

# DEBUSSY DTC PLC

(incorporated in England and Wales with limited liability under registered number 08375890)

**£184,211,000 Class A Commercial Mortgage-Backed Fixed Rate Notes due 2025**

**£52,632,000 Class B Commercial Mortgage-Backed Fixed Rate Notes due 2025**

**£26,316,000 Class C Commercial Mortgage-Backed Fixed Rate Notes due 2025**

Notes	Initial Principal Amount	Issue Price	Interest Rate	Additional Payment Rate	Expected Maturity Date	Final Maturity Date	Ratings	
							S&P	DBRS
Class A Notes	£184,211,000	100%	5.95% (from, and including, 12 July 2013 to, but excluding, the Closing Date) and thereafter, 5.93%	N/A	12 July 2020	12 July 2025	A- (sf)	BBB (low)
Class B Notes	£52,632,000	100%	8.25% (from, and including, 12 July 2013)	N/A	12 July 2020	12 July 2025	n/a	n/a
Class C Notes	£26,316,000	100%	10.5% (from, and including, 12 July 2013)	0.5% (from, and including, the Closing Date)	12 July 2020	12 July 2025	n/a	n/a

<b>Closing Date</b>	The Issuer expects to issue the Notes in the classes set out above on 24 July 2013 (the " <b>Closing Date</b> ").
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and interest received by the Issuer pursuant to a loan (the "<b>Propco Loan</b>") advanced by the Issuer on 28 March 2013 (the "<b>Refinancing Date</b>") to Toys "R" Us Properties (UK) Limited (the "<b>Borrower</b>") pursuant to a loan agreement (the "<b>Propco Facility Agreement</b>") entered into on 25 March 2013.</p> <p>The Propco Loan is secured primarily by fixed and floating security granted by the Borrower over its property, undertaking and assets in favour of the Borrower Security Agent. The assets of the Borrower include, <i>inter alia</i>, its interests in a portfolio of 31 commercial properties located in England, Wales, Scotland and Northern Ireland (each a "<b>Property</b>" and collectively the "<b>Properties</b>") and the commercial leases in relation to the Properties.</p> <p>See the sections entitled "<i>Description of the Portfolio</i>" on page 84, "<i>The Propco Loan and the Loan Security</i>" on page 93 and "<i>Appendix 1 – The Property Details</i>" on page 213 for more detail.</p>
<b>Credit Enhancement</b>	Subordination of junior ranking Notes. See Condition 3 ( <i>Status, Security and Priority</i> ) under " <i>Terms and Conditions of the Notes</i> " on page 160 for more detail.
<b>Liquidity Support</b>	Establishment of the Borrower Security Reserve Account, funded in the amount of £19,300,000, which will be used to fund payment of, <i>inter alia</i> , interest on the Class A Notes and Class C Note Senior Additional Payments. See the section entitled " <i>The Propco Loan and the Loan Security – Propco Facility Agreement – Borrower Accounts – Borrower Security Reserve Account</i> " on page 101 for more detail.
<b>Redemption Provisions</b>	Information on any optional and mandatory redemption of the Notes is summarised in the section entitled " <i>Overview of the Terms and Conditions of</i>

	<i>the Notes</i> " on page 51 and set out in full in Condition 6 ( <i>Redemption and Cancellation</i> ) under " <i>Terms and Conditions of the Notes</i> " on page 168.
<b>Credit Rating Agencies</b>	<p>Standard &amp; Poor's Credit Market Services Europe Limited ("<b>S&amp;P</b>") and DBRS Ratings Limited ("<b>DBRS</b>"), each a "<b>Rating Agency</b>" and, together, the "<b>Rating Agencies</b>").</p> <p>In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 (the "<b>CRA Regulation</b>") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.</p> <p>Each of S&amp;P and DBRS is established in the European Union and has been registered under CRA Regulation as of 31 October 2011.</p>
<b>Credit Ratings</b>	<p>Ratings are expected to be assigned to the Class A Notes as set out above on or before the Closing Date.</p> <p>The ratings assigned by each of S&amp;P and DBRS to the Class A Notes address the likelihood of (a) full and timely payment of interest due to the holders of the Class A Notes on each Note Payment Date and (b) full and ultimate payment of principal on the Class A Notes on or before the Final Maturity Date.</p> <p>The assignment of a rating to the Class A Notes is not a recommendation to invest in any of the Notes. Any rating assigned to the Class A Notes may be revised or withdrawn at any time.</p>
<b>Listing</b>	<p>This document comprises a prospectus (the "<b>Prospectus</b>"), for the purpose of Directive 2003/71/EC, as amended (the "<b>Prospectus Directive</b>"). This Prospectus has been approved by the Central Bank of Ireland (the "<b>Central Bank of Ireland</b>") as competent authority under the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the "<b>Markets in Financial Instruments Directive</b>") and/or which are to be offered to the public in any Member State of the European Economic Area. This Prospectus constitutes a "prospectus" for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "<b>Prospectus Regulations</b>") (which implement the Prospectus Directive in Ireland). Application has been made to the Irish Stock Exchange (the "<b>Irish Stock Exchange</b>") for the Notes to be admitted to the official list (the "<b>Official List</b>") and trading on its regulated market.</p>
<b>Further Issues</b>	There are no provisions for further, additional or new notes to be issued.
<b>Obligations</b>	<p>The Notes will constitute direct, secured and limited recourse obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person. It should be noted, in particular, that the Notes will not be obligations of, and will not be guaranteed by, the Arranger, the Note Trustee, the Issuer Security Trustee, the Paying Agents, the Agent Bank, the Account Bank, the Servicer, the Special Servicer, the Cash Manager, the Issuer Corporate Services Provider, the Borrower Security Agent, the Borrower Facility Agent, the Borrower or any of their respective affiliates or the shareholders of the Issuer or any other third person or entity and any suggestion otherwise, express or implied, is expressly excluded.</p>

<b>Retention Undertaking</b>	<p>TRU (UK) Noteholder Limited, an indirect wholly owned subsidiary of Toys "R" Us Inc., will represent and warrant to the Issuer, the Issuer Security Trustee and the Note Trustee, on behalf of the Noteholders, that it will retain, on an ongoing basis, a material net economic interest which shall in any event not be less than 5 per cent. of the securitisation, in accordance with the text of Article 122(a) of Directive 2006/48/EC (as amended by Directive 2009/111/EC) (the "<b>Capital Requirements Directive</b>") by retaining at least 5 per cent. of the Principal Amount Outstanding of each Class of Notes. See the section entitled "<i>Regulatory Considerations</i>" on page 8 for more detail.</p>
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**THE "RISK FACTORS" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.**

*Arranger*

**Cairn Capital Limited**

The date of this Prospectus is 24 July 2013

## IMPORTANT NOTICE

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Borrower, the Note Trustee, the Issuer Security Trustee or the Arranger that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Borrower, the Note Trustee, the Issuer Security Trustee or the Arranger which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Arranger to inform themselves about and to observe any such restrictions.

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

CBRE Ltd accepts responsibility for the information set out in the section entitled "*Appendix 4 – Initial Valuation*". To the best of the knowledge and belief of CBRE Ltd (having taken all reasonable care to ensure that such is the case), the information contained in the section entitled "*Appendix 4 – Initial Valuation*" (other than as provided in the following paragraph) is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Borrower, the Borrower Facility Agent, the Borrower Security Agent or any of their respective affiliates or shareholders or the shareholders of the Issuer. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained herein since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

None of the Securities and Exchange Commission, any state securities commission or any other U.S. regulatory authority has approved or disapproved the Notes nor have any of the foregoing authorities passed upon or endorsed the merits, or the accuracy or adequacy, of this Prospectus.

The Notes and interest and other amounts thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by, the Borrower or any associated body of the Borrower or of or by the Borrower, the Borrower Facility Agent, the Borrower Security Agent or any of their respective affiliates or shareholders or the shareholders of the Issuer and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

## NOTICE TO UNITED KINGDOM INVESTORS

In the United Kingdom, this Prospectus is only being distributed to, and is only directed at, persons who either (1) have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (2) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order (each such person being referred to as a "Relevant Person"). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Prospectus must not be acted or relied on by persons who are not Relevant Persons.

## NOTICE TO U.S. INVESTORS

This Prospectus has been prepared by the Issuer solely for use in connection with the issue of the Notes. In the United States, this Prospectus is personal to each person or entity to whom the Issuer, the Arranger or an affiliate thereof has delivered it. Distribution in the United States of this Prospectus to any person other than



such persons or entities and those persons or entities, if any, retained to advise such persons or entities with respect thereto, is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this Prospectus, agrees to the foregoing and not to reproduce all or any part of this Prospectus.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Prospectus under the section entitled "*Transfer Restrictions*" on page 204.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE OR OTHER SECURITIES LAW, AND THE ISSUER IS NOT AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE NOTES WILL BE AND ARE BEING OFFERED AND SOLD, AND MAY BE REOFFERED AND RESOLD, ONLY (A) OUTSIDE THE UNITED STATES TO INVESTORS WHO ARE NOT U.S. PERSONS AS DEFINED IN RULE 902(k) UNDER THE SECURITIES ACT ("**U.S. PERSONS**") AND (B) TO INVESTORS THAT (I) ARE BOTH "QUALIFIED INSTITUTIONAL BUYERS" ("**QUALIFIED INSTITUTIONAL BUYERS**") AS DEFINED IN RULE 144A ("**RULE 144A**") UNDER THE SECURITIES ACT AND "QUALIFIED PURCHASERS" AS SUCH TERM IS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER ("**QUALIFIED PURCHASERS**"). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED IN THE SECTION ENTITLED "*TRANSFER RESTRICTIONS*" ON PAGE 204.

For more detail on certain further restrictions on resale or transfer of the Notes, see the sections entitled "*Description of the Note Trust Deed and the Notes*" on page 149 and "*Transfer Restrictions*" on page 204.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

#### **AVAILABLE INFORMATION**

The Issuer is not subject to the informational requirements of the Exchange Act. The Issuer agrees that at any time whilst the Notes are outstanding, it will, upon request, furnish to the Noteholders or prospective purchasers of the Notes designated by such Noteholders (provided that the prospective purchasers are permitted transferees) the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Notes.

#### **ENFORCEABILITY OF JUDGMENTS**

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States and all of the directors of the Issuer reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons not residing in the United States with respect to matters arising under the federal or state securities laws of the United States, or to enforce against them judgments of the courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in the United Kingdom, in

original actions or in actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon such securities laws.

### **INFORMATION AS TO PLACEMENT WITHIN THE UNITED STATES**

Notwithstanding anything to the contrary contained herein, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of an investment in the Notes and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such tax treatment and tax structure. For these purposes, the tax treatment of an investment in the Notes means the purported or claimed United States federal income tax treatment of an investment in the Notes. Moreover, the tax structure of an investment in the Notes includes any fact that may be relevant to understanding the purported or claimed United States federal income tax treatment of an investment in the Notes.

### **OFFEREE ACKNOWLEDGEMENTS**

Each person receiving this Prospectus, by acceptance hereof, hereby acknowledges that:

- (a) this Prospectus has been prepared by the Issuer solely for the purpose of offering the Notes described herein. Notwithstanding any investigation that the Arranger may have made with respect to the information set forth herein, this Prospectus does not constitute, and shall not be construed as, any representation or warranty by the Arranger as to the adequacy or accuracy of the information set forth herein. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Notes is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Notes is strictly prohibited. A prospective investor shall not be entitled to, and must not rely on this Prospectus unless it was furnished to such prospective investor directly by the Issuer or the Arranger.
- (b) The obligations of the parties to the transactions contemplated herein are set forth in and will be governed by certain documents described herein, and all of the statements and information contained herein are qualified in their entirety by reference to such documents. This Prospectus contains summaries, which the Issuer believes to be accurate, of certain of these documents, but for a complete description of the rights and obligations summarised herein, reference is hereby made to the actual documents, copies of which may (on giving reasonable notice) be obtained from the Issuer or the Paying Agents after the Closing Date.

EACH PERSON RECEIVING THIS PROSPECTUS FURTHER ACKNOWLEDGES THAT (A) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (B) SUCH PERSON HAS NOT RELIED ON THE ARRANGER OR ANY PERSON AFFILIATED WITH THE ARRANGER IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (C) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE NOTES OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED AND (D) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS AT ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

### **FORWARD-LOOKING STATEMENTS**

Certain matters contained herein are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Notes and reflect significant assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such

statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "projects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax laws, in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. The Arranger has not attempted to verify any such statements, nor does it make any representation, express or implied, with respect thereto.

Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. Neither the Issuer nor the Arranger assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

### **REFERENCES TO CURRENCIES**

All references in this Prospectus to "**sterling**" or "**pounds**", "**GBP**" or "**£**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**").

### **GENERAL NOTICE TO INVESTORS**

Other than approval by the Financial Regulator in Ireland of this Prospectus as a prospectus in accordance with the requirements of the Prospectus Directive and the relevant implementing measures in Ireland, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof), comes are required by the Issuer and the Arranger to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by or on behalf of the Issuer or the Arranger to subscribe for or purchase any of the Notes and neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof) see the sections entitled "*- Notice to U.S. Investors*" on page 4, "*Subscription and Exchange*" on page 203 and "*Transfer Restrictions*" on page 204.

Any website referred to in this Prospectus and the contents thereof do not form part of this Prospectus.

## REGULATORY CONSIDERATIONS

### Article 122a of the Capital Requirements Directive

TRU (UK) Noteholder Limited (the "**TRU Note Purchaser**") (which is a consolidated subsidiary of Toys "R" Us, Inc. and an affiliate of the Borrower and OpCo) will represent and warrant in the Deed of Charge and Assignment that for so long as any Noteholder or person who is able to become a Noteholder is subject, whether directly or indirectly, to the requirements of Article 122a of the Capital Requirements Directive ("**Article 122a**") and any Notes are outstanding:

- (a) it holds and will retain (on an on-going basis), a principal amount of each Class of Notes of not less than 5 per cent. of the aggregate Principal Amount Outstanding of each Class of the Notes (the "**Retained Interest**");
- (b) the Retained Interest will not be subject to any credit risk mitigation or any short positions or any other hedge other than as permitted by Article 122a; and
- (c) Toys "R" Us, Inc. beneficially holds (directly or indirectly) the right to participate in more than 50 per cent. of the distribution of either the profits or the capital in the TRU Note Purchaser.

Such retention by the TRU Note Purchaser will constitute the retention of a material economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Article 122a. Any change to the manner in which such interest is retained will be notified to Noteholders in the Servicer Quarterly Report following such change.

The TRU Note Purchaser will represent and undertake in the Deed of Charge and Assignment to notify the Note Trustee and Servicer of any breach of the above representations and warranties.

Each prospective investor is required independently to assess and determine the sufficiency of the information described above, elsewhere in this Prospectus and which may otherwise be made available generally for the purposes of complying with Article 122a and none of the Issuer, the Arranger or any other party to the Transaction Documents makes any representation that any such information is or will be sufficient in all circumstances for such purposes. In addition, each prospective investor should ensure that it complies with the implementing provisions in respect of Article 122a in its relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from the regulator.

For further information, see the section entitled "*Risk Factors – General Risk Factors – Impact of regulatory initiatives on certain investors*" on page 34.

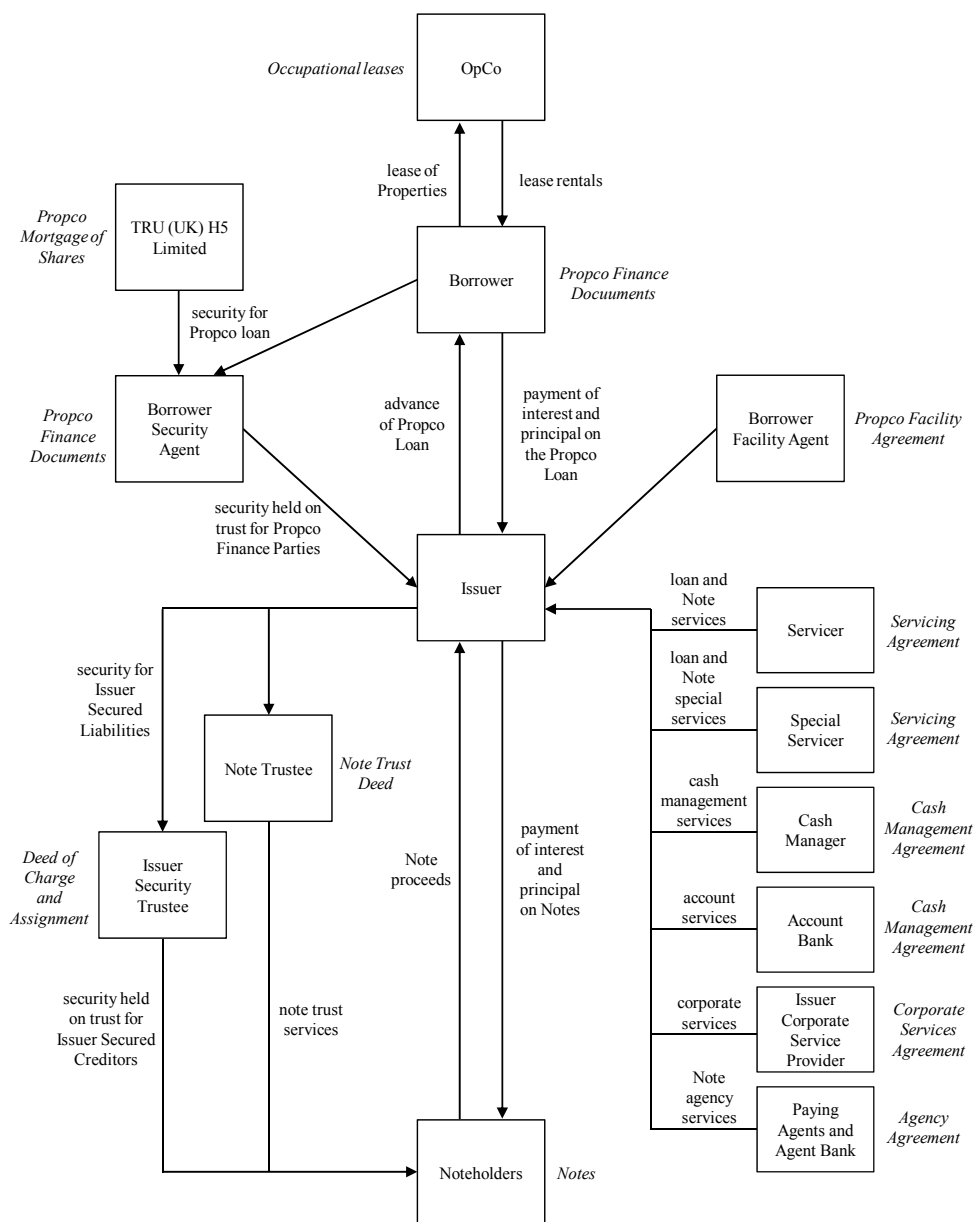
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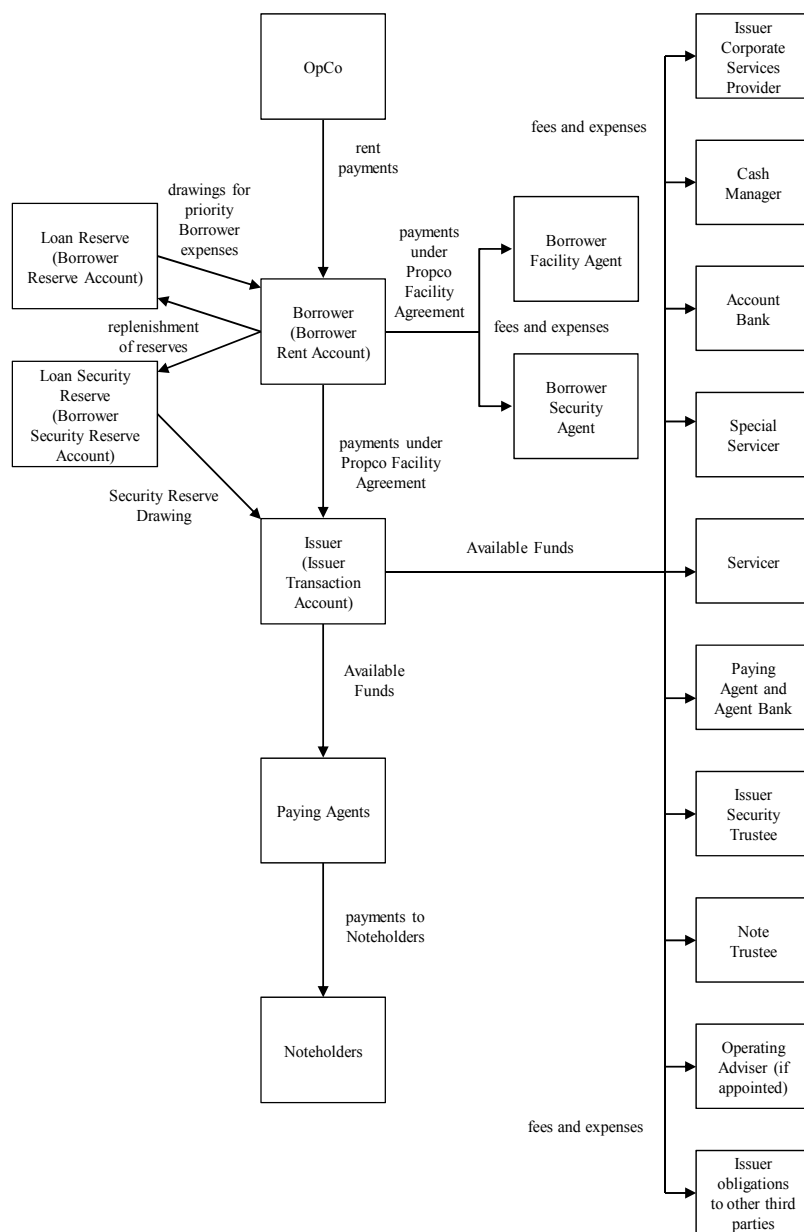
## DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

The following diagram sets out the key transaction parties and the contractual arrangements to which they are a party.



## DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOW

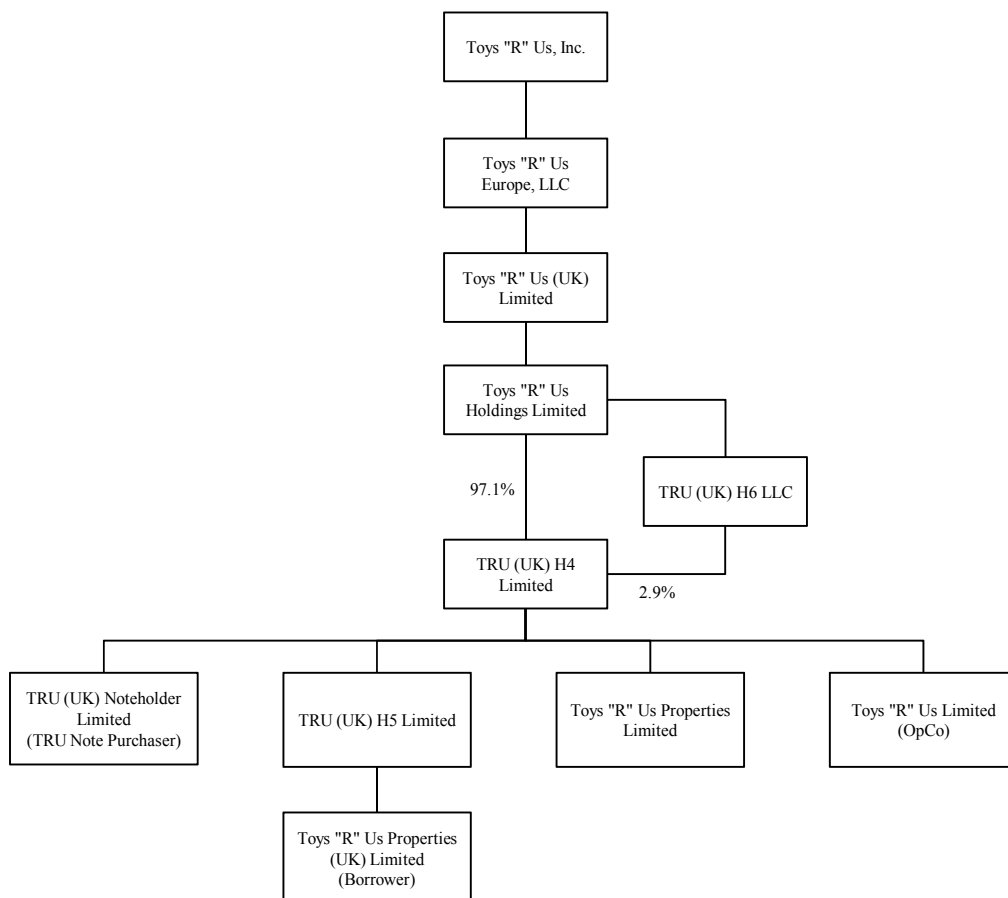
The following diagram highlights the structure and cashflow for the transaction. It is not intended to be an exhaustive description of such matters and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.





## DIAGRAMMATIC OVERVIEW OF OWNERSHIP STRUCTURE OF THE BORROWER

The following diagram sets out the structure of the corporate group of which the Borrower forms part. It is not intended to be an exhaustive description of such corporate group. See the sections entitled "*The Borrower*" on page 75 and "*OpCo and the Toys 'R' Us Business*" on page 78 for more detail.



## **RISK FACTORS**

*Set out in this section is a summary of certain issues of which prospective Noteholders should be aware before making a decision whether or not to invest in Notes of any Class. This summary is not intended to be exhaustive. Therefore, prospective holders of the Notes should also read the detailed information set out elsewhere in this Prospectus and form their own views before making any investment decision.*

### **A. RISK FACTORS RELATING TO THE NOTES**

#### **Liability under the Notes**

The Issuer will be the only entity which has obligations to pay any amount due in respect of the Notes. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity.

#### **Limited resources of the Issuer**

The Issuer is a special purpose entity with no business operations other than the issue of the Notes, the entering into of the Propco Facility Agreement, the Transaction Documents and the transactions ancillary thereto. The assets of the Issuer will themselves be limited. Other than from interest earned on the Issuer Transaction Account, the ability of the Issuer to meet its obligations under the Notes will be wholly dependent upon the receipt by it of principal and interest and other amounts (including drawings from the Borrower Security Reserve Account) from the Borrower under the Propco Loan (see the section entitled "- B. Risk Factors relating to the Propco Loan and the Loan Security" on page 20) or if the Borrower fails to repay the Propco Loan, the receipt of funds (if any) in respect of any enforcement of the Loan Security. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes.

Upon enforcement of the Issuer Security, the Issuer Security Trustee or any receiver will have recourse only to the Propco Loan and the Issuer's interest in the Loan Security, and to any other assets of the Issuer then in existence as described in this document.

#### **Limited Recourse obligations of the Issuer**

The Notes will be limited recourse obligations of the Issuer. On enforcement of the Issuer Security, in the event that the proceeds of such enforcement are insufficient (after payment of all other claims ranking higher in priority to or *pari passu* with amounts due under the Notes), then the Noteholders will have no further claim against the Issuer in respect of such unpaid amounts.

Enforcement action under the Deed of Charge and Assignment (which may be by way of appointment of a receiver over the secured assets) is the only substantive remedy available for the purposes of recovering amounts owed in respect of the Notes. The Issuer will not have any recourse to the assets the Borrower unless the Borrower has also defaulted on its obligations under the Propco Finance Documents. The security created by the Propco Security Documents will not automatically be enforceable as a result of enforcement action under the Deed of Charge and Assignment.

#### **Ratings of the Class A Notes**

The ratings assigned to the Class A Notes by each Rating Agency are based on the Propco Loan, the Loan Security, the Portfolio and other relevant structural features of the transaction. Such rating by a Rating Agency reflects only the views of that Rating Agency. No other rating agency has been mandated to rate any Class of Notes and neither Rating Agency has been mandated to rate any other Class of Notes.

The ratings assigned to the Class A Notes by each Rating Agency address the likelihood of full and timely receipt by any of the Noteholders of interest on the Class A Notes and the likelihood of receipt by any Noteholder of principal of the Class A Notes by the Final Maturity Date. There can be no assurance that any such rating will continue for any period of time or that it will not be reviewed, revised, suspended or withdrawn entirely by the applicable Rating Agency as a result of changes in, or unavailability of, information or if, in the judgment of that Rating Agency, the credit quality of the Class A Notes has declined or is in question or circumstances so warrant. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A qualification, downgrade or withdrawal of the

ratings assigned to the Class A Notes by a Rating Agency may impact upon the market value and/or liquidity of the Notes of any Class.

Credit rating agencies other than the Rating Agencies could seek to rate the Notes (or any Class of them) and each Rating Agency could seek to rate the Class B or Class C Notes without having been requested to do so by the Issuer. Any such unsolicited ratings in respect of the Class A Notes may differ from the ratings assigned to the Class A Notes by the Rating Agencies. The issuance of an unsolicited rating could have an adverse effect on the market value and/or liquidity of the Notes of any Class. In this Prospectus, all references to ratings are to the rating assigned by the Rating Agencies to the Class A Notes.

Each Rating Agency, in assigning a credit rating to the Class A Notes, does not comment on the interests of holders of securities such as the Class A Notes and there is no obligation on the part of either Rating Agency to provide any confirmation of a rating if it was requested to do so.

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

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. There is not, at present, a secondary market for the Notes. There can be no assurance that a secondary market in the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment, or that it will continue for the life of the Notes. In addition, the market value of certain of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time until final redemption or maturity of such Notes. Lack of liquidity could result in a significant reduction in the market value of the Notes and any sale of Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of those Notes.

#### **Recent Market Dislocation**

The global financial system has been experiencing difficulties since the second half of 2007. Despite measures taken by the UK and United States governments and the European Central Bank and other central banks to stabilise the financial markets, the volatility and disruption of the capital and credit markets have continued and, in relation to the market for commercial mortgage backed securities ("CMBS") have caused significant dislocation, illiquidity and volatility.

This continuing global market volatility together with a lack of growth in the UK economy has also contributed to, *inter alia*, a decline in real estate values and diminished availability of leverage and/or refinancing funding for commercial mortgage loans. The financial strength of many commercial real estate tenants has also been adversely affected, which has resulted in increased rent delinquencies and vacancies.

Such market conditions have had and are likely to continue to have an adverse effect on CMBS and other real estate backed securities. It is difficult to predict whether, or to what extent, such adverse market conditions will continue to exist and even where there is any improvement, commercial property may continue to decline in value.

In addition to the direct impact on CMBS, the downturn in other asset backed and structured products has also affected the CMBS market by contributing to a decline in the market value and liquidity of securitised investments. Any continued deterioration in other asset backed and structured product markets may also continue to adversely affect the value of CMBS. Even if the CMBS market is generally performing as anticipated, the value of CMBS in the secondary market may nevertheless decline as a result of the continued deterioration in general market conditions or in the market for other asset backed or structured products and as such could also affect the value of CMBS products such as the Notes.

#### **Impact of Lack of Liquidity on Borrower**

The lack of credit liquidity, decreases in the value of commercial properties and, in some instances, correspondingly higher lending rates have prevented many commercial mortgage borrowers from refinancing their loans. These circumstances have increased delinquency and default rates of securitised commercial mortgage loans, and may lead to widespread commercial mortgage defaults. In addition, the declines in commercial real estate values have resulted in reduced borrower equity, hindering the ability of borrowers to refinance in an environment of increasingly restrictive lending standards and giving them less incentive to cure

delinquencies and avoid enforcement. Higher loan-to-value ratios are likely to result in lower recoveries on foreclosure, and an increase in loss severities above those that would have been realised had commercial property values remained the same or continued to increase. Defaults, delinquencies and losses have further decreased property values, thereby resulting in additional defaults by commercial mortgage borrowers, further credit constraints, further declines in property values and further adverse effects on the perception of the value of CMBS products such as the Notes.

Many commercial mortgage lenders and institutional investors have tightened their loan underwriting standards, which has reduced the availability of mortgage credit to prospective borrowers. These developments have contributed, and may continue to contribute, to a weakening in the commercial real estate market as these adjustments have, among other things, inhibited refinancing and reduced the number of potential buyers of commercial real estate. The continued use or further adjustment of these loan underwriting standards may contribute to further increases in delinquencies and losses on commercial mortgage loans generally.

Noteholders should consider that general conditions in the commercial real estate and mortgage markets may adversely affect the ability of the Borrower to refinance the Propco Loan or recoveries if enforcement procedures are undertaken in relation to the Propco Loan and/or the Properties. In addition, in connection with all the circumstances described above, Noteholders should be aware in particular that:

- if a Noteholder determines to sell its Notes, it may be unable to do so or may be able to do so only at a substantial discount from the price originally paid; this may be the case for reasons unrelated to the then current performance of the Notes and the Propco Loan and may be the case within a relatively short period following the issuance of the Notes;
- if the Propco Loan defaults, then the return on the Notes may be substantially reduced notwithstanding that liquidation proceeds may be sufficient to result in the repayment of the principal of and accrued interest on the Notes. An earlier than anticipated repayment of principal (even in the absence of losses) in the event of a default in advance of the Final Maturity Date would tend to shorten the weighted average period during which interest is earned on Noteholder's investments (and the actual yield to maturity on a class of Notes purchased may be lower than assumed at the time of that purchase) and a later than anticipated repayment of principal (even in the absence of losses) in the event of a default upon the maturity date would tend to delay the receipt of principal and the interest on the Notes may be insufficient to compensate Noteholders for that delay and in such case the actual yield to maturity on a Class of Notes may be lower than assumed at the time of that purchase;
- even if liquidation proceeds received on the Propco Loan are sufficient to cover the principal and accrued interest on the same, the Issuer may experience losses in the form of enforcement costs and expenses, and Noteholders may bear losses as a result, and their yield will be adversely affected by such losses;
- the time periods to resolve the Propco Loan following the occurrence of a default may be long, and those periods may be further extended in the event of the occurrence of insolvency or bankruptcy events in relation to the Borrower and/or OpCo and any related litigation; and
- even if Noteholders intend to hold their Notes, depending on their individual circumstances, Noteholders may be required to report declines in the value of their interests in the Notes, and/or record losses, on their financial statements or regulatory or supervisory reports, and/or repay or post additional collateral for any secured financing, hedging arrangements or other financial transactions that they have entered into that are backed by or make reference to the Notes, in each case as if the Notes were to be sold immediately.

It should also be noted that the market for the Notes may be affected by the on-going sovereign debt crisis in the Eurozone.

If such conditions in the Eurozone persist and/or further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more states or institutions and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Propco Finance Documents or the Transaction Documents. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above

and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes, the existence of a secondary market for the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Whilst central bank schemes such as the Bank of England's Discount Window Facility which was launched in October 2008 and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, any restrictions in respect of the relevant eligibility criteria for eligible collateral which apply and may apply in the future in relation to such facilities are likely to adversely impact secondary market liquidity for asset-backed securities in general, regardless of whether the Notes are eligible securities.

### **Denominations and Trading**

The Notes of each class will be issued in the denomination of £100,000 (or an integral multiple of £1,000 in excess thereof). For so long as the Notes of any relevant Class are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes will be tradeable in minimum nominal amounts of £100,000 and integral multiples of £1,000 in excess thereof. However, if Definitive Notes for that Class of Notes are required to be issued and printed, any Noteholder holding Notes having a nominal amount which cannot be represented by a Definitive Note in the denomination of £100,000 will not be entitled to receive a Definitive Note in respect of such Notes and will not therefore be able to receive principal, interest or any other amounts in respect of such Notes. Furthermore, at any meeting of Noteholders of any class while the Notes of that class are represented by a Global Note, any vote cast will be valid only if it is in respect of £1,000 in nominal amount.

### **No Third Party Liquidity Facility**

The Issuer will not enter into any liquidity facility with a third party to provide the Issuer with liquidity support in the event of a failure by the Borrower, for any reason, to pay interest in full on the Propco Loan or the Facility Fee in full on a timely basis.

Under the terms of the Propco Facility Agreement the Borrower has funded the Borrower Security Reserve Account in the amount of £19,300,000 from which the Servicer (on behalf of the Borrower Facility Agent) will, prior to the earlier to occur of (a) acceleration of the Notes and (b) a Cash Security Reserve Trigger Event (and thereafter where the Majority Lenders have directed the Borrower Facility Agent not to apply amounts standing to the credit of the Borrower Security Reserve Account in repayment of the Propco Loan) be entitled to withdraw amounts in the event that there is a shortfall in the amounts otherwise available to the Issuer to satisfy its obligations to pay interest on the Class A Notes, Class C Note Senior Additional Payments and amounts senior thereto in the Pre-Enforcement Priority of Payments and (following the acceleration of the Notes, where the Majority Lenders have directed the Borrower Facility Agent not to apply amounts standing to the credit of the Borrower Security Reserve Account in repayment of the Propco Loan) the Post-Enforcement Priority of Payments (other than amounts due to any Operating Adviser (if appointed)) on any Note Payment Date.

The Borrower Security Reserve Account will not be available to the Issuer to fund shortfalls in the amounts otherwise available to the Issuer to satisfy its obligations to pay interest on the Class B Notes or the Class C Notes (but will, for the avoidance of doubt, be available to the Issuer to satisfy its obligation to pay Class C Note Senior Additional Payments).

### **Subordination of Class B Notes and Class C Notes**

After the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, payments of principal, interest and other amounts in respect of the Class B Notes and the Class C Notes (other than Class C Note Senior Additional Payments) will be subordinated to payments of principal, interest and other amounts in respect of the Class A Notes. Payments of principal, interest and other amounts in respect of the Class C Notes (other than Class C Note Senior Additional Payments) will be subordinated to payments of principal, interest and other amounts in respect of the Class B Notes. Class C Note Senior Additional Payments will be paid in priority to payments of principal, interest and other amounts in respect of the Class A Notes and the Class B Notes. There is no assurance that the subordination arrangements will protect the Class A Noteholders or the holders of the most senior Class of Notes from all risk of loss.

If, on any Note Payment Date when there are Class A Notes outstanding, the Issuer has insufficient funds to make payment in full of interest due on the Class B Notes or the Class C Notes, then the Issuer will be entitled

(under Condition 5(b) (*Note Payment Dates and Note Interest Periods*) under "*Terms and Conditions of the Notes*" on page 165) to defer payment of that interest amount (to the extent of the insufficiency) until the following Note Payment Date. This deferral will not constitute a Note Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class C Notes only. The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver, the Note Trustee and the Issuer Security Trustee, all amounts due to the Servicer, the Special Servicer, the Issuer Corporate Services Provider, the Account Bank, the Cash Manager, the Paying Agents and the Agent Bank) will be made in priority to payments in respect of interest and principal on the Class A Notes.

#### **Conflict of Interests between Classes of Noteholders**

The Note Trustee will be required, in performing its duties as trustee under the Note Trust Deed, to have regard to the interests of all the Noteholders together. However, if (in the sole opinion of the Note Trustee) there is conflict between the interests of the holders of one or more Classes of Notes and the interests of the holders of one or more other Classes of Notes, then the Note Trustee will be required in certain circumstances to have regard only to the interests of the holders of the most senior Class of Notes then outstanding and is not required to consider the interests of the holders of any other Class of Notes then outstanding. For these purposes, the interests of individual Noteholders will be disregarded and the Note Trustee will determine interests viewing the holders of any particular Class of Notes as a whole.

#### **Modifications to the Transaction Documents without Noteholder consent**

Pursuant to the provisions of the Note Trust Deed and the Conditions, the Note Trustee may agree, without the consent of the Noteholders, to any modification (other than a Basic Terms Modification) to, or to the waiver or authorisation of any breach or proposed breach of, the Notes, the Note Trust Deed (including the Conditions) or any of the other Transaction Documents or to determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default in respect of the Notes shall not be treated as such which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders of any Class of Notes.

The Note Trustee may also agree, without the consent of the Noteholders, to any modification the Notes, the Note Trust Deed (including the Conditions) or any of the other Transaction Documents (i) to correct a manifest error or proven (to the satisfaction of the Note Trustee), (ii) to ensure that the Transaction Documents are consistent with the corresponding disclosure or description in this Prospectus (and, for the avoidance of doubt, the disclosure in this Prospectus shall prevail in the event of any inconsistency) (iii) to comply with the mandatory provisions of law, or (iv) is of a formal, minor or technical nature.

The Note Trustee will be required, without the consent or sanction of the Noteholders of any Class, to concur with the Servicer or (where the Propco Loan is a Specially Serviced Loan) the Special Servicer, and/or direct the Issuer Security Trustee to concur with the Servicer or (where the Propco Loan is a Specially Serviced Loan) the Special Servicer (in each case the Servicer or the Special Servicer, as applicable, acting in accordance with the terms of the Servicing Agreement), in giving any waiver or consent or agreeing to any modification (which is not a Basic Terms Modification) to the Notes, the Note Trust Deed (including the Conditions) or any of the other Transaction Documents, in each case, that has been notified to the Noteholders by the Servicer or, as applicable, the Special Servicer and which the Noteholders have not objected to pursuant to in accordance with the terms of the Servicing Agreement (for further detail, see the section entitled "*The Servicing Arrangements – Role of the Servicer and the Special Servicer - Modifications, Waivers, Amendments and Consents in relation to the Transaction Documents*" on page 126.

Any modification, waiver or consent referred to above will be binding on the Noteholders.

#### **Withholding or Deduction under the Notes**

In the event that a withholding or deduction for or on account of any tax is required by law in respect of amounts payable under the Notes or payable on redemption of the Notes, none of the Issuer, a Paying Agent, the Note Trustee or any other entity will be obliged to gross up or otherwise compensate Noteholders for the lesser amounts which the Noteholders will receive as a result of such withholding or deduction. The requirement for such withholding or deduction would (subject to certain conditions being fulfilled) entitle (but not oblige) the

Issuer to redeem the Notes at their then Principal Amount Outstanding (plus accrued interest but excluding any premium), thereby shortening the average lives of the Notes.

### **Yield and Prepayment Considerations**

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of receipt by the Issuer of amounts of principal in respect of the Propco Loan and any Make-Whole Amounts and Loan Premium and the purchase price paid by the holders of the Notes. Such yield may be adversely affected by one or more prepayments in respect of the Propco Loan.

The Borrower has the option to prepay the Propco Loan at any time and may in certain circumstances, including in respect of Property disposals or compulsory purchase orders or insurance proceeds received in respect of a Property, be required to prepay all or part of the Propco Loan as described in the section entitled "*The Propco Loan and the Loan Security*" on page 93. Subject as stated below, if the Borrower prepays the Propco Loan in whole or in part, the Issuer will effect a redemption of the Notes in accordance with Condition 6(b) (*Mandatory Redemption from Principal Distribution Amounts*) under "*Terms and Conditions of the Notes*" on page 169.

### **Operating Adviser**

The Noteholders of the Controlling Class will, from time to time, be entitled to appoint an Operating Adviser to provide certain oversight services in connection with the Transaction Documents. See the section entitled "*The Servicing Arrangements*" on page 120 and Condition 15 (*Controlling Class*) under "*Terms and Conditions of the Notes*" on page 185 for more detail on the role of the Operating Adviser. No Operating Adviser will be appointed on the Closing Date and no Operating Adviser will be appointed during the term of the Notes unless a simple majority of the Noteholders of the Controlling Class at the relevant time take positive action to procure such an appointment. Such action would need to include, without limitation, choosing a suitable entity which satisfies the requirements of an Operating Adviser as specified in Condition 15 (*Controlling Class*) under "*Terms and Conditions of the Notes*" on page 185, negotiating the terms of such appointment with the chosen entity (including, without limitation, the fees to be paid by the Issuer to such Operating Adviser) and giving the necessary notices of appointment.

There can be no assurance that sufficient Noteholders of the Controlling Class at any time would agree among themselves on the need for an Operating Adviser to be appointed, the entity that the Controlling Class should appoint or the terms of appointment (including fees payable to the Operating Adviser).

There can be no assurance that any entity at any time would satisfy the criteria for an Operating Adviser set forth in the Conditions or would be prepared to accept the appointment on terms satisfactory to the Noteholders of the Controlling Class.

The holders of the most senior Class of Notes will, at the relevant time, have the right to veto any proposed appointment of an Operating Adviser by passing an Extraordinary Resolution to that effect. Therefore there can be no guarantee that the Noteholders of the Controlling Class at any time will be able to appoint an Operating Adviser of their preferred choice or at all. The rights of the holders of the most senior Class of Notes to veto the appointment of an Operating Adviser by the then Controlling Class will be time limited and will only be exercisable within 2 months of notification of appointment of any Operating Adviser. As such veto rights may only be exercised by an Extraordinary Resolution, the Noteholders of the most senior Class of Notes wishing to exercise such veto rights will need to organise themselves promptly and convene a meeting of such Class of Notes in accordance with the terms of the Note Trust Deed in sufficient time to pass the relevant Extraordinary Resolution within the time period or they will lose the ability to exercise such veto right. None of the Issuer (unless requested by Noteholders holding not less than one-tenth in principal amount of the outstanding Notes of the Class entitled to vote), the Note Trustee, the Issuer Security Trustee, the Servicer, the Special Servicer or any other party to the Transaction Documents will be responsible for convening such meeting on behalf of the most senior Class of Notes.

The fees payable to any Operating Adviser will be payable by the Issuer. Such fees will rank in priority to payments of interest and principal (and other amounts) payable by the Issuer to the Noteholders of the Controlling Class that appointed such Operating Adviser (and any Class of Notes more junior to the Controlling Class). The fees and any other amounts payable to the Operating Adviser will not be covered by the Facility Fee and the Issuer will have no right to recover or seek reimbursement of such fees from the Borrower under the terms of the Propco Facility Agreement. Therefore the cost of the amounts payable to an Operating Adviser will

be borne by the Classes of Notes in reverse sequential order. In circumstances in which the Propco Loan is performing but as a result of declines in the value of the Properties, the Controlling Class is not the most junior Class of Notes, the cost of the amounts payable to the Operating Adviser will be borne by the most junior Class of Notes, who will as a result suffer a shortfall on payments of interest or principal by the Issuer.

### **General Legal Investment Considerations**

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

## **B. RISK FACTORS RELATING TO THE PROPCO LOAN AND THE LOAN SECURITY**

### **Ability of Borrower to meet its Obligations**

The Borrower's only material assets are the portfolio of Properties and the Leases and it will therefore have access to no funds other than those generated through its ownership and letting of the Properties. Apart from this, the amount standing to the credit of the Borrower Reserve Account and the Borrower Security Reserve Account and any interest earned by the Borrower in respect of its bank accounts, the Borrower is not expected to have any other funds available to it to meet its obligations under the Propco Loan and, if the Borrower were to be unable to make payment in full of the amounts due under the Propco Loan, this would adversely affect the ability of the Issuer to make payments due in respect of the Notes in full. Upon enforcement of the security for the Propco Loan, the Borrower Security Agent or any receiver will, in practice, have recourse only to the Properties, the Leases and the other Loan Security.

### **Late payment or non-payment of rent**

Rental payments due under a Lease on or before the relevant Loan Payment Date may not be paid by the tenant on the due date or at all. If any payment of rent is not received from any tenant on or prior to the immediately following Loan Payment Date and any resultant shortfall is not otherwise compensated for from other resources, there may be insufficient cash available to the Borrower to make payments to the Issuer under the Propco Loan. In such circumstances, the Servicer (on behalf of the Borrower Facility Agent) may be entitled to withdraw amounts standing to the credit of the Borrower Security Reserve Account or the Borrower Reserve Account to fund such shortfall. However, no assurance can be given that such resources will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that a Note Event of Default will not occur as a result of any late payment of rent. See also the section entitled "*C. Risk Factors relating to the Portfolio - Borrower's Dependence on Rental Payments*" on page 24.

### **Prepayment of the Propco Loan**

The Borrower is obliged, in certain circumstances, to prepay the Propco Loan in whole or in part prior to the Loan Final Maturity Date. These circumstances include

- the disposal of all or part of a Property;
- where a Property has been destroyed or damaged and the requirements of the settlement under such insurance policy does not require reinstatement of the affected Property;
- where any Property has been compulsorily acquired; and
- the occurrence of a Cash Security Reserve Trigger Events or the acceleration of the Notes.

Certain of these events are beyond the control of the Borrower and the Issuer (such as the destruction or damage of any Property or its compulsory acquisition). In addition, the Borrower is permitted under the Propco Facility Agreement (at its option but subject to certain conditions) to prepay all or a minimum amount of £1,000,000 of the Propco Loan on a Loan Payment Date. Any such prepayment may result in the Notes being prepaid earlier



than anticipated. See the section entitled "*The Propco Loan and the Loan Security – Propco Facility Agreement – Disposals*" on page 112 below for more detail on permitted disposals of Properties.

The Borrower is also permitted, subject to the terms of the Propco Facility Agreement, to prepay the Propco Loan on the occurrence of certain tax or regulatory events in relation to a lender (including the Issuer). Any such prepayment in respect of the Propco Loan may result in the Notes being redeemed earlier than anticipated.

#### **Withholding tax in respect of the Propco Loan**

Under current law, all payments made to the Issuer on the Propco Loan by the Borrower can be made without withholding or deduction for or on account of United Kingdom tax. In the event that any withholding or deduction for or on account of such tax is required to be made following any change in law, the amount of the payment will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the Issuer receives a cash amount equal to that which it would have received had no such withholding or deduction been required to be made. However, there is no corresponding obligation on the tenant to increase rental payments under the Occupational Leases in these circumstances, and consequently the Borrower may not have sufficient funds with which to make such additional payments to the Issuer.

If the Borrower is obliged to make such an increased payment to the Issuer, the Borrower has the option (but not the obligation) to repay the outstanding Propco Loan in full. If the Borrower does have sufficient funds and chooses to repay the Propco Loan, the Issuer will then be obliged to redeem the Notes in accordance with Condition 6(b) (*Mandatory Redemption from Principal Distribution Amounts*) under "*Terms and Conditions of the Notes*" on page 169. If the Borrower does not have sufficient funds to enable it to make such increased payments to the Issuer, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

#### **Enforcement by Servicer and Special Servicer**

If the Borrower defaults in its obligations in relation to the Propco Loan or the Loan Security, the Servicer, or, if at the relevant time the Propco Loan is a Specially Serviced Loan, the Special Servicer will be required to determine the best strategy for exercising the rights of the Issuer, the Borrower Facility Agent and the Borrower Security Agent in accordance with the Servicing Standard. These determinations may, in certain circumstances, involve the Servicer or the Special Servicer declining or deferring the commencement of formal enforcement proceedings. Instead, the Servicer or the Special Servicer will be entitled to agree to waive or modify certain provisions of the Propco Finance Documents, provided that (*inter alia*) to do so would be in accordance with the Servicing Standard.

See the section entitled "*The Servicing Arrangements – Role of the Servicer and the Special Servicer – Modifications, Waivers, Amendments and Consents in relation to the Propco Finance Documents*" on page 123 for further details as to the rights and obligations of the Servicer and the Special Servicer in relation to the enforcement of the Loan Security and the modification and waiver of the provisions of the Propco Finance Documents.

#### **Refinancing risk**

Unless previously repaid, the Borrower will be required to repay the Propco Loan on the Loan Final Maturity Date. The ability of the Borrower to repay the outstanding amount of the Propco Loan on the Loan Final Maturity Date will depend, among other things, upon its ability to find a lender willing to lend to the Borrower (secured against some or all of the Properties) sufficient funds to enable repayment of the Propco Loan. If the Borrower cannot find such a lender, then the Borrower may be forced in circumstances which may not be advantageous into selling some or all of the Properties in order to repay the Propco Loan. Failure by the Borrower to refinance the Propco Loan or to sell the Properties on or prior to the Loan Maturity Date may result in the Borrower failing to repay the Propco Loan in full on the Loan Final Maturity Date. In the event of such a default, the Noteholders, or the holders of certain Classes of Notes, may receive by way of principal repayment an amount less than the then Principal Amount Outstanding on their Notes and the Issuer may be unable to pay in full interest and other amounts due on the Notes.

## **Security over bank accounts and certain underlying assets**

The Borrower has, in accordance with the terms of the Propco Facility Agreement, established bank accounts into which, among other things, rental income and disposal proceeds in respect of the Properties must be paid (see the section entitled "*The Propco Loan and the Loan Security – Borrower Accounts*" on page 98) and granted security (which, in each case, is expressed to be fixed security) over all of its interests in these bank accounts. The Issuer will also, under the Deed of Charge and Assignment, grant security (also expressed to be fixed security) over all of its bank accounts.

Although the various bank accounts are stated to be subject to various degrees of control (for example, the Propco Facility Agreement provides that the Borrower Facility Agent is to have sole signing rights over the Borrower Rent Account), there is a risk that, if the Borrower Security Agent or the Issuer Security Trustee (as appropriate) do not exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security only. In such circumstances, monies paid into accounts or derived from those assets could be diverted to pay preferential creditors were a receiver, liquidator or administrator to be appointed in respect of the relevant entity in whose name the account is held.

## **United Kingdom tax position of the Borrower**

Under current United Kingdom tax law, rental income receivable by the Borrower constitutes taxable income for United Kingdom corporation tax purposes, but that repayments of principal amounts advanced to the Borrower under the Propco Loan are not deductible for those purposes. It is envisaged that the Borrower's rental income will fund the repayment of part of the principal under the Propco Loan, and so effectively part of the repayment of principal will be funded out of post-tax income of the Borrower (except where the Borrower disposes of an asset and applies the net proceeds in making repayment of the principal amount borrowed). Part of the rental income received by the Borrower may (depending on the availability to it of any tax reliefs in respect of that income) therefore be required to be applied to discharge its corporation tax liability, and thus not be available to it to make payments under the Propco Loan.

There can be no assurance that tax law and practice will not change in a manner (including, for example, a rise in the rate of corporation tax) which would adversely affect the amount of post-tax income of the Borrower and therefore affect the Borrower's ability to make repayments under the Propco Loan. If the Issuer does not receive all amounts due from the Borrower under the Propco Loan, the Issuer may not ultimately have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

## **Secondary taxation liabilities of the Borrower and OpCo**

Where a company fails to discharge certain taxes due and payable by it within a specified period of time, UK tax law imposes in certain circumstances a secondary liability for those overdue taxes on other companies which are or have been members of the same group of companies for tax purposes or are or have been under common control with the company that has not discharged its primary liability to pay that tax.

Toys "R" Us (UK) Limited has covenanted in the Propco Tax Deed of Covenant that it and any company controlled by it will not do anything which could reasonably be expected to result in such a secondary liability for tax arising in relation to the Borrower or OpCo. The aim of such covenants is to minimise the likelihood of such secondary liabilities to tax affecting the Borrower or OpCo, but the possibility of such liabilities arising cannot be entirely eliminated.

## **Special purpose entity covenants**

The Borrower was established as a special purpose entity ("**SPE**"). The Propco Facility Agreement contains covenants that are generally designed to limit the activities and purposes of the Borrower to owning the Properties, making payments on the Propco Loan and taking such other actions as may be necessary to carry out the foregoing in order to reduce the risk that circumstances unrelated to the loan and related properties result in the Borrower's bankruptcy.

However, there can be no assurance that the Borrower will comply with the SPE covenants and, even if all or most of such restrictions have been complied with by the Borrower, there can be no assurance that the Borrower

will not nonetheless become insolvent. However, failure by the Borrower to comply with such covenants would (after the expiry of any applicable grace period) lead to a Loan Event of Default.

An insolvency of the Borrower (or any breach of any SPE covenant, after the expiry of any applicable grace period) would result in a Loan Event of Default giving rise to a right to accelerate the Propco Loan and enforce the Loan Security. This could result in significant delays in the receipt by the Issuer of payments under the Propco Loan which could adversely affect its ability to make all payments due on the Notes.

See the section entitled "*The Borrower*" on page 75 for more detail on the Borrower.

#### **Other indebtedness of the Borrower**

The Borrower may incur additional indebtedness in connection with owning the Properties after the Closing Date, the existence of which may adversely affect the financial viability of the Borrower. Additional debt increases the possibility that the Borrower would lack the resources to repay the Propco Loan and its other debt and, in addition, the Borrower may have actual or contingent liabilities linked to its activities which may result in the insolvency or administration of the Borrower.

In order to address these risks, the Propco Facility Agreement restricts the right of the Borrower to incur additional indebtedness except in certain circumstances (including payment for goods and services in the ordinary course of business, subordinated debt, certain other existing debt of the Borrower and debt with the consent of the Issuer as majority lender). There can be no assurance, however, that no such actual or contingent liabilities will exist in the future or that the activities of the Borrower outside of the transaction will not lead to its being the subject of an insolvency or administration order.

### **C. RISK FACTORS RELATING TO THE PORTFOLIO**

#### **Risks Relating to Commercial Properties**

Each of the following circumstances and events may, together or individually, adversely affect the income from and market value of the Properties and thereby increase the possibility that the tenant will be unable to meet its obligations under the Leases, which in turn would adversely affect the Borrower's ability to make payments under the Propco Loan and/or, upon the enforcement of the Loan Security, the realisable value of the Properties and consequently the Issuer's ability to make payments under the Notes.

##### *Generally*

Lending on, and taking security over, commercial properties is generally viewed as exposing a lender to greater risk than lending on residential properties since the repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related property. The only funds which will be available to make payments under the Propco Loan will be amounts received under the Leases, amounts standing to the credit of the Borrower Accounts from time to time, certain insurance proceeds, funds generated by disposals of the Properties and any amounts generated by enforcement of the security granted by the Borrower.

Real property investments are subject to varying degrees of risk. The value of, and/or income receivable from, the Properties may also be adversely affected by other factors including, but not limited to:

- local conditions such as an oversupply of space, a reduction in demand for retail real estate in an area, competition from other available space and increased operating costs;
- political developments, changes in government regulations, planning or tax laws or policies, interest rate levels, inflation, the availability of financing and yields of alternative investments;
- national, regional and local economic conditions (which may be adversely affected by business closures or slowdowns and other factors);
- perceptions by prospective tenants, retailers and shoppers of the safety, convenience, condition, services and attractiveness of the Properties;

- the proximity, attractiveness and availability of competing alternatives to the Properties (if competing properties of a similar type in the areas where the Properties are located are built or refurbished);
- the willingness and ability of the owners of the Properties to provide capable management and adequate maintenance and any increase in the capital expenditure needed to maintain a Property or make improvements to it;
- demographic factors, location, consumer confidence, unemployment rates, consumer tastes and preferences;
- retroactive changes to building or similar regulations and increases in operating expenses (such as energy costs);
- potential environmental legislation or liabilities or other legal liabilities;
- the availability of refinancing, and change in interest rate levels or yields required by investors in income-producing commercial properties;
- the age, construction quality and design of a particular Property (the adverse effects of poor construction quality will increase over time in the form of increased maintenance and capital improvements needed to maintain the Property - even good construction will deteriorate over time if adequate maintenance is not scheduled and undertaken in a timely fashion); and
- the quality of the tenants.

In addition, some of the Properties may not readily be convertible to alternative uses if such were to become unprofitable for any of the above, or other reasons, or if conversion was restricted by planning controls, the terms of a superior lease or other restriction affecting the title to the Property. The conversion of commercial properties to alternate uses also generally requires substantial capital expenditure so, if the Borrower becomes unable to meet its obligations on the Propco Loan, the sale value of any such Property may be substantially less, relative to the amount owing on the Propco Loan, than would be the case if such Property were readily adaptable to other uses.

#### *Retail Properties*

Properties used and/or let for retail purposes are further subject to the following which could also affect a Property's value and/or the rental income receivable from it:

- competition from other retail spaces or the construction of other retail space;
- competition from other forms of retailing outside a given property market (such as mail order and catalogue selling, discount shopping centres and selling through the Internet), which may reduce retailers' need for space at a given location (the continued growth of these alternative forms of retailing could adversely affect the demand for space and, therefore, the rents collectable from retail properties); and
- the quality of management and attractiveness of the Properties and the surrounding neighbourhood to tenants and their customers, the public perception of the level of safety in the area, access to public transportation and major roads and the need to make major repairs or improvements to satisfy major tenants.

Such factors can sometimes result in rapid, substantial increases and decreases in rental and valuation levels.

#### **Borrower's Dependence on Rental Payments**

The ability of the Borrower to make payments of interest, principal and other amounts under the Propco Loan is dependent on rental payments being made by the tenants under the Leases. Properties leased to a small number of tenants, or a sole tenant, are also more susceptible to interruptions of cash flow if a tenant breaches the terms of its lease or leases, or becomes insolvent. This is because:

- the financial effect of the absence of rental income may be more severe;
- more time may be required to re-lease the space; and
- substantial capital costs may need to be incurred to meet the requirements of new tenants.

As at the date of this Prospectus, OpCo is the primary tenant of all the Properties (all but one of which are retail stores) and consequently the payments under the Propco Loan, and ultimately in respect of the Notes, will be dependent on the retail business of OpCo as primary tenant. OpCo is the main operating company of the Toys "R" Us business in the United Kingdom and operates 80 family leisure products stores throughout the United Kingdom. OpCo was not formed specifically for the purposes of this transaction. Pursuant to the terms of the Propco Facility Agreement, OpCo is permitted to incur indebtedness under or pursuant to (or in connection with the refinancing of) a facility agreement entered into by it in October 2009 with third party lenders. Consequently OpCo will have incurred, and will after the Closing Date be able to continue to incur financial indebtedness under or pursuant to (or in connection with a refinancing of) such facility agreement.

The ability of the tenant to pay rent at the levels prescribed in the Leases will depend on the performance of its business which will (in the case of OpCo) be influenced by:

- its seasonal nature (the sale of toys, in particular, tending to be concentrated in the fourth quarter of the calendar year);
- the success of the Toys "R" Us chain generally;
- the retail economy in the geographical areas in which OpCo operates;
- competition from similar retail and on-line family leisure products stores;
- the cyclical nature of products sold by Toys "R" Us (which may be popular for a short period and then replaced with a newer product);
- the convenience, quality of building and location of the Properties;
- rent reviews on OpCo's retail locations that are not in the Portfolio which may impact the profitability of a particular location; and
- the local transport infrastructure.

Continued global instability (resulting from economic and/or political factors, including the threat of global terrorism) may adversely affect the United Kingdom economy and thus influence the business of OpCo in the retail toys/leisure products market. There is no guarantee that changes to the infrastructure, demographics, planning regulations and economic circumstances relating to the areas where the Properties are located will not adversely affect either the demand for products offered for sale by OpCo or indeed the ability for OpCo to sub-let retail space within the Properties.

### **Changes to the tenant**

Under the terms of the Leases, the tenant may not assign part of its interest in a Property, but assignment or assignation of the whole of its interest in a Property is permitted with the Borrower's consent (not to be unreasonably withheld or delayed) and subject to complying with certain other conditions (for a more detailed summary of these see the section entitled "*Description of the Portfolio - The Leases*" on page 85). The Borrower may not consent to such assignment or assignation without the consent of the Borrower Facility Agent (not to be unreasonably withheld or delayed) pursuant to the terms of the Propco Facility Agreement but there can be no assurance that OpCo will remain the tenant under all or any of the Properties or that any assignee of a Lease will be of a similar credit quality to the original tenant.

## **Superior Leases**

Thirteen of the Properties are wholly held under a Superior Lease from a third party landlord and a further two Properties are held in part under such a Superior Lease. Whilst most of these Superior Leases reserve only a nominal rent, two reserve more substantial annual rents aggregating approximately £68,500 for the present year and others oblige the Borrower (as tenant under such Superior Lease) to pay sums by way of charges for the provision of services. The terms of all the Leases oblige the tenant under the Leases to observe and perform all Lease covenants and pay all Lease rents, however should the tenant default in this respect (see the section entitled "*Insolvency or Default of Tenant*" on page 28) the Borrower would be obliged to make good any arrears and/or remedy any breach of covenant from its own resources or risk the superior landlord determining or forfeiting (or, in Scotland, "irritating") the Superior Lease.

See the section entitled "*Description of the Portfolio – Portfolio Overview*" on page 84 for further details in relation to the Superior Leases.

## **Restrictions on use of the Properties**

The use of some of the Properties is controlled by a number of factors and, whilst none of these factors have to date had a material effect on the use for the retail sale of toys and associated items, they may adversely affect any alternative use for any Property which in turn could affect the marketability of the Properties on sale, re-letting or underletting, or reduce the rental income receivable from the Portfolio. Such reduction could adversely affect the Borrower's ability to repay the Propco Loan or to pay interest and other amounts thereon and in turn the Issuer's ability to pay principal, interest and other amounts due on the Notes.

See the section entitled "*Appendix 1 – The Property Details*" on page 213 for further details of individual restrictions affecting individual Properties. The general nature and effect of these is, however, summarised as follows.

### *Planning restrictions*

Many Properties are subject to restrictions resulting from conditions imposed by planning permissions or statutory agreements entered into with the relevant local authority to secure the grant of a planning permission. Many of these restrict the use of the relative Property to the retail of toys or ancillary products and some specifically prohibit use for the sale of food. Depending on the actual change desired, it is likely that further planning permission would be needed for any significant change of use for any of the Properties.

A number of planning permissions have associated agreements which impose additional obligations on the owners and occupiers. Any breach of the planning obligations could result in the obligations being enforced by an injunction or by the local authority entering upon the land to carry out the works and recovering the costs from the owner or occupier.

### *Title restrictions*

Some of the Properties are subject to use restrictions resulting from restrictive covenants on the freehold title or (in Scotland) heritable title which, in the case of a Property subject to a Superior Lease, will also bind the tenants in respect of such Property. Whilst some (for example those imposed more than 100 years ago) may be obsolete or unenforceable, securing the release of such a covenant requires the agreement of the beneficiary (which would be a matter for negotiation between the parties) or an application to the Lands Tribunal. The Lands Tribunal may discharge or modify a restrictive covenant that impedes the use of land if either (a) it does not secure any practical benefits of substantial value or advantage to the persons entitled to the benefit of it, or (b) it is contrary to the public interest. In either case, money must be adequate compensation for the loss or disadvantage, if any, which any person shall suffer from the discharge or modification.

