November 2008, to strengthen in a fundamental way bank capital adequacy and risk management and to support recent recommendations of the Financial Stability Forum and actions agreed by the G20 for strengthening financial regulation.

The European Commission has also proposed changes to the Directive, which build on the proposals of the Basel Committee to strengthen the Framework. In October 2008, the European Commission published its proposal to amend the Directive. The proposed amendments include a number of items which may be relevant to certain ABS investors, including investment restrictions in respect of certain ABS and investment due diligence requirements (and proposed significant corresponding penalties involving higher capital charges in the case of non-compliance with the latter). The October 2008 proposal has been put forward to the European Parliament and the Council of Ministers for consideration. More recently, the European Commission published in March 2009 a staff working document on possible changes to the Directive which included higher capital charges for certain securitisation exposures and greater risk management and disclosure standards for securitisation positions.

As and when implemented, the Framework (and any relevant changes) may affect the risk-weighting of the Bonds for investors who are subject to capital adequacy requirements that follow the Framework. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the application of the Framework and any relevant implementing measures. Proposals and guidelines for implementing the Framework in certain participating jurisdictions are still in development and no predictions can be made as to the precise effects on any investor or otherwise.

Risks relating to occupational pension schemes

An administrator or receiver appointed by the Borrower Security Trustee or the Issuer Security Trustee would be obliged to pay preferential creditors out of floating charge realisations in priority to payments to the Borrower Secured Creditors and the Issuer Secured Creditors, respectively. Preferential debts include, among others, certain pension scheme contributions.

Certain provisions of the Pensions Act 2004 (the **Pensions Act**) can result in pensions-related liabilities being imposed on a company if it is an employer with a defined benefits occupational pension scheme or is a person "connected with or an associate of" the employer. The Pensions Regulator has power under section 38 of the Pensions Act to impose a contribution notice where an employer or someone associated or connected with it is a party to an "act or deliberate failure to act" and either the material detriment test is met in relation to the pension scheme; or one of the main purposes of the act or failure to act was: (i) to prevent the recovery of all or part of a debt due under Section 75 Pensions Act 1995, (ii) to prevent such a debt becoming due, (iii) to compromise or otherwise settle such a debt, or (iv) to reduce the amount of such a debt. Contribution notices can be issued any time up to six years from the date of the act or failure to act. The notice can require the employer, its associates or a connected person to pay all or part of the debt. The Pensions Regulator will assess whether it is reasonable to impose a contribution notice on a particular person having regard to their relationship with the employer and the scheme, their degree of involvement in the act complained of, their financial resources, whether there was any failure to report to the Pensions Regulator, all the purposes of the act or failure to act including whether a purpose was to prevent loss of employment, the likelihood of the employer's other creditors to be paid and such other matters as may be prescribed.

The Pensions Regulator has power under section 43 of the Pensions Act to impose a financial support direction if the employer in relation to a defined benefit pension scheme is "insufficiently resourced" (that is, if the value of its resources is less than half of the deficit in the scheme, calculated on a buy-out basis (that is, the difference between the value of the scheme's assets and the cost of securing benefits by the purchase of annuities from an insurance company)) and there is a person or persons who are connected or associated with the employer who have sufficient net assets to meet the shortfall in financial resources to satisfy this 50 per cent. test. A financial support direction may be imposed on a company which is, or has been within the previous 12 months, an employer participating in a defined benefit pension scheme, or a person associated with or connected with that company, but may be issued only if the Pensions Regulator believes it is reasonable to do so (this look-back period is being extended incrementally to 24 months between 6 April 2009 and 6 April 2010). A financial support direction would require the recipient to enter into a formal arrangement to support the pension scheme in question, either by group companies accepting joint and several liability for the pension scheme, or by the holding company of a group accepting liability or in some other way prescribed by regulations made under the Pensions Act.

The terms "associate" and "connected person" are widely defined and cover companies within the same group. So, for example, any Obligor (including the Borrower) may be an associate of the Land Securities Properties Limited which is the employer with a defined benefits pension scheme, and thus may have preferential creditors. Land Securities Properties Limited maintained a defined pension scheme which closed to new members in 1998 and now operates a career average earnings scheme, which currently has a surplus of approximately £3,000,000.

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

RESOURCES AVAILABLE TO THE ISSUER AND THE BORROWER

Issuer Priorities of Payments

Issuer Pre-Enforcement Priority of Payments

Prior to enforcement of the Issuer Security, funds in the Issuer Transaction Account (other than those amounts credited to a profit ledger to be maintained with respect to the Issuer Retained Profit (the **Profit Ledger**)) will be applied (unless otherwise paid or provided for) by the Cash Manager on behalf of the Issuer on each Interest Payment Date in the following order of priority (in each case only if and to the extent that payments or provisions of a higher order of priority have been made in full) (such order being the **Issuer Pre-Enforcement Priority of Payments**):

- (a) *first*, in or towards satisfaction of the fees or other remuneration then payable to the Bond Trustee and the Issuer Security Trustee (and any appointee of either of them), together with value added tax (VAT) thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Bond Trustee or the Issuer Security Trustee (or any such appointee) under or in connection with the Trust Deed or the Issuer Deed of Charge, as the case may be, together with interest thereon as provided in the Trust Deed or the Issuer Deed of Charge, as the case may be;
- (b) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue from the Issuer to (i) the Paying Agents under the Agency Agreement, (ii) the Account Bank under the Bank Agreement, (iii) the Cash Manager under the Cash Management Agreement and (iv) the Corporate Services Provider under the Corporate Services Agreements (together with, in each case, VAT thereon, if applicable, as provided in the Agency Agreement, the Bank Agreement, the Cash Management Agreement or the Corporate Services Agreements as the case may be);
- (c) *then*, the amount of £500 (the **Issuer Retained Profit**) to remain deposited in the Issuer Transaction Account, credited to the Profit Ledger and retained as profit each quarter by the Issuer pursuant to the Taxation of Securitisation Company Regulations 2006 (and from which amount the Issuer shall discharge its liability to corporation tax in respect of such Issuer Retained Profit);
- (d) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest due or overdue in respect of the Bonds;
- (e) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of principal due or overdue in respect of the Bonds;
- (f) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue from the Issuer to any relevant tax authority in respect of the Issuer's additional liability (if any) to United Kingdom corporation tax in excess of the amount payable under item (c) above, VAT liabilities, other tax and any other third-party liabilities under obligations incurred in the course of business of the Issuer; and
- (g) *then*, the surplus (if any) in payment to the Issuer or other persons entitled thereto as notified by the Issuer in advance to the Cash Manager.

Issuer Post-Enforcement Priority of Payments

After enforcement of the Issuer Security, the Issuer Security Trustee (or a receiver appointed by the Issuer Security Trustee or, with the consent of the Issuer Security Trustee, the Cash Manager on its behalf) is required to apply monies available for distribution in or towards satisfaction of the Issuer's liabilities in respect of the Bonds in the following order of priority (in each case only if and to the extent that payments or provisions of a higher order of priority have been made in full) (such order being the **Issuer Post-Enforcement Priority of Payments** and, together with the Issuer Pre-Enforcement Priority of Payments, the **Issuer Priorities of Payments**):

- (a) *first*, in or towards satisfaction of, *pro rata* according to the respective amounts thereof (i) the fees or other remuneration then payable to the Bond Trustee and the Issuer Security Trustee (and any appointee of either of them), together with VAT thereon (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Bond Trustee or the Issuer Security Trustee (or any such appointee) under or in connection with the Trust Deed or the Issuer Deed of Charge, as the case may be, together with interest thereon as provided in the Trust Deed or the Issuer Deed of Charge, as the case may be and (ii) the fees or other remuneration then payable to any receiver appointed in respect of the Issuer, together with VAT thereon (if applicable) and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by such receiver under or in connection with the Issuer Deed of Charge, together with interest thereon as provided in the Issuer Deed of Charge;
- (b) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue from the Issuer to (i) the Paying Agents under the Agency Agreement, (ii) the Account Bank under the Bank Agreement (iii) the Cash Manager under the Cash Management Agreement and (iv) the Corporate Services Provider under the Corporate Services Agreements (together with, in each case, VAT thereon, if applicable as provided in the Agency Agreement, the Bank Agreement, the Cash Management Agreement or the Corporate Services Agreements as the case may be);
- (c) *then*, an amount equal to the Issuer Retained Profit to remain deposited in the Issuer Transaction Account (and from which amount the Issuer shall discharge its liability to corporation tax in respect of such Issuer Retained Profit);
- (d) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts of interest and principal due or overdue in respect of the Bonds;
- (e) *then*, in or towards payment, *pro rata* according to the respective amounts thereof, of all amounts due or overdue from the Issuer to any relevant tax authority in respect of the Issuer's additional liability (if any) to United Kingdom corporation tax in excess of the amount payable under item (c) above, VAT liabilities, other tax and any other third-party liabilities under obligations incurred in the course of business of the Issuer; and
- (f) *then*, the surplus (if any) in payment to the Issuer or other persons entitled thereto as notified by the Issuer in advance to the Cash Manager.

Borrower Priorities of Payments

Borrower Pre-Enforcement Priority of Payments

Prior to enforcement of any part of the Loan Security, amounts in the Rental Receipts Account standing to the credit of the Rental Receipts Ledger will be applied by the Cash Manager on behalf of the Borrower on each Interest Payment Date, in the following order of priority (in each case only if and to the extent that

payments or provisions of a higher order of priority have been made in full) (such order being the **Borrower Pre-Enforcement Priority of Payments**):

- (a) *first*, in satisfaction of (i) the fees or other remuneration then payable by the Borrower to the Borrower Security Trustee, together with VAT thereon (if applicable), and (ii) any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Borrower Security Trustee under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge;
- (b) *then*, in or towards payment to the Issuer of an amount equal to all amounts payable by the Issuer on such Interest Payment Date pursuant to paragraphs (a), (b) and (c) of the then applicable Issuer Priority of Payments, payable by the Borrower as a facility fee to the Issuer under the terms of the Issuer/Borrower Loan Agreement;
- (c) *then*, in or towards payment of all amounts of fees and expenses, together with any applicable VAT thereon, as provided in the Cash Management Agreement payable by the Borrower to the Cash Manager;
- (d) *then*, in or towards payment of, or provision for, on a *pro rata* basis according to the respective amounts thereof, sums due or which will fall due or which properly belong to third parties under obligations incurred in the course of business of the Borrower, the General Partner, Holdco or any Property Trustee, including the provision for, and payment of, the Borrower's auditors and the Borrower's, Holdco's, or any Property Trustee's liability (if any) to UK corporation tax (but excluding, for the avoidance of doubt, any corporation tax liability of any of the Partners), other tax, VAT and any company secretarial fees and charges but only as permitted by the Borrower Documents, in each case as determined and (if applicable) notified by the Borrower to the Cash Manager;
- (e) *then*, in or towards payment of all amounts of interest due or overdue in respect of the Issuer/Borrower Loan;
- (f) *then*, in or towards payment *pro rata* of all amounts of principal due or overdue in respect of the Issuer/Borrower Loan;
- (g) *then*, to deposit into the Rental Receipts Account (for credit to the Expenses Reserve Ledger) until the balance thereof reaches the Expenses Reserve Amount; and
- (h) *then*, the surplus (if any) in payment to the General Account or otherwise, as notified by the Borrower to the Cash Manager in advance.

If, on any Interest Payment Date, there are any insufficient funds in the Rental Receipts Account (standing to the credit of the Rental Receipts Ledger) to pay or provide for the items referred to in paragraphs (a) and (b) above, then the Cash Manager will be entitled, to the extent of any relevant shortfall, to utilise funds (if any) standing to the credit of the Expenses Reserve Ledger, for that purpose.

Expenses Reserve Amount means £75,000.

Borrower Post-Enforcement Priority of Payments

Following enforcement of the Loan Security (or any part thereof), the Borrower Security Trustee (or a receiver appointed by it or, with the consent of the Borrower Security Trustee, the Cash Manager on its behalf), each of the Property Trustees and each other Obligor will apply monies received by it in or towards satisfaction of the following liabilities in respect of the Issuer/Borrower Loan in the following order of

priority (the **Borrower Post-Enforcement Priority of Payments** and, together with the Borrower Pre-Enforcement Priority of Payments, the **Borrower Priorities of Payments**), in each case only to the extent that payments of a higher order of priority have been paid in full:

- (a) *first*, in or towards payment, *pro rata* according to the respective amounts thereof, of (i) the fees or other remuneration then payable by the Borrower to the Borrower Security Trustee, together with VAT thereon (if applicable), (ii) any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Borrower Security Trustee under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge and (iii) the fees or other remuneration then payable to any receiver appointed in respect of any Obligors, together with VAT thereon (if applicable) and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by such receiver under or in connection with the Borrower Deed of Charge, together with interest thereon as provided in the Borrower Deed of Charge;
- (b) *then*, in or towards payment to the Issuer of an amount equal to all amounts payable by the Issuer on such Interest Payment Date pursuant to paragraphs (a), (b) and (c) of the then applicable Issuer Priority of Payments, payable by the Borrower as a facility fee to the Issuer under the terms of the Issuer/Borrower Loan Agreement;
- (c) *then*, in or towards payment of all amounts of fees and expenses, together with any applicable VAT thereon, as provided in the Cash Management Agreement payable by the Borrower to the Cash Manager;
- (d) *then*, in or towards payment of all amounts of interest and principal due or overdue in respect of the Issuer/Borrower Loan;
- (e) *then*, in or towards payment of, or provision for, on a *pro rata* basis according to the respective amounts thereof (in each case as notified by the Obligors to the Cash Manager), sums due or which will fall due or which properly belong to third parties under obligations incurred in the course of business of the Borrower, the General Partner, Holdco or any Property Trustee, including the provision for, and payment of, the Borrower's auditors and the Borrower's Holdco's or any Property Trustee's liability (if any) to UK corporation tax (but excluding, for the avoidance of doubt, any corporation tax liability of any of the Partners), other tax, VAT and any company secretarial fees and charges but only as permitted by the Borrower Documents, in each case as determined and (if applicable) notified by the Borrower to the Cash Manager; and
- (f) *then*, the surplus (if any) in payment to the General Account or otherwise, as notified by the Borrower to the Cash Manager in advance.

SUMMARY OF PRINCIPAL DOCUMENTS

This section contains a summary of the material terms of the principal documents relating to the Bonds. Copies of each of the documents referred to in the summary are available for inspection as set out in item 12 of the General Information section below.

Issuer/Borrower Loan Agreement

On or before the Closing Date the Borrower, the Guarantors, the Issuer and the Borrower Security Trustee will enter into the Issuer/Borrower Loan Agreement.

The Issuer/Borrower Loan

Pursuant to the terms of the Issuer/Borrower Loan Agreement, the Issuer will agree, subject to the satisfaction of certain conditions precedent, to on-lend to the Borrower on the Closing Date an amount equal to the initial aggregate Principal Amount Outstanding of the Bonds.

Interest

The rate of interest on the Issuer/Borrower Loan will be 5.2533 per cent. per annum.

