



## **The British Land Company PLC**

*(incorporated in England and Wales under registered number 621920)*

### **£110,000,000 5.0055% First Mortgage Amortising Debenture Bonds due 2035**

Issue price: 98.443 per cent.

On 20 December 2006 (or such later date as the Issuer may agree with The Royal Bank of Scotland plc (the **Lead Manager**)) (the **Closing Date**), The British Land Company PLC (the **Issuer**) will issue £110,000,000 5.0055 per cent. First Mortgage Amortising Debenture Bonds due 2035 (the **Amortising 2035 Debentures**) at the issue price stated above.

Application has been made to the Financial Services Authority (the **FSA**) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Amortising 2035 Debentures to be admitted to the official list of the UK Listing Authority (the **Official List**) and to London Stock Exchange plc (the **London Stock Exchange**) for the Amortising 2035 Debentures to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, which is a regulated market for the purposes of EU Directive 2003/71/EC (the **Prospectus Directive**). This Prospectus comprises a prospectus for the purposes of the Prospectus Directive.

No person is or has been authorised to give any information or to make any representation concerning the listing, issue and sale (as appropriate) of the Amortising 2035 Debentures 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 Lead Manager. Neither the delivery of this Prospectus nor any offer, sale, allotment or solicitation made in connection with the offering of any of the Amortising 2035 Debentures shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer 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 Amortising 2035 Debentures have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**). The Amortising 2035 Debentures (as defined herein) which are in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, the Amortising 2035 Debentures 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 Amortising 2035 Debentures are being offered for sale outside the United States in accordance with Regulation S under the Securities Act (**Regulation S**). See further "*Subscription and Sale*" below.

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

## **The Royal Bank of Scotland**

**Lead Manager**

The date of this Prospectus is 18 December 2006

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.

Knight Frank LLP accepts responsibility for the Valuation Report 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 the Valuation Report is in accordance with the facts as at 30 September 2006 and does not omit anything likely to affect the import of such information. The Schedule to the Valuation Report does not incorporate any changes which may have occurred in relation to the valuations of the properties after 30 September 2006.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Prospectus must be read and construed on the basis that such documents are incorporated in, and form an integral part of, this Prospectus. See further "*Documents incorporated by reference*" on page 8 below.

The information contained in this Prospectus was obtained from the Issuer, but no assurance can be given by Royal Exchange Trust Company Limited (the **Trustee**) or the Lead Manager as to the accuracy or completeness of such information. Neither the Trustee nor the Lead Manager 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 Amortising 2035 Debentures.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Lead Manager or any of them to subscribe for or purchase any of the Amortising 2035 Debentures 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.

In connection with the issue of the Amortising 2035 Debentures, The Royal Bank of Scotland plc (in this capacity, **Stabilisation Manager**) or any person acting for it may over-allot the Amortising 2035 Debentures (provided that the aggregate principal amount of the Amortising 2035 Debentures allotted does not exceed 105 per cent. of the aggregate principal amount of the Amortising 2035 Debentures) or effect transactions with a view to supporting the market price of the Amortising 2035 Debentures at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilisation Manager (or any agent of the Stabilisation Manager) to do this. Such stabilising may begin on or after the date on which adequate public disclosure of the terms of the offer of the Amortising 2035 Debentures 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 Amortising 2035 Debentures and 60 days after the date of the allotment of the Amortising 2035 Debentures.

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.

References in this Prospectus to **Euro** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

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## SUMMARY

*There follows a summary of the principal characteristics of the Amortising 2035 Debentures. Prior to making a decision as to whether or not to invest in the Amortising 2035 Debentures, investors should consider carefully the terms of the Prospectus as a whole. If any claim is brought relating to information in this Prospectus then an investor may, under national legislation of the states of the European Economic Area, have to bear the costs of translating this Prospectus into the language of the relevant state. Civil liability attaches to the Issuer as the person responsible for the contents of this Prospectus, including the below summary.*

### 1. Introduction

On 29 April 1993, the Issuer issued £200,000,000 9.375 per cent. First Mortgage Debenture Stock due 2028 (of which £25,387,615 remains outstanding) (the **Existing 2028 Debentures**). On 6 October 1995, the Issuer issued £250,000,000 8.875 per cent. First Mortgage Debenture Bonds due 2035 (of which £41,702,500 remains outstanding) (the **Existing 2035 Debentures** and, together with the Existing 2028 Debentures, the **Existing Debentures**).

In connection with a consent solicitation recently undertaken by the Issuer (the **Refinancing**) it is intended that, on the Closing Date, up to £110,000,000 in principal amount of the Amortising 2035 Debentures will be issued to, amongst others, the holders of the Existing Debentures. The Existing Debentures will be redeemed pursuant to the Refinancing.

The Amortising 2035 Debentures will rank *pari passu* in point of security with the Original Debentures (as defined below).

The Amortising 2035 Debentures will be constituted by a second supplemental composite trust deed made between the Issuer and the Trustee and to be dated the Closing Date (the **Second Supplemental Composite Trust Deed**) supplemental to the Composite Supplemental Trust Deed (as defined below).

The terms and conditions applicable to the Amortising 2035 Debentures as from the Closing Date will be set out in the Second Supplemental Composite Trust Deed and are set out in "*Terms and Conditions of the Amortising 2035 Debentures*" below.

On 29 August 2006 (the **Original Closing Date**), the Issuer became the debtor in respect of £100,000,000 6.75 per cent. First Mortgage Debenture Bonds due 2011 (the **2011 Debentures**) and £200,000,000 6.75 per cent. First Mortgage Debenture Bonds due 2020 (the **2020 Debentures**). On the Original Closing Date, the Issuer also issued £310,000,000 5.357 per cent. First Mortgage Debenture Bonds due 2028 (the **Original 2028 Debentures**) and £330,000,000 5.264 per cent. First Mortgage Debenture Bonds due 2035 (the **Original 2035 Debentures**).

The 2011 Debentures, the 2020 Debentures, the Original 2028 Debentures and the Original 2035 Debentures are together referred to as the **Original Debentures**. The Amortising 2035 Debentures and the Original Debentures are together referred to as the **Debentures**. The Original Debentures are governed and/or constituted by a composite supplemental trust deed dated the Original Closing Date and made between, amongst others, the Issuer and the Trustee (the **Composite Supplemental Trust Deed**). References to the **Trust Deed** in this document are to the references to the Composite Supplemental Trust Deed, the First Supplemental Composite Trust Deed dated on or about the date hereof (the **First Supplemental Composite Trust Deed**) and the Second Supplemental Composite Trust Deed (together with any further supplements thereto).

The Amortising 2035 Debentures will be obligations of the Issuer only. Therefore, payments of principal and interest in respect of the Amortising 2035 Debentures will be dependent primarily upon the financial strength

and performance of the Issuer and the business of the Issuer and its subsidiaries. See further "*Description of the Issuer*". Risk factors relating to the Issuer, the industry, the nature of the security for the Amortising 2035 Debentures, the Amortising 2035 Debentures generally and the market generally are set out in "*Risk Factors*". The principal risk is in relation to the property market generally.

In addition, the Amortising 2035 Debentures will benefit from the security granted over the Mortgaged Properties (as described further below). This security (which will primarily comprise first ranking legal mortgages and standard securities) will be held by the Trustee for the benefit of the holders of each series of the Debentures (including the Amortising 2035 Debentures), each of whom will share in this security and the proceeds of enforcement of this security, if applicable.

## **2. The Issuer**

The British Land Company PLC is a public limited company incorporated in England and Wales. Its registered office is at 10 Cornwall Terrace, Regent's Park, London NW1 4QP. The Issuer is a property investment company based in London whose shares are listed on the London Stock Exchange. For further detail on the Issuer's business activities and the identities of its directors, see "*Description of the Issuer*" on page 47 below.

At 30 September 2006, the issued share capital of the Issuer was £129,911,412.00, made up of 519,645,648 ordinary shares of 25 pence each, each of which was fully paid up. There has been no material change since that date. To the extent known to the Issuer, the Issuer is not directly or indirectly owned or controlled by a third party.

The memorandum and articles of association of the Issuer are registered at the Registrar of Companies in England and Wales.

## **3. Financial Information**

Deloitte & Touche LLP are the appointed auditors of the Issuer.

The auditor's reports and the annual financial statements of the Issuer for the financial years ended 31 March 2005 and 31 March 2006 and the unaudited financial statements of the Issuer for the six months ended 30 September 2006 have been incorporated by reference into this Prospectus and are among the documents available for inspection at the offices of Simmons & Simmons. See further "*Documents incorporated by reference*" on page 8 and "*General Information*" on page 77.

Since 31 March 2006 (being the date of the most recently published audited financial statements of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer.

Since 30 September 2006 (being the date of the most recently published unaudited financial statements of the Issuer), there has been no significant change in the trading or financial position of the Issuer.

## **4. Subscription and Sale of the Non-Exchange Debentures**

The Lead Manager has agreed (subject to certain conditions) to subscribe for the Non-Exchange Debentures (as defined in "*Subscription and Sale*" on page 75). The Lead Manager will not, directly or indirectly, offer or sell any Non-Exchange Debentures, or distribute this document or any other material relating to the Non-Exchange Debentures in or from any country or jurisdiction except in circumstances that will result in compliance with applicable law and regulations. The Exchange Debentures will be issued to the holders of the Existing Debentures.

## 5. Use of proceeds

The proceeds of issue of the Non-Exchange Debentures will be applied by the Issuer in paying a premium in respect of the redemption of the Existing Debentures and for general corporate purposes. There will be no proceeds of issue of the Exchange Debentures (as defined in "*Subscription and Sale*" on page 75).

Fees and expenses in connection with this issue are expected to amount to approximately £750,000 and will be paid by the Issuer.

## 6. Key characteristics of the Amortising 2035 Debentures

The table below sets out certain key characteristics of the Amortising 2035 Debentures.

<b>Initial principal amount</b>	£110,000,000
<b>Interest rate (% per annum)</b>	5.0055
<b>Interest accrual method</b>	30/360
<b>Interest Payment Dates</b>	Semi-annually on 24 March and 24 September in each year
<b>First Interest Payment Date</b>	24 March 2007
<b>Mandatory partial amortisation</b>	On each Interest Payment Date as set out in <b>Condition 6</b> (Redemption and Purchase)
<b>Final Maturity Date</b>	24 September 2035
<b>Listing</b>	UK Listing Authority and The London Stock Exchange's Gilt Edged and Fixed Interest Market
<b>Form</b>	Available in bearer and registered form (and exchangeable for registered or bearer form (as applicable))
<b>Denominations</b>	Bearer Debentures will be available in denominations of £1,000, £10,000 and £100,000  Registered Debentures will be available in the denomination of £1
<b>ISIN (if bearer)</b>	XS0276843603
<b>ISIN (if registered)</b>	GB00B1J01F91
<b>Common Code (if bearer)</b>	027684360
<b>SEDOL (if bearer)</b>	B1HZWK8
<b>SEDOL (if registered)</b>	B1J01F9
<b>Clearing (Bearer Debentures only)</b>	Euroclear and Clearstream, Luxembourg

## 7. The Mortgaged Properties

The properties which are the subject of the security granted under or pursuant to the Trust Deed for the benefit of the holders of all the Debentures will comprise, as at the Closing Date certain properties which currently stand as security for the Original Debentures (the **Existing Mortgaged Properties**).

After the Closing Date, new properties may become part of the security for the Debentures under the terms of the Trust Deed and the terms and conditions of the Debentures, and Existing Mortgaged Properties may be released from that security (as to which, see **Conditions 8** (Substitution of Security) and **9** (Valuation of Security and Withdrawals) in "*Terms and Conditions of the Amortising 2035 Debentures*").

The term **Mortgaged Properties** means the Existing Mortgaged Properties and any such additional properties, and excludes any properties withdrawn from the security, and includes also certain additional collateral security for the Debentures, as further described in **Condition 1** (Definitions) of the Debentures.

Details of the Mortgaged Properties as at the Closing Date are, subject as noted above, set out in the section entitled "*Valuation Report*" below.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, which have previously been published and have been filed with the Financial Services Authority, shall be incorporated in and form an integral part of this Prospectus (save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise) and any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus):

- (a) the auditor's report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 March 2005 (which appear on pages 78 to 103 (inclusive) of the annual report for the year ended 31 March 2005);
- (b) the auditor's report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 March 2006 (which appear on pages 76 to 118 (inclusive) of the annual report for the year ended 31 March 2006);
- (c) the unaudited financial statements of the Issuer for the six months ended 30 September 2006; and
- (d) the memorandum and articles of association of the Issuer.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London.

Following publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication, or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document incorporated herein by reference. Any such statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.



## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Amortising 2035 Debentures. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Amortising 2035 Debentures are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Amortising 2035 Debentures, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Amortising 2035 Debentures for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Amortising 2035 Debentures are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference) and reach their own views prior to making any investment decision.*

### **1. Factors that may affect the Issuer's ability to fulfil its obligations under the Amortising 2035 Debentures:**

#### ***Portfolio generally***

Rental revenues and property values are affected by changes in the general economic climate and local conditions such as an oversupply of space, a reduction in demand for property in an area, competition from other available space or increased operating costs. Rental revenues and property values are also affected by such factors as political developments, government regulations and changes in planning or tax laws, interest rate levels, inflation, the availability of financing and yields of alternative investments. The rental levels and values of the properties in the portfolio of property of the Issuer and its subsidiary undertakings (the **Group**) are sensitive to such factors, which can sometimes result in rapid and substantial decreases in rental and valuation levels.

#### ***Dependence on tenants***

The Issuer's ability to fulfil its obligations under the Amortising 2035 Debentures will depend on the Group's continuing to receive a significant level of rent from its tenants. The Issuer's ability to fulfil such obligations could be affected if occupancy levels were to fall or if a significant number of tenants were unable to meet their obligations.

As existing leases terminate or become subject to tenant break options or space needs to be re-let for other reasons, there can be no assurance that such space will be re-let or, if re-let, that it will be re-let on terms (including rental levels) as favourable to the Group as those currently, or then, existing or that new tenants will be as creditworthy as existing tenants.

### **2. Factors that may affect the value of the security taken for the Amortising 2035 Debentures:**

#### ***Shared Security Pool***

The holders of the Amortising 2035 Debentures (the **Amortising 2035 Debentureholders**) will share their security with the holders of the Original Debentures. In the event that the security is enforced, the Amortising 2035 Debentureholders will share in the proceeds of the security *pari passu* with the holders of the Original Debentures.

### ***No Certificates of Title***

No new certificates of title have been or will be produced in respect of the Existing Mortgaged Properties in contemplation of the issue of the Amortising 2035 Debentures.

Each of the Existing Mortgaged Properties currently stands as security for the Original Debentures and was, at the time it became part of the security for the relevant series of Original Debentures, the subject of a certificate of title given in contemplation of that security or a letter of undertaking stating that searches at the Land Registry (in respect of the Existing Mortgaged Properties in England and Wales) and the Land Register of Scotland or the General Register of Sasines (in respect of the Existing Mortgaged Properties in Scotland) have been conducted to confirm, among other things, the legal ownership of the relevant Existing Mortgaged Property and that no restrictions were registered against the titles to the Existing Mortgaged Properties (other than any existing charges to the Trustee) (together the **Existing Title Confirmations**) both issued by the Issuer's solicitors. The Existing Title Confirmations were issued on 29 August 2006. Where certificates of title were given these will not be updated in contemplation of the issue of the Amortising 2035 Debentures.

The Existing Title Confirmations were addressed to the Trustee solely in respect of the relevant series of Original Debentures, and have not been nor will they be re-addressed to the Trustee in contemplation of the issue of the Amortising 2035 Debentures. Therefore, although the Existing Mortgaged Properties were considered suitable as security for the relevant series of Original Debentures as at their date of inclusion within the relevant security package, no assurance can be given that, after the Closing Date, the Trustee will have any claim against the relevant solicitors in the event of any mis-statement or omission in respect of the Existing Title Confirmations. In addition, information given in those Existing Title Confirmations may be, in certain cases, substantially out-of-date.

Searches will be conducted in the Register of Companies (in respect of Charging Companies which are English or Scottish-incorporated) to confirm that there are no registered charges granted by the Charging Companies in respect of the relevant Mortgaged Property or (to the extent that it can be disclosed by such searches) any beneficial interest therein (except to secure the Debentures). In the case of Charging Companies incorporated in Jersey, there is no publicly available record of charges or security interests over the shares or assets of Jersey companies (other than in respect of real property in Jersey). Further, the Issuer and each relevant Charging Company will give warranties in the Trust Deed as to legal and beneficial ownership of the relevant Mortgaged Property, the lack of any other security interests in respect of the relevant Mortgaged Property and disclosure of all material information which could be relevant to a lender in respect of the relevant Mortgaged Property.

Except as stated above, no additional searches or enquiries will be made in respect of the Mortgaged Properties, the Issuer or the Charging Companies.

### ***Irish Properties***

The Mortgaged Properties from time to time may include properties in the Republic of Ireland, therefore any valuation attributed to such a Mortgaged Property would most likely be expressed in Euro. To the extent that the Euro depreciated against Sterling, then this would affect the value of the relevant Mortgaged Property when compared with the principal amount of the Debentures.

### ***Environmental risks***

Various laws may require current or previous owners or occupiers of property to investigate and/or clean-up hazardous or toxic substances. Owners or occupiers may also be obliged to pay for property damage and for investigation and clean-up costs incurred by others in connection with such substances. Such laws typically impose clean-up responsibility and liability, having regard to whether such owners or occupiers knew of, or caused, the presence or escape of the substances. Even if more than one person may have been responsible

or liable for the contamination, each person caught by the relevant environmental laws may be held responsible for all of the clean-up costs incurred.

In addition, third parties may bring legal proceedings against a current or previous owner, occupier or other party in control of property for damages and costs resulting from substances emanating from that property. These damages and costs may be substantial. The presence of substances on a property could also result in personal injury or similar claims by private claimants.

### ***Insolvency Proceedings***

If a Charging Company is in administration or, in the case of a Charging Company incorporated outside the United Kingdom, is in certain other insolvency proceedings, it may not be possible to enforce the security and the relevant Mortgaged Property may be sold free of the security, although the proceeds of sale would be available to be applied in the redemption of the Debentures.

In the case of a United Kingdom company, an administrator may be appointed by order of the court made on an application by amongst others, the company, the directors of the company or one or more creditors of the company. In addition, the holder of a qualifying floating charge (being, broadly, a floating charge which, when taken together with the other security granted to a particular creditor, covers all or substantially all of the assets of a company), the directors of the company and the company may appoint an administrator without applying to the court for an order. Generally if various of those entities wish to appoint an administrator the appointment made by the holder of a qualifying floating charge will prevail.

The terms and conditions of the Debentures do not prohibit the Issuer or any Charging Company from granting security to a third party which security may include a qualifying floating charge. Therefore, should such a creditor take enforcement action by appointment of an administrator then the identity of that administrator can be chosen by that creditor. However, once appointed an administrator owes duties to, amongst others, creditors generally and does not (unlike a receiver) owe duties primarily to his appointing creditor.

### **3. Factors which are material for the purpose of assessing the market risks associated with the Amortising 2035 Debentures:**

#### ***The Amortising 2035 Debentures may not be a suitable investment for all investors***

Each potential investor in any Amortising 2035 Debentures 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 Amortising 2035 Debentures, the merits and risks of investing in the Amortising 2035 Debentures and the information contained or incorporated by reference in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Amortising 2035 Debentures and the impact such investment 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 Amortising 2035 Debentures, including where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the Amortising 2035 Debentures; 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.

#### **4. Certain risks relating to the Debentures generally:**

##### ***Certificate of material prejudice for certain Events of Default***

**Condition 15** (Events on which Security Becomes Enforceable) contains the Events of Default. For an event to constitute an Event of Default, in a number of cases, the Trustee must first certify in writing to the Issuer that such event is, in the opinion of the Trustee, materially prejudicial to the interests of the Debentureholders. It may be difficult for the Trustee to determine that such is the case. The Trustee may seek outside professional advice before exercising its discretion in such circumstances. This may delay any action being taken and it may be that, although a breach has occurred, the Trustee would be unable to so certify. In addition, if something occurs which is materially prejudicial to the Debentureholders of one particular Series, it does not necessarily follow that this occurrence will be materially prejudicial to the Debentureholders as a whole.

##### ***Modification, waivers and substitution***

The terms and conditions of the Debentures will contain provisions for calling meetings of Debentureholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Debentureholders including Debentureholders who did not attend and vote at the relevant meeting and Debentureholders who voted in a manner contrary to the relevant majority.

The terms and conditions of the Debentures will also provide that the Trustee may, without the consent of Debentureholders, agree to (a) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Debentures, (b) determine without the consent of the Debentureholders that any Event of Default or potential Event of Default shall not be treated as such or (c) the substitution of any successor in business to the Issuer or of a subsidiary either of the Issuer or any successor in business to the Issuer or of a Holding Company of the Issuer as principal debtor under any Debentures in place of the Issuer or any successor in business to the Issuer, in the circumstances described in **Condition 21** (Substitution) of the terms and conditions of the Debentures.

##### ***European Monetary Union***

If the United Kingdom joins the European Monetary Union prior to the maturity of any Debentures, there is no assurance that this would not adversely affect investors in the Amortising 2035 Debentures. It is possible that prior to the maturity of any Debentures the United Kingdom may become a participating Member State and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Debentures may become payable in Euro, and (ii) the law may allow or require the Debentures to be re-denominated into Euro and additional measures to be taken in respect of such Debentures. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Amortising 2035 Debentures.