### *Superior Lease restrictions*

Most of the Superior Leases contain restrictions on the use of the Properties. Whilst none of these prevent a Property being used for most normal purposes connected with OpCo's business, some restrict food sales, the area that can be used for food sales or limit food sales to sales ancillary to the main use. In some cases, the restriction is absolute (in that it does not envisage a change of authorised use) which means that the tenant has no right to change the use of the Property from that authorised by such Superior Lease and, if the tenant seeks

consent to change of use notwithstanding this, the landlord can refuse consent arbitrarily or grant such consent only subject to onerous conditions.

### **Geographic location**

All but two of the Properties in the Portfolio as at the Closing Date are located in England and Wales. See the section entitled "*Appendix 1 – The Property Details*" on page 213 for details of the actual location and geographic concentration of the Properties. Rental payments under the Leases and the market value of the Properties could be adversely affected by conditions in the property markets where the Properties are located, acts of nature, including floods (which may result in uninsured losses), and other factors which are beyond the control of the Borrower and/or the tenant. In addition, the performance of the Properties will be dependent upon the strength of the economies of the local areas where such properties are located.

### **Terms of the Leases**

Leases granted by the Borrower may be terminated by the Borrower earlier than anticipated if the tenant defaults in the performance of its obligations or becomes insolvent (see the section entitled "*- Insolvency or Default of Tenant*" on page 28). In such circumstances, the Borrower would have to seek to find new tenants for the vacated premises. Neither the Note Trustee, the Issuer Security Trustee, the Borrower Facility Agent, the Borrower Security Agent, the Servicer nor the Special Servicer will be responsible for seeking new tenants for any vacated premises.

Under the terms of the Propco Facility Agreement, the Borrower may not grant or agree to grant a new Lease, no existing Lease may be amended, waived, surrendered, renounced, sub-leased or assigned in each case except in accordance with the terms of the Propco Facility Agreement and no downward rent review may be agreed in relation to any Lease without the consent of the Borrower Facility Agent.

However, there can be no assurance that leases on terms (including as to rent payable and tenant covenants) equivalent to those applicable to the Leases in place on the Closing Date will be obtainable in the market at such time, that market practice will not have changed or that the circumstances of prospective tenants will not make some or all of such provisions inappropriate. Any of these factors may result in a decline in the income produced by the Properties or the incurrence by the Borrower of unforeseen liabilities, which may in turn adversely affect the ability of the Borrower to meet its obligations in respect of the Propco Loan and hence the ability of the Issuer to make payments on the Notes.

### **Privity of contract**

The Landlord and Tenant (Covenants) Act 1995 (the "**Covenants Act**") provides that, in relation to leases of property in England and Wales granted after 1 January 1996 (except for leases granted pursuant to agreements entered into before that date), if a tenant under such a lease lawfully assigns that lease, such tenant's liability to the landlord, under the terms of the lease, ceases. The Covenants Act also permits arrangements by which, on assignment of a lease, the outgoing tenant can be required to enter into an "authorised guarantee" of the assignee's obligations to the landlord for so long as the lease remains owned by the assignee (i.e. such an authorised guarantee does not relate to the obligations under the lease of any subsequent assignee). A guarantor of an assignor's lease obligations cannot be required to guarantee the obligations of an assignee directly, but can be required to guarantee such obligations indirectly in by way of guaranteeing the assignor's obligations under the authorised guarantee agreement.

The Covenants Act does not apply in Scotland. In Scotland, under common law upon assignment of the tenant's interest, the tenant's liability to the landlord ceases, subject to any express contractual agreement to the contrary. It is not usual for a guarantee from the outgoing tenant to be obtained in Scotland, it being generally in the power of the landlord to withhold consent to the assignment if it is not satisfied with the covenant of the proposed assignee.

The Covenants Act does not apply in Northern Ireland. The concept of the English doctrine of privity of contract applies in Northern Ireland but has a substantive difference to England and Wales. In Northern Ireland on a permitted assignment where the landlord endorses its consent on the assignment, the assignor tenant is automatically released from any future liability under the lease subject to the terms of any guarantee deed entered into by the assignor tenant.

## **Insolvency or Default of Tenant**

If the tenant under all or any of the Leases defaults in its obligations (including failure to pay rent), the Borrower will be obliged to take action in order to secure compliance or, if not possible, to determine or "forfeit" (in Scotland "irritate") the relevant Lease and re-let the Property affected. The Borrower's remedies in this respect are, however, restricted and controlled by certain general law provisions, especially where the tenant is subject to a formal insolvency regime. The most significant of these are as follows:

### *Forfeiture*

Each Lease gives the Borrower (as landlord) the right to determine or "forfeit" ("irritate" in Scotland and references, where applicable, in this Prospectus to "forfeit" or "forfeiture" shall be interpreted accordingly in relation to the Property in Scotland) the Lease if the tenant is in arrears of rent for more than 10 working days, is in breach of its lease obligations or enters into any formal insolvency procedure. Each Lease provides, however, that the landlord cannot forfeit such Lease by peaceable re-entry unless the tenant has vacated and abandoned the relevant Property, and must also give notice of intention to forfeit to any mortgagee or security holder of the tenant's interest.

Moreover, in the case of Properties located in England, Wales and Northern Ireland, a landlord, before it can exercise any forfeiture right (except for non-payment of rent) must first serve notice on the tenant specifying the relevant breach and requiring this to be remedied, with the payment of compensation, within a reasonable time. The tenant (and any undertenant or mortgagee of the tenant's interest) can additionally ask the court for relief (which would put an end to the landlord's forfeiture right) if it remedies the relevant breach (or pays the rent arrears), before the forfeiture finally becomes effective (this usually means when the landlord obtains a court order to such effect).

In relation to the Property in Scotland, while a landlord is required to serve notice of intention to irritate (i.e. terminate) the lease upon the tenant in the event of a breach (and in the case of a non-monetary breach is under a general duty to act reasonably), there is no equivalent under Scots law to the rights of relief from forfeiture which arise under English law.

### *Administration or Liquidation*

If a corporate tenant under any Lease were to go into administration or liquidation, the Borrower would be prohibited under the Insolvency Act 1986 or in Northern Ireland under the Insolvency (Northern Ireland) Order 1989 from taking any action against the occupational tenant for recovery of sums due, or exercise any right to forfeit the lease, without the leave of the court or consent of the administrator or liquidator. This statutory moratorium is effective from the time an administration or liquidation application is made or, where an administrator or liquidator is otherwise appointed, from the time of such appointment or the time when notice of intention to appoint an administrator is filed at court.

If the tenant in administration or liquidation is still trading at the premises, or has plans to recommence trading with a view to its survival as a going concern, the court might refuse to allow a landlord to forfeit the Lease, on the grounds that to do so would frustrate the purpose of the administration or liquidation and, furthermore, the court could do so notwithstanding that the administrator or liquidator was only paying a reduced or even zero rent under the terms of the relevant Lease. Moreover, where an administrator or liquidator is appointed over a tenant, and for so long as such officer retains the lease (for example by continuing to trade from the Property) for the purposes of the relevant process, rent and other lease payments falling due after the appointment of the administrator or liquidator rank as an expense (so would be payable to the landlord ahead of other creditors). This does not, however apply to any rent falling due before any such appointment so that, if a tenant were in arrears at the time when an administrator or liquidator was appointed, the Borrower might not be able to enforce or recover payment of this.

Each Lease provides, however, that if one of them becomes liable to forfeiture, all other Leases can be forfeited as well, even if there is no breach of the terms of the other Leases (this will not, however, be effective in Scotland) and, whilst the Borrower would still need the court's leave or administrator's or liquidator's consent to continue with the forfeiture action, it would make it difficult for the him or her to pay rent of some of the Leases, for example, but not others.



### *Disclaimer*

A liquidator (but not a receiver or administrator) of a tenant company may also hand back or "disclaim" a lease which is onerous or which the liquidator considers to be of no value. In such a case the landlord, whilst retaining its rights against any guarantor, would be likely to be forced to take the property back and, although the landlord in such case could claim compensation, such claim would rank behind secured and preferential creditors. Moreover, a liquidator could choose to disclaim some Leases but not others (although he or she would have to pay rent for any which were so retained).

### *Business Rates*

All properties (including the Properties) used for business purposes in England, Wales, Scotland and Northern Ireland are subject to a tax known as "business rates". This is usually levied on, and payable by, the actual occupier or user and, in the case of the Properties, which would be the tenant under the Leases for so long as these subsisted. However, if the Lease determined for any reason (including forfeiture by the landlord or disclaimer by a tenant's liquidator) this liability would revert to the landlord, namely the Borrower.

For so long as the Properties remain let, or substantially let, to a single tenant (currently OpCo) the more it is likely that insolvency or a deterioration in the solvency of such tenant would have an adverse impact on the value of the Properties and/or the Borrower's ability to make payments and repayments under the Propco Facility Agreement.

### **Reliance on Valuation Report**

The aggregate market value of the Properties as set out in the Initial Valuation is £315,000,000. Valuations, however, represent the analysis and opinion of qualified valuers and are not guarantees of present or future value (one valuer may reach a different conclusion from a different valuer appraising the same property). Furthermore, valuations seek to establish the amount which a typical third party buyer would pay for the asset and, in certain cases, may have taken into consideration the purchase price paid by the Borrower.

There can be no assurance that the market value of the Properties will continue to equal or exceed such valuations nor, as the market value of the Properties fluctuates, any assurance that this will remain equal to or greater than the unpaid principal, accrued interest and other amounts due under the Propco Facility Agreement nor, if any Property is sold following an event of default under the Propco Facility Agreement, any assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the Propco Facility Agreement (and therefore the amounts due under the Notes).

### **Insurance**

The insurance requirements of the Leases differ depending upon whether the tenant is OpCo or another Toys "R" Us company or a third party. Generally, for so long as OpCo is the tenant, it is obliged to insure the Properties in accordance with the requirements of the Leases (see the section entitled "*Description of the Portfolio – The Leases*" on page 85 for a more detailed commentary of the insurance requirements).

The Borrower has undertaken in the Propco Facility Agreement to insure the Properties with an insurance company or underwriter which complies with specified long term credit ratings, to procure that the Borrower Security Agent is named as mortgagee or security holder, as applicable, and loss payee and to apply the proceeds of any insurance claim (if the proceeds exceed £250,000) received under any Insurance Policy (other than loss of rent or third party liability insurance) towards repayment of the Propco Loan, or, if the terms of the settlement so require, towards replacing, restoring or reinstating the relevant Property to which the claim relates.

The provisions of the Propco Facility Agreement are not, however, wholly consistent with the terms of the Leases (and in some cases, are also not consistent with the requirements of the relative Superior Lease) in this respect and, where the Properties remain insured by the tenant, the Borrower may not be able to procure compliance with its obligations in the Propco Facility Agreement or the Superior Lease. In particular the Borrower is unlikely to be able to procure that insurance monies are applied in repayment of the Propco Loan rather than in reinstating or repairing the relevant Property and/or may be obliged to take out additional insurance in order to comply with this. Moreover, in the case of one Property and part of another the insurance is the responsibility of the superior landlord in any event, which cannot be required to comply with the above.

Further, if a claim under an insurance policy is made, but the relevant insurer fails to make payment in respect of that claim, this could prejudice the ability of the Borrower to make payments in respect of the Propco Loan, which would in turn prejudice the ability of the Issuer to make payments in respect of the Notes.

### **Uninsured losses**

The Propco Facility Agreement also contains provisions requiring the Borrower to carry or procure the carrying of insurance with respect to the Properties in accordance with specified terms (as to which, see the section entitled "*The Propco Loan and the Loan Security – Undertakings*" on page 107). There are, however, certain types of losses (such as losses resulting from war, terrorism (other than in respect of insurance for acts of terrorism within certain limits available in the relevant insurance market), nuclear radiation, radioactive contamination and heave or settling of structures) which may be or become either uninsurable or not insurable at economically viable rates or which for other reasons are not covered, or required to be covered, by the required Insurance Policies. Terrorism is not insurable in Northern Ireland and damage resulting from acts of terrorism is the subject of the provisions of the Criminal Damage (Compensation) (Northern Ireland) Order 1977.

In addition there can be no assurance that any loss incurred will be of a type covered by such insurance or will not exceed the limits of such insurance. The Borrower's ability to repay the Propco Loan (and, consequently, the Issuer's ability to make payments on the Notes) might be affected adversely if such an uninsured loss were to occur or the loss is in excess of the insured limit, to the extent that such loss is not the responsibility of the tenant pursuant to the Lease or to the extent that the tenant's income from the Property is disrupted.

### **Environmental matters**

Existing environmental legislation imposes liability for remediation costs on the owner or occupier of land where the person who caused or knowingly permitted the pollution cannot be found. The term "owner" means a person (including a mortgagee in possession) who, in his own right or as a trustee for another, is entitled to receive the rent from the land or, where the land is not let, would be so entitled if it were let. Even if more than one person may have been responsible for the contamination, each person covered by the relevant environmental laws may be held responsible for all or part of the remediation costs incurred. The owner or occupier may also in some circumstances be responsible for remedying any statutory nuisance (for example where the nuisance arises from any defect of a structural nature and the person actually responsible cannot be found).

If any environmental liability existed in respect of the Properties, neither the Issuer nor the Borrower Security Agent should incur responsibility for such liability prior to enforcement of the Loan Security, unless it entered into possession of, or could be said to be in control of, the relevant Property. After enforcement, the Borrower Security Agent, if a mortgagee or security holder in possession, or a receiver appointed by it, could become responsible for environmental liabilities in respect of a Property, particularly if it (or the Servicer, or the Special Servicer on their behalf) unduly directed or interfered with the receiver's actions or a receiver's indemnity has been given.

In any event, failure to remedy any such environmental liability which arises in relation to any Property may result in an inability to sell that Property or in a reduction in the price obtained. In addition, third parties may claim damages and costs resulting from substances emanating from, or present on, the land.

### **Compulsory purchase**

Any Property in England, Wales, Scotland or Northern Ireland may at any time be compulsorily acquired by, among others, a local or public authority or a government department, generally in connection with proposed redevelopment or infrastructure projects. In the case of one Property (the Property located at Brent Cross, London) the local authority has already indicated it is considering exercising its powers to purchase this Property compulsorily in connection with a wider possible redevelopment of the area in which the Property is located.

Compensation following any compulsory purchase order made in respect of a Property (or part of a Property) is payable on the basis of the open market value of all of the Borrower's and tenant's interests in that Property (or part). The amount of such compensation is calculated, where a general vesting declaration is made, as of the vesting date and, in other cases, the date on which the acquiring authority takes possession or, if earlier, the date on which compensation is agreed. Following such a purchase a tenant would cease to be obliged to make any

further rental payments under the relevant Lease (or rental payments would be reduced to reflect the compulsory purchase of a part of that Property, if applicable). Any mortgage or standard security over the landlord's or tenant's interests would also be discharged.

The Borrower may, under the terms of the Propco Facility Agreement, be required to prepay an equivalent amount of the Propco Loan, which prepayment will be used by the Issuer to redeem the Notes (in whole or in part). However, since compensation is assessed at a subsequent date, the amount of this may be less than the value of the relevant Property or part at the time the Propco Loan was advanced. Moreover, there is often a delay between the date of compulsory purchase and the payment of compensation and, although interest is payable from the date upon which the acquiring authority takes possession until the compensation is paid, any such delay may, unless the Borrower has other funds available to it, give rise to a Loan Event of Default.

### **Frustration**

In exceptional circumstances, a tenancy can be frustrated under English, Scots or Northern Irish law, which would release all parties from any obligation to perform any obligation arising under the relevant agreement after the frustration has taken place. This may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party to the agreement, so that it would be inequitable for such an agreement or agreements to continue. Under the equivalent Scots law principle of *rei interitus*, a lease will (subject to express agreement to the contrary) terminate if the leased property is destroyed to the extent that it is no longer tenantable or if an event occurs which otherwise precludes performance of the parties' rights and obligations under the lease. If a tenancy granted in respect of any part of a Property were to be frustrated then this could operate to have an adverse effect on the income derived from, or able to be generated by, that Property which, in turn, could mean that the Borrower would have insufficient funds to make payments in full under the Propco Facility Agreement, which could lead to a default thereunder.

### **Mortgagee or security holder in possession liability**

The Issuer, the Borrower Security Agent or the Issuer Security Trustee (if it has taken enforcement action against the Issuer) may be deemed to be a mortgagee or security holder in possession if there is physical possession of a Property or an act of control or influence which may amount to possession, such as submitting a demand or notice direct to a tenant under a Lease requiring it to pay rents to the Borrower Security Agent, the Issuer or the Issuer Security Trustee (as the case may be). In a case where it is necessary to initiate enforcement procedures against the Borrower, the Borrower Security Agent or the Issuer Security Trustee (if it has taken enforcement action against the Issuer) is likely to appoint a receiver to collect the rental income on its behalf or that of the Issuer, which should have the effect of reducing the risk that they would be deemed to be mortgagees or security holders in possession. It should be noted, however, that it is not possible to appoint a LPA Receiver (as to which, see the section entitled "*- Collection and Enforcement Procedures*" on page 32) in relation to the Property situated in Scotland.

A mortgagee or security holder in possession must account for income obtained from the relevant property and, in the case of tenanted property, will be liable to a tenant for any mismanagement of this. A mortgagee or security holder in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

The Issuer Security Trustee has the absolute discretion, at any time, to refrain from taking any action under the Deed of Charge and Assignment, including becoming a mortgagee or security holder in possession in respect of any Property, unless it is satisfied at that time that it is adequately indemnified and/or secured to its satisfaction against any liability which it may incur by so acting.

### **Risks relating to conflicts of interest**

There will be no restrictions on either the Servicer or the Special Servicer preventing them from acquiring Notes or servicing loans for third parties, including loans similar to the Propco Loan. The properties securing any such loans may be in the same market as the Properties. Consequently, personnel of the Servicer or the Special Servicer, as the case may be, may perform services on behalf of the Issuer with respect to the Propco Loan at the same time as they are performing services on behalf of other persons with respect to similar loans. Despite the requirement on each of the Servicer and the Special Servicer to perform their respective servicing obligations in accordance with the terms of the Servicing Agreement (including the Servicing Standard), such other servicing obligations may pose inherent conflicts for the Servicer or the Special Servicer.

The Servicing Agreement will require the Servicer and the Special Servicer to service the Propco Loan in accordance with the Servicing Standard. Certain discretions are given to the Servicer and the Special Servicer in determining how and in what manner to proceed in relation to the Propco Loan. Furthermore, as the Servicer and the Special Servicer may each acquire Notes, either of them could, at any time, hold any or all of the most junior Class of Notes outstanding from time to time. As holder of that Class of Notes, the Servicer or the Special Servicer (as applicable) may have interests which conflict with the interests of the holders of the more senior Classes of Notes from time to time.

#### **Appointment of substitute Servicer or Special Servicer**

Prior to or contemporaneously with any termination of the appointment of the Servicer or the Special Servicer, it would first be necessary for the Issuer to appoint a substitute Servicer or Special Servicer, as applicable. The ability of any substitute Servicer or Special Servicer, as applicable, to administer the Propco Loan successfully would depend on the information and records then available to it. There is no guarantee that a substitute Servicer or Special Servicer, as applicable, could be found who would be willing to administer the Propco Loan at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though the Servicing Agreement will provide for the fees payable to a substitute Servicer or Special Servicer to be consistent with those payable generally at that time for the provision of loan servicing services in relation to commercial properties). The fees and expenses of a substitute Servicer or Special Servicer would be payable in priority to payments due under the Notes.

#### **Collection and Enforcement Procedures**

If the Servicer or the Special Servicer considers that formal enforcement proceedings should be commenced, this is likely to be done by requiring the Borrower Security Agent under the Propco Facility Agreement and/or the Propco Security Deed to appoint a non-administrative receiver or an administrator. With respect to the Properties situated in England, the Borrower Security Agent may appoint a receiver (an "**LPA Receiver**") or in the case of the Property situate in Northern Ireland, a fixed charge receiver (an "**FC Receiver**"). The powers of an LPA Receiver and an FC Receiver derive not only from the mortgage under which he has been appointed but also (in the case of an LPA Receiver) from the Law of Property Act 1925 and (in the case of an FC Receiver) from the Conveyancing Act 1881 and such LPA Receiver or FC Receiver is deemed by law to be the agent of the entity providing security until the commencement of liquidation proceedings against such entity. For as long as an LPA Receiver or an FC Receiver acts within its powers, the LPA Receiver or the FC Receiver will only incur liability on behalf of the entity providing security but if the Borrower Security Agent or the Servicer or Special Servicer unduly directs or interferes with and influences the actions of an LPA Receiver or an FC Receiver, a court may decide that the LPA Receiver or the FC Receiver would be the security holder's agent rather than the agent of the entity providing security, and that the security holder should, under such circumstances, be responsible for the acts of the LPA Receiver or the FC Receiver. Any costs of the receiver will be paid in advance of any amounts paid to the Issuer and thus may reduce amounts available to make payments to Noteholders. It is not possible to appoint an LPA Receiver or an FC Receiver in relation to the Property situated in Scotland.

#### **Litigation**

There may be pending or threatened legal proceedings, arising from one or more of the above factors or others, against the Borrower. The Borrower has represented in the Propco Facility Agreement that, on the Refinancing Date, no litigation was current, pending or, to its knowledge, threatened in respect of itself which has, or if determined adversely to it could reasonably be expected to materially adversely affect the market value of the Properties, but there can be no assurance that such litigation will not arise in the future.

#### **Property Management**

No property manager is currently appointed and, whilst this may not be required for so long as all or a majority of the Properties are let to a single tenant, should this cease to be the case it is likely that a third party property manager or advisor would need to be appointed. This would lead to additional costs being incurred by the Borrower and, although any successor manager of a Property should be experienced in managing retail premises, there can be no assurance that the appointment or delay in appointment of any such manager or advisor would not have an adverse effect on the Borrower's ability to meet its obligations under the Propco Facility Agreement and, therefore, the Issuer's ability to make payment under the Notes.

## **D. GENERAL RISK FACTORS**

### **Reliance on third parties**

Both the Issuer and the Borrower have entered into agreements with a number of third parties which have agreed to provide certain services. In particular, but without limitation, the Servicer and the Special Servicer have been appointed to service the Propco Loan on behalf of (*inter alia*) the Issuer, the Cash Manager has been appointed to provide cash management services on behalf of the Issuer and the Account Bank has been appointed to provide bank accounts to the Issuer and the Borrower. In the event any of those parties fail to perform its obligations under the relevant agreement to which it is a party, the ability of the Borrower to make payments under the Propco Loan and/or the ability of the Issuer to make payments to the Noteholders may be affected.

### **Reliance on warranties (origination)**

The Issuer did not undertake any investigations, searches or other actions in relation to the Propco Loan at origination. Instead the Issuer relied solely on the representations, warranties and undertakings given and to be given by the Borrower in respect of such matters in the Propco Facility Agreement (see the section entitled "*The Propco Loan and the Loan Security*" on page 93). In the event of a breach of representation, warranty or undertaking by the Borrower relating to its property undertakings under the Propco Facility Agreement which has not been remedied or is not capable of remedy, the sole remedy of each of the Issuer and the Borrower Security Agent against the Borrower is a right to declare a Loan Event of Default under the Propco Facility Agreement and to, amongst other things, declare the Propco Loan immediately due and payable.

### ***Insolvency Act 2000***

Under Schedule A1 to the Insolvency Act 1986 which was inserted by the Insolvency Act 2000, certain companies ("**small companies**") are entitled to seek protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary arrangement with the option for creditors to extend the moratorium for a further two months. A small company is defined as one which satisfies two or more of the following criteria:

- (a) its turnover is not more than £5.6 million;
- (b) its balance sheet total is not more than £2.8 million; and
- (c) the number of employees is not more than 50.

The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. The Secretary of State for Business, Innovation and Skills may by regulation modify the eligibility requirements for small companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Noteholders.

However, pursuant to paragraph 4 of Schedule A1 to the Insolvency Act 1986, certain companies are excluded from the optional moratorium provisions. Such exceptions include (i) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in paragraph 4D of Schedule A1) under which a party has incurred, or when the agreement was entered into was expected to incur, a debt of at least £10 million and which involves the issue of a capital market investment (also defined, but generally a rated, listed or traded bond) and (ii) a company which has incurred a liability (including a present, future or contingent liability) of at least £10 million. The Issuer is of the view that it should fall within the exceptions. There is no guidance, however, as to how the legislation will be interpreted and the Secretary of State for Business, Innovation and Skills may by regulation modify the exceptions. Accordingly, no assurance may be given that any modification of the eligibility requirements for these exceptions will not be detrimental to the interests of Noteholders. If the Issuer were determined to be a "small" company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the Security for the Notes may, for a period, be prohibited by the imposition of a moratorium.

## **Impact of regulatory initiatives on certain investors**

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation including, without limitation Article 122a of the Capital Requirements Directive and Directive 2009/138/EC (the "**Solvency II Directive**") which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Noteholders are responsible for analysing their own regulatory position and neither the Issuer nor the Arranger makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment (or the liquidity of such investment as a result thereof) on the Closing Date or at any time in the future.

Article 122a applies in respect of the Notes. Noteholders, which are EU regulated credit institutions, should therefore make themselves aware of the requirements of Article 122a in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of TRU (UK) Noteholder Limited to retain a material net economic interest in the securitisation as contemplated by Article 122a, see the section entitled "*Regulatory Considerations - Article 122a of the Capital Requirements Directive*" on page 8. Noteholders are required independently to assess and determine the sufficiency of the information described in this Prospectus, in any Servicer Quarterly Report and otherwise for the purposes of complying with Article 122a and none of the Borrower, OpCo, TRU (UK) Noteholder Limited, the Issuer, the Issuer Corporate Services Provider, the Note Trustee, the Issuer Security Trustee, the Issuer Cash Manager, the Agents, the Arranger, the Servicer or the Special Servicer makes any representation that the information described above is sufficient in all circumstances for such purposes.

Aspects of Article 122a and what is required to demonstrate compliance to national regulators remain unclear. Noteholders who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory capital charges for non-compliance with Article 122a should seek guidance from their regulator.

It should be noted that the Capital Requirements Directive will be re-cast as part of the proposed new European regulatory capital framework (known as "**CRD IV**"). Certain changes are expected as part of this process, including the extension of the application of the requirements to EU regulated investment firms and also the replacement of the current guidelines on Article 122a with new (and potentially different) regulatory technical standards. The timing of application of the CRD IV provisions has not yet been confirmed. No assurance can be provided that any changes made in connection with CRD IV will not affect the requirements applying to relevant investors.

It should also be noted that similar requirements to those set out in Article 122a have been finalised for alternative investment fund managers that are required to become authorised under the Alternative Investment Fund Managers Directive (2011/61/EU) (which requirement take effect from 22 July 2013 in general) and requirements are expected to be implemented for other types of EU regulated investors (such as insurance and reinsurance undertakings (pursuant to the Solvency II Directive)) and certain hedge fund managers and UCITS funds in the future.

## **Potential impact of Basel II and Basel III implementation**

Implementation of and/or changes to the Basel II framework which is implemented into European law via the Capital Requirements Directive may affect the capital requirements and/or the liquidity of the Notes.

The Basel II framework is an international accord which while it is not itself binding on participating states or institutions sets out benchmark regulatory capital rules for banks.

The Basel II framework has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are, or may become, subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**"), including new capital and a minimum leverage ratio for credit institutions. In particular, the changes include among other things, new requirements for the capital

base held by credit institutions, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). Member countries are required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through the amendments to the Capital Requirements Directive to be implemented under CRD IV) were published in July 2011.

The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

Noteholders should consult their own advisers as to the regulatory requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### **European Monetary Union**

It is possible that, prior to the maturity of the Notes, the United Kingdom will become a participating Member State in Economic and Monetary Union and that therefore the euro will become the lawful currency of the United Kingdom. If so, (a) all amounts payable in respect of the Notes may become payable in euro, (b) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed and (c) applicable provisions of law may allow the Issuer to redenominate the Notes into euro and to take additional measures in respect of the Notes.

If the euro becomes the lawful currency of the United Kingdom and the Notes are outstanding at the time, the Issuer intends to make payments on the Notes in accordance with the then market practice of payments on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the Borrower's ability to repay the Propco Loan.

### **Risks relating to the Banking Act 2009**

If an instrument or order were to be made under the Banking Act 2009 in respect of a UK-incorporated institution with permission to accept deposits pursuant to Part IV of FSMA (such as the Account Bank), such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events). As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Issuer to meet its obligations in respect of the Notes and may result in a change in the contractual terms applicable to the Notes without the consent of the Noteholders. While there is provision for compensation in certain circumstances under the Banking Act 2009, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred. As at the date of this Prospectus, none of the FCA, HM Treasury or the Bank of England have made an instrument or order under the Banking Act 2009 in respect of the relevant entities referred to above and there has been no indication that the FCA, HM Treasury or the Bank of England will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

## FATCA

Under sections 1471-1474 of the Internal Revenue Code of 1986, as amended (the "**Code**") and any current or future Treasury Regulations (and any notices, published guidance or other official pronouncements thereof) promulgated thereunder ("**FATCA**"), starting in 2017, the Issuer may be subject to a 30% United States withholding tax on payments made to it under rules applicable to "foreign pass-thru payments." In order to avoid withholding under FATCA, the Issuer may be required to enter into an agreement to provide the U.S. Internal Revenue Service ("**IRS**") with information about United States holders of its debt and equity (a "**FATCA Agreement**"). In addition, starting in 2017, the Issuer may be required to withhold tax from payments (including interest, principal and redemption proceeds) on the Notes, to the extent such payments are considered foreign pass-thru payments, and are not otherwise exempt from withholding. This withholding would generally not apply to payments in respect of any Notes that are characterised as debt for United States federal tax purposes that were issued before (and not materially modified after) the "grandfathering date", which is 1 July 2014 or, if later, the date that is six months after the date on which final United States Treasury regulations defining the term "foreign pass-thru payment" are filed with the Federal Register. In the event withholding under FATCA is required with respect to any Notes, the Issuer will withhold on payments on such Notes if the relevant Noteholders fail to provide the Issuer with information or documentation, or to update or correct such information or documentation, as may be necessary or helpful for the Issuer to achieve compliance with FATCA. The United Kingdom has recently entered into an Intergovernmental Agreement ("**IGA**") with the United States with respect to FATCA. For so long as the IGA is in effect, the IGA will likely enable the Issuer to report the required information to the Commissioners for Her Majesty's Revenue and Customs, instead of to the IRS, which would provide such information to the IRS under existing Exchange of Information protocols. Further, the Issuer would be relieved of the requirements to enter into a FATCA Agreement with the IRS and to withhold from payments to, or close the accounts of, certain account holders, but will still be required to identify certain United States accounts. Further guidance is anticipated prior to the effective date of these rules, which may significantly modify these rules as they apply to the Issuer and to Noteholders. The rules relating to FATCA are complex and subject to change in the future. Prospective investors should consult their tax advisers regarding the applicability of the FATCA rules to their investment in the Notes.

If an investor fails to provide the Issuer with any correct, complete and accurate information that may be required for the Issuer to comply with FATCA to prevent United States federal withholding tax on payments to the Issuer, the Issuer is authorized to withhold amounts otherwise distributable to the investor, to compel the investor to sell its Notes, if the investor does not sell its Notes after notice from the Issuer, to sell the investor's Notes on behalf of the investor, and to assign to such Notes a separate CUSIP number or numbers.

### ***Holders of Class C Notes may be taxed on phantom income.***

The Issuer will be a passive foreign investment company (a "**PFIC**") and may also be a controlled foreign corporation ("**CFC**"). As a result, United States holders of Class C Notes (or any other class of Notes treated as equity for United States federal income tax purposes) could be required to recognise income for tax purposes in excess of cash actually distributed to them in a variety of circumstances and could be subject to certain other potentially adverse consequences described in the section entitled "*United States Taxation*" on page 193. Each holder should review the disclosure in the section entitled "*United States Taxation*" on page 193 and consult its own tax advisor before investing.

### **Risks related to alternative characterisation of the Notes as an equity interest in the Issuer for US federal income tax purposes**

The Issuer is incorporated as a public limited company under the laws of England and Wales. It is a special purpose company and its activities will be mostly passive. See the section entitled "*The Issuer*" on page 72. Under current United States federal income tax law, the Issuer is treated as an association that is taxable as a corporation for United States federal income tax purposes. The characterisation of the Notes as debt or equity for United States federal income tax purposes depends on many factors, including the form of such Note, the terms of such Notes and the debt-to-equity ratio of the Issuer. Because the Issuer may not have substantial equity, there is a risk that the IRS could assert that the Class B Notes or the Class A Notes should be treated as an equity interest in the Issuer (and, potentially as an interest in a PFIC or CFC) rather than as debt for United States federal income tax purposes. A Note that is treated as an equity interest in a PFIC or CFC rather than a debt instrument for United States federal income tax purposes would have certain timing and character consequences to a United States holder that would be materially different from the consequences to such holder if the Note is treated as a debt instrument, and could require certain elections and disclosures that would need to



be made shortly after acquisition to mitigate potentially adverse United States tax consequences. See the section entitled "*United States Taxation*" on page 193. As more fully discussed in the section entitled "*United States Taxation*" on page 193, the Issuer and each Noteholder, by acceptance of a Note or beneficial interest therein, agree to treat the Class A Notes and the Class B Notes as debt of the Issuer for all United States tax purposes.

#### **Change of law**

The structure of the issue of the Notes and the ratings which are to be assigned to the Class A Notes are based on English law and European laws and administrative practice and, in relation to the Properties located in Scotland and Northern Ireland, Scots law and Northern Irish law, respectively, in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, European law, Scots law or Northern Irish law or administrative practice after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

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

## TRANSACTION OVERVIEW

*The information set out below is an overview of various aspect of the transaction. This overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.*

### TRANSACTION PARTIES ON THE CLOSING DATE

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Issuer</b>	Debussy DTC PLC	4th Floor Dukes Place London EC3A 7NH	N/A. See the section entitled " <i>The Issuer</i> " on page 72 for more detail.
<b>Servicer</b>	Situs Asset Management Limited	33 Gracechurch Street London EC3V 0BT	The Servicer will be appointed to act as servicer of the Propco Loan and the Loan Security and to undertake certain duties in relation to the Transaction Documents pursuant to a servicing agreement to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee, the Servicer and the Special Servicer (the " <b>Servicing Agreement</b> "). See the section entitled " <i>The Servicing Arrangements</i> " on page 120 for more detail
<b>Special Servicer</b>	Situs Asset Management Limited	33 Gracechurch Street London EC3V 0BT	The Special Servicer will be appointed to act as special servicer of the Propco Loan and the Loan Security and to undertake certain duties in relation to the Transaction Documents pursuant to the Servicing Agreement.  See the section entitled " <i>The Servicing Arrangements</i> " on page 120 for more detail.
<b>Cash Manager and Account Bank</b>	Elavon Financial Services Limited, UK Branch	5 <sup>th</sup> Floor 125 Old Broad Street, London EC2N 1AR	Each of the Cash Manager and the Account Bank will be appointed pursuant to a cash management agreement to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee, the Cash Manager and the Account Bank (the " <b>Cash Management Agreement</b> "). See the section entitled " <i>Cash Management for the Issuer</i> "

<b>Note Trustee</b>	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR	on page 140 for more detail.  The Note Trustee will be appointed to act as trustee for the holders of the Notes pursuant to a note trust deed to be entered into on or about the Closing Date between the Issuer and the Note Trustee (the " <b>Note Trust Deed</b> "). See the section entitled " <i>Description of the Note Trust Deed and the Notes</i> " on page 149 for more detail.
<b>Issuer Security Trustee</b>	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR	The Issuer Security Trustee will be appointed to act as security trustee for itself and the other Issuer Secured Creditors pursuant to a deed of charge and assignment to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee and the Note Trustee (the " <b>Deed of Charge and Assignment</b> "). See the section entitled " <i>Security for the Issuer's Obligations</i> " on page 144 for more detail.
<b>Principal Paying Agent and Agent Bank</b>	Elavon Financial Services Limited, UK Branch	5 <sup>th</sup> Floor 125 Old Broad Street, London EC2N 1AR	Each of the Principal Paying Agent and the Agent Bank will be appointed pursuant to an agency agreement to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee, the Paying Agents, the Agent Bank and the Registrar (the " <b>Agency Agreement</b> "). See the section entitled " <i>Terms and Conditions of the Notes</i> " on page 156 for more detail.
<b>Registrar</b>	Elavon Financial Services Limited, UK Branch	5 <sup>th</sup> Floor 125 Old Broad Street, London EC2N 1AR	The Registrar will be appointed pursuant to the Agency Agreement. See the section entitled " <i>Terms and Conditions of the Notes</i> " on page 156 for more detail.
<b>Issuer Corporate Services Provider</b>	Capita Trust Corporate Limited	The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU	The Issuer Corporate Services Provider has been appointed to act as corporate services provider to the Issuer pursuant to a corporate services agreement entered into on 25 March 2013 between,

			<i>inter alios</i> , the Issuer and the Issuer Corporate Services Provider (the " <b>Corporate Services Agreement</b> "). See the section entitled " <i>The Issuer</i> " on page 72 for more detail.
<b>Borrower</b>	Toys "R" Us Properties (UK) Limited	Mitre House 160 Aldersgate Street London EC1A 4DD	N/A. See the section entitled " <i>The Borrower</i> " on page 75 for more detail.
<b>TRU Note Purchaser</b>	TRU (UK) Noteholder Limited	Mitre House 160 Aldersgate Street London EC1A 4DD	N/A.
<b>OpCo</b>	Toys "R" Us Limited	Mitre House 160 Aldersgate Street London EC1A 4DD	N/A. See the section entitled " <i>OpCo and the Toys "R" Us Business</i> " on page 78 for more detail.
<b>Borrower Facility Agent</b>	Elavon Financial Services Limited, UK Branch	5 <sup>th</sup> Floor 125 Old Broad Street, London EC2N 1AR	The Borrower Facility Agent has been appointed to act as facility agent to the lenders (including the Issuer) to the Borrower pursuant to the Propco Facility Agreement. See the section entitled " <i>The Propco Loan and the Loan Security</i> " on page 93 for more detail.
<b>Borrower Security Agent</b>	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR	The Borrower Security Agent has been appointed to act as security trustee to the lenders (including the Issuer) to the Borrower pursuant to the Propco Facility Agreement. See the section entitled " <i>The Propco Loan and the Loan Security</i> " on page 93 for more detail.
<b>Listing Agent</b>	McCann FitzGerald Listing Services Limited	Riverside One Sir John Rogerson's Quay, Dublin 2, Ireland	N/A
<b>Competent Authority</b>	Central Bank of Ireland	N/A	N/A
<b>Stock Exchange</b>	Irish Stock Exchange	N/A	N/A
<b>Clearing Systems</b>	Euroclear Bank S.A./N.V. and Clearstream, Luxembourg	N/A	N/A
<b>Rating Agencies</b>	Standard & Poor's Credit Market Services Europe Limited and DBRS Ratings Limited	N/A	N/A

## OVERVIEW OF THE PROPCO LOAN

*See the section entitled "The Propco Loan and the Loan Security" on page 93 for more detail in respect of the Propco Loan and the terms of the Propco Loan.*

<b>Origination of the Propco Loan</b>	The Propco Loan was advanced to the Borrower by the Issuer on the Refinancing Date pursuant to the terms of the Propco Facility Agreement.		
	The proceeds of the Propco Loan were applied by the Borrower (together with its own equity funds) to repay, in full, secured loan funding advanced to the Borrower which was then due and payable and to obtain a release of the security created by the Borrower over its assets to secure that loan funding.		
	The Propco Loan will remain outstanding in full following the issuance of the Notes.		
	The following is a summary of certain features of the Propco Loan. See the section entitled "The Propco Loan and the Loan Security" on page 93 for more detail.		
<b>Loan Information</b>	Borrower	Toys "R" Us Properties (UK) Limited	
	Borrower domicile	England	
	Loan Purpose	Refinancing	
	Refinancing Date	28 March 2013	
	Loan Final Maturity Date	The Loan Payment Date falling in July 2020	
	Loan Payment Dates	7th January, April, July and October in each year (the first such Loan Payment Date having fallen in July 2013), provided that if any such day is not a Business Day, the relevant Note Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).	
	Original Loan Balance	£263,159,000	
	Existing Loan Balance	As at the date of this Prospectus, £263,159,000	
	Loan Tranches	A Loan Tranche	B Loan Tranche C Loan Tranche
		£184,211,000	£52,632,000 £26,316,000
	Currency	Sterling	
	Interest Rate Type	Fixed Rate	
	Interest Rate:	A Loan Tranche	B Loan Tranche C Loan Tranche
		5.95 per cent. per annum to, but excluding, the Closing Date and thereafter, 5.93 per cent. per	8.25 per cent. per annum 10.5 per cent. per annum

annum

C Loan Additional Payment	An additional amount will be payable on the C Loan Tranche equal to 0.5 per cent. per annum multiplied by the outstanding principal balance of the C Loan Tranche as at the last day of the Loan Interest Period ending immediately prior to the applicable Loan Payment Date.
Day Count Basis	Actual/365
Interest Cover	The Borrower must ensure that projected annual rental income as a percentage of projected annual finance costs is at least 115 per cent.
Repayment and Prepayment	<p>Mandatory redemption in full on the Loan Final Maturity Date.</p> <p>Subject to the terms set out in "- <i>Prepayment Fees</i>" below, optional redemption in full on any Loan Payment Date from the Refinancing Date to the Loan Payment Date falling in July 2015.</p> <p>Subject to the terms set out in "- <i>Prepayment Fees</i>" below, optional redemption in whole or in part (subject to a minimum prepayment amount of £1,000,000) on any Loan Payment Date from the Loan Payment Date falling in July 2015, to be applied in sequential prepayment of the A Loan Tranche, then the B Loan Tranche and then the C Loan Tranche.</p> <p>Mandatory redemption in part on any Loan Payment Date (together with, if applicable, payment of the Loan Premium) from the proceeds of the disposal of a Property (whether by way of compulsory purchase order or otherwise in accordance with the terms of the Propco Facility Agreement) and the proceeds of insurance claims in respect of a Property, subject to certain limited exceptions, to be applied in prepayment of the A Loan Tranche, the B Loan Tranche and the C Loan Tranche <i>pro rata</i>.</p> <p>Mandatory redemption in part on any Loan Payment Date following the occurrence of a Cash Security Reserve Trigger Event or the acceleration of the Notes from the amounts standing to the credit of the Borrower Security Reserve Account, to be applied in sequential prepayment of the A Loan Tranche, then the B Loan Tranche and then the C Loan Tranche.</p> <p>Optional redemption in full exercisable by the Borrower for certain tax reasons.</p>
Prepayment Fees	<p>Where any voluntary prepayment or prepayment following certain property disposals (including where aggregate property disposals are £50,000,000 or more) made by the Borrower of the Propco Loan:</p> <p>(a) is made by the Borrower in the period up to the Loan Payment Date falling in July 2015, the</p>

Borrower will be required to, on the date of the relevant prepayment, make payment of the Make-Whole Amount; or

- (b) is made by the Borrower in the period from (but not including) the Note Payment Date falling in July 2015 to, and including, the Note Payment Date falling in July 2018, the Borrower will be required to, on the date of the relevant prepayment, make payment of the Loan Premium.

#### Make-Whole Amount

The sum of:

- (i) three per cent. of the principal amount outstanding of the Propco Loan prior to taking into account the relevant prepayment; and
- (ii) the amount equal to the net present value of the interest that would have accrued under the Propco Facility Agreement on the prepaid amount from the date of the prepayment to the Loan Payment Date falling in July 2015 and any C Loan Additional Payments that would have become due and payable during such period (including on the Loan Payment Date falling in July 2015) (the "**Gross Loan Interest and Payment Amounts**") where such net present value is determined by discounting the Gross Loan Interest and Payment Amounts by an amount calculated by the Borrower Facility Agent to be equal to the amount the Issuer would be able to obtain by placing an amount equal to the Gross Loan Interest and Payment Amounts on deposit with a leading bank in the London interbank market for a period starting on the date of the prepayment and ending on the Loan Payment Date falling in July 2015.

#### Loan Premium

An amount equal to the percentage specified in the table below for the period in which the date of the relevant prepayment occurs multiplied by the principal amount of the Propco Loan that is prepaid.

<i>Time of prepayment</i>	<i>Percentage of the amount of the Propco Loan prepaid</i>
Following the Loan Payment Date falling in July 2015 to and including the Loan Payment Date falling in July 2016	three per cent.
Following the Loan Payment Date falling in July 2016 to and including the Loan Payment Date falling in	two per cent.

Following the Loan Payment Date falling in July 2017 to and including the Loan Payment Date falling in July 2018

<p>Borrower Security Reserve Account</p>	<p>The Borrower has established the Borrower Security Reserve Account, which was funded on the Refinancing Date in an amount of £19,300,000. Prior to the occurrence of a Cash Security Reserve Trigger Event or the acceleration of the Notes, the amount deposited into the Borrower Security Reserve Account will be available to be withdrawn by the Borrower Facility Agent to help meet shortfalls in funds available to the Issuer to meet, <i>inter alia</i>, its payment obligations in respect of interest due on the Class A Notes and any Class C Note Senior Additional Payment due on the Class C Notes.</p>
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	Loan Security	Fixed and floating security over the assets of the Borrower, including, <i>inter alia</i> , the Properties, the commercial leases relating thereto and the Borrower's bank accounts and security over the shares of the Borrower.
	Governing Law	English law, provided that certain aspects of the Loan Security are governed by Scottish or Northern Irish law.
<b>Property Information</b>	Properties	<p>The Portfolio consists of 31 Properties, 29 of which are located in England and Wales, one in Scotland and one in Northern Ireland.</p> <p>Thirteen of the Properties are held pursuant to long leasehold interests with unexpired terms of at least 90 years. Sixteen of the Properties are freehold, and two Properties are held in part by freehold and in part by way of long leasehold interest.</p>
	Occupational tenants	Each of the Properties is subject to a 30 year occupational lease granted to OpCo. Each of the leases will expire on 8 February 2036, except in the case of one Property, where the lease expires on 7 February 2037. The total annual passing rent under the leases as at the Closing Date is £23,004,343. The rent payable pursuant to the occupational leases is subject to upwards only review.
	Nature of properties	Thirty of the Properties are let as predominantly as retail stores, the other Property is let as a distribution warehouse.
<b>Initial Valuation of Properties</b>		An independent valuation of the Properties is set out in a report obtained on 20 March 2013 (the " <b>Initial Valuation</b> ").
		Based on the assumptions set out in " <i>Appendix 4 - Initial Valuation</i> " on page 383, the market value of the Properties as set out in the Initial Valuation is £315,000,000. The vacant possession value of the Properties as set out in the Initial Valuation is £194,510,000.
		The Initial Valuation will not be updated, and no further valuations in respect of the Properties will be undertaken, prior to the issuance of the Notes.
<b>Valuation Agent</b>		<p>CBRE Ltd, a company incorporated in England and Wales with limited liability under registered number 3536032 with its registered office at St Martin's Court, 10 Paternoster Row, London EC4M 7HP. CBRE Ltd is part of a global firm offering commercial real estate services. Valuations are undertaken by it across all real estate sectors and, in the United Kingdom, are carried out by registered valuers regulated by the Royal Institution of Chartered Surveyors.</p> <p>CBRE Ltd has given and has not withdrawn its written consent to the inclusion of the Initial Valuation in this Prospectus in the form and context in which the Initial Valuation appears.</p>

## OVERVIEW OF KEY TERMS OF THE SERVICING ARRANGEMENTS

*See the section entitled "The Servicing Arrangements" on page 120 for more detail in respect of the terms of the Servicing Agreement.*

**Servicing and Special Servicing of the Propco Loan** The Servicer will be appointed by the Issuer to service the Propco Loan and the Loan Security on a day-to-day basis as well as to provide certain services to the Issuer in relation to the Transaction Documents.

In certain circumstances relating to the default by, or the occurrence of insolvency-related events in relation to, the Borrower, the servicing of the Propco Loan will be transferred to the Special Servicer. Accordingly, following the occurrence of any of such circumstances, the Special Servicer will become responsible for formulating and then implementing a strategy to maximise recoveries for Noteholders.

**Servicing Standard** Each of the Servicer and the Special Servicer will be required to perform its duties in accordance with the Servicing Standard.

The "**Servicing Standard**" means all of the following requirements:

- (a) all applicable laws and regulations;
- (b) the terms of the Propco Finance Documents;
- (c) the terms of the Servicing Agreement; and
- (d) the same manner and with the same skill, care and diligence it applies to servicing similar loans for other third parties,

in each case giving due consideration to the customary and usual standards of practice of reasonably prudent commercial mortgage servicers servicing commercial mortgage loans which are similar to the Propco Loan with a view to the timely collection of all scheduled payments of principal, interest and other amounts due in respect of the Propco Loan and the Loan Security and the maximisation of recoveries in respect of the Propco Loan by the Issuer for the purposes of enabling the Issuer to satisfy to the fullest extent the Issuer's payment obligations to Noteholders (as a collective whole) in respect of the Notes on or before the Final Maturity Date taking into account the obligations of the Issuer ranking ahead of Noteholders.

In the event that there is a conflict between any of the requirements set forth in items (a) to (d), the Servicer or, as applicable, the Special Servicer, shall apply such requirements in the order of priority in which they appear.

**Noteholder rights** The holders of each Class of Notes will be entitled, by Extraordinary Resolution, to enforce the rights of such Class of Notes against the Servicer and/or the Special Servicer in the event that such Noteholders suffer a loss on their Notes as a result of a breach by the Servicer or, as applicable, the Special Servicer of their obligations under the Servicing Agreement.

The Noteholders constituting the Controlling Class will be entitled, by Extraordinary Resolution, to enforce the rights of the Controlling Class under the Servicing Agreement.

**Special Servicing  
Transfer Event**

Upon the occurrence of any of the following events in relation to the Propco Loan:

- (a) a payment default on the Propco Loan on the Loan Final Maturity Date (after taking into account any permitted extension to the Loan Final Maturity Date);
- (b) any payment on the Propco Loan being more than 45 days overdue;
- (c) the occurrence of certain insolvency events in relation to the Borrower;
- (d) the Servicer or the Special Servicer receiving notice of the enforcement of or realisation on any security arrangement securing the obligations and liabilities of the Borrower in relation to the Propco Loan; and
- (e) any other default occurs under the Propco Facility Agreement which is not cured within the applicable grace period or which, in the opinion of the Servicer (formed in accordance with the Servicing Standard) is not likely to be cured within 30 days of the occurrence of the relevant default (or, if a cure period applies to such default within 30 days of the end of the applicable cure period) and which would, in the opinion of the Servicer (formed in accordance with the Servicing Standard) be likely to have a material adverse effect on the ability of the Issuer to satisfy its payment obligations in respect of each Class of Notes on a timely basis,

(each a "**Special Servicing Transfer Event**") and following notification thereof by the Servicer to the Issuer, the Issuer Security Trustee, the Special Servicer, the Borrower, each Rating Agency, the Operating Adviser (if appointed) and the Noteholders, the Propco Loan will become a "**Specially Serviced Loan**".

**Amendments and  
waivers to Propco  
Finance Documents**

The Servicer or, as applicable, the Special Servicer, in each case, on behalf of the Issuer, the Issuer Security Trustee, the Borrower Security Trustee and the Borrower Facility Agent:

- will be responsible for responding to or otherwise considering requests by the Borrower or any other relevant entity for consents, modifications, waivers or amendments relating to the Propco Finance Documents; and
- will be permitted to initiate any request for consents, modifications, waivers or amendments relating to the Propco Finance Documents if it considers it appropriate to do so.

The Servicer or the Special Servicer, as applicable, will not be permitted to agree to or initiate any such requests unless the following conditions are satisfied:

- no Note Acceleration Notice has been delivered and the Issuer Security Trustee has not taken steps to enforce the Issuer Security;
- the Issuer will not be required to make a further advance of principal and/or defer any interest;
- the Loan Final Maturity Date will not be extended to a date falling to a date falling less than two calendar years before the Final Maturity Date;
- the Loan Security will continue to include a full first ranking legal mortgage, standard security or charge or equivalent over the Properties or other security satisfactory to the Servicer or the Special Servicer has been obtained; and
- if an Operating Adviser has been appointed, then before the making of any modification of or waiver or consent with respect to any Propco Finance

Document, the Servicer or, as applicable, the Special Servicer must consult with and take due account of advice and representations of the Operating Adviser in relation thereto (save where the Servicer or, as applicable, the Special Servicer determines that the Servicing Standard requires it to take or refrain from taking any immediate action in relation thereto).

**Amendments and  
waivers to  
Transaction  
Documents**

The Servicer or, as applicable, the Special Servicer, in each case, on behalf of the Issuer:

- will be required to take all reasonable steps to facilitate the timely consideration by each relevant party to the Transaction Documents and/or the Noteholders (or the Noteholders of the relevant Class) of any request made by any party to a Transaction Document or any Noteholder for a consent, modification or waiver relating to a Transaction Document (including the Notes);
- will be permitted to make a request to any party to a Transaction Document and/or the Noteholders to give any waiver or consent or agree to any modification to such Transaction Document or the Notes if it considers it appropriate to do so in consequence of any proposed consent, waiver or modification to any Propco Finance Document (but will not be permitted to make any such request in order to cause or require any amendment to the Propco Finance Documents).

The Servicer or the Special Servicer, as applicable, will be responsible for proceeding with and implementing the relevant consent, waiver or modification process and, subject to obtaining the approval of each relevant party (if required), implementing such consent, waiver or modification provided that no such consent, waiver, modification will be permitted to be made unless:

- in the case of any action which constitutes a Basic Terms Modification, the terms of the Note Trust Deed and the Notes (including the Conditions) are complied with in relation to the sanction of such Basic Terms Modification; and
- in all other cases the Servicer or the Special Servicer, as applicable, has given notice to the Issuer, the Note Trustee, the Issuer Security Trustee and the relevant Noteholders of the proposed action and the reasons therefor and the Servicer, or the Special Servicer, as applicable, has not received written objections to such action from (and has given notice to the Issuer, the Note Trustee and the Issuer Security Trustee that it has not received written objections to such action from) Noteholders holding 25 per cent. or more of the then Principal Amount Outstanding of all Classes of Notes, in relation to which a Control Valuation Event has not occurred (as determined by the Servicer) within 21 days of publication of the relevant notice unless the relevant action is subsequently approved by Extraordinary Resolutions of each Class of Notes in relation to which a Control Valuation Event has not occurred (as determined by the Servicer).

The rights and powers of the Servicer and the Special Servicer with respect to modifications, waivers or consents in relation to Transaction Documents will not include the agreement or execution, on behalf of the Issuer, to or of any such modification, waiver or consent.

**Performance of  
transaction parties**

If the Servicer becomes aware that the Account Bank, the Agent Bank, the Cash Manager, any Paying Agent, the Registrar or the Issuer Corporate Services Provider has not performed its obligations under the Transaction Documents to which such entity is a party, the Servicer will be required to exercise such rights as the Issuer may have to enforce performance by such entity of its obligations and, where applicable, exercise any right of the Issuer under the terms of the relevant

Transaction Document to replace the relevant party.

**Concurrence of the Note Trustee and the Issuer Security Trustee**

The Note Trustee and the Issuer Security Trustee will be required, without the consent or sanction of the Noteholders, to concur with the Servicer or, as applicable, the Special Servicer in making any consent, modification (other than a Basic Terms Modification) or waiver or appointment any replacement in relation to the Transaction Documents (including the Notes).

**Operating Adviser**

It will be a condition to the valid and effective appointment of an Operating Adviser pursuant to Condition 15 (*Controlling Class*) under "*Terms and Conditions of the Notes*" on page 185 that such Operating Adviser accedes to the Servicing Agreement and the Deed of Charge and Assignment.

Any Operating Adviser so appointed will have the benefit of certain rights set forth in the Servicing Agreement, including, but not limited to:

- the right to be consulted on certain matters relating to the servicing and enforcement of the Propco Loan and the Loan Security and modifications and waivers with respect to the Propco Finance Documents;
- certain rights in relation to the appointment and termination of the appointment of the Servicer or the Special Servicer.

**Termination of Appointments**

The appointment of the Servicer or the Special Servicer will be terminable by the Issuer Security Trustee upon the occurrence of certain events (each a "**Servicer Event of Default**"), including:

- the occurrence of insolvency related events in relation to the Servicer or, as applicable, the Special Servicer;
- non-performance of the obligations of the Servicer or, as applicable, the Special Servicer which in the opinion of the Issuer Security Trustee or the Operating Adviser (if appointed) is materially prejudicial to the interests of any class of Noteholders (subject to a 30 day grace period);
- representations or warranties made by the Servicer or, as applicable, the Special Servicer being incorrect or misleading (subject to a 30 day grace period);
- default in the payment of any amount due by the Servicer or, as applicable, the Special Servicer (subject to a five business day grace period);
- failure by the Servicer or, as applicable, the Special Servicer to procure the transfer of sums required to be transferred from Borrower Accounts to the Issuer Transaction Account.

In addition, in certain circumstances, the appointment of the Servicer may be terminated at the request of the Operating Adviser (if appointed) or the Controlling Class (if no Operating Adviser has been appointed) if the Servicer fails to publish a Servicer Quarterly Report or any other report it is required to publish within 10 Business Days of the date such report was due to be published.

The appointment of the Special Servicer may be terminated without cause at the request of the Operating Adviser (if appointed) or the Controlling Class (if no Operating Adviser has been appointed).

The Servicer or the Special Servicer will also be permitted to resign upon giving not less than three months' written notice of termination provided, *inter alia*, a replacement servicer or special servicer has been appointed.

In the absence of a Servicer Event of Default or a Reporting Failure Event, neither the Noteholders nor the Operating Adviser nor the Controlling Class will have the right to instruct the Issuer Security Trustee to terminate the appointment of the Servicer.

## OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

See the section entitled "Terms and Conditions of the Notes" on page 156 for more detail in respect of the terms of the Notes.

### FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes	Class C Notes
<b>Currency</b>	sterling	sterling	sterling
<b>Initial Principal Amount</b>	£184,211,000	£52,632,000	£26,316,000
<b>Note Credit Enhancement</b>	The Class B Notes and the Class C Notes	The Class C Notes	n/a
<b>Issue Price</b>	100%	100%	100%
<b>Interest Rate</b>	5.95 per cent. per annum (from, and including 12 July 2013 to, but excluding, the Closing Date) and thereafter, 5.93 per cent. per annum	8.25 per cent. per annum (from, and including 12 July 2013)	10.5 per cent. per annum (from, and including, 12 July 2013)
<b>Additional Payment Rate</b>	N/A	N/A	0.5 per cent. per annum (from, and including, the Closing Date) <sup>1</sup>
<b>Note Payment Dates</b>	12 January, April, July and October in each year	12 January, April, July and October in each year	12 January, April, July and October in each year
<b>Business Day Convention</b>	Modified/following	Modified/following	Modified/following
<b>First Note Payment Date</b>	The Note Payment Date falling in October 2013	The Note Payment Date falling in October 2013	The Note Payment Date falling in October 2013
<b>First Note Interest Period</b>	The period from (and including) 12 July 2013 to (but excluding) 12 October 2013	The period from (and including) 12 July 2013 to (but excluding) 12 October 2013	The period from (and including) 12 July 2013 to (but excluding) 12 October 2013
<b>Final Maturity Date</b>	The Note Payment Date falling in July 2025	The Note Payment Date falling in July 2025	The Note Payment Date falling in July 2025
<b>Form of the Notes</b>	Registered	Registered	Registered
<b>Rule 144A ISIN</b>	XS0948871867	XS0948872915	XS0948874374
<b>Rule 144A Common Code</b>	094887186	094887291	094887437

<sup>1</sup> These additional payments (each a "Class C Note Senior Additional Payment") will be paid to the Class C Noteholders as a result of funds standing to the credit of the Borrower Security Reserve Account not being available to cover any shortfall with respect to interest on the Class C Notes. The additional payment effectively represents part of the cost that would likely be payable if a third party liquidity facility had been entered into.

<b>Reg S ISIN</b>	XS0948871784	XS0948872675	XS0948873483
<b>Reg S Common Code</b>	094887178	094887267	094887348
<b>Minimum Denomination</b>	£100,000	£100,000	£100,000
<b>Ranking</b>	<p>The Notes within each Class will rank <i>pari passu</i> and without preference or priority among themselves as to payments of interest, principal and (in the case of the Class C Notes) Class C Note Senior Additional Payments at all times.</p> <p>The Class A Notes will rank in priority to the Class B Notes and the Class C Notes as to payments of interest and principal at all times.</p> <p>The Class B Notes will rank in priority to the Class C Notes as to payments of interest and principal at all times.</p> <p>Payment of Class C Note Senior Additional Payments will rank in priority to payments of interest and principal on the Class A Notes and the Class B Notes at all times.</p>		
<b>Security</b>	<p>The Notes will be secured and will share the Issuer Security with the other Issuer Secured Liabilities of the Issuer as set out in the Deed of Charge and Assignment described in Condition 3 (<i>Status, Security and Priority</i>) under "<i>Terms and Conditions of the Notes</i>" on page 160. Some of the other Issuer Secured Liabilities will rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments.</p>		
<b>Interest Provisions</b>	<p>Please see the section entitled "- <i>Full Capital Structure of the Notes</i>" and Condition 5 (<i>Interest and Additional Payments</i>) under "<i>Terms and Conditions of the Notes</i>" on page 164.</p>		
<b>Liquidity Support</b>	<p>Pursuant to the terms of the Propco Facility Agreement the Borrower has deposited £19,300,000 in the Borrower Security Reserve Account. Prior to the earlier to occur of (a) acceleration of the Notes and (b) a Cash Security Reserve Trigger Event, such amount will be available to be drawn upon by the Servicer (on behalf of the Borrower Facility Agent) to fund any shortfall in amounts otherwise available to the Issuer on any Note Payment Date to pay, <i>inter alia</i>, interest due on the Class A Notes and Class C Note Senior Additional Payments (and the Borrower will be obliged to replenish on subsequent Loan Payment Dates, from the Borrower Rent Account, any amount so drawn). Accordingly the amount standing to the credit of the Borrower Security Reserve Account effectively provides liquidity support for the Issuer to make payment of interest on the Class A Notes and of any Class C Note Senior Additional Payments. The Issuer will not have the benefit of any facility from a third party to provide liquidity support for its payment obligations (including the Notes).</p>		
<b>Interest Deferral</b>	<p>To the extent that, on any Note Payment Date, after paying any interest then accrued due and payable on the most senior Class of Notes which is then outstanding, the Issuer does not have sufficient funds to pay in full interest otherwise due on any one or more Classes of more junior ranking Notes then outstanding, the shortfall in the amount then due will be deferred. Any amounts of interest so deferred will accrue interest as described in Condition 5(b) (<i>Note Payment Dates and Note Interest Periods</i>) under "<i>Terms and Conditions of the Notes</i>" on page 165.</p> <p>Payment of any such shortfall will be deferred until the first Note Payment Date on which the Issuer has sufficient funds, provided that the payment of such shortfall shall not be deferred beyond the Final Maturity Date as described in Condition 5(b) (<i>Note Payment Dates and Note Interest Periods</i>) under "<i>Terms and Conditions of the</i></p>		



Notes" on page 165. On such date, any amount which has not by then been paid in full shall become due and payable.

**No gross-up**

None of the Issuer or any Paying Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes as described in Condition 8 (*Taxation*) under "*Terms and Conditions of the Notes*" on page 174.

**Redemption**

The Notes are subject to the following optional or mandatory redemption events:

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 6(a) (*Final Redemption*) under "*Terms and Conditions of the Notes*" on page 168;
- mandatory partial redemption in part on any Note Payment Date subject to availability of Principal Distribution Amounts as fully set out in Condition 6(b) (*Mandatory Redemption from Principal Distribution Amounts*) under "*Terms and Conditions of the Notes*" on page 169;
- optional redemption exercisable by the Issuer in whole on any Note Payment Date for tax reasons, as fully set out in Condition 6(c) (*Optional Redemption for Tax and other Reasons*) under "*Terms and Conditions of the Notes*" on page 169;
- optional redemption exercisable by the Issuer in whole on any Note Payment Date where it has become or will become unlawful for the Issuer to make, lend or allow to remain outstanding the Propco Loan as fully set out in Condition 6(c) (*Optional Redemption for Tax and other Reasons*) under "*Terms and Conditions of the Notes*" on page 169; and
- optional redemption exercisable by the Issuer in whole on any Note Payment Date, as fully set out in Condition 6(d) (*Optional Redemption in Full*) under "*Terms and Conditions of the Notes*" on page 170.

Any Note redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption.

**Events of Default**

As fully set out in Condition 10 (*Note Events of Default*) under "*Terms and Conditions of the Notes*" on page 174, which broadly include (where relevant, subject to the applicable grace period):

- non-payment of interest and/or principal and/or any other amount in respect of the most senior Class of Notes then outstanding;
- material misrepresentation by the Issuer under the Transaction Documents;
- material breach of contractual obligations by the Issuer under the Transaction Documents;
- illegality; and
- the occurrence of certain insolvency related events (excluding balance sheet insolvency) in relation to the Issuer.

**Enforcement**

If a Note Event of Default has occurred and is continuing, the Note Trustee may, and shall, if so requested (i) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the most senior Class of Notes then outstanding; or (ii) by an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding deliver a Note Acceleration Notice and direct the Issuer

Security Trustee to institute such proceedings as may be required in order to enforce the Issuer Security.

**Note Maturity Report** On or before the date falling twelve months prior to the Final Maturity Date, the Special Servicer will, where:

- the Propco Loan remains outstanding; and
- where, in the opinion of the Special Servicer, all recoveries then anticipated by the Special Servicer with respect to the Propco Loan are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Final Maturity Date,

be required to deliver a report (the "**Note Maturity Report**") in draft form to, *inter alios*, the Issuer, the Noteholders, the Issuer Security Trustee, the Note Trustee and the Operating Adviser (if appointed) as to its proposed strategy to enable the maximisation of recoveries in respect of the Propco Loan.