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

Repayment

Subject to any early prepayment of the Issuer/Borrower Loan in accordance with the terms of the Issuer/Borrower Loan Agreement, the Issuer/Borrower Loan will be repayable in instalments on each Interest Payment Date in accordance with the amortisation schedule set out in the Issuer/Borrower Loan Agreement, in amounts corresponding to the amortisation schedule for the Bonds set out in Condition 6.2.

The maturity date for the Issuer/Borrower Loan Agreement is the Interest Payment Date falling in February 2027.

Prepayment

The Borrower must promptly repay or prepay the Issuer/Borrower Loan in full if it becomes unlawful in any applicable jurisdiction for the Issuer to fund or maintain the Issuer/Borrower Loan.

The Borrower may (to the extent it has funds available for such purpose) prepay monies advanced and outstanding under the Issuer/Borrower Loan, in whole or in part, on any date. Such prepayment by the Borrower will include a premium equal to any premium payable by the Issuer on the redemption of a like principal amount of the Bonds under Condition 6.3(b).

The Borrower may (subject to its having funds available for such purpose) purchase Bonds at any time. The Borrower may hold such purchased Bonds uncanceled under the terms and conditions set out in the Conditions. Alternatively, the Borrower may elect to surrender some or all of the Bonds so purchased to the Issuer and, if it does so, the Issuer will (a) cancel the surrendered Bonds and (b) discharge the Issuer/Borrower Loan in a principal amount equal to the Principal Amount Outstanding of the Bonds so surrendered.

All payments of principal and interest in respect of the Issuer/Borrower Loan Agreement will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax (if any)

applicable to the Issuer/Borrower Loan in the United Kingdom unless such withholding or deduction is required by law. In that event, the Borrower will pay such additional amount as will result in the receipt by the Issuer of such amount as would have been received by it if no such withholding or deduction had been required.

If the Borrower is or will be required to pay to the Issuer an increased amount under the Issuer/Borrower Loan Agreement by reason of any deduction or withholding for or on account of any United Kingdom tax in respect of a payment made by the Borrower under the Issuer/Borrower Loan Agreement, the Borrower may repay or prepay the Issuer/Borrower Loan in full.

If the Property is subject to a compulsory purchase then the Borrower will be obliged to prepay the Issuer/Borrower Loan in full following receipt of the relevant compensation payments in respect of such a purchase.

All prepayments under the Issuer/Borrower Loan Agreement must be made with accrued but unpaid interest on the amount prepaid and all other amounts then payable (if any) under the Issuer/Borrower Loan Agreement.

Issuer Expenses

The Issuer/Borrower Loan Agreement will contain provisions requiring the Borrower to pay to the Issuer, on each Interest Payment Date, a facility fee in the amount equal to scheduled payments of fees, costs and expenses payable by the Issuer to, *inter alios*, the Bond Trustee, the Issuer Security Trustee, the Paying Agents, the Issuer's auditors, the Cash Manager and the Account Bank. The facility fee will be paid in accordance with the then applicable Borrower Priority of Payments.

Guarantee and indemnity

Each Guarantor has, pursuant to the Issuer/Borrower Loan Agreement, jointly and severally guaranteed the obligations of the Borrower under, *inter alia*, the Borrower Documents and has undertaken to pay immediately on demand any amount not paid by the Borrower when due under the Issuer/Borrower Loan Agreement and to indemnify each Borrower Secured Creditor against any loss or liability suffered by such Borrower Secured Creditor as a result of the Borrower failing to pay any amount expressed to be payable by it on the date when it ought to have been paid.

The recourse of the Borrower Secured Creditors to each Guarantor in respect of payment obligations under the Borrower Documents will be limited to all payments and proceeds received by each Guarantor as a result of the enforcement of the Loan Security.

Representations and Warranties

The Issuer/Borrower Loan Agreement will contain the following representations and warranties (the **Warranties**) to be given by each Obligor in relation to itself or, if it is not expressed to be given in relation to an Obligor, or it otherwise so states, by the Borrower. None of the Issuer, the Borrower Security Trustee, the Issuer Security Trustee or the Bond Trustee has made or will make, in respect of the matters warranted by any Obligor in the Issuer/Borrower Loan Agreement or any other Borrower Document to which they are party, any independent investigation thereof, other than in the case of the Issuer, (a) a search against the Borrower, the General Partner, each Property Trustee, Holdco, and the Cash Manager in the relevant file maintained by the Registrar of Companies in England and Wales and (b) a search against the Building at the Land Registry, all such searches to be carried out on or before the Closing Date. Apart from such searches by the Issuer, the Issuer, the Borrower Security Trustee, the Issuer Security Trustee and the Bond Trustee will rely entirely on the Warranties.

The Warranties to be so given on the Closing Date will include the following:

1. *Status*

- (a) Each Obligor (other than the Borrower) is a limited liability company, duly incorporated and validly existing under the laws of England and Wales; and
- (b) the Borrower is a limited partnership established under the Limited Partnership Act 1907 and validly existing under the laws of England and Wales.

2. *Powers and authority*

Each Obligor has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, the Borrower Documents to which it is a party and (if it is a party thereto) the Partnership Agreement, and the transactions contemplated by those documents.

3. *Legal validity*

Each Borrower Document to which an Obligor is a party and (if it is a party thereto) the Partnership Agreement, in each case, constitutes its legal, valid, binding and enforceable obligation, subject to equitable principles of general application and to bankruptcy and insolvency laws.

4. *Non-conflict*

The entry into, and performance by, each Obligor of the Borrower Documents and (if it is a party thereto) the Partnership Agreement, and the transactions contemplated by those documents, does not and will not conflict with:

- (a) any law or regulation applicable to such Obligor; or
- (b) its constitutional documents; or
- (c) any document which is binding upon it.

5. *No default*

No Loan Event of Default or Potential Loan Event of Default is outstanding or will result from the entry into of, or the performance of any transaction contemplated by, any Borrower Document and the Partnership Agreement.

For the purposes of the above, **Potential Loan Event of Default** means an event which, with the giving of notice or the passage of time or the making of the relevant determination by the Borrower Security Trustee (in each case as provided in the Issuer/Borrower Loan Agreement) would constitute a Loan Event of Default.

6. *Authorisations*

All authorisations required by each Obligor in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Borrower Documents to which it is a party and (if it is a party thereto) the Partnership Agreement have been obtained or effected (as appropriate) and are in full force and effect.

7. *Centre of main interests*

Each Obligor's "centre of main interests" (for the purposes of EU Insolvency Regulation (EC) No. 1346/2000 of 29 May 2000) (**COMI**) is in England and Wales and no Obligor has an Establishment in any other jurisdiction.

For the purposes of the above, **Establishment** means any place of operations where an Obligor carries on non-transitory economic activity with human means and goods.

8. *Title to Property*

(a) The Property Trustees will, subject to registration at the Land Registry, be the legal owners of the Property, free from Security Interests created by them (other than those set out in the Borrower Deed of Charge or arising by operation of law).

(b) The Borrower will:

(i) be the beneficial owner of the Property (held on the terms of the Property Trust Deed); and

(ii) subject to (a) above, have good and marketable title to the Property,

in each case free from security interests (other than those set out in the Borrower Deed of Charge or arising by operation of law).

In addition, the Issuer/Borrower Loan Agreement will contain a representation of the Issuer that it is a company resident in the United Kingdom for United Kingdom tax purposes and is beneficially entitled to interest payable to it under the Issuer/Borrower Loan Agreement.

Covenants

In the Issuer/Borrower Loan Agreement, each of the Borrower, the General Partner, the Property Trustees and Holdco (or, if so stated, the Borrower only) will enter into various covenants, including (without limitation) the following:

- (a) to promptly obtain, maintain and comply with the terms, and supply certified copies to the Issuer, of any authorisation required under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, any Borrower Document;
- (b) to comply in all respects with all laws to which each Obligor is subject where failure to do so would have, or would be reasonably likely to have, a Material Adverse Effect;
- (c) to ensure that its payment obligations under the Borrower Documents at all times rank at least *pari passu* with all of its other present and future unsecured payment obligations, except for obligations mandatorily preferred by law;
- (d) not to create or allow to exist any Security Interest on any of its assets (other than arising pursuant to, or as may be permitted by, the Borrower Documents and other than arising by operation of law);
- (e) not to, either in a single transaction or in a series of transactions and whether related or not, dispose (whether by sale, transfer, grant, lease or other method of disposal) of any legal title to or any beneficial interest in or declare a trust over any party of its assets (other than arising pursuant to or as may be permitted by the Borrower Documents and other than arising by operation of law), except

that the Borrower shall be allowed on each Interest Payment Date (provided that all its liabilities and payments have been discharged in full in accordance with the Borrower Pre-Enforcement Priority of Payments) to pay amounts standing to the credit of the General Account in or towards general business purposes or to any Affiliate of the Borrower or of the General Partner;

- (f) not to agree to amend, waive, accept the surrender of, forfeit or otherwise terminate early (whether pursuant to the lease terms or otherwise) the Occupational Lease where such amendment, waiver, surrender, forfeiture or early termination (taking into account any previous amendments, waivers or surrenders made or accepted and any forfeitures or early terminations) would be materially prejudicial to the interests of the Issuer;
- (g) to deposit into the Rental Receipts Account all amounts received in respect of premium or other amounts paid in respect of any amendment, waiver, surrender, forfeiture or early termination (whether pursuant to the lease terms or otherwise) of the Occupational Lease;
- (h) not to take any steps to amend, forfeit or otherwise terminate early or assign the Overriding Lease where such amendment, forfeiture or other early termination or assignment (taking into account any previous amendments, forfeitures or other early terminations or assignments) would be materially prejudicial to the interests of the Issuer;
- (i) not to incur or permit to be outstanding any indebtedness for borrowed monies whatsoever, other than pursuant to, or as permitted by, the Borrower Documents, except that the Borrower may incur group financial indebtedness provided that the relevant creditor enters into a subordination deed with the Borrower Security Trustee in the specified form;
- (j) the Borrower must ensure that no substantial change is made to the general nature of the business of the Borrower from that carried on at the Closing Date;
- (k) the General Partner must not carry on any business other than acting as general partner of the Borrower and owning the shares in Holdco;
- (l) Holdco must not carry on any business other than owning the shares in the Property Trustees;
- (m) not to have its COMI in any jurisdiction other than England and Wales or any Establishment outside England and Wales;
- (n) not to enter into any amalgamation, demerger, merger or reconstruction other than with the prior written consent of the Borrower Security Trustee;
- (o) not to acquire any business, shares or other ownership interests in any other person;
- (p) the Borrower must provide to the Issuer and the Borrower Security Trustee:
 - (i) information relating to any threatened or actual litigation which, if adversely determined, would have a Material Adverse Effect;
 - (ii) notice of the occurrence of any Loan Event of Default or Potential Loan Event of Default, as soon as it becomes aware of the existence thereof; and
 - (iii) as soon as the same becomes publicly available and in any event within 180 days of the end of its financial year (or such longer period as the Borrower Security Trustee may agree), a copy of its audited accounts; and

- (q) the Borrower must at all times maintain a Cash Manager on terms substantially similar to those set out in the original Cash Management Agreement.

The Issuer will enter into a covenant to procure that, subject to notice provided by the Issuer to the contrary, so long as any amount due to be paid to the Issuer by the Borrower pursuant to the Issuer/Borrower Loan remains outstanding, any person beneficially entitled to interest payable to it under the Issuer/Borrower Loan must be either:

- (a) a company resident in the United Kingdom for United Kingdom tax purposes;
- (b) a partnership, each member of which is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes; or
 - (ii) a company not resident in the United Kingdom for United Kingdom tax purposes but which carries on a trade in the United Kingdom through a permanent establishment and is required to bring into account in computing its chargeable profits (for the purposes of section 19 of the Corporation Tax Act 2009) the whole of any share of interest payable to it under the Issuer/Borrower Loan Agreement which is attributable to it by reason of Part 17 of the Corporation Tax Act 2009; or
- (c) a company not resident in the United Kingdom for United Kingdom tax purposes which carries on a trade in the United Kingdom through a permanent establishment and is required to bring into account interest payable to it under the Issuer/Borrower Loan Agreement in computing its chargeable profits (for the purposes of section 19 of the Corporation Tax Act 2009).

Additional Property Trustees' Covenants

Each of the Property Trustees will give certain covenants to the Borrower Security Trustee which shall apply for so long as it holds legal title to the Property as trustee under the Property Trust Deed and the Property remains charged under the Borrower Deed of Charge, including that:

- (a) it will not deal with the Property otherwise than in accordance with the specific instructions of the Borrower, and it will fully implement all such instructions in a timely manner, provided always that such instructions are in accordance with the Trust Property Obligations;
- (b) (whether or not it has received instructions so to do) it will at all times take all such actions as shall be necessary or appropriate to ensure compliance with the Trust Property Obligations;
- (c) it will ensure that its sole activity (other than those administrative actions necessary for its continued corporate existence or compliance with law) will be to hold the legal title to the Property on trust for the Borrower and it will not incur any indebtedness for borrowed money or have any employees or enter into any other contractual arrangements or create or suffer or permit to subsist any mortgage, charge, pledge or lien over any of its assets or the Property (other than pursuant to the Borrower Deed of Charge or the Property Trust Deed);
- (d) it will observe and perform all landlord's covenants, the failure to perform which would have a Material Adverse Effect under the Occupational Lease and not knowingly take any steps which would entitle the Occupational Tenant to establish a valid counterclaim or right of set-off as against the Property Trustees as landlord under the Occupational Lease; and

- (e) it will not engage in any course of conduct (whether by act, omission or otherwise) that interferes with the payment of rentals by any Occupational Tenant into the Rental Receipts Account pursuant to the notice to be given pursuant to the Borrower Deed of Charge.

Loan Events of Default

The Issuer/Borrower Loan Agreement will contain a number of events of default (each, a **Loan Event of Default**). These fall into two main categories: (a) those which are unqualified, such as non-payment and (b) those which, to constitute a Loan Event of Default, must have a Material Adverse Effect.

The Loan Events of Default pertain to the following issues in relation to the Obligors: non-payment of amounts due; breach of obligations under the Borrower Documents; misrepresentation; insolvency; insolvency proceedings; creditors' process; and effectiveness of Borrower Documents.

For the purposes of the above, **Material Adverse Effect** is an event which has a material adverse effect on the ability of the Borrower to meet its payment obligations under the Issuer/Borrower Loan Agreement or the ability of either Property Trustee to meet its payment obligations under the guarantees given by each Property Trustee under the Issuer/Borrower Loan Agreement.

Certain grace periods also apply in respect of certain Loan Events of Default before such Loan Event of Default will have occurred. In particular, a failure to pay amounts due to the Issuer on the due date will not result in a Loan Event of Default provided that the non-payment is remedied within 14 days of the due date.

The security created by each Loan Security Document is enforceable upon the occurrence of a Loan Event of Default. The Loan Security confers on the Borrower Security Trustee and any receiver appointed by it a wide range of powers, and each of them will be granted a power of attorney on behalf of the Borrower in connection with the enforcement of the Loan Security. The receiver will be entitled to collect the rental income generated from the Property and apply those funds in accordance with the Borrower Post-Enforcement Priority of Payments described above (see *Resources Available to the Issuer and the Borrower – Borrower Priorities of Payments*).