##### ***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 an individual resident 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 (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 or agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

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

### ***Withholding Tax***

Under the current tax law of the United Kingdom, provided the Debentures continue to be listed on a "recognised stock exchange" (as to which see the section on United Kingdom Taxation below) the Issuer is not, in respect of United Kingdom income tax, required to make any withholding or deduction at source from payments of any amounts in respect of the Debentures. If a change in law obliges the Issuer to make any withholding or deduction from payments of any amount in respect of the Debentures, such payments will be made subject to such required deduction or withholding. In such circumstances:

- (a) where the payment in question is a payment of interest in respect of the Registered Debentures and the Issuer is required to make a deduction of United Kingdom income tax from such interest payment, there will be no obligation on the Issuer to pay any additional amounts to the holders of the Registered Debentures as a result;
- (b) in the case of Bearer Debentures or any payments in respect of the Registered Debentures other than those referred to in (a) above, the Issuer will in certain circumstances be requested to pay additional amounts to the holders of the Bearer Debentures in accordance with **Condition 7.1** (Taxation); and
- (c) holders of Registered Debentures would be entitled to exchange their Registered Debentures for Bearer Debentures in accordance with **Condition 24** (Exchange of Bearer Debentures and Registered Debentures).

### ***Change of law***

The terms and conditions of the Debentures are based on English law in effect as at the Closing Date. The Standard Securities (as defined below) will be governed by Scots law. In addition, some of the Charging Companies are located in Jersey. No assurance can be given as to the impact of any possible judicial decision or change to English, Scots or Jersey law or administrative practice after the date of issue of the Amortising 2035 Debentures.

## **5. Risks related to the market generally:**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

### ***The secondary market generally***

The Amortising 2035 Debentures may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Amortising 2035 Debentures easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Investment in the Amortising 2035 Debentures involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Amortising 2035 Debentures. Illiquidity may have a severely adverse effect on the market value of the Amortising 2035 Debentures.

***Credit ratings may not reflect all risks***

Although the Debentures will not be assigned a credit rating by any rating agency on issue, one or more independent credit rating agencies may assign credit ratings to some or all of the Debentures. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Debentures. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

***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 (a) the Amortising 2035 Debentures are legal investments for it, (b) the Amortising 2035 Debentures can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any the Amortising 2035 Debentures. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Amortising 2035 Debentures under any applicable risk-based capital or similar rules.

## FORM OF THE AMORTISING 2035 DEBENTURES

### INITIAL ISSUE

The Amortising 2035 Debentures will be issued in either bearer or registered form and, from the Closing Date, will be exchangeable for Bearer Debentures (as defined below) or Registered Debentures (as defined below) (each, as applicable) as described in further detail below.

### BEARER DEBENTURES

#### *Documentation*

The Bearer Debentures for the Amortising 2035 Debentures will be issued in the form of a temporary global debenture for the relevant Series (the **Temporary Global Debenture**) which will be delivered on or prior to the Closing Date to a common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

Upon deposit of the Temporary Global Debenture with the Common Depository, Euroclear or Clearstream, Luxembourg will credit each relevant accountholder with the relevant nominal amount of Amortising 2035 Debentures.

Whilst any Amortising 2035 Debenture is represented by the Temporary Global Debenture, payments of principal, interest (if any) and any other amount payable in respect of the Amortising 2035 Debentures due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Debenture only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Amortising 2035 Debenture are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

#### *Relationship of Accountholders with Clearing Systems*

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of an Amortising 2035 Debenture represented by a Global Debenture must look solely to Euroclear and/or Clearstream, Luxembourg for his share of each payment made by the Issuer to the bearer of such Global Debenture, subject to and in accordance with the respective rules and procedures of Euroclear and/or Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Amortising 2035 Debentures to the extent that and for so long as the Amortising 2035 Debentures are represented by such Global Debenture and such obligations of the Issuer will be discharged by payment to the bearer of such Global Debenture in respect of each amount so paid.

#### *Exchange*

##### *Temporary Global Debenture*

The Temporary Global Debenture will be exchangeable (free of charge to the holder) on or after the Exchange Date, either in whole or in part, upon certification as to non-U.S. beneficial ownership (in a form to be provided) for interests in a permanent global debenture (the **Permanent Global Debenture** and, together with the Temporary Global Debenture, the **Global Debentures**) with, where applicable, receipts, interest coupons and talons attached or, if the Temporary Global Debenture is also an Exchangeable Bearer Debenture, certificated Registered Debentures.

### *Permanent Global Debenture*

The Permanent Global Debenture will be exchangeable (free of charge to the holder) on or after the Exchange Date in whole but not, except as provided under "*Partial Exchange of the Permanent Global Debenture*" below, in part for definitive Bearer Debentures with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that, if the Permanent Global Debenture is held on behalf of Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to the Amortising 2035 Debentureholders in accordance with **Condition 18** (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Permanent Global Debenture) or the Trustee may give notice to the Principal Paying Agent requesting exchange.

Payments of principal, interest (if any) or any other amounts on the Permanent Global Debenture will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Debenture without any requirement for certification.

### **Partial Exchange of the Permanent Global Debenture**

For so long as the Permanent Global Debenture is held on behalf of a clearing system and the rules of that clearing system permit, the Permanent Global Debenture will be exchangeable (free of charge to the holder) on or after the Exchange Date in part on one or more occasions for Registered Debentures as further described in **Condition 24** (Exchange of Bearer Debentures and Registered Debentures).

**Exchange Date** means the day falling after the expiry of 40 days after the issue date of the Temporary Global Debenture and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

### ***Legend***

The following legend will appear on all Bearer Debentures and on all receipts and interest coupons relating to such Bearer Debentures:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Amortising 2035 Debentures, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Amortising 2035 Debentures, receipts or interest coupons.

### ***Transfers***

Amortising 2035 Debentures which are represented by a Global Debenture will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.



## REGISTERED DEBENTURES

### *Initial Issue*

The Registered Debentures in respect of the Amortising 2035 Debentures will initially be issued in either:

- (a) uncertificated form (**uncertificated Registered Debentures**), comprising Registered Debentures which are for the time being uncertificated units of a security in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time); or
- (b) certificated form (**certificated Registered Debentures**).

Uncertificated Registered Debentures will initially be credited to the subscribers' CREST accounts on the issue date thereof upon certification as to non-U.S. beneficial ownership.

Certificated Registered Debentures will be represented by registered certificates (**Certificates**) and will initially be delivered to the subscribers thereof upon certification as to non-U.S. beneficial ownership. Each Certificate will represent the entire holding of certificated Registered Debentures of Amortising 2035 Debentures held by the same holder.

### *Transfers*

Title to Registered Debentures will pass upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement, unless applicable law provides otherwise or provides for additional formalities for transfer of title.

## TERMS AND CONDITIONS OF THE AMORTISING 2035 DEBENTURES

*Set out below are the terms and conditions of the Amortising 2035 Debentures (the **Conditions**, and references to a numbered **Condition** should be construed accordingly) in the form (subject to modification) in which they will appear in the Second Supplemental Composite Trust Deed (as defined below).*

The outstanding £98,414,000 6.75 per cent. First Mortgage Debenture Bonds due 2011 (together with any Further Bonds created pursuant to **Condition 22** (Further Issues) and forming a single series therewith, the **2011 Debentures**) and the outstanding £199,750,000 6.75 per cent. First Mortgage Debenture Bonds due 2020 (together with any Further Bonds created pursuant to **Condition 22** (Further Issues) and forming a single series therewith, the **2020 Debentures**), each of The British Land Company plc (the **Issuer**), are constituted by a trust deed dated 31 March 1998 made between, amongst others, BL Universal Limited (formerly BL Universal plc) (**BLU**) and Royal Exchange Trust Company Limited, as supplemented by a First Supplemental Trust Deed dated 13 April 1999, a Second Supplemental Trust Deed dated 31 March 2000, a Third Supplemental Trust Deed dated 30 March 2001, a Fourth Supplemental Trust Deed dated 19 October 2001, a Fifth Supplemental Trust Deed dated 3 April 2002, a Sixth Supplemental Trust Deed dated 5 April 2002, a Seventh Supplemental Trust Deed dated 11 December 2002, an Eighth Supplemental Trust Deed dated 27 June 2003, a Ninth Supplemental Trust Deed dated 10 July 2003, a Tenth Supplemental Trust Deed dated 28 November 2003, an Eleventh Supplemental Trust Deed dated 22 December 2003, a Twelfth Supplemental Trust Deed dated 8 July 2005, a Thirteenth Supplemental Trust Deed dated 25 July 2005, a Fourteenth Supplemental Trust Deed dated 28 November 2005, a Fifteenth Supplemental Trust Deed dated 6 February 2006, a Sixteenth Supplemental Trust Deed dated 21 March 2006, a Seventeenth Supplemental Trust Deed dated 18 July 2006, an Eighteenth Supplemental Trust Deed dated 25 July 2006, a Nineteenth Supplemental Trust Deed dated 22 August 2006 and a Composite Supplemental Trust Deed dated 29 August 2006 (the **Composite Supplemental Trust Deed**) (in respect of the 2011 and the 2020 Debentures together, the **2011 and 2020 Trust Deed**).

The outstanding £310,000,000 5.357 per cent. First Mortgage Debenture Bonds due 2028 of the Issuer (together with any Further Bonds created pursuant to **Condition 22** (Further Issues) and forming a single series therewith, the **2028 Debentures**) are constituted by the Composite Supplemental Trust Deed (in respect of the 2028 Debentures, the **2028 Trust Deed**).

The outstanding £330,000,000 5.264 per cent. First Mortgage Debenture Bonds due 2035 of the Issuer (together with any Further Bonds created pursuant to **Condition 22** (Further Issues) and forming a single series therewith, the **2035 Debentures**) are constituted by the Composite Supplemental Trust Deed (in respect of the 2035 Debentures, the **2035 Trust Deed** and, together with the 2011 and 2020 Trust Deed and the 2028 Trust Deed, the **Existing Trust Deeds**).

The 9 3/8 First Mortgage Debenture Stock due 2028 and the 8 7/8 First Mortgage Debenture Bonds due 2035 each of the Issuer were redeemed on the Closing Date pursuant to a first supplemental composite trust deed dated 18 December 2006 between the Issuer and the Trustee (the **First Supplemental Composite Trust Deed**).

By virtue of a second supplemental composite trust deed (supplemental to the Composite Supplemental Trust Deed) dated on or about 20 December 2006 (the **Closing Date**) and made between, amongst others, Royal Exchange Trust Company Limited and the Issuer (the **Second Supplemental Composite Trust Deed**):

- (a) the £110,000,000 5.0055 per cent. First Mortgage Amortising Debenture Bonds due 2035 (together with any Further Bonds created pursuant to **Condition 22** (Further Issues) and forming a single series therewith, the **Amortising 2035 Debentures**) of the Issuer will be constituted on these Conditions; and

- (b) the Amortising 2035 Debentures will be secured by various legal charges and, in respect of Mortgaged Properties in Scotland, by various standard securities delivered pursuant thereto (the **Standard Securities**).

The Composite Supplemental Trust Deed, the First Supplemental Composite Trust Deed and the Second Supplemental Composite Trust Deed, as further supplemented and/or amended, are together referred to as the **Trust Deed** and Royal Exchange Trust Company Limited in its capacity as trustee for each Series (and all other persons or companies for the time being the trustee or trustees in respect of the Amortising 2035 Debentures) is referred to as the **Trustee**.

The statements in these terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and an agency agreement dated on or about the Closing Date (the **Agency Agreement**) made between the Issuer, the Paying Agents, the Registrar and the Trustee are available for inspection during normal business hours by the holders of the Amortising 2035 Debentures (the **Amortising 2035 Debentureholders**) and the holders of the interest coupons and the talons for further interest coupons in respect of the Amortising 2035 Debentures, in each case appertaining to the Amortising 2035 Debentures in bearer form (the **Couponholders**, the **Coupons** (which expression shall in these Conditions, unless the context otherwise requires, include the Talons) and the **Talons**, respectively) at the principal office for the time being of the Trustee, being at the Closing Date at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE, England and at the specified office of each of the Paying Agents and the Registrar. The Amortising 2035 Debentureholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement.

The Trust Deed contains provisions under which, in certain circumstances where the Trustee is required to be satisfied on certain matters, including those more particularly referred to in **Conditions 8** (Substitution of Security) and **9** (Valuation of Security and Withdrawals), on the production of certificates of title and/or valuation reports and/or Auditors' reports and/or charging documents and/or other documents in the forms set out or referred to in the Trust Deed, the Trustee will be deemed to be so satisfied.

## 1. DEFINITIONS

In these Conditions:

**Auditors** has the meaning given to that term in the Trust Deed;

**Change of Control Event** means there occurs a Restructuring Event and within the Restructuring Period:

- (a) if at the time that Restructuring Event occurs there are Rated Securities, a Rating Downgrade in respect of that Restructuring Event occurs; or
- (b) if at such time there are no Rated Securities, a Negative Rating Event in respect of that Restructuring Event occurs;

**Charging Company** means:

- (a) the Issuer (except for the purposes of Condition 15 (Events on which Security Becomes Enforceable));
- (b) each of the Original Charging Companies; and
- (c) if applicable, each other Eligible Subsidiary which shall give any charge or mortgage by way of security or standard security or collateral security for the Debentures,

in each case if (but only if) the Issuer, that Original Charging Company or that other Eligible Subsidiary shall have subsisting on any of its assets any such charge, mortgage or security;

**Debentures** means the 2011 Debentures, the 2020 Debentures, the 2028 Debentures, the 2035 Debentures and the Amortising 2035 Debentures and, upon the issue of any Further Bonds not forming a single Series with any of the same, those Further Bonds;

**eligible property** means:

- (a) those of the properties listed in the Valuation Report as shall for the time being be comprised in the Mortgaged Properties; and
- (b) commercial property which is:
  - (i) either freehold or leasehold having a term expiring at least 25 years after the final maturity date of the 2035 Debentures and all (if any) Further Bonds; and
  - (ii) the subject of a certificate of title given by a leading or substantial firm of solicitors in the form of the certificate of title contained in the Trust Deed with such (if any) additions or deletions as either the Trustee or the Issuer may reasonably require (solely having regard to any changes in law or practice since the date of the Composite Supplemental Trust Deed) or with such other modifications as may be agreed by the Trustee and which either contains no disclosures or qualifications, or, if it does, also certifies that, in the opinion of the firm of solicitors giving it, no disclosure or qualification is of such a nature as to render the title to the property unacceptable as security for first mortgage purposes; and
  - (iii) the subject of a valuation given by the Valuers in the form of the Valuer's certificate contained in the Trust Deed with such (if any) additions or deletions as either the Trustee or the Issuer may reasonably require (solely having regard to any changes in law or practice since the date of the Composite Supplemental Trust Deed) or with such other modifications as may be agreed by the Trustee; and
- (c) any other commercial property which shall have been approved by the Trustee pursuant to the Trust Deed as security for the Debentures,

and includes any additional interest in any eligible property then comprised in the Mortgaged Properties;

**Eligible Subsidiary** means:

- (a) any of the Original Charging Companies;
- (b) any other wholly-owned subsidiary (within the meaning of section 736 of the Companies Act 1985) of the Issuer incorporated in England, Ireland, Scotland or Jersey whose Memorandum of Association contains provisions which are in or substantially in the form set out in the Trust Deed, and whose shareholders have passed a special resolution to give security for the Debentures which is in or substantially in the form set out in the Trust Deed, with such (if any) additions or deletions as either the Trustee or the Issuer may reasonably require (solely having regard to any changes in law or practice since the date of the Composite Supplemental Trust Deed) or with such other modifications as may be agreed by the Trustee; and

- (c) any other subsidiary or subsidiary undertaking (within the meaning of section 258 of the Companies Act 1985) of the Issuer (whether or not wholly-owned) approved by the Trustee, such approval not to be unreasonably withheld;

**Exchange Event** means, if any Global Debenture is held on behalf of Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

**Fitch** means Fitch Ratings Ltd., including any successor to its ratings business;

**freehold** includes, in respect of property situated in Scotland, heritable property held in absolute ownership and, in respect of property situated in the Republic of Ireland or Northern Ireland, property subject to a fee farm grant;

**Further Bonds** means any further first mortgage debenture bonds or notes which may be created and issued by the Issuer pursuant to **Condition 22** (Further Issues);

**Global Debentures** means all or any of the Temporary Global Debenture, the Permanent Global Debenture and any additional global debentures in respect of any further Amortising 2035 Debentures;

**Gross Redemption Yield** on the Amortising 2035 Debentures and on the Relevant EIB Bonds will be expressed as a percentage and will be calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assured (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998) or on such other basis as the Trustee may approve;

**Group** means the Issuer and its subsidiaries;

**Holding Company** means any company or entity of which the Issuer is a subsidiary (as defined in the Companies Act 1985);

**leasehold** includes, in respect of property situated in Scotland, heritable property held under duly registered or recorded long lease;

**Legal Charges** means in respect of Mortgaged Properties in Northern Ireland or the Republic of Ireland, security over the relevant property in such form as the Trustee may approve;

**moneys** means:

- (a) cash;
- (b) investments representing cash (as defined in the Trust Deed); and
- (c) any other investments which shall have been approved by the Trustee;

**Moody's** means Moody's Investors Services Limited, including any successor to its rating business;

**Mortgaged Properties** means all the property, short gilts and moneys for the time being held by the Trustee and/or charged in favour of the Trustee, subject as provided in the Trust Deed, by way of first legal mortgage or charge or first ranking standard security for the purpose of securing the

Debentures and all other undertaking and assets for the time being held by and/or charged in favour of the Trustee pursuant to these presents;

a **Negative Rating Event** shall be deemed to have occurred if (i) the Issuer does not, either prior to or not later than 21 days after the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of any unsecured and unsubordinated debt of the Issuer (or of any subsidiary which is guaranteed on an unsecured and unsubordinated basis by the Issuer) having an initial maturity of five years or more (**Rateable Debt**) from a Rating Agency or (ii) the Issuer does so seek and use such endeavours, but it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB- by Fitch/BBB- by S&P/Baa3 by Moody's, or their respective equivalents for the time being), provided that a Negative Rating Event shall be deemed not to have occurred in respect of a particular Restructuring Event if the Rating Agency declining to assign a rating of at least investment grade does not publicly announce or publicly confirm or does not inform the Trustee in writing at its request that its declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the Restructuring Event shall have occurred at the time such investment grade rating is declined);

**net annual income** means at any time the aggregate of:

- (a) in relation to any property, the amount as reported by the Auditors to the Trustee of the current annual income (including, without prejudice to the generality of the foregoing, sums received by the relevant Charging Company in respect of service charges and insurance premiums) from such property then accruing or due to commence to accrue within three months thereafter, excluding any value added tax (**output tax**) charged in respect of such income but before deducting any other taxation and after making proper provision where appropriate in the opinion of the Auditors in relation to such property for ground and head rents, rates, insurance, property management expenses, repairs, maintenance and other outgoings borne or to be borne by any Charging Company (such provision to exclude any value added tax charged or chargeable to the relevant Charging Company in respect of such outgoings to the extent that the same does not exceed the output tax and is recoverable by way of credit by reason of such outgoings having been incurred in relation to any of the Mortgaged Properties); and
- (b) in relation to short gilts and moneys, the amount as reported by the Auditors to the Trustee of the annual income from such short gilts and moneys based on the rate then accruing thereon before deducting taxation;

**Operator** has the meaning given to it in the Regulations (as defined in **Condition 2.3**);

**Original Charging Companies** means each of the following companies: B.L.C.T. (13040) Limited, B.L.C.T. (13770) Limited, B.L.C.T. (16890) Limited, B.L.C.T. (14005) Limited, B.L.C.T. (16720) Limited, B.L.C.T. (16781) Limited, B.L.C.T. (17836) Limited, B.L.C.T. (20341) Limited, B.L.C.T. (20850) Limited, B.L.C.T. (26020) Limited, B.L.C.T. (27526) Limited, B.L.C.T. (27990) Limited, B.L.C.T. (30920) Limited, B.L.C.T. (36550) Limited, B.L.C.T. (38945) Limited, B.L.C.T. (38948) Limited, B.L.C.T. (44930) Limited, B.L.C.T. (45260) Limited, B.L.C.T. (45310) Limited, B.L.C.T. (46000) Limited, B.L.C.T. (50600) Limited, B.L.C.T. (51060) Limited, B.L.C.T. (51399) Limited, B.L.C.T. (51400) Limited, BLU (10415) Limited, BLU (11660) Limited, BLU (11750) Limited, BLU (12520) Limited, BLU (13495) Limited, BLU (13575) Limited, BLU (13584) Limited, BLU (BC) Limited, BLU (CV) Limited, BLU (NCG) Limited, BLU Property Management Limited, BLU Securities Limited, Broadgate Court Investments Limited, Clarendon Property Company Limited, Clearest Limited, Cleola Limited, Cranbell Limited, Derby Investment Holdings Limited, Dewmore Properties Limited, Exchange House Holdings Limited, Finsbury Avenue (Phase 4) Limited, Hyfleet Limited, Kentish Hotels Limited, Luctor Limited, Mentin Limited, Peacocks Centre Limited, Naldo

Limited, Relexon Limited, Renash Limited, Ritesol Limited, Shinegrain Limited, Skipkarl Limited, Speed 9983 Limited, Solurite Limited and Wellard Securities Limited;

**principal, principal amount and principal moneys** in relation to any payment in respect of Debentures includes, where applicable, the relevant Redemption Price referred to in **Condition 6.2**;

**Principal Amount Outstanding** means, in respect of each Amortising 2035 Debenture, the initial principal amount of the relevant denomination less each amount of principal redeemed in respect of that Amortising 2035 Debenture pursuant to **Condition 6.1**;

**Property** means freehold, leasehold or other immovable property of the Issuer or any Eligible Subsidiary situated in the United Kingdom or the Republic of Ireland;

**Rated Securities** means any unsecured and unsubordinated debt of the Issuer (or of any subsidiary which is guaranteed on an unsecured and unsubordinated basis by the Issuer) having an initial maturity of five years or more which is rated at the request of the Issuer by any of the Rating Agencies (other than any unsecured and unsubordinated debt of the Issuer or of any subsidiary which is guaranteed by the Issuer which is rated on the basis of the credit of a party other than the Issuer or such subsidiary);

**Rating Agency** means any of Fitch or Moody's or S&P and their respective successors or any other rating agency of equivalent international standing specified by the Issuer from time to time in writing to the Trustee;