Upon receipt of the Note Maturity Report, the Note Trustee will, at the cost of the Issuer, be required to convene a single meeting of the Noteholders of all Classes then outstanding at which the Noteholders will have the opportunity to discuss the proposals contained in the Note Maturity Report with the Special Servicer.

Following such meeting, the Special Servicer will be required promptly to finalise the Note Maturity Report (taking into account the discussions at such meeting in relation thereto) and after delivery of such final Note Maturity Report to, *inter alios*, the Issuer, the Noteholders, the Issuer Security Trustee, the Note Trustee and the Operating Adviser, the Note Trustee will then be required to convene a meeting of the Noteholders of each Class of Notes then outstanding in relation to which a Control Valuation Event has not occurred, as determined by the Servicer at which the Noteholders of such Class will be requested to approve, by Ordinary Resolution, the proposed strategy of the Special Servicer as set forth in the final Note Maturity Report (subject to any adjustments thereto approved by the Noteholders).

If the Noteholders of each Class of Notes then outstanding in relation to which a Control Valuation Event has not occurred (as determined by the Servicer) do not approve such Note Maturity Report, the Special Servicer shall arrange for a receiver to be appointed in accordance with the terms of the Propco Security Documents to realise the Loan Security.

If the Noteholders of each Class of Notes then outstanding in relation to which a Control Valuation Event has not occurred (as determined by the Servicer) approve the final Note Maturity Report in the manner aforesaid, the Special Servicer will be required to implement such strategy in accordance with its terms notwithstanding any requirements to act in accordance with the Servicing Standard.

**Limited Recourse** The Notes will be limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 12 (*Limited Recourse and Non Petition*) under "*Terms and Conditions of the Notes*" on page 178.

**Non petition** The Noteholders will not be entitled to take any steps (otherwise than in accordance with the Note Trust Deed, the Conditions and the other Transaction Documents):

- to enforce the Issuer Security other than when expressly permitted to do so under Condition 11 (*Enforcement*) under "*Terms and Conditions of the Notes*" on page 176;
- to take or join in any steps against the Issuer to obtain payment of any amount due from the Issuer to it;

- to initiate or join in initiating any Insolvency Proceedings in relation to the Issuer; or
- to take any steps which would result in any of the Priorities of Payments not being observed.

**ERISA considerations** The Class A Notes which are sold in reliance on Rule 144A will be eligible for purchase by employee benefit and other plans subject to Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") and by governmental or church plans that are subject to any state, local or other federal law of the United States that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, subject to consideration of the issues described in this Prospectus under the section entitled "*ERISA Considerations*" on page 201. Each purchaser of any such Notes (and all subsequent transferees thereof) will be deemed to have represented and warranted that its purchase, holding and disposition of such Notes will not result in a non-exempt prohibited transaction under ERISA or the Code (or in the case of any governmental or church plan, any substantially similar state, local or other federal law of the United States). In addition, any fiduciary of a plan subject to the fiduciary responsibility provisions of ERISA or similar provisions of state, local or other federal laws of the United States should consult with their counsel to determine whether an investment in such Notes satisfies the prudence, investment diversification and other applicable requirements of those provisions.

**Governing Law** The Note Trust Deed, the Notes, the Deed of Charge and Assignment, the Agency Agreement, the Servicing Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Subscription and Exchange Agreement, the Master Definitions Schedule (the "**Transaction Documents**") will be governed by English law provided that certain provisions of the Deed of Charge and Assignment will be compliant with Scots law.

## OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER ISSUER SECURED CREDITORS

*Please refer to the section entitled "Terms and Conditions of the Notes" on page 156 for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Issuer Secured Creditors.*

**Convening a Meeting** Noteholders holding no less than 10% of the Principal Amount Outstanding of the relevant Class or all Classes of Notes as relevant then outstanding will be entitled to require the Issuer convene a Noteholders' meeting. Noteholders will also be able to participate in any other Noteholders' meeting convened by the Issuer or Note Trustee to consider any matter affecting their interests.

The Issuer, the Servicer, the Special Servicer or the Note Trustee may also convene a Noteholders' meeting to consider any matter affecting the interests of Noteholders.

**Following a Note Event of Default** All Notes will become immediately due and payable and the Issuer Security will become enforceable upon the service on the Issuer by the Note Trustee of a Note Acceleration Notice. The Note Trustee will be entitled to serve a Note Acceleration Notice after the occurrence of a Note Event of Default which is continuing and it will be required to do so (i) on the written instructions of the holders of at least 25 per cent. of the Principal Amount Outstanding of the most senior Class of Notes, or (ii) if directed to do by an Extraordinary Resolution of the holders of the most senior Class of Notes then outstanding.

### **Noteholder Meeting provisions**

#### ***Notice Periods***

Initial meeting: at least 21 clear days

Adjourned meeting: not less than 14 clear days nor more than 42 clear days

#### ***Quorum – Ordinary Resolution***

Initial meeting: one or more persons present holding or representing in the aggregate more than one half of the Principal Amount Outstanding of the relevant Class or all Classes of Notes (as relevant).

Adjourned meeting: one or more persons present holding or representing Notes whatever the Principal Amount Outstanding of the of the relevant Class or all Classes of Notes (as relevant).

#### ***Quorum – Extraordinary Resolution***

Initial meeting: one or more persons present holding or representing in the aggregate more than one half of the Principal Amount Outstanding of the relevant Class or all Classes of Notes (as relevant).

Adjourned meeting: one or more persons present holding or representing Notes whatever the Principal Amount Outstanding of the of the relevant Class or all Classes of Notes (as relevant).

#### ***Quorum - Extraordinary Resolution including a Basic Terms Modification or, in relation to most senior Class of Notes then outstanding, to veto the appointment of the Operating Adviser in accordance with Condition 15(d)***

Initial meeting: one or more persons present holding or representing in the aggregate not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or all Classes of Notes (as relevant).

Adjourned Meeting: one or more persons present holding or representing in the aggregate not less than 33 ⅓ per cent. of the Principal Amount Outstanding of the relevant Class or all Classes of Notes (as relevant).

***Required Majority***

Ordinary Resolution: simple majority of the votes cast by the persons voting at the relevant meeting or the votes cast on a poll or (in relation to (a) the appointment of an Operating Adviser by the Controlling Class in accordance with Condition 15(a), or (b) the approval of a Note Maturity Report by the Noteholders of each Class of Notes then outstanding in relation to which a Control Valuation Event has not occurred (as determined by the Servicer)), more than one half of the Principal Amount Outstanding of the relevant Class of Notes.

Written Ordinary Resolution: More than one half of the Principal Amount Outstanding relevant Class of or all Classes of Notes (as relevant). A Written Ordinary Resolution will have the same effect as an Ordinary Resolution.

Extraordinary Resolution: 75 per cent. of the votes cast by the persons voting at the relevant meeting or the votes cast on a poll for matters requiring an Extraordinary Resolution.

Written Extraordinary Resolution: 90 per cent. of the Principal Amount Outstanding relevant class of or all Classes of Notes (as relevant). A Written Extraordinary Resolution will have the same effect as an Extraordinary Resolution.

**Matters requiring  
Extraordinary  
Resolution**

Broadly, the following matters, *inter alia*, will require an Extraordinary Resolution:

- sanctioning a Basic Terms Modification;
- sanctioning any compromise or arrangement proposed to be made between the Issuer and the Noteholders;
- sanctioning any abrogation, modification, compromise, variation or arrangement in respect of the rights of the Noteholders against the Issuer or any other party to the Transaction Documents or against any of their property whether such rights shall arise under the Note Trust Deed, the Notes or otherwise;
- assenting to any modification of the provisions contained in the Note Trust Deed, the other Transaction Documents or the Conditions or the Notes (where such assent cannot be provided by the Note Trustee in accordance with Condition 13 (*Meetings of the Noteholders, Modification, Waiver and Substitution*) under "*Terms and Conditions of the Notes*") on page 178;
- appointing any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution
- approving the appointment of a person to be appointed a trustee and power to remove any trustee or trustees for the time being of the Note Trust Deed
- discharging or exonerating the Note Trustee from all liability in respect of any act or omission for which the Note Trustee may have become responsible under the Note Trust Deed or under the Notes
- instructing the Note Trustee to serve a Note Acceleration Notice following the occurrence of a Note Event of Default.

An Extraordinary Resolution of the holders of the most senior Class of Notes then outstanding shall be binding on all other Classes of Notes except that no Extraordinary Resolution to sanction a modification (including a Basic Terms Modification) of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of the Note Trust Deed, the Conditions or any of the other Transaction Documents passed at any meeting of the most senior Class of Notes then outstanding shall take effect unless such modification, waiver or authorisation shall have been sanctioned by an Extraordinary Resolution of all other Classes of Notes then outstanding or it shall not, in the opinion of the Note Trustee, in its sole discretion, be materially prejudicial to the respective interests of the other Classes of Notes then outstanding.

**Relationship between  
Classes of  
Noteholders**

The Note Trust Deed will contain provisions requiring the Note Trustee to have regard to the interests of the holders of the Class A Notes, the Class B Notes and the Class C Notes equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise) provided that if there is a conflict between the interests of the holders of the most senior Class of Notes then outstanding and the junior ranking Classes of Notes, the Note Trustee shall have regard only to the interests of the most senior Class of Notes then outstanding; but so that this proviso will not apply in the case of any powers, trusts, authorities, duties or discretions of the Note Trustee in relation to which it is expressly stated that they may be exercised by the Note Trustee only if in its opinion the interests of the holders of each Class of Notes would not be materially prejudiced thereby.

**Issuer/Borrower  
Group/Service/  
Special Servicer as  
Noteholder**

As described in Condition 13 (*Meetings of the Noteholders, Modification, Waiver and Substitution*) under "*Terms and Conditions of the Notes*" on page 178, for the purposes of determining:

- the quorum at any meeting of Noteholders considering an Extraordinary Resolution or any other matter or the majority of votes cast or to be cast at such meeting;
- the holders of Notes for the purposes of giving any direction to the Issuer Security Trustee, the Note Trustee or any other party; or
- the majority required for any Written Resolution,

the voting or directing rights attaching to:

- (a) the Class A Notes which are held beneficially by or for the account of (or in relation to which the exercise of the right to vote is directed or otherwise controlled by) (i) the Borrower or any Affiliate of the Borrower exceeding 6 per cent. of the then Principal Amount Outstanding of the Class A Notes, and (ii) the Issuer, the Servicer, the Special Servicer or, in each case, any Affiliate thereof;
- (b) the Class B Notes which are held beneficially by or for the account of (or in relation to which the exercise of the right to vote is directed or otherwise controlled by) (i) the Borrower or any Affiliate of the Borrower exceeding 6 per cent. of the then Principal Amount Outstanding of the Class B Notes, and (ii) the Issuer, the Servicer, the Special Servicer or, in each case, any Affiliate thereof; and
- (c) the Class C Notes which are held beneficially by or for the account of (or in relation to which the exercise of the right to vote is directed or otherwise controlled by) (i) the Borrower or any Affiliate of the Borrower exceeding 6 per cent. of the then Principal Amount Outstanding of the Class C Notes, and (ii) the Issuer, the Servicer, the Special Servicer or, in each case, any Affiliate thereof.

shall not be exercisable and such Notes and shall be treated as if they were not outstanding and shall not be counted in or towards any required quorum, direction or majority.

**Instructions from the Servicer or the Special Servicer**

The Note Trustee and the Issuer Security Trustee will be required, without the consent or sanction of the Noteholders of any Class, to concur with the Servicer or (where the Propco Loan has become a Specially Serviced Loan) the Special Servicer in:

- making or giving any consent, waiver or modification (which is not a Basic Terms Modification) in each case under or to the Transaction Documents that has been notified to the Noteholders by the Servicer or, as applicable, the Special Servicer and which the Noteholders have not objected to; and
- appointing any replacement party (other than the Note Trustee, the Issuer Security Trustee, the Servicer or the Special Servicer) to a Transaction Document,

in each case, pursuant to and in accordance with the Servicing Agreement and the Note Trustee and the Issuer Security Trustee will be required to take such actions as directed by the Servicer or, as applicable, the Special Servicer, in order to effect any such consent, waiver, modification or appointment. Any such consent, waiver, modification or appointment will be binding on the Noteholders.

**Controlling Class**

The "**Controlling Class**" will, at any time, be the holders of the most junior ranking Class of Notes outstanding at such time in relation to which a Control Valuation Event has not occurred, as determined by the Servicer.

A "**Control Valuation Event**" will occur in relation to a Class of Notes where the Servicer determines, on any date, that the aggregate of:

- (i) 25 per cent. of the then Principal Amount Outstanding of such Class of Notes; and
- (ii) the then Principal Amount Outstanding of each more senior Class of Notes,

exceeds the later of the Initial Valuation Report and any subsequent valuation of the Properties carried out in accordance with the terms of the Propco Facility Agreement.

If no Class of Notes has a Principal Amount Outstanding in relation to which a Control Valuation Event has not occurred, as determined by the Servicer, then the Controlling Class will be the most senior Class of Notes then outstanding.

As at the Closing Date, the holders of the Class C Notes will be the Controlling Class.

Among other things, the Controlling Class:

- will have the right, by Ordinary Resolution, to appoint a third party entity to be their representative and to exercise certain rights in relation to the servicing of the Propco Loan (the "**Operating Adviser**");
- where an Operating Adviser has not been appointed, will have certain rights in relation to the appointment and termination of the appointment of the Servicer or Special Servicer.

**Operating Adviser**

Pursuant to Condition 15 (*Controlling Class*) under "*Terms and Conditions of the Notes*" on page 185, the Controlling Class will be entitled to appoint an Operating Adviser. It will be a condition to the appointment of any Operating Adviser that it accedes to the Servicing Agreement and to the Deed of Charge and Assignment. An Operating Adviser will be required to be an independent third party which:

- is not a party to (or an Affiliate of a party to) the Transaction Documents or the Propco Finance Documents in any capacity;
- is not a holder of (or an Affiliate of a holder of) the Notes of any Class (or of any beneficial interest therein) or otherwise entitled to direct or control the exercise of any voting rights in relation to Notes of any Class;
- has experience in providing advisory services relating to commercial property assets (and debt obligations secured by such commercial property assets) in England, Wales, Scotland and Northern Ireland;
- maintains professional indemnity insurance with a reputable insurer in an amount of at least £10,000,000;
- in the last two financial years ending prior to the date of such appointment, has received gross revenues of not less than £30,000,000 per year (on a group consolidated basis); and
- the Noteholders which are the most senior Class of Noteholders then outstanding have not vetoed any previous appointment of the relevant party (or any Affiliate of the relevant party) as Operating Adviser in accordance with Condition 15(d) under "*Terms and Conditions of the Notes*" on page 186.

The Operating Adviser will, *inter alia*, have the benefit of certain rights set forth in the Servicing Agreement, including, but not limited to:

- the right to be consulted on certain matters relating to the servicing and enforcement of the Propco Loan and the Loan Security and modifications and waivers with respect to the Propco Finance Documents;
- certain rights in relation to the appointment and termination of the appointment of the Servicer or the Special Servicer.

The appointment of an Operating Adviser will be required to terminate upon, *inter alia*:

- the most senior Class of Noteholders vetoing, by Extraordinary Resolution, the appointment of the Operating Adviser (which veto right must be exercised within 2 months of the notification of the appointment of the Operating Adviser); or
- the occurrence of a Control Valuation Event in relation to the Controlling Class which appointed the Operating Adviser.

See Condition 15 (*Controlling Class*) under "*Terms and Conditions of the Notes*" on page 185 and the section entitled "*The Servicing Arrangements*" on page 120 for more detail.

**Relationship between Noteholders and other Secured Creditors**

For so long as any Notes are outstanding and there is a conflict between the interests of the Noteholders and other Secured Creditors, the Note Trustee will be required to take into account the interests of the Noteholders only in the exercise of its powers, trusts, authorities, and discretions. While any Notes are outstanding, the Issuer Security Trustee will be required to act only at the direction of the Note Trustee.

**Provision of Information to the Noteholders**

Information in respect of the Propco Loan, the Loan Security and the payment obligations of the Issuer will be provided to the investors on a quarterly basis in the Servicer Quarterly Report. See the section entitled "*The Servicing Arrangements – The Servicing Agreement – Reporting*" on page 124 for more details.



**Communication with  
Noteholders**

Any notice to be given by the Issuer, the Servicer, the Special Servicer, the Cash Manager, the Issuer Security Trustee or the Note Trustee to the Noteholders will be required to be given in accordance with Condition 17 (*Notice to Noteholders*) under "*Terms and Conditions of the Notes*" on page 188.

## OVERVIEW OF RELEVANT DATES AND PERIODS

<b>Closing Date</b>	The date for the issuance of the Notes is expected to be 24 July 2013 (or such other date as the Issuer and the Arranger may agree).
<b>Refinancing Date</b>	The date on which the Propco Loan was advanced by the Issuer to the Borrower, being 28 March 2013.
<b>Business Day</b>	A day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Dublin.
<b>Loan Payment Date</b>	The 7th day of each January, April, July and October of each year, provided that if any such day is not a Business Day, the relevant Note Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).
<b>Loan Final Maturity Date</b>	Unless previously redeemed in full, the Borrower must repay the then outstanding amount of the Propco Loan in full together with accrued interest and any other sum due and payable under the Propco Finance Documents on the Loan Payment Date falling in July 2020.
<b>Loan Interest Period</b>	Each successive period commencing on (and including) a Loan Payment Date (or, in respect of the first Loan Interest Period, the Refinancing Date) and ending on (but excluding) the next following Loan Payment Date provided that for so long as any Notes are outstanding, if the actual number of days in a Loan Interest Period is different to the actual number of days in the Note Interest Period that starts in the same month as the first day of that Loan Interest Period (the " <b>Corresponding Note Interest Period</b> "), then for the purpose of calculating the interest accruing on the Propco Loan for that Loan Interest Period, the number of days in that Loan Interest Period will be adjusted so that it is equal to the actual number of days in the Corresponding Note Interest Period.
<b>Note Payment Date</b>	The 12th day of each January, April, July and October of each year, provided that if any such day is not a Business Day, the relevant Note Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).
<b>Expected Maturity Date</b>	The Note Payment Date falling in July 2020 which is the Note Payment Date immediately following the Loan Final Maturity Date and, therefore, the date by which it is expected that the Notes will be repaid in full.
<b>Final Maturity Date</b>	Unless previously redeemed in full, the Issuer will be required to redeem the Notes at their Principal Amount Outstanding together with accrued interest and, in the case of the Class C Notes, Class C Note Senior Additional Payments on the Note Payment Date falling in July 2025.
<b>Note Interest Period</b>	Each successive quarterly period commencing on (and including) the 12th day of each January, April, July and October of each year (with the first Note Interest Period commencing on 12 July 2013) and ending on (but excluding) the next following 12th day of each January, April, July and October.
<b>Determination Date</b>	With respect to a Note Payment Date, the last day of the Collection Period ending immediately prior to such Note Payment Date.
<b>Collection Period</b>	With respect to a Note Payment Date, the period beginning on but excluding the last day of the immediately preceding Collection Period and ending on the Loan Payment Date immediately preceding such Note Payment Date provided that the first Collection Period shall commence (but exclude) the last Loan Payment Date occurring prior to the Closing Date.

## OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW

See the section entitled "*Cashflows and Payment Priorities*" on page 135 for more detail in respect of the credit structure and cash flow of the transaction

### **Available Funds of the Issuer**

The repayment of principal and the payment of interest by the Borrower in respect of the Propco Loan will provide the principal source of funds for the Issuer to make payments in respect of the "Issuer Secured Liabilities", being the moneys, obligations and liabilities incurred or otherwise payable by or on behalf of the Issuer under the Notes and the Transaction Documents.

On any Note Payment Date prior to the service of a Note Acceleration Notice, the Issuer expects to have Available Funds for the purposes of making payments under the Notes and the Transaction Documents.

"**Available Funds**" will constitute all amounts standing to the credit of the Issuer Transaction Account at the end of the preceding Collection Period, including Revenue Receipts and Principal Receipts received during the immediately preceding Collection Period together with the amount of any Security Reserve Drawing paid to the Issuer for the relevant Note Payment Date in accordance with the Propco Facility Agreement;

"**Revenue Receipts**" will include:

- all monies (other than Principal Receipts) paid to the Issuer under or in respect of the Propco Loan (excluding any Security Reserve Drawing);
- to the extent not included in the item above, all monies paid to the Issuer in relation to Facility Fees pursuant to the Propco Facility Agreement; and
- any interest accrued on the Issuer Transaction Account and paid to the Issuer in respect of amounts standing to the credit of the Issuer Transaction Account,

in each case deposited into the Issuer Transaction Account.

"**Principal Receipts**" will include all payments in respect of principal allocated by the Servicer or the Special Servicer as Principal Receipts in respect of the Propco Loan (including scheduled repayments, voluntary prepayments, mandatory prepayments and loan enforcement proceeds allocated to principal) received by the Issuer and deposited into the Issuer Transaction Account (but excluding any Make-Whole Amount or Loan Premium) and the proceeds of any sale, transfer or other disposal of the Propco Loan and the Loan Security allocated by the Servicer or the Special Servicer as Principal Receipts received by the Issuer and deposited into the Issuer Transaction Account.

### **Summary of Priorities of Payments**

As described in more detail in the section entitled "*Cashflows and Payment Priorities*" on page 135, prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Cash Manager (on behalf of the Issuer) will be required, *inter alia*, on each Determination Date to calculate all amounts due in accordance with the Pre-Enforcement Priority of Payments on the forthcoming Note Payment Date and the amounts available to make such payments.

On each Note Payment Date prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Cash Manager will be required to apply the Principal Distribution Amounts (if any) allocated to a Class of Notes in redemption of that Class of Notes in accordance with the Pre-Enforcement Priority of Payments (in each case, only if and to the extent that payments or provisions of a higher priority have been made in full).

The "**Principal Distribution Amount**" for any Note Payment Date will be the Principal Receipts received by the Issuer by way of repayment or prepayment of the Propco Loan in the Collection Period ending immediately prior to such Note Payment Date.

On each Note Payment Date prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Cash Manager will be required to apply any Make-Whole Amounts or Loan Premiums received by the Issuer in relation to the Propco Loan in the Collection Period ending immediately prior to such Note Payment Date to make payment of the Prepayment Premium due for each Class of Notes (in each case, only if and to the extent that payments or provisions of a higher priority have been made in full).

The "**Prepayment Premium**" for a Class of Notes for any Note Payment Date will be the amount of the Make-Whole Amount or Loan Premium received by the Issuer from the Borrower and allocated to such Class of Notes for such Note Payment Date.

The amount of the Principal Distribution Amount and the Prepayment Premium to be allocated to a Class of Notes on a Note Payment Date will be:

- (a) in relation to the Class A Notes, that part of the Principal Distribution Amount constituting the Principal Receipts received by the Issuer by way of repayment or prepayment of the A Loan Tranche of the Propco Loan and that part of the Make-Whole Amount or Loan Premium equal to the proportion that the related prepayment of the A Loan Tranche bears to the related total prepayment of the Propco Loan;
- (b) in relation to the Class B Notes, that part of the Principal Distribution Amount constituting the Principal Receipts received by the Issuer by way of repayment or prepayment of the B Loan Tranche of the Propco Loan and that part of the Make-Whole Amount or Loan Premium equal to the proportion that the related prepayment of the B Loan Tranche bears to the related total prepayment of the Propco Loan;
- (c) in relation to the Class C Notes, that part of the Principal Distribution Amount constituting the Principal Receipts received by the Issuer by way of repayment or prepayment of the C Loan Tranche of the Propco Loan and that part of the Make-Whole Amount or Loan Premium equal to the proportion that the related prepayment of the C Loan Tranche bears to the related total prepayment of the Propco Loan.

Following the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Issuer Security Trustee will be required to apply all moneys and receipts received by the Issuer and/or the Issuer Security Trustee or a receiver appointed by it (whether of principal or interest or otherwise) in the manner and order of priority set out in the Post-Enforcement Priority of Payments (in each case only if and to the extent that payments provisions of a higher priority have been made in full).

<i>Pre-Enforcement Priority of Payments:</i>	<i>Post-Enforcement Priority of Payments:</i>
1. Amounts due to the Note Trustee and the Issuer Security Trustee	1. Amounts due to the Note Trustee, the Issuer Security Trustee and any Receiver appointed by the Issuer Security Trustee
2. Amounts due to the Paying Agents, the Registrar and the Agent Bank	2. Amounts due to the Paying Agents, the Registrar and the Agent Bank
3. Amounts due to the Cash Manager,	3. Amounts due to the Cash Manager,

the Account Bank, the Issuer Corporate Services Provider, the Servicer and the Special Servicer	the Account Bank, the Issuer Corporate Services Provider, the Servicer and the Special Servicer
4. Payments due to third party creditors of the Issuer	4. The Class C Note Senior Additional Payment
5. The Class C Note Senior Additional Payment	5. Amounts due to an Operating Adviser (where the Class A Notes have appointed such Operating Adviser), then interest and other amounts due or overdue on, and principal of, the Class A Notes
6. Amounts due to an Operating Adviser where the Class A Notes have appointed such Operating Adviser, then interest due or overdue on the Class A Notes, then other amounts (other than principal) due or overdue on the Class A Notes	6. Amounts due to an Operating Adviser (where the Class B Notes have appointed such Operating Adviser), then interest and other amounts due or overdue on, and principal of, the Class B Notes
7. Principal due on the Class A Notes	7. Amounts due to an Operating Adviser (where the Class C Notes have appointed such Operating Adviser), then interest and other amounts due or overdue on, and principal of, the Class C Notes (other than the Class C Note Senior Additional Payment)
8. Amounts due to an Operating Adviser (where the Class B Notes have appointed such Operating Adviser), then interest due or overdue on the Class B Notes, then other amounts (other than principal) due or overdue on the Class B Notes	8. Surplus to the Issuer
9. Principal due on the Class B Notes	
10. Amounts due to an Operating Adviser (where the Class C Notes have appointed such Operating Adviser), then interest due or overdue on the Class C Notes, then other amounts (other than principal) due or overdue on the Class C Notes (other than the Class C Note Senior Additional Payment)	
11. Principal due on the Class C Notes	
12. £500 to be retained by the Issuer as profit	
13. Surplus to be retained in the Issuer Transaction Account	

## **General Credit Structure**

The credit structure of the transaction includes, broadly speaking, the following elements:

### **Credit Support:**

Junior Classes of Notes will be subordinated to more senior Classes of Notes, thereby ensuring that available funds are applied to the most senior Class of Notes in priority to more junior Classes of Notes. See Condition 3 (*Status, Security and Priority*) in the section entitled "*Terms and Conditions of the Notes*" on page 160 for more detail.

### **Liquidity:**

The Borrower has established the Borrower Security Reserve Account, which was funded on the Refinancing Date in an amount of £19,300,000. The amount standing to the credit of the Borrower Security Reserve Account will be available to help meet any shortfall in Revenue Receipts available to the Issuer on any Note Payment Date to meet interest due on the Class A Notes, Class C Note Senior Additional Payments due on the Class C Notes and certain items to be paid in priority thereto and, upon the earlier to occur of (a) a Cash Security Reserve Trigger Event and (b) the acceleration of the Notes, to prepay the PropCo Loan.

In the event that a drawing is made from the Borrower Security Reserve Account, on each Loan Payment Date following the date on which such drawing was made, any funds available in the Borrower Rent Account (in accordance with the priority of payments set out in the section entitled "*The Propco Loan and the Loan Security – Propco Facility Agreement – Borrower Accounts – Borrower Rent Account*" on page 99) in an aggregate amount not to exceed the amount of the drawing made, will be deposited into the Borrower Security Reserve Account.

The amount standing to the credit of the Borrower Security Reserve Account effectively provides liquidity support for the Issuer to make payment on the Class A Notes and Class C Note Senior Additional Payments. See the section entitled "*The Propco Loan and the Loan Security – Propco Facility Agreement – Borrower Accounts – Borrower Security Reserve Account*" on page 101 for more detail.

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
<b>Account Bank:</b>	In relation to the Issuer Transaction Account, where the long-term issuer credit rating by S&P of the Account Bank is at least "BBB-".	Upon the Account Bank ceasing to have the required ratings, the Account Bank will be required to obtain a guarantee of its obligations in relation to the Issuer Transaction Account from a financial institution that satisfies the required ratings or establish a replacement bank account with a new bank, failing which the appointment of the Account Bank may be terminated by the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement).

The consequences of the relevant required rating being breached are set out in more detail in the section entitled "*Cash Management for the Issuer – Rating criteria of the Account Bank*" on page 143.

### Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
Servicer Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li>• certain insolvency related events in relation to the Servicer or, as applicable, the Special Servicer;</li> <li>• non-performance of the obligations of the Servicer or, as applicable, the Special Servicer (subject to a 30 day grace period) which in the opinion of the Issuer Security Trustee or the Operating Adviser (if appointed) is materially prejudicial to the interests of any Class of Noteholders;</li> <li>• representations or warranties made by the Servicer or, as applicable, the Special Servicer being incorrect or misleading (subject to a 30 day grace period);</li> <li>• default in the payment of any amount due by the Servicer or, as applicable, the Special Servicer (subject to a five business day grace period);</li> <li>• failure by the Servicer or, as applicable, the Special Servicer to procure the transfer of sums required to be transferred from Borrower Accounts to the Issuer Transaction Account; or</li> <li>• failure by the Servicer to publish a Servicer Quarterly Report or any other report or any other report it is required to publish within 10 Business Days of the date such report was due to be published.</li> </ul>	The appointment of Servicer or the Special Servicer, as applicable, may be terminated.
Termination of the Special Servicer without cause	Written notice from the Operating Adviser (if appointed) or the Controlling Class (if no Operating Adviser has been appointed) requesting the termination of the Special Servicer.	Termination of appointment of Special Servicer.
Cash Manager Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li>• certain insolvency related events in relation to the Cash Manager;</li> <li>• non-performance of the obligations of the Cash Manager (subject to a 10 Business Day grace period);</li> </ul>	The appointment of Cash Manager may be terminated.



	<ul style="list-style-type: none"> <li>representations or warranties made by the Cash Manager being incorrect or misleading (subject to a 10 Business Day grace period);</li> <li>failure by the Cash Manager to make when due a payment required to be made by it on behalf of the Issuer (subject to a 3 Business Day grace period (other than in the case of payments which are to be made on a Note Payment Date)); or</li> <li>the Cash Manager fails to maintain all appropriate licences, consents, approvals, authorisations and exemptions from and any registrations with, governmental and other regulatory authorities required by it.</li> </ul>	
Account Bank Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li>certain insolvency related events in relation to the Account Bank;</li> <li>non-performance of the obligations of the Account Bank (subject to a 10 Business Day grace period);</li> <li>representations or warranties made by the Account Bank being incorrect or misleading (subject to a 10 Business Day grace period);</li> <li>failure by the Account Bank to make when due a payment required to be made by it on behalf of the Issuer (subject to a 3 Business Day grace period (other than in the case of payments which are to be made on a Note Payment Date));</li> <li>the Account Bank fails to maintain all appropriate licences, consents, approvals, authorisations and exemptions from and any registrations with, governmental and other regulatory authorities required by it.</li> </ul>	The appointment of the Account Bank may be terminated.
Control Valuation Event	<p>In relation to a Class of Notes, where the Servicer determines, on any date, that the aggregate of:</p> <ul style="list-style-type: none"> <li>(i) 25 per cent. of the then Principal Amount Outstanding of such Class of Notes; and</li> <li>(ii) the then Principal Amount Outstanding of each more senior Class</li> </ul>	The relevant Class of Notes will not be the Controlling Class unless no Class of Notes has a Principal Amount Outstanding in relation to which a Control Valuation Event has not, as determined by the Servicer, occurred, in which case the Controlling Class will be the most senior Class of Notes then outstanding.

of Notes,  
exceeds the latest Valuation of the  
Properties

## FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

### Ongoing Fees

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing Fees	£144,760 per annum. (plus any applicable value added tax) if no Special Servicing Transfer Event, reduced to £118,440 per annum following a Special Servicing Transfer Event (provided that Situs Asset Management Limited is the Special Servicer)	Ahead of all outstanding Notes	Each Note Payment Date
Special Servicing Fees	£658,000 per annum (plus any applicable value added tax)	Ahead of all outstanding Notes	Each Note Payment Date
Fees of the Cash Manager, the Note Trustee, the Issuer Security Trustee, the Agents and the Issuer Corporate Services Provider and other fees and expenses of the Issuer	Estimated at £68,116 per annum (plus any applicable value added tax)	Ahead of all outstanding Notes	Each Note Payment Date

### Additional Fees

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Liquidation Fee (Special Servicer)	One per cent. of the Liquidation Proceeds	Ahead of all outstanding Notes	Following the enforcement of the Loan Security
Workout Fee (Special Servicer)	One per cent. of each collection of interest and principal for so long as the Propco Loan remains a Corrected Loan (plus any applicable value added tax)	Ahead of all outstanding Notes	Where the Propco Loan is a Specially Serviced Loan and subsequently becomes a Corrected Loan

## THE ISSUER

The Issuer was incorporated in England and Wales on 25 January 2013 (registered number 08375890) as a public company with limited liability under the Companies Act 2006, as amended. The registered office of the Issuer is at 4<sup>th</sup> Floor, 40 Dukes Place, London, EC3A 7NH and its contact telephone number is 020 3367 8200. The Issuer is organised as a special purpose vehicle and its activities are limited accordingly. The Issuer has no subsidiaries. The entire issued share capital of the Issuer (being 50,000 shares of £1, each of which is paid-up as to 25p) is held by or on behalf of the Capita Trust Nominees No. 1 Limited, a company established under the laws of England, having its registered office at 4th Floor, 40 Dukes Place, London EC3A 7NH, on trust for charitable purposes and neither the Borrower nor OpCo or any of their affiliates owns, directly or indirectly, any of the share capital of the Issuer.

### Principal Activities

The principal objects of the Issuer are set out in its memorandum of association and permit the Issuer, *inter alia*, to lend money and give credit, secured and unsecured, to borrow or raise money and secure the payment of money and to grant security over its property for the performance of its obligations or the payment of money. The Issuer was established for the limited purposes of issuing the Warehouse Notes, entering into the Propco Facility Agreement, issuing the Notes and certain related transactions described elsewhere in this Prospectus.

Since its incorporation, the Issuer has not engaged in any material activity other than those incidental to its incorporation and registration as a public limited company under the Companies Act 2006, the authorisation and issue of the Warehouse Notes (as to which, see the section entitled "*The Warehouse Notes and the Warehouse Note Documents*" on page 73), the entry into of the Propco Facility Agreement and the advance of the Propco Loan, the authorisation of the issue of the Notes and of the other documents and matters referred to or contemplated in this Prospectus, and matters which are incidental or ancillary to the foregoing.

The activities of the Issuer will, on and from the Closing Date, be restricted by the Conditions and will be limited to the issue of the Notes, the advance of the Propco Loan, the exercise of related rights and powers and the other activities described in this Prospectus, see further Condition 4 (*Covenants*) under "*Terms and Conditions of the Notes*" on page 162.

Pursuant to the terms of the corporate services agreement dated 25 March 2013 (and to be amended on or about the Closing Date) between the Issuer Corporate Services Provider and the Issuer (the "**Corporate Services Agreement**") the Issuer Corporate Services Provider has agreed to provide, from 25 March 2013, certain corporate services in relation to the Issuer. The Corporate Services Agreement may, on the occurrence of certain default events, be terminated by either the Issuer or the Issuer Corporate Services Provider delivering notice to that effect but the Issuer Corporate Services Provider is required to continue to provide the corporate services to the Issuer until a successor corporate services provider is appointed.

### Directors and Secretary

The directors of the Issuer and their respective business addresses and principal activities or business occupations as at the date of this Prospectus are:

<b><i>Name</i></b>	<b><i>Address</i></b>	<b><i>Principal Activities</i></b>
Capita Trust Corporate Services Limited (registered number 05710730)	The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU	Director of special purpose companies
Capita Trust Corporate Limited (registered number 05322525)	The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU	Director of special purpose companies
Paul Glendenning	4 <sup>th</sup> Floor, 40 Dukes Place, London, EC3A 7NH	Director of special purpose companies

The directors of each of Capita Trust Corporate Services Limited and Capita Trust Corporate Limited as at the date of this Prospectus are Sean Peter Martin, Susan Elizabeth Lawrence, Paul Glendenning, Beverley Michael Douglas, Howard Alan Montagu, Colin Arthur Benford and David Osborne each of whose business address is

4<sup>th</sup> Floor, 40 Dukes Place, London, EC3A 7NH. The directors of each of Capita Trust Corporate Services Limited and Capita Trust Corporate Limited perform no other principal activities outside the Issuer which are significant with respect to the Issuer.

The company secretary of the Issuer and its business address as at the date of this Prospectus is:

<b><i>Name</i></b>	<b><i>Address</i></b>
Capita Trust Secretaries Limited	The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

### **Capitalisation and Indebtedness**

The capitalisation and indebtedness of the Issuer as at the date of this Prospectus, adjusted to take account of the issue of the Notes in exchange for the Warehouse Notes (as to which, see the section entitled "- *The Warehouse Notes and the Warehouse Note Documents*" below), is as follows:

#### ***Issued Share Capital***

50,000 ordinary shares of £1, each of which is paid-up as to 25p	£12,500
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#### ***Loan Capital***

Class A Commercial Mortgage Backed Fixed Rate Notes due 2025	£184,211,000
Class B Commercial Mortgage Backed Fixed Rate Notes due 2025	£52,632,000
Class C Commercial Mortgage Backed Fixed Rate Notes due 2025	£26,316,000
<b><i>Total Loan Capital</i></b>	<b>£263,159,000</b>

Except as set out above and under "- *The Warehouse Notes and the Warehouse Note Documents*" below, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and the Issuer has not created any mortgages or charges nor has it given any guarantees as at the date of this Prospectus.

### **The Warehouse Notes and the Warehouse Note Documents**

Pursuant to the terms of a note facility agreement dated 25 March 2013 (the "**Warehouse Note Facility Agreement**") between the Issuer, U.S. Bank Trustees Limited as security trustee (the "**Warehouse Security Trustee**"), Elavon Financial Services Limited, UK Branch as registrar (the "**Warehouse Registrar**") and the entities identified therein as note purchasers (together, the "**Warehouse Note Purchasers**"), the Issuer issued class A notes, class B notes and class C notes (together, the "**Warehouse Notes**") to the Warehouse Note Purchasers in an aggregate principal amount of £263,159,000. The proceeds of the issuance of the Warehouse Notes were applied by the Issuer to make the advance of the Propco Loan to the Borrower pursuant to the terms of the Propco Facility Agreement.

Each tranche of the Warehouse Notes is equal in principal amount to the equivalent tranche of the Propco Loan. The interest rate in respect of each tranche of the Warehouse Notes is equal to the interest rate in respect of the equivalent tranche of the Propco Loan.

As at the date of this Prospectus, no repayment or prepayment of principal in respect of any Warehouse Note has been made by the Issuer and the principal amount outstanding of each tranche of the Warehouse Notes is equal to the expected initial principal amount (as at the Closing Date) of the equivalent Class of Notes.

Elavon Financial Services Limited, UK Branch, in its capacity as cash manager (the "**Warehouse Cash Manager**") provides cash management services to the Issuer in relation to the Warehouse Notes pursuant to the terms of a cash management agreement dated 25 March 2013 (the "**Warehouse Cash Management Agreement**") between the Issuer, the Warehouse Cash Manager and the Warehouse Security Trustee and, in its

capacity as account bank (the "**Warehouse Account Bank**"), provides bank account services to the Issuer in relation to the Warehouse Notes pursuant to a bank account agreement dated 25 March 2013 (the "**Warehouse Account Bank Agreement**") between the Issuer, the Warehouse Account Bank, the Warehouse Cash Manager and the Warehouse Security Trustee.

The Warehouse Notes, the Warehouse Note Facility Agreement, the Warehouse Cash Management Agreement, the Warehouse Account Bank Agreement and the Warehouse Security Trust Deed are, together, the "**Warehouse Note Documents**".

To provide security for its obligations in respect of the Warehouse Notes and its other obligations under the Warehouse Note Documents and the Corporate Services Agreement, the Issuer created security over its assets (including its interests in the Propco Loan and the Loan Security) in favour of the Warehouse Security Trustee, as security trustee for itself, the Warehouse Note Purchasers, the Warehouse Cash Manager, the Warehouse Account Bank, the Warehouse Registrar and the Issuer Corporate Services Provider (together, the "**Warehouse Secured Creditors**") pursuant to the terms of a security trust deed dated 25 March 2013 (the "**Warehouse Security Trust Deed**") between the Issuer, the Warehouse Security Trustee and the other Warehouse Secured Creditors.

On the Closing Date, and pursuant to the terms of the Subscription and Exchange Agreement (as to which, see the section entitled "*Subscription and Exchange*" on page 203) each Note Purchaser will surrender the Warehouse Notes held by it to the Warehouse Registrar for cancellation, in exchange for the issue by the Issuer to it of Notes of an equivalent amount and tranche. Following such exchange, the Warehouse Notes will be cancelled, the security created by the Warehouse Security Trust Deed will be released and discharged in full and all of the obligations of the Issuer and the Warehouse Secured Creditors under the Warehouse Note Documents will be terminated.

The Closing Date will not fall on an interest payment date in respect of the Warehouse Notes. However, the Issuer will not be required to make any payment in respect of such accrued interest to the Warehouse Note Purchasers. Instead, the amount of interest payable in respect of the Notes (which, as indicated above, will be issued in exchange for the Warehouse Notes) on the first Note Payment Date will include an amount equal to the amount of such accrued interest.

### **Financial Information**

Each financial period of the Issuer will end on 30 December of each year, with the current financial period of the Issuer ending on 30 December 2013. The auditors of the Issuer are Deloitte LLP, chartered accountants and statutory auditors, 2 New Street Square, London EC4A 3BZ.

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

## THE BORROWER

Toys "R" Us Properties (UK) Limited (the "**Borrower**") was incorporated in England and Wales on 1 April 2005 (registered number 5410177) as a private company with limited liability under the Companies Act 1985. The registered office of the Borrower is at Mitre House, 160 Aldersgate Street, London EC1A 4DD and its contact telephone number is +44 (0)20 7367 3000. The Borrower is organised as a special purpose vehicle and its activities are limited accordingly. The Borrower has no subsidiaries. The Borrower is an indirect wholly owned subsidiary of Toys "R" Us Holdings Limited. The Borrower's ultimate parent company is Toys "R" Us, Inc. The issued share capital of the Borrower is £167,393,998, divided into 167,393,998 ordinary shares of £1, each of which has been issued fully paid and is held by TRU (UK) H5 Limited.

### Principal Activities

The Borrower owns freehold and leasehold interests in 31 properties which it leases to OpCo under the Leases, and borrows funds under the Propco Facility Agreement. The principal objectives of the Borrower are set out in its Memorandum of Association and are, *inter alia*, to: (a) act as representative, agent, factor, distributor, importer, exporter, manufacturer and wholesale and retail dealer in respect of every marketable product, process, material and service of whatever description, (b) to carry on the business of an investment and holding company, (c) to carry on the business of land and property developers of any description and to acquire such lands, buildings and other such property as the Borrower may see fit, and (d) to borrow and raise money and to secure any obligation of the Borrower and in particular to charge all or any part of the undertaking, property and assets of the Borrower.

The Borrower has covenanted to observe certain restrictions on its activities which are set out in the Propco Facility Agreement. Please see the section entitled "*The Propco Loan and the Loan Security*" on page 93.

### Directors and Secretary

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

Name	Business Address	Principal Activities
Roger McLaughlan	Geoffrey House Maidenhead Office Park Westacott Way Maidenhead Berkshire SL6 3QH	Director
Francis Charles Muzika	Geoffrey House Maidenhead Office Park Westacott Way Maidenhead Berkshire SL6 3QH	Director
Robert Zarra	1 Geoffrey Way Wayne New Jersey 07470 USA	Director

The company secretary of the Borrower is Mitre Secretaries Limited.

### Capitalisation and Indebtedness

It is estimated that the capitalisation and indebtedness of the Borrower on or about the Closing Date will be as follows:

***Issued Share Capital***

167,393,998 ordinary shares of £1, each of which has been issued fully paid £167,393,998

***Loan Capital***

A Loan Tranche (advanced on the Refinancing Date) £184,211,000

B Loan Tranche (advanced on the Refinancing Date) £52,632,000

C Loan Tranche (advanced on the Refinancing Date) £26,316,000

***Total Loan Capital*** £263,159,000

***Subordinated Intercompany Loans*** £80,190,570

Save for the foregoing and as provided below, at the date of this Prospectus, the Borrower has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. All loan capital is secured over the assets of the Borrower. The loan capital of the Borrower is not guaranteed.

On the Closing Date, the Borrower is expected to incur further intercompany indebtedness in the nature of a borrowing, such borrowing to be made from an Affiliate of the Borrower to the Borrower for the purpose of paying costs and expenses relating to the issuance of the Notes, in particular, the costs and expenses of the Issuer. Such intercompany borrowing will be subject to the terms of the Propco Subordination Agreement.

**Financial Information**

Each financial period of the Borrower ends on the Saturday nearest to 31 January in each year, with the current financial period of the Borrower ending on 1 February 2014. The auditors of the Borrower are Deloitte LLP, chartered accountants and statutory auditors, 2 New Street Square, London EC4A 3BZ.

The historical financial information set out below is derived from the audited statutory accounts and underlying financial records of the Borrower for the relevant financial years.

<b>Financial period<sup>1</sup></b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012 (pro forma<sup>3</sup>)</b>
<b>Properties (at end of financial period)</b>	31	31	31	31	31	
<b>Income statement data (£'000,000):</b>						
Rental income	30.4	30.9	31.6	33.1	35.3	23.0
Financing expenses <sup>2</sup>	22.3	22.2	22.1	22.0	22.7	18.0
Coverage	1.4x	1.4x	1.4x	1.5x	1.6x	1.3x
<b>Balance sheet data (£'000,000):</b>						
Total assets	488.7	480.5	473.3	466.1	458.9	
Mortgage loans	412.3	410.4	408.8	407.0	405.2	
Other liabilities	98.3	97.6	96.9	95.2	92.1	
Shareholders' deficit	(21.9)	(27.5)	(32.4)	(36.1)	(38.4)	



- <sup>1</sup> Each financial period refers to the financial period ending on the Saturday nearest to 31 January in the year following the year indicated (e.g. "2008" refers to the financial period ended on the Saturday nearest to 31 January 2009).
- <sup>2</sup> Financing expenses excludes interest owed to group undertakings.
- <sup>3</sup> The "pro forma" information indicates Rental income, Financing expenses and Coverage for the financial period ending on the Saturday nearest to January 2013 determined on the basis of the current annual rent for the Properties (as at the date of this Prospectus) and the making of the Propco Loan on 28 March 2013 (as amended) at a blended rate of 6.85% interest.

The audited statutory accounts of the Borrower for each of the financial periods ending in 2012 and 2013, the notes thereto and the audit reports in connection therewith are set out in Appendix 2 to this Prospectus.

## **OPCO AND THE TOYS "R" US BUSINESS**

### **Introduction**

Toys "R" Us Limited ("**OpCo**") was incorporated in England and Wales on 16 April 1984 (registered number 1809223) as a private limited company with limited liability under the Companies Acts 1948 to 1981. The registered office of OpCo is at Mitre House, 160 Aldersgate Street, London EC1A 4DD. OpCo has entered into occupational leases in respect of the Properties held by the Borrower pursuant to the terms of the Leases, as described below in the section entitled "*Description of the Portfolio*" on page 84.

OpCo is an indirect wholly owned subsidiary of Toys "R" Us Holdings Limited, itself a wholly owned subsidiary of Toys "R" Us (UK) Limited. OpCo's ultimate parent company is Toys "R" Us, Inc.

### **UK Overview**

OpCo is the main operating company of the Toys "R" Us business in the United Kingdom ("**Toys "R" Us UK**"). As of 2 February 2013, Toys "R" Us UK operated 80 family leisure products stores throughout the United Kingdom, with retail locations in England, Wales, Scotland and Northern Ireland. Toys "R" Us UK is a market leader within the speciality toy and juvenile category in the United Kingdom. The wide range of toys, baby care, video games, multimedia, bicycles and outdoor products creates a one-stop shopping experience for all of the family's needs. Internet sales have grown significantly in the past 5 years, partially due to the popularity of the "click and collect" platform.

### **Store Portfolio and Layout**

Toys "R" Us UK has a diverse store base, with stores located in downtown locations, retail park locations, pure standalone locations and standalone locations alongside or near a retail park or supermarket.

The stores range in size from 14,000-52,000 square feet, with the majority of the stores having an area of 33,000-45,000 square feet. All of the United Kingdom stores have benefited from regular updating of product area displays. Toys "R" Us UK stores are uniformly designed and merchandised. All store layouts are characterised by a supermarket store configuration, but are differentiated in certain areas of the store by low gondolas and aisle cut-throughs which effect to create a more open, customer-friendly and easy-to-navigate environment.

### **Product Offering**

Toys "R" Us UK stores showcase unique departments that cater to all ages, from its traditional toy offerings to its multimedia departments, focusing on four principal product categories: (a) toys, (b) infant care, (c) bicycles and wheeled goods and (d) consumer electronics. In an effort to increase its appeal to teenagers and adults, supporting its family-oriented shopping environment, Toys "R" Us UK is increasingly broadening its product offering into new areas. Increasing sales volume of non-toy products and private label/exclusive products are important elements of the merchandising strategy of Toys "R" Us UK. Investment in all aspects of omnichannel (being the offering of products for sale through all available shopping channels, i.e. mobile internet devices, computers, physical stores, television and catalogues) continues to be a key focus for expanding the business.

### **Private Label**

As part of the key strategy of differentiation, Toys "R" Us UK's focus on its private label and exclusively licensed product programmes has been a key component of its merchandise strategy. Toys "R" Us UK's private label offering spans most product categories offered within the store, including Bruin baby products, Fast Lane die cast cars, You and Me dolls and Avigo wheeled goods.

### **Pricing Strategy**

Toys "R" Us UK positions itself as a value-oriented, promotional retailer of a wide range of family leisure and baby care products. Toys "R" Us UK benchmarks its pricing strategy against its key competitors in order to compete effectively on price. Toys "R" Us UK focuses on offering competitive pricing on 'core' products and individual product promotion initiatives on 'non-core' products to drive customer traffic. Toys "R" Us UK relies

on its in-store merchandising and marketing strategies to generate incremental sales once the customer is in the store.

### Store Employees

As of 30 March 2013, Toys "R" Us UK had a total of 3,587 employees. As of the same date, the UK labour force of Toys "R" Us UK is not represented by unions and Toys "R" Us UK enjoys good labour relations.

### Directors and Secretary

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

Name	Business Address	Principal Activities
Roger McLaughlan	Geoffrey House Maidenhead Office Park Westacott Way Maidenhead Berkshire SL6 3QH	Director
Francis Charles Muzika	Maidenhead Office Park Westacott Way Maidenhead Berkshire SL6 3QH	Director
Robert Zarra	1 Geoffrey Way Wayne New Jersey 07470 USA	Director

The company secretary of OpCo is Mitre Secretaries Limited.

### Financial Information

Each financial period of OpCo ends on the Saturday nearest to 31 January in each year.

The historical financial information set out below is derived from the audited statutory accounts and underlying financial records of OpCo for the relevant financial years.

Financial period <sup>1</sup>	2008	2009	2010	2011	2012
Store count (at end of financial period)	73	75	76	79	80
<b>Income statement data (£'000,000):</b>					
Net sales	516.3	555.9	509.9	476.3	460.9
Merchandise margin	192.8	199.7	180.1	176.7	172.6
% margin	37.3	35.9	35.3	37.1	37.4
EBITDAR <sup>2</sup>	53.2	75.9	67.1	55.7	52.9
% EBITDAR	10.3	13.7	13.2	11.7	11.5
<b>Balance sheet data (£'000,000):</b>					
Total assets	564.2	582.2	601.6	640.8	663.1
Total liabilities	249.8	255.7	266.2	312.1	341.6

Shareholders' funds	314.4	326.5	335.4	328.7	321.5
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<sup>1</sup> Each financial period refers to the financial period ending on the Saturday nearest to 31 January in the year following the year indicated (e.g. "2008" refers to the financial period ended on the Saturday nearest to 31 January 2009).

<sup>2</sup> EBITDAR is calculated as operating profit adding back depreciation expense and rent expense related to property.

The audited statutory accounts of OpCo for each of the financial periods ending in 2009, 2010, 2011, 2012 and 2013 and the notes thereto are set out in Appendix 3 to this Prospectus.

## **THE SERVICER AND THE SPECIAL SERVICER**

Situs Asset Management Limited is a limited liability company incorporated under the laws of England and Wales with its offices at 33 Gracechurch Street, London EC3V 0BT, United Kingdom.

Situs Asset Management Limited is part of Situs Holdings, LLC. In October 2011, Helios AMC, LLC acquired The Situs Companies, LLC. Shortly thereafter, the name of Helios AMC, LLC changed to Situs Holdings, LLC.

Since 1985, Situs has provided commercial real estate advisory, due diligence and business solutions to the lending and real estate industries. Situs has offices located across the United States of America and Europe (including San Francisco, New York, Houston, London, Copenhagen, Frankfurt and Dublin).

Situs currently services and asset manages in excess of €22 billion of commercial real estate debt through its European platform. The company also provides real estate advisory, due diligence and underwriting services to clients in Europe.

**THE NOTE TRUSTEE, THE ISSUER SECURITY TRUSTEE AND THE BORROWER SECURITY  
AGENT**

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

U.S. Bank Trustees limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services Limited (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association, (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$354 billion in assets as of December 31, 2012, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. The company operates 3,084 banking offices in 25 states and 5,065 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

## **THE AGENTS, THE CASH MANAGER AND THE ACCOUNT BANK**

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U. S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its U.K. Branch are also subject to the limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$354 billion in assets as of December 31, 2012, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. The company operates 3,084 banking offices in 25 states and 5,065 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

## DESCRIPTION OF THE PORTFOLIO

### Portfolio Overview

The Borrower purchased all of the properties described in "*Appendix 1 - The Property Details*" on page 213 (each a "**Property**" and together the "**Properties**" or the "**Portfolio**") from OpCo on 9 February 2006, except for the Property located in Cardiff which was acquired subsequently from OpCo on 8 February 2007. Each Property (except for the Property located in Hinckley Road, Coventry which is used as a warehouse and distribution centre) is used as a retail store for the sale of items generally sold by OpCo's stores, subject to any restrictions imposed by any law, planning permission or other obligation binding on the Property. One Property is located in each of Northern Ireland, Scotland and Wales and the remaining 28 are all located in England. The Properties have a total gross internal floor area of 1,872,409 square feet. The Properties are all internally fitted out to OpCo's corporate specification.

All of the Properties are owned (and registered at the relevant Land Registry) in the Borrower's sole name. 16 Properties are held freehold, two Properties (the Properties located in Belfast and Woking) are substantially freehold (with a small part of those two held under long (at least 90+ years unexpired) leases and the remainder are all held by the Borrower under long leases. Further, in the case of the Property located in Woking, the Property has been joined to a smaller unit within an adjoining shopping centre (the additional unit is occupied under a short lease by OpCo and the Borrower does not hold an interest in such additional unit but, whilst the unit and the Property trade as one store, the unit can be reinstated as a separate unit by replacing the dividing wall). None of the leases under which any Property is held (each a "**Superior Lease**"), except that of the Property located in Cardiff, is subject to a material rent, although some require the Borrower, as tenant under these, to make service charge and/or insurance premium contributions. OpCo is required to meet the costs and charges payable by the Borrower as tenant under each Superior Lease pursuant to the terms of the occupational leases of the related Property (see below). For further information as to the terms on which how each Property is held see the section entitled "*Appendix 1 – The Property Details*" on page 213.

The Properties are all subject to occupational leases granted to OpCo (each a "**Lease**" and together the "**Leases**") for terms of 30 years at varying rents. The current aggregate annual rental income (for the year ending February 2014, exclusive of any Value Added Tax, Service Charge and Insurance Premium Payments) is £23,004,343. The terms of each Lease provide that the annual rent payable thereunder is subject to an increase on 9 February in each year in accordance with any increase in the United Kingdom Retail Prices Index over the previous 12 months, subject to a minimum increase of 1% and a maximum of 2.5%. Each Lease provides that rent payable is also reviewed (upwards only) at 5 yearly intervals on an open market basis, with the date set for the next such review (in respect of all the Leases) being 9 February 2016. Where a Property is held by the Borrower under a Superior Lease, the relevant Lease obliges the tenant to observe and perform all the obligations of the landlord (the Borrower) as tenant under the Superior Lease so as to achieve the Borrower's status as a "pass through" entity in this respect.

All Properties have been valued, on an open market and vacant possession basis, by CBRE Limited of Henrietta House, Henrietta Place London W1 (the "**Valuers**") with the valuations being set out in a report dated 20 March 2013 (the "**Initial Valuation**"). Extracts of the information contained in the Initial Valuation for each Property is set out in the section entitled "*Appendix 1 – The Property Details*" on page 213. The "**Market Value**" or "**MV**" of a Property is the Valuers' opinion of the value subject to the terms of the relevant Lease, whereas the "**Vacant Possession Value**" or "**VPV**" assumes that such Lease has terminated and that the Property needs to be sold without any occupier or tenant to a third party (this is the value more likely to be applicable in the case of a sale through the enforcement of security following a default by the Borrower under the Loan, resulting from a failure by the tenant to perform its obligations under the relevant Leases). The MV of a Property assumes that the relevant Lease will remain in place and that the tenant is able to perform its obligations (including as to payment of rent) under the Lease. Any materially adverse change in the tenant's financial position will probably have an adverse effect on the value of the Properties.

As at the date of this Prospectus the tenant under all of the Leases is OpCo but, as each Lease contains provisions for transfer, assignment or assignation, there is no guarantee that OpCo will remain as tenant under all or any of the Leases in the future.

A full certificate of title dated 26 March 2013 for each Property (except for (i) the Property located in Scotland, the certificate of title for which is dated 25 March 2013 and is supplemented by a supplemental certificate of title dated 28 March 2013; and (ii) the Property located in Northern Ireland, the certificate of title for which is



dated 21 March 2013) was prepared by the Borrower's solicitors (CMS Cameron McKenna for the Properties located in England and Wales, Maclay Murray & Spens for the Property located in Scotland and Carson Macdowell for the Property located in Northern Ireland, each being "**Certificate Solicitors**").

The Valuers confirmed that the contents of these certificates were taken into account for the purposes of their Initial Valuation. The Valuers also inspected the Properties for valuation purposes and noted any material items of disrepair. A number of the Properties were identified as having received a low level of maintenance and some use chillers containing R22 refrigerant which will need to be replaced in the short term to comply with EU regulations. An environmental "Phase 1" report was also prepared for each Property by Environ UK Limited in March 2013 (each an "**Environ Report**").

The aggregate Market Value of the Portfolio, as at 20 March 2013, as stated in the Initial Valuation, is £315,000,000 and the aggregate Vacant Possession Value, as at such date, is £194,510,000. The Valuers' opinion of the aggregate net estimated rental value open market rental value of the Portfolio (disregarding service charge and VAT) on the basis that the Properties would be let in the open market to another third party tenant is £19,943,325. A breakdown of these amounts on a property-by-property basis and further information relating to each Property is set out in the section entitled "*Appendix 1 – The Property Details*" on page 213.

### **The Leases**

The Borrower has granted a Lease of the whole of each Property (except for the Property located in Southampton where a small area of the car park located on the Property is excluded from the Lease to avoid triggering an obligation under the relevant Superior Lease to offer the superior landlord a surrender) to OpCo.

### **General Terms**

There is no "master" letting document. A separate Lease has been entered into by the Borrower and OpCo for each Property on the same terms (other than specific matters relating to the description of or title to the Property, the level of rent and, in the case of a Lease deriving from a Superior Lease, changes required to reflect the terms of the Superior Lease). Each Lease has been granted:

- for a term of 30 years from 9 February 2006 (except for the Property located in Cardiff, where the term of the Lease is 30 years from 8 February 2007)
- on the basis that the tenant is fully responsible for the maintenance, repair and insurance of the Property, and for payment of any service charge and/or other monies payable, and for the performance of any other lessee obligations, under the Superior Lease (if any); and
- at a rent which increases (i) annually in line with any increase on the United Kingdom Retail Prices Index published monthly by the United Kingdom Office for National Statistics (subject to a minimum of 1% and a maximum of 2.5% each year) and (ii) every 5 years on an open market basis.

### **Tenant's Obligations**

Each Lease grants to the tenant all rights (including rights of way, to use service media) as the landlord has in connection with the relevant Property, but similarly imposes on the tenant responsibility for observance and performance of any obligations or restrictions to which the landlord's interest in the Property is subject.

Each Lease also allows the tenant a number of concessions in the form of a relaxation of certain restrictions and/or conditions which apply only for so long as the TRU Test is satisfied. In relation to a Lease, the "**TRU Test**" is that, at the relevant time:

- (a) the Lease is owned by a trading company being part of the TRU Group, (the "**TRU Group**" being OpCo and other direct or indirect subsidiary or subsidiary undertaking of OpCo or OpCo's immediate holding company); and
- (b) a TRU Group company occupies at least 50% of the area of the buildings constructed on the Property.

In cases where a Property is held under a Superior Lease, the terms of such Superior Lease may impose additional restrictions or obligations. In such cases, the provisions of the related Lease are varied so that the

restriction or obligation in the Lease is consistent with the corresponding restriction or obligation in the Superior Lease, which in all cases the tenant under the Lease must observe and perform.

Subject to the above the principal obligations on the tenant under the Leases are:

#### *Alterations*

Where the TRU Test is satisfied, non-structural alterations or minor structural alterations may be carried out to a Property without the landlord's consent and other structural alterations may be carried out with the landlord's consent (not to be unreasonably withheld or delayed). In no circumstances may the tenant carry out works unless the following conditions are satisfied:

- (i) all consents (including if required by law or under the Superior Lease (if any)) necessary for the works have been obtained;
- (ii) all costs in respect of the works will be the responsibility of the tenant;
- (iii) the tenant has undertaken all contractual liabilities for the works;
- (iv) the works are undertaken for the tenant or on a pre-let (not speculative) basis;
- (v) the rents under the Lease will not be reduced as a result of the works; and
- (vi) the landlord's security on the Property will not need to be released as a result.

Where the TRU Test is not satisfied no structural alterations to the relevant Property are permitted and all non-structural alterations will require the landlord's consent (not to be unreasonably withheld or delayed).

#### *Assignment and Transfer*

The tenant may not assign or transfer part only (as opposed to the whole) of the Property. Assignment, assignation or transfer of whole is permitted with the landlord's consent (not to be unreasonably withheld or delayed) subject to the following conditions being satisfied:

- (a) Save in relation to the Leases of the Properties located in Scotland and Northern Ireland (as neither the Covenants Act nor the concept of "authorised guarantee agreements" apply thereto) the outgoing tenant must give the landlord an authorised guarantee agreement, guaranteeing the rent and other Lease obligations of the immediate transferee or assignee. In relation to the Lease of the Property located in Scotland, the Lease provides that upon or before assignation and before giving occupation to the assignee, if the landlord shall reasonably require so, the assignee shall obtain a guarantor reasonably acceptable to the landlord who shall provide a guarantee in favour of the landlord incorporating certain specified terms. In relation to the Lease of the Property located in Northern Ireland, there is no express provision requiring the outgoing tenant to guarantee such obligations of the assignee but the landlord may, as a condition of any consent to an assignment, require the outgoing tenant to guarantee the assignee's obligations;
- (b) the assignee or transferee cannot be a person or entity who has the benefit of sovereign or diplomatic immunity, is subject to any form of formal insolvency process or is a group company of the outgoing tenant (unless it is incorporated in England and Wales, the principal trading company in the group and of equivalent financial standing to the outgoing tenant);
- (c) there are no rent arrears;
- (d) the proposed transfer, assignation or assignment does not adversely affect the market value of the landlord's interest in the Property; and
- (e) (if the landlord reasonably requires) a suitable guarantor is provided for the incoming tenant.

### *Business Rates and Other Outgoings*

The tenant must pay all business rates, taxes (other than taxes levied solely on the rental income or sale proceeds received by the landlord and attributable to the Property) and other rates and charges (including the costs of supplying electricity, gas, water and/or telecommunications services) applicable to the Property.

### *Financial Information*

The tenant, whilst it remains a member of the TRU Group, must provide copy accounts and specified financial information on a confidential basis to the landlord and the landlord's mortgagees or security holders. Further, the landlord is entitled to disclose such information, on a strictly confidential basis, to a prospective purchaser and/or a prospective new lender and as may be necessary to comply with reporting standards promoted by CMBS 2.0 (being the recommendations of the Commercial Real Estate Financial Council Europe as to best practice in European CMBS). The disclosed information may not include proprietary or sensitive information that might be materially adverse to the commercial interests of, or otherwise result in any material financial obligations to the Borrower, OpCo, Toys "R" Us, Inc. or any subsidiary or affiliate of Toys "R" Us, Inc.

### *General Legal Obligations*

The tenant must observe and perform all obligations (where imposed by Act of Parliament or otherwise) imposed on the Property or on any user or occupier of the property by law.

### *Insurance and Reinstatement*

There are two separate insurance regimes depending on whether the TRU test is satisfied or not:

- (a) Where the TRU Test is satisfied, the tenant must insure the Property against the Insured Risks (see below) for the full reinstatement value and 3 years' loss of rent with an insurer which has an Insurance Requisite Rating or is approved by the landlord (such approval not to be unreasonably withheld or delayed). The Borrower Security Agent is to be named as co-insured (and, if required, as loss payee) with the landlord.