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

The Issuer/Borrower Loan Agreement will be governed by English law.

Bank Agreement

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

The Account Bank will open and maintain:

- (a) a sterling-denominated current account in the joint names of the Property Trustees and secured in favour of the Borrower Security Trustee for the benefit of the Borrower Secured Creditors into which rent and other amounts payable by the Occupational Tenant shall be paid (and with respect to which the Rental Receipts Ledger and the Expenses Reserve Ledger will be maintained) (the **Rental Receipts Account**);

- (b) a sterling-denominated current account in the name of the Borrower into which surplus amounts not required by the Cash Manager to discharge amounts due and payable by the Obligor under the Borrower Documents, shall be remitted (the **General Account**); and
- (c) a sterling-denominated current account (the **Issuer Transaction Account**) in the name of the Issuer.

The Rental Receipts Account and the General Account will be subject to the charges given by the Borrower and the Property Trustees in favour of the Borrower Security Trustee in the Borrower Deed of Charge and the Issuer Transaction Account will be subject to the charges given by the Issuer in favour of the Issuer Security Trustee in the Issuer Deed of Charge. Prior to enforcement of the Loan Security, the Cash Manager will have sole signing rights in respect of the Rental Receipts Account. Prior to the enforcement of the Loan Security, the Borrower will have sole signing rights in respect of the General Account. In addition, prior to the enforcement of the Issuer Security, the Cash Manager will have sole signing rights in respect of the Issuer Transaction Account.

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

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

If the Account Bank ceases to have the short-term, unsecured, unsubordinated and unguaranteed debt obligation ratings of at least P-1 by Moody's and F-1 by Fitch (or, in each case such lower ratings as are consistent with the then published Rating Agency criteria for account banks for ratings levels appropriate to the then current ratings of the Bonds) or, as otherwise agreed with the relevant Rating Agency (the **Account Bank Requisite Ratings**), and (within 30 Business Days of such occurrence) the Account Bank fails either to:

- (a) close the Issuer Transaction Account and the Rental Receipts Account and transfer all amounts standing to the credit thereof to accounts held with a financial institution (i) with the Account Bank Requisite Ratings and (ii) which is an authorised person under the Financial Services and Markets Act 2000 (**FSMA**); or
- (b) obtain a guarantee of its obligations under the Bank Agreement from a financial institution with the Account Bank Requisite Ratings,

the Issuer and the Property Trustees must, as soon as is reasonably practicable and in any event within a 30 Business Day period following the expiry of the 30 Business Day period following the occurrence of the Account Bank ceasing to have the Account Bank Requisite Ratings, appoint a successor Account Bank with such Account Bank Requisite Ratings (if there is one available to assume the obligations substantially on the

terms set out in the Bank Agreement) to maintain the Issuer Transaction Account and the Rental Receipts Account.

The Bank Agreement will be governed by English law.

Cash Management Agreement

On or before the Closing Date, the Issuer, the Borrower, the Issuer Security Trustee, the Borrower Security Trustee, the Property Trustees and the Cash Manager will enter into a cash management agreement (the **Cash Management Agreement**) under the terms of which the Cash Manager will be required to perform certain cash management functions on behalf of the Issuer, the Borrower and each Property Trustee. The Cash Manager will:

- (a) establish and maintain three ledgers (designated as the **Rental Receipts Ledger**, the **Profit Ledger** and the **Expenses Reserve Ledger**) to record rental receipts and certain surplus funds respectively;
- (b) acting as agent of the Property Trustees and the Borrower, arrange for all payments out of the Rental Receipts Account, including all payments of interest, principal and facility fee, to be made on the Issuer/Borrower Loan; and
- (c) acting as agent of the Issuer, arrange for all payments out of the Issuer Transaction Account.

The Cash Manager will also prepare and distribute a report each quarter to the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee and the Rating Agencies on certain specified matters relating to the Bonds (the **Cash Management Report**).

The Cash Management Report will set out all the basic cash movements for the transaction for each quarter.

Pursuant to the terms of the Cash Management Agreement, the appointment of the Cash Manager may be terminated following certain termination events provided that a successor Cash Manager acceptable to, *inter alios*, the Borrower Security Trustee and the Issuer Security Trustee will be appointed upon the expiry of such termination notice.

Neither the Borrower Security Trustee nor the Issuer Security Trustee shall have any duty to monitor or supervise the performance by the Cash Manager of its duties and obligations under the Borrower Documents and/or Issuer Documents respectively (and each shall be entitled to assume that the Cash Manager is properly performing its duties and obligations thereunder until it has actual knowledge to the contrary) nor shall either the Borrower Security Trustee or the Issuer Security Trustee have any liability to the Issuer, the Obligors, the Borrower Secured Creditors, the Issuer Secured Creditors or any of them for any loss resulting from the acts or omissions of the Cash Manager.

Each of the Borrower Security Trustee and the Issuer Security Trustee shall be entitled to be indemnified out of the Loan Security and the Issuer Security respectively in respect of any loss, liability, claim or demand which it may suffer as a result, directly or indirectly, of the actions of the Cash Manager in priority to payment of all amounts due to any of, as applicable, the Borrower Secured Creditors, the Issuer Secured Creditors, the Issuer or the Obligors notwithstanding any other provision (express or implied) of the Borrower Documents and/or Issuer Documents respectively relating to the liability of the Borrower Security Trustee and/or the Issuer Security Trustee for their acts or omissions.

The Occupational Tenant will be directed by the Property Trustees to pay all rent payable by it in respect of the Property into the Rental Receipts Account. The Cash Manager will credit all such receipts to the Rental Receipts Ledger. On each Interest Payment Date, the Cash Manager will apply amounts standing to the credit of the Rental Receipts Account (and referable to the Rental Receipts Ledger, to which a corresponding

debit will be made) in accordance with the then applicable Borrower Priority of Payments. To the extent that there are insufficient funds standing to the credit of the Rental Receipts Ledger to pay or provide for certain expenses of the Borrower, the Cash Manager will use funds (if any) standing to the credit of the Expenses Reserve Ledger for this purpose and will make a corresponding debit to that ledger.

If directed by the Borrower or the Property Trustees, the Cash Manager will invest funds standing to the credit of the Rental Receipts Account not immediately required for payment of amounts due under the Borrower Documents in such Eligible Investments as and when so directed by the Borrower or the Property Trustees on its behalf, from time to time.

In this Prospectus, **Eligible Investments** means (a) sterling gilt-edged securities and (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 a short-term rating of at least P-1 by Moody's and F-1+ by Fitch (or, in each case such lower ratings as are consistent with then published Rating Agency criteria for eligible investments for ratings levels appropriate to the then current ratings of the Bonds) or, as otherwise agreed with the relevant Rating Agency, the maturity date in respect of which, in each case, falls no later than two Business Days prior to the Interest Payment Date which falls after the date of acquisition of the relevant investment (or, if the relevant investment has a later maturity date, the relevant investment is callable on demand).

The Cash Management Agreement will be governed by English law.

Borrower Deed of Charge

The obligations of the Borrower and the other Obligors under the Borrower Documents will be secured by the assets of the Obligors pursuant to a deed of charge and assignment to be entered into on or before the Closing Date between, *inter alios*, the Obligors and the Borrower Security Trustee (the **Borrower Deed of Charge**).

Under the Borrower Deed of Charge, the Borrower and the Guarantors will grant in favour of the Borrower Security Trustee, on trust for itself, the Issuer, the Cash Manager, the Account Bank and any receiver appointed by the Borrower Security Trustee (being the Borrower Secured Creditors), the security interests described below (together, the **Loan Security**).

The General Partner will, on behalf of the Borrower, create:

- (a) first fixed security over all of the rights, title and interest of the Borrower in, to and under the Property Trust Deed and the Property Trust. This will include its interest thereunder in respect of:
 - (i) the Property;
 - (ii) the Occupational Lease (and any tenant guarantees in respect thereof);
 - (iii) the Rental Income (which term will include the rental income payable under the current Occupational Lease and any replacement therefor, and any amounts payable under such tenant guarantees);
 - (iv) all plant and machinery at the Building;
 - (v) all fixtures at the Building;

- (vi) all monies standing to the credit of the General Account and any replacement accounts therefor and all other bank accounts in which it may have an interest (other than the Rental Receipts Account or any replacement account); and
 - (vii) the benefit of all licences, consents and authorisations (statutory or otherwise) held in connection with the Property and/or the Building and the right to recover and receive all compensation which may be payable in respect of them;
- (b) all its rights, title, interest and benefit, present and future, in, to and under the Borrower Documents and all other contracts, agreements, deeds and documents, present and future, to which it is or may become a party in respect of the Property (other than in respect of the Property Trust Deed), including without limitation all rights to receive payments of any amounts which may become payable to it thereunder, all payments received by it thereunder, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or to obtain other relief in respect thereof;
 - (c) all of its book and other debts, the proceeds of the same and all other monies due and payable to it and the benefit of all rights, securities and guarantees of any nature enjoyed or held by it in relation to any of the foregoing, in each case in respect of the Property;
 - (d) all investments (including Eligible Investments) made by it or on its behalf; and
 - (e) a first fixed charge over the Borrower's rights under the General Account (and any replacement therefor).

Each Property Trustee will create:

- (a) first fixed charge by way of legal mortgage over the Property;
- (b) first fixed charges or assignments over all of its rights, title and interest (if any) in:
 - (i) the Occupational Lease (and any tenant guarantees in respect thereof);
 - (ii) the Rental Income;
 - (iii) all plant and machinery at the Building;
 - (iv) all fixtures at the Building;
 - (v) all monies standing to the credit of the Rental Receipts Account and any replacement therefor and all other bank accounts (referable to the Property Trust) in which it may have an interest;
 - (vi) all investments (including Eligible Investments) made by it or on its behalf;
 - (vii) the benefit of all licences, consents and authorisations (statutory or otherwise) held in connection with the Property and/or the Building and the right to recover and receive all compensation which may be payable in respect of them;
 - (viii) all its rights, title, interest and benefit, present and future, in, to and under the Borrower Documents and all other contracts, agreements, deeds and documents, present and future, to which it is or may become a party in respect of the Property (other than in respect of the

Property Trust Deed), including without limitation all rights to receive payments of any amounts which may become payable to it thereunder, all payments received by it thereunder, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or to obtain other relief in respect thereof; and

- (ix) all of its book and other debts, the proceeds of the same and all other monies due and payable to it and the benefit of all rights, securities and guarantees of any nature enjoyed or held by it in relation to any of the foregoing, in each case in respect of the Property.

The General Partner will create first priority security interests over all its shares in Holdco (which are held by the General Partner as its own assets, not as assets of the Borrower) and all associated rights. Holdco will create first priority security interests over all its shares in each of the Property Trustees and all associated rights.

Certain of the above charges may take effect as floating charges and thus rank behind the claims of certain preferential and other creditors (see *Risk Factors – Risks Relating to Insolvency Considerations*).

Each Obligor will also create a first floating charge over all its assets not otherwise effectively mortgaged or charged by way of fixed mortgage or charge.

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

Property Trust Deed

On or before the Closing Date, the Borrower and the Property Trustees will enter into a trust deed (the **Property Trust Deed**), pursuant to which the Borrower will be the sole beneficiary of a trust to be declared by the Property Trustees over the following assets (each such asset being **Trust Property**):

- (a) the Property (subject to, and with the benefit of, the Occupational Lease);
- (b) the rent and the right to receive all other income accruing to the Property Trustees in respect of the Property or otherwise arising from the Property to which the Property Trustees may be entitled;
- (c) all rights and interest in, under or pursuant to the Occupational Lease, any documents relating to the Property and the Borrower Documents (together, the **Underlying Documents**); and
- (d) all assets arising from or representing the above from time to time or derived therefrom or created or acquired by the respective Property Trustees in their capacity as trustees of the Property Trust Deed from time to time.

The interests of the Borrower in the trusts created by the Property Trust Deed will be subject to the security conferred by, and obligations created pursuant to, the Issuer/Borrower Loan Agreement, the Loan Security Documents, the Beneficiary Undertaking and the Property Trust Deed (together, the **Trust Property Obligations**).

In the Property Trust Deed, the Borrower will undertake to the Property Trustees (for so long as any actual or contingent liability is owed by an Obligor to a Borrower Secured Creditor under the Borrower Documents) not to:

- (a) request or require that the Property Trustees transfer any of the Trust Property to the Borrower; or

- (b) dissolve the trust created pursuant to the Property Trust Deed (the **Property Trust**); or
- (c) transfer its beneficial interest in any Trust Property; or
- (d) require the sale of any legal (or beneficial) interest in the Trust Property; or
- (e) give any direction to the Property Trustees, or to otherwise require them to take any action, which would be inconsistent with, or cause a Property Trustee to breach, the Trust Property Obligations,

save, in each case, to the extent permitted or contemplated by the Underlying Documents or the Loan Security Documents or with the prior written consent of the Borrower Security Trustee.

During any period (a) beginning with the presentation of an application for an administration order in respect of the Borrower and ending with the order taking effect or the dismissal of the application or (b) beginning with the filing with the court of a copy of a notice of intention to appoint an administrator to the Borrower and ending ten Business Days later or with the appointment of an administrator or (c) during which the Borrower is in administration (each an **Administration Period**), the Property Trustees will not be under any obligation to comply with any direction from the Borrower in respect of the Trust Property. During such periods, the Property Trustees will be entitled (subject to receiving the consent of the Borrower Security Trustee) to sell the Property (or otherwise dispose of the Trust Property) to comply with their obligations under the Borrower Documents.

The Property Trust Deed will be governed by English law.

Beneficiary Undertaking

Pursuant to a deed of undertaking (the **Beneficiary Undertaking**), the Borrower will undertake to the Borrower Security Trustee (for so long as any actual or contingent liability is owed by any Obligor to a Borrower Secured Creditor under any Borrower Document) not to:

- (a) request or require that the Property Trustees transfer any of the Trust Property to the Borrower; or
- (b) dissolve the trust created pursuant to the Property Trust Deed; or
- (c) transfer its beneficial interest in the Trust Property; or
- (d) require the sale of any legal (or beneficial) interest in the Trust Property; or
- (e) give any direction to the Property Trustees, or otherwise require them to take any action, which would be inconsistent with, or cause a Property Trustee to breach, the Trust Property Obligations; or
- (f) during an Administration Period, give any directions (or, if given, not require compliance with) to the Property Trustees in relation to the management or application of the Trust Property; or
- (g) amend or waive any terms of a Property Trust Deed,

save, in each case, to the extent permitted or contemplated by the Underlying Documents or with the prior written consent of the Borrower Security Trustee.

The Beneficiary Undertaking will be governed by English law.

Issuer Deed of Charge

The obligations of the Issuer under the Issuer Documents will be secured by the assets of the Issuer pursuant to a deed of charge to be entered into on or before the Closing Date between the Issuer, the Issuer Security Trustee, the Bond Trustee, the Paying Agents, the Account Bank and the Cash Manager (the **Issuer Deed of Charge**).