**Rating Downgrade** shall be deemed to have occurred in respect of a Restructuring Event if within the Restructuring Period the rating assigned to the Rated Securities by any Rating Agency immediately prior to the Restructuring Event is (i) withdrawn or (ii) changed from an investment grade rating (BBB- by Fitch/Baa3 by Moody's/BBB- by S&P (or their respective equivalents for the time being) or better) to a non-investment grade rating (BB+ by Fitch/Ba1 by Moody's/BB+ by S&P (or their respective equivalents for the time being) or worse) or (iii) (if such rating assigned to the Rated Securities by any Rating Agency shall be below an investment grade rating (as described above)) lowered at least one full rating category (from BB+ to BB or worse or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Restructuring Event if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm or does not inform the Trustee in writing at its request that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event;

**Redemption Rate** means the Relevant EIB Redemption Rate or, if the Relevant EIB Redemption Rate is not able to be determined, such other rate as may be approved by the Trustee;

**Reference Date** means the date which is two Business Days prior to the publication or dispatch of the notice of redemption under **Condition 6.2**;

**Register** has the meaning given to that term in **Condition 23** (Register);

**Relevant EIB Bonds** means such sterling bonds of the European Investment Bank (or successor thereto) as the Trustee (with the advice of such investment bank as may be approved by the Trustee) and the Issuer may determine (failing such determination, as determined by the Trustee with such advice) to be a benchmark bond, the duration of which most closely matches the then duration of the relevant Amortising 2035 Debentures, taking into account the instalments payable under **Condition 6.1**, as calculated by or on behalf of the Trustee;

**Relevant EIB Redemption Rate** means the Gross Redemption Yield (determined by reference to the middle-market price) of the Relevant EIB Bonds;

**Restructuring Event** shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of the Issuer) that any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers), or any person or persons acting on behalf of any such person (s), at any time is/are or become(s) interested (within the meaning of Part VI of the Companies Act 1985) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, in either case other than in circumstances which result in the Issuer being a wholly-owned subsidiary of a body corporate more than 50 per cent. of the share capital having the right ordinarily to vote on a poll at a general meeting of which is held by persons who received such share capital pursuant to a scheme or offer in their capacity as shareholders of the Issuer;

**Restructuring Period** means the period ending 180 days after the public announcement of the Restructuring Event having occurred (or such longer period in which the Rated Securities or Rateable Debt, as the case may be, are under consideration (announced publicly within the first mentioned period) for rating review or, as the case may be, rating by a Rating Agency);

**S&P** means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., including any successor to its ratings business;

**Series** means the 2011 Debentures or the 2020 Debentures or the 2028 Debentures or the 2035 Debentures or the Amortising 2035 Debentures or any series of Further Bonds not forming a single series with any existing series of Debentures;

**short gilts** means United Kingdom Government stocks listed on the London Stock Exchange with no more than five years to final redemption from the date of being charged to the Trustee;

**subsidiary** means any company which is for the time being a subsidiary (within the meaning of Section 736 of the Companies Act 1985);

**subsidiary undertaking** means any company which is for the time being a subsidiary undertaking (within the meaning of Section 258 and Schedule 10A of the Companies Act 1985);

**Trustee** means Royal Exchange Trust Company Limited in its capacity as trustee in respect of each Series of the Debentures (and shall include, wherever the context so admits, such company and all other persons or companies for the time being the trustee or trustees in respect of the Debentures);

**valuation** means:

- (a) in relation to property, a valuation thereof made by the Valuers on the basis of "market value" (in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors in effect on the date at which the relevant valuation is made) or such other basis as the Trustee may approve;
- (b) in relation to short gilts, the price thereof (net of accrued interest) based on the mean of the bid and offered prices thereof as derived from the London Stock Exchange Daily Official List (or such other source as may be approved by the Trustee from time to time) on the dealing day last preceding the date on which the relevant valuation is made;
- (c) in relation to cash, the amount thereof for the time being; and



- (d) in relation to other moneys, the value thereof as determined by the Issuer or, in the event of any disagreement between the Issuer and the Trustee as to such value, the value thereof as determined by the Auditors;

**Valuation Report** means the valuation report of Knight Frank LLP set out in the prospectus dated 18 December 2006 relating to the Amortising 2035 Debentures;

**value** means:

- (a) in relation to property, the value ascribed thereto by the most recent valuation thereof, whether in the Valuation Report or in a valuation made pursuant to **Condition 9.1(a)** or **9.1(b)**, or, if not included in such most recent valuation, by a separate valuation, provided that, in every such case as aforesaid, such valuation shall be as at a date not more than six months (or such longer period as the Trustee may agree) before the date at which such value falls to be determined, provided that:
  - (i) for the purpose of **Condition 8** (Substitution of Security) but not **Condition 9** (Valuation of Security and Withdrawals) or **22** (Further Issues), and except where the relevant price arises from an intra-Group transaction, the Trustee may, if the Issuer agrees, instead of requiring a valuation, treat the value of a property as being its acquisition price or its agreed sale price; and
  - (ii) for the purposes of determining value:
    - (A) there shall be added to any valuation or acquisition price the cost (as reported by the Auditors) of additions or improvements of a capital nature made to such property after such valuation or acquisition and before such determination; and/or
    - (B) where there is any unremedied breach of any of the covenants of the Trust Deed in relation to a property which is to be released from the Mortgaged Properties, there may, at the discretion of the Trustee, be deducted from any valuation or acquisition price of such property any amount (as reported by the Valuers) by which its value has been reduced as a result of such breach; and
- (b) in relation to short gilts and moneys, the value and amount thereof as shown by a valuation as at the date at which such value and amount fall to be determined; and

**Valuers** means any firm of independent professional valuers who shall value the properties of the members of the Group (or any of them) for the purposes of the published audited annual accounts of the Group or such other firm of independent professional valuers as may from time to time be appointed by the Issuer with the approval of the Trustee, such approval not to be unreasonably withheld.

## **2. FORM, DENOMINATION AND TITLE**

- 2.1 The Amortising 2035 Debentures are issued, at the election of Amortising 2035 Debentureholders, either in bearer form (the Amortising 2035 Debentures in bearer form, the **Bearer Debentures**), serially numbered, in the denominations of £1,000, £10,000 and £100,000 each with Coupons and (where applicable) Talons attached on issue or in registered form (the Amortising 2035 Debentures in registered form, the **Registered Debentures**) without interest coupons or talons in the denomination of £1 and any integral multiple thereof. Registered Debentures may be exchanged for

Bearer Debentures, and vice versa in each case subject to, and in accordance with, **Condition 24** (Exchange of Bearer Debentures and Registered Debentures).

- 2.2 The Bearer Debentures will initially be represented by the Temporary Global Debenture. Bearer Debentures in definitive form will be issued only on the happening of an Exchange Event and otherwise in accordance with the terms of the Permanent Global Debenture.
- 2.3 The Registered Debentures are available both in uncertificated form (**uncertificated Registered Debentures**), comprising those Registered Debentures which for the time being are uncertificated units of a security in accordance with The Uncertificated Securities Regulations 1995 as the same may be amended, modified or substituted from time to time (the **Regulations**) and in certificated form (**certificated Registered Debentures**), comprising all Registered Debentures which are not uncertificated Registered Debentures. For these purposes:

**Certificate** means a certificate for the certificated Registered Debentures in the form, or substantially in the form, set out in the Trust Deed;

**in writing** means, in relation to certificated Registered Debentures, by written instrument in the specified (or, when none is specified, an appropriate) form and, in relation to uncertificated Registered Debentures, in such dematerialised form as may be required or accepted by a relevant system, or in such other form as may be acceptable to the Issuer and the Trustee; and

**relevant system** has the meaning given to it in regulation 3 of the Regulations.

- 2.4 Title to the Bearer Debentures and to the Coupons will pass by delivery. Title to the Registered Debentures will pass upon registration of transfers in accordance with the provisions of the Agency Agreement and as provided in the Trust Deed. The Issuer, any Paying Agent, the Registrar and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Bearer Debenture and the holder of any Coupon and the registered holder of any Registered Debenture as the absolute owner for all purposes (whether or not overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof). References herein to **holders** of Amortising 2035 Debentures and Coupons and the **Amortising 2035 Debentureholders** and **Couponholders** shall be construed accordingly.

### 3. STATUS AND SECURITY

- 3.1 The Amortising 2035 Debentures and the Coupons are direct and unconditional obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves. Unless the Issuer becomes a Charging Company, there is no limitation in the Trust Deed in respect of the granting of security by the Issuer.
- 3.2 The obligations of the Issuer to pay the principal amount of, premium (if any) and interest on the Amortising 2035 Debentures are and shall be secured as provided in the Trust Deed, the Legal Charges and the Standard Securities. The Amortising 2035 Debentures share the same security as each other Series of Debentures pursuant to the Trust Deed and rank *pari passu* in point of security with those other Debentures.
- 3.3 Power is reserved to any Charging Company (if it is an Eligible Subsidiary, with the consent of the Issuer) in its discretion and at its sole election to add to the Mortgaged Properties by specifically charging in favour of the Trustee in the form (*mutatis mutandis*) provided in the Trust Deed or otherwise previously agreed with the Trustee any additional interest in any eligible property then comprised in the Mortgaged Properties and/or other eligible property and/or short gilts and/or by charging or paying moneys to or in favour of the Trustee, in each case as part of the Mortgaged Properties.

#### 4. INTEREST

- 4.1 Each Amortising 2035 Debenture bears interest on its Principal Amount Outstanding at the rate of 5.0055 per cent. per annum with effect from the Closing Date (subject to the deduction of tax, if appropriate) payable semi-annually in arrear on 24 March and 24 September in each year (each, an **Interest Payment Date**) provided that, in the case of the first interest payment, the amount due for payment shall be £13.07 per £1,000 in Principal Amount Outstanding of the Amortising 2035 Debentures.
- 4.2 Each Amortising 2035 Debenture or, in the case of the redemption of part only of a Registered Debenture, that part only of the Registered Debenture, will cease to bear interest from, and including, its due date for redemption unless, upon due presentation, payment of the principal moneys in respect of the Amortising 2035 Debenture is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.
- 4.3 Interest in respect of the Amortising 2035 Debentures shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

#### 5. PAYMENTS AND EXCHANGE OF TALONS

##### 5.1 Bearer Debentures

- (a) Payments of principal moneys and interest in respect of each Bearer Debenture will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bearer Debenture, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupons, in each case at the specified office of any of the Paying Agents.
- (b) Payments will be made at the specified office of any Paying Agent, at the option of the holder, by pounds sterling cheque drawn on, or by transfer to a pounds sterling account maintained by the payee with, a bank in London, subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of **Condition 7** (Taxation).
- (c) Each Bearer Debenture should be presented for payment together with all relative unmatured Coupons (which expression, for the avoidance of doubt, shall include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in **Condition 7** (Taxation)) in respect of the Amortising 2035 Debenture in question (whether or not the Coupon would otherwise have become void pursuant to **Condition 14** (Prescription)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter. Upon any of the Bearer Debentures which bear Talons becoming due and payable prior to the maturity date of the relevant Talon, the unmatured Talons appertaining thereto will become void for all purposes and no further Coupons will be issued in respect thereof.
- (d) A holder shall be entitled to present a Bearer Debenture or Coupon for payment only on a Presentation Date and shall not, except as provided in **Condition 4** (Interest), be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to **Condition 14** (Prescription)):

- (i) is or falls after the due date but, if the due date is not or was not a Business Day in London, is or falls after the next following such Business Day; and
- (ii) is a Business Day in the place of the specified office of the Paying Agent at which the Debenture or Coupon is presented for payment and (unless the second following paragraph applies, in the case of payment by transfer to a pounds sterling account in London as referred to above) in London.

**Business Day** means, in relation to any place, a day (not being a Saturday) on which commercial banks and foreign exchange markets settle payments in that place.

If a Bearer Debenture or Coupon is presented for payment at a time when, as a result of differences in time zones, it is not practicable to transfer the relevant amount to an account as referred to above for value on the relevant Presentation Date, the Issuer shall not be obliged so to do but shall be obliged to transfer the relevant amount to the account for value on the first practicable date after the Presentation Date.

- (e) On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further talon), subject to the provisions of **Condition 14** (Prescription). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## 5.2 Registered Debentures

Subject as provided in **Condition 6.9** and the Trust Deed, payments of principal in respect of each Registered Debenture will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Registered Debenture at the specified office of the Registrar or the Paying Agent in London by pounds sterling cheque drawn on a bank in London. Payments of interest on each Registered Debenture will be made by pounds sterling cheque drawn on a bank in London and posted on the Business Day in London immediately preceding the relevant due date to the holder (or to the first named of joint holders) of the Registered Debenture appearing on the register at the close of business on the fifteenth day before the relevant due date (the **Record Date**) at his address shown on the register on the Record Date. Payments in respect of principal and interest on Registered Debentures are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of **Condition 7** (Taxation).

## 5.3 Paying Agents and Registrar

The names of the Paying Agents and the Registrar and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent or the Registrar and to appoint additional or other Paying Agents or another Registrar, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city, which so long as the Notes are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve; and

- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent (which may be the Principal Paying Agent) in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any 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 Amortising 2035 Debentureholders promptly by the Issuer in accordance with **Condition 18** (Notices).

## 6. REDEMPTION AND PURCHASE

- 6.1 Prior to enforcement of the security in respect of the Debentures, and unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Amortising 2035 Debentures in semi-annual instalments on each Interest Payment Date in the principal amount (the **Amortisation Amount**) set out opposite each such Interest Payment Date below on such date:

<i>Interest Payment Date falling in</i>	<i>Amount (£)</i>	<i>Interest Payment Date falling in</i>	<i>Amount (£)</i>
March 2007	15.28	September 2021	7.31
September 2007	3.66	March 2022	7.49
March 2008	3.75	September 2022	7.68
September 2008	3.85	March 2023	7.87
March 2009	3.94	September 2023	8.07
September 2009	4.04	March 2024	8.27
March 2010	4.14	September 2024	8.48
September 2010	4.24	March 2025	8.69
March 2011	4.35	September 2025	8.91
September 2011	4.46	March 2026	9.13
March 2012	4.57	September 2026	9.36
September 2012	4.69	March 2027	9.60
March 2013	4.80	September 2027	9.84
September 2013	4.92	March 2028	244.83
March 2014	5.05	September 2028	5.21
September 2014	5.17	March 2029	5.34
March 2015	5.30	September 2029	5.47
September 2015	5.43	March 2030	5.61

March 2016	5.57	September 2030	5.75
September 2016	5.71	March 2031	5.89
March 2017	5.85	September 2031	6.04
September 2017	6.00	March 2032	6.19
March 2018	6.15	September 2032	6.35
September 2018	6.30	March 2033	6.50
March 2019	6.46	September 2033	6.67
September 2019	6.62	March 2034	6.83
March 2020	6.79	September 2034	7.00
September 2020	6.96	March 2035	7.18
March 2021	7.13	September 2035	397.26

The amounts shown in the table above relate to each holding of £1,000 in initial principal amount of the Amortising 2035 Debentures. The aggregate Amortisation Amount payable to an individual Amortising 2035 Debentureholder shall be calculated in respect of its entire holding of Amortising 2035 Debentures and where such holding is not an integral multiple of £1,000 there shall be a *pro rata* calculation in respect of each £1 of such holding, and the amount payable to such holder will be rounded up to the nearest penny.

The Principal Amount Outstanding of any Amortising 2035 Debenture redeemed in part pursuant to **Condition 6.2** shall be applied to reduce the remaining Amortisation Amounts payable in respect of that Amortising 2035 Debenture on a *pro rata* basis across all Amortisation Amounts then remaining to be paid. The reduced 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 Amortisation Amounts, as so rounded, is equal to the Principal Amount Outstanding of the relevant Amortising 2035 Debenture after the relevant partial redemption. Promptly after each such partial redemption the Issuer must recalculate the Amortisation Amounts remaining to be paid and notify the Trustee of the same.

6.2 The Issuer may at any time, having given not less than 30 nor more than 45 days' notice to the Amortising 2035 Debentureholders in accordance with **Condition 18** (Notices), redeem all the Amortising 2035 Debentures, or from time to time some only of the Amortising 2035 Debentures in an aggregate nominal amount of £1,000,000 (or any integral multiple thereof), at a price which shall be the higher of the following, together with interest accrued up to, but excluding, the date of redemption:

- (a) 100 per cent. of their Principal Amount Outstanding; and
- (b) that price (the **Redemption Price**), expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards) as reported to the Issuer and the Trustee by a financial adviser selected by the Issuer and approved by the Trustee at which the Gross Redemption Yield (determined by reference to the middle-market price) on the Debentures in question on the Reference Date is equal to the Redemption Rate.

- 6.3 If the Amortising 2035 Debentures shall be repayable before 24 September 2035 under the default and enforcement provisions of the Trust Deed, repayment shall be at a price equivalent to that which would have been payable had the Amortising 2035 Debentures been redeemed pursuant to **Condition 6.2**, all as more particularly provided in the Trust Deed.
- 6.4 If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political sub-division of, or any authority in or of, the United Kingdom having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 20 December 2006, on the occasion of the next payment due in respect of the Amortising 2035 Debentures, the Issuer would be required to pay additional amounts as provided or referred to in **Condition 7** (Taxation), the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Amortising 2035 Debentureholders in accordance with **Condition 18** (Notices) (which notice shall be irrevocable), redeem all, but not some only, in a case where the requirement to pay such additional amounts results solely from the deduction from payments of interest in respect of Bearer Debentures of any United Kingdom income tax required to be withheld or deducted at source, of only the Bearer Debentures and, in any other case, of the Amortising 2035 Debentures, in each case at their Principal Amount Outstanding together with interest accrued to, but excluding, the date of redemption, provided that (a) no notice of redemption shall be given earlier than 90 days before the earliest date on which the Issuer would be required to pay the additional amounts were a payment in respect of the Amortising 2035 Debentures then due and (b) no such notice may be given if the Issuer has already given a notice pursuant to **Condition 6.2**. Any notice to the Amortising 2035 Debentureholders pursuant to this **Condition 6.4** which applies only to Bearer Debentures shall also inform holders of Bearer Debentures of their right to exchange such Bearer Debentures for Registered Debentures pursuant to **Condition 24.1** (Exchange of Bearer Debentures for Registered Debentures) and the period or periods during which such exchange can take place.
- 6.5 The Issuer or any of its subsidiaries may at any time purchase Amortising 2035 Debentures (provided that, in the case of Bearer Debentures all unmatured Coupons appertaining to the Bearer Debentures are purchased with the Bearer Debentures) in any manner and at any price. If purchases are made by tender, tenders must be available to all Amortising 2035 Debentureholders alike.
- 6.6 In the case of a partial redemption of Amortising 2035 Debentures (otherwise than pursuant to **Conditions 6.1** and **6.4**), Amortising 2035 Debentures (or, as the case may be, parts of Registered Debentures) to be redeemed will be selected individually by lot in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate and fair without involving any part only of a Bearer Debenture, not more than 65 days before the date fixed for redemption. In the case of a redemption of all of the Amortising 2035 Debentures pursuant to **Condition 6.2** or all of the Bearer Debentures pursuant to **Condition 6.4**, notice will be given to the Amortising 2035 Debentureholders by the Issuer only once and in accordance with the applicable paragraph. In the case of a partial redemption pursuant to **Condition 6.2**, notice will be so given twice, first not less than 65 nor more than 80 days before the date fixed for redemption and secondly in accordance with that paragraph. Subject to the final paragraph of this **Condition 6.6**, each notice will specify the date fixed for redemption and, in the case of a partial redemption, the aggregate nominal amount of the Amortising 2035 Debentures to be redeemed, the serial numbers of the Amortising 2035 Debentures previously called (in whole or in part) for redemption and not presented for payment and the aggregate nominal amount of the Amortising 2035 Debentures which will be outstanding after the partial redemption. In addition, in the case of a partial redemption pursuant to **Condition 6.2**, the notice will specify the period during which exchanges or transfers of Amortising 2035 Debentures may not be made as provided in **Condition 26** (Restrictions on Registration and Transfer) and the second notice will specify the serial numbers of the Amortising 2035 Debentures called (in whole or, in the case of Registered Debentures, in part) for redemption.

- 6.7 All Amortising 2035 Debentures which are redeemed in whole as aforesaid will forthwith be cancelled, together, in the case of Bearer Debentures, with all relative unmatured Coupons surrendered therewith and accordingly may not be reissued or resold. All Amortising 2035 Debentures which are purchased by or on behalf of the Issuer or any of its subsidiaries may, at the option of the Issuer or such subsidiary, be held, resold or cancelled.
- 6.8 Upon the expiry of any notice as is referred to in **Condition 6.2** or **Condition 6.4**, the Issuer shall be bound to redeem the Amortising 2035 Debentures to which the notice refers at the relevant Redemption Price applicable at the date of such redemption (in the case of **Condition 6.2**) or at their Principal Amount Outstanding (in the case of **Condition 6.4**) in each case together with interest accrued to, but excluding, the redemption date.
- 6.9 (a) The provisions of this **paragraph (a)** shall apply in relation to any Registered Debentures that are to be redeemed in whole and that, on the due date for redemption of such Registered Debentures (the **Redemption Date**), are in uncertificated form. Subject as provided in **Condition 6.9(b)**, and provided that it has complied with its obligations in relation to payment of the amount due in respect of the relevant redemption pursuant to the Trust Deed, the Issuer shall send or procure that a sponsoring system-participant sends on its behalf an issuer-instruction to the Operator of the relevant system concerned requesting or requiring the cancellation or deletion of the appropriate computer-based entries in the relevant system concerned that relate to the Registered Debentures concerned (being or including entries that caused or could cause the Operator to generate an Operator-instruction to the Issuer or to a sponsoring system-participant acting on its behalf to register a transfer of the Registered Debentures concerned). If necessary to obtain the same, the Issuer or a sponsoring system-participant on its behalf shall seek, by means of the relevant system concerned (or by such other means as the Issuer shall see fit, subject always to such other means being possible, having regard to the facilities and requirements of the relevant system concerned), confirmation of such cancellation or deletion.
- (b) In relation to any Registered Debentures that are to be redeemed and that, on the Redemption Date, are (or, in the absence of this **paragraph (b)**, would or may be) in uncertificated form, the Issuer shall be entitled to determine and/or alter the procedure for effecting the redemption in such manner as it shall, in its absolute discretion, see fit, subject always to the facilities and requirements of the relevant system concerned. In particular (but without limiting the generality of the foregoing):
- (i) the issuer-instruction referred to in **paragraph (a)** of this **Condition 6.9** may be given in such form as the Issuer may from time to time determine and may have such effect, and/or cause the Operator to take such action, in relation to the relevant system and the Registered Debentures concerned as the Issuer may from time to time determine (consistent always with the facilities and requirements of the relevant system concerned and with the redemption, on the Redemption Date, of the Registered Debentures concerned); and
- (ii) if, at any relevant time prior to the Redemption Date concerned, the Issuer or any sponsoring system-participant acting on behalf of the Issuer is unable, for any reason, to send or receive properly authenticated dematerialised instructions, or alternatively if the Issuer so determines for any other reason, the Issuer may, so far as it is able having regard to the facilities and requirements of the relevant system concerned, require or request the Operator of the relevant system concerned to take the action referred to in **paragraph (a)** of this **Condition 6.9** (subject always as provided in **paragraph (i)** above) by some means other than by means of an issuer-instruction, or alternatively the Issuer may (by notice in writing to the



Debentureholder concerned, which notice may be included in the notice of redemption concerned) require the holder of the Registered Debentures concerned at the expense of the Issuer to change the form of the Registered Debentures from uncertificated to certificated form prior to the Redemption Date, in which case the other provisions of this **Condition 6** (Redemption and Purchase) shall apply in respect of the procedure for redemption of such Debentures.