If a Property is damaged by any Insured Risk so as to render such unfit for occupation and use, the tenant must (subject to obtaining all necessary consents) repair or reinstate the premises and the insurance monies must be paid into a trust account in the landlord's name and are released as necessary to pay for repair and/or reinstatement of the damage for which such are paid. However if the tenant is unable (having used all reasonable efforts) to obtain the required consents for such repair and/or reinstatement within 3 years of the occurrence of the damage then either landlord or tenant can determine the Lease (in which case all insurance proceeds are paid to the landlord). The tenant remains liable to pay the rent during this period.

The landlord may, by notice to the tenant, take over the insurance responsibilities and obligations of the tenant if the tenant is in breach of its obligations under the Lease in this respect.

- (b) Where the TRU Test is not satisfied, the landlord must insure against the Insured Risks and, unless payment of any insurance monies is refused due to any breach of the terms of the insurance by the tenant, expend such insurance monies (other than for loss of rent) in reinstating the Property if it was damaged or destroyed by an Insured Risk. Further, if a Property is so damaged and as a result is unfit for occupation, the rent will be suspended until the premises are repaired or (if earlier) the loss of rent period expires (the landlord should nonetheless be able to recover this under the loss of rent insurance). Either the landlord or the tenant may terminate a Lease if the Property is not so repaired by the expiry of the loss of rent period (the insurance monies will belong to the landlord in such case). The tenant must reimburse to the landlord the premium paid by the landlord.

The above provisions have been varied for the Lease for the Property located in Plymouth. The relevant Superior Lease provides for the landlord of the Superior Lease to insure the Property (although the tenant under the Superior Lease must still take out loss of rent insurance) and for the tenant to pay an appropriate proportion of the insurance premium. The Lease may be determined by either the landlord or the tenant if, following the damage or destruction of the Property by an Insured Risk, it is not reinstated within three years.

The same variations have been made to the Lease of the Property located in Woking (as to the part of the Property which is subject to a Superior Lease, which includes equivalent terms as to the insuring of the long leasehold part of the Property). However, the right of the landlord or the tenant to determine the Lease if following damage or destruction of the property by an Insured Risk, it is not reinstated within three years, applies to the whole Property (and not just to that part which is subject to the Superior Lease).

For the purposes of the Leases:

**"Insurance Requisite Rating"** means:

- (a) in the case of an insurance company or underwriter, long term instruments with a rating of, or a financial strength rating of; or
- (b) in the case of a group of insurance companies or underwriters, weighted average long term instruments with a rating of, or a financial strength rating of,

in each case "A" (or better) by Fitch Ratings Ltd. and any successor to its rating business and "A" (or better) by S&P or any successor to its rating business.

**"Insured Risks"** include (to the extent insurable in the London Insurance market) terrorism, fire, storm, tempest, flood, earthquake, lightning, explosion, impact, aircraft (except hostile aircraft) and articles dropped from aircraft, riot, civil commotion, malicious damage, bursting or overflowing of water tanks, apparatus or pipes, subsidence, heave, landslip and such other risks as the landlord reasonably requires. This definition is qualified in the Lease of the Property located in Northern Ireland with regard to the extent that cover against such risks is available in Northern Ireland. Terrorism will not be covered by insurance but by the statutory provisions under the Criminal Damage (Compensation) (Northern Ireland) Order 1977.

Where the TRU Test is not satisfied in relation to the Property located in Northern Ireland, the Tenant will be required to reinstate the Property in the event of criminal damage as defined in the Criminal Damage (Compensation) (Northern Ireland) Order 1977 and institute its claim under such Order. In such circumstances, there is no rent suspension.

#### *Landlord's Costs*

The tenant must pay the landlord's reasonable costs incurred as a result of any breach by the tenant of its obligations under the Lease.

#### *Landlord's Termination Rights (Forfeiture)*

The landlord has the right to determine or "forfeit" ("irritate" for the Property located in Scotland) the Lease in the following circumstances:

- (a) any rent is unpaid more than 10 working days after falling due;
- (b) the tenant is in breach of any other Lease obligation; or
- (c) the tenant has a receiver, administrator or liquidator appointed over any of its assets, proposes and voluntary arrangement or becomes subject to any other formal insolvency process.

The landlord may also forfeit or determine all Leases (except for the Lease of the Property located in Scotland) if the tenant fails to pay rent due under any individual Lease within 10 working days.

Prior to exercising any such right to determine or forfeit, however, the landlord must first give written notice to any mortgagee of the tenant's interest in the Lease. The landlord must also, for Leases affecting the Properties located in England and Wales, comply with the requirements of English law which (save where the breach is non-payment of rent only) require notice of the relevant breach to be given to the tenant and the tenant be allowed a reasonable time to remedy such breach. The tenant, or any mortgagee of the tenant's interest, can also obtain relief from forfeiture if it remedies the breach and compensates the landlord for any loss incurred as a result. For the Property located in Scotland, while a landlord is required to serve notice of intention to irritate

(i.e. terminate) the lease upon the tenant in the event of a breach (and in the case of a non-monetary breach is under a general duty to act reasonably), there is no equivalent under Scots law to the rights of relief from forfeiture which arise under English law. For the Property located in Northern Ireland, the position is the same as that for the Properties located in England and Wales, provided that the landlord can forfeit only by way of proceedings and not by way of re-entry.

The landlord also has additional termination rights in relation to the Lease where a Property has not been repaired more than 3 years after damage by any Insured Risk (see the section entitled "*Insurance and Reinstatement*" on page 87).

#### *Licences and group sharing*

The tenant and any undertenants may share occupation of the Property on a licence basis as long as no security of tenure is created and such concessions/franchises take up no more than 30% of the retail sales area of the Property or (when the concessions/franchises are on an unbuilt part of the Property, they are only a burger/ice cream van or a short term promotional or similar activity and do not exceed two per Property). Sharing occupation with group companies is also permitted.

#### *Matters Affecting the Borrower's Interest*

The tenant must observe and perform all agreements, restrictions and obligations which affect and bind the landlord's interest in the Property, including any contained in the Superior Lease (if any).

#### *Renewal Rights*

The tenant has no contractual right to a new Lease when the Lease expires but (except for the Property located in Scotland) it will, under the Landlord & Tenant Act 1954 and (in relation to the Property located in Northern Ireland) the Business Tenancies (Northern Ireland) Order 1996, provided that on the contractual expiry date of the Lease it uses the Property for the purposes of its business, have the right to a new lease for a maximum term of 14 years at the open market rent. Each of the Landlord & Tenant Act 1954 and the Business Tenancies (Northern Ireland) Order 1996 also stipulates a strict procedure for the termination of tenancies of business premises by a landlord and, amongst other things, requires at least 6 months' written notice. The landlord can only defeat the tenant's right to a new lease in limited circumstances, the most material of which are that (a) the tenant has persistently defaulted in paying rent and/or performing its other lease obligations (b) the landlord wants to use the premises for its own purposes or (c) the landlord wishes to redevelop substantially and/or refurbish the premises (or, under the Business Tenancies (Northern Ireland) Order 1996 in relation to the Property located in Northern Ireland, the landlord wishes to redevelop substantially the premises).

There are no equivalent statutory rights in relation to tenants of the Property located in Scotland, save that, in the case of retail premises, the Tenancy of Shops (Scotland) Act 1949 entitles the tenant of retail premises in Scotland, whose tenancy has been terminated by notice, to an extension to its lease of up to one year.

#### *Rent*

Rent is payable in advance on 3 January, 3 April, 3 July and 3 October in each year.

#### *Rent review*

The annual rent under each Lease increases on 9 February in every year by reference to increases in the Retail Prices Index (all items) published by the Central Office for National Statistics (subject to a minimum of 1% and maximum of 2.5%). The rent is also subject to an (upwards only) open market rent in February 2016 and thereafter at five yearly intervals, in which case the passing rent will be the higher of the open market rent and the index-linked rent (which will continue to increase annually). There is no provision for the rent to reduce during the term of a Lease.

#### *Repair and Decoration*

The tenant must, at its own cost, keep the Property in good and substantial repair which includes obligations to rebuild, reinstate or renew as often as may be necessary, to keep unbuilt upon part of the Properties in good and

clean condition (if the landlord insures the Property, damage by insured risks is excluded from the tenant's repairing obligation; - see the section entitled "- *Insurance and Reinstatement*" on page 87).

#### *Set-Off*

The tenant may not set off any rent, service charge, insurance premium or Value Added Tax payments due under any Lease against any sum due and owing to it from the landlord at the relevant time.

#### *Superior Lease Obligations*

The tenant must observe and perform all obligations binding upon the landlord under the terms of any Superior Lease (if any), the terms of which take precedence if there any conflict between such terms and the terms of the relevant Lease. The tenant must also pay the amount of any service charge, insurance premium contributions or other amounts payable by the landlord, as tenant under the Superior Lease.

The property located in Cardiff and, until October 2013, the Property located in Plymouth are each held under a Superior Lease which requires payment of a material rent. In relation to each of these Properties, the terms of the relevant Lease requires the tenant to pay the amount of the rent payable under the Superior Lease to the landlord. The Superior Lease of the Property located in Plymouth will terminate in October 2013, and will be replaced by a Superior Lease for a term of 110 years at a nominal rent. See the section entitled "*Appendix 1 – The Property Details*" on page 213 for further details.

#### *Underletting*

The tenant may underlet part or whole of a Property with the landlord's consent (not to be unreasonably withheld or delayed) subject to the following conditions:

- (a) (if the landlord reasonably requires) a guarantor for the undertenant being provided;
- (b) the rent of the underlease being at the market rate;
- (c) the undertenant formally waiving any renewal rights to which it might otherwise be entitled by law;
- (d) the undertenant may not further sub-underlet and must obtain the landlord's consent (not to be unreasonably withheld or delayed) for any assignment or charge over the underlease;
- (e) the undertenant must agree with the landlord to comply with all the terms of the relevant Lease (save as to payment of rent);
- (f) any underlease for a term of more than 5 years must contain rent review provisions in accordance with then market practice;
- (g) the underlease must generally be on the same terms and subject to the same conditions as the Lease out of which it is granted; and
- (h) no more than 4 occupiers being allowed at any one time for any property (disregarding for this purpose any occupation by associated companies or licensees of the tenant).

#### *Use*

The tenant may only use a Property for the retail sale, storage and display of toys, bicycles, wheeled goods and cycle accessories, outdoor play equipment, computers and accessories, sports goods, electrical goods and accessories (including, multimedia, video games and consumer electronics), children's books, musical instruments, children's clothes and footwear and infant care and maternity products including nursery equipment and furnishings, the sale of baby food, confectionery and ice cream or such other use as approved by the landlord (such approval not to be unreasonably withheld or delayed).

### *Value Added Tax*

All Properties have been opted to charge VAT, which means that VAT must be charged on rents, including service charge and insurance rent. The amount of VAT which is payable by the tenant to the landlord as additional rent is payable on the same dates as for payment of rent.

### **Landlord's Obligations**

Each Lease contains the customary quiet enjoyment obligation on the landlord along with an obligation, at the tenant's request and cost, to use reasonable efforts to obtain any consents required and/or enforce compliance of the obligations of the landlord of the Superior Lease (if any) under the terms thereof.

### **Principal Portfolio Characteristics**

<b>Property Address</b>	<b>Region</b>	<b>Open Market Value (£)</b>	<b>Vacant Possession Value (£)</b>	<b>Current Annual Rent (£)</b>
Basildon*	South East	3,940,000	2,180,000	344,143
Belfast*	Northern Ireland	3,180,000	1,110,000	268,870
Bristol	South West	10,230,000	6,170,000	703,290
Cardiff*	Wales	8,210,000	4,370,000	630,000
Coventry (Distribution Centre)	West Midlands	42,550,000	25,610,000	3,309,075
Coventry (Retail Store)	West Midlands	6,510,000	3,170,000	499,342
Croydon	Greater London	15,850,000	9,900,000	1,089,666
Derby	East Midlands	7,660,000	3,970,000	607,608
Doncaster	Yorkshire & Humberside	3,770,000	2,120,000	299,460
Enfield (Middlesex)*	Greater London	13,370,000	9,120,000	944,306
Glasgow (Helen Street)*	Scotland	6,970,000	4,310,000	534,576
Ipswich*	East Anglia	8,090,000	4,510,000	599,326
Leeds	Yorkshire & Humberside	15,700,000	12,070,000	996,146
Liverpool*	North West	3,650,000	860,000	299,460
London (Brent Cross)*	Greater London	12,610,000	8,550,000	800,783
London (Old Kent Road)	Greater London	11,900,000	8,960,000	755,160
Nottingham*	East Midlands	10,860,000	7,500,000	804,103
Oldbury	West Midlands	5,410,000	3,220,000	414,665
Oxford	South East	15,550,000	9,610,000	986,260
Peterborough	East Anglia	8,550,000	5,410,000	632,867
Plymouth*	South West	6,500,000	2,060,000	549,917
Poole	South West	6,650,000	1,760,000	545,547
Sheffield*	Yorkshire & Humberside	7,190,000	4,350,000	589,232
Shrewsbury	West Midlands	10,200,000	9,570,000	755,532

Solihull	West Midlands	11,700,000	7,870,000	804,917
Southampton*	South East	12,410,000	7,590,000	853,587
Stockton-on-Tees*	North East	17,540,000	11,280,000	1,205,849
Swindon	South West	9,030,000	4,760,000	716,699
Warrington	North West	5,950,000	3,690,000	488,175
Woking (Surrey)*	South East	5,150,000	3,580,000	421,376
York*	Yorkshire & Humberside	7,760,000	5,280,000	554,408

**Notes:**

All Properties are freehold except those marked \* which are wholly or partially held under a long (90 years plus, unexpired) lease.

Market Value and Vacant Possession Value figures are as set out in the Initial Valuation.

The amounts specified as Current Annual Rent are exclusive of VAT and any service charge or insurance premium contributions.



## THE PROPCO LOAN AND THE LOAN SECURITY

The following section describes the material terms of the Propco Finance Documents. The section does not purport to be complete and is subject to the terms of the Propco Finance Documents.

### Propco Finance Documents

The principal documentation entered into by the Borrower in relation to the Propco Loan (the "**Propco Finance Documents**") comprises:

- the Propco Facility Agreement entered into on 25 March 2013 (and to be amended on or about the Closing Date) between the Borrower, the Issuer (as lender), the Borrower Facility Agent and the Borrower Security Agent as described in more detail in the section entitled "*Propco Facility Agreement*" on page 93);
- the security deed entered into on the Refinancing Date (and to be supplemented on or about the Closing Date) between the Borrower and the Borrower Security Agent (the "**Propco Security Deed**") as described in more detail in the section entitled "*Propco Security Documents - Propco Security Deed*" on page 117;
- the mortgage over shares entered into on the Refinancing Date between TRU (UK) H5 Limited and the Borrower Security Agent (the "**Propco Mortgage over Shares**") as described in more detail in the section entitled "*Propco Security Documents - Propco Mortgage over Shares*" on page 118;
- the standard security entered into on 27 March 2013 by the Borrower in favour of the Borrower Security Agent with respect to the Property located in Scotland (the "**Propco Standard Security**") as described in more detail in the section entitled "*Propco Security Documents - Propco Scottish Security*" on page 118;
- the assignment of rents entered into on 27 March 2013 by the Borrower in favour of the Borrower Security Agent with respect to the Property located in Scotland (the "**Propco Assignment of Rents**") as described in more detail in the section entitled "*Propco Security Documents- Propco Scottish Security*" on page 118;
- the subordination agreement entered into on the Refinancing Date between the Borrower, OpCo, Toys "R" Us Properties Limited and the Borrower Facility Agent (the "**Propco Subordination Agreement**") as described in more detail in the section entitled "*Propco Subordination Agreement*" on page 118; and
- the tax deed of covenant entered into on the Refinancing Date (and to be amended and restated on or about the Closing Date) between the Borrower, OpCo, Toys "R" Us UK Limited, the Borrower Security Agent and, following the amendment and restatement, the Issuer Security Trustee (the "**Propco Tax Deed of Covenant**") as described in more detail in the section entitled "*Propco Tax Deed of Covenant*" on page 119.

The Borrower Facility Agent, the Borrower Security Agent and the Issuer (as lender) together comprise the "**Propco Finance Parties**".

### Propco Facility Agreement

The Propco Facility Agreement was entered into on 25 March 2013 between the Borrower, the Issuer (as lender), the Borrower Facility Agent and the Borrower Security Agent. The Propco Facility Agreement is governed by English law.

### *Loan amount, drawdown and further advances*

The Propco Loan was drawn down in its entirety on the Refinancing Date. There is no provision for any further advances to be made to the Borrower under the terms of the Propco Facility Agreement.

The Propco Loan is divided into the following tranches (each a "**Loan Tranche**"):

- the A Loan Tranche in an amount of £184,211,000;
- the B Loan Tranche in an amount of £52,632,000; and
- the C Loan Tranche in an amount of £26,316,000.

The Borrower applied the proceeds of the Propco Loan (together with its own equity funds) to repay, in full on the Refinancing Date, debt obligations of the Borrower then due and payable and costs incurred by the Borrower in relation to the entry into of the Propco Finance Documents.

As at the date of this Prospectus, no repayment or prepayment of principal in respect of any Loan Tranche has been made by the Borrower.

### ***Registration of Security***

Following drawdown of the Propco Loan, all necessary registrations in connection with taking security were attended to within all applicable time periods and appropriate notices served (where required by the terms of the Propco Facility Agreement). The title deeds in relation to each of the Properties are held by the Borrower's solicitors to the order of the Borrower Security Agent.

### ***Interest on the Propco Loan and C Loan Additional Payments***

Interest under the Propco Loan and C Loan Additional Payments are required to be paid quarterly in arrears on each Loan Payment Date, being 7 January, 7 April, 7 July and 7 October in each year (provided that if any such day is not a Business Day, the relevant Note Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not)) in respect of successive Loan Interest Periods.

Each Loan Interest Period commences on (and includes) a Loan Payment Date (or, in respect of the first Loan Interest Period, commenced on the Refinancing Date) and ends on (but excluding) the next following Loan Payment Date provided that for so long as any Notes are outstanding, if the actual number of days in a Loan Interest Period is different to the actual number of days in the Note Interest Period that starts in the same month as the first day of that Loan Interest Period (the "**Corresponding Note Interest Period**"), then for the purpose of calculating the interest accruing on the Propco Loan or any C Loan Additional Payment for that Loan Interest Period, the number of days in that Loan Interest Period will be adjusted so that it is equal to the actual number of days in the Corresponding Note Interest Period.

The rate of interest applicable to each Loan Tranche for each Loan Interest Period is as follows:

- for the A Loan Tranche, 5.95 per cent. per annum to, but excluding, the Closing Date and thereafter, 5.93 per cent. per annum;
- for the B Loan Tranche, 8.25 per cent. per annum; and
- for the C Loan Tranche, 10.5 per cent per annum.

In addition, from and including the Closing Date, an additional amount will be payable on the C Loan Tranche (the "**C Loan Additional Payment**") equal to 0.5 per cent. per annum multiplied by the outstanding principal balance of the C Loan Tranche as at the last day of the Loan Interest Period ending immediately prior to the applicable Loan Payment Date.

On each Loan Payment Date, the Borrower is also required to pay a Facility Fee to the Issuer.

"**Facility Fee**" means, in respect of each Loan Payment Date occurring after the date of this Prospectus, an amount (without double counting) equal to the aggregate of the amounts (to the extent known at the time of determination of the Facility Fee (and, if not known, as estimated by or on behalf of the Issuer, acting reasonably)) payable by the Issuer on the next Note Payment Date pursuant to:

- (a) items (a), (b), (c), (d) and (l) of the Pre-Enforcement Priority of Payments less (by way of rebate of the Facility Fee) the surplus retained in the Issuer Transaction Account on the Note Payment Date immediately preceding such Loan Payment Date in accordance with item (m) of the Pre-Enforcement Priority of Payments (but only to the extent such surplus will form part of the Available Funds of the Issuer for the Note Payment Date immediately following such Loan Payment Date and will not otherwise be required to satisfy in full the payments or provisions of the Issuer to be made on such Note Payment Date under the Pre-Enforcement Priority of Payments); or
- (b) items (a), (b) and (c) of the Post-Enforcement Priority of Payments,

in each case notified to the Borrower prior to each Loan Payment Date provided that where (to the extent known at the time of determination of the Facility Fee), the Principal Receipts standing to the credit of the Issuer Transaction Account are sufficient to repay the principal amount of the Notes in full on the next following Note Payment Date, the Facility Fee will be determined as the lesser of (i) the amount determined in accordance with item (a) or item (b) above, as applicable, and (ii) the aggregate of the amounts payable or to be provided for by the Issuer on the relevant Note Payment Date less the amount standing to the credit of the Issuer Transaction Account (prior to receipt by the Issuer of any Facility Fee)).

The Facility Fee will not include:

- (a) any fees, costs and expenses payable by the Issuer relating to the appointment, termination or replacement of any Operating Adviser in relation to the Notes;
- (b) any fees, costs and expenses payable to the Special Servicer in respect of any preparatory work conducted by the Special Servicer if the Propco Loan does not become a Specially Serviced Loan or if the Propco Loan is repaid in full on the Loan Final Maturity Date;
- (c) any liability of the Issuer arising from claims relating to actual inaccuracy, misrepresentation of facts or discrepancies between the Transaction Documents and the corresponding disclosure or description in this Prospectus;
- (d) any remuneration payable by the Issuer to the Note Trustee pursuant to the Note Trust Deed in excess of the remuneration provided for in the fee letter between, among others, the Issuer and the Note Trustee dated on or about the Closing Date, unless the Borrower has given its prior written agreement to reimburse such remuneration via the Facility Fee;
- (e) any costs, fees and expenses payable by the Issuer to any third party (not being a party to a Transaction Document) which are outside the normal course of business of the Issuer unless the Borrower has given its prior written agreement to reimburse such amounts via the Facility Fee (such agreement not to be unreasonably withheld); or
- (f) any amounts that only became payable as a result of an amendment made to the Transaction Documents after the Closing Date (unless such amendment was minor, technical or to correct a manifest error) unless the Borrower has given its prior written agreement to reimburse such amounts via the Facility Fee (such agreement not to be unreasonably withheld).

The Facility Fee and the manner of its determination will be agreed in a letter to be entered into on or about the Closing Date between the Issuer, the Borrower and the Borrower Facility Agent (the "**Facility Fee Letter**").

### ***Repayment and Prepayment of the Propco Loan***

#### ***Loan Final Maturity Date***

Unless previously repaid, the Borrower is required to repay the then outstanding amount of the Propco Loan in full on the Loan Final Maturity Date, being the Loan Payment Date falling in July 2020. Any amounts prepaid or repaid may not be redrawn by or re-advanced to the Borrower.

#### ***Voluntary Prepayments***

The Propco Facility Agreement permits the Borrower to:

- from the Refinancing Date to the Loan Payment Date falling in July 2015 (the "**Lockout Period**") prepay the Propco Loan in full (but not in part); or
- prepay the Propco Loan at any time from the end of the Lockout Period to, and including, the Loan Payment Date falling in July 2018 (the "**Call Period**") in whole or in part on any Loan Payment Date, in each case on not less than ten Business Days written notice to the Borrower Facility Agent, (subject to a minimum prepayment of £1,000,000 or if less, the outstanding amount of the Propco Loan).

Any such voluntary prepayment is required (unless the Borrower Facility Agent notifies the Borrower otherwise after the occurrence of an Event of Default) to be applied in the following order:

- first*, in prepayment of the A Loan Tranche;
- second*, in prepayment of the B Loan Tranche; and
- third*, in prepayment of the C Loan Tranche.

If the Borrower prepays the Propco Loan in full during the Lockout Period, then the Borrower will be required to pay the Make-Whole Amount to the Lenders. If the Borrower voluntarily prepays the Propco Loan in whole or in part during the Call Period in the manner described above, then the Borrower will be required to pay the Loan Premium to the Lenders (for more detail on the Make-Whole Amount and the Loan Premium, see the section entitled "*- Make-Whole Amount and Loan Premium*" on page 97).

#### *Mandatory prepayment – compulsory purchase*

If all or any part of a Property is subject to a compulsory purchase order and the compensation received in respect thereof is in excess of £100,000 then, unless the Borrower Facility Agent agrees otherwise, an amount equal to the total compensation received, net of any reasonable third party costs and expenses properly incurred by the Borrower in connection with the compulsory purchase and any certain tax liabilities in relation thereto, is required to be applied on the next following Loan Payment Date in prepayment of the Propco Loan.

Any such mandatory prepayment is required to be applied in prepayment of the A Loan Tranche, the B Loan Tranche and the C Loan Tranche *pro rata*.

#### *Mandatory prepayment – disposals and insurance proceeds*

If all or part of a Property is disposed of by the Borrower in accordance with the Propco Facility Agreement, the proceeds of that disposal are, subject to certain exceptions, to be applied in prepayment of the Propco Loan on the next following Loan Payment Date. For more detail on the terms of the Propco Facility Agreement in relation to disposal of Property by the Borrower, see the section entitled "*- Disposals*" on page 112.

Any such mandatory prepayment is required to be applied in prepayment of the A Loan Tranche, the B Loan Tranche and the C Loan Tranche *pro rata*.

The Borrower is required (unless the Borrower Facility Agent gives its consent for such proceeds to be used for another purpose) apply the proceeds of any insurance policy claim (if such proceeds exceed £250,000) on the next following Loan Payment Date in prepayment of the Propco Loan.

Any such mandatory prepayment is required to be applied in prepayment of the A Loan Tranche, the B Loan Tranche and the C Loan Tranche *pro rata*.

#### *Mandatory prepayment – Borrower Security Reserve Account*

Upon the earlier to occur of the acceleration of the Notes and a Cash Security Reserve Trigger Event then, unless the Majority Lenders direct the Borrower Facility Agent otherwise, the Borrower Facility Agent must apply amounts standing to the credit of the Borrower Security Reserve Account:

- where the acceleration of the Notes has occurred, in prepayment, first, of the A Loan Tranche, then the B Loan Tranche and then the C Loan Tranche;

- (b) where a Cash Security Reserve Trigger Event has occurred, in prepayment of the Propco Loan in accordance with the procedures set out in the section entitled "*- Partial Payments*" on page 116,

on the Loan Payment Date immediately following the acceleration of the Notes or, as applicable, the occurrence of the Cash Security Reserve Trigger Event (provided the Cash Security Reserve Trigger Event is continuing on such Loan Payment Date).

A "**Cash Security Reserve Trigger Event**" will occur where (i) the Borrower is no longer the legal and beneficial owner of any of the Properties and has no available cash (other than the amounts standing to the credit of the Borrower Security Reserve Account) available to pay any amounts outstanding in respect of the A Loan Tranche, or (ii) following the repayment in full of the A Loan Tranche, upon the acceleration of the B Loan Tranche and the C Loan Tranche.

*Voluntary prepayments for tax reasons*

If the Borrower is required to make a deduction or withholding for or on account of tax from a payment due to the Issuer under the Propco Facility Agreement, then the amount of the payment due from the Borrower is required to be increased to take account of the amount of the deduction or withholding. In such circumstances, the Borrower is permitted, on the Loan Payment Date immediately following notice from the Borrower to the Borrower Facility Agent to such effect (or, if earlier, on the date specified in the notice), to prepay the Propco Loan in full.

Any repayment or prepayment must be accompanied by accrued interest on the amount repaid or prepaid and any other sum then due and payable under the Propco Finance Documents including any break costs and payment of the Loan Premium and/or Make-Whole Amount (if any) then due.

***Make-Whole Amount and Loan Premium***

Where:

- any voluntary prepayment of the Propco Loan is made as described under the section entitled "*- Repayment and Prepayment of the Propco Loan - Voluntary Prepayments*" on page 95; or
- any mandatory prepayment of the Propco Loan is made as described under the section entitled "*- Repayment and Prepayment of the Propco Loan - Mandatory prepayment – disposals and insurance proceeds*" on page 96 and funded from the proceeds of disposal of a Property which is not a disposal falling within certain permitted disposals exceptions under the terms of the Propco Facility Agreement;

then during the Lockout Period then on the date of such prepayment, the Borrower will be required to make payment to the Lenders of a fee (the "**Make-Whole Amount**") equal to the sum of:

- (a) three per cent. of the principal amount outstanding of the Propco Loan prior to taking into account such prepayment; and
- (b) the amount equal to the net present value of the interest that would have accrued under the Propco Facility Agreement on the prepaid amount from the date of the prepayment to the end of the Lockout Period and any C Loan Additional Payments that would have become due and payable during the Lockout Period (including, for the avoidance of doubt, on the Loan Payment Date falling in July 2015) (the "**Gross Loan Interest and Payment Amounts**") where such net present value is determined by discounting the Gross Loan Interest and Payment Amounts by an amount calculated by the Borrower Facility Agent to be equal to the amount the Lender would be able to obtain by placing an amount equal to the Gross Loan Interest and Payment Amounts on deposit with a leading bank in the London interbank market for a period starting on the date of the prepayment and ending on the last day of the Lockout Period; and

during the Call Period, then on the date of such prepayment, the Borrower will be required to make payment to the Lenders of a fee (the "**Loan Premium**") in an amount equal to the percentage specified in the table below for the period in which the date of such prepayment occurs multiplied by the principal amount of the Loan Tranches that are prepaid.

<b>Time of Prepayment</b>	<b>Loan Premium – percentage of the amount of the Loan Tranches prepaid</b>
Following the Loan Payment Date falling in July 2015 to and including the Loan Payment Date falling in July 2016	3%
Following the Loan Payment Date falling in July 2016 to and including the Loan Payment Date falling in July 2017	2%
Following the Loan Payment Date falling in July 2017 to and including the Loan Payment Date falling in July 2018	1%

### ***Borrower Accounts***

Pursuant to the terms of the Propco Facility Agreement, the Borrower has established and is required to maintain:

- a current account (the "**Borrower General Account**") to which the Borrower will have sole signing rights unless a Loan Event of Default is outstanding;
- maintain a rent account (the "**Borrower Rent Account**") to which the Borrower Facility Agent will, prior to the enforcement of the security created by the Propco Security Documents, have sole signing rights;
- a deposit account (the "**Borrower Insurance Account**") to which the Borrower Facility Agent will, prior to the enforcement of the security created by the Propco Security Documents, have sole signing rights;
- a deposit account (the "**Borrower Disposal Account**") to which the Borrower Facility Agent will, prior to the enforcement of the security created by the Propco Security Documents, have sole signing rights;
- a deposit account (the "**Borrower Security Reserve Account**") to which the Borrower Facility Agent will, prior to the enforcement of the security created by the Propco Security Documents, have sole signing rights; and
- a deposit account (the "**Borrower Reserve Account**") to which the Borrower Facility Agent will, prior to the enforcement of the security created by the Propco Security Documents, have sole signing rights,

each as described below into which rental income, proceeds from Property disposals, insurance proceeds, and other monies received in connection with the Properties are required to be paid. In certain circumstances, the Borrower may also establish additional deposit accounts (respectively, the "**Borrower Deposit Account**" and the "**Borrower Costs Reserve Account**") in relation to each of which the Borrower Facility Agent will, prior to the enforcement of the Issuer Security, have sole signing rights, each as described in the section entitled "*Borrower Costs Reserve Account*" on page 103 and the section entitled "*Borrower Deposit Account*" on page 103 (and, together with the Borrower General Account, the Borrower Rent Account, the Borrower Insurance Account, the Borrower Disposal Account, the Borrower Security Reserve Account and the Borrower Reserve Account, the "**Borrower Accounts**" and, each a "**Borrower Account**").

Following a Loan Event of Default, the Borrower Security Agent will be able to assume sole signing rights and control over those Borrower Accounts in respect of which it does not already have sole signing rights.

Under the Propco Facility Agreement, all accounts established and maintained pursuant to the Propco Facility Agreement must be maintained with an entity that is a bank (as defined by section 991 of the Income Tax Act 2007) for the purposes of section 848 of the Income Tax Act 2007 that may pay interest without withholding or deduction for or on account of Taxes in the ordinary course of its business and that has long term (or both long term and short term) unsecured debt instruments in issue which are neither subordinated nor guaranteed with ratings which are at least at the minimum levels specified in the published counterparty rating criteria of each Rating Agency as being required to support the initial rating of the Class A Notes. If any such bank does not have such rating, the Borrower Facility Agent is required to, within 20 Business Days of the relevant downgrade event, request that any such account held with such bank be transferred to a new bank which meets the required

ratings and the Borrower is required to use reasonable efforts to transfer such accounts, within 60 days of the relevant downgrade event, to a new bank which meets the required ratings and that can pay interest without withholding or deduction for or on account of Taxes.

As at the date of this Prospectus, all of the Borrower Accounts other than the Borrower General Account are held with HSBC Bank plc acting through its office at Commercial Banking Centre, 59 Old Christchurch Road, Bournemouth, Dorset, BH1 1EH. The Borrower General Account is held at HSBC Bank plc acting through its office at First Floor, 60 Queen Victoria Street, London EC4N 4TR. As at the date of this Prospectus, the long term unsecured, unguaranteed and unsubordinated debt obligations of HSBC Bank plc are rated "AA-" (negative outlook) by S&P, "Aa3" (outlook negative) by Moody's Investors Service Limited and "AA-" by Fitch Ratings Ltd. and its short term unsecured, unguaranteed and unsubordinated debt obligations are rated "A-1+" by S&P, "P-1" by Moody's Investors Service Limited and "F1+" by Fitch Ratings Ltd.

#### *Borrower General Account*

Any surplus monies standing to the credit of the Borrower Rent Account on a Loan Payment Date are required to be paid to the Borrower General Account as described in the section entitled "*Borrower Rent Account*" below and, subject to there being no Loan Event of Default (as defined below) outstanding, may be withdrawn by the Borrower and applied at its discretion (including by way of payment in relation to any inter-company loans).

Prior to any Loan Event of Default, the Borrower is permitted to make withdrawals from the Borrower General Account and apply the proceeds of such withdrawals at its discretion. Following any Loan Event of Default, the Borrower Facility Agent is entitled to assume control of the Borrower General Account and is permitted to apply amounts standing to the credit of the Borrower General Account towards payment of the Borrower's obligations under the Propco Finance Documents.

If a Loan Event of Default caused by a failure by the Borrower to make any payment then due under a Propco Finance Document can be remedied by the application of an amount standing to the credit of the Borrower General Account, the Borrower may withdraw amounts from the Borrower General Account and apply them (together with the amount released from the Borrower Reserve Account (if applicable)) so as to remedy that Loan Event of Default.

#### *Borrower Rent Account*

The Borrower is required to ensure that all Rental Income (other than amounts in respect of VAT which are payable by a tenant in connection with a Lease Document which will be paid into the Borrower General Account) are paid into the Borrower Rent Account. The Borrower Facility Agent is required to ensure that amounts on deposit in the Borrower Reserve Account are transferred into the Borrower Rent Account in the circumstances and in the amounts described in the section entitled "*Borrower Reserve Account*" on page 102).

**"Rental Income"** means all amounts payable to or for the benefit or account of the Borrower in connection with the occupation of all or part of a Property, including:

- (a) rent, licence fees and equivalent amounts paid or payable;
- (b) any sum received or receivable from any deposit held as security for performance of a tenant's obligations;
- (c) a sum equal to any apportionment of rent allowed in favour of the Borrower;
- (d) any other moneys paid or payable in respect of occupation and/or usage of a Property and any fixture and fitting on a property including any fixture or fitting on a Property for display or advertisement, on licence or otherwise;
- (e) any sum paid or payable under any policy of insurance in respect of loss of rent or interest on rent;
- (f) any sum paid or payable, or the value of any consideration given, for the surrender, renunciation or variation of any Lease Document;

- (g) any sum paid or payable by any guarantor of any occupational tenant under any Lease Document;
- (h) any amount paid or payable by any tenant under a Lease Document or any other occupier of a Property by way of, *inter alia*, a contribution to insurance premia, service charges, sinking funds, rent or other sums due under any Superior Lease and by way of VAT; and
- (i) any interest paid or payable on, and any damages, compensation or settlement paid or payable in respect of, any sum referred to above (which have not been reimbursed by another person) by the Borrower.

The Borrower Facility Agent is required to (and following the enforcement of the Loan Security, the Borrower Security Agent may), on each Loan Payment Date apply amounts standing to the credit of the Borrower Rent Account as follows:

- (a) *first*, on or towards payment *pro rata* and *pari passu* of any unpaid costs, fees and expenses of the Borrower Facility Agent, the Borrower Security Agent, any Property Manager and of any due but unpaid Facility Fee;
- (b) *secondly*, payment of the Permitted Operating Expenses to the Borrower General Account or as otherwise directed by the Borrower;
- (c) *thirdly*, to the Borrower Facility Agent (for the Borrower Facility Agent, the Borrower Security Agent and/or the Issuer, as applicable) of any accrued interest and other amounts (excluding principal) due but unpaid under the Propco Finance Documents;
- (d) *fourthly*, provided that on or before such Loan Payment Date the Borrower has not prepaid any of the Propco Loan following the occurrence of a Cash Security Reserve Trigger Event, payment of any surplus into the Borrower Reserve Account until the total amount on deposit in the Borrower Reserve Account equals £3,000,000;
- (e) *fifthly*, in the event that a Security Reserve Drawing has been made and amounts in the Borrower Security Reserve Account are less than £19,300,000, payment of any surplus into the Borrower Security Reserve Account up to the aggregate amount of any Security Reserve Drawings made by the Servicer made prior to the then Loan Payment Date, provided that in no event shall the amount to be transferred to the Borrower Security Reserve Account causes the amount in the Borrower Security Reserve Account to exceed £19,300,000; and
- (f) *sixthly*, payment of any surplus into the Borrower General Account.

**"Permitted Operating Expenses"** means operating expenses of the Borrower in an amount not to exceed £10,000 per Loan Interest Period, together with the amount of any additional operating expenses approved by the Borrower Facility Agent (acting on the instructions of the Majority Lenders acting reasonably).

The Borrower Facility Agent is required to allow withdrawals at any time from the Borrower Rent Account to pay any amount due but unpaid under the Propco Finance Documents and any amount due from the Borrower pursuant to the terms of a Superior Lease (which has not otherwise been paid by or on behalf of the Borrower).

The interest earned on the Borrower Rent Account will be for the account of the Borrower and, if no Loan Event of Default is outstanding, shall be applied to the Borrower General Account on each Loan Payment Date subject to the prior application of amounts on deposit in the Borrower Rent Account in accordance with the provisions of the Propco Facility Agreement.

#### *Borrower Insurance Account*

Except as provided below, the Relevant Amount of any insurance policy claim is required, unless the Borrower Facility Agent gives its consent for such proceeds to be used for another purpose, to be used to prepay the Propco Loan on the Loan Payment Date following receipt of such amounts (and pending such prepayment, the Borrower must pay those proceeds to the Borrower Insurance Account). The **"Relevant Amount"** in relation to any one insurance policy claim is the amount of proceeds of the claim (if such proceeds exceed £250,000) in respect of which the proceeds are received.



To the extent required by the basis of settlement under any insurance policy or Lease Document, the Borrower is required to apply moneys received under any insurance policy in respect of a Property towards replacing, restoring or reinstating that Property (and pending such application, if they are in excess of £250,000 for any individual claim, the Borrower is required to pay those proceeds to the Borrower Insurance Account).

The proceeds of any loss of rent insurance is required to be treated as Rental Income and applied in such manner as the Borrower Facility Agent (acting reasonably) requires to have effect as if it were Rental Income received over the period of the loss of rent.

Moneys received under liability policies, which are required by the Borrower to satisfy established liabilities of the Borrower to third parties, are required be used to satisfy these liabilities.

The Borrower Facility Agent must also allow withdrawals from the Borrower Insurance Account:

- (a) to meet the costs of replacing, restoring or reinstating the Property in respect of which the relevant insurance proceeds were received against receiving appropriate evidence from the Borrower that such costs have been incurred or fallen due for payment; or
- (b) to prepay the Propco Loan.

See the section entitled "*- Repayment and Prepayment of the Propco Loan – Mandatory Prepayment – disposal and insurance proceeds*" on page 96 for more detail as to the manner in which amounts withdrawn from the Borrower Insurance Account for application in prepayment of the Propco Loan are so applied.

The interest earned on the Borrower Insurance Account will be for the account of the Borrower and, if no Loan Event of Default is outstanding, is required to be paid into the Borrower General Account.

#### *Borrower Disposal Account*

The amount of the proceeds of the disposal of all or any part of a Property or Properties (including pursuant to a compulsory purchase order) made in accordance with the Propco Facility Agreement (less any reasonable costs of that disposal and the amount of any taxes payable as a result of that disposal) (the "**Disposal Amount**") must, pursuant to the terms of the Propco Facility Agreement, be paid into the Borrower Disposal Account. For more information as to the terms of the Propco Facility Agreement in relation to the disposal of all or any part of a Property or Properties, see the section entitled "*- Disposals*" on page 112.

On the Loan Payment Date following the deposit of a Disposal Amount into the Borrower Disposal Account, the Borrower Facility Agent is required to apply such Disposal Amount:

- (a) towards prepayment of the Propco Loan; and
- (b) thereafter, apply any remaining portion of that Disposal Amount still standing to the credit of the Borrower Disposal Account (if any), if no Loan Event of Default is outstanding, to the Borrower General Account.

See the section entitled "*- Repayment and Prepayment of the Propco Loan – Mandatory Prepayment – disposal and insurance proceeds*" on page 96 for more detail as to the manner in which amounts withdrawn from the Borrower Disposal Account for application in prepayment of the Propco Loan are so applied.

The interest earned on the Borrower Disposal Account will be for the account of the Borrower and, if no Loan Event of Default is outstanding, is required to be paid into the Borrower General Account.

#### *Borrower Security Reserve Account*

On the Refinancing Date, an amount of £19,300,000 was deposited by the Borrower into the Borrower Security Reserve Account.

If on any Determination Date, the Cash Manager determines that there will be a Revenue Shortfall on the immediately succeeding Note Payment Date, then on the earlier of (i) the second Business Day immediately

following such Determination Date and (ii) such Note Payment Date, the Servicer (on behalf of the Borrower Facility Agent) will be required to make a withdrawal from the Borrower Security Reserve Account in an amount equal to the lesser of:

- (a) the amount of the Revenue Shortfall determined by the Cash Manager; and
- (b) the amount standing to the credit of the Borrower Security Reserve Account on such date,

(the "**Security Reserve Drawing**") and deposit the same into the Issuer Transaction Account.

"**Revenue Shortfall**" means the shortfall which would arise on a Note Payment Date if Revenue Receipts available to the Issuer to be applied on such date will be insufficient to pay:

- (a) the aggregate amounts due under items (a) to (e) (inclusive) and the aggregate amounts of interest due on the Class A Notes under item (f)(ii) of the Pre-Enforcement Priority of Payments (as set out in the section entitled "*Cashflows and Payment Priorities – Priority of Payments - Pre-Enforcement Priority of Payments*" on page 136; or, as applicable,
- (b) the aggregate amounts due under items (a) to (d) (inclusive) and the aggregate amounts of interest due on the Class A Notes under item (e)(ii) of the Post-Enforcement Priority of Payments (as set out in the section entitled "*Cashflows and Payment Priorities – Priority of Payments - Post-Enforcement Priority of Payments*" on page 138.

In determining if a Revenue Shortfall has arisen, no account will be taken of any amounts (other than Revenue Receipts) which may be available to the Issuer on the relevant Note Payment Date.

The amount of any Security Reserve Drawing so made shall be deemed to have satisfied (to an equivalent aggregate amount) firstly, the amount of any overdue Facility Fee payable by the Borrower to the Issuer, secondly, the amount of any overdue C Loan Additional Payment payable by the Borrower with respect to the C Loan Tranche and, thirdly, the amount of any overdue interest payable by the Borrower to the Issuer in respect of the A Loan Tranche. Such obligations will be replaced by an obligation on the Borrower, on each Loan Payment Date following the date on which the Security Reserve Drawing was made, to pay available funds standing to the credit of the Borrower Rent Account (in accordance with the priority of payments set out in the section entitled "*- Borrower Rent Account*" on page 99) into the Borrower Security Reserve Account in an aggregate amount not to exceed the amount of the Security Reserve Drawings.

Unless instructed to the contrary by the Majority Lenders, the Borrower Facility Agent will be required to apply amounts standing to the credit of the Borrower Security Reserve Account in prepayment of the Propco Loan on the Loan Payment Date following the earlier to occur of the acceleration of the Notes and a Cash Security Reserve Trigger Event (provided, where applicable, the relevant Cash Security Reserve Trigger Event is continuing on such Loan Payment Date). See the section entitled "*- Repayment and Prepayment of the Propco Loan – Mandatory Prepayment – Borrower Security Reserve Account*" on page 96 for more detail as to the manner in which amounts withdrawn from the Borrower Security Reserve Account for application in prepayment of the Propco Loan are so applied.

The Borrower Facility Agent is not permitted to withdraw amounts from the Borrower Security Reserve Account for any other purpose.

The interest earned on the Borrower Security Reserve Account will be for the account of the Borrower and, if no Loan Event of Default is outstanding, is required to be paid into the Borrower General Account provided that, following any such payment, in the total amount on deposit in the Borrower Security Reserve Account is not less than £19,300,000.

#### *Borrower Reserve Account*

The Borrower Reserve Account is required to be funded (and replenished) by the Borrower Facility Agent from available funds standing to the credit of the Borrower Rent Account on Loan Payment Dates pursuant to item (d) in the section entitled "*- Borrower Rent Account*" on page 99 subject to a maximum amount of £3,000,000.

If a Loan Event of Default caused by a failure by the Borrower to make any payment then due under a Propco Finance Document can be remedied by the application of an amount standing to the credit of the Borrower Reserve Account, the Borrower Facility Agent may (and shall if so required by the Borrower) withdraw amounts from the Borrower Reserve Account and apply them (together with the amount released from the Borrower General Account (if applicable)) so as to remedy that Loan Event of Default.

The interest earned on the Borrower Reserve Account will be for the account of the Company and, if no Loan Event of Default is outstanding, shall be paid into the Borrower General Account.

#### *Borrower Costs Reserve Account*

In the circumstances set out in item (c) under the section entitled "- *Partial Payments*" on page 116, the Borrower will be required to establish and maintain the Borrower Costs Reserve Account to which the Borrower Facility Agent will, prior to the enforcement of the Issuer Security, have sole signing rights.

The Borrower Facility Agent is required to withdraw from and apply amounts standing to the credit of the Borrower Costs Reserve Account on any date on which an amount is required in relation to capital expenditure in respect of the Properties, operating expenses of the Borrower (including Permitted Operating Expenses) and amounts payable in respect of property management and asset management expenses as determined by the Borrower Facility Agent.

The interest earned on the Borrower Costs Reserve Account will be for the account of the Company and, if no Loan Event of Default is outstanding, shall be paid into the Borrower General Account.

#### *Borrower Deposit Account*

Where the Interest Cover on any testing date is not at least 115 per cent., to avoid the occurrence of a Loan Event of Default, the Borrower may, *inter alia*, deposit into the Borrower Deposit Account, the amount which, if the interest payable on that amount were treated as projected annual rental income (as defined in the definition of Interest Cover), would result in Interest Cover being at least 115 per cent.

For a description of how Interest Cover is measured and when it is required to be measured, see item (u) under the section entitled "- *Undertakings*" on page 107.

#### ***Representations and warranties***

The representations and warranties given by the Borrower under the Propco Facility Agreement, as of the date of the Propco Facility Agreement (and, in respect of certain of the representations and warranties, on each Loan Payment Date and on the date upon which security is created by the Borrower in respect of an Additional Property) include, among other things, the following statements:

- (a) the Borrower is duly incorporated with limited liability and is validly existing under the laws of England and Wales and has the power to own its assets and carry on its business as it is now being conducted;
- (b) the Borrower has the power to enter into, exercise its rights under, and perform and comply with its obligations under, each of the Propco Finance Documents, the Lease Documents and the Property Management Agreements to which it is party and to carry out the transactions contemplated by such documents;
- (c) the Borrower has (subject as provided in item (e) in relation to the Propco Security Documents) taken, fulfilled and done (or will take, fulfil or do on a timely basis) all actions, conditions and things required to be taken, fulfilled and done by the Borrower in order:
  - (i) to enable it to enter into, exercise its rights under, and perform and comply with its obligations under, the Propco Finance Documents, the Lease Documents and the Property Management Agreements to which it is party and to carry out the transactions contemplated by such documents;

- (ii) to ensure that those obligations are, subject to certain reservations contained in legal opinions, valid, legally binding and enforceable in accordance with their terms;
  - (iii) to make each of the Propco Finance Documents, the Lease Documents and the Property Management Agreements to which it is party admissible in evidence in the courts of the jurisdiction to which it has submitted in such document; and
  - (iv) to create the security constituted by the Propco Security Documents to which it is party and, subject to the reservations, to ensure that such security has the ranking specified therein;
- (d) the Borrower's obligations under the Propco Finance Documents to which it is a party are, subject to certain reservations, valid, legally binding and enforceable in accordance with their terms and each of the Propco Security Documents to which it is party constitutes valid security ranking, subject to such reservations and subject as provided in item (e) below in relation to the security constituted by such Propco Security Document, in accordance with the terms of such document;
- (e) all consents and filings required:
  - (i) for the Borrower's entry into, exercise of its rights under, and performance and compliance with its obligations under, each of the Propco Finance Documents, the Lease Documents and the Property Management Agreements to which it is party; and
  - (ii) for the Borrower to carry out the transactions contemplated by the Propco Finance Documents, the Lease Documents and the Property Management Agreements,

have been obtained or made and are in full force and effect save for any filings required in relation to the security constituted by the Propco Security Documents which filings were made promptly after execution of the relevant documents and in any event within applicable time limits.
- (f) no Loan Event of Default has occurred or is continuing;
- (g) the Borrower:
  - (i) is the legal and beneficial owner of that Property, or (in the case of each Additional Property) from the date of the relevant Propco Security Document will be the legal and beneficial owner of that Additional Property; and
  - (ii) has good and marketable title to that Property or (in the case of each Additional Property) from the date of the relevant Propco Security Document will have good and marketable title to that Additional Property,

in each case free from any security interest (other than those set out in the Propco Security Documents) and restrictions and onerous covenants, burdens and conditions (other than those set out in the certificate of title in relation to that Property);
- (h) from the Refinancing Date (in the case of an Original Property) or from the date of the relevant Propco Security Document (in the case of each Additional Property) and except as disclosed in the certificate of title relating to a Property, so far as the Borrower is aware after due and careful enquiry:
  - (i) no material breach of any law or regulation is outstanding which adversely affects or might adversely affect the value of that Property;
  - (ii) there is no covenant, agreement, stipulation, reservation, condition, burden, interest, right or other matter materially adversely affecting that Property;
  - (iii) nothing has arisen or has been created or is outstanding which would be a material overriding interest, or a material unregistered interest which overrides first registration or registered dispositions, over that Property;

- (iv) no facility or servitude necessary for the enjoyment and use of any Property is enjoyed by that Property on terms entitling any person to terminate or curtail its use;
  - (v) no adverse claim has been made by any person in respect of the ownership of that Property or any interest in it; and
  - (vi) each Property is held by the Borrower free from any lease or licence other than those permitted to exist under the Propco Facility Agreement;
- (i) all deeds and documents necessary to show good and marketable title to its interests in a Property will (except as disclosed in the certificate of title for a Property) from the Refinancing Date (in the case of each Original Property) or from the date of the relevant Propco Security Document (in the case of each Additional Property) be:
- (i) in possession of the Borrower Security Agent; or
  - (ii) held to the order of the Borrower Security Agent or at the appropriate land registry;
- (j) as at the Refinancing Date, no litigation (including any environmental claim), arbitration, administrative, regulatory or similar proceeding is current, pending or, to the Borrower's knowledge, threatened in respect of itself:
- (i) to restrict its entry into, the exercise of its rights under and performance and compliance with its obligations under, or the enforcement by it of, any of the Propco Finance Documents, the Lease Documents and the Property Management Agreements or the carrying out of the transactions contemplated by such documents; or
  - (ii) which has, or if determined adversely to it could reasonably be expected to have a Material Adverse Effect or to materially adversely affect the market value of the Properties as a whole;
- (k) all written, factual information supplied by the Borrower or on its behalf to the Issuer, the Borrower Facility Agent or the Borrower Security Agent in connection with the Propco Finance Documents, the Lease Documents and the Property Management Agreements (or for the purposes of this Prospectus or any investor presentations in relation to the transaction described by this Prospectus) was true and accurate in all material respects as at its date or (if appropriate) as at the date (if any) at which it is stated to be given and is not misleading in any material respect;
- (l) any financial projections contained in the information referred to in item (k) above have been prepared as at their date, on the basis of recent historical information and assumptions reasonably believed by the Borrower to be fair and reasonable;
- (m) no information has been omitted to be supplied which, if disclosed, would reasonably be expected to make any other information referred to in item (k) above untrue or misleading in any material respect;
- (n) at the Refinancing Date (and, except for any matter disclosed to the Issuer (as lender), as at the date of this Prospectus), nothing has occurred since the date the information referred to in item (k) above was supplied which, if disclosed, would make that information untrue or misleading in any material respect;
- (o) as at the Refinancing Date, as far as the Borrower is aware, and subject to the matters disclosed in an environmental report delivered to the Borrower Facility Agent on the Refinancing Date, it is in compliance with all environmental laws, and all environmental consents necessary in connection with the ownership and operation of its business (and that of OpCo) are in full force and effect, in each case where failure to do so could reasonably be expected to have a Material Adverse Effect;
- (p) as at the Refinancing Date, since the date of its incorporation, the Borrower has not carried on any business except for the ownership and management of and, where relevant the development by OpCo of, its interests in the Properties;
- (q) as at the date of the Propco Facility Agreement, the Borrower is not party to any agreement other than the Propco Finance Documents, the Lease Documents and the Property Management Agreements, the

commitment letter in relation to the Propco Facility Agreement, the loans subject to the Propco Subordination Agreement and the documents in relation to the loan funding repaid by the proceeds of the Propco Loan;

- (r) the Borrower does not have, nor has it had, any employees (excluding its directors);
- (s) as at the date of the Propco Facility Agreement, the Borrower has no subsidiaries;
- (t) no claims are being asserted against the Borrower with respect to taxes which are reasonably likely to be determined adversely to it and which, if so adversely determined and after taking into account any indemnity or claim against any third party with respect to such claim, would have a Material Adverse Effect and all reports and returns on which such taxes are required to be shown have been filed within any applicable time limits and all taxes required to be paid have been paid within any applicable time limits save, in each case, to the extent that failure to do so would not have a Material Adverse Effect;
- (u) the Borrower is not a member of any VAT group;
- (v) all factual information furnished by or on behalf of the Borrower to any of the firms which prepared any of the Initial Valuation and the certificates of title delivered to the Borrower Facility Agent on the Refinancing Date and contained or referred to therein was, so far as the Borrower is aware, accurate in all material respects at the time supplied;
- (w) so far as the Borrower is aware after due and careful enquiry, the Initial Valuation and the certificates of title delivered to the Borrower Facility Agent on the Refinancing Date do not omit to take account of any factual information where failure to take account of such factual information would result in such reports, or the forecasts or projections in such reports, taken as a whole being misleading in any material respect (provided that nothing in this item (w) requires the Borrower to review or make any enquiry in relation to matters within the technical or professional expertise of the adviser preparing the relevant report);
- (x) the payment obligations of the Borrower under each of the Propco Finance Documents rank and will at all times rank at least *pari passu* in right and priority of payment with all its other present and future unsecured and unsubordinated indebtedness (actual or contingent) except indebtedness preferred by laws of general application;
- (y) the Borrower did not have, at the date as of which its accounts were last prepared (to the extent such accounts have been prepared), any material liabilities (contingent or otherwise) which were not disclosed by those accounts (or by the notes thereto) or reserved against in those accounts nor were there at that date any material unrealised anticipated losses arising from commitments entered into by it which were not so reserved or disclosed against which non-disclosure, failure to reserve or unrealised anticipated losses would be reasonably likely to have a Material Adverse Effect;
- (z) as at the date of the Propco Facility Agreement, the Borrower's entire issued share capital was beneficially owned and controlled by Toys "R" Us Holdings Limited and following the transfer of the share capital in the Company to TRU (UK) H5 Limited on such date, the Borrower's entire issued share capital is beneficially owned and controlled by TRU (UK) H5 Limited; and
- (aa) the shares in the capital of the Borrower are fully paid.

In so far as they relate to this Prospectus, the representations and warranties set out in items (k), (l) and (m) above are only made on the date of this Prospectus.

**"Additional Property"** means a Property added to the Portfolio after the Refinancing Date. The circumstances in which a Property may be added to the Portfolio after the Refinancing Date are very limited. See item (j) under the section entitled *"Undertakings"* on page 107.

**"Original Property"** means a Property in the Portfolio on the Refinancing Date.

**"Material Adverse Effect"** means an event or circumstance which (after taking account of any warranty, indemnity or other right of recourse against any third party with respect to the relevant event or circumstance

(including, without limitation, coverage by insurances and any commitment by any person to provide any additional contribution by way of equity or subordinated loan), where "taking account of" will include a consideration of all relevant facts and circumstances including the timing and likelihood of successful recovery and potential counterclaims and other claims against the Borrower with respect to the relevant event or circumstance and the creditworthiness of relevant third parties) has or would reasonably be expected to have a material adverse effect on:

- (a) the ability of the Borrower to meet its payment obligations under the Propco Finance Documents; or the financial covenant given by the Borrower in relation to Interest Cover (as described in item (u) in the section entitled "- *Undertakings*" on page 107; or
- (b) the validity or enforceability of the rights and remedies (taken as a whole) of the Lenders under the Propco Finance Documents.

### ***Undertakings***

The Borrower has given various undertakings under the Propco Facility Agreement which will remain in force from the date of the Propco Facility Agreement for so long as any amount is outstanding under the Propco Finance Documents. These undertakings include, among other things, the following:

- (a) to deliver various items of information promptly to the Borrower Facility Agent for distribution to, among others, the Lenders including:
  - (i) as soon as they are available, but within 180 days after the end of each of its financial years, the audited financial statements of the Borrower for that financial year;
  - (ii) as soon as they are available, but within 45 days after the end of each of its financial quarters, the quarterly management accounts of the Borrower for that financial quarter;
  - (iii) details of any litigation, arbitration, administrative or regulatory proceedings or warranty claims which, if resolved against it, would have or be reasonably likely to have a Material Adverse Effect; and
  - (iv) with each set of its management accounts delivered under item (ii), a copy of the annual and quarterly financial statements in respect of Toys "R" Us Holdings Limited delivered by or on behalf of Toys "R" Us Holdings Limited;
- (b) to notify the Borrower Facility Agent promptly of any Loan Event of Default or any event or circumstance which with the giving of notice, the lapse of time or the making of any determination or fulfilment of any condition would constitute a Loan Event of Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence;
- (c) to apply for, obtain and promptly renew from time to time and maintain in full force and effect all relevant consents and comply with the terms of all such consents, and promptly make and renew from time to time all relevant filings, as may be required under any applicable law or directive in accordance with its terms, save (other than with respect to the Propco Finance Documents) to the extent that failure to do so would not have a Material Adverse Effect;
- (d) to pay within any applicable time limit all relevant taxes, save in the event of a bona fide dispute with regard to any tax in respect of which proper provision has, if appropriate, been made in the accounts of the Borrower, in each case where failure to do so would have a Material Adverse Effect;
- (e) to:
  - (i) do all such things as are necessary to maintain the Borrower's corporate existence;
  - (ii) ensure that it has the right to conduct its business, obtain and maintain all material consents and make all filings necessary for the carrying on of its business, and take all reasonable steps necessary to ensure that the same are in full force and effect in each case where failure to do so would have a Material Adverse Effect; and

- (iii) comply in all material respects with all laws and directives binding upon it and applicable to its business, in each case where failure to do so would have a Material Adverse Effect;
- (f) to ensure that the Borrower's payment obligations under each of the Propco Finance Documents rank and will at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated indebtedness (actual or contingent) except indebtedness preferred solely by laws of general application;
- (g) to comply with the terms and conditions of all environmental consents and all environmental laws applicable to it, in each case where failure so to do would have a Material Adverse Effect;
- (h) not to enter into any amalgamation, demerger, merger or reconstruction other than an internal reorganisation carried out with the prior written consent of the Majority Lenders not to be unreasonably withheld or delayed;
- (i) subject to certain exceptions, not to:
  - (i) incur any financial indebtedness other than financial indebtedness permitted under the Propco Finance Documents or with the consent of the Majority Lenders;
  - (ii) make any loan or permit to be outstanding any loans it has made or grant or agree to grant any credit other than loans made or credit granted with the consent of the Majority Lenders; or
  - (iii) create or permit to subsist any security interests on or over the whole or any part of its undertaking or assets (present or future) other than security interests arising under the Propco Finance Documents or created with the consent of the Majority Lenders;
- (j) not to make any acquisition or investment, other than:
  - (i) goods and services in the ordinary course of the Borrower's business; and/or
  - (ii) of an Additional Property on the terms set out in the Propco Facility Agreement to remedy a breach of the Interest Cover test, subject to certain conditions (including that it must be subject to a Lease with OpCo and that the term of its leasehold (if the property is not freehold) is at least 75 years);
- (k) not to carry on any business other than the ownership and management of (and, where relevant, the development by OpCo of) its interest in the Properties nor to have any subsidiaries;
- (l) not to declare or pay any dividend or make any distribution in respect of its shares (other than out of amounts standing to the credit of the Borrower General Account which it is, pursuant to the terms of the Propco Facility Agreement, permitted to withdraw), to issue any further shares or alter any rights attaching to its issued shares as at the Refinancing Date (unless, in the case of an issue of shares, the shares issued are subject to the Propco Mortgage over Shares) or to repay or redeem any of its share capital (other than out of amounts standing to the credit of the Borrower General Account which it is, pursuant to the terms of the Propco Facility Agreement, permitted to withdraw);
- (m) not to enter into any contracts other than the Propco Finance Documents, the Lease Documents and the Property Management Agreements and certain contracts specified in the Propco Facility Agreement or enter into any transaction except on arm's length terms and for full market value (subject to certain specified exceptions);
- (n) not to be a member of a value added tax group;
- (o) not, without the consent of the Borrower Facility Agent (acting on the instructions of the Majority Lenders), and such consent will be deemed to have been given if not refused within 15 Business Days) unless such consent is not required under the terms of the Propco Facility Agreement:



- (i) enter into or permit any agreement for lease of a Property or part of a Property other than such an agreement for lease in respect of a Lease with OpCo;
  - (ii) other than pursuant to an agreement for lease of a Property or part of a Property, grant, permit or agree to grant any new Lease in respect of a Property other than a Lease with OpCo or another Lease granted in respect of an Additional Property in accordance with the provisions of the Propco Facility Agreement;
  - (iii) agree to any amendment, variation, waiver, surrender or renunciation in respect of any agreement for lease, Lease, or any other document designated as such by the Borrower Facility Agent and the Borrower (together, the "**Lease Documents**") other than a specifically permitted amendment or an amendment, variation, waiver, surrender or renunciation which relates to a disposal of part of a Property permitted pursuant to the Propco Facility Agreement;
  - (iv) commence any forfeiture or irritancy proceedings in respect of any Lease Document;
  - (v) grant or agree to the granting of any sublease, contractual licence or right to occupy any part of a Property other than a subleasing arrangement constituting any letting, licence or other right of occupation in respect of a Property (x) subject to and with benefit of which a Lease is granted or (y) which is authorized under a Superior Lease (if applicable) or the relevant Lease (or, provided no Loan Event of Default is continuing, is otherwise consented to by the Borrower) and where the amount of rental income under the Lease is not reduced as a result thereof;
  - (vi) consent to any assignment or assignation of any tenant's interest under any Lease Document;
  - (vii) agree to any downward rent review in respect of any Lease Document provided that nothing in the Propco Facility Agreement requires the Borrower to exercise any right it has to conduct a five-yearly open market rent review under any relevant Lease Document; or
  - (viii) (in relation to any Property in England or Wales) serve any notice on any former tenant under any Lease Document under section 17(2) of the Landlord and Tenant (Covenants) Act 1995 or on any guarantor of any such former tenant under section 17(3) of that Act;
- (p) on or before the date three Business Days before each Loan Payment Date, to supply to the Borrower Facility Agent for delivery to the Issuer (as lender) the following information in respect of the quarterly period ending ten Business Days before that Loan Payment Date:
- (i) details of any arrears of rent or service charges under any Lease Document and any steps being taken to recover them;
  - (ii) details of any rent reviews with respect to any Lease Document in progress or agreed;
  - (iii) details of any Lease Document which has expired or been determined, surrendered or renounced and any new letting proposed;
  - (iv) details of any proposed material capital expenditure incurred or to be incurred by the Borrower with respect to each Property and any permitted development works;
  - (v) copies of any valuation of any Property prepared by an external adviser;
  - (vi) details of any material repairs required to each Property to be carried out by the Borrower;
  - (vii) details of any proposed sub-letting;
  - (viii) details of any permitted amendments or waivers in respect of a Lease Document;
  - (ix) details of budgets for Permitted Developments, and progress against those budgets;

- (x) such further information relating to the Properties as the Borrower Facility Agent may reasonably request (upon reasonable notice); and
- (xi) any further information provided by OpCo pursuant to the Propco Tax Deed of Covenant;

**"Permitted Development"** means any building or development works which satisfies certain conditions including that all consents have been received, no cost falls on the Borrower, and the rental income of the relevant Property is not reduced.