Under the Issuer Deed of Charge, the Issuer will agree to grant in favour of the Issuer Security Trustee, on trust for itself, the Bond Trustee (for itself and the Bondholders), the Paying Agents, the Cash Manager and the Account Bank (together with the Bondholders and any receiver or other appointee of the Issuer Security Trustee, the **Issuer Secured Creditors**), the following security (the **Issuer Security**) over its property, assets and undertaking (the **Issuer Charged Property**):

- (a) first fixed security over its rights, title, interest and benefit, present and future, in, to and under the Issuer/Borrower Loan Agreement;
- (b) first fixed security over its rights, title, interest and benefit, present and future, in, to and under the Borrower Deed of Charge;
- (c) first fixed security over its right, title, interest and benefit, present and future, in, to and under:
 - (i) the Cash Management Agreement;
 - (ii) the Bank Agreement;
 - (iii) the Trust Deed;
 - (iv) the Agency Agreement;
 - (v) the Tax Deed of Covenant (together with the documents referred to in (a), (b) and (c)(i) to (iv) above and all other agreements to which the Issuer is, or may become, a party and which are designated as such, the **Issuer Documents**);
 - (vi) the Subscription Agreement; and
 - (vii) all other agreements to which the Issuer is, or may become, a party, whether or not designated as Issuer Documents;
- (d) first fixed security over the amounts from time to time standing to the credit of the Issuer Transaction Account and any replacement accounts or other bank accounts of the Issuer from time to time;
- (e) first fixed security over all investments (including Eligible Investments) made by it or on its behalf; and
- (f) first ranking floating security over its assets and undertakings not the subject of the fixed security described above.

Certain of the above fixed security interests may take effect as floating charges and thus rank behind the claims of certain preferential and other creditors (see *Risk Factors – Risks Relating to Insolvency Considerations*).

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

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

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

The Tax Deed of Covenant

The obligations of the Issuer, the Property Trustees, the General Partner, the Limited Partners, Holdco and the Borrower under the Borrower Documents and/or Issuer Documents will be supported by a deed of covenant (the **Tax Deed of Covenant**) to be entered into on or about the Closing Date under which, *inter alios*, each of the Issuer, the Property Trustees, Holdco, the General Partner, the Limited Partners and the Borrower will give certain representations, warranties and covenants in relation to its tax affairs for the benefit of the Borrower Security Trustee, the Issuer Security Trustee and the Bond Trustee.

The effect of the representations, warranties and covenants given by the Issuer, the Property Trustees, Holdco, the General Partner, the Limited Partners and the Borrower is that the risk of any of them being subject to an unexpected tax liability which might affect its ability to perform its obligations under any of the Borrower Documents and/or Issuer Documents should be minimised.

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

CURRENT LEASE AND REVERSIONARY LEASE

This section contains a summary of the principal terms of the Occupational Lease relating to the Property. It is qualified in its entirety by reference to the actual terms of the Occupational Lease.

For the purposes of this section, **Occupational Lease** means the lease of the Property dated 28 November 1977 between (1) Land Securities Investment Trust Limited, (2) The Secretary of State for the Environment and (3) National Westminster Bank Limited for a term of 42 years from 24 June 1976 to 23 June 2018 as amended or varied or rectified before the date of this Prospectus (the **Current Lease**) and a reversionary lease of the Property dated 18 July 2003 between (1) Land Securities PLC and (2) The First Secretary of State for a term of 10 years, six months and one day commencing on 24 June 2018 and expiring on (but including) 24 December 2028 as amended or varied or rectified before the date of this Prospectus (the **Reversionary Lease**).

1. Building	The land and buildings known as 50 Queen Anne's Gate/102 Petty France (also known as "The Home Office" Queen Anne's Gate in the London Borough of the City of Westminster (formerly known as Queen Anne's Mansions, Queen Square Mews and Number 50, 52, 52A and 52B Queen Anne's Gate)) (the Building).
2. Date of lease	Current Lease: 28 November 1977 Reversionary Lease: 18 July 2003
3. Original parties to lease	Current Lease: (1) Land Securities Investment Trust Limited (2) The Secretary of State for the Environment (3) National Westminster Bank Limited Reversionary Lease: (1) Land Securities PLC (2) The First Secretary of State
4. Current occupational tenant (the Occupational Tenant)	The Secretary of State for Communities and Local Government
5. Current surety	None
6. Term and commencement date	Current Lease: 42 years from 24 June 1976 to 23 June 2018 Reversionary Lease: 10 years, six months and one day

	commencing on 24 June 2018 and expiring on (but including) 24 December 2028
7. Right to break (except due to failure to reinstate)	<p>Current Lease: None</p> <p>Reversionary Lease: The Occupational Tenant can break the Reversionary Lease by serving not less than 18 months' written notice on the landlord. The notice must specify a determination date, which can be no earlier than 23 December 2026.</p>
8. Option to renew	None
9. Contracted out of security of tenure under the provisions of the Landlord and Tenant Act 1954	<p>Current Lease: No</p> <p>Reversionary Lease: Yes</p>
10. Current rent	<p>Current Lease: A basic rent of £12,693,848 per annum plus an additional quarterly 'incremental rent' of £3,436,268 (for the current quarter) pursuant to a Development Agreement dated 5 October 2005 between (1) LS Lionheart Limited and (2) The First Secretary of State and a deed of variation dated 3 April 2009 between (1) LS Lionheart Limited and (2) The Secretary of State for Communities and Local Government.</p> <p>The basic rent is payable by equal quarterly payments in arrear on the usual quarter days. The incremental rent is payable mid-quarter on the dates set out in a schedule to the Current Lease. The incremental rent for the current period (from 24 June 2009 to 28 September 2009) is payable on 15 August 2009.</p> <p>If the Occupational Lease is terminated on 23 December 2026 pursuant to the break clause summarised in paragraph 7 above, the basic rent under the Occupational Lease for the period 29 September 2026 to 23 December 2026 (as appropriate) will be payable on 25 December 2026 to the then reversioner under the Occupational Lease. The Overriding Lease will include a provision to the effect that the reversioner will pay an amount equal to that rent as, if and when received from the Occupational Tenant to the Borrower.</p> <p>Reversionary Lease: N/A</p>

11. Rent review	<p>There is a fixed yearly rent increase in the basic rent as set out below. In addition, the incremental rent varies as set out below and is payable on the dates specified until 24 December 2026.</p> <p>Basic Rent:</p>		
	Current Lease:		
	Quarter	Date Payable	Amount Payable
	24/06/09 – 28/09/09	29/09/09	£3,173,462
	29/09/09 – 24/12/09	25/12/09	£3,173,462
	25/12/09 – 24/03/10	25/03/10	£3,173,462
	25/03/10 – 23/06/10	24/06/10	£3,173,462
	24/06/10 – 28/09/10	29/09/10	£3,252,798.50
	29/09/10 – 24/12/10	25/12/10	£3,252,798.50
	25/12/10 – 24/03/11	25/03/11	£3,252,798.50
	25/03/11 – 23/06/11	24/06/11	£3,252,798.50
	24/06/11 – 28/09/11	29/09/11	£3,334,118.50
	29/09/11 – 24/12/11	25/12/11	£3,334,118.50
	25/12/11 – 24/03/12	25/03/12	£3,334,118.50
	25/03/12 – 23/06/12	24/06/12	£3,334,118.50
	24/06/12 – 28/09/12	29/09/12	£3,417,471.50

	29/09/12 – 24/12/12	25/12/12	£3,417,471.50
	25/12/12 – 24/03/13	25/03/13	£3,417,471.50
	25/03/13 – 23/06/13	24/06/13	£3,417,471.50
	24/06/13 – 28/09/13	29/09/13	£3,502,908.25
	29/09/13 – 24/12/13	25/12/13	£3,502,908.25
	25/12/13 – 24/03/14	25/03/14	£3,502,908.25
	25/03/14 – 23/06/14	24/06/14	£3,502,908.25
	24/06/14 – 28/09/14	29/09/14	£3,590,481
	29/09/14 – 24/12/14	25/12/14	£3,590,481
	25/12/14 – 24/03/15	25/03/15	£3,590,481
	25/03/15 – 23/06/15	24/06/15	£3,590,481
	24/06/15 – 28/09/15	29/09/15	£3,680,243
	29/09/15 – 24/12/15	25/12/15	£3,680,243
	25/12/15 – 24/03/16	25/03/16	£3,680,243
	25/03/16 – 23/06/16	24/06/16	£3,680,243
	24/06/16 – 28/09/16	29/09/16	£3,772,249.25
	29/09/16 – 24/12/16	25/12/16	£3,772,249.25

	25/12/16 – 24/03/17	25/03/17	£3,772,249.25
	25/03/17 – 23/06/17	24/06/17	£3,772,249.25
	24/06/17 – 28/09/17	29/09/17	£3,866,555.25
	29/09/17 – 24/12/17	25/12/17	£3,866,555.25
	25/12/17 – 24/03/18	25/03/18	£3,866,555.25
	25/03/18 – 23/06/18	24/06/18	£3,866,555.25
	Reversionary Lease:		
	Quarter	Date Payable	Amount Payable
	24/06/18 – 28/09/18	29/09/18	£3,963,219.25
	29/09/18 – 24/12/18	25/12/18	£3,963,219.25
	25/12/18 – 24/03/19	25/03/19	£3,963,219.25
	25/03/19 – 23/06/19	24/06/19	£3,963,219.25
	24/06/19 – 28/09/19	29/09/19	£4,062,299.75
	29/09/19 – 24/12/19	25/12/19	£4,062,299.75
	25/12/19 – 24/03/20	25/03/20	£4,062,299.75
	25/03/20 – 23/06/20	24/06/20	£4,062,299.75
	24/06/20 – 28/09/20	29/09/20	£4,163,857.25
	29/09/20 – 24/12/20	25/12/20	£4,163,857.25

	25/12/20 – 24/03/21	25/03/21	£4,163,857.25
	25/03/21 – 23/06/21	24/06/21	£4,163,857.25
	24/06/21 – 28/09/21	29/09/21	£4,267,953.75
	29/09/21 – 24/12/21	25/12/21	£4,267,953.75
	25/12/21 – 24/03/22	25/03/22	£4,267,953.75
	25/03/22 – 23/06/22	24/06/22	£4,267,953.75
	24/06/22 – 28/09/22	29/09/22	£4,374,652.50
	29/09/22 – 24/12/22	25/12/22	£4,374,652.50
	25/12/22 – 24/03/23	25/03/23	£4,374,652.50
	25/03/23 – 23/06/23	24/06/23	£4,374,652.50
	24/06/23 – 28/09/23	29/09/23	£4,484,018.75
	29/09/23 – 24/12/23	25/12/23	£4,484,018.75
	25/12/23 – 24/03/24	25/03/24	£4,484,018.75
	25/03/24 – 23/06/24	24/06/24	£4,484,018.75
	24/06/24 – 28/09/24	29/09/24	£4,596,119.25
	29/09/24 – 24/12/24	25/12/24	£4,596,119.25
	25/12/24 – 24/03/25	25/03/25	£4,596,119.25

	25/03/25 – 23/06/25	24/06/25	£4,596,119.25
	24/06/25 – 28/09/25	29/09/25	£4,711,022.25
	29/09/25 – 24/12/25	25/12/25	£4,711,022.25
	25/12/25 – 24/03/26	25/03/26	£4,711,022.25
	25/03/26 – 23/06/26	24/06/26	£4,711,022.25
	24/06/26 – 28/09/26	29/09/26	£4,828,797.75
	29/09/26 – 24/12/26	25/12/26	£4,828,797.75
	25/12/26 – 24/03/27	25/03/27	£4,828,797.75
	25/03/27 – 23/06/27	24/06/27	£4,828,797.75
	24/06/27 – 28/09/27	29/09/27	£4,949,517.75
	29/09/27 – 24/12/27	25/12/27	£4,949,517.75
	25/12/27 – 24/03/28	25/03/28	£4,949,517.75
	25/03/28 – 23/06/28	24/06/28	£4,949,517.75
	24/06/28 – 28/09/28	29/09/28	£5,073,255.75
	29/09/28 – 24/12/28	25/12/28	£5,073,255.75
	Incremental Rent:		
	Current Lease:		
	Quarter	Date Payable	Amount Payable

	24/06/09 – 28/09/09	15/08/09	£3,436,268
	29/09/09 – 24/12/09	15/11/09	£3,457,546
	25/12/09 – 24/03/10	15/02/10	£3,478,956
	25/03/10 – 23/06/10	15/05/10	£3,500,499
	24/06/10 – 28/09/10	15/08/10	£3,522,175
	29/09/10 – 24/12/10	15/11/10	£3,543,985
	25/12/10 – 24/03/11	15/02/11	£3,565,930
	25/03/11 – 23/06/11	15/05/11	£3,588,011
	24/06/11 – 28/09/11	15/08/11	£3,610,229
	29/09/11 – 24/12/11	15/11/11	£3,632,584
	25/12/11 – 24/03/12	15/02/12	£3,655,078
	25/03/12 – 23/06/12	15/05/12	£3,677,711
	24/06/12 – 28/09/12	15/08/12	£3,700,485
	29/09/12 – 24/12/12	15/11/12	£3,723,399
	25/12/12 – 24/03/13	15/02/13	£3,746,455
	25/03/13 – 23/06/13	15/05/13	£3,769,654
	24/06/13 – 28/09/13	15/08/13	£3,792,997

	29/09/13 – 24/12/13	15/11/13	£3,816,484
	25/12/13 – 24/03/14	15/02/14	£3,840,117
	25/03/14 – 23/06/14	15/05/14	£3,863,896
	24/06/14 – 28/09/14	15/08/14	£3,887,822
	29/09/14 – 24/12/14	15/11/14	£3,911,896
	25/12/14 – 24/03/15	15/02/15	£3,936,120
	25/03/15 – 23/06/15	15/05/15	£3,960,493
	24/06/15 – 28/09/15	15/08/15	£3,985,017
	29/09/15 – 24/12/15	15/11/15	£4,009,693
	25/12/15 – 24/03/16	15/02/16	£4,034,523
	25/03/16 – 23/06/16	15/05/16	£4,059,505
	24/06/16 – 28/09/16	15/08/16	£4,084,643
	29/09/16 – 24/12/16	15/11/16	£4,109,936
	25/12/16 – 24/03/17	15/02/17	£4,135,386
	25/03/17 – 23/06/17	15/05/17	£4,160,993
	24/06/17 – 28/09/17	15/08/17	£4,186,759
	29/09/17 – 24/12/17	15/11/17	£4,212,684

	25/12/17 – 24/03/18	15/02/18	£4,238,770
	25/03/18 – 23/06/18	15/05/18	£4,265,018
	Reversionary Lease:		
	Quarter	Date Payable	Amount Payable
	24/06/18 – 28/09/18	15/08/18	£4,291,428
	29/09/18 – 24/12/18	15/11/18	£4,318,001
	25/12/18 – 24/03/19	15/02/19	£4,344,739
	25/03/19 – 23/06/19	15/05/19	£4,371,643
	24/06/19 – 28/09/19	15/08/19	£4,398,713
	29/09/19 – 24/12/19	15/11/19	£4,425,951
	25/12/19 – 24/03/20	15/02/20	£4,453,358
	25/03/20 – 23/06/20	15/05/20	£4,480,934
	24/06/20 – 28/09/20	15/08/20	£4,508,681
	29/09/20 – 24/12/20	15/11/20	£4,536,600
	25/12/20 – 24/03/21	15/02/21	£4,564,692
	25/03/21 – 23/06/21	15/05/21	£4,592,958
	24/06/21 – 28/09/21	15/08/21	£4,621,398
	29/09/21 – 24/12/21	15/11/21	£4,650,015