- (c) Interest on the Registered Debentures due to be redeemed in whole hereunder on any date shall cease to accrue from that date unless upon either:
  - (i) the holder of such Registered Debentures demanding on or after the Redemption Date and at the place fixed for redemption, payment of the redemption moneys payable in respect thereof and tendering the certificate for such Registered Debentures and a proper receipt for such moneys duly signed and authenticated in such manner as the Issuer may reasonably require; or
  - (ii) if the Registered Debentures are in uncertificated form on the Redemption Date, receipt by the Issuer of satisfactory confirmation of cancellation or deletion of the applicable computer-based entries as referred to in **paragraph (a)** of this **Condition 6.9**, payment of the redemption moneys shall be refused.

## 7. TAXATION

7.1 All payments of interest in respect of the Registered Debentures by the Issuer will be made subject to the deduction of any United Kingdom income tax required to be withheld at source but, subject thereto, all payments in respect of the Debentures by 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**) imposed or levied by or on behalf of the United Kingdom, or any political sub-division of, or any authority in or of, the United Kingdom having power to tax, unless the withholding or deduction of the Taxes is required by law. In the event that the Issuer is required to withhold or deduct Taxes from any payment in respect of the Amortising 2035 Debentures (other than any obligation to deduct United Kingdom income tax from payments of interest in respect of the Registered Debentures), the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Amortising 2035 Debentureholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Debentures or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Amortising 2035 Debenture or Coupon:

- (a) to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of the Amortising 2035 Debenture or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Amortising 2035 Debenture or Coupon; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days, assuming that day to have been a Presentation Date.

7.2 In this **Condition 7** (Taxation), **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of

the money having been so received, notice to that effect shall have been duly given to the Amortising 2035 Debentureholders by the Issuer in accordance with **Condition 18** (Notices).

- 7.3 Any reference in these Conditions to any amounts in respect of the Amortising 2035 Debentures shall be deemed also to refer to any additional amounts which may be payable under this **Condition 7** or under any undertakings given in addition to, or in substitution for, this **Condition 7** pursuant to the Trust Deed.

## **8. SUBSTITUTION OF SECURITY**

- 8.1 A Charging Company may (if it is a subsidiary or a subsidiary undertaking, with the consent of the Issuer) withdraw all or any part of the Mortgaged Properties charged by it upon any Charging Company (if it is a subsidiary or a subsidiary undertaking, with the consent of the Issuer), the Issuer or any other Eligible Subsidiary (with the consent of the Issuer) charging specifically in favour of the Trustee and to its satisfaction other eligible property and/or short gilts and/or charging or paying moneys to or in favour of the Trustee and to its satisfaction in each case as part of the Mortgaged Properties or partly in one way and partly in the other provided that the Trustee shall be satisfied at the time of such substitution that:

- (a) the value of the eligible property and/or short gilts and/or moneys being substituted is at least equal to the value of the Mortgaged Properties or part thereof being withdrawn; and
- (b) either (i) following such substitution, the net annual income from the Mortgaged Properties would be not less than the gross annual interest on the Debentures or (ii) the net annual income from the eligible property and/or short gilts and/or moneys to be substituted is at least equal to the net annual income from the Mortgaged Properties or part thereof being withdrawn.

- 8.2 Any excess in the value of the eligible property and/or short gilts and/or moneys substituted and/or the net annual income therefrom over the value of or the net annual income from the Mortgaged Properties or part thereof being withdrawn shall (if the Issuer so requests) be taken into account in any subsequent substitution prior to the next valuation made under **Condition 9** (Valuation of Security and Withdrawals).

## **9. VALUATION OF SECURITY AND WITHDRAWALS**

- 9.1 (a) The Issuer shall, not earlier than the day next following the last day of each financial year of the Issuer, commencing with the financial year ending 31 March 2007, and not later than the thirtieth day after the date of publication of the audited financial statements in respect of each such financial year or, if earlier, the day which falls six calendar months after the last day of each such financial year, deliver to the Trustee a valuation of, and a report by the Auditors on the net annual income from, the Mortgaged Properties as at the last day of such financial year and, if the Issuer shall fail to provide such a valuation or report, the Trustee shall have the right but not the obligation as soon as reasonably practicable on behalf of the Issuer to instruct the Valuers or the Auditors (as the case may be) to provide the same promptly at the expense of the Issuer, provided that only one such valuation and report shall be required to be made under this **Condition 9.1(a)** in any financial year of the Issuer (whether made at the instance of the Issuer or the Trustee); and
- (b) the Issuer may:
- (i) for the purposes of an issue of Further Bonds as referred to in **Condition 22** (Further Issues) at any time; and

- (ii) at its option, not earlier than the day next following the expiry of six months after the last day of each financial year of the Issuer, commencing with the financial year ended 31 March 2006, and not later than the last day of its then current financial year,

deliver to the Trustee a valuation of, and a report by the Auditors on the net annual income from, the Mortgaged Properties, in the case of **paragraph (ii)** above as at a specified day during such period.

9.2 If, as shown by any such valuation and report or the Valuation Report, both (a) the aggregate value of the Mortgaged Properties shall be in excess of one and two-thirds times the aggregate nominal amount of the Debentures outstanding (or, in the case of the Amortising 2035 Debentures, their then Principal Amount Outstanding) on the date as at which such valuation was made (the **valuation date**) together with any fixed or minimum premiums payable on final redemption and (b) the net annual income therefrom on the valuation date is not less than the gross annual interest on the Debentures outstanding on such date, any Charging Company may (if it is a subsidiary or a subsidiary undertaking, with the consent of the Issuer) within six months (or such longer period as the Trustee may agree) after the valuation date and prior to the next valuation made under this **Condition 9** (Valuation of Security and Withdrawals)) withdraw eligible property and/or short gilts and/or moneys from the Mortgaged Properties without substituting therefor other eligible property or short gilts or moneys, provided that the Mortgaged Properties remaining immediately after such withdrawal shall have a value as shown by such valuation (or by a valuation as at such later date as the Trustee and the Issuer may agree) of not less than one and two-thirds times such aggregate nominal amount of the Debentures (or, in the case of the Amortising 2035 Debentures, their then Principal Amount Outstanding) together with any fixed or minimum premiums payable on final redemption and the net annual income therefrom on the valuation date (or on such later date as the Issuer and the Trustee may agree) is not less than the gross annual interest on the Debentures outstanding on such date.

9.3 (a) If the aggregate value of the Mortgaged Properties as shown by any such valuation shall be less than one and one-half times (or, after the occurrence of a Change of Control Event, one and two-thirds times) the aggregate nominal amount of the Debentures outstanding (or, in the case of the Amortising 2035 Debentures, their then Principal Amount Outstanding) on the relevant valuation date together with any fixed or minimum premiums payable on final redemption, such deficiency shall within three months after the delivery of such valuation be made good by any Charging Company (if it is a subsidiary or a subsidiary undertaking, with the consent of the Issuer), the Issuer or any other Eligible Subsidiary (with the consent of the Issuer) charging specifically in favour of the Trustee and to its satisfaction other eligible property and/or short gilts and/or charging or paying moneys to or in favour of the Trustee and to its satisfaction in each case as part of the Mortgaged Properties with a value as shown by a valuation as at such valuation date (or as at such later date as the Trustee and the Issuer may agree) not less than the amount of such deficiency or partly in one way and partly in the other.

(b) If the net annual income from the Mortgaged Properties as shown by any such report shall be less than the gross annual interest on the Debentures outstanding on the relevant valuation date, such deficiency shall within three months after the delivery of such report be made good by any Charging Company (if it is a subsidiary or a subsidiary undertaking, with the consent of the Issuer), the Issuer or any other Eligible Subsidiary (with the consent of the Issuer) charging specifically in favour of the Trustee and to its satisfaction other eligible property and/or short gilts and/or charging or paying moneys to or in favour of the Trustee and to its satisfaction in each case as part of the Mortgaged Properties so as to produce

immediately after such charge and/or payment net annual income sufficient to make up such deficiency.

- 9.4 If, pursuant to **Condition 6** (Redemption and Purchase) (other than **Condition 6.1**), the Issuer shall redeem any of the Debentures or the Issuer or any subsidiary of the Issuer shall purchase any of the Debentures and in each case such Debentures shall have been cancelled, any Charging Company may (if it is an Eligible Subsidiary, with the consent of the Issuer) within three months (or such longer period as the Trustee may agree) after the date of such redemption or purchase and cancellation and prior to the next valuation made under this **Condition 9** (Valuation of Security and Withdrawals) withdraw eligible property and/or short gilts and/or moneys from the Mortgaged Properties without substituting therefor other eligible property or short gilts or moneys provided that both the value of the Mortgaged Properties remaining immediately after such withdrawal and the net annual income therefrom, as shown by the latest valuation and report respectively made under this **Condition 9** (Valuation of Security and Withdrawals) (or by a valuation and/or report respectively at such later date as the Trustee and the Issuer may agree), bear at least the same ratios to the nominal amount of the Debentures remaining outstanding (or, in the case of the Amortising 2035 Debentures, their then Principal Amount Outstanding) immediately after such withdrawal together with any fixed or minimum premiums payable on final redemption and the gross annual interest thereon respectively as those of the value of the Mortgaged Properties and the net annual income therefrom (in each case as shown as aforesaid) to the nominal amount of the Debentures outstanding immediately prior to such redemption or purchase and cancellation together with any fixed or minimum premiums payable on final redemption and the gross annual interest thereon respectively. The provisions of this **Condition 9.4** are without prejudice to the provisions of **Conditions 9.2** and **9.3**.

## 10. NOTICE TO DEBENTUREHOLDERS OF CHANGE IN, VALUE OF, AND INCOME FROM, SECURITY

The Issuer will give notice in accordance with **Condition 18** (Notices):

- (a) concurrently with the despatch each year to the holders of Registered Debentures of copies of the Issuer's annual report and accounts:
- (i) to the holders of Registered Debentures of the aggregate value of, and the net annual income from, the Mortgaged Properties as shown in each valuation and report made pursuant to **Condition 9.1** together with a list of all withdrawals from, substitutions to, and additions to, the Mortgaged Properties (including the identity, description, age and tenure (but not the value) thereof) since the previous notice pursuant to this **paragraph (i)** or, if none, since 31 March 2006; and
  - (ii) to the holders of Bearer Debentures (A) where notice is given through Euroclear and/or Clearstream Luxembourg in accordance with **Condition 18** (Notices), of the information in **paragraph (i)** and that copies of such report and accounts are available for collection from the specified office of each of the Paying Agents; or (B) if all the Bearer Debentures are no longer represented by a Global Debenture or the Global Debentures or as otherwise provided in **Condition 18** (Notices), that copies of the notice given to the holders of Registered Debentures, together with copies of such report and accounts, are available for collection from the specified office of each of the Paying Agents; and
- (b) within two months of the date of any withdrawal and/or substitution of any part of, or other change in, the Mortgaged Properties as described in **Conditions 8** (Substitution of Security) and **9** (Valuation of Security and Withdrawals) or resulting from any dealing referred to in **Condition 11** (Leasing and Other Dealings) which either alone or when aggregated with any

other such withdrawal and/or substitution or other change not previously the subject of such a notice comprises 15% or more of the aggregate value of the Mortgaged Properties:

- (i) to the holders of Registered Debentures specifying the identity, description, age and tenure (but not the value) of the security withdrawn and, where applicable, the security charged in substitution therefor, and
- (ii) to the holders of Bearer Debentures (A) where notice is given through Euroclear and/or Clearstream Luxembourg in accordance with **Condition 18** (Notices), of the information in **paragraph (i)** above; or (B) if all the Bearer Debentures are no longer represented by a Global Debenture or the Global Debentures or as otherwise provided in **Condition 18** (Notices), that copies of the notice given to the holders of Registered Debentures are available for collection from the specified office of each of the Paying Agents.

The Issuer will furnish to any Amortising 2035 Debentureholder on request copies of all notices sent under **paragraphs (a) and (b)** above.

## **11. LEASING AND OTHER DEALINGS**

- 11.1 Any Charging Company will be entitled without the consent of the Trustee to grant or agree to grant, and accept or agree to accept surrenders of, leases or tenancies of the properties comprised in the Mortgaged Properties on terms which would enable an opinion of two directors of the Issuer to be given in respect of the grant or agreement to grant or surrender or agreement to surrender that, at the time of such dealing, such dealing is expedient and, on the basis of the latest valuation and report on net annual income, will not result in either the capital or income covers referred to in **Condition 9.3** ceasing thereafter to be maintained.
- 11.2 In addition, the Trust Deed provides that the Trustee shall be deemed to concur with the Issuer and/or any Charging Company and shall take such action as is necessary to concur in other dealings with the Mortgaged Properties or any part thereof for which the concurrence of the Trustee is required as a matter of law or by virtue of the provisions of the Trust Deed, in each case in circumstances where an opinion of two Directors of the Issuer as described above can properly be given with regard thereto.

## **12. INSURANCE**

- 12.1 The Trust Deed contains covenants by the Issuer and the Charging Companies for insurance against usual risks subject to (a) such insurance being generally available in the market place, (b) the cost thereof not being so great that it would not be reasonable to expect such insurance to be taken out, and (c) such exceptions, conditions and limitations as shall at the relevant time be commonly imposed by insurers in agreeing to such insurance and otherwise in accordance with insurance arrangements presently in effect in relation to the Group.
- 12.2 Subject to the Trust Deed, moneys payable in respect of any claim for less than £500,000 shall be released to any relevant Charging Company and accordingly shall no longer form part of the Mortgaged Properties.

## **13. RESTRICTIONS**

- 13.1 Without the consent of the Trustee, such consent not to be unreasonably withheld:
  - (a) no part of the equity of redemption of the Mortgaged Properties shall be disposed of except to a Charging Company, or except by way of charge; and

- (b) the Issuer shall not permit (i) any wholly-owned subsidiary which is for the time being a Charging Company to cease to be a wholly-owned subsidiary of the Issuer or (ii) any subsidiary or any subsidiary undertaking which is for the time being a Charging Company to cease to be a subsidiary or a subsidiary undertaking, as the case may be, of the Issuer.

13.2 The Trust Deed provides that if any Charging Company shall create any security which under present law (as from time to time amended, extended or re-enacted) would give the right to any party to appoint a receiver or manager who would be an administrative receiver of any part of the Mortgaged Properties, then security shall at the same time be granted to the Trustee (to its reasonable satisfaction) on behalf of the Debentureholders and Couponholders which shall grant to the Trustee the right also to appoint an administrative receiver in respect of the relevant Charging Company. The Trust Deed provides that any such security granted to the Trustee shall not have any right as to priority, whether in respect of security granted prior thereto or subsequently.

13.3 The Trust Deed also provides that in the event of a change in law, and a Charging Company having granted or granting security which security, if enforced, would, in the opinion of the Trustee, prevent the making of an administration order and give rise to a right to sell the Mortgaged Properties or any part thereof free of any security constituted by the Trust Deed which right is similar to that at present accorded to an administrative receiver, then security shall at the same time or, where the relevant security has been granted prior to the change in the law, as soon as practicable thereafter, be granted by the relevant Charging Company to the Trustee (to its reasonable satisfaction) on behalf of the Debentureholders and Couponholders which shall give to the Trustee the right, if the security were enforced, to prevent the making of an administration order. The Trust Deed provides that any such security granted to the Trustee shall not have any right as to priority, whether in respect of security granted prior thereto or subsequently.

#### 14. PRESCRIPTION

14.1 Bearer Debentures and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Bearer Debentures or, as the case may be, the Coupons, subject to the provisions of **Condition 5** (Payments and Exchange of Talons). There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this **Condition 14** or **Condition 5** (Payments and Exchange of Talons).

14.2 Any interest or other sum payable on any Registered Debentures unclaimed after a period of ten years from the Relevant Date for payment thereof shall be forfeited and shall revert to the Issuer and the payment by the Directors of the Issuer of any unclaimed interest or other sum payable on or in respect of a Registered Debenture into a separate account shall not constitute the Issuer a trustee in respect of it.

#### 15. EVENTS ON WHICH SECURITY BECOMES ENFORCEABLE

The security constituted by or pursuant to the Trust Deed shall (subject as therein provided) become immediately enforceable in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal moneys or interest due in respect of any of the Debentures or the Coupons and such default continues for a period of 14 days; or
- (b) if the Issuer or any Charging Company fails to perform or observe any of its obligations under the Trust Deed or these Conditions and (except where the Trustee considers such failure to be incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) such failure continues for a period of 30 days (or such longer

period as the Trustee may permit) next following the service by the Trustee on the Issuer or, as the case may be, the relevant Charging Company of notice requiring the same to be remedied; or

- (c) if any loan capital or indebtedness for borrowed money of the Issuer or any Charging Company shall be or become due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default (however described) in relation thereto or if the Issuer or any Charging Company defaults in the repayment of any such loan capital or indebtedness at the maturity thereof or at the expiry of any originally applicable grace period, or if any guarantee or indemnity or other like obligation in respect of redemption of any share capital of any body corporate or the principal amount of any indebtedness of any person given by the Issuer or any Charging Company shall not be paid when due and called upon or at the expiry of any originally applicable grace period save in any such case where there is a *bona fide* dispute as to whether payment or repayment is due and payable provided that no such event as aforesaid shall constitute an event upon the occurrence of which the security shall become immediately enforceable unless the loan capital, indebtedness or other liability relative thereto either alone or when aggregated with other loan capital, indebtedness and/or other liabilities relative to all (if any) other such events which shall have occurred shall amount to at least £10,000,000 (or its equivalent in any other currency or currencies); or
- (d) if the Issuer or any Charging Company becomes unable to pay its debts as they fall due or the value of the Issuer's or any Charging Company's assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities and any surplus over book value (as certified by the Valuers) but excluding for the latter purpose any liabilities of a Charging Company owed only to another member of the Group); or
- (e) if the Issuer or any Charging Company suspends making payments generally or announces an intention to do so, save for the purposes of reorganisation on terms approved in writing by the Trustee; or
- (f) if the Issuer and/or any Charging Company shall cease or threaten to cease to carry on its business where the same either alone or when aggregated with other such cessations or threatened cessations comprises the major part of the business of the Group taken as a whole, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Debentureholders or in connection with (i) the transfer of all or a substantial part of the business, undertaking and assets of the relevant company, or the distribution of the proceeds of sale thereof, in each case to the Issuer or another subsidiary of the Issuer or (ii) any other reorganisation not involving any transfer of assets outside the Group; or
- (g) if an application for an administration order is made to the court, or documents are filed with the court for the appointment of an administrator, in relation to the Issuer or any Charging Company or an administration order is made in respect of the Issuer or a Charging Company; or
- (h) if any kind of composition, scheme of arrangement, compromise or similar arrangement involving the Issuer or any Charging Company and their respective creditors generally (or any class of them) is entered into save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Debentureholders; or
- (i) if any Receiver (as defined in the Trust Deed) or other encumbrancer of the whole or any material part of the respective assets of the Issuer or any Charging Company is appointed or

any charge or other security is enforced over any such part of the Issuer's or any Charging Company's assets or any attachment, sequestration, distress, diligence or execution against any such part of the assets of the Issuer or any Charging Company is levied or enforced and in any such case is not discharged within 14 days or such longer period as the Trustee may agree; or

- (j) if any order is made or effective resolution passed for the Issuer's or any Charging Company's winding up or dissolution save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Debentureholders and save, in the case of a Charging Company, for a winding up which (i) is a member's solvent winding up, or (ii), in circumstances where such Charging Company does not have creditors who are not members of the Group, is any type of winding up,

provided, in the case of any such Event of Default (other than those described in **paragraph (a)** and (in the case of a winding up or dissolution of the Issuer) **paragraph (j)** above), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Debentureholders. Upon enforcement of the security, the Debentures shall become immediately due and repayable.

## **16. ENFORCEMENT**

- 16.1 Subject as provided in the Trust Deed, at any time after the security thereby constituted shall have become enforceable, the Trustee may at its discretion (without any such request as next hereinafter mentioned), and shall (subject as aforesaid) at the direction of the Debentureholders acting by Extraordinary Resolution (as provided in **Condition 19** (Meetings of Debentureholders, Modification, Waiver and Authorisation)) or upon the request in writing of the holders of not less than one-fifth in nominal amount of the Debentures for the time being outstanding, subject in each case to being indemnified and/or secured to its satisfaction, (but in any case without any further consent of, or demand upon, the Issuer or any of the Charging Companies) take action to enforce the security thereby constituted.
- 16.2 No Debentureholder or Couponholder shall be entitled to proceed directly against the Issuer or any Charging Company unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **17. REPLACEMENT OF DEBENTURES AND COUPONS**

Should any Amortising 2035 Debenture or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, in the case of a Bearer Debenture or Coupon, or the Registrar, in the case of a certificated Registered Debenture, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Amortising 2035 Debentures or Coupons must be surrendered before replacements will be issued.