- (q) not to carry out or allow to be carried out on any part of any Property any development (within the meaning of the Planning Acts (being development for which the permission of the local planning authority is required, other than non-structural alterations and other matters permitted under the relevant Lease), in each case, other than in connection with any Permitted Development where the total budgeted (and unspent) costs of that Permitted Development do not and would not, when aggregated with the total budgeted (and unspent) costs of each other Permitted Development ongoing at the same time exceed £10,000,000;

**"Planning Acts"** means the Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990 and the Planning and Compensation Act 1991, or, in Northern Ireland, the Planning (Northern Ireland) Order 1991, the Planning Act (Northern Ireland) 2011 or, in Scotland, the Town and Country Planning (Scotland) Act 1997, the Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997, the Planning (Hazardous Substances) (Scotland) Act 1997, the Planning (Consequential Provisions) (Scotland) Act 1997 and the Planning etc (Scotland) Act 2006 and any subordinate legislation made (before or after the Refinancing Date) under those statutes and any other statute governing or controlling the use or development of land and property.

- (r) subject to certain provisions and requirements specified in the Propco Facility Agreement, the Borrower is required to ensure that at all times from the Refinancing Date:
  - (i) each Property and the plant and machinery on each Property (including fixtures and improvements) are insured on a full replacement cost basis, such insurance to include:
    - (A) cover for site clearance, professional fees together with adequate allowance for inflation;
    - (B) loss of rent insurance for a duration of at least three years, and including provision for increases in rent during the period of insurance;
    - (C) cover against acts of terrorism (if the same is available in the relevant insurance market); and
  - (ii) such other insurances (including third party insurance) are in force as a prudent company in the same business as the Borrower would effect;

The Borrower must procure that the Borrower Security Agent is named as a mortgagee or heritable creditor (as applicable) and loss payee on each insurance policy;

- (s) to implement duly and diligently the material terms and provisions of each Lease provided that the Borrower is not required to exercise any right it has to conduct a five-yearly open market rent review under the relevant Lease Document;
- (t) in relation to any Superior Lease, to:
  - (i) observe and perform all covenants, undertakings, stipulations and obligations on the lessee and enforce all covenants and undertakings on the part of the lessor;
  - (ii) not, without the prior written consent of the Borrower Facility Agent:

- (A) waive, release or vary any obligation under, or the terms of; or
  - (B) exercise any option or power to break, determine or extend,
- any such Superior Lease;
- (iii) not do or permit anything to be done which may allow that Superior Lease to be forfeited or irritated;
  - (iv) not agree any change in the rent payable without the prior written consent of the Borrower Facility Agent (such consent not to be unreasonably withheld or delayed);
  - (v) promptly notify the Borrower Facility Agent of any matter or event under or by reason of which any such Superior Lease has or may become subject to determination or to the exercise of any right of re-entry, forfeiture or irritancy and, if so requested by the Borrower Facility Agent apply for relief against forfeiture or protection from irritancy; and
  - (vi) not give any consent as landlord under any Lease where such consent would cause a breach of the Superior Lease or other restriction binding on the Property; and
- (u) to ensure that Interest Cover is, as at each testing date, at least 115 per cent.

The failure of Interest Cover to be, as at a testing date, at least 115 per cent. will constitute a Loan Event of Default unless within 10 Business Days of such failure, the Borrower prepays the Propco Loan or makes a deposit (deemed as projected annual rental income) into the Borrower Deposit Account, in each case of a such an amount sufficient to cause Interest Cover to be at least 115 per cent., or the Borrower acquires an Additional Property which meets certain conditions (including that the additional rental income projected to be received by that Additional Property, would result in Interest Cover being at least 115 per cent.).

**"Interest Cover"** means, on any testing date, projected annual rental income as a percentage of projected annual finance costs at that time. For the purposes of this definition:

- (i) **"projected annual finance costs"** means an estimate by the Borrower, acting reasonably and based on prudent and appropriate grounds, of the aggregate amount payable to the Propco Finance Parties by way of interest on the Propco Loan during any period of 12 consecutive months in respect of which the Borrower has estimated projected annual rental income;
- (ii) **"projected annual rental income"** means an estimate by the Borrower, acting reasonably and based on prudent and appropriate grounds, as at any testing date, of the passing net rental income that will be received during the period of 12 consecutive months commencing on that testing date; and
- (iii) **"testing date"** means the Refinancing Date, each Loan Payment Date and any other date on which the Interest Cover is required to be tested.

In determining the passing net rental income the Borrower is required to make the following assumptions:

- a break clause under any Lease Document will be deemed to be exercised at the earliest date available to the relevant tenant;
- net rental income will be ignored unless payable under an unconditional and binding Lease Document;
- potential net rental income increases as a result of rent reviews will be ignored other than where there are fixed rental increase under the relevant Lease Document in which case, the passing net rental income will be assumed to increase by the minimum amount required under the terms of the relevant Lease Document;

- net rental income payable by a tenant that is more than one month in arrears will be ignored;
- net rental income will be increased by amounts payable as interest on amounts standing to the credit of the Borrower Disposal Account; and
- net rental income will be reduced by the amounts (together with any related value added or similar taxes) of approved rent, rates, service charges, insurance premia, maintenance and other outgoings with respect to a Property to the extent that any of these items are not fully funded by the tenants under the Lease Documents,

and is required to provide details of each determination to the Borrower Facility Agent.

The Borrower is not permitted to remedy a failure of the Interest Cover test on more than two occasions in any two consecutive Loan Interest Periods and on more than six occasions prior to the Loan Final Maturity Date.

On each testing date which occurred before the date of this Prospectus, Interest Cover has been at least 115 per cent.

### ***Disposals***

Except as set out below, the Borrower may not dispose of all or any part of its assets, subject to certain customary exceptions including a disposal of redundant or obsolete equipment, and a disposal made pursuant to a compulsory purchase order (in relation to which prepayment provisions will apply).

The Borrower may dispose of a Property, in whole or in part, where the disposal is a minor sale (defined, amongst other criteria, as a sale of a Property where the aggregate proceeds of sales in any year do not exceed £100,000), where it is made with the consent of the Majority Lenders or where the disposal is otherwise made in accordance with paragraphs (a) to (d) below.

A Property may be disposed of, in whole or in part, if:

- (a) no Loan Event of Default is outstanding;
- (b) the disposal is on arm's length terms;
- (c) the net proceeds of such disposal (being the total consideration in respect of the disposal less reasonable third party costs and any taxes payable incurred by the Borrower in effecting the disposal) together with the net proceeds of any other disposal of a Property (in whole or in part) in the period from (and including) the Refinancing Date to (and including) the date of such disposal are less than £50,000,000 in aggregate;
- (d) on completion of the disposal, the net proceeds thereof (plus the proceeds of any subordinated loan or equity injection into the Borrower or the balance of the Borrower General Account (the "**Additional Amounts**") made available by the Borrower in connection with such disposal) are at least equal to the Applicable Release Pricing Amount for the relevant Property (or the relevant part of such Property which is subject to the disposal) and:
  - (i) in the case of a disposal of a Property in whole, all net proceeds (plus any such Additional Amounts if applicable); or
  - (ii) in the case of a disposal of part of a Property, an amount equal to the greater of:
    - (A) the Applicable Release Pricing Amount; and
    - (B) the net proceeds less the amount of any capital expenditure approved by the Borrower Facility Agent acting on the instructions of the Majority Lenders incurred by the Borrower on the partial disposal of a Property in order to allow the Property to function as two separate properties following the disposal,

are paid directly into the Borrower Disposal Account for application towards prepayment of the Propco Loan (for more detail, see the section entitled "- Borrower Accounts - Borrower Disposal Account" on page 101).

If the net proceeds of a disposal of part of a Property exceed the Applicable Release Pricing Amount, the amount of any Partial Disposal Capex Costs in relation to such disposal (in an amount not to exceed the surplus of the net disposal proceeds over the Applicable Release Pricing Amount) shall be paid into the Borrower General Account or as otherwise directed by the Borrower.

**"Applicable Release Pricing Amount"** means:

- (a) in respect of a disposal of the whole of a Property, the amount equal to the Minimum Release Value for that Property; and
- (b) in respect of a disposal of part of a Property (other than a minor sale), the amount equal to the Minimum Release Value for that Property, multiplied by the Disposed Proportion.

**"Minimum Release Value"** means:

- (a) with respect to an Original Property, the amount specified for that Property in the following table:

Property address	Region	Minimum Release Value
Basildon	South East	£3,291,576
Belfast	Northern Ireland	£2,656,653
Bristol	South West	£8,546,402
Cardiff	Wales	£6,858,843
Coventry (Distribution Centre)	West Midlands	£35,547,350
Coventry (Retail Store)	West Midlands	£5,438,619
Croydon	Greater London	£13,241,493
Derby	East Midlands	£6,399,359
Doncaster	Yorkshire & Humberside	£3,149,554
Enfield (Middlesex)	Greater London	£11,470,391
Glasgow (Helen Street)	Scotland	£5,822,915
Ipswich	East Anglia	£6,758,591
Leeds	Yorkshire & Humberside	£13,116,179
Liverpool	North West	£3,049,303
London (Brent Cross)	Greater London	£10,534,714
London (Old Kent Road)	Greater London	£9,941,562
Nottingham	East Midlands	£9,072,720
Oldbury	West Midlands	£4,519,651
Oxford	South East	£12,990,865
Peterborough	East Anglia	£7,142,887
Plymouth	South West	£5,430,265
Poole	South West	£5,555,579
Sheffield	Yorkshire & Humberside	£6,006,709

Shrewsbury	West Midlands	£8,521,339
Solihull	West Midlands	£9,774,477
Southampton	South East	£10,367,629
Stockton-on-Tees	North East	£14,653,361
Swindon	South West	£7,543,891
Warrington	North West	£4,970,781
Woking (Surrey)	South East	£4,302,441
York	Yorkshire & Humberside	£6,482,901

(which amount is at least 83 per cent. of the market value of the relevant Property contained in the Initial Valuation); and

- (b) with respect to an Additional Property, the amount agreed by the Borrower and the Borrower Facility Agent as the Minimum Release Value for that Property (which shall be an amount not greater than 80 per cent. of the market value of that Additional Property contained in the relevant Valuation of that Property),

minus, in each case, if such Property has, since the Refinancing Date, previously been the subject of one or more partial disposals in accordance with terms of the Propco Facility Agreement, the aggregate Applicable Release Pricing Amounts for the part or parts of such Property that have previously been disposed of since the Refinancing Date.

**"Disposed Proportion"** means the proportion (expressed as a fraction) which (i) the amount (if any) by which the market value of that Property contained in the Valuation of that Property (provided that if such Property has, since the Refinancing Date, previously been the subject of one or more partial disposals in accordance with terms of the Propco Facility Agreement, such market value is required to be reduced by the aggregate disposal proceeds of such previous disposals) (such market value being the **"Pre-Disposal Valuation"**) exceeds the market value of the Property (assuming the disposal has occurred) contained in the Valuation of the Property delivered to the Borrower Facility Agent prior to the disposal bears (ii) to the Pre-Disposal Valuation of that Property.

#### ***Loan Events of Default***

Pursuant to terms of the Propco Facility Agreement, the occurrence of each of the following events will, *inter alia*, constitute a **"Loan Event of Default"**.

- (a) The Borrower fails to pay on the due date any amount due under the Propco Finance Documents (unless remedied within three Business Days in the case of payments of principal or interest, or otherwise, within seven Business Days).
- (b) The Borrower fails to comply with other specified obligations under the Propco Finance Documents or TRU (UK) H5 Limited fails to comply with its obligations under the Mortgage of Shares (subject, where applicable, to a grace period of 20 Business Days).
- (c) Any representation, warranty or written statement made by the Borrower in the Propco Finance Documents or by TRU (UK) H5 Limited in the Propco Mortgage over Shares proves to be incorrect in any material respect at the date it was given or repeated (subject, where applicable, to a grace period of 20 Business Days).
- (d) Any financial indebtedness of the Borrower is not paid when due or within any applicable grace period or becomes prematurely due and payable or is placed on demand by reason of a default or event of default (howsoever described).
- (e) The Borrower is unable to pay its debts or is deemed to be insolvent or certain other insolvency or winding up acts or events occur (including, among other things, the commencement of insolvency

proceedings, the appointment of any insolvency administrator or receiver or other similar officer, the attachment or sequestration of any asset, the making of any arrangement or composition with its creditors) in relation to the Borrower.

- (f) The Borrower ceases or proposes to cease, to carry on all of its business.
- (g) Any provision of any Propco Finance Document is or becomes invalid or unenforceable (subject, in each case, to certain customary reservations) for any reason or shall be repudiated or the validity or enforceability of any provision of any Propco Finance Document shall at any time be contested by any party thereto (other than a Propco Finance Party) in circumstances or to an extent which the Majority Lenders reasonably consider to be materially prejudicial to the interests of any Propco Finance Party under the Propco Finance Documents.
- (h) At any time it is or becomes unlawful for the Borrower to perform any of its obligations under any Propco Finance Document or for TRU (UK) H5 Limited to perform any of its obligations under the Propco Mortgage of Shares in circumstances or to an extent which the Majority Lenders reasonably consider to be materially prejudicial to the interests of any Propco Finance Party under the Propco Finance Documents.
- (i) At any time any act, condition or thing required to be done, fulfilled or performed in order (i) to enable the Borrower (or TRU (UK) H5 Limited in relation to the Propco Mortgage of Shares) lawfully to enter into, exercise its rights under or perform the obligations expressed to be assumed by it under any of the Propco Finance Documents to which it is party, (ii) to ensure that the obligations expressed to be assumed by the Borrower under any Propco Finance Document to which it is party or by TRU (UK) H5 Limited under the Mortgage of Shares are legal, valid and binding (subject, in each case, to certain customary reservations) (iii) to make each Propco Finance Document admissible in evidence in the English, Scottish or other relevant courts and (iv) to create the security constituted by the Propco Security Documents to which the Borrower is party or to create the security constituted by the Propco Mortgage of Shares, is not done, fulfilled or performed within any applicable prescribed time periods and the Majority Lenders reasonably consider such failure is materially prejudicial to the interests of any Propco Finance Party under the Propco Finance Documents.
- (j) Any part of any Property is destroyed or damaged and, taking into account the amount and timing of receipt of the proceeds of insurance effected in accordance with the terms of the Propco Facility Agreement, the destruction or damage could reasonably be expected to have a Material Adverse Effect or to materially adversely affect the market value of the Properties as a whole.
- (k) Any proceedings are commenced relating to the forfeiture or irritancy of any Superior Lease (other than in circumstances where the Borrower Facility Agent and the Borrower agree that relief from forfeiture or protection from irritancy will be obtained) or any Superior Lease is forfeited or irritated.
- (l) Any litigation (including an environmental claim), arbitration, or administrative or regulatory proceeding is commenced by or against the Borrower which is reasonably likely to be adversely determined against the Borrower and, if so determined, (whether by itself or together with any related claims) could reasonably be expected to have a Material Adverse Effect or to materially adversely affect the market value of the Properties as a whole.
- (m) Any final non-appealable monetary judgment which is not being contested and which exceeds £50,000 (or its currency equivalent) is made against the Borrower or any other judgment which could have a Material Adverse Effect.
- (n) Any other event or circumstance not otherwise referred to in the Propco Facility Agreement which has a Material Adverse Effect.
- (o) At any time, OpCo incurs any financial indebtedness other than financial indebtedness incurred under or in relation to a certain asset-based lending facility previously entered into by it as detailed in the Propco Facility Agreement.
- (p) At any time Toys "R" Us Inc. ceases to control the Borrower and/or the OpCo without the prior written consent of the Majority Lenders.

- (q) At any time for so long as any holder or potential holder of the CMBS Notes is or may be subject to Article 122a:
  - (i) Toys "R" Us Inc. ceases to hold beneficially (directly or indirectly) the right to participate in more than 50% of the distribution of either profits or capital in the TRU Note Purchaser; or
  - (ii) the TRU Note Purchaser ceases to hold at least 5 per cent. of each Class of Notes (the "**Retained Interest**") or the Retained Interest becomes subject to any credit risk mitigation or short positions or any other hedge other than as permitted by Article 122a.

At any time after the occurrence of a Loan Event of Default (and whilst the same is continuing) the Borrower Facility Agent may, and will be required to, if so directed by the Majority Lenders, *inter alia*, declare all or part of the Propco Loan and any other amounts payable under the Propco Finance Documents to be immediately due and payable, declare all or any part of the Propco Loan to be payable on demand and/or exercise or direct the Borrower Security Agent to exercise any or all of its rights remedies, powers or discretions under the Propco Finance Documents.

"**Majority Lenders**" means the lenders under the Propco Facility Agreement whose nominal commitments in relation to the Propco Loan together aggregate more than 50 per cent. of the aggregate nominal commitments in relation to the Propco Loan under the Propco Facility Agreement, or if such aggregate commitments have been reduced to zero, those lenders whose commitments aggregated more than 50 per cent. of the aggregate amount of all such commitments under the Propco Facility Agreement immediately prior to that reduction. As at the date of this Prospectus, the Issuer constitutes the Majority Lenders (and will remain as Majority Lender for so long as it holds more than 50 per cent. of the aggregate nominal commitments in respect of the Propco Loan).

#### ***Partial Payments***

If the Borrower Facility Agent receives a payment from the Borrower that is insufficient to discharge all the amounts then due and payable by the Borrower under the Propco Finance Documents or the Borrower Facility Agent receives a payment at a time when a Loan Event of Default is continuing, the Borrower Facility Agent shall apply that payment towards the obligations of the Borrower under the Propco Finance Documents in the following order:

- (a) *first*, in or towards payment *pro rata* and *pari passu* of any unpaid costs, fees and expenses (including but not limited to reasonable legal fees) of the Borrower Facility Agent, the Borrower Security Agent and any Property Manager;
- (b) *secondly*, in or towards payment of any due but unpaid Facility Fee;
- (c) *thirdly*, if the Borrower Facility Agent is so directed by the Majority Lenders, in payment to a Borrower Costs Reserve Account to be established by the Company in such amount as the Borrower Facility Agent shall determine is necessary to establish a reserve fund in relation to capital expenditure in respect of the Properties, operating expenses of the Company (including Permitted Operating Expenses) and amounts payable in respect of property management and asset management expenses (for more detail, see the section entitled "*Borrower Accounts – Borrower Costs Reserve Account*" on page 103;
- (d) *fourthly*, to pay any due and unpaid C Loan Additional Payment;
- (e) *fifthly*, to pay interest due and unpaid in respect of the A Loan Tranche;
- (f) *sixthly*, to repay principal (whether or not due) in respect of the A Loan Tranche and any other amounts (other than interest) due but unpaid to the lenders of the A Loan Tranche under the Propco Finance Documents;
- (g) *seventhly*, to pay interest due and unpaid in respect of the B Loan Tranche;
- (h) *eighthly*, to repay principal (whether or not due) in respect of the B Loan Tranche and any other amounts (other than interest) due but unpaid to the lenders of the B Loan Tranche under the Propco Finance Documents;



- (i) *ninthly*, to pay interest due and unpaid in respect of the C Loan Tranche;
- (j) *tenthly*, to repay principal (whether or not due) in respect of the C Loan Tranche and any other amounts (other than interest and any C Loan Additional Payment) due but unpaid to the lenders of the C Loan Tranche under the Propco Finance Documents; and
- (k) *eleventhly*, in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents.

The Borrower Facility Agent shall, if so directed by the Majority Lenders, vary the order set out in items (b) to (k) above and any such payments from the Borrower as applied by the Borrower Facility Agent will override any other appropriation made by the Borrower.

### **Propco Security Documents**

To provide security for its obligations under the Propco Facility Agreement and the other Propco Finance Documents, each of the Borrower and, in relation to the Propco Mortgage over Shares, TRU (UK) H5 Limited have entered into the Propco Security Documents with the Borrower Security Agent.

Under the terms of the Propco Facility Agreement, the Borrower Security Agent holds the security created by the Propco Security Documents (the "**Loan Security**") on trust for the Propco Finance Parties (which include the Issuer).

The security created by the Propco Security Documents will become enforceable if a Loan Event of Default occurs and the Borrower Facility Agent has exercised its the rights available to it following the occurrence of a Loan Event of Default (as set out in the section entitled "*- Propco Facility Agreement – Loan Events of Default*" on page 114), whether pursuant to the instructions of the Majority Lenders or otherwise. At any time after such security has become enforceable, the Borrower Security Agent may in its absolute discretion enforce all or any part of the security in any manner it sees fit or as the Majority Lenders direct.

Any moneys received, realised or recovered by or on behalf of the Borrower Security Agent (or any receiver) after the security created by the Propco Security Documents has become enforceable is required to be applied, firstly, towards payment of remuneration of and costs and expenses incurred by any receiver or the Borrower Security Agent, then towards payment or provision for of the secured liabilities of the Borrower in accordance with the terms of the Propco Facility Agreement (as to which, see the section entitled "*- Propco Facility Agreement – Partial Payments*" on page 116), then any surplus to the Borrower or other person entitled to it.

The "**Propco Security Documents**" constitute the Propco Security Deed, the Propco Mortgage over Shares, the Propco Scottish Security Documents and any additional security documents entered into in respect of Additional Properties (if any) in accordance with the terms of the Propco Facility Agreement.

### ***Propco Security Deed***

The Propco Security Deed was entered into on the Refinancing Date by the Borrower and the Borrower Security Agent. Pursuant to the Propco Security Deed, the Borrower has granted fixed and floating security in favour of the Borrower Security Agent over all of the Borrower's assets and security including, *inter alia*:

- (a) a first legal mortgage over its rights to the Properties located in England, Wales and Northern Ireland (in the case of Property located in Northern Ireland, by way of granting and demising the Property to the Borrower Security Agent subject to a proviso for redemption);
- (b) a first fixed charge over the Borrower's interest in the Properties located in England, Wales and Northern Ireland (to the extent not subject to security under item (a) above);
- (c) a first fixed charge over all shares, stocks, debentures, bonds or other securities and investments owned by the Borrower or held by any nominee on its behalf and any related rights excepting from the foregoing all property, rights and assets situated in Scotland;
- (d) a first fixed charge over all plant and machinery owned by the Borrower and its interest in any plant or machinery in its possession excepting from the foregoing all property, rights and assets situated in Scotland;

- (e) a first fixed charge over all amounts standing to the credit of any account the Borrower has with any person excepting from the foregoing all property, rights and assets situated in Scotland;
- (f) an assignment by way of security of the Borrower's rights in respect of any insurance policies of the Borrower or in which it has an interest excepting from the foregoing all property, rights and assets situated in Scotland; and
- (g) an assignment by way of first fixed security of the Borrower's rights in respect of each Lease Document, all Rental Income, any guarantee of Rental Income, any Property Management Agreement and any other agreement to which the Borrower is party which is not otherwise charged by the Propco Security Deed, excepting from the foregoing all property, rights and assets situated in Scotland.

The Propco Security Deed is governed by English law.

#### ***Propco Mortgage over Shares***

The Propco Mortgage over Shares was entered into on the Refinancing Date by TRU (UK) H5 Limited and the Borrower Security Agent. Pursuant to the Propco Mortgage over Shares, TRU (UK) H5 Limited has granted a mortgage in favour of the Borrower Security Agent over all of the shares it owns in the Borrower and a first fixed charge over all related rights.

The Propco Mortgage over Shares is governed by English law.

#### ***Propco Scottish Security***

Each of the Propco Standard Security and the Propco Assignment of Rents (together the "**Propco Scottish Security Documents**") were entered into on 27 March 2013 by the Borrower in favour of the Borrower Security Agent. Pursuant to the Propco Standard Security and the Propco Assignment of Rents, the Borrower has granted a standard security over its rights in the Property located in Scotland and assigned the rental income receivable by the Borrower in relation to that Property.

The Propco Scottish Security Documents are governed by Scots law.

#### ***Creation of security over the rights of the Issuer in the Propco Finance Documents***

The Issuer will, pursuant to the Deed of Charge and Assignment, create a charge over its rights (as lender) under the Propco Finance Documents (including its rights (including as Majority Lender) to give directions to the Borrower Security Agent) in favour of the Issuer Security Trustee on behalf of the Issuer Secured Creditors.

Prior to redemption or cancellation of the Notes in full, the Issuer Security Trustee will not, and will not be bound to, give any direction to the Borrower Security Agent with respect to enforcement of the security created by the Propco Security Deed, the Propco Mortgage over Shares and the Propco Scottish Security Documents unless it has been directed to do so by the Note Trustee (on behalf of the Noteholders) and has been secured and/or indemnified to its satisfaction. For more detail, see the section entitled "*Security for the Issuer's Obligations*" on page 144.

#### ***Propco Subordination Agreement***

The Propco Subordination Agreement was entered into on the Refinancing Date by the Borrower, OpCo, Toys "R" Us Properties Limited and the Borrower Facility Agent. Pursuant to the Propco Subordination Agreement all intercompany debts owed by the Borrower to OpCo and Toys "R" Us Properties Limited, including, in particular, the balance of the consideration for the acquisition by the Borrower of the Properties from OpCo and Toys "R" Us Properties Limited are subordinated in right of payment to the Propco Loan. Under the terms of the Propco Subordination Agreement, the Borrower is not permitted to pay, provide security for and/or discharge (including by way of set-off) and OpCo and Toys "R" Us Properties Limited are not permitted to make any claim for or receive any payment of such subordinated debt, security or discharge in relation to the subordinated debt (including by way of set-off). The terms of the Propco Subordination Agreement also restrict any amendment to the terms of the subordinated debt other than where such amendment is administrative or procedural, or where it does not prejudice the Propco Loan or the Propco Finance Parties and prevent the Borrower, OpCo and Toys "R" Us Properties Limited from assigning or transferring their rights thereunder.

Payments are only permitted to be made in relation to subordinated debt in accordance with the terms of the Propco Facility Agreement (which provides that payment of the subordinated debt can only be made by the Borrower out of amounts standing to the credit of the Borrower General Account if no Loan Event of Default is outstanding).

The Propco Subordination Agreement is governed by English law.

#### **Propco Tax Deed of Covenant**

The Propco Tax Deed of Covenant contains:

- (a) warranties, representations and covenants given by each of the Borrower and Toys "R" Us (UK) Limited (on behalf of itself and each company controlled by it) in favour of the Borrower Security Agent and the Issuer Security Trustee mainly with a view to neither the Borrower nor OpCo being made liable, contingently or otherwise, and alone or on a joint and several basis, for tax which is primarily the liability of another person (see the section entitled "*Risk Factors – Secondary taxation liabilities of the Borrower and OpCo*" on page 22); and
- (b) provisions relating to surrenders made by or to the Borrower of "group relief" in respect of United Kingdom corporation tax and payments to be made for such surrenders.

## **THE SERVICING ARRANGEMENTS**

### **The Servicing Agreement**

Pursuant to the terms of the Servicing Agreement, each of the Issuer, the Issuer Security Trustee, the Borrower Facility Agent and the Borrower Security Agent will appoint the Servicer and the Special Servicer to act as their agents and to exercise all of their respective rights, powers and discretions in relation to the Propco Loan, the Loan Security and the Propco Finance Documents. In addition, the Issuer will appoint the Servicer and the Special Servicer to act as its agents to perform certain services in relation to the Transaction Documents. The appointments by the Issuer are for its benefit and for the benefit of the Noteholders.

### **The Servicing Standard**

Each of the Servicer and the Special Servicer will be required to exercise all rights, powers and discretions relating to the Propco Loan and the Loan Security which have been delegated to it by the Issuer, the Borrower Security Agent, the Borrower Facility Agent and the Issuer Security Trustee and all other services to be provided by it under the Servicing Agreement, including with respect to the Transaction Documents, in accordance with and subject to following requirements (the "**Servicing Standard**"):

- (a) all applicable laws and regulations;
- (b) the terms of the Propco Finance Documents;
- (c) the terms of the Servicing Agreement; and
- (d) the same manner and with the same skill, care and diligence it applies to servicing similar loans for other third parties,

in each case giving due consideration to the customary and usual standards of practice of reasonably prudent commercial mortgage servicers servicing commercial mortgage loans which are similar to the Propco Loan with a view to the timely collection of all scheduled payments of principal, interest and other amounts due in respect of the Propco Loan and the Loan Security and the maximisation of recoveries in respect of the Propco Loan by the Issuer for the purpose of enabling the Issuer to satisfy to the fullest extent possible the Issuer's payment obligations to the Noteholders (as a collective whole) in respect of the Notes on or before the Final Maturity Date taking into account the obligations of the Issuer ranking ahead of the Noteholders.

In the event that there is a conflict between any of the requirements set forth in items (a) to (d) above, the Servicer or, as applicable, the Special Servicer, will be required to apply such requirements in the order of priority in which they appear. In applying the Servicing Standard, neither the Servicer nor the Special Servicer will be permitted to have regard to:

- any fees or other compensation to which the Servicer or Special Servicer may be entitled,
- any relationship the Servicer or Special Servicer or any of their respective affiliates may have with the Borrower or any affiliate of the Borrower or any party to the transactions entered into in connection with the issue of the Notes;
- any retainer, fee arrangement or other relationship conferring an economic benefit with any person appointed by it to provide any services or advice in connection with the Servicing Agreement; and/or
- the ownership of any of the Notes by the Servicer or Special Servicer or any of their respective affiliates.

### **Enforcement rights of Noteholders**

In each case in accordance with the Contracts (Rights of Third Parties) Act 1999:

- each Class of Noteholders acting collectively will be permitted, following the passing of an Extraordinary Resolution of such Class approving the same, to enforce the rights of the Noteholders of

such Class against the Servicer and/or the Special Servicer in the event that such Noteholders suffer a loss on the Notes of such Class as a result of a breach by the Servicer and/or the Special Servicer, as applicable, of their obligations under the Servicing Agreement; and

- the Noteholders of the Controlling Class, acting collectively, will be entitled, following the passing of an Extraordinary Resolution of such Class approving the same, to enforce the rights the Controlling Class is specified to have under the Servicing Agreement.

No individual Noteholder will be permitted to bring or pursue any claim against the Servicer and/or the Special Servicer, as applicable, unless such Noteholder holds sufficient Notes of such Class to pass an Extraordinary Resolution of such Class unilaterally.

### **Role of the Servicer and Special Servicer**

The terms of the Servicing Agreement will require the Servicer or, or (where the Propco Loan is a Specially Serviced Loan) the Special Servicer to perform, *inter alia*, the following duties:

- (a) the collection, supervision and monitoring of all payments due under or in connection with the Propco Loan and the Propco Finance Documents;
- (b) the establishment, administration and maintenance of procedures to monitor compliance by the Borrower with the requirements of the Propco Finance Documents relating to insurance;
- (c) (based on information received from the Cash Manager as to the aggregate Principal Amount Outstanding of each Class of Notes) the determination as to whether a Control Valuation Event has occurred in relation to each Class of Notes;
- (d) the initiation (where considered appropriate to do so) of or, where requested by any other relevant party, the response to any request for consents, modifications, waivers or amendments relating to the Propco Finance Documents;
- (e) the release and discharge of the Loan Security as is required in accordance with the terms of the Propco Finance Documents;
- (f) following the occurrence of a Loan Event of Default, the determination and application of an enforcement strategy in relation to the Loan Security;
- (g) the preparation and delivery of the various reports, including the Servicer Quarterly Report and the Note Maturity Report;
- (h) the retention of and maintenance of the Servicing File and the keeping of full books of account and other records in relation to the Propco Loan;
- (i) the preparation and submission of all applications and requests for approvals, authorisations, consents and licences requested by the Issuer insofar as it relates to the duties to be performed by the Servicer or the Special Servicer;
- (j) the initiation (in consequence of any proposed consent, waiver or modification to a Propco Finance Document) of or, where requested by any other relevant party, the response to any request for consents, modifications, waivers or amendments relating to the Transaction Documents;
- (k) the exercise of the rights of the Issuer under the Transaction Documents if the Servicer becomes aware that the Account Bank, the Agent Bank, the Cash Manager, any Paying Agent, the Registrar or the Issuer Corporate Services Provider is not performing its obligations;
- (l) conducting all communications and dealings with the Borrower and any other obligor in relation to all matters concerning the Propco Loan and the Loan Security; and

- (m) upon request, providing copies of the Propco Finance Documents and the Transaction Documents to any person (including in electronic form).

**"Servicing File"** means, with respect to the Propco Loan, the original or copies of, *inter alia*, the Propco Finance Documents (and all amendments and supplements thereof and any other documents relating thereto), any insurance policy relating to the Properties, the valuation reports and environmental reports relating to the Properties and all books of account and any other documents, papers, records, registers, correspondence and other information (including records stored in electronic form) relating to the Propco Loan, the Loan Security and the Propco Finance Documents.

#### ***Retained Services***

Each of items (a), (b), (g) (in relation to the preparation and publishing of the Servicer Quarterly Report and the conducting of the annual review), (h) (in relation to the keeping of full books of account and other records in relation to the Propco Loan), (i), (k) and (m) above will, *inter alia*, constitute **"Retained Services"** which the Servicer will be required to continue to provide notwithstanding the Propco Loan becoming a Specially Serviced Loan (see the section entitled *"- Special Servicing"*). The duties of the Special Servicer will not include the provision of the Retained Services.

Certain of the duties of the Servicer and the Special Servicer are described in more detail below. References to the Propco Loan include the Propco Loan for such time as it is a Specially Serviced Loan, as applicable.

#### ***Transfers and calculations by the Servicer***

On each Loan Payment Date under the Propco Facility Agreement and on any other date on which amounts are due from the Borrower to the Issuer under the Propco Facility Agreement, the Servicer will be required to calculate and procure the withdrawal from the relevant Borrower Account of all such due amounts.

The Servicer will be required to deposit any amount withdrawn by it from the Borrower Accounts into the Issuer Transaction Account.

The Servicer will be required to invoice to the Borrower and any other Obligor (promptly as they arise) the full amount of all costs, expenses, indemnities and reimbursements which are payable by the Borrower or any other obligor to the Issuer, the Borrower Security Agent or the Borrower Facility Agent under the Propco Finance Documents.

The Servicer will be required to review on a monthly basis the ratings by S&P of the banks which hold the accounts established and maintained pursuant to the Propco Facility Agreement and as soon as practicable and, in any event within five (5) Business Days of the date of such review, notify the Borrower, the Borrower Facility Agent and the Borrower Security Agent where there is a change in such ratings.

#### ***Reserve Drawing***

On the earlier of (i) the second Business Day following receipt by the Servicer of notice from the Cash Manager as to a Revenue Shortfall in respect of the next following Note Payment Date and (ii) such Note Payment Date, the Servicer will be required to make a withdrawal from the Borrower Security Reserve Account of an amount equal to the Security Reserve Drawing and deposit the same into the Issuer Transaction Account. Furthermore, if a Loan Event of Default as described in paragraph (a) of the section entitled *"The Propco Loan and the Loan Security - Propco Facility Agreement - Loan Events of Default"* (or any event or circumstance which, with the giving of notice or the lapse of time or the making of any determination or fulfilment of any condition, would constitute such a Loan Event of Default) occurs or is likely to occur in relation to payment of amounts due under the Propco Finance Documents, then the Borrower Facility Agent may upon prior written notice to the Borrower (and shall, promptly upon written request from the Borrower) withdraw amounts from the Borrower Reserve Account and apply them (together with the amount released from the Borrower General Account if applicable) so as to remedy the same.

#### ***Control Valuation Events***

The Servicer or the Special Servicer will be required to request a single Valuation of the Properties once in each 12 month period in accordance with the terms of the Propco Facility Agreement (and, upon receipt, shall

promptly publish such Valuation unless the Servicer or, as applicable, the Special Servicer determines in accordance with the Servicing Standard that disclosure of such Valuation would be inconsistent with the Servicing Standard). The Special Servicer will be required, not later than 30 days after the occurrence of a Special Servicing Transfer Event in respect of the Propco Loan, request a Valuation of the Properties in accordance with the terms of the Propco Facility Agreement. Upon receipt of each Valuation, the Servicer or, as applicable, the Special Servicer will be required to determine whether a Control Valuation Event in relation to each Class of Notes has occurred and will be required to notify the other parties to the Servicing Agreement and the Noteholders of the same.

***Modifications, Waivers, Amendments and Consents in relation to the Propco Finance Documents***

The Servicer or, as applicable, the Special Servicer will be responsible for responding to or otherwise considering requests by the Borrower or any other relevant entity for consents, modifications, waivers or amendments relating to the Propco Finance Documents and will be permitted to initiate any request for consents, modifications, waivers or amendments relating to the Propco Finance Documents if it considers it appropriate to do so (acting in accordance with the Servicing Standard).

Subject to the obligation to consult with the Operating Adviser (as to which, see the section entitled "*The Operating Adviser*" on page 128), the Servicer or, as applicable, the Special Servicer will be permitted (but will not be obliged) to agree to any such request and initiate any such request if the following conditions are satisfied:

- (a) no Note Acceleration Notice has been given by the Note Trustee which remains in effect and the Issuer Security Trustee has not taken steps to enforce the Issuer Security at the date on which the relevant consent, modification, waiver or amendment is agreed;
- (b) the Issuer will not be required to make a further advance of principal and/or defer any interest because of the relevant consent, modification, waiver or amendment;
- (c) the effect of such consent, modification, waiver or amendment would not be to extend the Loan Final Maturity Date to a date falling less than two calendar years before the Final Maturity Date; and
- (d) following such consent, modification, waiver or amendment, the Loan Security will continue to include a full first ranking legal mortgage or charge or equivalent over the legal and/or beneficial interest (as applicable) in the Properties or other security satisfactory to the Servicer or the Special Servicer has been obtained.

The Servicer or, as applicable, the Special Servicer will be permitted, subject to the obligation to consult with the Operating Adviser (as to which, see the section entitled "*The Operating Adviser*" on page 128), to agree to any request by the Borrower or any other obligor to provide a consent if the provisions of the relevant Propco Finance Document require such consent to be granted subject to certain conditions being satisfied and further provided that the Servicer or the Special Servicer, as applicable, acting in accordance with the Servicing Standard, and the Operating Adviser (if appointed) are satisfied that the relevant conditions have been met (the views of the Servicer or, as applicable, the Special Servicer prevailing in the event of a conflict).

Notwithstanding the above, the Servicer or, as applicable, the Special Servicer may agree to any proposed modification of or amendment to the terms of the Propco Finance Documents in order to cure any ambiguity or mistake therein or correct or supplement any provisions therein which may be inconsistent with any other provisions therein provided that, in each case, to do so would be in accordance with the Servicing Standard.

***Enforcement of the Loan Security***

Following the occurrence of a Loan Event of Default, the Servicer or, as applicable, the Special Servicer will be required to determine the optimal strategy to maximise recoveries under the Propco Loan in accordance with the Servicing Standard (which strategy may include commencing enforcement of the Loan Security). Following a Special Servicing Transfer Event, such strategy may also include the sale by the Special Servicer of the interests of the Issuer in the Propco Loan provided that, *inter alia*:

- (a) such sale is required in order for the Special Servicer to comply with the Servicing Standard; and

- (b) notice of the intention to sell the Propco Loan is delivered to the Issuer, the Borrower Security Agent, the Borrower Facility Agent and the Issuer Security Trustee.

The purchase price received by the Issuer for the sale of the Propco Loan will be required to be treated as the proceeds of enforcement of the Loan Security and will be required to be allocated in accordance with the priority of payments that would have applied to Loan Security enforcement proceeds received pursuant to the Propco Finance Documents.

Upon the Special Servicer determining that it is unlikely that further Liquidation Proceeds or other amounts will be received or recovered in respect of the Propco Loan, the Special Servicer will be required to make a Final Recovery Determination and to notify the amount thereof to the Servicer, the Issuer, the Issuer Security Trustee, the Operating Adviser (if appointed) and the Cash Manager.

A "**Final Recovery Determination**" means a determination by the Special Servicer that there has been a recovery of all Liquidation Proceeds and other amounts that, in the Special Servicer's judgment will ultimately be recoverable with respect to the Propco Loan, such judgment to be exercised in accordance with the Servicing Standard.

The Servicer will not have any right or the obligation to arrange for the sale of the Propco Loan or the Loan Security on behalf of the Issuer.

### **Reporting**

#### *Servicer Quarterly Reports*

Pursuant to the terms of the Servicing Agreement, the Servicer will be required to prepare a report (the "**Servicer Quarterly Report**") with, *inter alia*, the following information in respect of each Loan Interest Period and the payments made by the Issuer on the corresponding Note Payment Date:

- (a) "*CMSA E-IRP Loan Set-up File*" setting forth, among other things, the majority of loan-level information including, cut-off balance, original mortgage rate, maturity date and general payment information, as well as financial data, the fees, costs and expenses paid by the Borrower (each fee, cost and expense item shall be individually itemised not grouped together) and information provided by the Borrower and any other Obligor pursuant to the information covenants contained in the Propco Finance Documents;
- (b) "*CMSA E-IRP Loan Periodic Update File*" setting forth, among other things, quarterly remittances on the Propco Loan as well as the tracking of both scheduled and unscheduled payments on the Propco Loan;
- (c) "*CMSA E-IRP Property File*" setting forth, among other things, information regarding the Properties including, property name, address and identification number;
- (d) "*CMSA E-IRP Servicer Watchlist Criteria and Servicer Watchlist File*" setting forth, among other things, details of any event that would cause the Propco Loan to be included on the servicer watchlist;
- (e) the payments made or to be made by the Issuer on the corresponding Note Payment Date (expense items to be individually itemised not grouped together);
- (f) if the Propco Loan is a Specially Serviced Loan, the actions taken by the Special Servicer in relation to the Propco Loan during the previous Note Interest Period;
- (g) if relevant, the original and revised terms, as applicable, of the Propco Loan, as of the Closing Date and as of the related Loan Interest Period on the Loan Payment Date immediately following any modification of the Propco Loan;
- (h) if relevant, the amount of Liquidation Proceeds and liquidation expenses in connection with the liquidation of the Propco Loan on the Loan Payment Date following a liquidation of the Propco Loan; and



- (i) the email address of the Servicer to which requests for copies of the Propco Finance Documents and the Transaction Documents may be made.

The reports identified in items (a) to (d) above (together, the "**CMSA European Investor Reporting Package**") will be required to be in the form prescribed in the standard European Investor Reporting Package published by the Commercial Real Estate Finance Council Europe from time to time (formally and commonly known as the CMSA - Europe Investor Reporting Package (CMSA-Europe E-IRP) (or as modified to take into account any changes for properties located in the United Kingdom) and will be required to be in spreadsheet format appended to the report.

The Servicer will be required to publish each Servicer Quarterly Report on Bloomberg or, if Bloomberg is not available, such other online information source accessed by CMBS investors which is available for publication of reports similar to the Servicer Quarterly Report as determined by the Servicer acting reasonably. The Servicer will be required to aim to publish each Servicer Quarterly Report within five Business Days after each Note Payment Date and will be required to publish each Servicer Quarterly Report within ten Business Days after each Note Payment Date.

#### *Note Maturity Report*

On or before the date falling twelve months prior to the Final Maturity Date, the Special Servicer will where the Propco Loan remains outstanding and where, in its opinion (acting in accordance with the Servicing Standard), all recoveries then anticipated by the Special Servicer with respect to the Propco Loan are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Final Maturity Date, deliver a report (the "**Note Maturity Report**") in draft form to the Noteholders, the Issuer, the Borrower Security Agent, the Borrower Facility Agent, the Cash Manager, the Issuer Security Trustee, the Note Trustee and the Operating Adviser (if appointed) as to its proposed strategy to enable the maximisation of recoveries in respect of the Propco Loan.

If required by the Note Trustee, the Special Servicer will be required to attend and be available to speak at any meeting of the Noteholders called by the Note Trustee in accordance with the terms of the Note Trust Deed to discuss the various proposals set forth in the Note Maturity Report.

Promptly following any such meeting, the Special Servicer will be required to finalise the Note Maturity Report (taking into account the discussions at the meeting of Noteholders held in relation thereto) and shall deliver such final Note Maturity Report to the Noteholders, the Issuer, the Borrower Security Agent, the Borrower Facility Agent, the Cash Manager, the Issuer Security Trustee, the Note Trustee, the Operating Adviser (if appointed) and, if required by the Note Trustee, will be required to attend and be available to speak at any meeting of the Noteholders of each Class of Notes in relation to which a Control Valuation Event has not occurred (as determined by the Servicer) called by the Note Trustee to approve, by Ordinary Resolution, the proposed strategy of the Special Servicer as set forth in the final Note Maturity Report.

If the proposed strategy of the Special Servicer as set forth in the final Note Maturity Report has been approved at the meeting of each Class of Notes in relation to which a Control Valuation Event has not occurred (as determined by the Servicer), the Special Servicer will be required to implement such strategy in accordance with its terms notwithstanding any requirements to act in accordance with the Servicing Standard. If the Note Maturity Report is not so approved, the Special Servicer will be required to arrange for a Receiver to be appointed to realise the Loan Security.

### *Disclosable information*

For so long as the Notes are admitted to trading on the regulated market of the Irish Stock Exchange, if the Servicer or, as applicable, the Special Servicer becomes aware of any information relating to the Propco Loan, the Loan Security or any Property that the Servicer or, as applicable, the Special Servicer reasonably determines is likely to have a material impact on the value of the Propco Loan or any of the Properties and which is not, to the Servicer's or, as applicable, the Special Servicer's knowledge, already publicly available information, to the extent that the Servicer or, as applicable, the Special Servicer has actual knowledge of the same (such information being "**Disclosable Information**"), then where the Servicer or, as applicable, the Special Servicer determines that the same should be disclosed pursuant to the terms of the Servicing Agreement, it will be required to:

- prepare a concise summary of such Disclosable Information and provide such summary to the Issuer for its execution along with a statement as to whether or not the Servicer or, as applicable, the Special Servicer considers that the disclosure of the Disclosable Information would adversely affect negotiations being conducted on behalf of the Issuer in relation to the Propco Loan or the Properties and unless otherwise directed by the Issuer, within one Business Day of receipt, file such executed summary with the Companies Announcement Office at the Irish Stock Exchange (the "**Regulatory Information Service**"); and
- no later than the Business Day following the date of the disclosure to the Regulatory Information Service, publish on Bloomberg or any such information which is disclosed to the Regulatory Information Service.

### *Annual Review*

The Servicer will be required undertake an annual review of the Propco Loan and may conduct more frequent reviews if it has cause for concern as to the ability of the Borrower to meet its obligations under the Propco Finance Documents. Any such review (annual or otherwise) may, but will not be required to, include an inspection of the Properties and will include an analysis of the cash flow arising from the Properties.

### *Modifications, Waivers, Amendments and Consents in relation to the Transaction Documents*

The Servicer or, as applicable, the Special Servicer, in each case, on behalf of the Issuer will be required to take all reasonable steps to facilitate the timely consideration by each relevant party to the Transaction Documents and/or the Noteholders (or the Noteholders of the relevant Class) of any request made by any party to a Transaction Document or any Noteholder for a consent, modification or waiver relating to a Transaction Document and will also be permitted to request any party to a Transaction Document and/or the Noteholders in the case of the Notes (or the Noteholders of the relevant Class) to give any waiver or consent or agree to any modification to such Transaction Document or the Notes if it considers it appropriate to do so in consequence of any proposed consent, waiver or modification to any Propco Finance Document.

Neither the Servicer nor the Special Servicer will be permitted to propose any amendment or modification of the Transaction Documents or the Notes solely in order to cause or require any amendment to the Propco Finance Documents.

The Servicer or the Special Servicer, as applicable, will be responsible for proceeding with and implementing the relevant consent, waiver or modification process and, subject to obtaining the approval of each relevant party (if required) implementing such consent, waiver or modification provided that no such consent, waiver or modification will be permitted to be given or implemented unless:

- in the case of any action which constitutes a Basic Terms Modification, the terms of the Note Trust Deed and the Notes (including the Conditions) are complied with in relation to the sanction of such Basic Terms Modification; and
- in all other cases, the Servicer or the Special Servicer, as applicable, has given notice to Noteholders (in accordance with Condition 17 (*Notice to Noteholders*) under "*Terms and Conditions of the Notes*" on page 188), the Issuer, the Note Trustee and the Issuer Security Trustee of the proposed action and the reasons therefor (in reasonable detail) and the Servicer, or the Special Servicer, as applicable, has not received written objections to such action from (and has given notice to the Issuer, the Note Trustee

and the Issuer Security Trustee that it has not received written objections to such action from Noteholders holding 25 per cent. or more of the then Principal Amount Outstanding of all Notes in relation to which a Control Valuation Event has not then occurred (as determined by the Servicer) within 21 days of the date of delivery of the relevant notice to the Noteholders unless the relevant action is subsequently approved by Extraordinary Resolutions of each Class of Notes in relation to which a Control Valuation Event has not then occurred (as determined by the Servicer).

The rights and powers of the Servicer and the Special Servicer with respect to modifications, waivers or consents in relation to Transaction Documents will not include the agreement or execution, on behalf of the Issuer, to or of any such modification, waiver or consent.

### ***Termination of appointments***

If the Servicer becomes aware that the Account Bank, the Agent Bank, the Cash Manager, any Paying Agent, the Registrar or the Issuer Corporate Services Provider has not performed or is not performing its obligations under the Transaction Documents to which such entity is a party in accordance with the same, the Servicer will be required, on behalf of the Issuer, to exercise such rights as the Issuer may have under such Transaction Document to enforce performance by such entity of its obligations. Upon becoming aware of such non-performance, the Servicer will be required to notify the relevant entity and engage in discussions with such entity to try to determine the reasons for and resolve such non-performance. If having engaged with the relevant entity in relation to such non-performance for at least 30 days after such notification is given, the Servicer is of the view (acting reasonably) that the relevant entity is in breach of its obligations under the relevant Transaction Document such that the Issuer has a right of termination and replacement under the terms of the relevant Transaction Document, the Servicer will be required to notify the Issuer and either the Operating Adviser (if appointed) or the Controlling Class (if no Operating Adviser has been appointed). If within 30 days of the date of such notice the Operating Adviser or the Controlling Class, as applicable, gives notice to the Servicer that it should proceed to exercise, on behalf of the Issuer, such right of termination and replacement, then provided the circumstances giving rise to the right of termination and replacement are still continuing, the Servicer shall exercise such right of termination and replacement on behalf of the Issuer. The Servicer will not be permitted to exercise any such termination right without an express direction from the Operating Adviser or the Controlling Class, as applicable.

### **Special Servicing**

Each of the following events shall constitute a "**Special Servicing Transfer Event**" in relation to the Propco Loan:

- (a) a payment default on the Propco Loan on the Loan Final Maturity Date (after taking into account any permitted extension to the Loan Final Maturity Date);
- (b) any payment on the Propco Loan being more than 45 days overdue;
- (c) the occurrence of certain insolvency events in relation to the Borrower;
- (d) the Servicer or the Special Servicer receiving notice of the enforcement of or realisation on any security arrangement securing the obligations and liabilities of the Borrower in relation to the Propco Loan; and
- (e) any other default occurs under the Propco Facility Agreement which is not cured within the applicable grace period or which, in the opinion of the Servicer (formed in accordance with the Servicing Standard) is not likely to be cured within 30 days of the occurrence of the relevant default (or, if a cure period applies to such default within 30 days of the end of the applicable cure period) and which would, in the opinion of the Servicer (formed in accordance with the Servicing Standard) be likely to have a material adverse effect on the ability of the Issuer to satisfy its payment obligations in respect of each Class of Notes on a timely basis.

In the event the Servicer determines that a Special Servicing Transfer Event has occurred, it will be required, as soon as is reasonably practicable, to give written notice thereof to the Issuer, the Issuer Security Trustee, the Special Servicer, the Borrower, each Rating Agency, the Operating Adviser (if appointed) and the Noteholders whereupon the Propco Loan will become a "**Specially Serviced Loan**".

Not less than 45 days prior to the Loan Final Maturity Date, the Servicer will be required to assess the likelihood that the Propco Loan will be repaid in full on the Loan Final Maturity Date and will be required to notify the Special Servicer of the result of its assessment. In the event that the Servicer notifies the Special Servicer that there is a material risk that the Propco Loan will not be repaid in full on or before the Loan Final Maturity Date (or it is unable to make an informed assessment of the likelihood of the Propco Loan being repaid in full on or before the Loan Final Maturity Date):

- (a) on and from the date falling 30 days prior to the Loan Final Maturity Date, each of the Servicer and the Special Servicer will be required to make preparations to enable the transfer of the servicing of the Propco Loan to the Special Servicer in the event that a Special Servicing Transfer Event occurs on the Loan Final Maturity Date; and
- (b) the Special Servicer will be required to consider possible strategies with respect to the Propco Loan in the event the Propco Loan is not repaid in full on the Loan Final Maturity Date.

Upon the Propco Loan becoming a Specially Serviced Loan, the Special Servicer will be required to assume its special servicing duties under the Servicing Agreement and the obligations of the Servicer to provide the services (save for the Retained Services) under the Servicing Agreement will terminate (in each case until such time (if any) that the Propco Loan becomes a Corrected Loan). The Servicer will be required to deliver a copy of the Servicing File to the Special Servicer within five Business Days of the Propco Loan becoming a Specially Serviced Loan and will be required to use reasonable efforts to provide the Special Servicer within ten Business Days of any request of the Special Servicer with all information, documents (or copies thereof) and records relating to the Propco Loan in the Servicer's possession or control or otherwise available to the Servicer and reasonably requested by the Special Servicer, to enable it to perform its special servicing duties.

Where the Special Servicing Transfer Event occurs on the Loan Final Maturity Date, the Servicer and the Special Servicer will be required implement the preparations made in accordance with item (a) above.

Upon determining that no Special Servicing Transfer Event described in item (a) or item (b) of the definition of Special Servicing Transfer Event has occurred for two consecutive Loan Interest Periods and the facts giving rise to any other Special Servicing Transfer Event have ceased to exist and no other matter exists which would give rise to the Propco Loan becoming a Specially Serviced Loan, the Special Servicer will be required to give written notice thereof to the Issuer, the Issuer Security Trustee, the Cash Manager, the Servicer, the Borrower, each Rating Agency, the Operating Adviser (if appointed) and the Noteholders whereupon the Specially Serviced Loan will become a "**Corrected Loan**". In such circumstances, the Special Servicer's obligation to perform the services (other than the Retained Services) and its right to receive the Special Servicing Fees will terminate (in each case until such time (if any) that the Propco Loan once more becomes a Specially Serviced Loan) and the obligations of the Servicer to perform all of the services will resume.

### **Operating Adviser**

The Controlling Class may, by Ordinary Resolution appoint or make arrangements for the appointment of an Operating Adviser in accordance with Condition 15 (*Controlling Class*) under "*Terms and Conditions of the Notes*" on page 185 to represent their interests in respect of the Propco Loan and to provide advice to the Servicer or, as applicable, the Special Servicer.

The conditions to the appointment of any Operating Adviser are set out in Condition 15(a) under "*Terms and Conditions of the Notes*" on page 185.

The terms of the appointment of the Operating Adviser will be required to include, *inter alia*, that the Operating Adviser accedes to the Servicing Agreement and to the Deed of Charge and Assignment. Other required terms of appointment are set out in Condition 15(c) under "*Terms and Conditions of the Notes*" on page 186.

Any Operating Adviser so appointed will be required to act solely in the interests of each Class of Notes in relation to which a Control Valuation Event has not occurred (as determined by the Servicer).

Pursuant to the terms of the Servicing Agreement, if an Operating Adviser has been appointed in accordance with Condition 15 (*Controlling Class*), then before taking any of the following actions in connection with the Propco Loan:

- (a) any modification of, waiver or consent with respect to any Propco Finance Document that the Servicer or, as applicable, the Special Servicer considers to be material;
- (b) the appointment of a receiver or administrator in respect of the Borrower or the taking of any enforcement action in relation to the Propco Loan or the Loan Security;
- (c) the entry into of any standstill arrangement with the Borrower in respect of the Propco Loan; and
- (d) the sale of the right, benefit, title and interest of the Issuer in relation to the Propco Loan and the Loan Security following the occurrence of a Loan Event of Default,

the Servicer or, as applicable, the Special Servicer will be required to (i) inform the Operating Adviser in writing of the action that the Servicer or, as applicable, the Special Servicer intends to take, and (ii) provide the Operating Adviser with such additional information in the possession of the Servicer or, as applicable, the Special Servicer or readily obtainable by it as the Operating Adviser may reasonably require provided that such request from the Operating Adviser is made within five Business Days of the written notification of the proposed action.

The Operating Adviser will be deemed to have no objection to any action taken or proposed to be taken by the Servicer or, as applicable, the Special Servicer if the Operating Adviser fails to respond to a proposed action or suggest an alternative course of action within 5 Business Days of receipt by the Operating Adviser of the relevant proposal.

Each of the Servicer and the Special Servicer will be required to take due account of the advice and representations, if any, of an Operating Adviser in connection with the action the Servicer or, as applicable, the Special Servicer intends to take in relation to the Propco Loan, including any proposal as to an alternative course of action made by the Operating Adviser within 5 Business Days after being notified of the action and provided with all reasonably requested information. In such circumstances, the Servicer or, as applicable, the Special Servicer will be required promptly to send a revised proposed course of action to the Operating Adviser or confirm that the previously suggested course of action should continue.

If the Servicer or, as applicable, the Special Servicer determines that the Servicing Standard requires it to take or refrain from taking any immediate action in relation to any matter referred to above or if the Operating Adviser has responded in a manner not approved by the Servicer or, as applicable, the Special Servicer, the Servicer or, as applicable, the Special Servicer may take whatever action it considers necessary in relation to the relevant matter without waiting for the Operating Adviser's response or further response, as applicable.

If a proposal of the Operating Adviser requires the Servicer or, as applicable, the Special Servicer to incur additional expenses which would not be recoverable under the Transaction Documents or the Propco Finance Documents and which it would not be required to incur in respect of any action proposed by the Servicer or, as applicable, the Special Servicer, the Servicer or, as applicable, the Special Servicer will not be required to incur any additional expenses unless the Operating Adviser agrees in writing to reimburse it in full.

If there is, in the reasonable opinion of the Servicer or, as applicable, the Special Servicer, any conflict between any action which the Servicer or, as applicable, the Special Servicer would be required to take in order to comply with the advice and/or representations of the Operating Adviser and the Servicing Standard, the Servicer or, as applicable, the Special Servicer will not be in breach of the Servicing Agreement if it acts in accordance with Servicing Standard.

#### **Termination of the appointment of the Operating Adviser**

Pursuant to Condition 15(f) under "*Terms and Conditions of the Notes*" on page 186, the appointment of any Operating Adviser will terminate on the occurrence of certain events, including:

- the Controlling Class which appointed the which appointed the Operating Adviser directs, by Ordinary Resolution, the termination of such appointment.
- the veto of the appointment by an Extraordinary Resolution of the most senior Class of Noteholders then outstanding made within two months of notification of the appointment of the Operating Adviser;

- a Control Valuation Event occurs in relation to the Controlling Class which appointed the Operating Adviser;
- the Operating Adviser or an affiliate thereof becomes party to the Transaction Documents in a capacity other than as Operating Adviser or becomes a Noteholder; or
- the Operating Adviser fails to maintain professional indemnity insurance with a reputable insurer in an amount of at least £10,000,000.

### **Servicing Fees and Special Servicing Fees**

A servicing fee (the "**Servicing Fee**") equal to:

- (a) £144,760 per annum; or
- (b) where, on the relevant Note Payment Date, both (i) the Propco Loan is a Specially Serviced Loan, and (ii) Situs Asset Management Limited is the Special Servicer, £118,440 per annum,

(plus VAT if applicable) will be payable by the Issuer to the Servicer on a quarterly basis on each Note Payment Date in accordance with the relevant Priority of Payments and the terms of the Servicing Agreement.

If the Propco Loan is a Specially Serviced Loan at any time during a Note Interest Period, then on the Note Payment Date falling at the end of such Note Interest Period, a special servicing fee (the "**Special Servicing Fee**") equal to £658,000 per annum (plus VAT if applicable) will be payable by the Issuer to the Special Servicer.

The Special Servicing Fees will be required to be calculated on the basis of the actual number of days in a Loan Interest Period in which the Propco Loan is a Specially Serviced Loan, will be required to be paid in addition to the Servicing Fee and will cease to accrue on the date on which the Propco Loan becomes a Specially Serviced Loan. No Special Servicing Fees will be payable in respect of any preparatory work conducted by the Special Servicer if the Propco Loan does not become a Specially Serviced Loan or if the Propco Loan is repaid in full on the Loan Final Maturity Date.

Both the Servicing Fee and the Special Servicing Fee will cease to accrue if the Propco Loan is repaid in full or a Final Recovery Determination is made with respect to the Propco Loan.

The Issuer will be required to pay to the Special Servicer on any applicable Note Payment Date a liquidation fee (the "**Liquidation Fee**") equal to one per cent. of the Liquidation Proceeds received by the Issuer during the Collection Period ending immediately prior to such Note Payment Date. No Liquidation Fee will be payable by the Issuer to the Special Servicer if the Final Recovery Determination was made less than 30 days after the relevant Special Servicing Transfer Event or if the sale of the Propco Loan or any part of a Property was made to the Special Servicer or an Affiliate of the Special Servicer unless the purchase price paid was the highest offer received (provided, however, that a lower bid may be accepted if, in the judgment of the Special Servicer and in accordance with the Servicing Standard, the acceptance of a lower bid would be in the best interests of the Noteholders). The amount of any Liquidation Fee will be required to be reduced by the aggregate amount of the Workout Fees paid to the Special Servicer in respect of the Propco Loan to the extent that such Workout Fees were attributable to collections of interest (but not principal).

"**Liquidation Proceeds**" means the proceeds of sale, net of costs and expenses of sale, if any, of the Propco Loan, the Borrower, the Properties or any part of the Properties (a) following the enforcement of the Loan Security; or (b) as a result of a request by or direction of the Special Servicer following a Loan Event of Default in circumstances where the Loan Security would be enforceable if such request or direction were not adhered to.

The Issuer will be required to pay to the Special Servicer on any applicable Note Payment Date a workout fee (the "**Workout Fee**") where the Propco Loan is a Specially Serviced Loan and subsequently becomes a Corrected Loan. The Workout Fee will be an amount equal to one per cent. (in each case, plus VAT, if applicable) of each collection of interest and principal received the Propco Loan for so long as it remains a Corrected Loan. However, no Workout Fee will be payable if the Special Servicing Transfer Event which gave rise to the Propco Loan becoming a Specially Serviced Loan, ceased to exist within 30 days of the Propco Loan

becoming a Specially Serviced Loan and no other Special Servicing Transfer Event occurred while the Propco Loan remains as a Specially Serviced Loan.

On a Note Payment Date on which the Propco Loan remains a Corrected Loan, the amount of the Workout Fee (if any) payable on that date to the Special Servicer will be the lesser of:

- (a) the amount of the Workout Fee that would (but for this adjustment) have been payable to the Special Servicer on that date; and
- (b) an amount (not to be less than zero) equal to (i) the aggregate amount of all Workout Fees that would (but for this adjustment) have been paid to the Special Servicer on the Note Payment Dates (excluding the relevant Note Payment Date) following the Propco Loan becoming a Corrected Loan), less (ii) the amount of the Restructuring Fee paid to the Special Servicer pursuant in connection with any modification, waiver, amendment or consent which resulted in the Propco Loan becoming a Corrected Loan.

Provided that the Servicer or (where the Propco Loan is a Specially Serviced Loan) the Special Servicer determines that it would not be inconsistent with the Servicing Standard to do so, it may require that the Borrower pays or procures the payment of a Restructuring Fee to the Servicer or the Special Servicer, as applicable, for its own account prior to agreeing to any modification, waiver or amendment in relation to the Propco Finance Documents or issuing any consent thereunder as described in the section entitled "*The Servicing Agreement - Modifications, Waivers, Amendments and Consents in relation to the Propco Finance Documents*".

**"Restructuring Fee"** means a fee negotiated between the Borrower and the Servicer or Special Servicer, as the case may be, payable by the Borrower to the Borrower Facility Agent, the Servicer or the Special Servicer in connection with any consensual amendments, modifications or waivers to the terms of the Propco Facility Agreement. In no circumstances will the Issuer be liable to pay a Restructuring Fee to the Servicer or the Special Servicer if it has not first been recovered from the Borrower or any other person (other than a party to the Transaction Documents).

If a Servicer Event of Default has occurred and is continuing unwaived 30 days after a Servicer Event of Default Notice has been given to the Servicer or Special Servicer, as applicable, the Servicing or Special Servicing Fee, as applicable, will cease to accrue on and from the date falling 30 days after the date of such Servicer Event of Default Notice.

If a Reporting Failure Event has occurred and a Reporting Failure Termination Notice has been given to the Servicer, the Servicing Fee shall cease to accrue on and from the date falling 30 days after the date of such Reporting Failure Termination Notice.

#### **Termination of the Appointment of the Servicer**

##### ***Servicer Event of Default***

Pursuant to the terms of the Servicing Agreement, if the Issuer Security Trustee becomes aware that a Servicer Event of Default has occurred:

- (a) the Issuer Security Trustee shall promptly give notice in writing of the same (a **"Servicer Event of Default Notice"**) to the Servicer (if the Servicer Event of Default related to the Servicer) or the Special Servicer (if the Servicer Event of Default related to the Special Servicer) copied to the Issuer, the Operating Adviser (if appointed), the Noteholders and the Servicer or Special Servicer, as applicable; and
- (b) unless the Issuer Security Trustee receives written notice from either (i) the Operating Adviser (if appointed) or (ii) the Controlling Class (if no Operating Adviser has been appointed) within 21 days of the date of the relevant Servicer Event of Default Notice to waive the relevant Servicer Event of Default, the Issuer Security Trustee shall not later than 30 days after the date of the Servicer Event of Default Notice give written notice (a **"Servicer Termination Notice"**) to the Servicer (if the Servicer Event of Default related to the Servicer) or the Special Servicer (if the Servicer Event of Default related to the Special Servicer) that its appointment under the Servicing Agreement is to be terminated. Each

Servicer Termination Notice shall be copied to the Issuer, the Operating Adviser (if appointed) and the Noteholders and the Servicer or Special Servicer, as applicable.