	25/12/21 – 24/03/22	15/02/22	£4,678,809
	25/03/22 – 23/06/22	15/05/22	£4,707,782
	24/06/22 – 28/09/22	15/08/22	£4,736,933
	29/09/22 – 24/12/22	15/11/22	£4,766,266
	25/12/22 – 24/03/23	15/02/23	£4,795,779
	25/03/23 – 23/06/23	15/05/23	£4,825,476
	24/06/23 – 28/09/23	15/08/23	£4,855,357
	29/09/23 – 24/12/23	15/11/23	£4,885,422
	25/12/23 – 24/03/24	15/02/24	£4,915,674
	25/03/24 – 23/06/24	15/05/24	£4,946,113
	24/06/24 – 28/09/24	15/08/24	£4,976,741
	29/09/24 – 24/12/24	15/11/24	£5,007,558
	25/12/24 – 24/03/25	15/02/25	£5,038,566
	25/03/25 – 23/06/25	15/05/25	£5,069,766
	24/06/25 – 28/09/25	15/08/25	£5,101,159
	29/09/25 – 24/12/25	15/11/25	£5,132,747
	25/12/25 – 24/03/26	15/02/26	£5,164,530

	25/03/26 – 23/06/26	15/05/26	£5,196,510
	24/06/26 – 28/09/26	15/08/26	£5,228,688
	29/09/26 – 24/12/26	15/11/26	£4,803,581
12. Occupational Tenant's repair obligation	<p>The Occupational Tenant covenants well and substantially to repair and to keep in good and substantial repair and condition the Building subject to the yield up provisions.</p> <p>The Occupational Tenant is required to yield up the Building on the expiry of the term (unless in the case of the Current Lease the Occupational Tenant holds a further lease of the Building but including in the case of the Reversionary Lease where the expiry is pursuant to the exercise of the break right) with vacant possession but otherwise in such physical state or condition as the Building is then in. The yield up clause provides that the intent of the provision is that, on the expiry of the term by effluxion of time, the liability of the Occupational Tenant in respect of any failure to comply with the repair and decoration covenants in the Occupational Lease will be limited to any failure to yield up the Building as specified. The Occupational Tenant is required to make good any damage caused to the Building by the removal of any tenant's fixtures, fittings or other items.</p> <p>If the Occupational Lease is determined by the Landlord in any other circumstances, the Building must also be yielded up in a structurally sound condition and with the mechanical and electrical services in working order (fair wear and tear excepted).</p> <p>Notwithstanding these yield up provisions, the Occupational Tenant covenants to indemnify the Landlord against legal liability in respect of all loss, damage and expenses in respect of the injury or death of any person or damage to any property by reason of any breach by the Occupational Tenant of the repairing covenants or as a result of any unauthorised use of the Building (except insofar as such liability arises out of any act, neglect or default of the Landlord).</p>		

<p>13. Alterations</p>	<p>The Occupational Tenant covenants not to make any alterations to the Building which would materially reduce the value, utility or remaining useful life of the structure of the Building or (save where it is replacing those systems) the mechanical or electrical systems therein.</p> <p>Subject to this restriction, the Occupational Tenant covenants, not without the previous consent in writing of the Landlord (not to be unreasonably withheld), to make any structural alteration to the external or internal plan or construction or in the height roofs principal or bearing walls timbers or girders elevation or architectural appearance of the Building or any part of it. The Occupational Tenant also covenants not without the previous consent in writing of the Landlord (not to be unreasonably withheld) to stop up or obscure or enlarge any window or light belonging to the Building or to make or open any new window or light or other opening in the Building. However, the Occupational Tenant may carry out the following alterations without consent:</p> <ul style="list-style-type: none"> (i) run and maintain such wires, pipes and conduits through the Building as the Occupational Tenant considers necessary; (ii) install and maintain in any room of the Building used as offices any machinery normally used in offices including computers which the Occupational Tenant may require; (iii) carry out any internal non-structural alterations or additions to the Building and make such other consequential alterations as do not adversely affect the structure of the Building and the mechanical and electrical systems therein (but such works may include the replacement of such systems) as are required to accommodate or service the Occupational Tenant's internal layout of the Building; and (iv) in the case of the Current Lease, carry out certain specified works detailed in the schedule to the Current Lease.
<p>14. Assignment of whole</p>	<p>There is a general prohibition on assignment. However, the Occupational Tenant may, without the consent of the Landlord, assign the whole of the Property to another Government Department.</p>

	<p>Under the Current Lease, Government Department is defined as a Minister of the Crown, or government department, or (but only if guaranteed by a Minister of the Crown or government department) a body or person or agency carrying out functions on behalf of the Crown (a Government Department).</p> <p>Under the Reversionary Lease, Government Department is defined as a Minister of the Crown, or government department, or (but only if guaranteed by a Minister of the Crown or government department) a body or person or agency carrying out functions on behalf of the Crown and whose covenant strength is of equal economic strength to that of a Minister of the Crown or Secretary of State.</p> <p>There is no restriction preventing the Current Lease and the Reversionary Lease from being dealt with separately.</p>
15. Assignment of part	Prohibited
16. Underletting of whole	<p>The Occupational Tenant covenants not to underlet the whole or any part of the Building, save by way of the grant of a Permitted Underlease and provided that not more than 30 Permitted Underleases are permitted to subsist at any one time.</p> <p>A Permitted Underlease is defined to mean an underlease of the whole or any part of the Building which:</p> <ul style="list-style-type: none"> (i) does not comprise any property or premises which do not form part of the Building; (ii) prohibits any sub-tenant from doing or permitting to be done any act, matter or thing which, if done or omitted by the Occupational Tenant under the Occupational Lease, would constitute a breach by the Occupational Tenant of its obligations; (iii) prohibits the creation of any further interests in the demised premises being derived thereunder unless such interests also comply with (iv) below and contain a covenant for re-entry on breach of any covenant by the undertenant or in the event of the undertenant's insolvency; (iv) is an excluded tenancy for the purposes of the Landlord and Tenant Act 1954 (as amended);

	<p>and</p> <p>(v) is not granted in consideration of the payment of a capital sum or a fine or a premium by the underlessee.</p>
17. Underletting of part	As above
18. Sharing with a group company	The Occupational Tenant is permitted to share occupation of the whole or any part of the Building with any other Government Department provided that no relationship of landlord and tenant is created.
19. Charging	The Current Lease and Reversionary Lease contain no prohibition on charging.
20. User permitted by lease	The Occupational Tenant covenants not to use the Building otherwise than as offices including government offices and for uses and social functions ancillary thereto (including a staff restaurant or canteen with the facilities for the sale and consumption of intoxicating liquor on the Building).
21. Insurance	<p>There is no obligation on either party to insure under the Current Lease.</p> <p>The Occupational Tenant covenants that, in the event of damage or destruction to the Building or any part of it, the Occupational Tenant will rebuild, repair or otherwise reinstate the Building (or such part or parts as have been damaged or destroyed) with all convenient speed in a good and workmanlike manner and to the satisfaction of the Landlord's surveyor (in accordance with their present condition or in such other manner as shall be previously approved in writing by the Landlord's surveyor). The Occupational Tenant is required to lay out all necessary monies and keep the Landlord indemnified in respect of any loss or damage arising from the damage or destruction of the Building.</p> <p>There are no provisions for the cesser of rent or the termination of the lease in the event of damage or destruction by an insured risk or an uninsured risk (see summary of the Covenant to pay the Rent below).</p>
22. Forfeiture	The Landlord may forfeit the Occupational Lease if (1) the rent is unpaid for 21 days after becoming payable (whether formally demanded or not), or (2) any Occupational Tenant covenant is not performed or observed, or (3) the Occupational Tenant (being a Company) enters into liquidation whether compulsory or voluntary (save a voluntary

	<p>liquidation for the purpose of reconstruction or amalgamation), or (4) the Occupational Tenant (being an individual) becomes bankrupt, or (5) the Occupational Tenant enters into composition with its creditors or suffers any distress or execution to be levied on its goods.</p> <p>The Reversionary Lease also provides that the Landlord may forfeit if the Current Lease ceases or determines or is forfeited (save where the Current Lease is reinstated following a claim by the Occupational Tenant for relief from such forfeiture).</p>
23. Other material issues	<p>Covenant to pay the Rent</p> <p>The Occupational Tenant covenants to pay the yearly rent without deduction or the exercise of any right of set-off (legal or equitable) which the Occupational Tenant may otherwise have. The Occupational Tenant's obligation to pay the rent is expressed to be absolute and unconditional and is stated not to be affected by:</p> <ul style="list-style-type: none"> (A) the state or condition of the Building including any damage, loss or demolition thereof or any building works which may be in the course of being carried out thereon; or (B) the cessation in the use or possession of the Building by the Occupational Tenant; or (C) any event of force majeure, frustration or unenforceability in whole or in part of the Occupational Lease or any other event (except compulsory acquisition of the whole or part of the Occupational Tenant's interest) which might otherwise have effect to frustrate the Occupational Lease. <p>The Occupational Tenant waives, to the extent permitted by law, any right which it may have or which may be conferred on it by statute or otherwise to claim any termination, cesser or reduction of the rent payable under the Occupational Lease. The Occupational Tenant agrees that, if for any reason whatsoever the Lease is terminated or becomes unenforceable in whole or in part by operation of law or otherwise (except by way of compulsory acquisition, forfeiture or a deed of surrender), the Occupational Tenant will nevertheless continue to pay to the Landlord amounts equal to all rents which are expressed to be due under the Occupational Lease at the time specified in the Occupational Lease for</p>

	<p>payment had such termination or non-enforceability not occurred.</p> <p>VAT</p> <p>The Occupational Lease provides that, for so long as the Occupational Tenant is unable to recover as input tax any VAT paid on the rent, the Landlord undertakes not to opt to tax the Building. This provision ceases to apply if, as the result of any change of law or HMRC practice in relation to VAT, the Landlord is required to or is deemed to have opted to tax or is otherwise required to account to HMRC in whole or in part for VAT on any rent payable. In these circumstances, the Landlord and the Occupational Tenant are required to act in good faith and to consult together with a view to entering into such lawful arrangements as leave the Landlord in no worse position than if it had opted to tax at the time of that change. The arrangement is required, to the extent reasonably possible and without expense to the Landlord, to mitigate the costs to the Occupational Tenant of the Landlord opting to tax.</p> <p>Statutory Requirements</p> <p>The Occupational Tenant covenants to observe and comply with statutory requirements. The Occupational Tenant also covenants to execute all works and provide and maintain all arrangements which are required to be executed at the Building under any enactment or by any Government Department, local or public authority or duly authorised officer or court as a result of the Occupational Tenant's use or occupation. However, this covenant does not apply for such period as the Building is Crown Land as defined in section 266 of the Town and Country Planning Act 1971.</p> <p>Deeds of Variation</p> <p>The Current Lease and Reversionary Lease have been varied by a number of deeds of variation dated 8 August 1988, 18 July 2003, 5 October 2005, 12 October 2006, 31 October 2006 and 3 April 2009 (as rectified). This review summarises both leases as amended by these deeds of variation.</p>
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OVERRIDING LEASE

This section contains a summary of the principal terms of the Overriding Lease relating to the Property. It is qualified in its entirety by reference to the actual terms of the Overriding Lease.

1. Building	The land and buildings known as 50 Queen Anne's Gate/102 Petty France (also known as "The Home Office" Queen Anne's Gate in the London Borough of the City of Westminster (formerly known as Queen Anne's Mansions, Queen Square Mews and Number 50, 52, 52A and 52B Queen Anne's Gate))
2. Date of lease	On or about 29 July 2009
3. Original parties to lease	(1) Land Securities Reserve A Limited (in this section, the Landlord) (2) QAM Nominee No 1 Limited (3) QAM Nominee No 2 Limited
4. Current overriding tenant (the Overriding Tenant)	(1) QAM Property Trustee No 1 Limited; and (2) QAM Property Trustee No 2 Limited
5. Current surety	None
6. Term and commencement date	A term commencing on the date of the Overriding Lease and expiring on (but including) 22 December 2026
7. Right to break (except due to failure to reinstate)	None
8. Option to renew	None
9. Contracted out of security of tenure under the provisions of Landlord and Tenant Act 1954	Yes
10. Current rent	An annual rent of a peppercorn, if demanded
11. Rent review	None
12. Overriding Tenant's repair obligation	The Overriding Tenant's repair covenant is back-to-back with the repair covenant in the Current Lease.
13. Alterations	The Overriding Tenant's alterations covenant is back-to-back with the alterations covenant in the Reversionary Lease.

14.	Assignment of whole	Permitted with the consent of the Landlord, not to be unreasonably withheld or delayed.
15.	Assignment of part	Prohibited
16.	Underletting of whole	Prohibited whilst the Occupational Lease subsists.
17.	Underletting of part	Prohibited whilst the Occupational Lease subsists.
18.	Sharing with a group company	Prohibited
19.	Charging	The Overriding Lease contains no prohibition on charging.
20.	User permitted by lease	The user covenant is back-to-back with the user covenant in the Current Lease and the Reversionary Lease.
21.	Insurance	The insurance covenants are back-to-back with the insurance covenants in the Current Lease and the Reversionary Lease.
22.	Forfeiture	The Landlord may forfeit the Overriding Lease if any Overriding Tenant covenant is not performed or observed.
23.	Other material issues	The Overriding Tenant covenants are materially back-to-back with the Occupational Tenant covenants in the Current Lease and the Reversionary Lease. The Overriding Tenant also covenants to observe and perform the Landlord covenants in the Current Lease and the Reversionary Lease.

USE OF PROCEEDS

The estimated gross proceeds from the issue of the Bonds will be £360,231,987.50. On the Closing Date, the Issuer will, subject to and in accordance with the terms of the Issuer/Borrower Loan Agreement, advance the Issuer/Borrower Loan to the Borrower (in an amount equal to the gross proceeds from the issue of the Bonds less certain premium and expense related amounts). The proceeds of the Issuer/Borrower Loan will be available for general business purposes of the Borrower. Fees and expenses incurred by the Issuer in connection with the issue of the Bonds will be met out of funds provided to it by the Borrower in accordance with the Issuer/Borrower Loan Agreement.

The expenses to be paid in relation to the admission by the Irish Stock Exchange of the Bonds to trading are estimated to be £17,500.

YIELD

On the basis of the issue price of the Bonds of 99.995 per cent., the Gross Redemption Yield (as defined in the Conditions) is 5.288 per cent. on a semi-annual basis.