## **18. NOTICES**

- 18.1 For so long as all the Bearer Debentures are represented by one or both of the relevant Global Debentures and such Global Debenture(s) is/are held on behalf of Euroclear and/or Clearstream Luxembourg, notices to holders of Bearer Debentures will be valid if given by delivery of the relevant notice to Euroclear and/or Clearstream Luxembourg (as the case may be) for communication to the relative holders of interests in the relative Global Debenture(s) rather than as otherwise provided in this **Condition 18** (Notices). Any such notice shall be deemed to have been given to the holders of Bearer Debentures on the day on which such notice is delivered to Euroclear and/or Clearstream Luxembourg (as the case may be) as aforesaid. The Issuer has covenanted in the



Trust Deed that, save as provided therein, for so long as all the Bearer Debentures are so represented, notices will be given in this manner.

- 18.2 Subject to **Condition 18.1**, all notices to the holders of Bearer Debentures will be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. Any such notice shall be deemed to have been given on the date of publication or, if so published more than once, on the date of first publication. Subject as aforesaid, it is expected that publication will normally be made in the *Financial Times*. If publication as provided above is not practicable, such notices will be given in such other manner, and shall be deemed to have been given on such dates, as the Trustee may approve, provided that notice of such other manner is given to the Bearer Debentureholders in such manner as the Trustee shall require.
- 18.3 All notices to the holders of Registered Debentures shall be given in writing and shall be valid if mailed to the holders of Registered Debentures at their respective addresses set out in the Register as at the date of such mailing or if given in such other manner as may be approved by the Trustee for this purpose, provided that notice of such other manner is given to the Registered Debentureholders in such manner as the Trustee shall require. If at any time by reason of the suspension or curtailment of postal services within the United Kingdom (or any other country in which the Register may be kept from time to time) the Issuer is unable effectively to give notice to holders of Registered Debentures through the post, notices to holders of Registered Debentures will be valid if given in the same manner as notices to the holders of Bearer Debentures. Any such notice will be deemed to have been given on the date of mailing or if given in some other manner, on such date as the Trustee may approve.

## **19. MEETINGS OF DEBENTUREHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION**

- 19.1 The Trust Deed contains provisions for convening meetings of the Debentureholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in nominal amount of the Debentures for the time being outstanding, or at any adjourned meeting one or more persons present whatever the nominal amount of the Debentures held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of these Conditions and certain of the provisions of the Trust Deed (as further provided in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the nominal amount of the Debentures for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Debentureholders will be binding on all Debentureholders, whether or not they are present at the meeting, and on all Couponholders. The Trust Deed provides that, except in certain limited circumstances, any matter to be considered by, or resolved at, any meeting of the Debentureholders will not require to be considered or resolved at separate meetings of the holders of the Existing 2011 Debentures, the Existing 2020 Debentures, the Existing 2028 Debentures, the Existing 2035 Debentures, the New 2028 Debentures and the New 2035 Debentures, respectively, and that at any meeting of the Debentureholders the same voting rights will attach to each Series of the Debentures. Each Debentureholder will have one vote for each £1 of nominal amount held by him. The Trust Deed also provides that, where the Trustee is directed or requested to enforce the security or accelerate the Debentures in accordance with the relevant provisions of the Trust Deed or these Conditions (which direction or request must be given by the Debentureholders as a single class) the Trustee shall be required (subject to being indemnified and/or secured to its satisfaction) to act or refrain from acting

in accordance with such direction or request without regard to the interests of, or any separate direction or request of, the holders of any individual Series of Debentures.

- 19.2 The Trustee may agree, without the consent of the Debentureholders or Couponholders, to any modification (subject to certain exceptions specified in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Debentureholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, to the satisfaction of the Trustee, proven.
- 19.3 In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver or authorisation), the Trustee shall have regard to the interests of the Amortising 2035 Debentures separately in accordance with the terms of the Trust Deed and shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Amortising 2035 Debentureholders or Couponholders, in particular but without limitation, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Amortising 2035 Debentureholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Amortising 2035 Debentureholders or Couponholders except to the extent already provided for in **Condition 7** (Taxation) and/or any undertaking given in addition to, or in substitution for, **Condition 7** (Taxation) pursuant to the Trust Deed.
- 19.4 Any modification, waiver or authorisation shall be binding on the Debentureholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Debentureholders as soon as practicable thereafter in accordance with **Condition 18** (Notices).

## **20. CONTRACTS WITH AND INDEMNIFICATION OF THE TRUSTEE**

Notwithstanding its fiduciary position, the Trustee is entitled to enter into contracts or any other transactions with the Issuer, any subsidiary or holding company of the Issuer, any Charging Company or any subsidiary or holding company of any Charging Company or in connection with any part of the Mortgaged Properties and such transactions may include purchases by the Trustee of any part of the Mortgaged Properties and other dealings therewith and the Trustee may exercise its discretion as Trustee with regard thereto notwithstanding its interest. The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

## **21. SUBSTITUTION**

- 21.1 The Trustee may agree, without the consent of the Debentureholders or Couponholders, to the substitution of any successor in business to the Issuer or of a subsidiary or of a Holding Company either of the Issuer or any successor in business to the Issuer in place of the Issuer (or of any previous substitute under this **Condition 21**) as principal debtor under these Conditions, the Trust Deed, the Debentures and the Coupons, subject to:
- (a) in the case of a subsidiary either of the Issuer or of any successor in business to the Issuer, the obligations of such subsidiary in respect of these Conditions, the Trust Deed, the Debentures and the Coupons being unconditionally and irrevocably guaranteed by the Issuer or such successor in business in a form satisfactory to the Trustee;

- (b) the Trustee being satisfied that the obligations of the substitute are secured by the Mortgaged Properties; and
- (c) certain other conditions set out in the Trust Deed being complied with.

21.2 Any such substitution shall be binding on the Debentureholders and the Couponholders and shall be notified by the substitute to the Debentureholders as soon as practicable thereafter in accordance with **Condition 18** (Notices).

## **22. FURTHER ISSUES**

22.1 The Issuer is at liberty from time to time without the consent of the Debentureholders or Couponholders to create and issue further first mortgage debenture bonds or notes (whether in bearer or registered form) (being Further Bonds) ranking *pari passu* in point of security with the Debentures and carrying such rights and on such terms (without limitation) as the Directors of the Issuer may at the time of issue thereof determine including Further Bonds carrying the same rights in all respects as the Amortising 2035 Debentures and forming a single series therewith, provided that no Further Bonds (including Further Bonds carrying the same rights in all respects as the Amortising 2035 Debentures and forming a single series therewith) may be created or issued unless the Trustee is satisfied that immediately thereafter (a) the aggregate value of the Mortgaged Properties will be not less than one and two-thirds times the aggregate nominal amount of the Debentures and all Further Bonds then outstanding together with any fixed or minimum premiums payable on final redemption and (b) the net annual income from the Mortgaged Properties will be not less than the gross annual interest on the Debentures and all Further Bonds then outstanding.

22.2 Any Further Bonds shall be constituted by a deed in favour of the Trustee expressed to be supplemental to the Trust Deed.

22.3 Upon any issue of Further Bonds being duly constituted in accordance with the provisions of the Trust Deed, the Further Bonds so constituted and all Further Bonds constituted by any supplemental deed previously executed and the Debentures and premiums (if any) and the interest thereon shall thenceforth rank *pari passu* in point of security and shall be equally and rateably secured by and upon the Mortgaged Properties.

22.4 Any Further Bonds which after their issue come to carry the same rights (save, for the avoidance of doubt, in respect of the period for, and amount of, the first payment of interest) in all respects as the Amortising 2035 Debentures or any series of Further Bonds shall at the time they do so be consolidated and form a single series with the Amortising 2035 Debentures or such series of Further Bonds and any other Further Bonds forming a single series therewith.

## 23. REGISTER

The Issuer will cause to be kept at the specified office of the Registrar for the time being a register (the **Register**) in which shall be entered the names and addresses of the allottees of the Registered Debentures and of the persons exchanging Bearer Debentures for Registered Debentures in accordance with **Condition 24** (Exchange of Bearer Debentures and Registered Debentures) or, as the case may be, of the latest transferees of Registered Debentures in accordance with **Condition 25** (Transfer of Registered Debentures), together with the particulars of the Registered Debentures held by them respectively and of all exchanges of Registered Debentures for Bearer Debentures in accordance with **Condition 24** (Exchange of Bearer Debentures and Registered Debentures), all subject to the provisions of the Trust Deed.

## 24. EXCHANGE OF BEARER DEBENTURES AND REGISTERED DEBENTURES

### 24.1 Exchange of Bearer Debentures for Registered Debentures

- (a) The holder of a Bearer Debenture shall be entitled to exchange the same for a Registered Debenture of the same nominal amount, subject to and in accordance with the following provisions and the provisions of the Agency Agreement. In order to exchange the Bearer Debenture for a Registered Debenture, the holder thereof shall surrender the relevant Bearer Debenture at the specified office of any Paying Agent together with a duly completed and signed request for exchange in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Registration Request**).

Each Bearer Debenture so surrendered must be accompanied by all unmatured Coupons appertaining thereto (which expression, for the avoidance of doubt, shall include, where relevant, Coupons to be issued on exchange of matured Talons). Bearer Debentures and Registration Requests may not be surrendered during the period from, and including, the Record Date in respect of any Interest Payment Date and ending on such Interest Payment Date. Interest on a Registered Debenture issued on exchange will accrue, and interest on the corresponding Bearer Debenture(s) surrendered for exchange will cease to accrue, as from the Interest Payment Date immediately preceding the date of surrender or, if none, as from the Closing Date.

- (b) The holder shall receive only one Registered Debenture for all of the Bearer Debentures which are the subject of a single Registration Request.
- (c) The Registrar will, within seven business days of surrender as aforesaid, deliver the Registered Debenture to the new registered holder at the specified office of the Registrar or (at the risk and, if mailed at the request of the holder otherwise than by ordinary uninsured mail, at the expense of the holder) mail the Registered Debenture to such address, other than an address in the United States, as may be specified by the holder in his Registration Request.

### 24.2 Exchange of Registered Debentures for Bearer Debentures

- (a) The holder of a Registered Debenture shall be entitled to exchange the same in whole or in part for a Bearer Debenture or Bearer Debentures of the same nominal amount as the Registered Debenture or part thereof exchanged, subject to and in accordance with the following provisions and the provisions of the Agency Agreement, provided that a Registered Debenture may only be exchanged for a Bearer Debenture or Bearer Debentures where the nominal amount of the Registered Debenture or part thereof exchanged is £1,000 or an integral multiple thereof (the total nominal amount of all Registered Debentures or parts thereof which are the subject of a single request for exchange by the holder being aggregated for this purpose).

- (b) A Registered Debenture may be exchanged (in whole or in part) for a Bearer Debenture or Bearer Debentures, by the holder thereof surrendering the relevant Registered Debenture at the specified office of the Registrar, together with a duly completed and signed request for exchange in the form (for the time being current) obtainable from the specified office of the Registrar (a **Bearer Request**). Registered Debentures and Bearer Requests may not be surrendered during either (i) the period from, and including, the Record Date in respect of any Interest Payment Date and ending on such Interest Payment Date or (ii) on or after the date on which the Issuer validly gives notice to the Debentureholders of its intention to redeem Bearer Debentures pursuant to **Condition 6.4**.
- (c) The Paying Agent in London will, within seven business days of surrender as aforesaid, deliver the Bearer Debenture or Bearer Debentures requested together with all Coupons in respect of all interest payments falling due after the date of surrender and, where applicable, one Talon and, in the case of exchange of part only of a Registered Debenture for a Bearer Debenture or Bearer Debentures, a Registered Debenture for the balance after such exchange, in each such case to the holder at the specified office of the Paying Agent in London or (at the risk and, if mailed at the request of the holder otherwise than by ordinary uninsured mail, at the expense of the holder) mail the Bearer Debenture or Bearer Debentures together with all such Coupons and any such Registered Debenture to such address, other than an address in the United States, as may be specified by the holder in his Bearer Request. Interest on a Bearer Debenture issued on exchange will accrue, and interest on the corresponding Registered Debenture surrendered for exchange will cease to accrue, as from the Interest Payment Date immediately preceding the date of surrender or, if none, as from the Closing Date.

### 24.3 Costs

The exchange of Debentures in accordance with this **Condition 24** (Exchange of Bearer Debentures and Registered Debentures) shall be effected without service charge to the holder but upon payment by the holder of any taxes, duties and other governmental charges in respect of such exchange.

## 25. TRANSFER OF REGISTERED DEBENTURES

- 25.1 A Registered Debenture may, subject to the provisions of the Agency Agreement and the Trust Deed, be transferred in whole or in part (such part comprising £1 in nominal amount or any integral multiple thereof) by the registered holder by delivery to the specified office of the Registrar of the relevant Registered Debenture together with the form of transfer endorsed on the Registered Debenture duly completed and signed by or on behalf of the transferor and upon compliance with such reasonable requirements as the Issuer and the Registrar may (with the prior approval of the Trustee) prescribe, without service charge to the holder but upon payment by the holder of any taxes, duties and other governmental charges.
- 25.2 Subject to the provisions of the Trust Deed, no transfer of a Registered Debenture shall be valid unless and until entered on the Register. A Registered Debenture may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number) and the Registrar will not accept a transfer of a Registered Debenture to "bearer".
- 25.3 The Registrar will, subject to the Trust Deed, within seven business days of any duly made request for the transfer of a Registered Debenture, authenticate and deliver a new Registered Debenture to the transferee (and in the case of a transfer of part only of a Registered Debenture authenticate and deliver a new Registered Debenture for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as appropriate, the transferor otherwise than by ordinary uninsured mail, at the expense of the transferee or, as appropriate, the transferor) mail the new Registered Debenture to such address, other than an address in the United States, as the transferee (or, as appropriate, the transferor) may request.

**26. RESTRICTIONS ON REGISTRATION AND TRANSFER**

In the event of a partial redemption of Debentures under **Condition 6.1** or **6.2**, the Issuer shall not be required:

- (a) to register the transfer of Registered Debentures (or parts of Registered Debentures) or to exchange Bearer Debentures for Registered Debentures or to exchange Registered Debentures for Bearer Debentures during the period beginning on the fiftieth day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Debentures called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Registered Debenture, or part of a Registered Debenture called for partial redemption; or
- (c) to exchange any Debenture called for redemption.

**27. RETIREMENT AND REMOVAL OF THE TRUSTEE**

The Trustee is entitled to retire at any time and may be removed by the Debentureholders by Extraordinary Resolution. The statutory power of appointing a new trustee will be vested in the Issuer but, before being appointed, a new trustee must be approved by an Extraordinary Resolution of the Debentureholders. The retirement or removal of the Trustee shall not become effective until a successor is appointed in respect of the Debentures of each Series.

**28. THIRD PARTY RIGHTS**

No person has any right to enforce any term or condition of the Debentures under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**29. GOVERNING LAW**

The Trust Deed, the Amortising 2035 Debentures, the Coupons and the Agency Agreement are governed by, and will be construed in accordance with, English law.

## DESCRIPTION OF THE ISSUER

The legal and commercial name of the Issuer is The British Land Company PLC. The Issuer was registered and incorporated in England and Wales on 26 February 1959 under registration number 621920 and operates under the Companies Act 1985 as a public limited company. The Issuer's registered office is located at 10 Cornwall Terrace, Regent's Park, London NW1 4QP and its telephone number is +44 (0)20 7486 4466.

The Issuer is the parent company of the Group. As the parent company of the Group, the Issuer is in part dependent on receiving dividends and revenues from its subsidiaries.

### Activities of the Group

The Issuer is a property investment company based in London and listed on the London Stock Exchange. The Group invests in prime, modern properties. The portfolio is valued at £15.9 billion: the majority is directly owned and managed; the balance is held in joint ventures, partnerships and unit trusts. The portfolio is focused on retail 62% and offices 35%. 76% of the retail is out of town and 97% of the offices are in central London.

The Group focuses on areas of competitive advantage. There is a bias towards high quality assets and long lease profiles complemented by an efficient capital structure. (All figures are as at 30 September 2006.)

The activities of the Group, its principal properties and its management are more fully described on its website at [www.britishland.com](http://www.britishland.com).

### Directors and Senior Management of the Issuer

The directors of The British Land Company PLC, their position and principal activities outside the Group, where those are significant, are as follows:

#### Board of Directors

<i>Name</i>	<i>Position</i>	<i>Outside Directorships/Activities</i>
Sir John Ritblat	Chairman	Non-Executive Chairman, Colliers CRE PLC Chairman, Board of Governors of the London Business School Chairman, Board of Trustees of The Wallace Collection
Dr Christopher Gibson-Smith	Deputy Chairman	Deputy Chairman, Royal Academy of Music Chairman, London Stock Exchange Trustee, London Business School and Arts and Business
Stephen Hester	Chief Executive	Director, Qatar Financial Centre Authority Trustee, The Royal Botanic Gardens and Kew Foundation
Robert Bowden	Property Investment Director	
Graham Roberts	Finance Director	
Michael Cassidy	Non-Executive director	Practising solicitor and consultant, DLA Piper Chairman, Trinity Capital PLC President, London Chamber of Commerce and Industry Chairman, Museum of London

Robert Swannell	Non-Executive director	Vice-Chairman, Citigroup Europe Member, Industrial Development Advisory Board of the Department of Trade and Industry
Sir David Michels	Non-Executive director	Non-executive director, EasyJet PLC Non-executive director, Marks and Spencer Group PLC President, Hilton in the Community Foundation Trustee, Anne Frank Trust Chairman, British Hospitality Association
Kate Swann	Non-Executive director	Chief Executive, WH Smith PLC Non-executive director, Lambert Howarth Group PLC
Lord Turnbull	Non-Executive director	Non-executive director, Prudential PLC Non-executive director, Frontier Economics Ltd Non-executive director, Arup Group Ltd Part-time adviser to Booz Allen Hamilton
Andrew Jones	Co-Head of Asset Management	
Tim Roberts	Co-Head of Asset Management	

The business address of the directors is c/o The British Land Company PLC, 10 Cornwall Terrace, Regent's Park, London NW1 4QP. There are no potential conflicts of interest between the duties to the Issuer of the directors and their private interests and/or other duties.

### **Investments**

Since 31 March 2006, the Group has acquired properties for an approximate consideration of £830 million.

Commercial investments to be made under the development programme include York Building, 51 Lime Street, Coleman Street, Basinghall Street, Ludgate West, 201 Bishopsgate and The Broadgate Tower, Ropemaker Place and Osnaburgh Street, with a total cost of some £1.161 billion. This amount will be met from cash resources of the Group or from borrowings.

### **Audit Committee**

The Audit Committee meets with the auditors and valuers to discuss with them the scope and conclusions of their work. The Committee is specifically charged under its terms of reference with considering matters relating to the audit appointment, the independence and objectivity of the auditors, and reviewing the results and effectiveness of the audit. The members of the Audit Committee are Robert Swannell, Dr Christopher Gibson-Smith, Sir David Michels and Lord Turnbull.

### **Corporate Governance**

Throughout the period covered by the financial information incorporated by reference in this document, the Issuer has, except where otherwise explained in that financial information, complied with the Provisions of the Code of Best Practice and the Principles of Good Governance set out in section 1 of the Combined Code.

### **Major Shareholders**

To the extent known to the Issuer, the Issuer is not directly or indirectly owned or controlled by a third party.



## **Share Capital**

At 30 September 2006 the issued share capital of the Issuer was £129,911,412.00, made up of 519,645,648 ordinary shares of 25 pence each, each of which was fully paid up. There has been no material change since that date.

## **Memorandum and Articles of Association**

The memorandum and articles of association of the Issuer (which are incorporated into this Prospectus by reference) are registered with the Registrar of Companies at Companies House. The objects of the Issuer, which include acting as the holding company of a property group, are specified in its memorandum.

A notice of extraordinary general meeting was sent to shareholders of the Issuer on 28 November 2006 in relation to a proposal to amend the articles of association of the Issuer to make certain changes consequential upon its conversion to a UK real estate investment trust (**REIT**).

## VALUATION REPORT

*Set out below is the text of the Valuation Report issued by Knight Frank LLP.*

The Directors  
The British Land Company PLC  
10 Cornwall Terrace  
Regent's Park  
London NW1 4QP

The Directors  
Royal Exchange Trust Company Limited  
7th Floor  
Phoenix House  
18 King William Street  
London EC4N 7HE

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

18 December 2006

Dear Sirs

### **MARKET VALUATION AS AT 30 SEPTEMBER 2006**

#### **THE BRITISH LAND COMPANY PLC (THE *ISSUER*)**

##### **1. INTRODUCTION**

In accordance with instructions received from the Issuer dated 14 November 2006, we have inspected the properties referred to below (the **Properties**) and made all relevant enquiries in order to provide our opinion of the Market Value (as defined in paragraph 3.2 below) of the Properties as at 30 September 2006 of the freehold, heritable and long leasehold interests, subject to and with the benefit of the various occupational leases.

We understand that our report and schedule (together, the **Valuation Report**) is required in connection with the prospectus to be published in accordance with the Prospectus Rules (as defined below) (the **Prospectus**) for the listing of certain bonds of the Issuer (the **Debentures**).

##### **2. THE PROPERTIES**

The Properties which we have valued are briefly described in the attached schedule which has been prepared in accordance with the Prospectus Rules to which we refer below. Each Property has been valued individually, and not as part of a portfolio.

### **3. BASIS OF VALUATION**

#### **3.1 Red Book**

We confirm that the valuation stated in this report (the **Valuation**) has been undertaken by us, acting as External Valuers, in accordance with the Practice Statements and Guidance Notes of the Appraisal and Valuation Standards, Fifth Edition, published by the Royal Institution of Chartered Surveyors (the **Red Book**), and in accordance with the relevant provisions of the Prospectus Rules issued by the UK Listing Authority (the **Prospectus Rules**) and CESR's recommendations for the consistent implementation of the Combined Code on Corporate Governance (**CESR's Recommendations**).