The occurrence of, *inter alia*, any of the following events with respect to either the Servicer or the Special Servicer will constitute a "**Servicer Event of Default**" with respect to the Servicer or Special Servicer, as applicable:

- (a) provided funds are available, the Servicer or the Special Servicer fails to procure the transfer of sums required to be transferred on any Loan Payment Date from the relevant Borrower Account to the Issuer Transaction Account in the time or otherwise in the manner required by the terms of the Servicing Agreement;
- (b) the Servicer or the Special Servicer, as applicable, defaults in making payment due and payable by it under the Servicing Agreement and such default continues for a period of five Business Days after the earlier of (i) the Servicer or the Special Servicer, respectively, becoming aware of such default and (ii) receipt by the Servicer or the Special Servicer, respectively, of written notice by the Issuer Security Trustee requiring the same to be remedied.
- (c) a default (other than a failure to pay or, in the case of the Servicer, the failure to publish or deliver a report in accordance with the Servicing Agreement) is made by the Servicer or the Special Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which in the opinion of the Issuer Security Trustee or the Operating Adviser (if appointed) is materially prejudicial to the interests of any class of Noteholders (as determined by the Issuer Security Trustee or the Operating Adviser (if appointed)) and such default continues unremedied for a period of 30 days after receipt by the Servicer or the Special Servicer of written notice from the Issuer Security Trustee requiring the same to be remedied or such longer time (but no longer than 90 days) as may reasonably be necessary to cure the relevant breach, provided that the Servicer or the Special Servicer is proceeding with all due diligence required to cure such breach;
- (d) the occurrence of certain insolvency related events in relation to the Servicer or, as applicable, the Special Servicer (other than a reorganisation or restructuring the terms and the relevant surviving entity of which notification has been provided to the Issuer Security Trustee and in relation to which such surviving entity will, following the completion of the reorganisation or restructuring, not be insolvent, and will have assumed all of the liabilities and obligations of the Servicer or the Special Servicer, as applicable; provided, that the surviving party meets the requirements with respect to successors contained in the relevant Transaction Document).

#### ***Reporting Failure Event***

Pursuant to the terms of the Servicing Agreement, if the Issuer Security Trustee becomes aware of the occurrence of a Reporting Failure Event then:

- (a) the Issuer Security Trustee shall promptly give notice in writing of the same (a "**Reporting Failure Event Notice**") to the Servicer copied to the Issuer, the Operating Adviser (if appointed), the Noteholders and the Special Servicer; and
- (b) if the Issuer Security Trustee receives written notice from either (i) the Operating Adviser (if appointed) or (ii) the Controlling Class (if no Operating Adviser has been appointed) within 21 days of the date of the relevant Reporting Failure Event Notice to terminate the appointment of the Servicer, the Issuer Security Trustee shall not later than 30 days after the date of the Reporting Failure Event Notice and provided such Reporting Failure Event is continuing give written notice (a "**Reporting Failure Termination Notice**") to the Servicer (copied to the Issuer, the Operating Adviser (if appointed) and the Noteholders and the Special Servicer) that its appointment under the Servicing Agreement is to be terminated.

A "**Reporting Failure Event**" will occur where the Servicer fails to publish or deliver a complete Servicer Quarterly Report or any other report required to be published by the Servicer pursuant to the Servicing Agreement within ten Business Days of the date on which such report was required to be published or delivered (unless the failure to deliver the relevant report in full resulted from the failure of the Special Servicer, the Cash Manager or the Borrower to deliver the required information to the Servicer in accordance with the terms of the



Servicing Agreement, the Cash Management Agreement or the Propco Facility Agreement, as applicable or is caused by any failure or delay in publishing the report by Bloomberg after it has been provided with the report by the Servicer).

***Retirement of the Servicer or the Special Servicer and termination by the Operating Adviser***

Pursuant to the terms of the Servicing Agreement:

- (a) each of the Servicer or the Special Servicer will be permitted to terminate its appointment under the Servicing Agreement by giving written notice (a "**Retirement Notice**") to each of the Issuer, the Borrower Security Agent, the Borrower Facility Agent, the Servicer (in the case of notice by the Special Servicer), the Special Servicer (in the case of notice by the Servicer), the Issuer Security Trustee and the Operating Adviser (if appointed) in which event the appointment of the Servicer or Special Servicer shall terminate on the date falling three months after the date of relevant Retirement Notice;
- (b) the Operating Adviser (if appointed) or the Controlling Class (if no Operating Adviser has been appointed) will be permitted to terminate the appointment of the person then acting as the Special Servicer by giving written notice to the Issuer (copied to the Issuer Security Trustee, the Servicer and Special Servicer) notifying them that they request the termination of the appointment of the person then acting as the Special Servicer and their replacement by a nominated replacement Special Servicer that (i) where the Class A Notes are, at the relevant time, rated by S&P, has a servicer ranking (of at least average) from S&P, or (ii) in all other circumstances, has a servicer rating (as opposed to a corporate rating) from Moody's Investor Service Limited or Fitch Ratings Ltd. or a servicer ranking from S&P.

In relation to the termination of the appointment of the Servicer or, as applicable, the Special Servicer, a written notice from the Controlling Class shall not be binding or effective unless it is signed by holders of more than 50 per cent. of the Principal Amount Outstanding of the Notes of the Controlling Class.

Regardless of the reason, the termination or resignation of the appointment of the Servicer or, as applicable, the Special Servicer will only be permitted to take effect where a successor Servicer or, as applicable, a successor Special Servicer (that (a) where the Class A Notes are, at the relevant time, rated by S&P, has a servicer ranking (of at least average) from S&P, or (b) in all other circumstances, has a servicer rating (as opposed to a corporate rating) from Moody's Investor Service Limited or Fitch Ratings Ltd. or a servicer ranking from S&P) identified by the Operating Adviser (if appointed) or the Controlling Party (if no Operating Adviser has been appointed) and notified to the Issuer Security Trustee agrees in writing to be bound by the terms of the Servicing Agreement and the other Transaction Documents (or enters into an agreement on substantially the same terms as the Servicing Agreement) on terms approved in writing by the Operating Adviser (if appointed). If no successor Servicer or Special Servicer is appointed within 60 days of the delivery of the Servicer Termination Notice, Reporting Failure Termination Notice or Retirement Notice, the Servicer or the Special Servicer, as applicable, will be permitted to petition a court of competent jurisdiction to appoint such a successor.

Upon the termination of its appointment, the Servicer or, as applicable, the Special Servicer will be required (subject to any legal or regulatory restrictions) to promptly deliver a copy of the Servicing File and all books and records relating to the Propco Loan to the successor Servicer or, as applicable, the Special Servicer and will be required to take such further lawful action as the Issuer Security Trustee may reasonably direct to enable such successor Servicer or, as applicable, the Special Servicer to perform its servicing duties.

**Delegation**

The Servicer and the Special Servicer will be permitted to enter into sub-servicing agreements to provide for the performance by third parties of any or all of their respective liabilities hereunder, provided that, *inter alia*, they each use reasonable skill and care in the selection of any sub-servicer and include the details of the appointment of the sub-servicer and the terms of such appointment in the first Servicer Quarterly Report to be published following such appointment. Notwithstanding the entry into of any sub-servicing arrangement, the Servicer and the Special Servicer will each remain responsible for the performance of its duties and obligations under the Servicing Agreement.

The Servicer and the Special Servicer will also be permitted to appoint and act on the opinion or advice of, or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer,

accountant, insurance adviser, hedging adviser, financial adviser, securities dealer, investment bank, computer consultant, environmental consultant or other expert or professional adviser provided that, *inter alia*, they each use reasonable skill and care in the selection of the foregoing and (a) in the case of the appointment of any professional adviser to provide legal, accountancy, tax, valuation or insurance advice, include the details of the person so appointed and the fees payable in connection therewith in the next Servicer Quarterly Report to be published following such appointment, and (b) in all other cases, promptly following the relevant appointment, provide written notice to the Issuer, the Borrower, the Borrower Security Agent, the Borrower Facility Agent, the Issuer Security Trustee, the Operating Adviser (if appointed) and the Noteholders of the details of the person so appointed, an explanation of the reason for such appointment and the fees payable in connection therewith.

The Issuer will be required to reimburse the Servicer or the Special Servicer for any costs and expenses incurred by them in relation to the appointment of any such adviser except for any such costs and expenses incurred in relation to the appointment of any advisers to advise on matters that ought to be within the competence of the Servicer or the Special Servicer, as applicable, unless the appointment of the relevant advisers, including without limitation, the terms thereof have been approved in writing by the Operating Adviser (if appointed) or by a written notice signed by holders of more than 50 per cent. of the Principal Amount Outstanding of the Controlling Class. Legal, accounting, tax, valuation, hedging, property management, real estate broking, surveying, environmental and insurance matters will not be treated as within the competence of the Servicer or the Special Servicer.

#### **Governing law**

The Servicing Agreement will be governed by and construed in accordance with English law.

## CASHFLOWS AND PAYMENT PRIORITIES

### Determination Date Calculations

With respect to a Note Payment Date, on the last day of the Collection Period ending immediately prior to such Note Payment Date (the "**Determination Date**"), the Cash Manager will be required, *inter alia*, to calculate the following:

- (a) the amount of Revenue Receipts and Principal Receipts received during the Collection Period ending on such Determination Date;
- (b) the Available Funds available to the Issuer for distribution on the following Note Payment Date;
- (c) the amount of the Revenue Shortfall (if any);
- (d) the Principal Distribution Amount and principal distributions required to be made in respect of each Class of Notes pursuant to Condition 6 (*Redemption and Cancellation*) on the following Note Payment Date;
- (e) the Prepayment Premium in respect of each Class of Notes for the following Note Payment Date in accordance with Condition 5(i) (*Interest – Prepayment Premium*); and
- (f) the amounts required to pay interest and principal due on the Notes on the following Note Payment Date and all other amounts payable by the Issuer on the following Note Payment Date.

**"Revenue Receipts"** means:

- (a) all monies (other than Principal Receipts) paid to the Issuer under or in respect of the Propco Loan (excluding any Security Reserve Drawing);
- (b) to the extent not included in item (a), all Facility Fees paid to the Issuer pursuant to the Propco Facility Agreement and the Facility Fee Letter; and
- (c) any interest accrued on the Issuer Transaction Account and paid to the Issuer in respect of amounts standing to the credit of the Issuer Transaction Account,

in each case deposited into the Issuer Transaction Account.

**"Principal Receipts"** means all payments in respect of principal allocated by the Servicer or the Special Servicer as Principal Receipts in respect of the Propco Loan (including scheduled repayments, voluntary prepayments, mandatory prepayments and loan enforcement proceeds allocated to principal) received by the Issuer and deposited into the Issuer Transaction Account (but excluding any Make-Whole Amount or Loan Premium) and the proceeds of any sale, transfer or other disposal of the Propco Loan and the Loan Security allocated by the Servicer or the Special Servicer as Principal Receipts received by the Issuer and deposited into the Issuer Transaction Account.

**"Available Funds"** means, in relation to a Note Payment Date:

- (a) an amount equal to the aggregate of the Revenue Receipts and the Principal Receipts standing to the credit of the Issuer Transaction Account at the close of business on the last day of the Collection Period ending immediately prior to that Note Payment Date; and
- (b) the amount of any Security Reserve Drawing for such Note Payment Date withdrawn by or on behalf of the Borrower Facility Agent from the Borrower Security Reserve Account pursuant to the Propco Facility Agreement and deposited into the Issuer Transaction Account.

The **"Prepayment Premium"** for each Class of Notes for a Note Payment Date will be determined by the Cash Manager as the amount of Make-Whole Amount and/or Loan Premium received by the Issuer in the Collection Period ending on the relevant Determination Date allocated to the Notes in the following manner:

- (a) pro rata to the Class A Notes, in an amount equal to the proportion that the related repayment or prepayment of the A Loan Tranche of the Propco Loan bears to the related total repayment or prepayment of the Propco Loan; then
- (b) pro rata to the Class B Notes, in an amount equal to the proportion that the related repayment or prepayment of the B Loan Tranche of the Propco Loan bears to the related total repayment or prepayment of the Propco Loan; then
- (c) pro rata to the Class C Notes, in an amount equal to the proportion that the related repayment or prepayment of the C Loan Tranche of the Propco Loan bears to the related total repayment or prepayment of the Propco Loan.

The "**Principal Distribution Amount**", for each Class of Notes for any Note Payment Date will be determined by the Cash Manager as:

- (a) in relation to the Class A Notes, the Principal Receipts received by the Issuer in the relevant Collection Period by way of repayment or prepayment of the principal amount outstanding of the A Loan Tranche;
- (b) in relation to the Class B Notes, the Principal Receipts received by the Issuer in the relevant Collection Period by way of repayment or prepayment of the principal amount outstanding of the B Loan Tranche; and
- (c) in relation to the Class C Notes, the Principal Receipts received by the Issuer in the relevant Collection Period by way of repayment or prepayment of the principal amount outstanding of the C Loan Tranche.

### **Priority of Payments**

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

Prior to the delivery of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager (on behalf of the Issuer) will be required, on each Note Payment Date, to apply the Available Funds from the Issuer Transaction Account for that Note Payment Date in the following order of priority (the "**Pre-Enforcement Priority of Payments**") (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to the Note Trustee and the Issuer Security Trustee and any other person appointed by the Note Trustee or the Issuer Security Trustee under the Note Trust Deed or the Deed of Charge and Assignment and/or any other Transaction Document to which the Note Trustee or the Issuer Security Trustee is a party;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to the Paying Agents, the Registrar and the Agent Bank (in each case for their own account) under the Agency Agreement;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to:
  - (i) the Cash Manager under the Cash Management Agreement;
  - (ii) the Account Bank under the Cash Management Agreement;
  - (iii) the Issuer Corporate Services Provider under the Corporate Services Agreement;
  - (iv) the Servicer under the Servicing Agreement; and

- (v) the Special Servicer under the Servicing Agreement;
- (d) *fourth*, in or towards payment or discharge of amounts due and payable by the Issuer to third parties (other than Issuer Secured Creditors) under obligations incurred in accordance with the terms of the Transaction Documents in the course of the Issuer's business (and for which payment has not been otherwise provided for elsewhere) and/or provision for such amounts that will become due during the Note Interest Period beginning on such Note Payment Date;
- (e) *fifth*, in or towards payment of the Class C Note Senior Additional Payment due on the Class C Notes;
- (f) *sixth*, in or towards payment of:
  - (i) firstly, where an Operating Adviser has been appointed by the Class A Noteholders, any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to such Operating Adviser pursuant to the terms of its appointment; and
  - (ii) secondly, interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes; and
  - (iii) thirdly, all other amounts (other than principal and interest) due and overdue on (or under the terms of) the Class A Notes;
- (g) *seventh*, in or towards payment of any principal due on the Class A Notes;
- (h) *eighth*, in or towards payment of:
  - (i) firstly, where an Operating Adviser has been appointed by the Class B Noteholders, any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to such Operating Adviser pursuant to the terms of its appointment; and
  - (ii) secondly, interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes; and
  - (iii) thirdly, all other amounts (other than principal and interest) due and overdue on (or under the terms of) the Class B Notes;
- (i) *ninth*, in or towards payment of any principal due on the Class B Notes;
- (j) *tenth*, in or towards payment of:
  - (i) firstly, where an Operating Adviser has been appointed by the Class C Noteholders, any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to such Operating Adviser pursuant to the terms of its appointment; and
  - (ii) secondly, interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes; and
  - (iii) thirdly, all other amounts (other than principal, interest and Class C Note Senior Additional Payment) due and overdue on (or under the terms of) the Class C Notes;
- (k) *eleventh*, in or towards payment of any principal due on the Class C Notes;
- (l) *twelfth*, to retain as Issuer profit in a separate ledger in the Issuer Transaction Account an amount equal to £500 in respect of such Note Payment Date from which the Issuer shall satisfy its liability to pay when due corporation tax on that amount in accordance with item (d) of this Pre-Enforcement Priority of Payments; and

- (m) *thirteenth*, any surplus to be retained in the Issuer Transaction Account.

***Post-Enforcement Priority of Payments***

Following the service of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full, the Issuer Security Trustee or any Receiver appointed by it will be required to apply all funds from the Issuer Transaction Account received or recovered by it or on its behalf in accordance with the following order of priority (the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Priority of Payments, the "**Priority of Payments**") (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer to the Note Trustee and the Issuer Security Trustee and any other person appointed by the Note Trustee or the Issuer Security Trustee under the Note Trust Deed or the Deed of Charge and Assignment and/or any other Transaction Document to which the Note Trustee or the Issuer Security Trustee is a party (including any Receiver appointed by the Issuer Security Trustee);
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the amounts then due, of any amounts due and payable by the Issuer to the Paying Agents, the Registrar and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Agency Agreement together with any other costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer to the Paying Agents, the Registrar and the Agent Bank (in each case for their own account) pursuant to the Agency Agreement;
- (c) *third*, in or towards satisfaction, *pro rata* according to the amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer to:
  - (i) the Cash Manager under the Cash Management Agreement;
  - (ii) the Account Bank under the Cash Management Agreement;
  - (iii) the Issuer Corporate Services Provider under the Corporate Services Agreement;
  - (iv) the Servicer under the Servicing Agreement; and
  - (v) the Special Servicer under the Servicing Agreement;
- (d) *fourth*, in or towards payment of the Class C Note Senior Additional Payment due on the Class C Notes;
- (e) *fifth*, in or towards payment of:
  - (i) firstly, where an Operating Adviser has been appointed by the Class A Noteholders, any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to such Operating Adviser pursuant to the terms of its appointment; and
  - (ii) secondly, any principal, interest and other amounts due and interest overdue (and all interest due on such overdue interest) on (or under the terms of) the Class A Notes;
- (f) *sixth*, in or towards payment of:
  - (i) firstly, where an Operating Adviser has been appointed by the Class B Noteholders, any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to such Operating Adviser pursuant to the terms of its appointment; and

- (ii) secondly, any principal, interest and other amounts due and interest overdue (and all interest due on such overdue interest) on (or under the terms of) the Class B Notes;
- (g) *seventh*, in or towards payment of:
  - (i) firstly, where an Operating Adviser has been appointed by the Class C Noteholders, any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to such Operating Adviser pursuant to the terms of its appointment; and
  - (ii) secondly, any principal, interest and other amounts due and interest overdue (and all interest due on such overdue interest) on (or under the terms of) the Class C Notes; and
- (h) *eighth*, any surplus to the Issuer.

## CASH MANAGEMENT FOR THE ISSUER

### Cash Manager

On or about the Closing Date and pursuant to the terms of the Cash Management Agreement, Elavon Financial Services Limited, UK Branch will be appointed as the Cash Manager to provide cash management services to the Issuer and the Issuer Security Trustee.

The Cash Manager will undertake with the Issuer and the Issuer Security Trustee that in performing the services to be performed and in exercising its discretions under the Cash Management Agreement, the Cash Manager will perform such responsibilities and duties diligently and in conformity with the Issuer's obligations with respect to the Transaction Documents and that it will comply with any directions, orders and instructions which the Issuer or the Issuer Security Trustee may from time to time give to the Cash Manager in accordance with the Cash Management Agreement.

### Account Bank

On or about the Closing Date and pursuant to the terms of the Cash Management Agreement, Elavon Financial Services Limited, UK Branch will be appointed as the Account Bank to provide banking services to the Issuer and the Issuer Security Trustee.

Pursuant to the Cash Management Agreement, the Account Bank will open and maintain a current account in the name of the Issuer (the "**Issuer Transaction Account**") and such other bank or securities accounts as the Account Bank may be required to open for or on behalf of the Issuer from time to time (the "**Issuer Accounts**").

The Account Bank will be required to comply with any direction of the Cash Manager, the Issuer or, following enforcement of the Issuer Security, the Issuer Security Trustee to effect payments from the Issuer Accounts if such direction is made in accordance with the Cash Management Agreement and the mandate governing the applicable account.

The Servicer (acting as agent for the Issuer and the Issuer Security Trustee) will be responsible, pursuant to the terms of the Servicing Agreement, for ensuring that the amounts received in connection with the Propco Loan are paid into the Issuer Transaction Account. Payments out of the Issuer Transaction Account will be made by the Cash Manager in accordance with the provisions of the Cash Management Agreement and the relevant Priority of Payments as described under the section entitled "*Cashflows and Payment Priorities*" on page 135. The Issuer Accounts will be subject to the Issuer Security as described under the section entitled "*Security for the Issuer's Obligations - The Issuer Security*" on page 144.

### Cash management services

The cash management services to be provided by the Cash Manager will include, but will not be limited to:

- (a) the making of the relevant determinations on each Determination Date as set out in the section entitled "*Cashflows and Payment Priorities – Determination Date Calculations*" on page 135;
- (b) the calculation on each Note Payment Date, of the Principal Amount Outstanding and the Note Factor for each Class of Notes for the next following Note Payment Date;
- (c) the payment on behalf of the Issuer of the payments required to be made pursuant to and in accordance with the Pre-Enforcement Priority of Payments, as set out in the section entitled "*Cashflows and Payment Priorities – Priority of Payments – Pre-Enforcement Priority of Payments*" on page 136 and the giving of directions to the Account Bank in relation thereto;
- (d) the determination of the Facility Fee payable by the Borrower under the terms of the Facility Fee Letter and the Propco Facility Agreement on each Loan Payment Date;
- (e) the delivery to each Rating Agency and the Irish Stock Exchange of information and reports in its possession as reasonably requested by them.



The Cash Manager will be required, from time to time, to notify Noteholders in accordance with Condition 17 (*Notice to Noteholders*) of the Conditions of any over-payment or under-payment in respect of any Note of which it has actual notice made on any Note Payment Date to any party entitled to the same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of any such notice, the Cash Manager will be required to rectify such over-payment or under-payment by increasing or, as the case may be, decreasing payments to the relevant party on any subsequent Note Payment Date. No liability will attach to the Cash Manager in relation to the making by the Cash Manager of any such payment correction. The Cash Manager will be required:

- (a) from time to time, to pay on behalf of the Issuer all payments and expenses required to be paid by the Issuer to third parties, as determined by the Cash Manager, by way of the Priority of Payments; and
- (b) to make all payments required to carry out an optional redemption of Notes pursuant to Condition 6(c) (*Redemption and Cancellation - Optional Redemption for Tax or Other Reasons*) or Condition 6(d) (*Redemption and Cancellation - Optional Redemption in Full*), in each case according to the provisions of the relevant Condition.

The performance by the Cash Manager of the cash management services is subject to the Cash Manager receiving the relevant information from the Issuer, the Account Bank, the Servicer, the Special Servicer, the Issuer Security Trustee, the Note Trustee and the other parties to the Transaction Documents. Absent fraud, gross negligence or wilful default, the Cash Manager will not be liable for any breach by it of the terms of the Cash Management Agreement directly arising from any failure or delay by the Issuer, the Servicer, the Special Servicer, the Issuer Security Trustee or the other parties to the Transaction Documents to provide the relevant information to the Cash Manager.

Furthermore, if for whatever reason, an incorrect payment is made to the Issuer Accounts, the Cash Manager will, as soon as reasonably practicable after becoming aware of the same, withdraw cash from the Issuer Accounts and use its reasonable efforts to ensure such cash is applied correctly thereafter.

#### **Delegation by the Cash Manager**

Subject to certain conditions contained in the Cash Management Agreement (including that it acts in a reasonable and prudent manner in relation to any such delegation), the Cash Manager will be permitted to sub-contract and delegate the performance of its obligations under the Cash Management Agreement to any sub-contractor, agent, representative or delegate.

#### **Fees**

Pursuant to the Cash Management Agreement, the Issuer will pay to the Cash Manager on each Note Payment Date a cash management fee as agreed between the Cash Manager and the Issuer and will reimburse the Cash Manager for all costs and expenses properly incurred by the Cash Manager in the performance of the cash management services.

#### **Termination of Appointment of the Cash Manager and the Account Bank**

The appointment of Elavon Financial Services Limited, UK Branch as Cash Manager and as Account Bank under the Cash Management Agreement may be terminated by virtue of either of their respective resignation or removal by the Issuer (prior to the service of a Note Acceleration Notice) (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) or (after the service of a Note Acceleration Notice) the Issuer Security Trustee, in each case upon not less than sixty days written notice to each of the parties to the Cash Management Agreement and subject to certain conditions as outlined below.

The occurrence of, *inter alia*, any of the following events, in relation to the Cash Manager, will constitute a "**Cash Manager Termination Event**" and, in relation to the Account Bank, will constitute an "**Account Bank Termination Event**":

- (a) provided there are sufficient funds available, a failure by the Cash Manager or the Account Bank (i) to make when due a payment required to be made by it in accordance with the Cash Management Agreement and such default continues unremedied for a period of 3 Business Days after the earlier of the Cash Manager or the Account Bank becoming aware of such default or receipt by the Cash Manager or the Account Bank of written notice of such default from the Issuer or the Issuer Security

Trustee, or (ii) to make when due a payment required to be made by it in accordance with the Cash Management Agreement on a Note Payment Date;

- (b) a failure by the Cash Manager or the Account Bank to maintain all appropriate licences, consents, approvals, authorisations and exemptions from and registrations required by it to perform its obligations under the Cash Management Agreement;
- (c) a material default by the Cash Manager or the Account Bank in the performance of any of its other duties under the Cash Management Agreement which continues unremedied for ten Business Days after the earlier of the Cash Manager or the Account Bank becoming aware of such default or receipt by the Cash Manager or the Account Bank of written notice of such default from the Issuer or the Issuer Security Trustee;
- (d) a petition is presented or an effective resolution passed or any order is made by any competent court for the winding up (including, without limitation, the filing of documents with the court or the service of a notice of intention to appoint an administrator) or dissolution of the Cash Manager or the Account Bank (other than in connection with a reorganisation, the terms of which have previously been approved in writing by the Issuer Security Trustee and the Note Trustee or by Extraordinary Resolution of the Noteholders and where the Cash Manager or the Account Bank is solvent) or the appointment of an administrator or similar official in respect of the Cash Manager or the Account Bank;
- (e) the occurrence of certain insolvency events in relation to the Cash Manager or the Account Bank; or
- (f) in relation to the Account Bank only, the Account Bank ceases to be an Authorised Entity and it has not complied with its obligations to maintain and operate the Issuer Accounts in accordance with the terms of the Cash Management Agreement.

Following the occurrence of any Cash Manager Termination Event or Account Bank Termination Event, the Issuer (at any prior to the service of a Note Acceleration Notice) (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) or (after service of a Note Acceleration Notice) the Issuer Security Trustee will terminate the appointment of the Cash Manager or the Account Bank by written notice to the respective parties, as applicable, with effect from a date specified in the notice (not earlier than the date of the notice), subject to certain conditions as outlined below.

Upon termination or resignation of the appointment of the Cash Manager or the Account Bank, the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) will be required to use its reasonable efforts to appoint a successor Cash Manager or successor Account Bank, as applicable, on or before the date of termination or resignation specified in the relevant notice of termination or resignation.

No termination or resignation of the appointment of the Cash Manager or the Account Bank under the Cash Management Agreement will take effect unless:

- (a) a successor Cash Manager or successor Account Bank, as applicable, is appointed;
- (b) the successor Cash Manager or successor Account Bank, as applicable, agrees in writing to be bound by the terms of the Cash Management Agreement and the other Transaction Documents or on such other terms as the Issuer and the Issuer Security Trustee may approve;
- (c) the successor Cash Manager or successor Account Bank, as applicable, enters into a deed of accession as provided for under the terms of the Deed of Charge and Assignment; and
- (d) in relation to a successor Account Bank, the successor Account Bank is an Authorised Entity.

Upon the termination or resignation of the appointment of the Cash Manager or the Account Bank, as applicable, the terminated Cash Manager or the terminated Account Bank, as applicable, is required to deliver its books of account relating to the Notes to the successor Cash Manager or successor Account Bank and is required to use all reasonable efforts and co-operate with the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement), the Issuer Security Trustee and the successor Cash Manager or successor Account Bank, as applicable, in effecting the termination of the

responsibilities and rights of the terminated Cash Manager or the terminated Account Bank under the Cash Management Agreement.

The Cash Management Agreement will terminate automatically when the Notes have been fully redeemed and the Issuer Secured Liabilities discharged.

#### **Rating criteria of the Account Bank**

The Cash Management Agreement will require that the Account Bank is, except in certain limited circumstances, a bank with a long-term issuer credit rating by S&P of at least "BBB-" (an "**Authorised Entity**").

If the Account Bank ceases to be an Authorised Entity, the Account Bank will be required to give notice of such event to the Issuer, the Servicer, the Special Servicer, the Cash Manager and the Issuer Security Trustee. The Account Bank will be required (within 60 days of the occurrence of such event or within 90 days of the occurrence of such event (provided that within 60 calendar days of the occurrence of such event, S&P, the Servicer, the Special Servicer and the Issuer Security Trustee receive written plans from the Account Bank describing the steps it will take to remedy the downgrade within the extended remedy period and S&P notifies the Account Bank that it will not take any action to downgrade the Class A Notes for the duration of the extended period)):

- (a) to procure the transfer of the Issuer Accounts to a successor Account Bank with the required rating;
- (b) to obtain a guarantee of its obligations under the Cash Management Agreement from a financial institution with the required rating; or
- (c) to take such other action as may be agreed with the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) and the Issuer Security Trustee as is consistent with maintaining the initial rating of the Class A Notes (or, if the current rating of the Class A Notes is lower than their initial rating, is consistent with enabling such initial rating of the Class A Notes to be restored),

and, in the case of item (a) above, the successor Account Bank entering into substantially similar arrangements to those contained in the Cash Management Agreement and acceding to the terms of the Deed of Charge and Assignment.

As at the date of this Prospectus, the long term issuer credit rating by S&P of the Account Bank is "AA-".

#### **Governing law**

The Cash Management Agreement will be governed by and construed in accordance with English law.

## SECURITY FOR THE ISSUER'S OBLIGATIONS

### The Issuer Security

To provide security for the moneys, obligations and liabilities due, owing, incurred or payable by the Issuer to the Issuer Secured Creditors under the Notes and the other Transaction Documents (the "**Issuer Secured Liabilities**"), the Issuer will enter into the Deed of Charge and Assignment with the Issuer Security Trustee and the Issuer Secured Creditors.

Pursuant to the Deed of Charge and Assignment, the Issuer will grant the following security (the "**Issuer Security**") to be held by the Issuer Security Trustee on trust for the benefit of the Issuer Secured Creditors:

- a first fixed charge of the Issuer's rights, title, interest and benefit, present and future in, to and under the Propco Finance Documents (excluding the Propco Scottish Security Documents), the Propco Loan and the Loan Security and an assignment and assignation by way of first fixed security in respect of the Issuer's rights, title, interest and benefit, present and future in and to its beneficial interest in the Propco Scottish Security Documents;
- an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future in, under and pursuant to the Transaction Documents and all other contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party (other than the Deed of Charge and Assignment);
- a first fixed charge of the Issuer's rights, title, interest and benefit, present and future in and to the Issuer Transaction Account and in and to all sums of money or securities which are from time to time and at any time standing to the credit of the Issuer Transaction Account and in and to any other bank, securities or other account opened and maintained in England and Wales (other than the bank account in the name of the Issuer held with Barclays Commercial Bank and used for the purposes of receiving the subscription proceeds of the Issuer's share capital (the "**Share Capital Account**"); and
- a first floating charge over the whole of the assets, undertaking and property of the Issuer which are not otherwise effectively subject to a fixed charge or assignment by way of security as described in the preceding paragraphs (and also extending over the Issuer's Scottish assets whether or not effectively charged or assigned by way of security as aforesaid).

"**Issuer Secured Creditors**" means the Issuer Security Trustee, the Noteholders, the Note Trustee, the Servicer, the Special Servicer, the Cash Manager, the Account Bank, the Agent Bank, the Principal Paying Agent, the Registrar and the Issuer Corporate Services Provider and any other person acceding to the Deed of Charge and Assignment, as an Issuer Secured Creditor, from time to time.

Under English law, security which is expressed to be fixed in nature may take effect as floating security depending on the degree of control which the secured party is given over the relevant assets and the degree to which such secured party exercises such control. Scots law does not recognise any equivalent concept of fixed security taking effect as floating security.

### Pre-Enforcement and Post-Enforcement Priority of Payments

The Deed of Charge and Assignment will set out the order of priority for the application of cash by the Cash Manager (on behalf of the Issuer) prior to the delivery by the Note Trustee of a Note Acceleration Notice to the Issuer or the Notes otherwise becoming due and payable in full. This payment order of priority is described in the section entitled "*Cashflows and Payment Priorities – Priority of Payments – Pre-Enforcement Priority of Payments*" on page 136.

The Deed of Charge and Assignment will also set out the order of priority for the application by the Issuer Security Trustee or any Receiver appointed by it, following the delivery by the Note Trustee of a Note Acceleration Notice to the Issuer or the Notes otherwise becoming due and payable in full, of amounts received or recovered by it or on its behalf. This order of priority is described in the section entitled "*Cashflows and Payment Priorities – Priority of Payments – Post-Enforcement Priority of Payments*" on page 138.

## Enforcement

The Issuer Security will become enforceable following the delivery by the Note Trustee of a Note Acceleration Notice to the Issuer pursuant to Condition 10 (*Note Events of Default*). After the Issuer Security has become enforceable, the Issuer Security Trustee may at its absolute discretion, or if instructed to do so by the Note Trustee, enforce all or any of the Issuer Security in any manner it sees fit (or in the case of instructions from the Note Trustee, the Note Trustee sees fit), but subject to any other applicable Condition.

If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the undertaking, property or assets secured under the Issuer Security or any part thereof or otherwise realise the Issuer Security unless:

- (a) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required pursuant to the Post-Enforcement Priority of Payments to be paid *pari passu* with, or in priority to, the Notes;
- (b) the Issuer Security Trustee is of the opinion, which shall be binding on the Noteholders and the other Issuer Secured Creditors, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required pursuant to the Post-Enforcement Priority of Payments to be paid *pari passu* with, or in priority to, the Notes; or
- (c) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal or realisation would place the Issuer Security in jeopardy.

At any time after the Issuer Security has become enforceable, the Issuer Security Trustee may appoint such persons as it thinks fit to be a receiver (including, without limitation, an administrative receiver) of the Issuer Security (a "**Receiver**").

## Protection Notice

If at any time while any of the Notes are outstanding, a Note Event of Default or an event, condition or act which, with the giving of notice and/or the lapse of time and/or the Note Trustee making any relevant determination and/or the Note Trustee issuing any relevant certificate, would constitute a Note Event of Default (a "**Potential Note Event of Default**") occurs, or the Issuer Security Trustee believes that the Issuer Security or any part thereof is in imminent danger of being seized or sold under any form of distress, execution or diligence levied or threatened or is otherwise in imminent jeopardy, the Issuer Security Trustee will be permitted or, if instructed to do so by the Note Trustee, will be required, to deliver a notice (a "**Protection Notice**") to the Issuer.

On the delivery of a Protection Notice, any charge created by or pursuant to the Deed of Charge and Assignment which is a floating charge shall (so far as permitted by law) crystallise. In addition, no payments (except payments of principal, interest and (in the case of the Class C Notes) Class C Note Senior Additional Payment to the Noteholders) may be made out of funds standing to the credit of the Issuer Transaction Account without the prior written consent of the Issuer Security Trustee.

The Issuer Security Trustee will be permitted at any time or, if instructed to do so by the Note Trustee, will be required (unless a Note Acceleration Notice has been given by the Note Trustee), to withdraw a Protection Notice in which case any charge created by or pursuant the Deed of Charge and Assignment originally as a floating charge shall thereupon become and continue to be a floating charge and the payment restrictions outlined above shall cease.

## Instructions from the Note Trustee

When exercising its opinion and/or when exercising the rights, benefits, power, trusts, authorities, discretions and obligations expressed to be granted by the Deed of Charge and Assignment, the other Transaction Documents or by operation of law, the Issuer Security Trustee will be required (prior to the payment or repayment in full of all amounts outstanding in respect of the Notes) to take its instructions from the Note Trustee and will not take instructions from any other Issuer Secured Creditor except as otherwise expressly

provided in the Deed of Charge and Assignment. In acting in accordance with such instructions, the Issuer Security Trustee will not be required to have regard to, and will not in any way be liable to the Issuer Secured Creditors or any other person for the consequences of doing so.

#### **No enforcement by Issuer Secured Creditors**

Pursuant to the terms of the Deed of Charge and Assignment, each of the Issuer Secured Creditors (other than the Note Trustee acting on behalf of the Noteholders) will agree with the Issuer Security Trustee that unless and until all amounts due on the Notes of all classes have been paid in full (i) it will not take steps against the Issuer to enforce the Issuer Security or direct the Issuer Security Trustee to do so; and (ii) it will not take steps against the Issuer to recover amounts owing to it by the Issuer or procure the appointment of a receiver or analogous officer for the winding up or liquidation or examination or dissolution of the Issuer in respect of any of its liabilities whatsoever, provided that an Issuer Secured Creditor will not be prevented from taking any steps against the Issuer which do not amount either to the commencement or the threat of commencement of legal proceedings against the Issuer, or the procuring of the appointment of a receiver or analogous officer for the winding up or dissolution or examination or liquidation of the Issuer where the Issuer has funds available to it to meet its obligations or liabilities under any of the Transaction Documents to that Issuer Secured Creditor, having first taken into account all other liabilities both actual and contingent of the Issuer in respect of the Issuer Secured Liabilities which rank in priority to or *pari passu* with its obligations or liabilities to that Issuer Secured Creditor under any of the Transaction Documents.

#### **Modification and waiver**

Pursuant to the terms of the Deed of Charge and Assignment, the Issuer Security Trustee will be required, if so directed by the Note Trustee:

- (a) to concur with the Issuer, the Servicer, the Special Servicer or any other person in making any modification to any Transaction Document; and/or
- (b) to waive or authorise any proposed or actual breach of any of the covenants or provisions contained in any Transaction Document by the Issuer or any other person.

Any such modification, authorisation, waiver or determination will be binding on the Noteholders and the other Issuer Secured Creditors.

#### **Fees, expenses and indemnity**

The Issuer will be required to:

- (a) pay to the Issuer Security Trustee on Note Payment Dates a fee of such amount as will be agreed by the Issuer Security Trustee and the Issuer (all such remuneration to be payable in accordance with the Priority of Payments);
- (b) reimburse the Issuer Security Trustee for all costs and expenses incurred by it in acting as Issuer Security Trustee; and
- (c) indemnify the Issuer Security Trustee and its officers, employees and agents from and against all claims, actions, demands, proceedings, liabilities, losses, costs, damages, charges and expenses incurred by it or to which it may become liable in connection with the exercise of its trusts, powers, authorities and discretions pursuant to the Deed of Charge and Assignment or the other Transaction Documents, any payment in respect of the Issuer Secured Liabilities being impeached or declared void for any reason whatsoever, any failure by the Issuer to comply with its obligations to the Issuer Security Trustee or otherwise in respect of any matter done or not done relating to any of the Transaction Documents, save where the same has arisen as a result of the fraud, gross negligence or wilful default of the Issuer Security Trustee or any of its officers, employees or agents.

In circumstances where directions or instructions to take proceedings, actions or steps have been given by the Noteholders (or any Class thereof) in accordance with Condition 11(a)(A) under "*Terms and Conditions of the Notes*" on page 176 and if the Issuer Security Trustee has reasonable grounds (or where such directions or instructions have been given after the security has become enforceable, grounds) to believe that legal

proceedings may be commenced against it or that liability may be asserted against it as a result of its taking such proceedings, actions or steps, and either (a) the indemnity provided by the Issuer to the Issuer Security Trustee under the Deed of Charge and Assignment does not cover such proceedings, actions or steps, or (b) the funds that are expected to be available in accordance with the provisions of the Transaction Documents to meet the indemnity payments due to the Issuer Security Trustee in respect of such proceedings, actions or steps will be insufficient to meet such payments in full, the Issuer Security Trustee shall not be bound to take such proceedings, actions or steps unless it is indemnified, secured and/or prefunded to its satisfaction against such proceedings (and all liabilities which it may incur in relation thereto) and liabilities. To the extent the Issuer Security Trustee determines (such determination to be made solely by the Issuer Security Trustee within the constraints of prevailing law) that it will not, for the reasons set out in above, take such proceedings, actions or steps unless it is indemnified, secured and/or prefunded to its satisfaction then it will be required, subject to applicable privilege and confidentiality considerations, to deliver to the Noteholders (or, as applicable, the Noteholders of the relevant Class or Classes) in accordance with Condition 17 (*Notice to Noteholders*), a reasonably detailed summary of the grounds upon which such additional indemnification is requested (including to the extent possible, but not limited to, information as to the relevant legal proceedings or liabilities, an estimate of the costs and monetary liabilities that it expects to incur (including, where applicable, liabilities incurred by it in defence of legal proceedings) and the amount of shortfall between the liabilities and the funds available to meet such liabilities) and, to the extent possible, provide such other information in relation thereto as may be reasonably requested by the Issuer or the Noteholders (or, as applicable, the Noteholders of the relevant Class or Classes).

### **Retirement and removal**

Subject to the appointment of a successor Issuer Security Trustee or there remaining at least one trustee being a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain to act as a custodian trustee or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction, to carry out the functions of a custodian trustee (a "**Trust Corporation**"), the Issuer Security Trustee will be permitted to retire at any time upon giving not less than three months prior written notice to the Issuer. In addition, the holders of the most senior Class of Notes outstanding (acting by Extraordinary Resolution) will have the power to remove the Issuer Security Trustee.

The retirement or removal of any Issuer Security Trustee will not be permitted to become effective unless there remains at least one Note Trustee being a Trust Corporation upon such retirement or removal.

Upon the termination or resignation of the appointment of an Issuer Security Trustee which is the sole trustee and a Trust Corporation), the Issuer will be required to use its reasonable efforts to procure that a new trustee (being a Trust Corporation) is appointed as soon as reasonably practicable thereafter provided that if the Issuer has failed to appoint a replacement Issuer Security Trustee within two months of receipt of the relevant notice, the outgoing Issuer Security Trustee will be entitled to appoint a successor (without any requirement for written approval of the Issuer or any other person) provided such successor is a reputable Trust Corporation.

The appointment of a new Issuer Security Trustee by the Issuer must be approved by an Extraordinary Resolution of the most senior Class of Notes then outstanding and by each other Issuer Secured Creditor (other than the Noteholders).

The Issuer Security Trustee will be permitted, subject to the conditions specified in the Deed of Charge and Assignment, to appoint a separate trustee or a co-trustee to act jointly with it.

### **Additional provisions of the Deed of Charge and Assignment**

The Deed of Charge and Assignment will contain a range of provisions regulating the scope of the Issuer Security Trustee's duties and liabilities. These include the following:

- (a) the Issuer Security Trustee will have the power to appoint a successor Servicer or successor Special Servicer, as applicable, upon the termination or resignation of the appointment of the Servicer and/or the Special Servicer under the Servicing Agreement;
- (b) the Issuer Security Trustee will not be responsible for the legality, admissibility in evidence, adequacy or enforceability of the Deed of Charge and Assignment or any other Transaction Document;

- (c) the Issuer Security Trustee will be entitled to assume that no Note Event of Default or Potential Note Event of Default has occurred unless the Issuer Security Trustee has received express notice from the Issuer or the Note Trustee stating that a Note Event of Default or Potential Note Event of Default has occurred and describing that Note Event of Default or Potential Note Event of Default; and
- (d) the Issuer Security Trustee will not be required to monitor or supervise the observance and performance by the Issuer or any other person under any Transaction Document of their respective obligations thereunder.

**Governing law**

The Deed of Charge and Assignment will be governed by and construed in accordance with English law provided that certain provisions of the Deed of Charge and Assignment will be compliant with and construed in accordance with Scots law.



## DESCRIPTION OF THE NOTE TRUST DEED AND THE NOTES

### The Note Trust Deed

The Note Trust Deed will set out the forms of the Global Notes and the Definitive Notes.

The Note Trustee will also set out the terms under which the Note Trustee is to be appointed, the indemnification of the Note Trustee, the payments it will be entitled to receive and the scope of the Note Trustee's powers. The Note Trustee is also given the ability to appoint a delegate in the execution of any of its duties under the Note Trust Deed, subject to exercising reasonable care in the selection of such delegate.

Pursuant to the Note Trust Deed, the Issuer will make certain covenants in favour of the Note Trustee (for the benefit of itself and on trust for the Noteholders) including, *inter alia*:

- to repay the principal of each of the Notes on the due date for the final maturity thereof, as specified in the Conditions, or such earlier date as the whole or any part thereof may become due and repayable thereunder and, until such payment, to pay interest and, in the case of the Class C Notes, Class C Senior Notes Additional Payments thereon on the dates provided for in the Conditions;
- to use its reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the regulated market of the Irish Stock Exchange or, if it is unable to do so having used its reasonable efforts or if the maintenance of such listing is, in the opinion of the Issuer, unduly onerous, use its reasonable efforts to obtain and maintain a quotation or listing or admission of the Notes on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Note Trustee) decide;
- to give notice forthwith to the Note Trustee upon becoming aware of the occurrence of any Note Event of Default or any Potential Note Event of Default in respect of the Notes;
- to keep in place Paying Agents, an Agent Bank and a Registrar;
- to keep on place a Cash Manager, Servicer and Special Servicer; and
- not to make any amendment or modification to the Transaction Documents or agree to waive or authorise any breach thereof without the prior written approval of the Note Trustee.

Some of the covenants of the Issuer also appear in the Conditions (see Condition 4 (*Covenants*) under "*Terms and Conditions of the Notes*" on page 162).

The Note Trust Deed will also provide for the delivery to the Note Trustee (on request by the Note Trustee and, in any event, after the audited accounts of the Issuer become available in respect of each financial period) of a certificate of the Issuer signed by the directors of the Issuer to the effect that, as at a date not more than seven days before delivering such certificate (the "**relevant date**"), to the best of the knowledge, information and belief of the Issuer, there did not exist and had not existed since the relevant date of the previous certificate (or in the case of the first such certificate, the Closing Date) any Note Event of Default or Potential Note Event of Default in respect of the Notes, except to the extent specified in the certificate, and that during the period from and including the relevant date of the last such certificate (or in the case of the first such certificate, the Closing Date) to and including the relevant date of such certificate the Issuer has complied with all its obligations under the Note Trust Deed, except to the extent specified in such certificate.

### Consideration of the interests of Noteholders

Pursuant to the terms of the Note Trust Deed, the Note Trustee will be required, as regards all the powers, trusts, authorities, duties and discretions vested in it by the Notes and the Transaction Documents, except where expressly provided otherwise, to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders but not to the interests of any other Issuer Secured Creditor. If, in the opinion of the Note Trustee:

- there is a conflict between the interests of the Class A Noteholders (for so long as there are any Class A Notes outstanding) on the one hand and the interests of the Class B Noteholders and/or the Class C Noteholders on the other hand, the Note Trustee will be required to have regard only to the interests of the Class A Noteholders; or
- there is a conflict between the interests of the Class B Noteholders (for so long as there are any Class B Notes outstanding) on the one hand and the interests of the Class C Noteholders on the other hand, the Note Trustee will be required, subject to the above paragraph, to have regard only to the interests of the Class B Noteholders,

save in the case of powers, authorities or discretions in relation to which it will be expressly stated in the Transaction Documents that they may be exercised by the Note Trustee only if in its opinion the interests of the Noteholders would not be materially prejudiced thereby.

Where it is required to have regard to the interests of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders, the Note Trustee will be required to have regard to the interests of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders (as the case may be) as a class and, in particular, but without prejudice to the generality of the foregoing, the Note Trustee will not be required to have regard to, and will not be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

It will not be possible to amend certain basic terms of any Class of Notes without the consent of (a) the holders of that Class of Note by Extraordinary Resolution, (b) the holders of each Class of Notes outstanding ranking senior thereto (if any) by Extraordinary Resolution and (c) the holders of each Class of Notes outstanding ranking junior thereto (if any) by Extraordinary Resolution unless, in the opinion of the Note Trustee, such amendment is not materially prejudicial to the interests of such junior-ranking Class of Noteholders (see Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*) under "*Terms and Conditions of the Notes*" on page 178).

#### **Fees, expenses and indemnity**

The Issuer will be required to:

- (a) pay to the Note Trustee on Note Payment Dates a fee of such amount as will be agreed by the Note Trustee and the Issuer (all such remuneration will be payable in accordance with the Priority of Payments);
- (b) reimburse the Note Trustee for all costs and expenses properly incurred by it in acting as Note Trustee; and
- (c) indemnify the Note Trustee and its officers, employees and agents from and against all liabilities, losses, damages, costs, charges, expenses, actions, proceedings, claims and demands incurred by it in the execution or purported execution of any of the duties, powers, authorities, rights, discretions or trusts of the Note Trust Deed or under or in respect of the other Transaction Documents or of their powers or in respect of any matter or thing done or omitted in any way relating to the Note Trust Deed or under or in respect of the other Transaction Documents.

In circumstances where directions or instructions to take proceedings, actions or steps have been given by the Noteholders (or any Class thereof) in accordance with Condition 11(a)(A) under "*Terms and Conditions of the Notes*" on page 176 and if the Note Trustee has reasonable grounds (or where such directions or instructions have been given after the security has become enforceable, grounds) to believe that legal proceedings may be commenced against it or that liability may be asserted against it as a result of its taking such proceedings, actions or steps, and either (a) the indemnity provided by the Issuer to the Note Trustee under the Note Trust Deed does not cover such proceedings, actions or steps, or (b) the funds that are expected to be available in accordance with the provisions of the Transaction Documents to meet the indemnity payments due to the Note Trustee in respect of such proceedings, actions or steps will be insufficient to meet such payments in full, the Note Trustee shall not be bound to take such proceedings, actions or steps unless it is indemnified, secured and/or prefunded to its satisfaction against such proceedings (and all liabilities which it may incur in relation thereto) and liabilities. To the extent the Note Trustee determines (such determination to be made solely by the

Note Trustee within the constraints of prevailing law) that it will not, for the reasons set out above, take such proceedings, actions or steps unless it is indemnified, secured and/or prefunded to its satisfaction then it will be required, subject to applicable privilege and confidentiality considerations, to deliver to the Noteholders (or, as applicable, the Noteholders of the relevant Class or Classes) in accordance with Condition 17 (*Notice to Noteholders*), a reasonably detailed summary of the grounds upon which such additional indemnification is requested (including to the extent possible, but not limited to, information as to the relevant legal proceedings or liabilities, an estimate of the costs and monetary liabilities that it expects to incur (including, where applicable, liabilities incurred by it in defence of legal proceedings) and the amount of shortfall between the liabilities and the funds available to meet such liabilities) and, to the extent possible, provide such other information in relation thereto as may be reasonably requested by the Issuer or the Noteholders (or, as applicable, the Noteholders of the relevant Class or Classes).

### **Retirement and removal**

Subject to the appointment of a successor Note Trustee or there remaining at least one trustee being a Trust Corporation, the Note Trustee will be permitted to retire at any time upon giving not less than three months' prior written notice to the Issuer. In addition, the holders of the most senior Class of Notes outstanding (acting by Extraordinary Resolution) will have the power to remove any Note Trustee.

The retirement or removal of any Note Trustee will not be permitted to become effective unless there remains at least one Note Trustee being a Trust Corporation upon such retirement or removal.

Upon the termination or resignation of the appointment of a Note Trustee which is the sole trustee and a Trust Corporation), the Issuer will be required to use its reasonable efforts to procure that a new trustee (being a Trust Corporation) is appointed as soon as reasonably practicable thereafter provided that if the Issuer has failed to appoint a replacement Note Trustee within two months of receipt of the relevant notice, the outgoing Note Trustee will be entitled to appoint a successor (without any requirement for written approval of the Issuer or any other person) provided such successor is a reputable Trust Corporation.

The Note Trustee will be permitted, subject to the conditions specified in the Note Trust Deed, to appoint a separate trustee or a co-trustee to act jointly with it.

### **Additional Provisions of the Note Trust Deed**

In addition to the above, the Note Trust Deed will set out:

- (a) when, and the terms upon which, the Note Trustee will be entitled or obliged, as the case may be, to take steps to enforce the Issuer's obligations under the Notes or to take other proceedings, actions or steps under or in connection with the Notes and the other Transaction Documents;
- (b) the extent of the Note Trustee's powers and discretions, including its rights to act upon the advice of certain experts and to rely upon certain documents without being bound to call for further evidence;
- (c) the scope of the Note Trustee's liability for any breach of trust, gross negligence, wilful default or fraud in connection with the exercise of its duties;
- (d) the terms upon which the Note Trustee may, without the consent of the Noteholders, waive or authorise any breach or proposed breach of any of the covenants or provisions contained in the Note Trust Deed (including the Conditions), the Notes or any of the other Transaction Document or determine that a Note Event of Default or Potential Note Event of Default will not be treated as such;
- (e) the terms upon which the Note Trustee may, without the consent of the Noteholders, make or sanction any modification (except a Basic Terms Modification) to the Notes or to the terms of the Note Trust Deed (including the Conditions) or any of the other Transaction Documents (including amendments to be implemented by the Servicer or the Special Servicer, as applicable, in accordance with the terms of the Servicing Agreement); and
- (f) the requirements for and organisation of Noteholder meetings.

The Conditions will form part of the Note Trust Deed.

## **Governing law**

The Note Trust Deed and the Notes will be governed by and construed in accordance with English law.

## **The Agency Agreement**

The Agency Agreement will contain the detailed provisions as to the appointment of the Paying Agents and other Agents and will regulate how payments will be made on the Notes and how determinations and notifications will be made. The Agency Agreement will be governed by and construed in accordance with English law.

## **Description of the Notes**

*The information set out below has been obtained from sources that the Issuer believes to be reliable and the Issuer accepts responsibility for correctly reproducing this information, but prospective investors are advised to make their own enquiries as to such procedures. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect, and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Note Trustee, the Issuer Security Trustee or any Agent party to the Agency Agreement (or any affiliate of any of the above, or any person by whom any of the above is controlled) will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.*

### **General**

Each Class of Notes (which will each be in the denomination of £100,000 and integral multiples of £1,000 in excess thereof) will be represented initially by a Reg S Global Note and/or, as applicable, a Rule 144A Global Note, in each case in registered form without interest coupons or talons. The Global Notes will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of the Common Depositary on or about the Closing Date. Upon deposit of the Global Notes, Euroclear and/or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes in the Class and equal to the principal amount thereof for which each such subscriber has subscribed and paid.

### **Holding of Beneficial Interests in Global Notes**

Ownership of beneficial interests in respect of Global Notes will be limited to persons that are shown on the records of Euroclear or Clearstream, Luxembourg as a holder of a Note ("**Direct Participants**") or persons that hold beneficial interests in the Global Notes through Direct Participants ("**Indirect Participants**") and, together with Direct Participants, "**Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg either directly or indirectly. Indirect Participants also include persons that will hold beneficial interests in the Notes through other Indirect Participants.

Beneficial interests in Global Notes will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. Ownership of beneficial interests in Global Notes will be shown on, and transfers of beneficial interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of the Direct Participants) and on the records of Direct Participants or Indirect Participants (with respect to the interests of the relevant beneficial owners). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability of persons within such jurisdictions or otherwise subject to the laws thereof to own, transfer or pledge beneficial interests in the Global Notes.

Except as set forth below under "**Issuance of Definitive Notes**", Direct Participants and Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in the form of individual registered note certificates and will not be considered the holders thereof under the Note Trust Deed. Accordingly, each person holding a beneficial interest in a Global Note must

rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Direct Participant and/or Indirect Participants through which such person owns its beneficial interest in the relevant Global Note to exercise any rights and obligations of a holder of Notes under the Note Trust Deed.

Unlike legal owners or holders of the Notes, holders of beneficial interests in the Global Notes will not have the right under the Note Trust Deed to act upon solicitations by the Issuer of consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of a beneficial interest in a Global Note will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of beneficial interests in Global Notes to vote on any requested actions on a timely basis. Similarly, upon the occurrence of a Note Event of Default under the Notes, holders of beneficial interests in the Global Notes will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Note Trust Deed and the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Note Trust Deed.

For further information regarding the purchase of beneficial interests in Global Notes, see the section entitled "*Transfer Restrictions*" on page 204.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfer of beneficial interests in the Global Notes among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Issuer Security Trustee, the Agents or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

#### ***Payments on Global Notes***

Each payment of interest on and repayment of principal of the Notes will be made in accordance with the Agency Agreement.

Payments of any amounts owing in respect of the Global Notes will be made by the Paying Agents following receipt of any principal, interest, C Loan Additional Payments and/or Prepayment Premium (if any) on the Global Notes, in pounds sterling to, or to the order of, the relevant accounts of the persons appearing in the records of Euroclear and Clearstream, Luxembourg as the holders of the beneficial interests in respect of such Notes in accordance with the Conditions, the Agency Agreement and the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Under the terms of the Note Trust Deed, the Issuer and the Note Trustee will be required to treat the registered holders of Global Notes as the owners thereof for the purposes of receiving payments and for all other purposes. Consequently, none of the Issuer, the Issuer Security Trustee, the Note Trustee or any agent of the Issuer, the Issuer Security Trustee or the Note Trustee has or will have any responsibility or liability for:

- (a) any aspect of the records of Euroclear or Clearstream, Luxembourg or any Participant relating to or payments made on account of a beneficial interest or book-entry interest in a Global Note or for maintaining, supervising or reviewing any of the records of Euroclear or Clearstream, Luxembourg or any Participant relating to or payments made on account of a beneficial interest in a Global Note; or
- (b) Euroclear or Clearstream, Luxembourg or any Participant.

The Note Trustee will be entitled to rely on any certificate issued by or other form of record made by Euroclear or Clearstream, Luxembourg for determining the identity of the several persons who are for the time being the beneficial holders of any beneficial interest in a Global Note.

All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or

withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment by the Common Depositary or its nominee, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of beneficial interests in the Global Notes as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that payments by Participants to owners of beneficial interests in Global Notes held through such Participants will be governed by standing customer instructions and customary practices. Such payments will be the responsibility of such Participants. None of the Issuer, the Note Trustee, the Issuer Security Trustee, the Agents or any other agent of the Issuer, the Note Trustee, the Issuer Security Trustee or any Agent will have any responsibility or liability for any aspect of the records of Euroclear or Clearstream, Luxembourg relating to or payments made by Euroclear or Clearstream, Luxembourg on account of a Participant's ownership of beneficial interests in Global Notes or for maintaining, supervising or reviewing any records relating to a Participant's ownership of beneficial interests in the Global Notes.

### ***Book-Entry Ownership***

Each Global Note will have an ISIN and a Common Code and will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg and registered in the name of USB Nominees (UK) Limited as nominee of the Common Depositary.

### ***Information Regarding Euroclear and Clearstream, Luxembourg***

Custodial and depository links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Global Notes and secondary market trading of beneficial interests in the Global Notes.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

As Euroclear and Clearstream, Luxembourg act on behalf of their respective account holders only, who in turn may act on behalf of their respective clients, the ability of beneficial owners who are not account holders with Euroclear or Clearstream, Luxembourg to pledge interests in the Global Notes to persons or entities that are not account holders with Euroclear or Clearstream, Luxembourg, or otherwise take action in respect of interests in the Global Notes, may be limited.

The Issuer understands that under existing industry practices, if either the Issuer or the Note Trustee requests any action of owners of beneficial interests in Global Notes or if an owner of a beneficial interest in a Global Note desires to give instructions or take any action that a holder is entitled to give or take under the Note Trust Deed, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Direct Participants owning the relevant beneficial interests to give instructions or take such action, and such Direct Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

### ***Redemption***

For any redemptions of a Global Note in part, selection of the book-entry interests relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such other basis as Euroclear or Clearstream, Luxembourg deems fair and appropriate) provided that only book-

entry interests in the original principal amount of £100,000 or integral multiples of such original principal amount (and integral multiples of £1,000 in excess thereof) will be redeemed. Upon any redemption in part, the Registrar will record the amount of principal repaid in the Register with respect to such Global Note.

### ***Transfer and Transfer Restrictions***

All transfers of beneficial interests in Global Notes will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants.

Each Rule 144A Global Note will bear a legend substantially identical to that appearing the section entitled "*Transfer Restrictions – Reg S Global Notes and Reg S Definitive Notes*" on page 206. Each Reg S Global Note will bear a legend substantially identical to that appearing the section entitled "*Transfer Restrictions – Rule 144A Global Notes and Rule 144A Definitive Notes*" on page 207.

### ***Transfer of Global Notes***

The Global Notes may be transferred by the Common Depositary only to another common depositary of Euroclear and/or Clearstream, Luxembourg or to a nominee of any such common depositary.

### ***Issuance of Definitive Notes***

Holders of beneficial interests in a Global Note will be entitled to receive Definitive Notes representing Notes of the relevant Class in exchange for their respective holdings of beneficial interests only if:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any other jurisdiction or of any political sub-division thereof or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in the form of individual registered note certificates.

Any Definitive Notes issued in exchange for beneficial interests in a Global Note will be registered by the Registrar in such name or names as instructed by Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their participants with respect to ownership of the relevant beneficial interests. In no event will Definitive Notes be issued in bearer form.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form (subject to completion and amendment) in which they will be set out in the Note Trust Deed.*

The £184,211,000 Class A Commercial Mortgage Backed Fixed Rate Notes due 2025 (the "**Class A Notes**"), the £52,632,000 Class B Commercial Mortgage Backed Fixed Rate Notes due 2025 (the "**Class B Notes**") and the £26,316,000 Class C Commercial Mortgage Backed Fixed Rate Notes due 2025 (the "**Class C Notes**") and together with the Class A Notes and the Class B Notes the "**Notes**" (as more fully defined below)) of Debussy DTC PLC (the "**Issuer**") are constituted by a trust deed dated on or about 24 July 2013 (the "**Closing Date**") (the "**Note Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer and U.S. Bank Trustees Limited in its capacity as note trustee (the "**Note Trustee**", which expression includes its successors or any further or other trustee under the Note Trust Deed) as trustee for the holders for the time being of the Notes and are subject to these terms and conditions (the "**Conditions**" and any reference to a "**Condition**" shall be construed accordingly).

The respective holders of the Class A Notes, the Class B Notes and the Class C Notes (each, a "**Noteholder**" and, collectively, the "**Noteholders**") are referred to in these Conditions as the "**Class A Noteholders**", the "**Class B Noteholders**" and the "**Class C Noteholders**", respectively.

Any reference to a "**Class**" of Notes or Noteholders shall be a reference to any, or all of, the respective Class A Notes, Class B Notes and the Class C Notes or any, or all of, their respective holders, as the case may be.

Any reference to the "**most senior Class of Notes**" shall mean (a) the Class A Notes, (b) if no Class A Notes are then outstanding, the Class B Notes (if, at any time, any Class B Notes are then outstanding) or (c) if no Class A Notes or Class B Notes are then outstanding, the Class C Notes (if, at any time, any Class C Notes are then outstanding).

The security for the Notes is constituted by, and on terms set out in, a deed of charge and assignment dated on or about the Closing Date (the "**Deed of Charge and Assignment**"), which expression includes such deed of charge and assignment as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified), and made between, among others, the Issuer and U.S. Bank Trustees Limited in its capacity as issuer security trustee (the "**Issuer Security Trustee**", which expression includes its successors or any further or other trustee under the Deed of Charge and Assignment). By an agency agreement dated on or about the Closing Date (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Note Trustee, Elavon Financial Services Limited, UK Branch in its separate capacities under the same agreement as principal paying agent (the "**Principal Paying Agent**", which expression includes any other principal paying agent appointed in respect of the Notes) (the Principal Paying Agent being, together with any further or other paying agents for the time being appointed in respect of the Notes, the "**Paying Agents**") and agent bank (the "**Agent Bank**", which expression includes any other agent bank appointed in respect of the Notes) and Elavon Financial Services Limited as registrar for the Notes (the "**Registrar**", which expression includes any other registrar appointed in respect of the Notes, and, together with the Paying Agents and the Agent Bank, the "**Agents**"), provision is made for, *inter alia*, the payment of principal and interest and (in the case of the Class C Notes) Class C Note Senior Additional Payment in respect of the Notes.

The provisions of these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Cash Management Agreement, the Corporate Services Agreement, the Servicing Agreement, the Share Declaration of Trust and a master definitions schedule dated on or about the Closing Date and signed for identification purposes only by Sidley Austin LLP (the "**Master Definitions Schedule**"), which expression includes such master definitions schedule as from time to time modified in accordance with the provisions of the Note Trust Deed). Copies of the Note Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Cash Management Agreement, the Corporate Services Agreement, the Servicing Agreement, the Share Declaration of Trust and the Master Definitions Schedule will be available in electronic form from, or will be available for inspection by the



Noteholders (in physical form) during business hours at, the registered office for the time being of the Issuer, being at the date hereof at 4<sup>th</sup> Floor, Dukes Place, London EC3A 7NH and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of and definitions contained in the Note Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Cash Management Agreement, the Corporate Services Agreement, the Servicing Agreement, the Share Declaration of Trust and the Master Definitions Schedule.

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 22 July 2013.

Capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions Schedule.

## **1. GLOBAL NOTES**

### **(a) Rule 144A Global Notes**

The Class A Notes, the Class B Notes and the Class C Notes initially offered and sold in the United States of America (the "**United States**") to qualified institutional buyers ("**Qualified Institutional Buyers**") (as defined in Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"), that are also qualified purchasers ("**Qualified Purchasers**") within the meaning of Section (2)(a)(51) of the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and the rules and regulations thereunder, in reliance on Rule 144A will initially each be represented by one or more permanent global notes in fully registered form for each Class of Notes (the "**Class A Rule 144A Global Notes**", the "**Class B Rule 144A Global Notes**" and the "**Class C Rule 144A Global Notes**" respectively and, together, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will each be deposited with and held by Elavon Financial Services Limited (the "**Common Depositary**") for Euroclear Bank S.A./N.V. (as operator of the Euroclear System) ("**Euroclear**", which term shall include any successor operator of the Euroclear System) and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**", which term shall include any successor thereto) and registered in the name of USB Nominees (UK) Limited as nominee of the Common Depositary.