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 8 July 2009 (registered number 6956673) as a public company with limited liability. The registered office of the Issuer is at Winchester House, Mailstop 428, 1 Great Winchester Street, London EC2N 2DB. The telephone number of the Issuer's registered office is +44 20 7545 4614. The Issuer has been established for the limited purposes of the issue of the Bonds and the transactions and matters referred to in or contemplated by this Prospectus. Its entire share capital is held by a holding company, Sceptre Funding No.1 Holdings Limited and a nominee shareholder, Deutsche International Finance (Ireland) Limited, which will hold a single share on trust for Sceptre Funding No.1 Holdings Limited.

Principal Activities

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

The Issuer has not commenced operations and has not engaged in any activities other than those incidental to: its incorporation and registration as a public limited company; the change of its name and the authorisation of the issue of the Bonds; its entry into this Prospectus and the Borrower Documents and Issuer Documents respectively; and activities described by this Prospectus and the Borrower Documents and Issuer Documents respectively.

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

Directors and Secretary

The directors of the Issuer are employees of Deutsche Bank AG, London Branch and their respective business addresses and other principal activities are:

Name	Business Address	Other Principal Activities
Karen Hanley	Winchester House, 1 Great Winchester Street, London EC2N 2DB	Banker
Spencer Wilson	Winchester House, 1 Great Winchester Street, London EC2N 2DB	Banker

The company secretary of the Issuer is Stephanie Toms, whose business address is Winchester House, 1 Great Winchester Street, London EC2N 2DB. The Issuer has no employees.

The directors and secretary of the Issuer have no conflicts of interest, or potential conflicts of interest, in relation to any of the transactions described in this Prospectus.

Capitalisation and Indebtedness Statement

The capitalisation of the Issuer as at the date of this Prospectus, adjusted for the Bonds to be issued on the

Closing Date, is as follows:

Share Capital

Authorised

50,000 ordinary shares of £1 each

Issued

50,000 ordinary shares of £1 of which 49,998 have been issued partly paid (as to £0.25 each) and two have been issued and fully paid up £12,502

Loan Capital

£360,250,000 5.253 per cent. Bonds due February 2027 (now being issued)¹ £355,835,702

Total capitalisation and indebtedness £355,848,203

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

Financial Information

The Issuer will file audited annual reports and accounts. The Issuer has not prepared audited financial statements as at the date of this Prospectus.

¹ Net of costs.

THE BORROWER

Introduction

The Borrower, QAM Funding Limited Partnership, was established in England and Wales on 24 June 2009 (registered number LP13511) as a limited partnership and its affairs are governed by a limited partnership agreement dated 24 June 2009 between, *inter alios*, the General Partner and the Limited Partners.

The Borrower's registered office is at the registered office of the General Partner. The General Partner and the Limited Partners are, together, referred to as the **Partners**.

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

Legal title to all of the Partnership Assets (other than the Trust Property) shall (unless agreed otherwise by the General Partner) be vested in the General Partner, and the General Partner shall hold the Partnership Assets (other than the Trust Property) on behalf of the Borrower in accordance with the Partnership Agreement.

Principal Activities

Save for the entry into the Gilt Lock, the Borrower has not commenced operations and has not engaged, since its establishment, in any activities other than those incidental to its establishment and registration as a limited partnership under the Partnerships Act, the matters referred to or contemplated in this Prospectus and the authorisation, execution, delivery and performance of the documents referred to in this Prospectus, to which it is a party, and matters which are incidental or ancillary to the foregoing. The Borrower will, pursuant to the terms of the Issuer/Borrower Loan Agreement, covenant to observe certain restrictions on its activities, which are detailed in *Summary of Principal Documents – Issuer/Borrower Loan Agreement* above.

Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Borrower as at the date of this Prospectus, adjusted for the Issuer/Borrower Loan to be advanced to the Borrower (pursuant to the Issuer/Borrower Loan Agreement) on the Closing Date, is as follows:

	(£)
Partners' capital contributions	10,000
Issuer/Borrower Loan ²	360,088,103
Total capitalisation and indebtedness	360,098,103

² Net of costs.

Financial Information

The Borrower will file audited annual reports and accounts. The Borrower has not prepared audited financial statements as at the date of this Prospectus.

THE GENERAL PARTNER

QAM (GP) Limited (the **General Partner**) was incorporated in England and Wales on 23 June 2009 (registered number 6941167) as a private company with limited liability under the Companies Act 1985. The registered office of the General Partner is at 5 Strand, London WC2N 5AF. The telephone number of the General Partner's registered office is +44 20 7413 9000. The General Partner is wholly owned by Land Securities Partnerships Limited.

Principal Activities

The capacity of the General Partner is not limited by anything in its Memorandum or Articles of Association. It therefore has capacity to act as a holding company, to carry on the business of holding, dealing with, investing in managing, buying, selling and leasing any right or interest in, over or upon any real property, to carry on the business of an investment holding company, to issue securities, financial instruments and derivative contracts, to raise or borrow money and to grant security over its assets for such purposes, and to lend money with or without security.

The General Partner has only engaged, since its incorporation, in activities incidental to its incorporation and in activities or operations relating to its role as general partner of the Borrower, including the acquisition of shares in Holdco.

In connection with the transactions described in this Prospectus, the General Partner will enter into the documents referred to herein and create security all as more particularly described in this Prospectus.

Directors and Secretary

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

Name	Business Address	Other Principal Activities
Chris Gill	5 Strand, London WC2N 5AF	Tax Director of Land Securities Group PLC
Keith Hannah	5 Strand, London WC2N 5AF	Project Finance Director of Land Securities Group PLC
Land Securities Portfolio Management Limited	5 Strand, London WC2N 5AF	Member of Land Securities Group of companies

The company secretary of the General Partner is Peter Dudgeon, whose business address is 5 Strand, London WC2N 5AF. The General Partner has no employees.

HOLDCO

QAM (Holdings) Limited (**Holdco**) was incorporated in England and Wales on 24 June 2009 (registered number 6943373) as a private company with limited liability. The registered office of Holdco is at 5 Strand, London WC2N 5AF. Holdco is a wholly owned subsidiary of the General Partner.

Principal Activities

Holdco has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation of the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

Directors and Secretary

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

Name	Business Address	Other Principal Activities
Chris Gill	5 Strand, London WC2N 5AF	Tax Director of Land Securities Group PLC
Keith Hannah	5 Strand, London WC2N 5AF	Project Finance Director of Land Securities Group PLC
Land Securities Portfolio Management Limited	5 Strand, London WC2N 5AF	Member of Land Securities Group of companies

The company secretary of Holdco is Peter Dudgeon, whose business address is 5 Strand, London WC2N 5AF. Holdco has no employees.

PROPERTY TRUSTEE 1 AND PROPERTY TRUSTEE 2

QAM Property Trustee No 1 Limited (**Property Trustee 1**) was incorporated in England and Wales on 25 June 2009 (registered number 6944806) and QAM Property Trustee No 2 Limited (**Property Trustee 2**) was incorporated in England and Wales on 25 June 2009 (registered number 6944809), in each case as a private company with limited liability. The registered offices of Property Trustee 1 and Property Trustee 2 are at 5 Strand, London WC2N 5AF. Property Trustee 1 and Property Trustee 2 are wholly owned subsidiaries of Holdco.

Principal Activities

Neither Property Trustee 1 nor Property Trustee 2 has engaged, since its incorporation, in any other activities other than those incidental to its incorporation, its acquisition by Holdco, entering into the Overriding Lease, the authorisation of the documents and matters referred to or contemplated in this Prospectus, to which it is or will be a party, and matters which are incidental or ancillary to the foregoing.

Directors and Secretary

The directors of Property Trustee 1 and Property Trustee 2 and their respective business addresses and other principal activities are:

Name	Business Address	Other Principal Activities
Chris Gill	5 Strand, London WC2N 5AF	Tax Director of Land Securities Group PLC
Keith Hannah	5 Strand, London WC2N 5AF	Project Finance Director of Land Securities Group PLC
Land Securities Portfolio Management Limited	5 Strand, London WC2N 5AF	Member of Land Securities Group of companies

The company secretary of both Property Trustee 1 and Property Trustee 2 is Peter Dudgeon, whose business address is 5 Strand, London WC2N 5AF. Neither Property Trustee 1 nor Property Trustee 2 has any employees.

TERMS AND CONDITIONS

The following are the terms and conditions of the Bonds in the form (subject to amendment) in which they will be set out in the Trust Deed. The terms and conditions set out below will apply to the Bonds in global form.

The £360,250,000 5.253 per cent. Bonds due 2027 (the **Bonds**) of Sceptre Funding No. 1 PLC (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 29 July 2009 (the **Closing Date**) and made between the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Bond Trustee**) as trustee for the Bondholders (as defined below).

The security for the Bonds is constituted by a deed of charge (the **Issuer Deed of Charge**) dated the Closing Date and made between, among others, the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Issuer Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**, which expression includes such Agency Agreement as from time to time modified in accordance with its provisions and any deed or other document expressed to be supplemental to it as from time to time so modified) dated the Closing Date and made between, *inter alios*, the Issuer and Deutsche Bank AG, London Branch (as principal paying agent in respect of the Bonds, the **Principal Paying Agent**, and such additional or other paying agents, if any, appointed from time to time pursuant to the Agency Agreement, the **Paying Agents**), provision is made for the payment of principal, premium (if any) and interest in respect of the Bonds.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of, *inter alia*, the Trust Deed, the Issuer Deed of Charge and the master definitions and construction schedule (the **Master Definitions and Construction Schedule**) signed by, *inter alios*, the Issuer and the Bond Trustee for the purpose of identification on or about the Closing Date.

Copies of the Trust Deed, the Issuer Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Issuer Documents and Borrower Documents are available for inspection during normal business hours at the specified office for the time being of the Paying Agents. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

1. FORM, DENOMINATION AND TITLE

- 1.1 The Bonds are initially represented by a temporary global bond in bearer form (a **Temporary Global Bond**), without coupons, in the initial principal amount of £360,250,000. The Temporary Global Bond has been deposited on behalf of the subscribers of the Bonds with a common depositary (the **Common Depositary**) for Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**) on or about the Closing Date. Upon deposit of the Temporary Global Bond, Clearstream, Luxembourg or Euroclear credited each subscriber of Bonds with the principal amount of Bonds equal to the principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Bond are exchangeable on and after the date which is 40 days after the Closing Date (the **Exchange Date**), upon certification of non-U.S. beneficial ownership by the relevant Bondholder, for interests in a permanent global bond in bearer form (a **Permanent Global Bond**) representing the same Bonds, without Coupons. The

expressions **Global Bonds** and **Global Bond** mean, respectively, the Temporary Global Bond and the Permanent Global Bond, as the context may require. The Permanent Global Bond has also been deposited with the Common Depositary for Clearstream, Luxembourg and Euroclear. Title to the Global Bond will pass by delivery. The Permanent Global Bond will only be exchangeable for Definitive Bonds (as defined below) in certain limited circumstances described below.

For so long as any of the Bonds are represented by a Global Bond, interests in such Bonds will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as appropriate.

- 1.2** If, while any of the Bonds are represented by a Permanent Global Bond, (a) both Clearstream, Luxembourg and Euroclear are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do in fact do so and no other clearing system acceptable to the Bond Trustee is then in existence or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date (as defined below) be required to make any deduction or withholding for or on account of any tax imposed, levied, collected, withheld or assessed in the United Kingdom (other than by reason of the relevant holder having some connection with the United Kingdom, other than the holding of the Bonds) or the Issuer suffers or will suffer any other disadvantage as a result of such change from any payment in respect of such Bonds which withholding or deduction or other disadvantage would not be required or suffered were such Bonds in definitive form, then the Issuer will issue Bonds in definitive form (**Definitive Bonds**) in exchange for such Permanent Global Bond (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Bond Trustee and Issuer Security Trustee require to take account of the issue of Definitive Bonds.
- 1.3** Definitive Bonds will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.
- 1.4**
- (a) For so long as the Bonds are represented by a Global Bond and the rules of Euroclear and Clearstream, Luxembourg so permit, the Bonds will be tradeable in the minimum nominal amount of £50,000 and integral multiples of £1,000 in excess thereof.
 - (b) Definitive Bonds, if required to be issued and printed, will be in denominations of £50,000 and integral multiples of £1,000 in excess thereof up to and including £99,000. No Definitive Bonds will be issued with a denomination above £99,000.
 - (c) If Definitive Bonds are required to be issued and printed, any Bondholder holding Bonds having a nominal amount which cannot be represented by a Definitive Bond in the minimum denomination of £50,000 will not be entitled to receive a Definitive Bond in respect of such Bonds and will not therefore be able to receive principal or interest in respect of such Bonds.
 - (d) At any meeting of Bondholders while the Bonds are represented by a Global Bond:
 - (i) any vote cast will be valid only if it is in respect of not less than £50,000 in nominal amount and will be cast in respect of each £1 (or such other amount as the Bond Trustee may in its absolute discretion stipulate) in principal amount outstanding of the Bonds held or represented by the person voting; and

- (ii) any such holding will be counted for the purposes of determining whether or not a meeting is quorate only to the extent that it is in respect of not less than £50,000 in nominal amount.

1.5 Bondholders means:

- (a) in relation to any Bonds represented by a Global Bond, each person (other than Clearstream, Luxembourg or Euroclear themselves) who is for the time being shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a particular Principal Amount Outstanding (as defined in Condition 6.5) of Bonds (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Bonds standing to the account of any person shall be conclusive and binding for all purposes), and such person shall be treated by the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons as the holder of such Principal Amount Outstanding of such Bonds for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and for which purpose **Bondholders** means the bearer of the relevant Global Bond; and
- (b) in relation to any Definitive Bonds issued under Condition 1.2, the bearers of those Definitive Bonds.

Related expressions shall be construed accordingly.

1.6 References herein to the **Bonds** shall include reference to:

- (a) whilst the Bonds are represented by a Global Bond, units of £50,000 (as reduced by any redemption in part of a Bond pursuant to Condition 6); and
- (b) any Global Bond.

2. STATUS AND RELATIONSHIP BETWEEN THE BONDS AND SECURITY

2.1 Status and relationship between the Bonds

The Bonds constitute direct, secured, limited recourse obligations of the Issuer.

2.2 Security

- (a) The security constituted by the Issuer Deed of Charge is granted to the Issuer Security Trustee, on trust for the Bondholders and certain other creditors of the Issuer, upon and subject to the terms and conditions of the Issuer Deed of Charge.
- (b) The Bondholders will share in the benefit of the security constituted by the Issuer Deed of Charge upon and subject to the terms and conditions of the Issuer Deed of Charge. On enforcement of the Issuer Security, the Issuer Security Trustee is required to apply monies available for distribution in accordance with the Issuer Post-Enforcement Priority of Payments as set out in the Issuer Deed of Charge.

3. COVENANTS

Restrictions

Save with the prior written consent of the Bond Trustee or unless otherwise permitted under, or envisaged in, the Conditions or any of the other Transaction Documents, the Issuer shall not, so long as any Bond remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertakings;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage, (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 2006) or any employees or premises, or (iii) amend, supplement or otherwise modify its Memorandum and/or Articles of Association;
- (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders or issue any further shares;
- (e) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (f) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (g) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents or permit any party to any of the Transaction Documents to be released from its obligations or exercise any right to terminate any of the Transaction Documents;
- (h) **Bank accounts:** have an interest in any bank account other than the Issuer Transaction Account, unless such account or interest therein is charged to the Issuer Security Trustee under the Issuer Deed of Charge; or
- (i) **Corporation tax:** do anything, or permit anything to be done, which may prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Securitisation Regulations.