#### **3.2 Market Value**

In accordance with the Red Book and the Prospectus Rules, our Valuation has been carried out on the basis of "Market Value" which is defined as:

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

#### **3.3 Net Annual Rent**

In providing the net annual rents for the Properties referred to in the attached schedule we have had regard to the definition contained in the Glossary of Definitions of the FSA's Handbook of rules and guidance (the **FSA Handbook**). This defines "Net Annual Rent" as the current income or income estimated by the valuer:

- (i) ignoring any special receipts or deductions arising from the property;
- (ii) excluding value added tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent.

Where premises are let on effective full repairing and insuring leases, the net annual rents receivable stated in the schedule are the presently contracted rents payable under those leases without any deduction for the cost of management or any other expenses. In some cases, there are properties where rent reviews are outstanding. The net annual rent as stated in the schedule is the current contractual passing rent which is subject to revision upwards, pending the outcome of rent review negotiations. The aggregate of the Current Net Annual Rents Receivable as shown in the attached schedule is £79,363,344 as at 30 September 2006.

In forming our opinion of market rent we have had regard to the lease terms and, in particular, the rent review provisions within the leases to which the properties are subject. At lease expiry we have assumed, for the purposes of our Valuation, that the lease is reviewed to Market Rent, the resultant income being valued in perpetuity. We have included voids where necessary.

### **4. INSPECTIONS**

The Properties have been inspected, internally and externally, by Knight Frank LLP during the last six months.

## **5. TAXATION AND COSTS**

No account has been taken in our Valuation of any liability for tax (including value added tax) on either the rental income from the Properties (if any), the notional sale prices or any gains which may be realised on disposal.

We have made a deduction from our Valuation to reflect purchasers' acquisition costs in accordance with normal valuation practice. The quantum of costs deducted will depend on the valuation lot size of the property.

## **6. TITLE**

Our Valuation assumes that the properties have good and marketable titles and are free of any onerous or unusual burdens, outgoings, obligations or restrictions. We have not seen planning consents and, except where advised to the contrary, have assumed that the Properties have been erected and are being occupied and used in accordance with all requisite consents and that there are no outstanding statutory notices.

We have not read all documents of title or leases and, for the purpose of our Valuation, have accepted the details of tenure, tenancies and all other relevant information with which we have been supplied by the Issuer and the Original Charging Companies (the companies defined as Original Charging Companies in the Prospectus).

For the purposes of this Valuation Report, we have assumed that there are no mortgages, charges or similar financial encumbrances over any of the Properties.

## **7. PLANNING AND STATUTORY INFORMATION**

Enquiries of the appropriate planning authorities in respect of matters affecting the Properties have been made orally, although information has been provided to us on the basis that it should not be relied upon.

In addition to the above enquiries, we have assumed that the Properties have been constructed in full compliance with all statutory and local authority requirements including building, fire and health and safety regulations and are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless our enquiries have revealed to the contrary, we have further assumed that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

## **8. CONDITION AND REPAIR OF THE PROPERTIES**

We have not carried out either structural or condition surveys on the Properties and are therefore unable to report that the Properties are free from any structural fault, infestation or defects of any other nature, including inherent weaknesses due to the use and construction of deleterious materials. No tests were carried out on any of the technical services. During the course of our inspections, we took note of the state of repair and condition of each property and had due regard to these factors in arriving at our Valuation. Any matters that were considered material to the Valuation are referred to in this Valuation Report.

## **9. DEFECTIVE PREMISES, HEALTH AND SAFETY AND DISABILITY DISCRIMINATION LEGISLATION**

We have not taken account of any rights, liabilities and obligations under the Defective Premises Act 1972 and unless specifically advised, have assumed the properties currently comply and will continue to comply with current Health and Safety and Disability legislation.

## **10. ENVIRONMENTAL ISSUES**

We have not undertaken, nor are we aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw any attention to any contamination or the possibility of any contamination. We have not carried out any investigation into past or present uses of the properties nor of any neighbouring land to establish whether there is any potential for contamination from these uses or sites adjacent to the subject properties and have, as instructed, therefore assumed that none exists. However, we have considered any such matters as notified to us by the Issuer and/or the relevant Original Charging Company.

## **11. FLOOR AREAS**

We have not carried out a full measured survey. We have relied upon the site and floor areas provided by the Issuer and the Original Charging Companies and these have been compared with areas agreed at previous lettings, rent reviews, lease renewals, with which they are consistent. These are set out in the schedule attached to this Valuation Report.

We assume that all floor area figures provided are complete and current and calculated in accordance with the Royal Institution of Chartered Surveyors Code of Measuring Practice Fifth Edition. All measurements and areas quoted in this Valuation Report are approximate.

## **12. TENANCY INFORMATION**

We have not read copies of the leases or related documents, but have relied upon the tenancy information provided by the Issuer and the Original Charging Companies. A summary of tenancy information is contained in the attached schedule.

We have not undertaken detailed investigations into the financial strength of tenants or guarantors. It has been assumed that the tenants and guarantors are financially in a position to meet their obligations and that there are no arrears of rents or breaches of covenants. However, our Valuations reflect the type of tenants actually in occupation, or likely to be in occupation, and the market's general perception of their credit worthiness.

## **13. VALUATION**

On the basis outlined in this Valuation Report, we are of the opinion, that the aggregate Market Value of the freehold and long leasehold interests in the Properties, subject to the terms of the existing tenancies, as at 30 September 2006 was £1,899,235,000 (One Billion, Eight Hundred and Ninety Nine Million, Two Hundred and Thirty Five Thousand Pounds). Details of the individual Property values are shown on the schedule attached to this Valuation Report.

The above figure is an aggregate of the values attributable to the individual Properties, and should not be regarded as a valuation of the whole in the context of a sale as a single lot. The aggregate Market Value comprises the following tenure categories:

1.	Freehold interests	£1,168,545,000
2.	Long leasehold interests	£730,690,000

#### **14. DISCLOSURE**

Knight Frank LLP is appointed by the Issuer as External Valuers to provide it with valuations for internal and balance sheet purposes and has fulfilled this role since September 2005. The signatories of this report have been responsible for the instruction since that time. We confirm that in relation to Knight Frank LLP's preceding financial year, the total fees paid by the Issuer and its subsidiaries, as a percentage of the total fee income of Knight Frank LLP, was substantially less than 5 per cent. Accordingly, we consider we are able to provide an impartial valuation for the current purposes.

#### **15. CONFIDENTIALITY**

Save as stated below, the contents of this Valuation Report are confidential to the addressees as set out on the first page of the Valuation Report for the specific purpose to which they refer and are for their use only in connection with the issue of the Debentures and the Prospectus. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of the contents beyond that owed to the addressees and to those persons (including Debentureholders) who may rely on our Valuation Report in reliance on our authorisation under Regulation 6(1)(e) of the Financial Services and Markets Act 2000. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally to a third party, the written approval of Knight Frank LLP as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, such approval is required whether or not Knight Frank LLP are referred to by name and whether or not the contents of our Valuation Report are combined with others except that copies may be included in the Prospectus and in bibles of transaction documents memorialising the issue of the Debentures.

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

Yours faithfully

**R J S Johnson MRICS  
Partner, Commercial Valuations  
For and on behalf of  
Knight Frank LLP  
Chartered Surveyors  
20 Hanover Square  
London, W1S 1HZ**

**R D Norman BSc (Hons) MRICS  
Partner, Commercial Valuations  
For and on behalf of  
Knight Frank LLP  
Chartered Surveyors  
20 Hanover Square  
London, W1S 1HZ**

## SCHEDULE TO VALUATION REPORT

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
Teesside Retail Park, Thornaby Way, Stockton-on-Tees, Cleveland, TS17 7BS	<p>A major out of town retail fashion park lying between Stockton-on-Tees and Middlesbrough at the intersection of the A66 and A19 trunk roads. The property comprises some 31,819 sq m (342,500 sq ft) of retail warehouse accommodation (with additional mezzanine areas) arranged in 27 units ranging in size from 316 sq m to 3,518 sq m (3,403 sq ft to 37,867 sq ft). The units are positioned in a "U-shape" arrangement around a surface car park providing free customer parking capable of accommodating some 1,468 vehicles. Each of the units has rear loading and service access. Access to the park is from the A66 road which also serves the adjoining Phase II, a Morrisons superstore (not BL owned), the Leisure Park (not BL owned) and other stand alone retail units and fast food outlets.</p> <p>The Park has an open A1 planning consent (the exception is Unit 2a – (2,303 sq m (24,789 sq ft)) and Unit 4 – (1,400 sq m (15,070 sq ft)) that has a bulky goods consent (Section 106 Agreement).</p> <p>Built in the early 1990's with on going active asset management involving reconfiguration of units and mezzanine additions, incorporating capital expenditure.</p> <p>Freehold</p>	<p>The property is let on effectively full repairing and insuring terms (through a proportionate service charge) to 26 retailers currently producing a net income of £7,821,404 per annum.</p> <p>Principal retailers include Marks &amp; Spencer, Homebase, Next, Arcadia, Borders Books, TK Maxx, Currys, PC World, Boots the Chemist and Argos.</p> <p>The lease terms incorporate 5 yearly rent reviews with lease expiries ranging from November 2012 to May 2026. Two of the leases (Next and Arcadia) incorporate turnover rent provisions. The leases to DSG Retail Ltd, TK Maxx, Superdrug Stores Plc and Marks &amp; Spencer incorporate fixed rental increases, which increases the contractual rent to £8,381,654 per annum by December 2006. There is also limited licence income from advertising and centre promotions.</p> <p>New units are currently being created through the sub division of larger units which will provide some five smaller units totalling 2,007 sq m (21,603 sq ft), in sizes ranging 295 sq m to 465 sq m (3,160 sq ft to 5,000 sq ft).</p>	£7,821,404	£247,500,000
The Eastgate Shopping Centre, Basildon, Essex, SS14 1EB	<p>A shopping centre comprising some 74,800 sq m (805,140 sq ft) anchored by Debenhams and Asda with 72 shop units on ground and first floor. There are a further 22 small retail units within the "Galleries" at second and third floor levels, a business centre providing small office suites and a further two separate office buildings; Kelting House and Commercial Union House. There is a food court at first floor level and a coffee shop and cafe on the ground floor of the scheme.</p> <p>The centre is well situated within the town centre with two entrances from Town Square and Southernhay. Basildon's 'prime' retailing pitch is considered to be within the scheme at ground floor level between units 32 and 56.</p> <p>Built 1980.</p> <p>Long leasehold for a term of 999 years from 11 November 1999 at a ground rent of £1,000 pa.</p>	<p>The property is anchored by Debenhams let for a term of 21 years from September 1985 expiring in September 2006. There is a reversionary lease for a further 35 years from expiry. The supermarket is let to Asda Stores Ltd on a 99 year lease expiring in March 2079, subject to 5 yearly rent reviews, the next being in March 2007 to 26% of the market rent.</p> <p>The shop units are let on standard leases of 5 to 25 years subject to 5 yearly rent reviews. The Galleries retail units and the business centre are let on inclusive rentals. Commercial Union House is let to CGNU International until April 2010. Kelting House is multi-let to four tenants including Secretary of State for the Environment.</p> <p>The food court is let on a turnover rent basis with a base rent provision and there are two retail tenants within the scheme (Next and Ernest Jones) that are subject to turnover rents. Both leases incorporate reviews of base rent to 80% of</p>	£8,194,820	£183,840,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
		ERV. There are a small number of leases which are on turnover rent basis, without any base rent provision.		
Euston Tower, Regent's Place, London, NW1 3DP	<p>A landmark tower building totalling some 35,253 sq m (379,469 sq ft), providing a mixture of retail and A3 accommodation at ground floor level, with office accommodation located at ground, podium and 35 upper floors. Floors 20 to 34 have been substantially refurbished by the tenant providing a highly specified Cat A fit-out, including raised floors, metal tiled suspended ceiling, male and female toilet facilities on each floor and a new four pipe fan coil air cooling system.</p> <p>In addition, there are approximately 85 underground secure car parking spaces and five 23 person high rise and five 23 person low rise passenger lifts.</p> <p>Built circa mid 60's, Euston Tower is constructed around a central core and has a reinforced concrete frame structure, aluminium framed curtain walling externally, with 3M scotch solar tint film applied to all external office areas, all under a flat roof.</p> <p>Long Leasehold from 1<sup>st</sup> July 1993 for 999 years (less 10 days) at a fixed ground rent of £1,000 per annum.</p>	<p>The property is multi-let.</p> <p>Retailers include Prêt A Manger, Starbucks, Davy's Wine Bar and Sainsbury's Supermarket.</p> <p>The offices are let to the Secretary of State, who in turn have sub-let in parts.</p> <p>All leases expire 2019, with the exception of periodic seating agreements to Prêt A Manger and Starbucks, with the majority of future rent reviews in March 2012.</p>	£8,849,960	£176,500,000
1, 4 & 7 Triton Square, Regent's Place, Euston Road London, NW1 3FN	<p>The property was one of the first newly built office buildings on Regent's Place. This building provides a mixture of retail and leisure accommodation at ground floor level, (a children's crèche) and Grade A office accommodation, on part ground, first to fifth floors, totalling 20,135 sq m (216,733 sq ft).</p> <p>The building's main full height entrance is located within the Regent's Place Square. It should be noted that the building was designed to provide a further three entrances at each corner, although only one is used. Internally, the property provides fully accessible raised floors, incorporating a plenum floor air conditioning system, perimeter fan coils for individual temperature control, a metal tiled suspended ceiling, four 16 person passenger lifts, secure basement car parking and male and female toilet facilities on each floor.</p> <p>The first floor was designed as a "dealing floor" and the 2nd to 5th floors are built around a central atrium.</p> <p>Constructed circa 1997.</p> <p>Long Leasehold from 1<sup>st</sup> July 1993 for 999 years (less 10 days) at a fixed ground rent of £1,000 per annum.</p>	<p>The office accommodation is multi-let to ATOS Origins IT Services UK Ltd and JP Morgan Chase Bank on a floor by floor basis. The leases expire between 2017 and 2022. All leases have tenants only break options in 2012, with the exception of part basement, ground, 1st and 2nd floor leases to J P Morgan, which is 2017.</p> <p>The four ground floor units are let on leases expiring 2010 through to 2022.</p> <p>Other occupiers include a nursery, on site management suite, restaurant and gymnasium.</p> <p>The total contracted rent is £7,382,207 per annum.</p>	£7,381,207	£133,000,000
Orbital Shopping	Orbital Shopping Park comprises a	12 tenants occupy the property on	£3,652,919	£97,500,000



Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
Park, Haydon Wick, Swindon, Wiltshire, SN25 4AN	<p>modern retail park, situated in a prominent position with easy access to the A419 and Junction 15 of the M4 motorway.</p> <p>The park has a strong tenant profile, with occupiers including Homebase Limited, Comet Group plc, Next Plc, Boots The Chemist Limited and Borders (UK) Limited, among others. The units are of high quality modern design and there is ample onsite car parking. The park has a total area of 18,630 sq m (200,532 sq ft).</p> <p>Additional tenants who are located within Orbital Shopping Park, although not forming part of the subject property, include Asda Stores Limited and a Pizza Hut restaurant. The local library is also situated adjacent to the property.</p> <p>Built circa 2000.</p> <p>Freehold.</p>	<p>14 separate leases all of which are full repairing and insuring on terms expiring between 2017 and 2027. Most of the leases have upwards only market rent reviews on the expiry of the fifth (2007) and tenth years of the term, (with the exception of the lease of the health and fitness centre which has fixed reviews every 5 years).</p> <p>The average unexpired term of the tenancies is 12.07 years. The passing rents range from £16.96 per sq ft to £36.34 per sq ft.</p> <p>The total contracted rent is £3,652,919 per annum.</p>		
The Beehive Centre, Coldhams Lane, Cambridge, Cambridgeshire, CB1 3ET	<p>The property comprises a modern retail park incorporating 15 units. The park is anchored by Asda, with other major tenants including NBC Apparel, JJB Sports Plc and Toys R Us Limited. The park has an area of 21,097 sq m (227,083 sq ft).</p> <p>Built early 1990's.</p> <p>Freehold. There is a small part of the property which only has possessory title.</p>	<p>All units are presently let with the exception of Unit 2B (13,335 sq ft) with a further unit unoccupied, Unit 4 PRG Powerhouse, (10,662 sq ft) – tenant in administration. The unexpired lease terms range from 3 to 30 years, with the average being around 15 years. All but one of the leases provide for 5 yearly upwards only open market reviews, the next being as at 24 June 2006.</p> <p>The tenants are Homestyle Retail Parks Limited, Carpet Right plc, Allied Carpets Properties Limited, PRG Powerhouse Limited (in administration), F&amp;R Dunlop Services Limited (in administration), Harveys Furnishing Group Limited, Conway Pine Limited, Maplin Electronics Limited, Pets at Home Limited, JJB Sports Plc, NBC Apparel, Multi York Furniture Limited, Asda Stores Limited and Toys R Us Limited.</p> <p>The total contracted rent is £4,287,161 per annum.</p> <p>Proceedings have been brought by the landlord against the tenant in respect Unit 4 in relation to a purported company voluntary arrangement. Under the arrangement the value of the property is to be determined at an amount equal between 8-12 months rent and then the landlord would be paid 28% of this amount. The former tenant was Hanson Group.</p> <p>The annual rent for Unit 4 is £202,500 per annum.</p>	£4,287,161	£97,000,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
		The tenant (F&R Dunlop) of Unit 5 is in administration; the former tenant was DSG Retail Limited.		
350 Euston Road, Regent's Place, London, NW1 3AX	<p>The subject property totalling 11,562 sq m (124,443 sq ft), currently provides two large retail units and Grade A offices on first to seventh floors. The main entrance fronts onto Euston Road.</p> <p>The accommodation is split into three areas, comprising two wings connected by a central atrium area. The atrium area is clad with an active triple glazed climate wall. In general, the main entrance to the office accommodation is at ground floor level (with frontage to Euston Road), where there are four 20 person passenger lifts that serve all floors.</p> <p>The office accommodation provides good natural light and has the benefit of fully accessible raised floors, suspended ceilings. Each floor is air conditioned. In addition, there are male and female facilities located on each floor.</p> <p>Constructed circa 2001, the property is built from fair-faced concrete columns and floor slabs are flat in situ concrete construction, all under a flat roof. The external cladding to the main atria is formed internally by a double glazed curtain walling system to the face of the areas and extremely by a single glazed cable-net wall.</p> <p>Long leasehold from 1<sup>st</sup> July 1993 for 999 years (less 10 days) at a fixed ground rent of £1,000 per annum.</p>	<p>There are four office occupiers pursuant to 8 occupational leases, which are due to expire between July 2017 and May 2029. Four of the occupational leases (those of the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> west and 3<sup>rd</sup> east floors, are granted to The General Medical Council ("GMC")). Each of these leases to GMC contains a tenant break option in June 2024. The lease to GMC of 3<sup>rd</sup> floor west also has a tenant break option in June 2009. If this is not exercised, the rent will be reduced to a peppercorn from 23 June 2009 until the tenant would have been obliged to pay £514,150 if the rent were reviewed in accordance with the terms of this lease. The leases of 4<sup>th</sup> and 5<sup>th</sup> floors contain tenant break options in August 2017. The lease of the 6<sup>th</sup> floor contains a tenant break option in January 2011. If the break option in the 6<sup>th</sup> floor lease is not exercised, the rent payable under this lease is reduced for three quarters after the break date. The lease of 7<sup>th</sup> floor contains a tenant's break option in January 2013.</p> <p>All the leases are drawn on effectively full repairing and insuring terms through a proportionate service charge and incorporate five yearly rent reviews.</p> <p>A lower ground floor storage area, some 23 car spaces and a ground floor retail unit are vacant.</p>	<p>£3,176,005</p> <p>From 6 July 2007 rent free periods under three of the leases to GMC expire and the aggregate gross rent will increase to £4,741,090 per annum. A licence fee of £2,500 plus an amount increased in accordance with RPI is also received.</p>	£95,000,000
Castle Vale Retail Park, Off Chester Road, Birmingham, West Midlands, B35 7RD	<p>A retail park comprising a Sainsbury's superstore and 4 large retail units plus a video store. There is also a pharmacy and other local facilities in a separate 2 storey block. Sainsbury's operate a petrol filling station.</p> <p>Mainly of portal frame construction with blockwork and cladding decoration.</p> <p>There is a car park for approximately 691 vehicles. Total gross internal floor area is 16,891 sq m (181,809 sq ft).</p> <p>Built in early 2000.</p> <p>Freehold.</p>	<p>The major retailer is Sainsbury's Supermarkets Ltd with a FRI lease expiring 23 June 2025 with no break option. There are three other major retailers at the site, Argos with a lease expiry in December 2015, Comet Group Plc with a lease expiring in June 2025 and NBC Apparel with a lease expiring in December 2015.</p> <p>A Share &amp; Sons took a new lease for 20 years from July 2005. There are a further eight smaller tenants with lease expiries ranging from 2009 to 2099. The majority of the rents are subject to five yearly rent reviews. There are currently 2 vacant units.</p> <p>On settlement of outstanding rent review with Sainsbury's Supermarkets, the rent should increase to £3,737,915 per annum.</p>	£3,129,898	£81,550,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
338 Euston Road, Regent's Place London, NW1 3BH	<p>A prominent detached office building totalling 111,363 sq ft (10,346 sq m) with main entrance and frontage to Euston Road providing modern refurbished office accommodation on basement, ground and first to sixteen floors.</p> <p>Internally, the accommodation provides full VAV air conditioning throughout, fully accessible raised floors, eight 13 person passenger lifts, five of which are within the main building, the other two are mounted in a clear glazed external lift tower. Male and female facilities are provided on each floor. Car parking spaces are provided and accessed from the main estate car park.</p> <p>The property was then extended and reclad in 1989.</p> <p>The original building structure is of reinforced concrete supported on bored pile foundations. The extension comprised of the addition of a further 1.46 metres wide.</p> <p>Long Leasehold from 1<sup>st</sup> July 1993 for 999 years (less 10 days) at a fixed ground rent of £1,000 per annum.</p>	<p>The property is sub under-let to five occupiers, with leases expiring December 2006 - 2015. There is a reversionary lease of the seventh floor to Grant Thornton International Limited ("Grant Thornton") which will commence in September 2007 and expire in 2015. This is reversionary to the current lease of the 7<sup>th</sup> floor granted to Jetix Europe Limited which is due to expire on 30 September 2007. The lease to Grant Thornton contains a personal tenant break option which is exercisable on 10<sup>th</sup> October 2010.</p> <p>The leases to Hodder Headline Ltd incorporate fixed rental increases on 31 May 2007, and the lease to British Telecommunications Plc has rent commencing in December 2006. The fixed rental for Hodder Headline and the rent commencement for BL will provide an aggregate increment of £1,241,737 per annum from 31 May 2007.</p> <p>The second and sixth floors are vacant (12,727 sq ft).</p> <p>There are currently service charge caps and exclusions. Subject to these caps and exclusions, all leases are drawn on effectively full repairing and insuring terms through a proportionate service charge and incorporate five yearly rent reviews.</p>	£2,105,545	£62,300,000
St James Retail Park, Towcester Road, Northampton, Northamptonshire, NN1 1EE	<p>Retail warehouse park comprising 7 units which is currently undergoing refurbishment, including a new 20,000 sq ft unit. On completion the total gross internal area of the park will be approximately 17,651 sq m (190,000 sq ft).</p> <p>Built 1980's.</p> <p>Freehold.</p>	<p>The park is subject to 6 leases to retailers including Toys R Us, DFS, BHS vacated unit (under redevelopment), JJB Sports Plc and Pizza Hut (UK) Limited. All leases expire in 2012 / 2013. The next rent reviews are all from September 2007 onwards and thereafter at five yearly intervals.</p> <p>The total contracted rent upon expiration of rent free periods in January 2007 increases to £2,282,191 per annum.</p>	£1,333,811	£60,300,000
Meadowbank Retail Park, London Road, Edinburgh, EH7 5TS	<p>Retail park comprising an 'L-shaped' terrace of 12 units, two of which are accessed from London Road, and an additional detached drive thru restaurant. The units are of a steel frame construction with blockwork/metal clad walls and profiled metal clad roof. The park extends to a net internal area of 14,660 sq m (157,807sq ft). There is a central car park servicing all units of approximately 605 spaces and a rear service yard.</p> <p>Built circa 1996.</p> <p>Feuhold.</p>	<p>There are 10 tenancies in total held on full repairing and insuring leases with five yearly upward only rent reviews as follows:-</p> <p>Unit 1 Let to Poundstretcher expiring 28 May 2024, next rent review due on July 2009.</p> <p>Unit 1A Let to Capital Menswear Ltd expiring 28 November 2015 next rent review due on 29 November 2010.</p> <p>Unit 1B Let to Mr K and Mrs CA Martin expiring 30 September 2011. There is a break option on 1 October 2006.</p> <p>Unit 2 Let to Gala Holdings Ltd expiring 28 August 2021, next rent</p>	£2,482,791	£56,700,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
		<p>review 28 November 2006.</p> <p>Unit 3 Let to NBC Apparel expiring 1 March 2023, next rent review 4 June 2009. There is a break option on 30 April 2013.</p> <p>Unit 4 &amp; 5 Let to NBC Apparel expiring 1 March 2023, next rent review 28 November 2007. There is a break option on 28 February 2013.</p> <p>Unit 6 Let to Internationale Ltd expiring 27 August 2023, next rent review 28 August 2008.</p> <p>Unit 7 Let to JJB Sports Plc expiring 28 February 2022, next rent review February 28 2007.</p> <p>Unit 8 Let to Dorsman Estates Co Ltd expiring 9 March 2016, next rent review 10 March 2011.</p> <p>Units 9 &amp; 10 Let to Sainsbury's Supermarkets expiring 16 November 2022, next rent review 28 November 2007.</p> <p>The restaurant is let to KFC expiring 15 October 2027, next rent review 16 October 2007. There is a break option on 16 October 2017.</p> <p>3 substations Let to Scottish Power at a peppercorn rent expiring in 2056 &amp; 2060.</p>		
<p>Tollgate Retail Centre, Tollgate West, Colchester Essex, CO3 8RH</p>	<p>A modern retail park incorporating 11 retail warehouse units, a McDonalds restaurant, and associated car parking. The park benefits from an adjoining Sainsbury's supermarket providing in total some 12,150 sq m (130,785 sq ft).</p> <p>Freehold</p>	<p>12 separate leases, with an average unexpired term of c. 18 years. The leases all include 5 yearly upwards only open market reviews, with the exception of McDonalds (Unit 9) which has RPI linked reviews.</p> <p>Principal tenants include Comet Group Plc, Allied Carpets Properties Limited, SCS, Carpetright Plc, Dreams Plc and Iceland Frozen Foods Plc.</p>	<p>£2,282,857</p>	<p>£49,050,000</p>