### **(b) Regulation S Global Notes**

The Class A Notes, the Class B Notes and the Class C Notes initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Regulation S**") under the Securities Act will initially each be represented by one or more permanent global notes in fully registered form for each Class of Notes (the "**Class A Reg S Global Note**" the "**Class B Reg S Global Note**" and the "**Class C Reg S Global Note**", respectively and, together, the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will each be deposited with and held by the Common Depositary for Euroclear and Clearstream, Luxembourg and registered in the name of USB Nominees (UK) Limited as nominee of the Common Depositary.

### **(c) Form and Title**

Each Global Note shall be issued in fully registered form without any coupons attached.

Each Global Note will be serially numbered which will be recorded in the register (the "**Register**") which the Issuer will procure will be kept by the Registrar at its specified office.

The person in whose name a Note is registered at that time in the Register will, to the fullest extent permitted by applicable law, be deemed and be treated as the absolute owner of such Note by all persons and for all purposes (including the making of any payments), regardless of any notice to the contrary, any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing on that Note (other than the endorsed form of transfer).

No transfer of a Note will be valid unless and until entered on the Register. Transfers and exchanges of beneficial interests in the Global Notes and entries on the Register relating to the Notes will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Note Trust Deed and the relevant legends appearing on the face of the Notes (such regulations and legends being the "**Transfer Regulations**"). Each transfer or purported transfer of a beneficial interest in a Global Note or a Definitive Note made in violation of the Transfer Regulations shall be void *ab initio* and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary. The Transfer Regulations may be changed by the Issuer with the prior written approval of the Note Trustee, acting in accordance with the provisions of Condition 13 (*Meetings of Noteholders, Modifications, Waiver and Substitution*). A copy of the current Transfer Regulations will be sent by the Registrar to any holder of a Note who so requests and by the Principal Paying Agent to any holder of a Note who so requests, at the cost of the relevant Noteholder making such request

Ownership of interests in the Rule 144A Global Notes ("**Restricted Book-Entry Interests**") will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons who hold interests through such participants and who are qualified institutional buyers (as defined in Rule 144A) and qualified purchasers (within the meaning of section 2(a)(51) of the Investment Company Act and the rules thereunder) and have purchased such interest in reliance on Rule 144A or have purchased such interest in accordance with the restrictions legended on the Rule 144A Global Notes. Ownership of interests in respect of the Reg S Global Notes (the "**Unrestricted Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons who hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream, Luxembourg and their participants. Beneficial interests in a Reg S Global Note may not be held by a U.S. Person (as defined in Regulation S under the Securities Act) at any time.

(d) **Denomination**

The Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

2. **DEFINITIVE NOTES**

(a) **Issue of Definitive Notes**

A Global Note will be exchanged for individual registered note certificates of the relevant Class in registered form (each a "**Definitive Note**") in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 6(e) (*Principal Amount Outstanding and Note Factor*)) of the relevant Global Note only if any of the following circumstances apply:

- (i) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is in existence; or
- (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any other jurisdiction or any political sub-division thereof or of any authority therein or thereof having the power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in the form of individual registered note certificates.

If Definitive Notes are issued in accordance with the Note Trust Deed:

- (i) the Book-Entry Interests represented by the Reg S Global Note of each Class shall be exchanged by the Issuer for Definitive Notes ("**Reg S Definitive Notes**") of that Class; and
- (ii) the Book-Entry Interests represented by the Rule 144A Global Note of each Class shall be exchanged by the Issuer for Definitive Notes ("**Rule 144A Definitive Notes**") of that Class.

The aggregate principal amount of the Reg S Definitive Notes and the Rule 144A Definitive Notes of each class to be issued will be equal to the aggregate Principal Amount Outstanding of the relevant Global Note, at the date on which notice of such issue of Definitive Notes is given to the Noteholders for such Class, subject to and in accordance with these Conditions, the Agency Agreement, the Note Trust Deed and the relevant Global Note. The Definitive Notes be issued in registered form only.

(b) **Title to and transfer of Definitive Notes**

Title to a Definitive Note will pass upon registration in the Register. A Definitive Note will have a minimum original principal amount of £100,000 and will be serially numbered. A Definitive Note may be transferred in whole or in part (provided that any partial transfer relates to an original principal amount of £100,000 upon surrender of such Definitive Note, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor. All transfers of Definitive Notes are subject to any restrictions on transfer set forth in such Definitive Notes and the Transfer Regulations.

Each new Definitive Note to be issued upon the transfer, in whole or in part, of a Definitive Note will, within five Business Days (as defined in Condition 5(b) (*Note Payment Dates and Note Interest Periods*)) of receipt of the Definitive Note to be transferred, in whole or in part, (duly endorsed for transfer) at the specified office of the Registrar, be available for delivery at the specified office of the Registrar or be posted at the risk of the holder entitled to such new Definitive Note to such address as may be specified in the form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other government charges which may be imposed in relation to it and, only if the relevant Definitive Note is presented or surrendered for transfer and endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by the transferor Noteholder (or his attorney duly authorised in writing) and upon receipt of such certificates and other documents as shall be necessary to evidence compliance with the restrictions on transfer contained in the relevant Definitive Note, the Note Trust Deed and the Agency Agreement.

No transfer of a Definitive Note will be registered in the period beginning 15 Business Days before, or ending on the fifth Business Day after, each Note Payment Date.

For the purposes of these Conditions:

- (i) the "**holder**" of a Note or "**Noteholder**" means (a) in respect of each Global Note, the person in whose name such Global Note is registered at that time in the Register, and (b) in respect of any Definitive Note issued under Condition 2(a) (*Issue of Definitive Notes*), the person in whose name such Definitive Note is registered (or, in the case of a joint holding, the first named thereof), subject as provided in Condition 7(b) (*Definitive Notes*), and related expressions shall be construed accordingly; and
- (ii) references herein to "**Notes**" shall include the Global Notes and the Definitive Notes.

### 3. STATUS, SECURITY AND PRIORITY

#### (a) Status and Relationship among the Notes

- (i) The Notes constitute direct, secured and, subject to the limited recourse provisions in Condition 12 (*Limited Recourse*), unconditional obligations of the Issuer and are secured by the Issuer Security (as more particularly described in Condition 3(b)).
- (ii) Subject to Condition 5 (*Interest and Additional Payments*) and Condition 6 (*Redemption and Cancellation*):
  - (A) the Class A Notes will rank *pari passu* and without preference or priority among the Notes of that Class and in priority to the Class B Notes and the Class C Notes (other than in respect of Class C Note Senior Additional Payment);
  - (B) the Class B Notes will rank *pari passu* and without preference or priority among the Notes of that Class and in priority to the Class C Notes (other than in respect of Class C Note Senior Additional Payment); and
  - (C) the Class C Notes will rank *pari passu* and without preference or priority among the Notes of that Class.
- (iii) The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the holders of the Class A Notes, the Class B Notes and the Class C Notes equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise); provided that:
  - (A) if, in the opinion of the Note Trustee, there is a conflict between the interests of the Class A Noteholders (for so long as there are any Class A Notes outstanding) on the one hand and the interests of the Class B Noteholders and/or the Class C Noteholders on the other hand, the Note Trustee shall have regard only to the interests of the Class A Noteholders;
  - (B) if, in the opinion of the Note Trustee, there is a conflict between the interests of the Class B Noteholders (for so long as there are any Class B Notes outstanding) on the one hand and the interests of the Class C Noteholders on the other hand, the Note Trustee shall, subject to Condition 3(a)(iii)(A), have regard only to the interests of the Class B Noteholders,

but so that this proviso shall not apply in the case of any powers, trusts, authorities, duties or discretions of the Note Trustee in relation to which it is expressly stated that they may be exercised by the Note Trustee only if in its opinion the interests of the Noteholders of each Class would not be materially prejudiced thereby.
- (iv) Except where expressly provided otherwise in the Transaction Documents, so long as any of the Notes remain outstanding, the Issuer Security Trustee may act only on the instructions of the Note Trustee (on behalf of the Noteholders) and will not take instructions from any other Issuer Secured Creditor.
- (v) The Note Trust Deed contains provisions limiting the powers of:
  - (A) the Class B Noteholders, *inter alia*, to direct the Note Trustee to take any action which may affect the interests of the Class A Noteholders; and
  - (B) the Class C Noteholders, *inter alia*, to direct the Note Trustee to take any action which may affect the interests of the Class A Noteholders or the Class B Noteholders,

in each case, subject as provided in the Note Trust Deed. Except in certain circumstances as set out in the Note Trust Deed, the Note Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which powers will be binding on the Class B Noteholders and the Class C Noteholders, irrespective of the effect thereof on their interests subject as provided in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Except in certain circumstances as set out in the Note Trust Deed, the exercise of their powers by the Class B Noteholders will be binding on the Class C Noteholders, irrespective of the effect thereof on their interests subject as provided in Condition 13(d).

(b) **Issuer Security**

The security interests granted in respect of the Notes are set out in the Deed of Charge and Assignment. Pursuant to the Deed of Charge and Assignment, the Issuer has granted the Issuer Security in favour of the Issuer Security Trustee for itself and on trust for the Noteholders, the Note Trustee and the other Issuer Secured Creditors.

Pursuant to the Deed of Charge and Assignment, the Issuer with full title guarantee (or, in relation to assets situated in Scotland or governed by Scots law, with absolute warrandice) has created the following security (the "**Issuer Security**") in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors:

- (i) a first fixed charge over the Issuer's rights, title, interest and benefit, present and future, in, to and under the Propco Finance Documents (excluding the Propco Scottish Security Documents), the Propco Loan and the Loan Security and an assignment and assignation by way of first fixed security in respect of the Issuer's rights, title, interest and benefit, present and future in and to its beneficial interest in the Propco Scottish Security Documents;
- (ii) an assignment by way of first-ranking security of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than the Deed of Charge and Assignment);
- (iii) a fixed first charge over the Issuer's rights, title, interest and benefit, present and future, in, to and under the Issuer Transaction Account and any other bank or securities account in England and Wales in which the Issuer may place and hold its cash or securities resources, and in the funds or securities from time to time standing to the credit of such accounts and in the debts represented thereby; and
- (iv) a first-ranking floating charge governed by English law over the whole of the undertaking and assets of the Issuer, present and future (other than any property or assets of the Issuer subject to the assignments by way of security and the fixed charges set out in Conditions 3(b)(i) to 3(b)(iv) but extending over all of the undertaking and assets of the Issuer, present and future, as or located in Scotland or governed by Scots law.

The floating charge created under the Deed of Charge and Assignment is a qualifying floating charge for the purposes of paragraph 14 of Schedule B1 to the Insolvency Act of 1986.

The Deed of Charge and Assignment contains provisions regulating the priority of application of the Issuer Security (and the proceeds thereof) by the Cash Manager among the persons entitled thereto prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full and provisions regulating such application by the Issuer Security Trustee after the service of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full.

(c) **Disposal of Issuer Security upon enforcement**

If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the undertaking, property or assets secured under the Issuer Security or any part thereof or otherwise realise the Issuer Security unless:

- (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes; or
- (ii) the Issuer Security Trustee is of the opinion, which shall be binding on the Noteholders and the other Issuer Secured Creditors, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Issuer Security Trustee, upon which the Issuer Security Trustee shall be entitled to rely, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes; or
- (iii) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal or realisation would place the Issuer Security in jeopardy.

**4. COVENANTS**

(a) **Restrictions**

Save with the prior written consent of the Note Trustee or unless otherwise provided in or envisaged by these Conditions or the Transaction Documents, the Issuer shall, so long as any Note remains outstanding:

(i) ***Negative Pledge***

not create or permit to subsist any mortgage, standard security, sub-mortgage, sub-standard security, assignment, assignation, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation, assignment or assignation by way of security or any other security interest whatsoever over any of its assets, present or future, (including any uncalled capital);

(ii) ***Restrictions on Activities***

- (A) not engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (B) not have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment;
- (C) not amend, supplement or otherwise modify its memorandum or articles of association or other constitutive documents; or
- (D) not engage, or permit any of its affiliates, to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under United States federal income tax principles, and hold, or permit any of its affiliates to hold, any property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States federal income tax principles;

(iii) ***Disposal of Assets***

not transfer, convey, assign, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein other than as expressly contemplated by the Transaction Documents;

(iv) ***Dividends or Distributions***

not pay any dividend or make any other distribution to its shareholders or issue any further shares except the annual dividend paid to the Issuer's shareholders pursuant to the Cash Management Agreement;

(v) ***Borrowings***

not incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except in respect of the Notes or the Servicing Agreement or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;

(vi) ***Merger***

not consolidate or merge with any other person or convey or transfer all or substantially all of its property or assets to any other person;

(vii) ***Variation***

not permit any of the Transaction Documents to which it is a party to become invalid or ineffective, or the priority of the security interests created thereby to be reduced, amended, terminated, postponed or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the terms of the Note Trust Deed, these Conditions, the Deed of Charge and Assignment or any of the other Transaction Documents, or permit any party to any of the Transaction Documents or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations or dispose of all or any part of the Issuer Security;

(viii) ***Bank Accounts***

not have an interest in any bank account other than the Issuer Transaction Account and the Share Capital Account, unless such account or interest therein is charged or security is otherwise provided to the Issuer Security Trustee on terms acceptable to it;

(ix) ***Assets***

not own assets other than those representing its share capital, the funds arising from the issue of the Notes, the property, rights and assets secured by the Issuer Security and associated and ancillary rights and interests thereto, the benefit of the Propco Finance Documents, the benefit of the Transaction Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time;

(x) ***Equitable Interest***

not permit any person other than the Issuer and the Issuer Security Trustee to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein except as otherwise provided for in the Transaction Documents;

(xi) ***U.S. Activities***

not engage in any activities in the United States (directly or through agents) or derive any income from United States sources that is subject to any United States withholding tax as determined under United States income tax principles or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States tax principles;

(xii) ***Purchase of Notes***

not purchase any of the Notes;

(xiii) ***Business Establishment***

not have any other business establishment or other fixed establishment other than in England;

(xiv) ***Centre of Main Interests***

conduct its business and affairs such that, at all times, its centre of main interests for the purposes of the EU Insolvency Regulation (EC) No. 1346/2000 of 29 May 2000 as amended shall be and remain in England; and

(xv) ***Tax Status***

ensure that it is at all times solely resident in the United Kingdom for United Kingdom tax purposes and has no branch, business establishment or other fixed establishment outside the United Kingdom:

In giving any consent to the foregoing, the Note Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Note Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders but subject to the terms of the Transaction Documents.

(b) **Cash Manager, Master Servicer and Special Servicer**

So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Issuer Transaction Account and any other account of the Issuer from time to time and a servicer and a special servicer in respect of the Propco Loan and the Loan Security. None of the Cash Manager, the Servicer or the Special Servicer will be permitted to terminate its appointment unless a replacement cash manager, master servicer or special servicer, as the case may be, acceptable to the Issuer and the Issuer Security Trustee and, if appointed, the Operating Adviser has been appointed.

**5. INTEREST AND ADDITIONAL PAYMENTS**

(a) **Period of Accrual**

Each Note bears interest on its Principal Amount Outstanding from (and including) 12 July 2013.

In addition, with respect to the Class C Notes, Class C Note Senior Additional Payment shall accrue thereon from (and including) the Closing Date.

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest and, in the case of the Class C Notes, shall cease to accrue Class C Note Senior Additional Payment from its due date for redemption unless, in the case



of a Global Note, upon due presentation, or otherwise in the case of a Definitive Note, payment of the relevant amount of principal or any part thereof is improperly withheld or refused on any Global Note or Definitive Note, as applicable.

Where such payment of principal is improperly withheld or refused on any Note, interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment will continue to accrue thereon (before as well as after any judgment) at the rate applicable to such Note up to (but excluding) the date on which payment in full of the relevant amount of principal, together with the interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 17 (*Notice to Noteholders*) (or individually) that, upon presentation thereof being duly made, in the case of a Global Note, or otherwise in the case of a Definitive Note, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

Whenever it is necessary to compute an amount of interest or Class C Note Senior Additional Payment for any period (including any Note Interest Period (as defined below)), such interest or, as applicable, Class C Note Senior Additional Payment shall be calculated on the basis of actual days elapsed and a 365 day year.

(b) **Note Payment Dates and Note Interest Periods**

Interest on the Notes is and Class C Note Senior Additional Payment on the Class C Notes are payable quarterly in arrear on the 12th day of January, April, July and October in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) (each a "**Note Payment Date**") in respect of the Note Interest Period ending on or immediately prior thereto. The first Note Payment Date in respect of each Class of Notes will be the Note Payment Date falling in October 2013.

In these Conditions:

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Dublin.

"**Note Interest Period**" shall mean the period from (and including) 12 July 2013 to (but excluding) 12 October 2013 and, thereafter each successive quarterly period from (and including) the 12th day of January, April, July and October of each year to (but excluding) the next following 12th day of January, April, July and October respectively.

Subject to Condition 10 (*Note Events of Default*), in the event that on any Note Payment Date on which Class A Notes are outstanding:

- (i) the Available Funds, after deducting any amounts required to be paid or provided for in priority to the payment of interest on the Class B Notes (the available amount of Available Funds, after making such deductions, the "**Class B Note Interest Residual Amount**"), are not sufficient to satisfy in full the Interest Amount due and, subject to this Condition 5(b), payable on the Class B Notes on such Note Payment Date, there shall instead be payable on such Note Payment Date, by way of interest on each Class B Note only a *pro rata* share of the amount available to be applied in payment of amounts due on the Class B Notes on such Note Payment Date. The amount payable in respect of a Class B Note shall be calculated by dividing the original principal amount of that Class B Note as at the Closing Date by the aggregate principal amount of the Class B Notes as at the Closing Date, and multiplying the result by the Class B Note Interest Residual Amount, and then rounding down to the nearest penny; or
- (ii) the Available Funds, after deducting any amounts required to be paid or provided for in priority to the payment of interest on the Class C Notes (the available amount of

Available Funds, after making such deductions, the "**Class C Note Interest Residual Amount**"), are not sufficient to satisfy in full the Interest Amount due and, subject to this Condition 5(b), payable on the Class C Notes on such Note Payment Date, there shall instead be payable on such Note Payment Date, by way of interest on each Class C Note only a *pro rata* share of the amount available to be applied in payment of amounts due on the Class C Notes on such Note Payment Date. The amount payable in respect of a Class C Note shall be calculated by dividing the original principal amount of that Class C Note as at the Closing Date by the aggregate principal amount of the Class C Notes as at the Closing Date, and multiplying the result by the Class C Note Interest Residual Amount, and then rounding down to the nearest penny.

In any such event the Issuer shall, in respect of the Class B Notes and the Class C Notes, create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes or the Class C Notes, as applicable, on any Note Payment Date in accordance with this Condition 5(b) falls short of the Interest Amount due on the Class B Notes or the Class C Notes, as applicable, on that Note Payment Date pursuant to this Condition 5(b). Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class B Notes or the Class C Notes, as applicable, and shall be payable together with such accrued interest on the earlier of (a) any succeeding Note Payment Date when any such unpaid interest and accrued interest thereon shall be paid, but only if and to the extent that, on such Note Payment Date, there are sufficient Available Funds, after deducting any amounts required to be paid or provided for in priority to the payment of interest on the relevant Class of Notes and (b) the Final Maturity Date.

(c) **Rate of Interest**

Each Class of Notes will bear interest on the Principal Amount Outstanding of that Class of Notes at the Rate of Interest applicable to that Class of Notes. For the purposes of these Conditions, "**Rate of Interest**" means, with respect to each Class of Notes:

- (i) Class A Notes – for the period from (and including) 12 July 2013 to (but excluding) the Closing Date, 5.95 per cent. per annum and from (and including) the Closing Date, 5.93 per cent per annum;
- (ii) Class B Notes – 8.25 per cent. per annum; and
- (iii) Class C Notes - 10.5 per cent per annum.

(d) **Calculation of Interest Amounts for the Notes**

The Agent Bank shall, on or as soon as practicable after each Determination Date, but in no event later than the first day of the relevant Note Interest Period, calculate and notify the Issuer, the Note Trustee, the Cash Manager and the Paying Agents in writing of the sterling amount payable in respect of interest (the "**Interest Amount**") for each Class of Notes subject to Condition 5(b) (*Note Payment Dates Note Interest Periods*) and Condition 5(c) (*Rate of Interest*), in respect of the Note Interest Period commencing on the Note Payment Date immediately following such Determination Date.

The Interest Amount for a Class of Notes (other than the Class C Notes) in respect of a Note Interest Period (or any other period) shall be calculated by applying the Rate of Interest for that Class of Notes to the Principal Amount Outstanding of that relevant Class of Notes, multiplying such sum by the actual number of days in the relevant Note Interest Period divided by 365 then rounding the resultant figure down to the nearest penny, provided that the Interest Amount for the Class A Notes with respect to the first Note Interest Period shall be the aggregate of:

- (i) 5.95 per cent. per annum applied to the Principal Amount Outstanding of the Class A Notes for the period from (and including) 12 July 2013 to (but excluding) the Closing Date; and

- (ii) 5.93 per cent. per annum applied to the Principal Amount Outstanding of the Class A Notes for the period from (and including) the Closing Date to (but excluding) the first Note Payment Date.
- (e) **Class C Note Senior Additional Payment Rate**

Class C Note Senior Additional Payment will accrue on the Class C Notes at the rate of 0.5 per cent. per annum (the "**Class C Note Senior Additional Payment Rate**") from (and including) the Closing Date.
- (f) **Calculation of Class C Note Senior Additional Payment Amounts**

The Agent Bank shall, on or as soon as practicable after each Determination Date, but in no event later than the first day of the relevant Note Interest Period, calculate and notify the Issuer, the Note Trustee, the Cash Manager and the Paying Agents in writing of the sterling amount payable in respect of the Class C Note Senior Additional Payment (the "**Class C Note Senior Additional Payment Amount**") for the Class C Notes subject to Condition 5(b) (*Note Payment Dates Note Interest Periods*) and Condition 5(e) (*Class C Note Senior Additional Payment Rate*), in respect of the Note Interest Period commencing on the Note Payment Date immediately following such Determination Date.

The Class C Note Senior Additional Payment Amount for the Class C Notes in respect of a Note Interest Period (or any other period) shall be calculated by applying the Class C Note Senior Additional Payment Rate to the Principal Amount Outstanding of the Class C Notes, multiplying such sum by the actual number of days in the relevant Note Interest Period divided by 365 then rounding the resultant figure down to the nearest penny.
- (g) **Publication of Interest Amounts and Class C Note Senior Additional Payment Amounts and other Notices**

As soon as practicable after receiving notification thereof, the Issuer will cause the Interest Amount applicable to each Class of Notes and, in the case of the Class C Notes, the Class C Note Senior Additional Payment Amount for each Note Interest Period and the Note Payment Date in respect thereof to be notified in writing to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") (for so long as the Notes are listed on the Irish Stock Exchange) and will cause notice thereof to be given to the relevant Class of Noteholders in accordance with Condition 17 (*Notice to Noteholders*). The Interest Amounts, Class C Note Senior Additional Payment Amounts, Note Payment Date and other determinations so notified in respect of a Class of Notes may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Note Interest Period for that Class of Notes.
- (h) **Calculation by the Note Trustee**

If the Agent Bank does not at any time for any reason calculate the Interest Amount for any Class of the Notes and/or calculate the Class C Note Senior Additional Payment Amount for the Class C Notes and/or make any other necessary calculations in accordance with this Condition 5, the Note Trustee shall (or shall appoint an agent, on its behalf to) calculate the Interest Amount for each Class of the Notes in the manner specified in Condition 5(c) (*Rate of Interest*) and/or calculate the Class C Note Senior Additional Payment Amount in accordance with Condition 5(f) (*Calculation of Class C Note Senior Additional Payment Amounts*) and/or make such other necessary calculations in the manner specified in this Condition 5 and any such determination and/or calculation shall be deemed to have been made by the Agent Bank and the Note Trustee shall have no liability in respect thereof.
- (i) **Notifications to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, whether by the Agent Bank or the Note Trustee shall (in the absence of wilful default, bad faith or manifest error) be

binding on the Issuer, the Agent Bank, the Note Trustee, the Servicer, the Special Servicer, the Cash Manager, the Paying Agents and all Noteholders and (in the absence of wilful default or manifest error) no liability to the Noteholders shall attach to the Issuer, the Agent Bank or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(j) **Agent Bank**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall, at all times, be an Agent Bank. Any purported resignation or termination of the appointment of the Agent Bank shall not take effect until a successor agent bank approved by the Note Trustee has been appointed.

(k) **Prepayment Premium**

Any Make-Whole Amount or Loan Premium received by the Issuer from Propco under the terms of the Propco Facility Agreement shall constitute Revenue Receipts.

On each Determination Date, the Cash Manager shall, in accordance with the terms of the Cash Management Agreement determine the amount of Make Whole Amount and/or Premium received by the Issuer in the Collection Period ending on such Determination Date to be allocated to each Class of Notes in the following manner:

- (i) *pro rata* to the Class A Notes, in an amount equal to the proportion that the related repayment or prepayment of the A Loan Tranche of the Propco Loan bears to the related total repayment or prepayment of the Propco Loan; then
- (ii) *pro rata* to the Class B Notes, in an amount equal to the proportion that the related repayment or prepayment of the B Loan Tranche of the Propco Loan bears to the related total repayment or prepayment of the Propco Loan; then
- (iii) *pro rata* to the Class C Notes, in an amount equal to the proportion that the related repayment or prepayment of the C Loan Tranche of the Propco Loan bears to the related total repayment or prepayment of the Propco Loan.

and the amounts so determined for each Class of Notes (the "**Prepayment Premium**") shall be payable by the Issuer to the holders of the relevant Class of Notes in accordance with the applicable Priority of Payments and following payment of any prior ranking amounts on the Note Payment Date immediately following such Determination Date.

(l) **Non-Payment of Interest**

For the avoidance of doubt, there shall be no Note Event of Default caused by reason only of the non-payment when due of interest on any Class of Notes (or any Prepayment Premium) other than for non-payment of interest (or Prepayment Premium) on the most senior Class of Notes then outstanding.

## 6. REDEMPTION AND CANCELLATION

(a) **Final Redemption**

Unless previously redeemed in full and cancelled as provided in this Condition 6, the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment on the "**Final Maturity Date**", being the Note Payment Date falling in July 2025.

The Issuer may not redeem Notes in whole or in part prior to the Final Maturity Date except as provided in this Condition 6 but without prejudice to Condition 10 (*Note Events of Default*).

(b) **Mandatory Redemption from Principal Distribution Amounts**

Unless such Notes are previously redeemed in full and cancelled as provided in this Condition 6 or the Notes have otherwise become due and repayable in full, each Class of Notes is subject to mandatory early redemption in part or in full on each Note Payment Date in accordance with the Pre-Enforcement Priority of Payments set out in the Cash Management Agreement in an amount not exceeding the Principal Distribution Amount allocated to such Class of Notes for such Note Payment Date.

For the purposes of these Conditions, "**Principal Distribution Amount**", for a Class of Notes in respect of any Note Payment Date, means the amount calculated by the Cash Manager for such Notes on the Determination Date immediately preceding such Note Payment Date pursuant to the terms of the Cash Management Agreement as:

- (i) in relation to the Class A Notes, the Principal Receipts received by the Issuer in the relevant Collection Period by way of repayment or prepayment of the principal amount outstanding of the A Loan Tranche;
- (ii) in relation to the Class B Notes, the Principal Receipts received by the Issuer in the relevant Collection Period by way of repayment or prepayment of the principal amount outstanding of the B Loan Tranche; and
- (iii) in relation to the Class C Notes, the Principal Receipts received by the Issuer in the relevant Collection Period by way of repayment or prepayment of the principal amount outstanding of the C Loan Tranche.

(c) **Optional Redemption for Tax or other Reasons**

If the Issuer at any time satisfies the Note Trustee immediately prior to giving the notice referred to below that either:

- (i) on the next Note Payment Date the Issuer or any Paying Agent on its behalf would be required to deduct or withhold from any payment of principal or interest or any other amount in respect of any Note any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the relevant jurisdiction (or any political sub-division thereof or authority thereof or therein having power to tax) and such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) on or prior to the next Note Payment Date, Propco would be required to deduct or withhold from any payment of principal or interest or any other amount in respect of the Propco Loan any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; or
- (iii) by reason of a change of law since the Closing Date, it has become or will become unlawful for the Issuer to make, lend or to allow to remain outstanding all or any part of the Propco Loan,

then the Issuer may, on any Note Payment Date on which any one or more events specified in Condition 6(c)(i), Condition 6(c)(ii) or Condition 6(c)(iii) is continuing, having given not more than 60 and not less than 30 days' notice to the Note Trustee, the Paying Agents and the Noteholders in accordance with Condition 17 (*Notice to Noteholders*), redeem all, but not some only, of the Notes at their then Principal Amount Outstanding, together with interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment accrued and unpaid thereon, provided that in any case and prior to the giving of any such notice, the Issuer has provided to the Note Trustee:

- (A) a certificate signed by two directors of the Issuer stating the circumstances referred to in Condition 6(c)(i), Condition 6(c)(ii) and/or Condition 6(c)(iii) prevail and setting out the details of such circumstances;
- (B) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisors of recognised standing to the effect that the circumstances referred to in Condition 6(c)(i), Condition 6(c)(ii) and/or Condition 6(c)(iii) prevail in relation to the Issuer.

The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in Condition 6(c)(i), Condition 6(c)(ii) and/or Condition 6(c)(iii), in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as aforesaid if, on the relevant Note Payment Date, no Note Acceleration Notice has been served and the Issuer has provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will, on the relevant Note Payment Date, have the funds, not subject to the interest of any other person, required to discharge all of its liabilities in respect of the Notes to be redeemed under this Condition 6(c) and any amounts required to be paid in priority to or *pari passu* with such liabilities, which certificate shall be conclusive and binding.

(d) **Optional Redemption in Full**

Upon giving not more than 60 and not less than 30 days' notice to the Note Trustee, the Paying Agents and the Noteholders in accordance with Condition 17 (*Notice to Noteholders*), the Issuer may, on any Note Payment Date, redeem all, but not some only, of the Notes at their then Principal Amount Outstanding, together with interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment accrued and unpaid thereon.

The Issuer may only redeem the Notes as aforesaid if, on the relevant Note Payment Date, no Note Acceleration Notice has been served and the Issuer has provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will, on the relevant Note Payment Date, have the funds, not subject to the interest of any other person, required to discharge all of its liabilities in respect of the Notes to be redeemed under this Condition 6(d) and any amounts required to be paid in priority to or *pari passu* with such liabilities, which certificate shall be conclusive and binding.

(e) **Principal Amount Outstanding and Note Factor**

On each Note Payment Date, the Cash Manager shall determine:

- (i) the Principal Amount Outstanding of each Note on the next following Note Payment Date (after deducting any principal payment to be paid on such Note on that Note Payment Date); and
- (ii) the fraction expressed as a decimal to the sixth place (the "**Note Factor**"), the numerator of which is equal to the Principal Amount Outstanding (after deducting any principal payment to be paid on that Note Payment Date) of a Note of the relevant Class (calculated on the assumption that the face amount of such Note on the Closing Date is £100,000) and the denominator of which is £100,000.

Each determination by the Cash Manager of the Principal Amount Outstanding of a Note and the Note Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The "**Principal Amount Outstanding**" of a Note on any date will be its face amount less the aggregate amount of principal repayments and prepayments made in respect of that Note since the Closing Date.

The Issuer (or the Cash Manager on its behalf) will cause each determination of a Principal Amount Outstanding and the Note Factor to be notified in writing forthwith to the Note Trustee, the Paying Agents, each Rating Agency, the Agent Bank and (for so long as the Notes are listed on the Irish Stock Exchange) the Irish Stock Exchange and will cause notice of each determination of a Principal Amount Outstanding and the Note Factor to be given to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*) as soon as reasonably practicable thereafter.

If the Issuer (or the Cash Manager on its behalf) does not at any time for any reason determine a Principal Amount Outstanding or the Note Factor in accordance with the preceding provisions of this Condition 6(e), such Principal Amount Outstanding and the Note Factor may be determined by the Note Trustee, in accordance with this Condition 6(e), and each such determination or calculation shall be conclusive and shall be deemed to have been made by the Issuer or the Cash Manager, as applicable, and the Note Trustee shall have no liability in respect thereof.

**(f) Notice of Redemption**

Any such notice as is referred to in Condition 6(c) (*Optional Redemption for Tax or other Reasons*) and Condition 6(d) (*Optional Redemption in Full*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes of the relevant Class in the amounts specified in these Conditions. For so long as the Notes are listed on the Irish Stock Exchange, the Issuer will, as soon as reasonably practicable after becoming aware that the same will occur, the Issuer will cause notice of the redemption of the Notes of each Class to be given to the Irish Stock Exchange.

**(g) Cancellation**

All Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith and may not be resold or re-issued.

**(h) No Purchase by Issuer**

The Issuer will not purchase any of the Notes.

**(i) Regulatory transfer or redemption**

In the event of a transfer of a Note (or an interest therein) to a U.S. person that is not both a Qualified Institutional Buyer (as defined in Rule 144A) and a Qualified Purchaser (within the meaning of Section (2)(a)(51) of the Investment Company Act and who is not an Eligible Investor (as defined in the Transfer Regulations), the Issuer may, in its discretion, either:

- (i) compel such transferee to sell such Note (or interest therein) within 30 days after notice of the requirement to sell is given to a person who is both a Qualified Institutional Buyer and a Qualified Purchaser and an Eligible Investor; or
- (ii) on the next following Note Payment Date, redeem such Note (or interest therein) at a price equal to the lesser of (A) the purchase price therefor paid by such transferee, (B) 100 per cent. of the then Principal Amount Outstanding thereof, and (C) the fair market value thereof.

In addition, if a holder or beneficial owner of a Note fails for any reason to provide the Issuer and the Note Trustee information or documentation, or to update or correct such information or documentation, as may be necessary or helpful (in the sole determination of the Issuer or the Note Trustee or their agents, as applicable) to achieve compliance with FATCA and any related provisions of law, court decisions, or administrative guidance, including the Issuer entering into and complying with an agreement with the IRS contemplated by Section 1471(b) of the Code (or any United Kingdom law implementing an IGA), in each case as necessary so that no tax will be imposed or withheld under FATCA in respect of payments to or for the

benefit of the Issuer, or such information or documentation is not accurate or complete, the Issuer may:

- (A) compel or effect the sale of Notes held by any such holder that fails to sell its Notes within 30 days of notice from the Issuer or Note Trustee of its failure to comply with the foregoing requirement,
- (B) assign to such Note a separate CUSIP number or numbers; and
- (C) make other amendments to the Note Trust Deed to enable the Issuer to comply with FATCA (including providing for remedies against, or imposing penalties upon, any holder or beneficial owner who fails to deliver to the Issuer information requested by the Issuer that is required by FATCA or a related rule or published IRS interpretation (or any United Kingdom law implementing an IGA) to enable the Issuer to comply with FATCA.

## 7. PAYMENTS

### (a) Global Notes

Payments of principal, interest and other amounts in respect of any Global Note to the holder of such Note will be made only against presentation (and in the case of final redemption of a Global Note or in circumstances where the unpaid principal amount of the relevant Global Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Global Note), surrender) of such Global Note at the specified office of any Paying Agent.

Each payment in respect of a Note will be made to the person shown as the holder (or, in the case of a joint holding, the first named thereof) on the Register at the opening of business on the day before the due date for such payment (the "**Record Date**").

A record of each payment so made, distinguishing between payments of principal, payments of interest, (in the case of the Class C Notes) payments of Class C Note Senior Additional Payment and, in the case of partial payments, of the amount of each partial payment, will be endorsed on the schedule to the relevant Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be prima facie evidence that such payment has been made.

Payments in respect of the Rule 144A Global Notes will be paid in sterling to holders of interests in such Notes who hold such interests through Euroclear and/or Clearstream, Luxembourg (the "**Rule 144A Euroclear/Clearstream Holders**"). Payments in respect of the Reg S Global Notes will be paid in sterling to holders of interests in such Notes (such holders being, together with the Rule 144A Euroclear/Clearstream Holders, the "**Euroclear/Clearstream Holders**").

A Euroclear/Clearstream Holder may receive payments in respect of its interest in any Global Notes in U.S. dollars in accordance with Euroclear's and Clearstream, Luxembourg's customary procedures. All costs of conversion from any such election will be borne by such Euroclear/Clearstream Holder.

### (b) Definitive Notes

Payments of principal, interest or (in the case of the Class C Notes) Class C Note Senior Additional Payment (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note), in which case the relevant payment of principal, interest or Class C Note Senior Additional Payment, as the case may be, will be made against surrender of such Note) in respect of Definitive Notes will be made by sterling denominated cheque drawn on a branch of a bank in London posted to the holder (or to the first-named of joint holders) of such Definitive Note at the address shown in the Register on the Record Date (as defined below) not later than the due date for such payment. If any payment due in respect



of any Definitive Note is not paid in full, the Registrar will annotate the Register with a record of the amount, if any, so paid. For the purposes of this Condition 7(b), the holder of a Definitive Note will be deemed to be the person shown as the holder (or, in the case of a joint holding, the first named thereof) on the Register at the opening of business on the Record Date.

Upon application by the holder of a Definitive Note to the specified office of the Registrar not later than the 5<sup>th</sup> Business Day before the Record Date for payment in respect of such Definitive Note, such payment will be made by transfer to a sterling denominated account maintained by the payee with a branch of a designated bank in London. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof.

(c) **Laws and Regulations**

Payments of principal, interest, Class C Note Senior Additional Payment and premium (if any) in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) **Overdue Principal Payments**

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment which continues to accrue in respect of such Note or part thereof in accordance with Condition 5(a) (*Period of Accrual*) will be paid against presentation of such Note at the specified office of any Paying Agent, and in the case of any Definitive Note, will be paid in accordance with Condition 7(b) (*Definitive Notes*).

(e) **Change of Agents**

The Principal Paying Agent is Elavon Financial Services Limited, UK Branch at its offices at 5<sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar and the Agent Bank and to appoint additional or other Agents. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*). The Issuer will, if possible, maintain a Paying Agent in member state of the European Union that will not be 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.

(f) **Presentation on Non-Business Days**

If any Note is presented (if required) for payment on a day which is not a business day in the place where it is so presented, payment shall be made on the next succeeding day that is a business day (unless such business day falls in the next succeeding calendar month in which event the immediately preceding business day) and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note. No further payments of additional amounts by way of interest, principal or otherwise shall be payable in respect of the late arrival of any cheque posted to a Noteholder in accordance with the provisions of Condition 7(b) (*Definitive Notes*). For the purposes of Condition 6 (*Redemption and Cancellation*) and this Condition 7, "**business day**" shall mean, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

(g) **Accrual of Interest on Late Payments**

If any payment of interest, principal or any other amount in respect of a Note of any Class is not made on the date when due and payable (other than because the due date is not a business

day (as defined in Condition 7(f) (*Presentation on Non-Business Days*)) or by reason of non-compliance with Condition 7(a) (*Global Notes*) or Condition 7(b) (*Definitive Notes*)), then such unpaid amount shall itself bear interest at the applicable Rate of Interest to (but excluding) the date on which the full amount of the relevant unpaid amount (together with interest accrued thereon) is available for payment and notice thereof has been duly given to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*), provided that such unpaid amount and interest thereon are, in fact, paid.

(h) **Incorrect Payments**

The Cash Manager will (on behalf of the Issuer), from time to time, notify Noteholders in accordance with Condition 17 (*Notice to Noteholders*) of any over-payment or under-payment in respect of any Note of which it has actual notice made on any Note Payment Date to any party entitled to the same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of any such notice, the Cash Manager shall rectify such over-payment or under-payment by increasing or, as the case may be, decreasing payments to the relevant party on any subsequent Note Payment Date. Any notice of over-payment or under-payment pursuant to this Condition 7(h) shall contain reasonable details of the amount of the same, the relevant parties and the adjustments required to be made to future payments to rectify the same. Neither the Issuer nor the Cash Manager shall have any liability to any person for making any such correction.

**8. TAXATION**

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any relevant Paying Agent is required by applicable law in any jurisdiction to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. **Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.**

**9. PRESCRIPTION**

Claims for principal in respect of Global Notes shall become void unless the relevant Global Notes are presented for payment within ten years of the appropriate relevant date. Claims for interest in respect of Global Notes shall become void unless the relevant Global Notes are presented for payment within five years of the appropriate relevant date.

Claims for principal, interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment in respect of Definitive Notes shall become void unless made within ten years, in the case of principal, and five years, in the case of interest and Class C Note Senior Additional Payment, of the appropriate relevant date.

In this Condition 9, the "**relevant date**" means the date on which a payment first becomes due, but if the full amount of the moneys payable has not been received by the relevant Paying Agent or the Note Trustee on or prior to such date, it means the date on which the full amount of such moneys shall have been so received, and notice to that effect shall have been duly given to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*).

**10. NOTE EVENTS OF DEFAULT**

(a) **Events**

If any of the events mentioned in Condition 10(a)(A) to (E) inclusive shall occur (each such event being a "**Note Event of Default**"), the Note Trustee at its absolute discretion may, and if either:

- (i) so requested in writing by the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the most senior Class of Notes then outstanding; or
- (ii) so directed by or pursuant to an Extraordinary Resolution of the most senior Class of Noteholders then outstanding

shall give notice (a "**Note Acceleration Notice**") to the Issuer and the Issuer Security Trustee declaring all the Notes to be due and repayable and the Issuer Security enforceable:

- (A) default is made for a period of three days in the payment of the principal of, or default is made for a period of five days in the payment of interest or any other amount (other than principal) on, any Class A Note; or, if there are no Class A Notes outstanding, any Class B Note; or, if there are no Class A Notes or Class B Notes outstanding, any Class C Note, in each case when and as the same becomes due and payable in accordance with these Conditions; or
- (B) any representation or warranty made by the Issuer in any of the Notes of any Class, the Note Trust Deed, the Deed of Charge and Assignment or the other Transaction Documents to which it is a party, is or proves to have been breached, is incorrect or misleading, in any material respect when made or deemed to be repeated and, in any such case (except where the Note Trustee certifies that, in its opinion, such circumstances are incapable of remedy when no notice will be required), the circumstances giving rise to the misrepresentation continue for a period of 14 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied;
- (C) default is made by the Issuer in the performance or observance of any other obligation binding upon it under the Notes of any Class, the Note Trust Deed, the Deed of Charge and Assignment or the other Transaction Documents to which it is party and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required), such default continues for a period of 14 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (D) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 10(a)(D), ceases or, consequent upon a resolution of the board of directors of the Issuer, threatens to cease to carry on business or (in the opinion of the Note Trustee) a substantial part of its business or the Issuer is or is deemed unable to pay its debts as and when they fall due within the meaning of section 123(1)(a), (b) or (e) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted); or
- (E) an order is made or an effective resolution is passed for the winding-up of the Issuer except a dissolution or winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the most senior Class of Noteholders then outstanding; or
- (F) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice to appoint an administrator) and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator or other similar official shall be appointed (or formal notice is given of an intention of appoint an administrator) in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrance shall take possession of all or any part of the undertaking,

property or assets of the Issuer, or a distress, diligence or execution or other process shall be levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such appointment, possession or process is not discharged or does not otherwise cease to apply within 15 days, or the Issuer (or the shareholders of the Issuer) initiates or consents to judicial proceedings relating to itself under applicable liquidation, bankruptcy, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of or a composition or similar arrangement with its creditors generally or takes steps with a view to obtaining a moratorium in respect of any of the indebtedness of the Issuer,

provided that in the case of each of the events described in Condition 10(a)(B) above, the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the most senior Class of Noteholders then outstanding and notice of such certification shall have been given to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*).

(b) **Effect of Declaration by Note Trustee**

Upon the giving of a Note Acceleration Notice in accordance with Condition 10(a) (*Events*), all Classes of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest and, in the case of the Class C Notes, Class C Note Senior Additional Payment as provided in the Note Trust Deed and the Issuer Security shall become enforceable.

## 11. ENFORCEMENT

- (a) The Note Trustee may, at its discretion and without notice at any time:
- (i) take such proceedings and/or other action or steps as it may think fit under or in connection with the Notes, the Note Trust Deed, these Conditions or any of the other Transaction Documents (including, without limitation, instructing the Issuer Security Trustee to take any proceedings and/or other action or steps under or in connection with the Transaction Documents); and
  - (ii) at any time after the Issuer Security has become enforceable, direct the Issuer Security Trustee to take such proceedings and/or other action or steps as it may think fit to enforce the Issuer Security,

but neither the Note Trustee nor the Issuer Security Trustee shall be bound to take any such proceedings, actions or steps unless:

- (A) subject in all cases to restrictions contained in the Note Trust Deed (to protect the interests of any higher ranking Class of Noteholders) and to Condition 11(a)(B), it is directed to do so by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes, the Class B Notes or the Class C Notes (and the Note Trustee and the Issuer Security Trustee shall not have regard to or take instructions or directions from any other Issuer Secured Creditor); and
  - (B) in relation to the Issuer Security Trustee, it has been so directed by the Note Trustee.
- (b) In circumstances where directions or instructions to take proceedings, actions or steps have been given by the Noteholders (or any Class thereof) in accordance with Condition 11(a)(A) and if the Note Trustee or, as applicable, the Issuer Security Trustee has reasonable grounds (or, where such directions or instructions have been given after the Issuer Security has become enforceable, grounds) to believe that:

- (i) legal proceedings may be commenced against it or that liability may be asserted against it as a result of its taking such proceedings, actions or steps; and
- (ii) either:
  - (A) the indemnity provided by the Issuer to the Note Trustee under the Note Trust Deed or, as applicable, provided by the Issuer to the Issuer Security Trustee under the Deed of Charge and Assignment does not cover such proceedings, actions or steps; or
  - (B) the funds that are expected to be available in accordance with the provisions of the Transaction Documents to meet the indemnity payments due to the Note Trustee or, as applicable, the Issuer Security Trustee in respect of such proceedings, actions or steps will be insufficient to meet such payments in full,

the Note Trustee or the Issuer Security Trustee, as applicable, shall not be bound to take such proceedings, actions or steps unless it is indemnified, secured and/or prefunded to its satisfaction against such proceedings (and all liabilities which it may incur in relation thereto) and liabilities.

- (c) To the extent the Note Trustee or the Issuer Security Trustee, as applicable, determines (such determination to be made solely by the Note Trustee or the Issuer Security Trustee, as applicable, within the constraints of prevailing law) that it will not, for the reasons set out in Condition 11(b), take such proceedings, actions or steps unless it is indemnified, secured and/or prefunded to its satisfaction then it shall, subject to applicable privilege and confidentiality considerations:
  - (i) as soon as reasonably practicable following the making of such determination, deliver to the Noteholders (or, as applicable, the Noteholders of the relevant Class or Classes) in accordance with Condition 17 (*Notice to Noteholders*), a reasonably detailed summary of the grounds upon which such additional indemnification is requested (including to the extent possible, but not limited to, information as to the relevant legal proceedings or liabilities, an estimate of the costs and monetary liabilities that it expects to incur (including, where applicable, liabilities incurred by it in defence of legal proceedings) and the amount of shortfall between the liabilities and the funds available to meet such liabilities); and
  - (ii) as soon as practicable after any such request is made and to the extent possible, provide such other information in relation thereto as may be reasonably requested by the Issuer or the Noteholders (or, as applicable, the Noteholders of the relevant Class or Classes).
- (d) Amounts available for distribution after enforcement of the Issuer Security shall be distributed in accordance with the terms of the Deed of Charge and Assignment.
- (e) In acting in accordance with the instructions or directions provided to in accordance with Condition 11(a)(A), neither the Note Trustee nor the Issuer Security Trustee will be liable to the Noteholders, any other Issuer Secured Creditor or any other person in any way for, the consequences of acting in accordance with such instructions or directions.
- (f) Except as otherwise provided for in the Transaction Documents, no Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to seek to enforce the Issuer Security unless the Note Trustee or, as applicable, the Issuer Security Trustee, having become bound to do so, fails to do so within a reasonable period of becoming so bound and such failure shall be continuing provided that no Class B Noteholder or Class C Noteholder shall be entitled to take proceedings for the winding up or administration (or their equivalents) of the Issuer unless there are no outstanding Notes of a Class with higher priority or, if Notes of one or more Classes with higher priority are outstanding, there is consent of Noteholders of at least 25 per cent. in aggregate of the

Principal Amount Outstanding of each such Class of Notes with higher priority or pursuant to an Extraordinary Resolution of the holders of each such Class of Notes with a higher priority. Notwithstanding the foregoing and notwithstanding any other provision of the Note Trust Deed, the right of any Noteholder to receive payment of principal, interest or, in the case of the Class C Notes, Class C Note Senior Additional Payment on its Notes on or after the due date for such principal, interest or, in the case of the Class C Notes, Class C Note Senior Additional Payment, or to institute suit for the enforcement of payment of that principal, interest or, in the case of the Class C Notes, Class C Note Senior Additional Payment, may not be impaired or affected without the consent of that Noteholder.

- (g) The Issuer Security Trustee shall not, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any Issuer Secured Creditor, other than the Note Trustee (or, in the circumstances set out in Condition 11(f), the Noteholders).

## 12. LIMITED RECOURSE AND NON PETITION

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes, the other assets (if any) of the Issuer will not be available for payment of any shortfall arising therefrom, and any such shortfall will be borne among the Issuer Secured Creditors and among the Noteholders as provided in the Deed of Charge and Assignment. All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security will be extinguished and the Note Trustee, the Noteholders and the other Issuer Secured Creditors will have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that:

- (a) in the event of realisation or enforcement of the Issuer Security its right to obtain payment of interest on, repayment of principal of and any other amounts in respect of the Notes in full is limited to recourse against the undertaking, property and assets of the Issuer comprised in the Issuer Security; and
- (b) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Issuer Security in accordance with the payment priorities of the Deed of Charge and Assignment and all claims in respect of any shortfall will be extinguished.

None of the Note Trustee, the Issuer Security Trustee, the Noteholders or the other Issuer Secured Creditors shall be entitled to petition or take any corporate action or other steps or legal proceedings for the winding-up, dissolution, court protection, reorganisation, liquidation, bankruptcy or insolvency of the Issuer or for the appointment of an administrator, liquidator, examiner, sequestrator or similar officer in respect of the Issuer or any of its revenues or assets for so long as the Notes are outstanding or for two years and a day after all sums outstanding and owing in respect of the Notes have been paid in full, provided that the Issuer Security Trustee may prove or lodge a claim in liquidation of the Issuer initiated by another party and provided further that the Issuer Security Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer under the Deed of Charge and Assignment or the any other Transaction Document.

## 13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- (a) The Note Trust Deed contains provisions for convening meetings of the Class A Noteholders, meetings of the Class B Noteholders, meetings of the Class C Noteholders and meetings of all the Noteholders to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of, *inter alia*, the removal of the Note Trustee, a modification of the Notes or the Note Trust Deed (including these Conditions) or the provisions of any of the other Transaction Documents and the sanctioning of a Note Maturity Report prepared by the Special Servicer in accordance with the terms of the Servicing Agreement.

An "Ordinary Resolution" is:

- (i) a resolution (other than a resolution relating to a matter set out in Conditions 13(a)(ii)(A) or 13(a)(ii)(B) below) passed at a meeting duly convened and held in accordance with the provisions of the Note Trust Deed by a majority consisting of more than one half of the persons voting thereat upon a show of hands or if a poll is demanded, by a majority consisting of more than one half of the votes cast on such poll; or
- (ii) in relation to:
  - (A) the appointment of an Operating Adviser by the Controlling Class in accordance with Condition 15(a); or
  - (B) the approval of a Note Maturity Report by the Noteholders of each Class of Notes then outstanding in relation to which a Control Valuation Event has not occurred (as determined by the Servicer),

a resolution passed at a meeting duly convened and held in accordance with the provisions of the Note Trust Deed by holders of the relevant Class of Notes holding more than one half of the Principal Amount Outstanding of such Class of Notes; or
- (iii) a Written Ordinary Resolution.

A "**Written Ordinary Resolution**" is a resolution in writing signed by or on behalf of the holders of a Class of Notes holding more than one half of the Principal Amount Outstanding of such Class of Notes who for the time being are entitled to receive notice of a meeting of Noteholders (whether originally convened or resumed following an adjournment) in accordance with the provisions of the Note Trust Deed, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the relevant Class of Notes.

An "**Extraordinary Resolution**" is (i) a resolution passed at a meeting duly convened and held in accordance with the provisions of the Note Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll or (ii) a Written Extraordinary Resolution.

A "**Written Extraordinary Resolution**" is a resolution in writing signed by or on behalf of holders of a Class of Notes holding not less than 90 per cent. of the Principal Amount Outstanding of such Class of Notes who for the time being are entitled to receive notice of a meeting of Noteholders (whether originally convened or resumed following an adjournment) in accordance with the provisions of the Note Trust Deed, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the relevant Class of Notes.

- (b) An Extraordinary Resolution or an Ordinary Resolution of the Class A Noteholders shall be binding on all the Class B Noteholders and the Class C Noteholders irrespective of the effect upon them, except that no Extraordinary Resolution to sanction a modification (including a Basic Terms Modification) of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, the Note Trust Deed, the Conditions or any of the other Transaction Documents passed at any meeting of the Class A Noteholders shall not take effect unless such modification, waiver or authorisation shall have been sanctioned by an Extraordinary Resolution of each of the Class B Noteholders and the Class C Noteholders or it shall not, in the opinion of the Note Trustee, in its sole discretion, be materially prejudicial to the respective interests of the Class B Noteholders and the Class C Noteholders.
- (c) An Extraordinary Resolution (other than as referred to in Condition 13(b)) or an Ordinary Resolution of the Class B Noteholders shall not be effective for any purpose unless either:
  - (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders (and for greater certainty, an Extraordinary

Resolution (other than as referred to in Condition 13(b)) relating to a Basic Terms Modification shall be materially prejudicial to the interests of the Class A Noteholders);

- (ii) it is sanctioned by an Extraordinary Resolution or (in the case of an Ordinary Resolution of the Class B Noteholders) an Ordinary Resolution of the Class A Noteholders; or
- (iii) none of the Class A Notes remain outstanding;

provided further that an Extraordinary Resolution or an Ordinary Resolution of the Class B Noteholders shall be binding on the Class C Noteholders irrespective of the effect on them, except that no Extraordinary Resolution to sanction a modification (including a Basic Terms Modification) of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of the Note Trust Deed, the Conditions or any of the other Transaction Documents passed at any meeting of the Class B Noteholders shall take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class C Noteholders or it shall not, in the opinion of the Note Trustee, in its sole discretion, be materially prejudicial to the interests of the Class C Noteholders.

- (d) An Extraordinary Resolution (other than as referred to in Condition 13(b) or Condition 13(c)) or an Ordinary Resolution of the Class C Noteholders shall not be effective for any purpose unless either:
  - (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders, as applicable (and for greater certainty, an Extraordinary Resolution (other than as referred to in Condition 13(b) or Condition 13(c)) relating to a Basic Terms Modification shall be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders; or
  - (ii) it is sanctioned by an Extraordinary Resolution or (in the case of an Ordinary Resolution of the Class C Noteholders) an Ordinary Resolution of each of the Class A Noteholders and the Class B Noteholders; or
  - (iii) none of the Class A Notes or the Class B Notes remain outstanding,
- (e) Subject as provided below, the quorum at any meeting of the Noteholders (or of any Class of Noteholders) or persons present holding voting certificates or being proxies shall be one or more persons holding or representing more than one half of the Principal Amount Outstanding of the Notes of such Class or, at any adjourned meeting, one or more persons being or representing Noteholders (or Noteholders of such Class) whatever the Principal Amount Outstanding of Notes so held or represented.

The quorum at any meeting of the Noteholders of any Class for passing an Extraordinary Resolution which would have the effect of:

- (i) modifying the date of maturity of the Notes (or any of them);
- (ii) postponing any day for the payment of interest on the Notes (or any of them) or Class C Note Senior Additional Payment on the Class C Notes;
- (iii) reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or the Class C Note Senior Additional Payment Rate;
- (iv) modifying the method of calculating the amount payable or the date of payment in respect of any interest or principal in respect of the Notes or Class C Note Senior Additional Payment;
- (v) modifying the definition of Basic Terms Modification;



- (vi) modifying the provisions concerning: (A) the quorum required at any meeting of Noteholders or the minimum percentage required to pass an Extraordinary Resolution; or (B) any other requirement in the Transaction Document regarding the minimum percentage of holders required to give any request, direction or consent;
  - (vii) altering the currency of payment of the Notes referable thereto; or
  - (viii) releasing or modifying any provisions in respect of the Issuer Security (or any part thereof),
- (each a "**Basic Terms Modification**" as set out in the Note Trust Deed); or
- (ix) in relation to most senior Class of Notes then outstanding, vetoing the appointment of the Operating Adviser in accordance with Condition 15(d) (which, for the avoidance of doubt, is not a Basic Terms Modification),

shall be one or more persons holding Notes or voting certificates in respect thereof or proxies representing not less than 75 per cent. of the Principal Amount Outstanding of the Notes (or the relevant Class thereof) for the time being outstanding, or at any adjourned such meeting, not less than 33⅓ per cent. of the Principal Amount Outstanding of the Notes (or the relevant Class thereof) for the time being outstanding. Written notice of such modifications shall be provided to the Irish Stock Exchange.

An Extraordinary Resolution or an Ordinary Resolution passed at any meeting of Noteholders (or any Class thereof) shall be binding on all Noteholders (or, as the case may be, all Noteholders of such Class) whether or not they are present at such meeting.

- (f) For the purposes of determining:
  - (i) the quorum at any meeting of Noteholders or the majority of votes cast at such meeting;
  - (ii) the holders of Notes for the purposes of giving any direction to the Note Trustee (or any other party); or
  - (iii) the majorities required for any Written Ordinary Resolution or Written Extraordinary Resolution,

the voting or directing rights attaching to:

- (A) the Class A Notes which are held beneficially by or for the account of (or in relation to which the exercise of the right to vote is directed or otherwise controlled by) (I) the Borrower or any Affiliate of the Borrower exceeding 6 per cent. of the then Principal Amount Outstanding of the Class A Notes, or (II) the Issuer, the Servicer or the Special Servicer or, in each case, any Affiliate thereof;
- (B) the Class B Notes which are held beneficially by or for the account of (or in relation to which the exercise of the right to vote is directed or otherwise controlled by) (I) the Borrower or any Affiliate of the Borrower exceeding 6 per cent. of the then Principal Amount Outstanding of the Class B Notes, or (II) the Issuer, the Servicer or the Special Servicer or, in each case, any Affiliate thereof; and
- (C) the Class C Notes held by (or in relation to which the exercise of the right to vote is directed or otherwise controlled by) (I) the Borrower or any Affiliate of the Borrower exceeding 6 per cent. of the then Principal Amount Outstanding of the Class C Notes, or (II) the Issuer, the Servicer or the Special Servicer or, in each case, any Affiliate thereof,

shall not be exercisable and such Notes shall be treated as if they were not outstanding and shall not be counted in or towards any required quorum, direction or majority.

"Affiliate" means with respect to any specified entity, any other entity controlling or controlled by or under common control with such entity. For the purposes of this definition, "control" when used with respect to any specified entity means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

(g) The Note Trustee may agree or direct the Issuer Security Trustee to agree, without the consent or sanction of the Noteholders of any Class:

(i) to any modification (except a Basic Terms Modification) of the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders of any Class; or

(ii) to any modification of the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is:

(A) to correct a manifest error or a proven (to the satisfaction of the Note Trustee) error;

(B) to ensure that the Transaction Documents are consistent with the corresponding disclosure or description in the Prospectus (and, for the avoidance of doubt, the disclosure in the Prospectus shall prevail in the event of any inconsistency);

(C) to comply with mandatory provisions of law; or

(D) is of a formal, minor or technical nature.

Any such modification shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 17 (*Notice to Noteholders*).

(h) The Note Trustee may, without the consent or sanction of the Noteholders of any Class and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise, or direct the Issuer Security Trustee to waive or authorise, on such terms and subject to such conditions as it shall deem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents or determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default in respect of the Notes shall not be treated as such for the purposes of the Note Trust Deed (including these Conditions). Any such waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 17 (*Notice to Noteholders*).

(i) The Note Trustee shall, without the consent or sanction of the Noteholders of any Class, concur with the Servicer or (where the Propco Loan is a Specially Serviced Loan) the Special Servicer, and/or direct the Issuer Security Trustee to concur with the Servicer or (where the Propco Loan is a Specially Serviced Loan) the Special Servicer (in each case the Servicer or the Special Servicer, as applicable, acting on behalf of the Issuer in accordance with the terms of the Servicing Agreement), in:

(i) making any modification (which is not a Basic Terms Modification, unless the terms of the Note Trust Deed and these Conditions are complied with in relation to the

sanction of such Basic Terms Modification) to the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents; and/or

- (ii) waiving or authorising any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents; and/or
- (iii) giving any consent under Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents,

in each case, that has been notified to the Issuer, the Note Trustee, the Issuer Security Trustee and the Noteholders by the Servicer or, as applicable, the Special Servicer and which the Noteholders have not objected to (and with respect to which the Servicer or, as applicable, the Special Servicer has given notice to the Issuer, the Note Trustee and the Issuer Security Trustee that it has not received any such objection) pursuant to and in accordance with the Servicing Agreement, and the Note Trustee shall, in accordance with the provisions of the Note Trust Deed, take such actions or direct the Issuer Security Trustee to take such actions as directed by the Servicer or, as applicable, the Special Servicer, including executing such documents as the Servicer or, as applicable, the Special Servicer directs, in order to effect any such modification, waiver or consent and neither the Note Trustee nor the Issuer Security Trustee shall be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its acting upon such direction. Any such modification, waiver or consent shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 17 (*Notice to Noteholders*).

- (j) The Note Trustee shall not exercise any such powers of waiver, authorisation or determination in contravention of any request in writing under Condition 10(a) (*Events*) by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding or any express written direction given by an Extraordinary Resolution of the most senior Class of Noteholders then outstanding (provided that no such direction or restriction shall affect any authorisation, waiver or determination previously made or given).
- (k) Upon receipt of a Note Maturity Report in draft form from the Special Servicer (prepared and delivered by the Special Servicer in accordance with the terms of the Servicing Agreement), the Note Trustee shall, at the cost of the Issuer, convene a single meeting of the Noteholders of all Classes of Notes then outstanding at which the Noteholders will have the opportunity to discuss the various proposals contained in the draft Note Maturity Report with the Special Servicer.

Following such meeting and following receipt of the final Note Maturity Report from the Special Servicer (prepared and delivered by the Special Servicer in accordance with the terms of the Servicing Agreement), the Note Trustee shall, at the cost of the Issuer, convene a meeting of the Noteholders of each Class of Notes then outstanding in relation to which a Control Valuation Event has not occurred (as determined by the Servicer) at which such Noteholders will be requested to approve, by way of Ordinary Resolution, the proposed strategy of the Special Servicer as set forth in such final Note Maturity Report (subject to any adjustments to such strategy approved by the Noteholders at such meeting) and authorise the Special Servicer to implement such strategy.

- (l) Where the Note Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Noteholders or, as the case may be, the Noteholders of any Class, it shall have regard to the interests of such Noteholders as a Class and, in particular, but without prejudice to the generality of the foregoing, the Note Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders 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 Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Note Trustee or any other person, any

indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

- (m) The Note Trustee shall be entitled to determine, in its own opinion, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders or any Class of Noteholders and in making such a determination shall be entitled to take into account such things it may in its absolute discretion consider necessary and/or appropriate.
- (n) The Note Trustee may, without the consent of the Noteholders or any other Issuer Secured Creditor agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 13(o)) as the principal debtor in respect of the Notes and the Note Trust Deed of another body corporate (being a single purpose vehicle) provided that such substitution would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders and subject to certain conditions set out in the Note Trust Deed being complied with or to be complied with (or suitable arrangements in place to ensure compliance with such conditions). In the case of substitution of the Issuer, the Irish Stock Exchange shall be notified of such substitution, a supplemental Prospectus will be prepared, approved by the Financial Regulator in Ireland and filed with the Irish Stock Exchange and notice of the substitution will be notified to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*).
- (o) Notwithstanding the foregoing, for so long as the Issuer relies on the exception from registration provided by Section 3(c)(7) of the Investment Company Act, the Issuer may not modify or amend these Conditions, any Transaction Document (including any exhibits, annexes or schedules thereto) or enter into any supplemental documents thereto or hereto if doing so would adversely affect the Issuer's ability to rely on the exception provided by Section 3(c)(7) of the Investment Company Act.
- (p) The Issuer and the Note Trustee may also amend the Note Trust Deed, without the consent of the Noteholders, at any time and from time to time, subject to certain requirements described in the Note Trust Deed, to take any action necessary or advisable to allow the Issuer to comply with FATCA or any rules or regulations promulgated thereunder (or any United Kingdom law implementing an IGA); and to issue a new Note or Notes in respect of, or issue one or more new sub-classes of, any Class of Notes, in each case with new identifiers (including CUSIPs, ISINs and Common Codes, as applicable), to the extent that the Issuer determines such action would be beneficial to segregate Noteholders who have provided the FATCA information requested by Issuer and from those Noteholders who have not provided the FATCA information requested by the Issuer; *provided* that any sub-class of a Class of Notes issued pursuant to this clause shall be issued on identical terms as, and rank *pari passu* in all respects with, the existing Notes of such Class.

#### **14. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND ISSUER SECURITY TRUSTEE**

The Note Trust Deed, the Deed of Charge and Assignment, the Servicing Agreement and certain of the other Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of each of the Note Trustee and the Issuer Security Trustee and for their indemnification in certain circumstances. Neither the Note Trustee nor the Issuer Security Trustee will be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its acting upon requests or directions of the Noteholders made in accordance with the Note Trust Deed (including these Conditions) or for any loss, expense, theft, reduction in value or liability which may be suffered as a result of any assets comprised in the Issuer Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other similar persons whether or not on behalf of the Note Trustee or the Issuer Security Trustee.