4. INTEREST

4.1 Interest Accrual

Each Bond will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 5, payment of the principal in respect of the Bond is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

4.2 Interest Rate and Bond Interest Payment Dates

The Bonds bear interest on their Principal Amounts Outstanding from and including the Closing Date at the rate of 5.253 per cent. per annum and are payable quarterly in arrear on 9 February, 9 May, 9 August and 9 November or, if the relevant date is not a Business Day, the next Business Day (each, an **Interest Payment Date**) in respect of the Interest Period (as defined below) ended immediately prior thereto. The first payment of interest shall be due on the Interest Payment Date falling in November 2009. The period from and including the Closing Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

In these Conditions, unless otherwise stated, **Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Dublin.

4.3 Calculation of Fixed Rate Interest

Interest in respect of the Bonds shall be calculated by applying the relevant rate of interest to the aggregate Principal Amount Outstanding of the Bonds and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by 4. The resulting figure shall be rounded downwards to the nearest penny.

The interest payment payable by the Issuer on the first Interest Payment Date will be payable for the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date.

4.4 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Paying Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Bond Trustee, the Paying Agent and all Bondholders, and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Bondholders shall attach to the Paying Agent in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 4.

5. PAYMENTS

5.1 Payments in respect of Bonds

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

5.2 Method of Payment

Payments will be made by credit or transfer to an account in sterling maintained by the payee with a bank in London.

5.3 Payments subject to Applicable Laws

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

5.4 Payment only on a Presentation Date

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

Presentation Date means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Global Bond is presented for payment; and
- (c) in the case of payment by credit or transfer to a sterling account in London as referred to above in Condition 5.2, is a Business Day in London.

In this Condition 5.4, **Business Day** means, in relation to any place, a day on which commercial banks settle payments and are open for general business in that place.

5.5 Initial Paying Agents

The name of the initial Paying Agent and its initial specified office are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Bonds are admitted to the Official List of the Irish Stock Exchange, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a city in the EU; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent (which may be the Principal Paying Agent) in a Member State of the EU that is not obliged to withhold or deduct tax pursuant to EC Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 14.

6. REDEMPTION

6.1 Redemption at maturity

Unless previously redeemed in full and cancelled as provided below, the Issuer will redeem the Bonds at the Principal Amounts Outstanding plus accrued but unpaid interest on the Interest Payment Date falling in February 2027 (the **Final Maturity Date**).

6.2 Mandatory redemption

- (a) (i) Prior to the service of a Bond Acceleration Notice (as defined in Condition 9), the Issuer shall on each Interest Payment Date, subject to Conditions 6.3 and 6.4, apply in redemption of the Bonds (except in respect of Bonds cancelled pursuant to Condition 6.7) an aggregate amount equal to the Scheduled Principal Payment. Such amount will, subject as set out below, be applied on each relevant Interest Payment Date in the redemption of the Bonds in the aggregate principal amount, as adjusted or recalculated in accordance with Condition 6.5(b), (a **Bond Amortisation Amount**) set out below against each Interest Payment Date. For the purposes of the foregoing, **Scheduled Principal Payment** means the amount of principal due and payable to the Issuer pursuant to the Issuer/Borrower Loan Agreement.
- (ii) The figures set out below show the Bond Amortisation Amount per £1,000 of each Bond.

Interest Payment Date falling in	Bond Amortisation Amount
9 November 2009	£3.60
9 February 2010	£5.28
9 May 2010	£5.41
9 August 2010	£5.44
9 November 2010	£5.89
9 February 2011	£6.03
9 May 2011	£6.17
9 August 2011	£6.21
9 November 2011	£6.68
9 February 2012	£6.83
9 May 2012	£6.98
9 August 2012	£7.03
9 November 2012	£7.52
9 February 2013	£7.68
9 May 2013	£7.85

Interest Payment Date falling in**Bond Amortisation Amount**

9 August 2013	£7.91
9 November 2013	£8.42
9 February 2014	£8.59
9 May 2014	£8.77
9 August 2014	£8.86
9 November 2014	£9.38
9 February 2015	£9.57
9 May 2015	£9.76
9 August 2015	£9.86
9 November 2015	£10.40
9 February 2016	£10.61
9 May 2016	£10.82
9 August 2016	£10.93
9 November 2016	£11.50
9 February 2017	£11.72
9 May 2017	£11.94
9 August 2017	£12.07
9 November 2017	£12.66
9 February 2018	£12.90
9 May 2018	£13.14
9 August 2018	£13.29
9 November 2018	£13.90
9 February 2019	£14.16
9 May 2019	£14.42
9 August 2019	£14.59
9 November 2019	£15.23
9 February 2020	£15.50
9 May 2020	£15.78
9 August 2020	£15.97
9 November 2020	£16.63
9 February 2021	£16.93
9 May 2021	£17.23
9 August 2021	£17.43
9 November 2021	£18.13
9 February 2022	£18.45
9 May 2022	£18.77
9 August 2022	£19.00
9 November 2022	£19.72
9 February 2023	£20.06
9 May 2023	£20.41
9 August 2023	£20.66
9 November 2023	£21.42
9 February 2024	£21.78
9 May 2024	£22.15
9 August 2024	£22.43
9 November 2024	£23.22
9 February 2025	£23.61
9 May 2025	£24.00
9 August 2025	£24.30

Interest Payment Date falling in	Bond Amortisation Amount
9 November 2025	£25.13
9 February 2026	£25.55
9 May 2026	£25.97
9 August 2026	£26.30
9 November 2026	£27.16
9 February 2027	£26.31

- (b) If, prior to service of a Bond Acceleration Notice and enforcement of the Issuer Security:
- (i) the Issuer/Borrower Loan is accelerated and/or the Loan Security is enforced prior to the Final Maturity Date; and
 - (ii) the Issuer receives funds in repayment of the Issuer/Borrower Loan,

then the Issuer must, after paying (x) Bond Amortisation Amounts then due but unpaid (if any) and (y) accrued but unpaid interest in respect of the Bonds, apply those funds in redemption of the Bonds at that price determined in accordance with Condition 6.3(b) calculated in respect of the Principal Amount Outstanding of the Bonds then able to be redeemed taking into account such calculation, in each case as soon as practicable (and in any event within three Business Days) following receipt of the relevant funds, subject to and in accordance with the Issuer Pre-Enforcement Priority of Payments.

- (c) If the Borrower notifies the Issuer that it is electing to prepay the Issuer/Borrower Loan in whole or in part under clause 7.2 (Voluntary prepayment) of the Issuer/Borrower Loan Agreement, then the Issuer must, on receipt of notice of prepayment from the Borrower, give notice under Condition 6.3 (Optional redemption) and, on giving such notice, redeem the Bonds in an aggregate Principal Amount Outstanding equal to the principal amount of the Issuer/Borrower Loan then to be prepaid, together with accrued and unpaid interest thereon. In these circumstances the price at which the relevant Bonds will be redeemed will be the price calculated under Condition 6.3(b).
- (d) If the Borrower notifies the Issuer that it is electing to prepay the Issuer/Borrower Loan in full under clause 7.3 (Right of repayment on gross-up) of the Issuer/Borrower Loan Agreement, then the Issuer must, on receipt of notice of prepayment from the Borrower, give notice under Condition 6.3 (Optional redemption) and, on giving such notice, redeem the Bonds in full, together with accrued and unpaid interest. In these circumstances the price at which the relevant Bonds will be redeemed will be par.
- (e) If the Borrower becomes obliged to prepay the Issuer/Borrower Loan in full under:
- (i) clause 7.1 (Mandatory prepayment – illegality); and/or
 - (ii) clause 7.4 (Mandatory prepayment – compulsory acquisition),

in each case of the Issuer/Borrower Loan Agreement, then the Issuer must, as soon as practicable (and in any event within three Business Days) following receipt of the relevant prepayment proceeds, redeem the Bonds in full at par, together with accrued and unpaid interest, on the Interest Payment Date falling immediately after receipt of those prepayment proceeds.

6.3 Optional redemption

- (a) On giving not more than 60 nor less than 30 days' notice to the relevant Bondholders in accordance with Condition 14 and to the Bond Trustee and provided that (i) on or prior to the Interest Payment Date on which such notice expires, no Bond Acceleration Notice has been served and (ii) the Issuer has, immediately prior to giving such notice, certified (in accordance with clause 12(c) of the Trust Deed) to the Bond Trustee that it will have the necessary funds to pay all principal, premium (if any) and interest due in respect of the Bonds on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Interest Payment Date, the Issuer may redeem on any Interest Payment Date the whole or part of the Bonds (and, in the case of any such partial redemption, such partial redemption must be, *pro rata*, of at least £50,000 in aggregate Principal Amount Outstanding of the Bonds and such that the Principal Amount Outstanding of each Bond to be redeemed is not a fraction of a penny).
- (b) Any Bond redeemed pursuant to Condition 6.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Bond to be redeemed multiplied by the Redemption Percentage (as defined below) as set out below (rounding the resulting figure to the nearest penny, half a penny being rounded upwards) together with, in each case, accrued and unpaid interest on the Principal Amount Outstanding of the relevant Bond up to but excluding the date of redemption.

Redemption Percentage means, in respect of the Bonds, the greater of:

- (i) 100 per cent.; and
- (ii) that price (as reported in writing to the Issuer and the Bond Trustee by a financial adviser nominated by the Issuer and approved by the Bond Trustee) expressed as a percentage (and rounded, if necessary, to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the relevant class of Bonds on the Relevant Date is equal to the Redemption Rate on the Relevant Date.

For the purposes of this Condition 6.3(b):

Gross Redemption Yield means, in respect of the Bonds and the Relevant Treasury Stock, a yield calculated on the basis indicated by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (third edition published 16 March 2005) or on such other basis as the Bond Trustee may approve;

Redemption Rate means (a) the Gross Redemption Yield at 11.00 a.m. (London time) on the Relevant Date of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary, to three decimal places (0.0005 being rounded upwards)) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 11.00 a.m. (London time) on the Relevant Date or, if such yield is not able to be determined plus 0.50 per cent. and (b) such other rate as may be approved by the Bond Trustee;

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

Relevant Date means the date which is two Business Days prior to the publication or dispatch of the notice of redemption under Condition 6.3(a); and

Relevant Treasury Stock means such United Kingdom government stock as the Issuer, with the advice of three Reference Market Makers or such other three persons operating in the gilt-edged market as the Issuer may approve, shall determine to be a benchmark gilt the duration of which most closely matches the duration of the Bonds (as calculated by a financial adviser approved in writing by the Bond Trustee).

6.4 Optional redemption for taxation

If by reason of a change in law or regulations (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer, or any Paying Agent on its behalf would be required to deduct or withhold from any payment due under the Bonds (other than because the relevant Bondholder has some connection with the United Kingdom other than the holding of Bonds) 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 any tax authority or other authority having the power to tax, then the Issuer shall provide the Bond Trustee with an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change in law or regulations and, if the same would avoid the effect of the event described in the preceding sentence appoint a Paying Agent in another jurisdiction and/or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Bond Trustee as principal debtor under the Bonds and as lender under the Issuer/Borrower Loan Agreement, provided that the Bond Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Bondholders.

If the Issuer satisfies the Bond Trustee (by the delivery of a certificate signed by two Directors of the Issuer pursuant to clause 12(c) of the Trust Deed, confirming that the conditions precedent to redemption set out in this paragraph have been met, together with the legal opinion referred to above) immediately before giving the notice referred to below that one or more of the events described in the first paragraph of this Condition 6.4 is continuing and that the appointment of a Paying Agent and/or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Bondholders in accordance with Condition 14 and to the Bond Trustee and having satisfied the Bond Trustee (as provided above) that it will have the necessary funds to pay all principal and interest due in respect of the Bonds on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Interest Payment Date, redeem all, but not some only, of the Bonds at their respective Principal Amounts Outstanding together with accrued but unpaid interest up to but excluding the date of redemption.

6.5 Principal Amount Outstanding

- (a) The **Principal Amount Outstanding** of a Bond on any date shall be its original principal amount less the aggregate amount of all Bond Amortisation Amounts and principal payments (excluding any premium payable in accordance with Condition 6.3(b)) in respect of such Bond which have become due and payable since the Closing Date except if, and to the extent that, any such payment has been improperly withheld or refused or default has otherwise been made in the payment thereof.
- (b) The Principal Amount Outstanding of any Bond partially redeemed pursuant to these Conditions (excluding any premium payable in accordance with Condition 6.3(b) and the Bond Amortisation Amount (if any) due in respect of such Bond on the date of such partial redemption) shall be applied to reduce the remaining Bond Amortisation Amounts in respect of such Bond, on a *pro rata* basis, and the reduced Bond Amortisation Amounts shall, if necessary, be rounded upwards or downwards to the nearest penny, at the discretion of the Issuer, but so that the sum of the reduced Bond

Amortisation Amounts, as so rounded, is equal to the Principal Amount Outstanding of the relevant Bond following its partial redemption.

6.6 Notice of redemption

Any such notice as is referred to in Condition 6.3(a) and Condition 6.4 above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Bonds at the applicable amounts specified above.

6.7 Cancellation

- (a) All Bonds redeemed in full will be cancelled upon redemption and may not be resold or re-issued.
- (b) The Borrower is not prohibited from purchasing Bonds. Bonds so purchased by the Borrower (whether all or some only) which are surrendered by the Borrower to the Issuer for cancellation, in accordance with the provisions of the Issuer/Borrower Loan Agreement, against full discharge and satisfaction of an amount of the Issuer/Borrower Loan equal to the aggregate Principal Amount Outstanding of the Bonds so purchased and surrendered, will upon such surrender, be cancelled by or on behalf of the Issuer.

7. TAXATION

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant taxing authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Bondholders in respect of such withholding or deduction.

8. PRESCRIPTION

Claims in respect of principal and interest on the Bonds will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Bond Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Bondholders in accordance with Condition 14.

9. ISSUER EVENTS OF DEFAULT

9.1 Bonds

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) (but, in the case of the occurrence of any of the events described in paragraph (b) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders),

give notice (a **Bond Acceleration Notice**) to the Issuer that the Bonds are immediately due and repayable at their Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Issuer Event of Default**):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Bonds or any of them and the default continues for a period of 14 business days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document and (except in any case where the Bond Trustee or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 21 days (or such longer period as the Bond Trustee or, as the case may be, the Issuer Security Trustee may permit) following the service by the Bond Trustee or, as the case may be, the Issuer Security Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding-up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolution of the Bondholders; or
- (d) if the Issuer ceases or, through an official action of the Board of Directors, threatens to cease to carry on the whole or, in the opinion of the Bond Trustee, a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolution of the Bondholders, or is deemed unable to pay its debts as and when they fall due within the meaning of sections 123(1) and (2) of the Insolvency Act 1986 (as those sections may be amended from time to time) excluding for these purposes any increase or decrease in the amount of any reserve made (save in relation to any equity instrument) as a result of any requirement that any gain or loss arising from a change in the fair value of a financial asset or of a financial liability be recorded in reserves, whether by inclusion in the profit and loss account or otherwise (for the purpose of this clause, the terms financial asset and financial liability shall not include property assets or property liabilities); or
- (e) if: (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) and such proceedings are not stayed or discharged within 14 days, an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed in relation to the Issuer or, as the case may be, in relation to the whole or any part of its undertaking or assets, or an encumbrancer takes possession of the whole or any part of its undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer; and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors), or takes steps with a view to obtaining a moratorium in respect of any of its

indebtedness, or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

9.2 General

Upon the service of a Bond Acceleration Notice by the Bond Trustee in accordance with Condition 9.1 above, the Bonds then outstanding shall thereby immediately become due and repayable at their Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed. The Issuer Security will become enforceable upon the occurrence of an Issuer Event of Default.