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
<p>St James Retail Park, Glasgow Road, Dumbarton, G82 1RB</p>	<p>A retail park comprising eight units in total. The units are of steel frame construction and are generally laid out in a terrace format. However, the Asda supermarket sits separately and the two drive-thru restaurants lie close to the entrance of the park. There is a large car parking provision of circa 570 spaces to the front of the units with a rear service lane providing access into the shared service yards.</p> <p>The park is currently under-going refurbishment works including re-cladding of the units, new canopy style frontages to the terraced units and car park works. A second allocation of works has just started on site which will include the extension of the Asda supermarket; new Argos unit and conversion of the vacant site to the front of the park to car-parking.</p> <p>Built c. late 1980's.</p> <p>Feuhold.</p>	<p>Let on full repairing and insuring leases with five yearly upward only rent reviews on the following terms:-</p> <p>Unit 1A let to Marks &amp; Spencer Simply Foods Limited for a 15 year lease expiring 31 August 2021.</p> <p>Unit 2 let to Homebase Ltd expiring 2017, the next rent review as at 25 December 2007.</p> <p>Unit 3 let to Allied Carpets Properties Ltd expiring 19 June 2013, next rent review as at 1 August 2008.</p> <p>Unit 4 let to Halfords Ltd expiring 30 July 2023, next rent review as at 1 August 2008.</p> <p>Unit 6 let to Carpetright Plc expiring 23 December 2025 with the next rent review as at 2 February 2011.</p> <p>The food store is let to Asda Stores Ltd expiring 25 February 2026. The rent review as at 25 February 2006 is outstanding.</p> <p>Drive -thru let to McDonalds Real Estate LLP expiring 2115.</p> <p>A further drive-thru is let to Kentucky Fried Chicken (GB) Group expiring 10 July 2027 with the next rent review as at 11 July 2007.</p> <p>There are two substations let to SP Distribution Ltd until 2026 and 2048 at a peppercorn rent.</p> <p>A newly constructed unit has been let to Argos for 15 years expiring 30 April 2021, with rent commencement from 1 November 2006. Similarly, the new Asda extension is for a lease co-terminus with their existing lease in February 2026.</p> <p>On settlement of outstanding rent reviews, the rent should increase to £1,870,735 per annum.</p>	<p>£1,736,459</p>	<p>£46,600,000</p>

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
Westside Retail Park, Leeds, LS20 9NE	<p>Open A1 scheme comprising 10 units, one of which is a DIY store with an adjacent garden centre, arranged in an "L" shaped terrace, together with a McDonalds drive thru. Situated in Guiseley on the A65, the property is approximately 8 miles to the north west of Leeds city centre.</p> <p>The scheme is prominently located in a relatively affluent residential location and is served by a good sized central landscaped car park. The total gross internal floor area is 10,623 sq m (114,348 sq ft).</p> <p>Built in the early 1990's of steel portal frame construction.</p> <p>Freehold.</p>	<p>Let on 11 separate full repairing and insuring leases with an unexpired term of between 7 years and 13 years.</p> <p>Principal tenants include Argos Limited, Carpetright Plc, Payless DIY Limited, Next Group Plc, Poundstretcher Limited, Allied Carpets Retail Limited, Jonathan James (Mansfield) Limited, Comet Group Plc, DSG, Guiseley Pram &amp; Nursery Store Limited and McDonalds.</p> <p>An Option has been granted to Carpetright to relocate them to another unit on the site of the garden centre within 3 years (subject to conditions).</p>	£1,764,514	£45,100,000
Westgate Retail Park, Ings Road, Wakefield, West Yorkshire, WF2 9SD	<p>A retail warehouse park comprising 10 retail warehouse units and a drive through restaurant built in 1996 located opposite Wakefield Westgate railway station on Ings Road (A638).</p> <p>There is shared car parking for approximately 650 vehicles, whilst loading to the units is to the rear.</p> <p>The total gross internal floor area is 13,006 sq m (140,000 sq ft).</p> <p>Freehold.</p>	<p>Let on ten full repairing and insuring leases to a range of tenants with expiry in 2021 onwards, incorporating five yearly upwards only rent reviews.</p> <p>Principal tenants include Toys R Us Limited, DSG Retail Limited, Pet at Home Limited, Children's World Limited and JJB Sports Plc.</p> <p>Two of the units are vacant.</p> <p>The total contracted rent is £1,800,705 per annum which is subject to uplift on completion of outstanding rent reviews.</p>	£1,800,705	£44,740,000
263 New Cross Road, New Cross, London, SE14 6AR	<p>The holding comprises a foodstore of approximately 66,100 sq ft and a petrol filling station; together with 2 retail warehouses of some 24,545 sq ft, an advertising hoarding and a 5,200 sq ft (newly constructed) retail warehouse unit.</p> <p>Built 1990's</p> <p>Freehold</p> <p>Transport for London have compulsory purchase powers to permanently acquire two small portions of land together with an access easement through the retail park for which Notices</p>	<p>The first lease is to Sainsbury's Supermarkets Ltd for 35 years, expiring on 14 February 2031; the lease to JJB Sports plc is until 25 December 2006; the lease to DSG Retail Limited (t/a Currys) is for 20 years expiring on 26th August 2022; the advertising hoarding lease to Insight Media UK Ltd is for 3 years, expiring on 4th April 2009 at a rent of £44,000 pa from 6 April 2006 to 8 April 2007, thereafter £46,000 pa. An Agreement for Lease has been entered into with Dreams Plc to expire 30 April 2022 at a current rent of £109,200 per annum increasing to £130,000 per annum</p>	£1,836,308	£40,500,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
	to Treat have been served. This relates to the extension of the East London underground line.	<p>on 1 August 2008.. All leases are drawn on full repairing and insuring terms, subject to 5 yearly upward only rent reviews. The next rent review for Sainsbury's Supermarkets Ltd is on 15th February 2006; DSG Retail Limited on 27 August 2007.</p> <p>On settlement of outstanding rent reviews, the total rent should increase to £1,970,308 per annum, which will increase further to £2,141,535 per annum upon expiration of rent free periods..</p>		
Teesside Retail Park (Phase 2), Middlesbrough Road, Stockton-on-Tees, Cleveland, TS17 7BS	<p>The property comprises some 3,908 sq m (42,061 sq ft) of retail warehouse accommodation (2 units) and 1,058 sq m (11,389 sq ft) of out of town restaurants (3 units). It forms Phase 2 of Teesside Retail Park - a major out of town retail fashion park of 342,500 sq ft lying between Stockton-on-Tees and Middlesbrough at the intersection of the A66 and A19 trunk roads. The units are positioned close to the access to the Park from the A66 trunk road which serves the main retail units, a Morrisons superstore (non BL owned), a Toys R Us unit, the Leisure Park (non BL owned) and other stand alone retail units and fast food outlets. Each of the units has rear loading and service access. Some 342 car parking spaces are provided on site (free car parking).</p> <p>The two retailing units have a bulky goods consent and the restaurant units have permitted A3 planning consents.</p> <p>Built in the early 1990's with on going active asset management involving reconfiguration of units and mezzanine additions.</p> <p>Freehold.</p>	<p>The five units are let on five full repairing and insuring leases (through a proportionate service charge) for terms expiring between June 2018 and October 2027. The leases incorporate rent reviews at five yearly intervals to market rent, except in the case of the Whitbread Plc lease which is the higher of 90% of the market rent and passing rent. The rent review for the City Restaurants lease is outstanding as at 24 June 2006.</p> <p>Tenants consist of Whitbread Plc (trading as TGI Fridays), Kentucky Fried Chicken (Great Britain) Limited, City Centre Restaurants (UK) Limited (trading as Frankie &amp; Benny's), Comet Group Plc and Staples UK Retail Limited.</p> <p>The total contracted rent from these 5 units is £981,895 per annum.</p> <p>The tenant of Unit 2C, City Centre Restaurants (UK) Limited, has a break right on 24 June 2016 exercisable by giving the landlord 6 months' notice.</p> <p>The property is also subject to an electricity substation lease to Northern Electric plc for a peppercorn rent.</p> <p>Heads of terms have been agreed for a 25 year lease to PizzaExpress (Restaurants) Limited for the development of a free standing restaurant unit.</p>	£981,895	£24,250,000
Homebase, 80 Manor Road, Richmond, Surrey, TW9 1YB	<p>The property comprises a purpose built retail warehouse and garden centre of traditional portal frame construction with brick elevations providing 4,144 sq m (44,605 sq ft). The tenant has installed a trading mezzanine to one corner of the unit. There are office and staff areas internally at ground and first floor level.</p> <p>The garden centre comprises a block paved area which is partly covered by a canopy and partly by mesh netting. There is also a separate builder's yard</p>	<p>The property is let to Homebase Ltd on a full repairing and insuring lease from 20th December 2000. The rent is subject to 5 yearly upward only rent reviews, the next review being on 20 December 2010.</p> <p>Part of the unit is sub-let to DSG Retail Limited, trading as Currys comprising 11,328 sq ft.</p>	£1,106,000	£24,040,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
	<p>adjacent to the garden centre. The car park is situated to the front of the building. The external storage area is to the rear.</p> <p>Built Mid 1980's.</p> <p>Freehold.</p>			
Springfield Retail Park, Edgar Rd, Elgin , IV30 6WQ	<p>Retail park comprising 6 units of steel frame construction with blockwork and profile metal cladding elevations and roof.</p> <p>The units are laid out in blocks around a central parking area for approx. 409 vehicles with rear loading bays to the retail warehouses. The total gross internal floor area is 8,455 sq m (91,015 sq ft).</p> <p>Planning permission has been obtained for an additional unit of 7,588 sq ft pre-let to Pets at Home Limited and is under construction. Planning permission is pending for a 3,000 sq ft restaurant under offer to Pizza Hut.</p> <p>Built in 1987.</p> <p>Freehold.</p>	<p>Let under six full repairing and insuring leases, all subject to five yearly upward only rent reviews, as follows.</p> <p>Unit 1A let to Homebase Ltd expiring 2017, next review due at 25 December 2007.</p> <p>Unit 1B let to Allied Carpet Properties Ltd expiring 2023, next review due on 25 March 2008.</p> <p>Unit 2A let to International Ltd expiring 2025. The rent review due on 25 March 2005 is outstanding.</p> <p>Unit 2B let to Carpetright plc expiring 2015. The rent review on 25 March 2005 is outstanding.</p> <p>Unit 2C let to Texstyle World (FADS) Limited expiring 2017, next review due as 29 September 2007.</p> <p>Unit 3A let to DSG Retail Ltd expiring 2020, next rent review due on 24 June 2010.</p> <p>Unit 3B is under construction and there is an Agreement to lease to Pets at Home Limited for a 15 year term from practical completion incorporating a 6 months rent free period and five yearly upwards only rent reviews.</p> <p>Total contracted rent is £977,960 per annum.</p>	£977,960	£23,730,000
Cuckoo Bridge Retail Park, Dumfries, Dumfries and Galloway, DG2 9BF	<p>A retail park comprising nine units in a 'L-shaped' terrace of steel frame construction with metal clad walls and roof providing 12,475 sq m (134,275 sq ft). There is a central car park of 550 spaces and a service lane/yard to rear. There is also a detached A3 drive-thru restaurant unit with brick finished walls and flat roof with separate car park facilities.</p> <p>Three further retail units on the park are not in British Land ownership.</p> <p>Built c. 2001.</p> <p>Freehold.</p>	<p>Let under seven full repairing and insuring leases, subject to five yearly upward only rent reviews, with three vacant units as follows:-</p> <p>Unit 1 let to Homebase Ltd expiring February 2026. The rent review due on 26 February 2006 is outstanding.</p> <p>Unit 2A let to PRG Powerhouse Ltd expiring February 2028, next review February 2008 (in administration).</p> <p>Unit 2B - Vacant.</p> <p>Unit 3 Texstyle World Home Ltd expiring January 2027, with the next rent review as at 14 January 2007.</p> <p>Unit 4 Storey Carpets Ltd expiring July 2016 with the next rent review on 17 July 2006 which is currently under discussion. Break option 17 July 2011.</p> <p>Unit 5 let to Durham Pine Ltd expiring 2023, next rent review</p>	£933,256	£22,350,000



Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
		February 2008 (in administration). Unit 6 let to MFI Properties Ltd expiring January 2027 with the next rent review on January 2007. Break option 6 January 2022. Unit 7A - Vacant Unit 7B - Vacant Unit 8 let to Mulcroft Ltd expiring October 2026 with the next rent review on October 2006. Break option 7 October 2016.		
Homebase, 560 London Road, Camberley, Surrey, GU15 3XS	The property comprises a first generation Homebase store, with a total gross internal floor area of 4,023 sq m (43,305 sq ft). The accommodation is situated entirely to the ground floor, and also features a garden centre. It is of steel portal frame construction with concrete block walls and a brick façade.  Built circa mid 1980's  Freehold.	Let to Homebase Limited, on a full repairing and insuring lease for 20 years from 20th December 2000, incorporating upwards only 5 yearly open market reviews. The December 2005 rent review is outstanding.	£843,453	£22,330,000
23 Reigate Road, Ewell, Surrey, KT17 1PE	A purpose built retail warehouse of 4,391 sq m (47,266 sq ft) with garden centre. The building is of traditional portal frame construction with brick elevations. The tenant has installed a trading mezzanine.  The garden centre comprises a large block paved area which is partly covered by a canopy and partly by mesh netting. The car park is situated to the front and one side of the building. The external storage area is located close to the entrance to the site. The entrance is shared by both customers and delivery vehicles.  Built mid 1980's.  Freehold.	The property is let to Homebase Ltd on a full repairing and insuring lease for 20 years from 20th December 2000. The rent is subject to 5 yearly upward only rent reviews. The rent review at December 2005 is outstanding.	£813,150	£22,120,000
Eldon House 2-3 Eldon St London EC2M 7UA	Eldon House is constructed behind a period facade and comprises approximately 3,615 sq m (38,916 sq ft) of office accommodation over basement, ground and floors 1 to 6, two A3 units over basement and ground floors totalling 6,673 sq ft and a retail unit of 2,351 sq ft.  Built 1930's  Freehold	The office accommodation is let to Fitch IBCA Ltd until March 2011, with the next rent review being 24 June 2009, at a rent of £1,082,750 per annum.  Davy's of London (Wine Merchants) Ltd occupy the basement on three separate leases, all expiring on 29 September 2010 at an aggregate rent of £117,312 per annum without further rent review.  Huggins & Company Ltd hold a lease over the ground floor pub until 24 December 2010 at a rent of £62,500 per annum.  The ground and 1st floor retail unit is let to William Hill (Southern) Ltd until 23 June 2011, with an outstanding rent review due on 24 June 2006. The contractual rent is £60,000 per annum.	£1,322,562	£21,500,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
Scottish & Newcastle, Oldfield Lane, North Ealing, Middlesex, UB6 8PX	A modern distribution unit located in the Oldfield Lane Industrial Area adjacent to Brixton Estates' Greenford Park industrial development. The unit is set behind a Tetley's unit with access along a private drive. The warehouse comprises some 12,049 sq m (129,695 sq ft) gross internal area with approximately 9.25m (30 ft) eaves, 35 loading bays and a three storey office block providing ancillary accommodation. The yard has security fencing and provides parking for about 35 trailers.  Built 1998.  Leasehold, 999 years from 8 March 2001 at £1,000 per annum fixed.	The property is let in its entirety to Scottish & Newcastle Plc for a term of 25 years expiring 24 December 2022 with upward only rent reviews every five years, the next being on 25 December 2007. The lease is drawn on full repairing and insuring terms.  An application to assign the lease has been made which is currently being documented.	£1,126,000	£20,550,000
Western Lock Retail Park, Lower Bristol Road, Bath, Avon, BA2 1EP	A small retail park incorporating 2 modern retail units (purpose built for DSG Retail) and a McDonalds restaurant which occupies Avon House.  The retail park comprises good quality accommodation throughout, with adequate provision of onsite car parking. The buildings were constructed circa late 1990's, with the exception of Avon House which is an historic structure extended and refurbished for occupation by McDonalds.  Freehold. There is a small part of the property which only has possessory title.	Units A & B - Leased to DSG Retail on two separate full repairing and insuring leases, running concurrently from 25 March 1998 for a term of 25 years with upward only rent reviews every five years, the next being on 25 March 2008. The total current payable rent is £627,633 per annum.  Avon House is leased to McDonalds Restaurant from 24 June 1999 for a term of 25 years on a full repairing and insuring basis at a current rent of £92,000 per annum, with upward only rent reviews every five years, the next being on 24 June 2009.  The total contracted rent is £719,633 per annum.	£719,633	£18,075,000
Land lying on the north west of Plas Coch Plas Coch Retail Park Wrexham Clywd LL11 2BA	The property comprises a single retail warehouse unit and garden centre totalling 5,968 sq m (64,235 sq ft). The property is located to the north west of Wrexham town centre at the junction of the A483 Wrexham By-Pass and the A541 Mold Road. The property adjoins the Plas Coch Retail Park whose occupiers include Sainsbury's, Aldi, Boots, Pets At Home, JJB, Sportsworld, Currys and an Odeon Cinema. Opposite the property on Berse Road is a B&Q unit.  Built in the late 1990's.  Freehold.	The property is let on a full repairing and insuring lease to Homebase Limited for 20 years from 20 December 2000 with 5 yearly upwards only rent reviews; the next being on 20 December 2010.	£900,000	£17,730,000
Portcullis House, 13 India Street, Glasgow, Strathclyde, G2 4PH	The property provides approximately 100,949 sq ft of office accommodation over eight floors from lower ground to sixth floor. This building has recently undergone significant refurbishment.  Built in the early 1970's.  Long Leasehold, 999 years from 1 April 1992 without review at a fixed	Let in its entirety to The First Secretary of State on a 32 year lease from the 25 March 2004 until 15 May 2036 on a full repairing and insuring basis incorporating five yearly upwards only rent reviews with the next due on 15 May 2008.  The substation is let to Scottish Power on a peppercorn rent for a	£810,000	£16,320,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
	peppercorn rent.	term of 42 years expiring on 14 May 2032.		
Homebase Store, High Road, Harrow Weald, Middlesex, HA3 6HF	<p>The property comprises a purpose built retail warehouse and garden centre of traditional portal frame construction with brick elevations. The tenant has installed a trading mezzanine to part of the unit. The gross internal floor area is 2,873 sq m (30,390 sq ft).</p> <p>The garden centre comprises a large block paved area which is partly covered by a canopy and partly by mesh netting. The car park is situated to the front and side of the building. The external storage area is to the rear and has a separate entrance.</p> <p>Built mid 1980's.</p> <p>Freehold.</p>	The property is let to Homebase Limited on a full repairing and insuring lease for 20 years from 20 December 2000 incorporating five yearly upwards only rent reviews; the next being on 20 December 2010.	£699,154	£14,530,000
Morrison's Junction Road, Leek, Staffordshire, ST13 5PY	<p>The property comprises a foodstore with floodlit parking, built on former railway land. The building is single storey, with tiled verges around the perimeter and over brick elevations. The former Safeway store has been re-branded and is now Morrison's. There is car parking for approximately 270 vehicles. The total gross internal floor area is 39,882 sq ft.</p> <p>Built 1989/90</p> <p>Freehold</p>	Let on a full repairing and insuring lease to Safeway Stores PLC for 25 years expiring on 24 March 2015. The rent is subject to five yearly upward only rent reviews, the next being at 25 March 2010.	£658,053	£14,200,000
Two Moorfields, Liverpool, L2 2BS	<p>A purpose built multi let office building totalling 5,873 sq m (63,218 sq ft) with ground floor retail units and first to fourth floor offices with private car parking areas to the rear. The property is arranged in an 'L' shape with part of the facade to Dale Street being Grade II Listed with the remainder of the building dating from 1984. Located on the edge of the prime retail core within the central business district. Construction is generally concrete frame with red brick and glazed elevations under a mansard type slate covered roof.</p> <p>Built 1984.</p> <p>Freehold.</p>	<p>Multi let to a range of retail and office tenants which include Yorkshire Bank Plc, Secretary of State for Health, Scottish Provident Institution, Norwich Union, CGNU and AON. The eleven occupational leases are drawn on similar full repairing and insuring terms (through a proportionate service charge) and expire between 2010 and 2019 subject to options to break of part in 2007, 2012 and 2014. The leases include rent reviews at five yearly intervals.</p> <p>There is currently one vacant office unit - 4th floor Suite A, four vacant car parking spaces (No 5, 7, 8 &amp; 34) and outstanding rent reviews from 10 October 2005 on Suite D 4th Floor; from 18 May 2006 on Suites A &amp; B, 1<sup>st</sup> floor; and from 27 September 2006 on Units 1 &amp; 2 ground floor.</p> <p>The aggregate contracted rent is £775,035 per annum.</p>	£775,035	£13,170,000
Homebase, New Zealand Avenue, Walton-on- Thames, KT12 1XA	The property comprises a first generation detached retail warehouse of 2,434 sq m (26,196 sq ft) arranged in two bays with an adjoining garden centre and builders yard. It is of traditional portal frame construction with brick elevations supporting a part pitched and tiled roof and part panelled	The property is let to Homebase Limited for 20 years on a full repairing and insuring lease from 20 December 2000 incorporating five yearly upward only rent reviews the next being on 20 December 2010.	£603,716	£12,690,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
	<p>roof. There are internal office and staff areas at ground floor level. The space is fitted with suspended halogen spot lights and overhead heating units.</p> <p>The garden centre and builder's yard comprises a large block paved area which is partly covered by a metal framed canopy and partly by mesh netting. The car park is in two sections and is situated to the front and side of the building providing some 150 spaces.</p> <p>The property is situated to the south of Walton-on-Thames' town centre adjoining a large suburban residential estate. Vehicular access is from Ashley Park Avenue that leads from New Zealand Avenue.</p> <p>The permitted planning consent is for open A1 (non food) retail uses.</p> <p>Built early 1990's.</p> <p>Freehold.</p>			
Homebase, Durnsford Road, Wimbledon, Surrey, SW19 8UG	<p>The property comprises a first generation retail warehouse with garden centre and builders yard of 3,206 sq m (34,512 sq ft). The building is of traditional portal frame construction with glass and composite aluminium panel elevations. The tenant has installed a trading mezzanine.</p> <p>The garden centre and builder's yard comprise a large block paved area which is partly covered by a canopy and partly by mesh netting. The car park is in two sections and is situated to the front of the building. The external storage area is to the side and has a separate entrance from Weir Road. The customer entrance to the site is shared with an office building adjacent and there are two large electricity sub-stations on the site.</p> <p>Built mid 1980's.</p> <p>Freehold.</p>	<p>The property is let to Homebase Ltd on a full repairing and insuring lease for 20 years from 20 December 2000 incorporating five yearly upward only rent reviews.</p> <p>The December 2005 review is outstanding and the contracted rent is £490,462.50 per annum.</p>	£490,462.50	£11,740,000
Carr Lane Kingston-upon-Hull Humberside HU1 3RD	<p>The property comprises a steel framed department store benefiting from ground to second floor retail space together with a third floor that is used for ancillary purposes and the property floor area totals 9,907 sq m (106,635 sq ft). The main frontage is to Carr Lane and it is adjacent to one of the main entrances to the Princes Quay Shopping Centre, a short distance from the main retailing pitch in Hull City centre.</p> <p>Built in the 1960's.</p> <p>Leasehold from Kingston upon Hull City Council - held on full repairing and insuring terms for 96 years from 5 October 1970 a rent of £202,710 per annum. This is subject to 32 year</p>	<p>The property is let to Primark Stores Ltd on full repairing and insuring terms for 35 years from 25 March 1991 subject to five yearly upwards only rent reviews, the next being on 25 March 2011. The current rent passing is £958,104 per annum.</p>	£755,394	£11,250,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
	upwards only reviews geared to 31.5% of open market rent.			
Homebase, Enterprise Way, Luton, Bedfordshire, LU3 2BT	<p>A solus retail warehouse unit with a gross internal area of 3,749 sq m (40,350 sq ft), located to the north of central Luton in a predominantly residential area. The property is of steel portal framed construction with brick clad elevations with a pitched tiled roof.</p> <p>A garden centre is located adjacent to the building. Access to the yard area and loading bay is via a designated entrance to the rear of the store along Enterprise Way.</p> <p>Built circa 1980.</p> <p>Freehold.</p>	The property is held on a full repairing and insuring lease to Homebase Limited expiring 19 December, subject to five yearly upwards only reviews with the next review due on 20 December 2010.	£570,000	£11,100,000
Morrison's Castlegate, Malton, North Yorkshire, YO17 7DT	<p>The property comprises a purpose built steel framed ground floor foodstore and ancillary staff areas, totalling 3,442 sq m (37,053 sq ft). There is also a canopy of 660 sq ft. The property is situated on the fringe of Malton town centre in a predominantly retail area.</p> <p>Built in the 1990's</p> <p>Part freehold and part leasehold expiring in 2049 at a peppercorn with an option to purchase the freehold for a peppercorn.</p>	The property is let to Safeway Stores plc on a full repairing and insuring lease for a term of 25 years expiring on 24 December 2025 subject to 5 yearly upward only rent reviews. The rent review of 25 December 2005 is outstanding and the contracted rent is £389,268 per annum.	£389,268	£10,850,000
Homebase, Felixstowe Road, Ipswich, IP3 8TQ	<p>Solus retail warehouse providing 3,141 sq m (33,805 sq ft) of GIA accommodation together with an adjoining garden centre. The property is located three miles south east of Ipswich town centre fronting the A1156 Felixstowe Road and adjoining a Sainsbury's superstore and petrol filling station.</p> <p>The property has an open A1 retail town planning consent.</p> <p>Built in the mid 1980's.</p> <p>Leasehold from Sainsbury's Supermarkets Limited for 150 years from 22 March 2005 at a fixed peppercorn rent, without review.</p>	<p>Let to Homebase Limited on a full repairing and insuring lease for 25 years from 24 June 1986 incorporating five yearly upwards rent reviews.</p> <p>The June 2006 rent review is outstanding and the total contracted rent is £402,500 per annum.</p>	£402,500	£10,740,000
Homebase, The Waterglade Retail Park, Old Road, Clacton On Sea, Essex, CO15 1HX	<p>The property comprises a metal clad retail warehouse occupied by Homebase Limited, which also incorporates a garden centre having a total floor area of 3,829 sq m (41,216 sq ft). Part of the property is sublet to Comet (c. 10,340 sq ft.). The property forms part of a retail park.</p> <p>Built in circa 1980.</p> <p>Leasehold for a term of 999 years from</p>	Let to Homebase Limited for a term of 20 years from 20 December 2000 incorporating five yearly upwards only rent reviews. The December 2005 rent review is outstanding and the contracted rent is £376,404 per annum.	£376,404	£10,340,000

Property	Description, Age & Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
	24 June 1988 a fixed peppercorn rent.			
473 High Road Willesden London NW10 2JH	Solus retail warehouse with car parking providing 29,410 sq ft. The tenant has installed a mezzanine across the rear of the unit.  Built 1980's.  Freehold.	A single full repairing and insuring lease to Homebase Limited for 20 years from 20 December 2000 with 5 yearly upwards only rent reviews, the next being on 20 December 2010.	£513,084	£10,200,000
33/35 Fargate Sheffield South Yorkshire S1 2HD	Retail property comprising two units arranged over ground floor sales with four ancillary upper floors providing a total net internal area of 26,680 sq ft (2,479 sq m). The property is situated on the pedestrianised Fargate which forms the prime retailing area of the city.  Built 1950's  Freehold.	The property is let to Top Man/Top Shop Properties Ltd on a full repairing and insuring lease for a term of 25 years expiring 23 June 2007, without further rent reviews.	£490,000	£10,150,000
99/101 Lord Street, Liverpool, Merseyside, L2 6SS	The property comprises a prominent corner retail unit arranged on basement, ground and three upper floors totalling 1,149 sq m (12,367 sq ft) net internal area . The property benefits from a return frontage to Whitechapel and lies at the junction of Church Street.  Built 1960's.  Freehold.	The property is let on a single 35 year lease from 1 April 1970 which expired on 31 March 2005 to GPS (Great Britain) Ltd. The tenant is currently holding over and has made a Court application for a new lease. The rent payable prior to the expiry date is £270,000 per annum.	£270,000	£8,100,000
<b>Total</b>				<b>£1,899,235,000</b>

## MISCELLANEOUS

### 1. Use of Proceeds

In respect of the Exchange Debentures (as defined in "*Subscription and Sale*") there will be no cash proceeds of issue. In respect of the Non-Exchange Debentures (as so defined), the proceeds of issue will be applied by the Issuer in paying a premium in respect of the redemption of the Existing Debentures and for general corporate purposes.

Fees and expenses in connection with this issue are expected to amount to approximately £750,000 and will be paid by the Issuer.

### 2. Income Cover Ratio

The Valuation Report states that the current net annual rents receivable from the Mortgaged Properties set out therein is £79,363,344 as at 30 September 2006. This amounts to 1.33 times the gross annual interest payable in respect of the Debentures.

### 3. Asset Cover Ratio

The Valuation Report states the aggregate value of the Mortgaged Properties set out therein to be £1,899,235,000 as at 30 September 2006. This is equal to 1.81 times the principal amount of the Debentures.

### 4. Change of Control

The Trust Deed provides that, upon the occurrence of a Change of Control Event, the Issuer will, once a year and within 180 days of the end of each financial year of the Issuer, if requested by at least 50 per cent. in nominal amount of the Debentureholders by the ninetieth day after the end of each such financial year, arrange and host a meeting (at the expense of the Issuer) for Debentureholders to meet appropriate senior officers and/or senior employees of the Issuer to enable discussion of, among other things, the financial position of the Issuer and the Mortgaged Properties.

### 5. Information Covenant

The Trust Deed contains a covenant by the Issuer that it will post on its website, if it has one, or distribute via an RIS, if it does not, within 6 months after each 31 March and 30 September, commencing on 30 September 2006, a statement of the Mortgaged Properties, their aggregate value and income, their breakdown by industry sector and geographical spread and the identity of the top 10 tenants by rent as at the relevant period end (prepared on a basis consistent with the preparation of valuations in accordance with **Condition 9** (Valuation of Security and Withdrawals)).

The Trustee will be entitled to agree changes to the dates stated above and in **Condition 9** (Valuation of Security and Withdrawals) (but not in such a way as to reduce the frequency of delivery) in the event that the Issuer changes its financial year end or the timing of its reporting to its equity shareholders.

Delivery of a valuation as described above does not constitute delivery of a valuation for the purposes of **Condition 9** (Valuation of Security and Withdrawals).

## UNITED KINGDOM TAXATION

**The following applies only to persons who are the beneficial owners of Amortising 2035 Debentures and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Amortising 2035 Debentureholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

### **A. INTEREST ON THE AMORTISING 2035 DEBENTURES**

#### *1. Payment of interest on the Amortising 2035 Debentures*

Payments of interest on the Amortising 2035 Debentures may be made without deduction or withholding on account of United Kingdom income tax provided that the Amortising 2035 Debentures continue to be issued by a company and listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the **Act**). The London Stock Exchange is a recognised stock exchange. Under HM Revenue and Customs published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. Provided, therefore, that the Amortising 2035 Debentures remain so listed, interest on the Amortising 2035 Debentures will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Amortising 2035 Debentures may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Amortising 2035 Debentures is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Amortising 2035 Debentures is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue and Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Amortising 2035 Debentures on account of United Kingdom income tax at the lower rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to an Amortising 2035 Debentureholder, HM Revenue and Customs can issue a notice to the Issuer to pay interest to the Amortising 2035 Debentureholder without deduction of tax (or for interest to be paid with tax deducted at the lower rate provided for in the relevant double tax treaty).

Amortising 2035 Debentureholders who are individuals may wish to note that HM Revenue and Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by HM Revenue and Customs with the tax authorities of the jurisdiction in which the Amortising 2035 Debentureholder is resident for tax purposes.



2. *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 an individual resident 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 (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 or agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

3. *Further United Kingdom Income Tax Issues*

Interest on the Amortising 2035 Debentures constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of an Amortising 2035 Debentureholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Amortising 2035 Debentureholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Amortising 2035 Debentures are attributable (or where that Amortising 2035 Debentureholder is a company, unless that Amortising 2035 Debentureholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Amortising 2035 Debentures are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Amortising 2035 Debentureholders.

**B. UNITED KINGDOM CORPORATION TAX PAYERS**

4. In general, Amortising 2035 Debentureholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Amortising 2035 Debentures (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

**C. OTHER UNITED KINGDOM TAX PAYERS**

5. *Taxation of Chargeable Gains*

It is expected that the Amortising 2035 Debentures will be treated by HM Revenue and Customs as qualifying corporate bonds within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Amortising 2035 Debentures by an individual Amortising 2035 Debentureholder should not give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains depending on the individual circumstances of the Amortising 2035 Debentureholder.

6. *Accrued Income Scheme*

On a disposal of Amortising 2035 Debentures by an Amortising 2035 Debentureholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme if that Amortising 2035 Debentureholder is resident or

ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Amortising 2035 Debentures are attributable. Amortising 2035 Debentureholders are advised to consult their own professional advisers for further information about the accrued income scheme. Amortising 2035 Debentureholders should note that, in December 2004, HM Revenue and Customs announced that the accrued income scheme is to be reformed following a further period of consultation. It is not currently known whether or in what form any changes arising from the consultations will be enacted and it is possible that, when any changes are enacted, they may affect the taxation treatment described in this paragraph.

**D. DEEPLY DISCOUNTED SECURITIES**

7. It is not expected that the Amortising 2035 Debentures will constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

**STAMP DUTY AND STAMP DUTY RESERVE TAX**

8. No United Kingdom stamp duty or stamp duty reserve tax (SDRT) is payable on a transfer by delivery of the Amortising 2035 Debentures.

## SUBSCRIPTION AND SALE

The Lead Manager has, pursuant to a subscription agreement entered into on 18 December 2006 between the Lead Manager and the Issuer (the **Subscription Agreement**), agreed (subject to certain conditions) to subscribe for those Amortising 2035 Debentures (the **Non-Exchange Debentures**) not being issued by the Issuer in partial satisfaction of the redemption of the Existing Debentures (the **Exchange Debentures**) at an issue price of 98.443 per cent.

The Issuer has agreed to pay a fee to the Lead Manager of approximately £325,000 in aggregate in respect of the Non-Exchange Debentures and for certain other services. The Subscription Agreement is subject to a number of conditions and may be terminated by the Lead Manager in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the Non-Exchange Debentures.

The Subscription Agreement contains arrangements only in respect of the Non-Exchange Debentures.

### United Kingdom

The Lead Manager has 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 Non-Exchange Debentures 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 Non-Exchange Debentures in, from, or otherwise involving, the United Kingdom.

### United States

The Non-Exchange Debentures 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.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Non-Exchange Debentures, (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 Non-Exchange Debentures 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 Non-Exchange Debentures from it during the Restricted Period, a confirmation or other notice setting forth the restrictions on offers and sales of the Non-Exchange Debentures within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Non-Exchange Debentures which are Bearer Debentures 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 admission of the Amortising 2035 Debentures to the Official List and to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, no action has been taken by the Issuer or the Lead Manager in any jurisdiction which would or is intended to, permit a public offering of the Amortising 2035 Debentures, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Amortising 2035 Debentures 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 or purchase any of the Amortising 2035 Debentures in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

The Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Non-Exchange Debentures, or distribute this document or any other material relating to the Non-Exchange Debentures 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 Amortising 2035 Debentures was authorised by resolution of a committee of the board of directors of the Issuer passed on 23 November 2006.
2. It is expected that the admission of the Amortising 2035 Debentures on the Official List of the UK Listing Authority and the admission to trading of the Amortising 2035 Debentures on the London Stock Exchange's Gilt Edged and Fixed Interest Market (being a regulated market) will be granted on or around 20 December 2006, subject only to issue of the Temporary Global Debenture and any Registered Debentures. The listing of the Amortising 2035 Debentures will be cancelled if the Temporary Global Debenture and any applicable Registered Debentures are not issued. Transactions in respect of the Amortising 2035 Debentures will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction. Prior to official listing, however, dealings in the Amortising 2035 Debentures will be permitted by the London Stock Exchange, in accordance with its rules.
3. The Amortising 2035 Debentures have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISINs, Common Codes and SEDOL numbers for the Amortising 2035 Debentures is as follows:

ISIN (bearer)	XS0276843603
ISIN (registered)	GB00B1J01F91
Common Code (bearer)	027684360
SEDOL (bearer)	B1HZWK8
SEDOL (registered)	B1J01F9
4. Since 31 March 2006 (being the date of the most recently published audited financial statements of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer.
5. Since 30 September 2006 (being the date of the most recently published unaudited financial statements of the Issuer), there has been no significant change in the trading or financial position of the Issuer.
6. There has been no material adverse change in the valuation of the Mortgaged Properties as set out in the Valuation Report since 30 September 2006 (being the date of valuation set out in that report).
7. The Issuer is not, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) for a period covering at least 12 months prior to the date of this Prospectus, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
8. Knight Frank LLP, whose head office is at 20 Hanover Square, London W1S 1HZ, has given and has not withdrawn its written consent to the inclusion in this Prospectus of its Valuation Report and of the references to its name in the form and context in which they appear and has authorised the contents of that part of the Prospectus comprising the Valuation Report. Knight Frank LLP has no material interest in the Issuer.
9. The Issuer has not entered into any material contract which was not entered into in the ordinary course of its business and which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations under the Amortising 2035 Debentures.

10. Save for any fees payable to the Lead Manager, so far as the Issuer is aware, no natural or legal person involved in the issue of the Amortising 2035 Debentures has any interest material thereto.
11. For so long as the Amortising 2035 Debentures are admitted to the Official List and to trading on the London Stock Exchange, the Issuer shall maintain a Paying Agent in the United Kingdom.
12. The Trust Deed will provide that the Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information provided to or document entered into by the Trustee and the relevant person in connection therewith contains any monetary or other limit on the liability of the relevant person.
13. From the date of this Prospectus and for the life of the registration document, copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Simmons & Simmons at CityPoint, One Ropemaker Street, London EC2Y 9SS:
  - (a) the memorandum and articles of association of the Issuer;
  - (b) the annual report and consolidated audited financial statements of the Issuer for the two years ended 31 March 2005 and 31 March 2006;
  - (c) the unaudited financial statements of the Issuer for the six month period ended 30 September 2006;
  - (d) the Valuation Report;
  - (e) the Subscription Agreement;
  - (f) a copy of the Composite Supplemental Trust Deed;
  - (g) a copy of the First Supplemental Composite Trust Deed; and
  - (h) drafts (subject to modification) of the contracts and documents listed below:
    - (i) the Second Supplemental Composite Trust Deed; and
    - (ii) the Agency Agreement.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

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**VALUER**

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*To the Lead Manager and the Trustee*

**Allen & Overy LLP**

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**REGISTRAR**

**JPMorgan Chase Bank, N.A.**

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London E1W 1YT

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**The Royal Bank of Scotland plc**

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