10. ENFORCEMENT

Each of the Bond Trustee and the Issuer Security Trustee may, at any time, at its discretion and without notice, take such proceedings or steps or action against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Bond Trustee) the Bonds or the Trust Deed (including these Conditions) or (in the case of the Issuer Security Trustee) the Issuer Deed of Charge or (in either case) any of the other Transaction Documents to which it is party and, at any time after the occurrence of an Issuer Event of Default, the Issuer Security Trustee may, at its discretion and without notice, take such action or steps as it may think fit to enforce the security constituted by the Issuer Deed of Charge, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Bonds; and
- (b) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Bondholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents unless the Bond Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Issuer Security Trustee cannot, while any of the Bonds are outstanding, be required to enforce the Issuer Security at the request of any other Issuer Secured Creditor under the Issuer Deed of Charge.

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created by this Deed (the **Issuer Charged Assets**). If:

- (a) there are no Issuer Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Issuer Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Deed of Charge; and
- (c) there are insufficient amounts available from the Issuer Charged Assets to pay in full, in accordance with the provisions of the Issuer Deed of Charge, amounts outstanding under the Bonds (including payments of principal, premium (if any) and interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest in respect of the Bonds), and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

11. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

- 11.1** The Trust Deed and the Issuer Deed of Charge contain provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.
- 11.2** Subject as provided below, the quorum at any meeting of Bondholders for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of the Bonds, or, at any adjourned meeting, one or more persons being or representing a Bondholder whatever the aggregate Principal Amount Outstanding of the Bonds held or represented by it or them.
- 11.3** An Extraordinary Resolution requires a majority in favour consisting of not less than two-thirds of the votes cast. If passed, the Extraordinary Resolution will be binding upon all the Bondholders, whether or not present at such meeting and whether or not voting.
- 11.4** The quorum at any meeting of Bondholders for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Bonds or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Bonds, altering the currency of payment of such Bonds, altering the quorum or majority required in relation to this exception or altering this definition (each, a **Basic Terms Modification**) shall be one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, not less than 50 per cent. of the aggregate Principal Amount Outstanding of the Bonds.
- 11.5** The Bond Trustee or, as the case may be, the Issuer Security Trustee, may agree, without the consent of the Bondholders:
- (a) to any modification (except in respect of any modification which is a Basic Terms Modification) or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, is not materially prejudicial to the interests of the Bondholders; or
 - (b) to any modification which, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, is of a formal, minor or technical nature or is to correct a manifest error or an error which is (to the satisfaction of the Bond Trustee or, as the case may be, the Issuer Security Trustee) proven.
- 11.6** The Bond Trustee may also, without the consent of the Bondholders, unless otherwise directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Bonds or if so directed by an Extraordinary Resolution, determine that an Issuer Event of Default shall not, or shall not subject to specified conditions, be treated as such.
- 11.7** Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Bond Trustee or, as the case may be, the Issuer Security Trustee agrees otherwise,

any such modification shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 14.

- 11.8** In connection with any such substitution of principal debtor referred to in Condition 6.4, the Bond Trustee and the Issuer Security Trustee may also agree, without the consent of the Bondholders, to a change of the laws governing the Bonds, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Bond Trustee or, as the case may be, the Issuer Security Trustee, be materially prejudicial to the interests of the Bondholders.
- 11.9** In determining whether the exercising or performing of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents is materially prejudicial to the interests of the Bondholders, the Bond Trustee and/or the Issuer Security Trustee (as applicable) may have regard without enquiry to any confirmation from a Rating Agency (if available) that the Rating Condition would be satisfied on such exercise or performance and to any other confirmation which it considers, in its sole and absolute discretion, is necessary and/or appropriate.

The **Rating Condition** is satisfied where the Rating Agencies have confirmed that a proposed course of action will not result in the then current ratings of the Bonds being downgraded below the then current ratings of such Bonds. Any such confirmation (if given) will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction since the Closing Date.

- 11.10** Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Bond Trustee or the Issuer Security Trustee is required to have regard to the interests of the Bondholders, it shall have regard to the general interests of the Bondholders but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee or, as the case may be, the Issuer Security Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim from the Issuer, the Bond Trustee or the Issuer Security Trustee or any other person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

12. INDEMNIFICATION AND EXONERATION OF THE BOND TRUSTEE AND THE ISSUER SECURITY TRUSTEE

The Trust Deed and the Issuer Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Bond Trustee and the Issuer Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Issuer Security Trustee, enforcing the security constituted by the Issuer Deed of Charge unless indemnified and/or secured and/or prefunded to their satisfaction. The Issuer Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security, or any other deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other similar persons on behalf of the Issuer Security Trustee.

The Trust Deed and the Issuer Deed of Charge also contain provisions pursuant to which the Bond Trustee and the Issuer Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Issuer Security Trustee does not have any liability for not having made or for not having caused to be made on its behalf, the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge. The Issuer Security Trustee has no responsibility for the validity, sufficiency and enforceability of the Issuer Security. Neither the Issuer Security Trustee nor the Bond Trustee will be obliged to take any action which might result in its incurring personal liabilities unless indemnified and/or secured and/or prefunded to its satisfaction or to supervise the performance by the Cash Manager or any other person of their obligations under the Issuer Documents and each of the Issuer Security Trustee and the Bond Trustee shall assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

13. REPLACEMENT OF GLOBAL BONDS

If any Global Bond is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Global Bond will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Global Bond must be surrendered before a new one will be issued.

14. NOTICE TO BONDHOLDERS

- 14.1** Any notice shall be deemed to have been duly given to the relevant Bondholders if sent to Clearstream, Luxembourg and Euroclear and shall be deemed to be given on the date on which it was so sent.
- 14.2** The Bond Trustee shall be at liberty to sanction some other method of giving notice to the Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Bonds are then listed and provided that notice of such other method is given to the Bondholders in such manner as the Bond Trustee shall require.
- 14.3** In addition, for so long as the Bonds are admitted to trading and listed on the Irish Stock Exchange, the Issuer shall give one copy of each notice in accordance with this Condition 14 to the Irish Stock Exchange.

15. EUROPEAN ECONOMIC AND MONETARY UNION

15.1 Notice of Redenomination

The Issuer may, after the Euro Commencement Date, without the consent of the Bondholders, on giving at least 30 days' prior notice to the Bondholders and the Paying Agents, designate an Interest Payment Date as the Redenomination Date.

15.2 Redenomination

With effect from the Redenomination Date:

- (a) the Bonds shall be deemed to be redenominated into euro with the Principal Amount Outstanding of each Bond being equal to the Principal Amount Outstanding of that Bond in sterling, converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); and
- (b) notwithstanding Condition 15.2(a), if the Issuer determines, with the agreement of the Bond Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders, the Irish Stock Exchange (if the Bonds are still listed thereon) and the Paying Agents of such deemed amendments in accordance with Condition 14.

15.3 Notice of Redenomination Date

The Issuer will notify the Bondholders of the intended Redenomination Date in accordance with Condition 14.

15.4 Effect of Redenomination

With effect from the Redenomination Date:

- (a) the payment obligations contained in all Bonds denominated in sterling will become void but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 15) shall remain in full force and effect;
- (b) new Bonds denominated in euro will be issued in exchange for Bonds denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Bondholders in accordance with Condition 14; and
- (c) all payments in respect of the Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State.

For the purposes of this Condition 15:

Euro Commencement Date means the date (if any) on which the United Kingdom becomes a Participating Member State;

Participating Member State means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

Redenomination Date means the Interest Payment Date falling on or after the Euro Commencement Date on which the Issuer redenominates the currency of the Bonds into euro; and

Treaty means the treaty establishing the European Community, as amended.

16. GOVERNING LAW

The Trust Deed, the Global Bonds and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

17. RIGHTS OF THIRD PARTIES

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

UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of current United Kingdom law and United Kingdom HM Revenue & Customs (HMRC) practice as at the date of this Prospectus relating to certain aspects of the United Kingdom taxation of the Bonds. The summary set out below is a general guide and applies only to the classes of persons mentioned below who are beneficial owners of the Bonds and should be treated with appropriate caution. Some aspects do not apply to certain classes of taxpayer (such as dealers and persons connected with the Issuer). The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future. Prospective Bondholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Interest on the Bonds

Withholding tax on payments of interest on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The Irish Stock Exchange is a recognised stock exchange for these purposes. The Bonds will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in European Economic Area States and are admitted to trading on the Irish Stock Exchange. Provided therefore that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Payments of interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the person beneficially entitled to such interest is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In all other cases, an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent.) from interest paid on the Bonds, subject to any such relief as may be available pursuant to the provisions of an applicable double taxation treaty.

Provision of information

Bondholders may wish to note that, in certain circumstances, HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Bondholder. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of or transfer by delivery of a Bond.

European Union Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The Managers have, pursuant to a subscription agreement made on 27 July 2009 between the Managers, the Issuer, the Borrower, the General Partner, Holdco and the Property Trustees (the **Subscription Agreement**), jointly and severally (as between the Managers) agreed (subject to certain conditions) to subscribe for the Bonds.

United Kingdom

Each Manager has severally represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (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 Bonds in, from or otherwise involving the United Kingdom.

Ireland

Each Manager has severally represented and agreed with the Issuer that:

- (a) it has not offered and will not offer or sell any Bonds other than in compliance with the provisions of the (Directive 2003/6/EC) and implementing measures in Ireland, the Prospectus Directive and implementing measures in Ireland and the Companies Acts 1963 to 2005 of Ireland and every other enactment that is to be read together with those Acts;
- (b) in connection with offers or sales of Bonds, it has only issued or passed on, and will only issue or pass on, in Ireland or elsewhere, any document received by it in connection with the issue of the Bonds to persons who are persons to whom the document may otherwise lawfully be issued or passed on; and
- (c) it has complied and will comply with all applicable provisions of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 and applicable implementing regulations with respect to anything done by it in relation to the Bonds or operating in, or otherwise involving, Ireland and is acting under and within the terms of an authorisation to do so for the purposes of the foregoing Directive and it has complied with any applicable codes of conduct or practice made under applicable regulations implementing the foregoing Directive or applicable implementing legislation in any relevant jurisdiction.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

Each Manager has severally represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds: (a) as part of its distribution at any time; or (b) otherwise until 40 days after the later of the commencement of the offering of the Bonds and the Closing Date (for the purposes only of this section, the **Restricted Period**) within the United States or to, or for the account or

benefit of, U.S. persons (except in accordance with Rule 903 of Regulation S), and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the Restricted Period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has severally represented and agreed that neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act) in connection with any offer or sale of the Bonds in the United States.

The Bonds are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

General

Other than the approval by the Irish Financial Regulator of this document as a prospectus in accordance with the requirements of the Prospectus Directive and relevant implementing measures in Ireland, no action has been taken by the Issuer or the Managers in any jurisdiction which would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Bonds in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone to subscribe to or to purchase any of the Bonds in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Bonds may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each Manager has severally undertaken that (to the best of its knowledge and belief) it will not, directly or indirectly, offer or sell any Bonds, or distribute this Prospectus or any other material relating to the Bonds in or from any country or jurisdiction except in circumstances that will result in compliance with applicable law and regulations.

GENERAL INFORMATION

1. The issue of the Bonds was authorised by resolution of the board of directors of the Issuer passed on 27 July 2009.
2. It is expected that listing of the Bonds on the Official List of the Irish Stock Exchange and admission to trading thereof will be granted on or around 29 July 2009, subject only to issue of the Temporary Global Bond. The listing of the Bonds will be cancelled if the Temporary Global Bond is not issued. Transactions in respect of the Bonds will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.
3. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the ISIN for the Bonds are:

Common Code

ISIN

044169886

XS0441698866

4. No statutory accounts within the meaning of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Bonds are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.
5. The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since 8 July 2009 (the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
6. The Borrower has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Borrower is aware) since 24 June 2009 (the date of establishment of the Borrower) which may have, or have had in the recent past, significant effects on the Borrower's financial position or profitability.
7. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement, being a contract entered into other than in its ordinary course of business.
8. Save as disclosed in this Prospectus, the Issuer does not have any outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages or charges or given any guarantees.
9. For so long as the Bonds are admitted to trading on the Irish Stock Exchange, the Issuer shall maintain a Paying Agent in the EU.
10. The Trust Deed, the Issuer Deed of Charge and the Borrower Deed of Charge will provide that the Bond Trustee, the Issuer Security Trustee and the Borrower Security Trustee, respectively, may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, the Issuer Deed of Charge and the Borrower Deed of Charge, respectively, whether or not any such report or other information provided to or document entered into by the Bond Trustee, the Issuer Security Trustee or the Borrower Security Trustee (as the case

may be) and the relevant person in connection therewith contains any monetary or other limit on the liability of the relevant person.

11. The Trust Deed will provide that the Issuer shall supply to the Rating Agencies all notices, written information and reports which it sends to all Bondholders or makes available to such Bondholders where the same is requested by a Rating Agency for the purposes of maintaining surveillance.
12. From the date of this Prospectus and for so long as the Bonds are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, copies of the following documents will be available for inspection in electronic or physical form during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Issuer and the Principal Paying Agent:
 - (a) the Memorandum and Articles of Association of the Issuer, the Borrower, the Property Trustees, the Cash Manager, the General Partner and Holdco; and
 - (b) drafts (subject to modification) of the contracts and documents listed below:
 - (i) the Master Definitions and Construction Schedule;
 - (ii) the Property Trust Deed;
 - (iii) the Beneficiary Undertaking;
 - (iv) the Trust Deed;
 - (v) the Issuer Deed of Charge;
 - (vi) the Issuer/Borrower Loan Agreement;
 - (vii) the Borrower Deed of Charge;
 - (viii) the Agency Agreement;
 - (ix) the Bank Agreement;
 - (x) the Cash Management Agreement;
 - (xi) the Tax Deed of Covenant; and
 - (xii) the Corporate Services Agreement.
13. The Issuer does not intend to provide post-issuance transaction information regarding the Bonds or the Issuer/Borrower Loan, except as required pursuant to the Borrower Documents and Issuer Documents, respectively.
14. The Issuer confirms that the assets backing the issue of the Bonds, taken together with the other arrangements to be entered into by the Issuer on the Closing Date (including those described in *Resources Available to the Issuer and the Borrower* above), have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Bonds. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Bonds. Consequently, investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

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BORROWER SECURITY TRUSTEE**

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