The Note Trust Deed and the Deed of Charge and Assignment contain provisions pursuant to which each of the Note Trustee and the Issuer Security Trustee or any of its related companies is entitled, *inter alia*:

- (a) to enter into business transactions with the Issuer and or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies;
- (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders or any other Issuer Secured Creditor; and
- (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Deed of Charge and Assignment provides that the Issuer Security Trustee shall accept without investigation, requisition or objection such right and title as the Issuer may have to the Issuer's property secured pursuant to the Deed of Charge and Assignment and shall not be bound or concerned to examine such right and title, and the Issuer Security Trustee shall not be liable for any defect or failure in the right or title of the Issuer to the property secured pursuant to the Deed of Charge and Assignment whether such defect or failure was known to the Issuer Security Trustee or might have been discovered upon examination or enquiry and whether capable of remedy or not. Neither the Note Trustee nor the Issuer Security Trustee has any responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security. Neither the Note Trustee nor the Issuer Security Trustee will be obliged to supervise the performance by the Servicer, the Special Servicer, the Cash Manager or any other person of their obligations under the Transaction Documents and each of the Note Trustee and the Issuer Security Trustee shall assume, until it has actual knowledge or express notice to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

## **15. CONTROLLING CLASS**

- (a) The Controlling Class may, by Ordinary Resolution, appoint or make arrangements for the appointment of, on arms' length commercial terms, an independent third party which:
  - (i) is not, at the time of such appointment, a party to (or an Affiliate of a party to) the Transaction Documents or the Propco Finance Documents in any capacity;
  - (ii) is not, at the time of such appointment, a holder of (or an Affiliate of a holder of) the Notes of any Class (or of any beneficial interest therein) or otherwise entitled to direct or control the exercise of any voting rights in relation to Notes of any Class;
  - (iii) has experience in providing advisory services relating to commercial property assets (and debt obligations secured by such commercial property assets) in England, Wales, Scotland and Northern Ireland;
  - (iv) maintains professional indemnity insurance with a reputable insurer in an amount of at least £10,000,000;
  - (v) in the last two financial years ending prior to the date of such appointment, has received gross revenues of not less than £30,000,000 per year (on a group consolidated basis); and
  - (vi) the Noteholders which are the most senior Class of Noteholders then outstanding have not vetoed any previous appointment of the relevant party (or any Affiliate of the relevant party) as Operating Adviser in accordance with Condition 15(d);

to be their representative for the purposes of this Condition 15 (each such person, an "Operating Adviser").

- (b) In order to appoint an Operating Adviser, the Controlling Class will, at the relevant time, be required to select an entity that satisfies the requirements set out in Condition 15(a) and then negotiate with such entity the terms and conditions on which it will agree to be so appointed as Operating Adviser.
- (c) The terms of the appointment of an Operating Adviser (including as to its remuneration) shall be such terms as may be agreed in writing between the Controlling Class and the proposed Operating Adviser, provided that such terms shall include:
  - (i) that the Operating Adviser accede to the Servicing Agreement (in its capacity as Operating Adviser) and to the Deed of Charge and Assignment (in its capacity as an Issuer Secured Creditor) in accordance with the terms of the Servicing Agreement;
  - (ii) that the appointment of the Operating Adviser terminate immediately on, *inter alia* the occurrence of any of the events specified in Condition 15(f);
  - (iii) that the Operating Adviser may retire by giving not less than 21 days' notice in writing to the Noteholders (in accordance with the terms of Condition 17 (*Notice to Noteholders*)), the Note Trustee, the Issuer Security Trustee, the Servicer and the Special Servicer;
  - (iv) that the fees of the Operating Adviser are determined by reference to a set periodic fee and not by a time or performance based fee; and
  - (vi) that the Operating Adviser delivers notice of its appointment in accordance with Condition 15(e).
- (d) Notwithstanding Condition 15(a) and Condition 15(b), the appointment of any Operating Adviser may be vetoed by Extraordinary Resolution of the most senior Class of Noteholders then outstanding made within two months of the date of notification of the appointment of the Operating Adviser pursuant to Condition 15(e) and notified to the Controlling Class in accordance with Condition 17 (*Notice to Noteholders*), the Note Trustee, the Issuer Security Trustee, the Servicer and the Special Servicer (attaching a copy of the relevant resolution).
- (e) The appointment of any Operating Adviser shall not take effect until the date falling 30 days from (and excluding) the date on which such Operating Adviser notifies the Noteholders in accordance with Condition 17 (*Notice to Noteholders*), the Servicer and the Special Servicer in writing (which notice shall include the material terms of the appointment of the Operating Adviser, including its remuneration and attaches a copy of the relevant resolution) of the appointment of such Operating Adviser.
- (f) The appointment of an Operating Adviser will terminate upon the occurrence of any of the following events:
  - (i) the Controlling Class which appointed the Operating Adviser directs, by Ordinary Resolution, the termination of the appointment of the Operating Adviser with effect from a specified date; or
  - (ii) the most senior Class of Noteholders vetoes the appointment of the Operating Adviser in accordance with Condition 15(d); or
  - (iii) a Control Valuation Event occurs in relation to the Controlling Class which appointed the Operating Adviser; or
  - (iv) the Operating Adviser becomes a party to a Transaction Document in a capacity other than as Operating Adviser and Issuer Secured Creditor or is (or becomes) an

Affiliate to any person which is (or becomes) a party to a Transaction Document (in any capacity); or

- (v) the Operating Adviser becomes a holder of (or an Affiliate of a holder of) the Notes of any Class (or of any beneficial interest therein) or otherwise becomes entitled to direct or control the exercise of any voting rights in relation to Notes of any Class; or
  - (vi) the Operating Adviser fails to maintain professional indemnity insurance with a reputable insurer in an amount of at least £10,000,000.
- (g) Each Noteholder acknowledges and agrees, by its purchase of the Notes, that:
- (i) save as provided for in this Condition 15, the Operating Adviser shall not be precluded from making, entering into and maintaining any commercial contracts and/or any commercial transactions with any party to the Transaction Documents or any Noteholders (other than commercial contracts or commercial transactions which relate specifically to the Notes, save where the Notes are incorporated by reference to a class or general description of assets);
  - (ii) the Operating Adviser must act solely in the interests of each Class of Notes in relation to which a Control Valuation Event has not occurred;
  - (iii) the Operating Adviser will have no liability whatsoever for having acted solely in the interests of each Class of Notes in relation to which a Control Valuation Event has not occurred, and no holder of any other Class of Notes may take any action whatsoever against the Operating Adviser for having so acted.
- (h) For the purposes of this Condition 15,

"**Controlling Class**" will, at any time, be the holders of the most junior ranking Class of Notes outstanding at such time in relation to which a Control Valuation Event has not occurred, as determined by the Servicer. If a Control Valuation Event has occurred, as determined by the Servicer, in relation to each Class of Notes, then the Controlling Class will be the most senior Class of Notes then outstanding.

A "**Control Valuation Event**" will occur in relation to a Class of Notes where the Servicer determines, on any date, that the aggregate of:

- (i) 25 per cent. of the then Principal Amount Outstanding of such Class of Notes; and
- (ii) the then Principal Amount Outstanding of each more senior Class of Notes,

exceeds the later of the independent valuation of the Properties made by CBRE Limited obtained on 20 March 2013 (the "**Initial Valuation**") and any subsequent valuation of the Properties carried out in accordance with the terms of the Propco Facility Agreement.

## 16. REPLACEMENT OF GLOBAL NOTES AND DEFINITIVE NOTES

If any Global Note or Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Registrar, the Paying Agent or the Note Trustee may reasonably require. Mutilated or defaced Global Notes or Definitive Notes must be surrendered before replacements will be issued.

## 17. NOTICE TO NOTEHOLDERS

- (a) All notices to Noteholders, other than notices given in accordance with Conditions 17(b), shall be deemed to have been validly given if:
- (i) published in a leading daily newspaper printed in the English language and with general circulation in Dublin (which is expected to be The Irish Times) or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in Ireland and the rest of Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required; or
  - (ii) for so long as the Notes of any Class are represented by Global Notes and are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so allow, if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders. Any such notice shall be deemed to have been given on the date of delivery of such notice to Euroclear and/or Clearstream Luxembourg; or
  - (iii) for so long as the Notes of any Class are represented by Global Notes and are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so allow, if delivered to the relevant electronic communications system maintained by Bloomberg L.P. or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee and notified to the Noteholders in such manner as the Note Trustee shall require. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen.
- (b) A copy of each notice given in accordance with this Condition 17 shall be provided to (for so long as the Notes of any Class are listed on the Irish Stock Exchange) the Company Announcements Office of the Irish Stock Exchange, to Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and DBRS Ratings Limited ("**DBRS**") (each a "**Rating Agency**" and, together, the "**Rating Agencies**") to which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes or any Class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to "**rating**" and "**ratings**" in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies to the Class A Notes.
- (c) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

## 18. PRIVACY OF CONTRACT

The Notes do not confer any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## 19. GOVERNING LAW

The Note Trust Deed, the Deed of Charge and Assignment, the Agency Agreement, the other Transaction Documents and the Notes (and any non-contractual obligations arising out of or in connection with any of them) are governed by English law provided that certain provisions of the Deed of Charge and Assignment will be compliant with and construed in accordance with Scots law.



**20. U.S. TAX TREATMENT AND PROVISION OF INFORMATION**

- (a) It is the intention of the Issuer, each Noteholder and beneficial owner ("**Owner**") of an interest in the Class A Notes, the Class B Notes and the Class C Notes that (i) the Class A Notes and the Class B Notes will be debt of the Issuer for all United States tax purposes and (ii) the Class C Notes will be equity in the Issuer for all United States tax purposes (the "**Intended U.S. Tax Treatment**"). To the extent applicable and absent a final determination to the contrary by a United States taxing authority, the Issuer and each Noteholder and Owner, by acceptance of a Class A Note, Class B Note or Class C Note, or a beneficial interest therein, agree to treat the Notes, for all United States tax purposes in a manner consistent with the Intended U.S. Tax Treatment and to report the Class A Notes, the Class B Notes and the Class C Notes on all applicable tax returns in a manner consistent with such treatment.
- (b) For so long as any Notes remain outstanding and are "**restricted securities**" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or Owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or Owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

## **USE OF PROCEEDS**

The purchase price for the Class A Notes, the Class B Notes and the Class C Notes (being an amount in sterling equal to 100 per cent. of the principal amount of the Notes on the Closing Date) will be satisfied, in full, by the delivery of the Warehouse Notes to the Warehouse Registrar for cancellation.

Fees and expenses relating to the application for admission of the Notes to trading on the regulated market of the Irish Stock Exchange are expected to be €5,500.

## UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of current United Kingdom tax law and the published practice of HM Revenue & Customs relating only to the United Kingdom withholding tax treatment of interest paid on the Notes and certain reporting requirements in relation to that interest. It does not address any other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. Prospective Noteholders should consult their own advisors about their tax treatment in relation to the Notes in the United Kingdom or in any other jurisdiction in which they may be subject to tax.*

### **Withholding Tax**

Interest on the Notes will arise in the United Kingdom for the purposes of United Kingdom withholding tax and would, in the absence of an exemption, be subject to such tax.

Interest on the Notes may be paid without withholding on account of United Kingdom tax as long as, at the time of payment, the Notes are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange has been designated as such a "recognised stock exchange".

In all cases falling outside the exemption described above, interest on the Notes should be paid subject to withholding on account of United Kingdom tax at the rate of (currently) 20% subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption that may apply.

### **Reporting Requirements**

Holders of Notes should be aware that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the UK acting on behalf of the Issuer (a "paying agent"), or is received by any person in the UK acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "collecting agent"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the beneficial owner of the interest (including such person's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Noteholder is resident in the UK for UK taxation purposes. Where the Noteholder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

## EUROPEAN UNION SAVINGS TAX DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**") each member state of the European Union (a "**Member State**") is required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-European Union countries to the exchange of information relating to such payments.

A number of non-European Union countries, and certain dependent or associated territories of certain Member States (including Jersey), have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

## UNITED STATES TAXATION

### Circular 230 Notice

Any discussion of United States federal tax issues (including United States federal income tax and ERISA issues) set forth in this Prospectus was written in connection with the promotion and marketing of the transactions described in this Prospectus. Such discussion was not intended or written to be legal or tax advice to any person and was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any United States federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax adviser.

### General

The following is a summary of certain United States federal income tax considerations for beneficial owners of the Notes who are United States holders (as defined below), who, in the case of the Class A Notes and the Class B Notes, acquire the Class A Notes and Class B Notes at original issuance at the "issue price" within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the "**Code**"), that use the accrual method of accounting for United States federal income tax purposes and that hold the Notes as capital assets. This summary does not discuss all aspects of United States federal income taxation that might be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., financial institutions, insurance companies, tax-exempt institutions, dealers or traders in stocks, securities or currencies, regulated investment companies, persons that will hold Notes as part of a "hedging" or "conversion" transaction, non-United States persons engaged in a trade or business within the United States or persons the functional currency of which is not the United States dollar). In particular, investors not using the accrual method of accounting for United States federal income tax purposes may be subject to special rules not described herein. In addition, this summary does not discuss any non-United States, any United States state or local, or any estate or gift tax considerations. This summary is based on the Code, and administrative and judicial authorities, all as in effect on the date hereof and all of which are subject to change, possibly on a retroactive basis. Prospective investors should consult their tax advisers regarding the United States federal, state, local, and non-United States income and other tax considerations of owning the Notes. No rulings will be sought from the United States Internal Revenue Service (the "**IRS**") with respect to the United States federal income tax consequences described below.

For purposes of this summary, a "**United States holder**" means a beneficial owner of a Note who or which is, for United States federal income tax purposes, (i) a citizen or resident individual of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or of any State thereof or the District of Columbia, (iii) an estate (other than a foreign estate described in section 7701(a)(31)(A) of the Code), or (iv) a trust if a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of such trust. A "**non-United States holder**" means a beneficial owner of a Note that is not a United States holder.

United States persons and non-United States persons who own an interest in a holder that is treated as a pass-through entity under the Code will generally receive the same tax treatment with respect to the material tax consequences of their indirect ownership of the Notes as is described herein for direct United States holders and non-United States holders, respectively. Nonetheless, such persons should consult their United States tax advisers with respect to their particular circumstances, including issues related to tax elections and information reporting requirements.

### Characterisation of the Notes

The Issuer intends to take the position that, while the matter is not clear and there is no authority directly on this point, (a) the Class A Notes and the Class B Notes (collectively, the "**Priority Notes**") are debt of the Issuer for all United States tax purposes and (b) the Class C Notes are equity in the Issuer for all United States tax purposes. However, there is a possibility that the IRS could contend that some or all of the Priority Notes should be treated as equity in the Issuer for United States federal income tax purposes. For further information, see the section entitled "*- Possible Alternative Characterisations of the Priority Notes*" on page 195 and "*- Disposition of Priority Notes by United States holders*" on page 195. The Issuer intends to take the position that the Class C Notes are equity in the Issuer for United States federal income tax purposes because there is a strong likelihood that, under United States federal income tax principles, the Class C Notes, although denominated as debt, will be treated as equity.

Absent a final determination to the contrary by a United States taxing authority, the Issuer and each Noteholder, by acceptance of a Note or a beneficial interest therein, agree to treat (a) the Priority Notes as debt and (b) the Class C Notes as equity for all United States tax purposes and each agrees to report its ownership interest in one

or more classes of Notes on all applicable tax returns in a manner consistent with such treatment. In general, the characterisation of an instrument for United States federal income tax purposes as debt or equity by its issuer as of the time of issuance is binding on a holder (but not the IRS), unless the holder takes an inconsistent position and discloses such position in its United States federal tax return.

The Issuer will not obtain any rulings from the IRS or opinions of counsel on the characterisation of the Notes and there can be no assurance that the IRS or the courts will agree with the positions of the Issuer. Unless otherwise indicated, the discussion in the following paragraphs assumes the characterisations of the Priority Notes as debt and the Class C Notes as equity are correct for United States federal income tax purposes. The following paragraphs are also based on the assumption that the Issuer will not be engaged in a trade or business within the United States.

## **Taxation of Priority Notes**

### **Interest Income on the Priority Notes to United States holders**

#### ***Accrual of Interest and OID on the Priority Notes***

Interest paid on a Class A Note generally will be includible in the gross income of a United States holder as ordinary income at the time it is accrued. Since the Issuer cannot determine whether there is more than a remote likelihood that it would defer interest payments on the Class B Notes, the Issuer will treat all interest payable on the Class B Notes (including interest on accrued but unpaid interest and any excess of stated principal over issue price) as original issue discount ("**OID**"). A United States holder must include OID in income as ordinary interest for United States federal income tax purposes as it accrues under a constant yield method, whether or not payments on the Class B Notes are deferred. Even if the likelihood of deferral were remote, a United States holder must accrue OID on the principal amount (including accrued but undistributed OID) of any Notes on which interest actually is deferred. The timing of accrual of OID on the Class B Notes could be affected by special rules applicable to debt instruments that are subject to principal acceleration due to prepayments on debt obligations that secure them. U.S. Holders should consult their tax advisors about the proper basis for accruing any OID on the Class B Notes.

#### ***Sourcing***

Interest (including any OID) on a Priority Note will constitute foreign source income for United States federal income tax purposes. Subject to certain limitations, Irish and United Kingdom withholding tax, if any, imposed on payments on the Priority Notes will generally be treated as a foreign tax eligible for credit against a United States holder's United States federal income tax (unless such tax is refundable under Irish or United Kingdom law or an Ireland/United States or United Kingdom/United States income tax treaty). For foreign tax credit purposes, interest will generally be treated as foreign source passive category income (or, in the case of certain United States holders, financial services income).

#### ***Foreign Currency Considerations***

A United States holder that receives a payment of interest in pounds with respect to the Priority Notes will be required to include in income the United States dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to the Priority Notes during an accrual period. The United States dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the relevant taxable year. In addition, such United States holder will recognise additional exchange gain or loss, treated as ordinary income or loss, with respect to accrued interest income on the date such income is actually received or the applicable Priority Note is disposed of. The amount of ordinary income or loss recognised will equal the difference between (i) the United States dollar value of the pound payment received (determined at the spot rate on the date such payment is received or the applicable Priority Note is disposed of) in respect of such accrual period and (ii) the United States dollar value of interest income that has accrued during such accrual period (determined at the average rate as described above). Alternatively, a United States holder may elect to translate interest income into United States dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the last day of the interest accrual period is within five business days of the date of receipt, the spot rate on the date of receipt. A United States holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

## **Disposition of Priority Notes by United States holders**

### ***In General***

Upon the sale, exchange or retirement of a Priority Note, a United States holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the United States holder's adjusted tax basis in the Priority Note. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Priority Note (which will be treated as interest as described under "*Interest Income on the Priority Notes to United States holders – Accrual of Interest and OID on the Priority Notes*" on page 194). A United States holder's adjusted tax basis in a Priority Note generally will equal the cost of the Priority Note to the United States holder increased by any OID included in the United States holder's income and decreased by any payments (other than, in the case of the Class A Notes, payments of stated interest) received on the Priority Note.

In general, except as described below, gain or loss realised on the sale, exchange or redemption of a Priority Note will be capital gain or loss from sources within the United States. The deductibility of capital losses is subject to certain limitations.

### ***Foreign Currency Considerations***

A United States holder's tax basis in a Priority Note, and the amount of any subsequent adjustment to such United States holder's tax basis, will be the United States dollar value of the pound amount paid for such Priority Note, or of the pound amount of the adjustment, determined at the spot rate on the date of such purchase or adjustment. A United States holder that purchases a Priority Note with previously owned pounds will recognise an exchange gain or loss treated as ordinary income or loss in an amount equal to the difference, if any, between such United States holder's tax basis in the pounds and the United States dollar value of the pounds on the date of purchase.

Gain or loss realised upon the receipt of a principal payment on, or the sale, exchange or retirement of, a Priority Note that is attributable to fluctuations in currency exchange rates will be treated as ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the United States dollar value of the applicable pound principal amount of such Priority Note, and any payment with respect to accrued interest, translated at the spot rate on the date such payment is received or such Priority Note is disposed of, and (ii) the United States dollar value of the applicable pound principal amount of such Priority Note, on the date such holder acquired such Priority Note, and the United States dollar amounts previously included in income in respect of the accrued interest received at the spot rate on that day. Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a United States holder on the sale, exchange or retirement of the Priority Note. The source of such pound gain or loss will be determined by reference to the residence of the United States holder or the qualified business unit of the United States holder on whose books the Priority Note is properly reflected.

A United States holder will have a tax basis in any pounds received on the receipt of principal on, or the sale, exchange or retirement of, a Priority Note equal to the United States dollar value of such pounds, determined at the time of such receipt, sale, exchange or retirement. Any gain or loss realised by a United States holder on a subsequent sale or other disposition of pounds (including its exchange for United States dollars) will generally be exchange gain or loss treated as ordinary income or loss.

## **Taxation of Priority Notes to non-United States holders**

A non-United States holder of the Priority Notes will not be subject to United States federal income or withholding tax with respect to the gain derived from the sale, exchange or retirement or any payments received in respect of the Priority Notes, unless such gain or payments are effectively connected with a United States trade or business of such holder, or such holder is a non-resident alien individual who holds the Priority Notes as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

## **Possible Alternative Characterisations of the Priority Notes**

### ***In General***

Although, as described above, the Issuer intends to take the position that the Priority Notes will be treated as debt for United States federal income tax purposes, such position is not binding on the IRS or the courts and therefore no assurance can be given that such characterisation will prevail. In particular, there is a possibility that the IRS could contend that some or all of the Priority Notes should be treated as equity in the Issuer for United States federal income tax purposes.

The timing and character of income under the Priority Notes, and the United States taxation of such income, may differ substantially depending on whether the Priority Notes are treated as debt or equity for United States federal income tax purposes. If one or more classes of Priority Notes were treated as equity interests in the Issuer (any such Note, a "**Recharacterised Note**"), such Recharacterised Notes and the treatment of payments made in relation thereto for United States federal income tax purposes would be substantially similar to the discussion with respect to the Class C Notes below under "*Taxation of Class C Notes*". Prospective investors should consult their own United States tax advisers with respect to the potential impact of an alternative characterisation of the Priority Notes for United States federal income tax purposes, including the making of a protective QEF election under the passive foreign investment company rules of the Code at the time when an investor acquires its ownership interest in the Priority Notes.

#### **Taxation of Class C Notes**

##### ***Distributions on the Class C Notes to United States holders***

It is expected that the Class C Notes will be treated as equity in the Issuer for all United States tax purposes. As such, and except as provided below under "*Investment in a Passive Foreign Investment Company*" and "*Investment in a Controlled Foreign Corporation*", a United States holder of a Class C Note will be required to include in income payments on the Class C Notes as distributions on equity of the Issuer and dividends to the extent paid out of the Issuer's current or accumulated earnings and profits (as determined for United States federal income tax purposes). To the extent that a payment on a Class C Note exceeds the Issuer's earnings and profits, the payment will be treated first as a return of the United States holder's basis in its Class C Notes to the extent of such basis, and then as gain from the sale of a capital asset. In addition, unless the Issuer is treated as being engaged in a U.S. trade or business, generally, payments on a Class C Note that are treated as dividends derived by a United States holder should constitute foreign source income that will be treated as passive income for United States foreign tax credit purposes (or, in the case of certain United States holders, financial services income). Such dividends will not be eligible for either the dividends received deduction for corporations or the reduced tax rate on qualified dividends available to certain non-corporate United States holders. Each United States holder of a Class C Note should consult its own United States tax advisers as to how it should treat this income for purposes of its particular foreign tax credit calculation.

##### ***Investment in a Passive Foreign Investment Company***

The Issuer expects to be treated as a "passive foreign investment company" (a "**PFIC**") for United States tax purposes. In general, a United States holder of equity in the Issuer (e.g., a United States holder of a Class C Note) may desire to make an election to treat the Issuer as a qualified electing fund ("**QEF**"), with respect to such United States holder.

Generally, a QEF election should be made on or before the due date for filing a United States holder's United States federal income tax return for the first taxable year for which it held the Class C Notes. An electing United States holder will be required to include in gross income such United States holder's pro rata share of the Issuer's ordinary earnings and to include as long-term capital gain such United States holder's *pro rata* share of the Issuer's net capital gain, whether or not distributed, assuming that the Issuer does not constitute a controlled foreign corporation in which the United States holder is a U.S. Shareholder, as discussed further below under "*Investment in a Controlled Foreign Corporation*". A United States holder will not be eligible for the dividends received deduction in respect of such income or gain. In addition, any losses of the Issuer in a taxable year will not be available to such United States holder. In certain cases in which a QEF does not distribute all of its earnings in a taxable year, United States holders may also be permitted to elect generally to defer payment of the taxes on the QEF's undistributed earnings until such amounts are distributed or the equity interest in the QEF is disposed of, subject to an interest charge on the deferred amount. In this respect, prospective purchasers of Class C Notes should be aware that the Issuer may have significant earnings, but distributions attributable to such earnings may be deferred, perhaps for a substantial period of time. Thus, absent an election to defer payment of taxes, United States holders of the Class C Notes that make a QEF election may owe tax on significant "phantom" income. In order to comply with the requirements of a QEF election with respect to the Issuer, a United States holder must receive from the Issuer certain information. The Issuer intends to supply United States holders of the Class C Notes (and any other class of Notes that is treated as equity for United States federal income tax purposes), upon the request of a United States holder, with the information needed for such United States holder to comply with the requirements of a QEF election.

United States holders that are considering making a QEF election with respect to the Issuer, should consult their United States tax advisers with respect to their particular circumstances, including issues related to their annual United States federal income tax reporting obligations under the PFIC rules and the computations required to effect a QEF election.



A United States holder that holds "marketable stock" in a PFIC may also avoid certain unfavourable consequences of the PFIC rules by electing to mark the stock to market as of the close of each taxable year. A United States holder that made the mark-to-market election with respect to the Class C Notes would be required to include in income each year as ordinary income an amount equal to the excess, if any, of the fair market value of the United States holder's Class C Notes at the close of the year over the United States holder's adjusted tax basis in the Class C Notes. For this purpose, a United States holder's adjusted tax basis generally would be the United States holder's cost for the Class C Notes, increased by the amount previously included in the United States holder's income pursuant to this mark-to-market election and decreased by any amount previously allowed to the United States holder as a deduction pursuant to such election (as described below). If, at the close of the year, the United States holder adjusted tax basis exceeds the fair market value of the Class C Notes, then the United States holder would be allowed to deduct any such excess from ordinary income, but only to the extent of net mark-to-market gains on such Class C Notes previously included in income. Any gain from the actual sale of the Class C Notes would be treated as ordinary income, and to the extent of net mark-to-market gains previously included in income any loss would be treated as ordinary loss. Class C Notes would be considered "marketable stock" in a PFIC for these purposes only if they were regularly traded on an exchange which the IRS determines has rules adequate for these purposes. Application has been made to the Official List of the Irish Stock Exchange for listing of the Notes. There can be no assurance that the Class C Notes will, once listed, be "regularly traded" or that such exchange would be considered a qualified exchange for these purposes.

If a United States holder does not make a QEF election or mark-to-market election with respect to the Class C Notes and the PFIC rules are otherwise applicable, a United States holder that has held such Class C Notes during more than one taxable year would be required to report any gain on disposition of any Class C Notes as ordinary income and to compute the tax liability on such gain and certain excess distributions as if the items had been earned ratably over each day in the United States holder's holding period for the Class C Notes and would be subject to the highest ordinary income tax rate for each prior taxable year in which the items were treated as having been earned, regardless of the rate otherwise applicable to the United States holder. Such United States holder would also be liable for an additional tax equal to interest on the tax liability attributable to such income allocated to prior years as if such liability had been due with respect to each such prior year. An excess distribution is the amount by which distributions during a taxable year in respect of a Class C Note exceed 125 per cent. of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the United States holder's holding period for the Class C Notes). United States holders of Class C Notes should consider carefully whether to make a QEF election or mark-to-market election with respect to the Class C Notes and the consequences of not making such an election.

Each United States holder of a PFIC is required to file an annual information return containing such information as the U.S. Treasury Department may require. United States holders of the Class C Notes will be required to file this annual information return if the Issuer is classified as a PFIC. United States holders of the Class C Notes should consult their own tax advisors regarding the timing and method for filing this return. In addition, a United States holder of the Class C Notes will be required to file IRS Form 8621 regarding any gain realized on the disposition of Class C Notes during any year in which the Issuer is classified as a PFIC.

### ***Investment in a Controlled Foreign Corporation***

Depending on the degree of ownership of the Class C Notes by United States holders, the Issuer may constitute a controlled foreign corporation (a "CFC"). In general, a non-U.S. corporation will constitute a CFC if more than 50 per cent. of the shares of the corporation, measured by reference to combined voting power or value, are held, directly or indirectly, by U.S. Shareholders. For this purpose, a "U.S. Shareholder" is any person that is a U.S. person for United States federal income tax purposes that possesses (actually or constructively) 10 per cent. or more of the combined voting power of all classes of shares of the corporation (persons who own interests in a U.S. pass-through entity that is a U.S. Shareholder will also be subject to the CFC rules). United States holders possessing 10 per cent. or more of the Class C Notes (or any combination thereof) are U.S. Shareholders. If more than 50 per cent. of the equity interests in the Issuer were held by such U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer should be treated as a CFC, a U.S. Shareholder would be treated, subject to certain exceptions, as receiving a dividend at the end of the taxable year of the Issuer in an amount equal to the U.S. Shareholder's pro rata share of the Issuer's "subpart F income" and certain U.S. source income of the Issuer. It is anticipated that all of the Issuer's income will be subpart F income.

If the Issuer is treated as a CFC, a U.S. Shareholder would be taxable on the Issuer's subpart F income under the CFC rules and not under the PFIC rules. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains will be treated as ordinary income of the U.S. Shareholder under the CFC rules,

notwithstanding the fact that the character of such gains generally would otherwise be preserved under the PFIC rules if a QEF election were made.

United States holders of the Class C Notes should consult their United States tax advisers as to timing and character mismatches that may result from the Issuer being treated as a PFIC or CFC.

#### ***Distributions on Class C Notes***

The treatment of actual distributions on the Class C Notes, in very general terms, will vary depending on (a) (i) whether a United States holder has made a timely QEF election as described above, and (ii) the United States holder's pro rata share of the Issuer's ordinary earnings (as determined under the Code) and the United States holder's pro rata share of the Issuer's net capital gain for the United States holder's taxable year in which or with which the taxable year of the Issuer ends, and (b) whether a United States holder has made a timely mark-to-market election as described above. See the section entitled "*- Investment in a Passive Foreign Investment Company*" on page 196. If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent would not be taxable to United States holders. Distributions in excess of such previously taxed amounts will be treated first as a nontaxable return of capital and then as capital gain.

In the event that a United States holder does not make a QEF election or a mark-to-market election, then except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Class C Notes may constitute excess distributions, taxable as previously described. See the section entitled "*- Investment in a Passive Foreign Investment Company*" on page 196.

A United States holder will determine the United States dollar value of a distribution which is denominated in pounds made on the Class C Notes (or any other class of Notes which is treated as equity for United States federal income tax purposes) by translating the pound payment at the spot rate of exchange on the date of such distribution.

#### **Disposition of Class C Notes by United States Holders**

##### ***Sale, Redemption or Other Disposition of the Class C Notes***

In general, a United States holder of a Class C Note will recognise gain or loss upon the sale, redemption or other disposition of a Class C Note equal to the difference between the amount realized and such holder's adjusted tax basis in the Class C Note. If a United States holder has made a timely QEF selection as described above, such gain or loss will be long-term capital gain or loss if the United States holder held the Class C Notes for more than one year at the time of the disposition. If a United States holder has made a timely mark-to-market election, such gain or loss will be taxed as discussed above under "*- Investment in a Passive Foreign Investment Company*" on page 196.

Initially, the tax basis of a United States holder should equal the amount paid for a Class C Note. Such basis will be increased by amounts taxable to such holder by virtue of a QEF election, mark-to-market election or the CFC rules and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as nontaxable returns of capital.

If a United States holder does not make a QEF election or mark-to-market election, any gain realised on the sale or exchange of a Class C Note will be subject to an interest charge and taxed as ordinary income. See the section entitled "*- Investment in a Passive Foreign Investment Company*" on page 196.

If the Issuer were treated as a CFC and a United States holder were treated as a U.S. Shareholder therein, then any gain realised by such holder upon the disposition of Class C Notes would be treated as ordinary income to the extent of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

United States holder will determine the United States dollar value of amounts realised which are denominated in pounds from the sale, redemption or other disposition of a Class C Note (or any other class of Notes which is treated as equity for United States federal income tax purposes) by translating the pound payment at the spot rate of exchange on the date of such sale, redemption or other disposition.

#### **Taxation of the Class C Notes to non-United States holders**

A non-United States holder of Class C Notes will not be subject to United States federal income or withholding taxes with respect to gain derived from the sale, exchange, or retirement or any payments received in respect of the Class C Notes, unless such gain or payments are effectively connected with a United States trade or business of such holder, or such holder is a non-resident alien individual who holds the Class C Notes as a capital asset

and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

### **Medicare Contribution Tax**

A United States holder that is an individual, estate or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States holder's "net investment income" for the relevant taxable year and (2) the excess of the United States holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individual will be between \$125,000 and \$250,000, depending on the individual's circumstances). A United States holder's net investment income will generally include its interest income, dividend income and net gains from the disposition of Notes, unless such income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

### **Backup Withholding and Information Reporting**

#### **General**

Information reporting to the IRS generally will be required with respect to payments of principal or interest or to distributions on the Notes and to proceeds of the sale of the Notes that, in each case, are paid by a United States payor or intermediary to United States holders other than corporations and other exempt recipients. "Backup" withholding tax will apply to those payments if such United States holder fails to provide certain identifying information (including such holder's taxpayer identification number) to such payor, intermediary or other withholding agent or such holder is notified by the IRS that it is subject to backup withholding. Non-United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding tax is not an additional tax and generally may be credited against a holder's United States federal income tax liability provided that such holder provides the necessary information to the IRS.

#### **Transfer Reporting Requirement**

The Treasury Department has issued regulations with regard to reporting requirements relating to the transfer of property (including certain transfers of cash) to a foreign corporation by United States persons or entities. In general, these rules require United States holders who acquire Notes that are characterised (in whole or in part) as equity of the Issuer to file a Form 926 with the IRS and to supply certain additional information to the IRS. In the event a United States holder fails to file any such required form, the United States holder may be subject to a penalty equal to 10 per cent. of the fair market value of the Notes as of the date of purchase (generally up to a maximum penalty of U.S.\$100,000 in the absence of intentional disregard of the filing requirement; in case of intentional disregard, no maximum applies).

#### **Form 5471**

In addition, if (i) United States holders acquire Notes that are characterised as equity of the Issuer and (ii) the Issuer is treated as a "controlled foreign corporation" for United States federal income tax purposes, certain of those United States holders will generally be subject to additional information reporting requirements (e.g., certain United States holders will be required to file a Form 5471). Prospective investors should consult with their United States tax advisers concerning the additional information reporting requirements with respect to holding equity interest in foreign corporations.

### **Tax Shelter Reporting Requirements – Currency Exchange Losses**

Under United States Treasury regulations on tax shelter disclosure and list maintenance, taxpayers that enter into "reportable transactions" are required to file information returns. In the case of a corporation or a partnership whose partners are all corporations, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a loss claimed under Section 165 of the Code (without taking into account any offsetting items) (a "**Section 165 Loss**") of at least U.S.\$10 million in any one taxable year or U.S.\$20 million in any combination of taxable years. In the case of any other partnership, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a Section 165 Loss of at least U.S.\$2 million in any taxable year or U.S.\$4 million in any combination of taxable years. In the case of an individual or trust, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a Section 165 Loss of at least U.S.\$50,000 in any one taxable year arising from a currency exchange loss. In determining whether a transaction results in a taxpayer claiming a loss that meets the threshold over a combination of taxable years, only losses claimed in the taxable year that the transaction is entered into and the five succeeding taxable years are combined. Accordingly, if a United States holder realises

currency exchange losses on the Notes satisfying the monetary thresholds discussed above, such United States holder would have to file an information return. Prospective investors should consult their tax advisers regarding these information return requirements.

For further information, see the section entitled "*– Taxation of Priority Notes – Disposition of Priority Notes by United States holders – Foreign Currency Considerations*" on page 194.

### **Foreign Financial Assets**

Under Section 6038D of the Code, certain United States holders who are individuals (and, to the extent provided in future regulations, entities) will generally be subject to reporting obligations with respect to their Notes if the aggregate value of their Notes and other "specified financial assets" exceed \$50,000 and if they do not hold the Notes through accounts with financial institutions. Significant penalties may apply if a United States holder fails to disclose its interest in the Notes pursuant to this legislation. United States holders are urged to consult with their tax advisors regarding these reporting requirements.

### **FATCA**

Under FATCA, starting in 2017, the Issuer may be subject to a 30 percent United States withholding tax on payments made to it under rules applicable to "foreign pass-thru payments." In order to avoid withholding under FATCA, the Issuer may be required to enter into a FATCA Agreement. In addition, starting in 2017, the Issuer may be required to withhold tax from payments (including interest, principal and redemption proceeds) on the Notes, to the extent such payments are considered foreign pass-thru payments, and are not otherwise exempt from withholding. This withholding would generally not apply to payments in respect of any Notes that are characterised as debt for United States federal tax purposes that were issued before (and not materially modified after) the "grandfathering date", which is 1 July 2014 or, if later, the date that is six months after the date on which final United States Treasury regulations defining the term "foreign pass-thru payment" are filed with the Federal Register. In the event withholding under FATCA is required with respect to any Notes, the Issuer will withhold on payments on such Notes if the relevant Noteholders fail to provide the Issuer with information or documentation, or to update or correct such information or documentation, as may be necessary or helpful for the Issuer to achieve compliance with FATCA. The United Kingdom has recently entered into an IGA with the United States with respect to FATCA. For so long as the IGA is in effect, the IGA will likely enable the Issuer to report the required information to the Commissioners for Her Majesty's Revenue and Customs, instead of directly to the IRS, which would provide such information to the IRS under existing Exchange of Information protocols. Further, the Issuer would be relieved of the requirements to enter into a FATCA Agreement with the IRS and to withhold from payments to, or close the accounts of, certain account holders, but will still be required to identify certain United States accounts. Further guidance is anticipated prior to the effective date of these rules, which may significantly modify these rules as they apply to the Issuer and to Noteholders. The rules relating to FATCA are complex and subject to change in the future. Prospective investors should consult their tax advisers regarding the applicability of the FATCA rules to their investment in the Notes.

If an investor fails to provide the Issuer with any correct, complete and accurate information that may be required for the Issuer to comply with FATCA to prevent United States federal withholding tax on payments to the Issuer, the Issuer is authorized to withhold amounts otherwise distributable to the investor, to compel the investor to sell its Notes, if the investor does not sell its Notes after notice from the Issuer, to sell the investor's Notes on behalf of the investor, and to assign to such Notes a separate CUSIP number or numbers.

## ERISA CONSIDERATIONS

The Class A Notes sold in reliance on Rule 144A (the "**Class A Rule 144A Notes**") will be eligible for purchase by employee benefit plans and other plans subject to the US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or the provisions of Section 4975 of the Code and by governmental or church plans that are subject to state, local or other federal law of the United States that is substantially similar to ERISA or Section 4975 of the Code, subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under the section entitled "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Servicer, the Special Servicer or any other party to the transactions contemplated by the Transaction Documents may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Class A Rule 144A Notes is acquired or held by a Plan with respect to which the Issuer, the Servicer, the Special Servicer or any other party to such transactions, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any such Notes and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) PTCE 96-23 (relating to transactions determined by in-house asset managers) and the service provider exemption under new Section 408(b)(17) of ERISA and new Section 4975(d)(20) of the Code. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Each purchaser and subsequent transferee of any Class A Rule 144A Notes will be deemed by such purchase or acquisition of any such Note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such note through and including the date on which the purchaser or transferee disposes of such note, either that (A) it is not an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan (each of the foregoing a "**benefit plan investor**"), or a governmental or church plan which is subject to any federal, state or local law of the United States that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (B) its purchase, holding and disposition of such note will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental or church plan, any substantially similar federal, state or local law of the United States) for which an exemption is not available.

Each purchaser and subsequent transferee of any Notes other than Class A Rule 144A Notes will be deemed by such purchase or acquisition of any such note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such note through and including the date on which the purchaser or transferee disposes of such note, it is not an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or church plan which is subject to any federal, state or local law of the United States that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code.

In addition, Section 3(42) of ERISA and a regulation promulgated by the US Department of Labor at 29 C.F.R. Section 2510.3-101 (collectively, the "**Plan Asset Regulation**"), describe what constitutes the assets of a Plan

with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the 1940 Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in debt form may be considered an "equity interest" if it has "substantial equity features". If the issuer were deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Rule 144A Notes, such plan assets would include an undivided interest in the assets held by the Issuer and transactions by the Issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code. **Investors should note that concerns in respect of the foregoing may be magnified here, particularly in the case of the lowest subordinated Class of Notes.** In addition, in analysing these issues with their own counsel, prospective purchasers of notes should consider, among other things, that, although it is anticipated that the Class A Rule 144A Notes should be treated as debt for federal income tax purposes, see the section entitled "*United States Taxation*" on page 193, it is not clear whether the debt would be treated for tax purposes as issued by the Issuer. If the underlying assets of the Issuer are deemed to be Plan assets, the obligations and other responsibilities of Plan sponsors, Plan fiduciaries and Plan administrators, and of parties in interest and disqualified persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favourable statutory or administrative exemption or exception applies). In addition, various providers of fiduciary or other services to the Issuer, and any other parties with authority or control with respect to the Issuer, could be deemed to be Plan fiduciaries or otherwise parties in interest or disqualified persons by virtue of their provision of such services.

Any insurance company proposing to purchase any of the Class A Rule 144A Notes using the assets of its general account should consider the extent to which such investment would be subject to the requirements of ERISA in light of the US Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank* and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in PTCE 95-60, 60 Fed. Reg. 35925 (July 12, 1995), the enactment of Section 401(c) of ERISA by the Small Business Job Protection Act of 1996 (including, without limitation, the expiration of any relief granted thereunder) and the regulations thereunder.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes sold in reliance on Rule 144A should determine whether, under the documents and instruments governing the Plan, an investment in the notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment mortgage portfolio. Any Plan proposing to invest in such Notes (including any governmental or church plan) should consult with its counsel to confirm, among other things, that such investment will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental or church plan, any substantially similar state, local or other federal law).

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Servicer, the Special Servicer or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## SUBSCRIPTION AND EXCHANGE

Pursuant to a subscription and exchange agreement dated on or about 23 July 2013 between the entities identified therein as the purchasers of the Notes (including the TRU Note Purchaser) (the "**Note Purchasers**"), the Issuer and the Warehouse Secured Creditors (the "**Subscription and Exchange Agreement**"), the Note Purchasers severally have agreed with the Issuer to purchase the Notes on the Closing Date.

The obligation of each Note Purchaser to pay the purchase price for the Notes to be acquired by it under the Subscription and Exchange Agreement will be satisfied, in full, by the delivery by that Note Purchaser of the Warehouse Notes held by such Note Purchaser to the Issuer for cancellation.

The Subscription and Exchange Agreement is subject to a number of conditions and may be terminated by the Note Purchasers in certain circumstances prior to the delivery by the Note Purchasers to the Issuer of the Warehouse Notes for cancellation.

The Issuer has agreed to indemnify the Note Purchasers in connection with the issue of the Notes.

Under the terms of the Subscription and Exchange Agreement, each of the Warehouse Secured Creditors agrees, on the satisfaction of certain conditions, to instruct the Warehouse Security Trustee to release and discharge the Warehouse Security and that the Warehouse Notes and the Warehouse Note Documents be cancelled, terminated discharged and/or released and each party thereto be released from all obligations and liabilities thereunder, in each case with effect from the Closing Date.

The TRU Note Purchaser will represent and warrant in the Deed of Charge and Assignment that for so long as any Noteholder or person who is able to become a Noteholder is subject, whether directly or indirectly, to the requirements of Article 122a and any Notes are outstanding, it will, inter alia, hold and retain (on an on-going basis), a principal amount of each Class of Notes of not less than 5 per cent. of the aggregate Principal Amount Outstanding of each Class of the Notes. See the section headed "*Regulatory Considerations – Article 122a of the Capital Requirements Directive*" for more information.

## TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any jurisdiction, and the Issuer will not be registered as an investment company under the provisions of the Investment Company Act. Accordingly, the Notes may only be offered and sold, and may be re-offered, re-sold, pledged or otherwise transferred only (i) outside the United States to a person who is not a U.S. person (as defined in Regulation S, "**U.S. Person**") in a transaction meeting the requirements of Rule 903 or 904 of Regulation S, or (ii) to a U.S. Person that is both a Qualified Purchaser and a Qualified Institutional Buyer.

To ensure compliance with these restrictions, each purchaser (and each such owner of a beneficial interest therein, collectively, the "**Purchaser**") (including each subsequent transferee) of Notes (or a beneficial interest therein) by purchasing or otherwise acquiring such interest will be deemed to have represented, warranted, acknowledged and covenanted to the Issuer, the Note Trustee and the Arranger as follows:

1. The Purchaser is purchasing the Notes for its own account or for the account of one or more beneficial owners for which such person is acting as fiduciary or agent with complete investment discretion and with authority to bind such other person and not with a view to any public resale or distribution thereof.
2. The Purchaser and each person for which it is acting understands and acknowledges that the Notes and any beneficial interest therein have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered, sold or otherwise transferred except pursuant to an exemption from registration and in compliance with the provisions of paragraphs 1 through 6 hereof. Notwithstanding the availability of an exemption from the registration requirements under the Securities Act, the Notes may not be resold or transferred except (i) outside the United States to a person who is not a U.S. Person in a transaction meeting the requirements of Rule 903 or 904 of Regulation S, or (ii) to a U.S. Person that is both a qualified institutional buyer ("**Qualified Institutional Buyer**") (within the meaning of Rule 144A under the Securities Act) and a qualified purchaser (as defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder ("**Qualified Purchaser**")) in a transaction meeting the requirements of Rule 144A.
3. The Purchaser and each person for which it is acting is (a) either (i) outside the United States and not a U.S. Person (as defined in Regulation S) or (ii) both a Qualified Purchaser and a Qualified Institutional Buyer; (b) an institution that, in the normal course of business, invests in or purchases securities similar to the Notes and a highly sophisticated investor that has such knowledge and experience in financial and business matters that is capable of evaluating the merits and risks of an investment in the Notes, and able to bear the economic risk, and sustain a complete loss, of such investment in the Notes; and (c) without a need for liquidity with respect to its investment in the Notes and without a reason to anticipate any change in its circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of the Notes.
4. If it is a U.S. Person, the Purchaser and each person for which it is acting understands and acknowledges that any sale of the Notes to it will be made in reliance on Rule 144A and the exclusion from the definition of an investment company provided in Section 3(c)(7) of the Investment Company Act, and such acquisition will be for its own account or for the account of another Qualified Institutional Buyer and Qualified Purchaser that is also aware that the sale to it is being made in reliance on Rule 144A and, if a U.S. Person, that the Issuer is relying on the exception from registration provided in Section 3(c)(7) of the Investment Company Act. The Purchaser, and each person for which it is acting, understands and agrees that the Issuer will not register as an investment company under the Investment Company Act and that the Issuer and the Note Trustee shall have the right to request and receive such additional documents, certification, representations and undertakings from time to time as the Issuer or, as applicable, the Note Trustee may deem necessary in order to comply with the applicable legal requirements.
5. The Purchaser and each account for which it is purchasing is acquiring the Notes (or beneficial interest therein) for its own account for investment purposes and not for sale in connection with any distribution thereof and will purchase, hold or transfer at least £100,000 of the Notes or beneficial interests therein. It and each person for which it is acting (a) if a U.S. Person, was not formed, reformed or recapitalised for the purpose of investing in the Notes (or beneficial interest therein) and/or other



securities of the Issuer, except when each beneficial owner of the purchaser and each person for which it is acting is a Qualified Purchaser, (b) to the extent the purchaser or any person for which it is acting is an investment company excluded from the definition of an investment company under the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. Persons) and was formed on or before April 30, 1996, it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a Qualified Purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules promulgated thereunder, (c) if a U.S. Person, is not a participant-directed employee plan, such as a 401(k) plan or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan, (d) if a U.S. Person, is not a broker-dealer that owns and invests on a discretionary basis less than U.S.\$25,000,000 in securities (as such term is defined in Rule 144A) of issuers unaffiliated with such broker-dealer, (e) (if a U.S. Person) is not a (i) partnership, (ii) common trust fund, (iii) corporation, or (iv) special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investment to be made, or the allocation thereof, unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are both Qualified Institutional Buyers and Qualified Purchasers, (f) (if a U.S. Person) has not invested more than 40 per cent. of its assets in the Notes (or beneficial interests therein) and/or other securities of the Issuer after giving effect to the purchase of the Notes (or beneficial interests therein) (unless all of the beneficial owners of such entity's securities are both Qualified Institutional Buyers and Qualified Purchasers), (g) will provide notice of these transfer restrictions to any subsequent transferees who must agree to comply with such restrictions as a condition to any purchase of the Notes and agrees not to act as a swap counterparty or other type of intermediary whereby any other party will acquire an economic or beneficial interest in the Notes acquired or reoffer, resell, pledge or otherwise transfer the Notes (or any beneficial interests therein), to any person except to a person that (x) meets all of the requirements in paragraphs 1 through the following paragraph 6 and (y) agrees not to subsequently transfer the Notes or any beneficial interest therein except in accordance with these transfer restrictions, and (h) understands that the Issuer may receive a list of participants holding positions in securities from one or more book-entry depositaries, including without limitation Euroclear and Clearstream, Luxembourg.

6. The Purchaser and each person for which it is acting understands and agrees that: (a) any purported sale or transfer of the Notes (or a beneficial interest therein) to a purchaser that does not comply with the requirements set forth in these paragraphs 1 through 6 will be of no force and effect and will be void *ab initio* and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Note Trustee or any intermediary; (b) in the event of a transfer of the Notes (or beneficial interest therein) to a U.S. Person that is not both a Qualified Institutional Buyer and a Qualified Purchaser (and does not meet the other requirements set forth in paragraphs 1 through 6) at the time of acquisition of the Notes (or beneficial interest therein), the Issuer may, in its discretion, either (a) compel such transferee to sell such Notes or interest herein (within 30 days after notice of the sale requirement is given) to a person (i) that is a Qualified Institutional Buyer and, (ii) if such Qualified Institutional Buyer is a US Person, a Qualified Purchaser, and meets the requirements set forth in paragraphs 1 through 6 hereof in a transaction exempt from registration under the Securities Act, or (b) if such transferee fails to effect the sale within such 30-day period, the Issuer has the right on behalf of such transferee (and such transferee by its accepting delivery of the Notes or beneficial interest therein irrevocably grants to the Issuer and the Issuer's agents full power and authority to, on behalf of such transferee), sell the Notes or such transferee's interest therein to a person designated by or acceptable to the Issuer who meets the requirements set forth herein at a price equal to the least of (1) the purchase price therefor paid by the original transferee, (2) 100 per cent. of the Principal Amount Outstanding thereof and (3) the fair market value thereof; and (c) the Issuer has the right to refuse to honour the sale or transfer of an interest in the Notes to a U.S. person who is not both a Qualified Institutional Buyer and a Qualified Purchaser (and does not meet the other requirements set forth in paragraphs 1 through 6 above) at the time of acquisition of such Notes (or such beneficial interest).
7. The Purchaser (on its own behalf and on behalf of each account for which it is purchasing or acquiring the Notes) (a) has made own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of the Issuer, and has made its own investment

decision to acquire the Notes; and (b) understands that there may be certain consequences under U.S. and other tax laws resulting from an investment in the Notes, and will make such investigation and consult such tax and other advisors with respect thereto as it deems appropriate and will satisfy itself concerning, without limitation, the effects of U.S. federal, state and local income tax laws and foreign tax laws on an investment in the Notes. The Purchaser (i) has been given the opportunity to ask questions of and receive answers from the Issuer concerning the terms and conditions of the offering of the Notes and other matters pertaining to an investment in the Notes, (ii) has been given the opportunity to request and review such additional information necessary to evaluate the merits and risks of a purchase of the Notes and to verify the accuracy of or to supplement the information contained in the Prospectus to the extent the Issuer possesses such information and (iii) has received all documents and information reasonably necessary to make an investment decision, subject to contractual restrictions on the Issuer's ability to disclose confidential information. The Purchaser understands the terms, conditions and risks of the Notes and that the Notes involve a high degree of risk as described in the Prospectus, including possible loss of the Purchaser's entire investment. The Purchaser has not relied upon any advice or recommendation of the Issuer, the Arranger or any of their respective affiliates, and is making its own investment decision based upon its own judgment and upon the advice of such professional advisors, either employed or independently retained by the Purchaser, as it has deemed necessary to consult. It has not relied on any other version of the Prospectus other than the final version thereof in making its investment decision with respect to the Notes. The Purchaser acknowledges that no person has been authorised to give any information or to make any representations concerning the Issuer or the Notes other than those contained in the Prospectus and, if given or made, such other information or representations have not been relied upon. The Purchaser acknowledges that it has carefully reviewed the Prospectus, including the "Risk Factors" and the legends in the forward part of the Prospectus. The Purchaser has determined that it has the legal power, authority and right to purchase the Notes. The Purchaser understands that (i) there is no assurance that a secondary market for the Notes will develop, (ii) the fair market value of the Notes may reflect a substantial discount from the Purchaser's initial investment (iii) the Notes may trade at a value other than that which may be inferred from the current levels of interest rates, due to other factors including, but not limited to changes in ratings, expectations of the future levels of interest rates and the occurrence of certain risk events.

8. The Purchaser agrees on its own behalf and on behalf of each investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, reoffer, sell or otherwise transfer such Notes only in accordance with all applicable securities laws of the United States, any state of the United States and any other applicable jurisdiction, subject in each case to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control. Such Purchaser acknowledges that the Global Notes will bear a legend substantially to the following effect:

#### **Reg S Global Notes and Reg S Definitive Notes**

BY PURCHASING OR OTHERWISE ACQUIRING ANY BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE AGREED FOR THE BENEFIT OF THE ISSUER THAT IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), BENEFICIAL INTERESTS IN THIS GLOBAL NOTE MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY TO A NON-U.S. PERSON AND IN COMPLIANCE WITH THE SECURITIES ACT AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT. ACCORDINGLY, ANY TRANSFERS OF THE NOTES FOLLOWING THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD MAY ONLY BE MADE: (A) TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S) IN A TRANSACTION PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO PERSONS WHO QUALIFY AS "ELIGIBLE INVESTORS" (AS DEFINED IN THE NOTE TRUST DEED). IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (B), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE RULE 144A GLOBAL NOTE (AS DEFINED IN THE NOTE TRUST DEED); (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE TO THE REGISTRAR (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND IS AVAILABLE FROM

THE REGISTRAR), AND (3) THE TRANSFEREE WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER (THE FORM OF WHICH IS ALSO ATTACHED TO THE AGENCY AGREEMENT AND AVAILABLE FROM THE REGISTRAR).

EACH PURCHASER OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, REPRESENTS AND WARRANTS THAT ON EACH DAY THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT THERETO (A "**BENEFIT PLAN**"), OR ANY PLAN AS DEFINED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") WHICH IS SUBJECT THERETO (A "**PLAN**"), OR A GOVERNMENTAL OR CHURCH PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW OF THE UNITED STATES THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR AN ENTITY USING THE ASSETS OR ACTING ON BEHALF OF SUCH A BENEFIT PLAN, PLAN, OR GOVERNMENTAL OR CHURCH PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE PLAN ASSETS OF ANY SUCH BENEFIT PLAN, PLAN, GOVERNMENTAL OR CHURCH PLAN. ANY ATTEMPTED TRANSFER OF SUCH NOTE OR ANY INTEREST THEREIN IN VIOLATION OF SUCH REPRESENTATION AND WARRANTY SHALL BE VOID AB INITIO.

<sup>2</sup>[THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO THE ISSUER.]

#### **Rule 144A Global Notes and Rule 144A Definitive Notes**

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND THE ISSUER (AS DEFINED IN THE NOTE TRUST DEED) HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT.

BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I)(A) IS AN "ELIGIBLE INVESTOR" (AS DEFINED BELOW), (B) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (C) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL THE PRECEDING REQUIREMENTS AND (D) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON THAT MEETS ALL THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (D) OR (II) IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE PURSUANT TO RULE 903 OR 904 OF REGULATION S. IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (II), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE REG S GLOBAL NOTE (AS DEFINED IN THE NOTE TRUST DEED); (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE TO THE REGISTRAR (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND IS AVAILABLE FROM THE REGISTRAR), AND (3) THE TRANSFEREE WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER (THE FORM OF WHICH IS ALSO ATTACHED TO THE AGENCY AGREEMENT AND AVAILABLE FROM THE REGISTRAR).

"**ELIGIBLE INVESTORS**" ARE DEFINED FOR THE PURPOSES HEREOF AS PERSONS WHO ARE BOTH (A) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) QUALIFIED PURCHASERS (AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER, ACTING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER ENTITIES THAT ARE BOTH

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<sup>2</sup> To appear in the legend for the Class B Notes only.

QUALIFIED INSTITUTIONAL BUYERS AND QUALIFIED PURCHASERS AND EXCLUDES THEREFROM: (I) QUALIFIED INSTITUTIONAL BUYERS THAT ARE BROKER-DEALERS THAT OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN U.S. \$25 MILLION IN SECURITIES IF IT IS A DEALER OF THE TYPE DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A UNDER THE SECURITIES ACT, (II) A PARTNERSHIP, COMMON TRUST FUND, CORPORATION, SPECIAL TRUST, PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES, SHAREHOLDERS, EQUITY OWNERS, BENEFICIAL OWNERS OR PARTICIPANTS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION THEREOF AND IN A TRANSACTION THAT MAY BE EFFECTED WITH LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION, (III) AN ENTITY THAT WAS FORMED, REFORMED OR RECAPITALIZED FOR THE SPECIFIC PURPOSE OF INVESTING IN THE ISSUER, UNLESS EACH BENEFICIAL OWNER OF SUCH ENTITY AND EACH PERSON FOR WHICH IT IS ACTING IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, (IV) ANY INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(c)(1) OR SECTION 3(c)(7) (OR A FOREIGN INVESTMENT COMPANY UNDER SECTION 7(d) THEREOF RELYING ON SECTION 3(c)(1) OR 3(c)(7) WITH RESPECT TO ITS HOLDERS THAT ARE U.S. PERSONS), WHICH FORMED PRIOR TO 30 APRIL, 1996, THAT HAS NOT RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WITH RESPECT TO THE TREATMENT OF SUCH ENTITY AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(a)(51)(c) OF THE INVESTMENT COMPANY ACT AND RULES THEREUNDER, (V) ANY PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN OR ANY OTHER TYPE OF PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A, OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, AND (VI) ANY ENTITY THAT WILL HAVE INVESTED MORE THAN 40 PER CENT. OF ITS ASSETS IN THE SECURITIES OF THE ISSUER IMMEDIATELY SUBSEQUENT TO ANY PURCHASE OF THE NOTES.

THE PURCHASER ACKNOWLEDGES THAT EACH OF THE ISSUER AND THE NOTE TRUSTEE RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER OR THE NOTE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS. EACH HOLDER OF A BENEFICIAL INTEREST IN THIS GLOBAL NOTE ACKNOWLEDGES THAT IN THE EVENT THAT AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED BY A PERSON ACTING ON BEHALF OF THE ISSUER THAT SUCH PURCHASER WAS IN BREACH, AT THE TIME GIVEN OR DEEMED TO BE GIVEN, OF ANY OF THE REPRESENTATIONS OR AGREEMENTS SET FORTH IN THIS LEGEND OR OTHERWISE DETERMINES THAT ANY TRANSFER OR OTHER DISPOSITION OF ANY NOTES WOULD, IN THE SOLE DETERMINATION OF THE ISSUER OR A PERSON ACTING ON ITS BEHALF, REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE PROVISIONS OF THE INVESTMENT COMPANY ACT, SUCH PURCHASE OR OTHER TRANSFER WILL BE VOID AB INITIO AND WILL NOT BE HONORED BY THE NOTE TRUSTEE. ACCORDINGLY, ANY SUCH PURPORTED TRANSFEREE OR OTHER HOLDER WILL NOT BE ENTITLED TO ANY RIGHTS AS A NOTEHOLDER AND THE ISSUER SHALL HAVE THE RIGHT, IN ACCORDANCE WITH THE CONDITIONS OF THE NOTES, TO FORCE THE TRANSFER OF, OR REDEEM, ANY SUCH NOTES.

EACH PURCHASER OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, REPRESENTS AND WARRANTS THAT ON EACH DAY THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN EITHER (A) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT THERETO (A "**BENEFIT PLAN**"), OR ANY PLAN AS DEFINED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") WHICH IS SUBJECT THERETO (A "**PLAN**"), OR A GOVERNMENTAL OR CHURCH PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW OF THE UNITED STATES THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR AN ENTITY USING THE ASSETS OR ACTING ON BEHALF OF SUCH A BENEFIT PLAN, PLAN, OR GOVERNMENTAL OR CHURCH PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE PLAN ASSETS OF ANY SUCH BENEFIT PLAN, PLAN, GOVERNMENTAL OR CHURCH PLAN OR (B) IN THE CASE OF A CLASS A NOTE, ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SUBSTANTIALLY

SIMILAR FEDERAL, STATE OR LOCAL LAW OF THE UNITED STATES). ANY ATTEMPTED TRANSFER OF SUCH NOTE OR ANY INTEREST THEREIN IN VIOLATION OF SUCH REPRESENTATION AND WARRANTY SHALL BE VOID AB INITIO.

<sup>3</sup>[THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO THE ISSUER.]

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<sup>3</sup> To appear in the legend for the Class B Notes only.

## REPORTS TO NOTEHOLDERS

The Servicer will be required to aim to publish within five Business Days of the Note Payment Date in respect of the immediately preceding Loan Interest Period (and will be required to publish within ten Business Days of such Note Payment Date), on Bloomberg a Servicer Quarterly Report (as to which, see "*The Servicing Arrangements – The Servicing Agreement – Reporting*" on page 124) in relation to that preceding Loan Interest Period and payments made or to be made by the Issuer on the corresponding Note Payment Date.

Each Servicer Quarterly Report will be available on request from the Servicer (including by email).

Servicer Quarterly Reports will not be sent to beneficial owners of the Notes by the Servicer.

Except as is outlined in this Prospectus, the Issuer does not intend to provide any post-issuance information in relation to the Notes.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 22 July 2013.

### Listing

It is expected that admission of the Notes to the Official List of the Irish Stock Exchange and to trading on its regulated market will be granted on or about the Closing Date, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in euro and for delivery on the third working day after the day of the transaction.

### Clearing and Settlement

The Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows. The International Securities Identification Numbers and Common Codes for each Class of Notes are set out in the section entitled "*Overview of the Terms and Conditions of the Notes – Full Capital Structure of the Notes*" on page 51.

### Litigation

Neither the Issuer nor the Borrower is, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or, as applicable, the Borrower is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's or, as applicable, the Borrower's financial position.

### Accounts

Since the date of incorporation of the Issuer (25 January 2013), no statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. Save as disclosed in this Prospectus, since the date of its incorporation, the Issuer has not entered into any contracts not in the normal course of its business.

### Significant or material change

Since the date of incorporation of the Issuer and save as disclosed in this Prospectus, there has been no material adverse change in the financial position or prospects and no significant change in the financial or trading position of the Issuer.

Since the date of the last audited statutory accounts of the Borrower (2 February 2013), there has been no material adverse change in the financial position or prospects and no significant change in the financial or trading position of the Borrower.

### Display documents

For so long as the Notes are listed on the Official List of the Irish Stock Exchange, copies of the following documents will be available electronically or may be inspected in physical/electronic form during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the specified offices of the Paying Agents and at the registered office of the Issuer:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the Memorandum and Articles of Association of the Borrower;
- (c) the audited statutory accounts of the Borrower for each of the financial periods ending in 2012 and 2013, the notes thereto and the audit reports in connection therewith;
- (d) the audited statutory accounts of OpCo for each of the financial periods ending in 2009, 2010, 2011, 2012 and 2013 and the notes thereto;
- (e) prior to the Closing Date, drafts (subject to minor amendment) and, after the Closing Date, copies of the following documents:
  - (i) the Note Trust Deed;
  - (ii) the Deed of Charge and Assignment;

- (iii) the Agency Agreement;
  - (iv) the Servicing Agreement;
  - (v) the Cash Management Agreement;
  - (vi) the Corporate Services Agreement; and
  - (vii) the Master Definitions Schedule;
- (f) copies of the following documents:
  - (i) the Propco Facility Agreement;
  - (ii) the Propco Security Deed;
  - (iii) the Propco Mortgage over Shares;
  - (iv) the Propco Standard Security;
  - (v) the Propco Assignment of Rents;
  - (vi) the Propco Subordination Agreement; and
  - (vii) the Propco Tax Deed of Covenant; and
- (g) the Initial Valuation.



## APPENDIX 1 THE PROPERTY DETAILS

### Basildon

#### Key Features

<b>Market Value (MV)</b>	<b>£3,940,000</b>
<b>MV per sq. ft.</b>	<b>£83.49</b>
<b>Vacant Possession Value (VPV)</b>	<b>£2,180,000</b>
<b>VPV per sq. ft</b>	<b>£46.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£344,143</b>
<b>Rental Value on MV</b>	<b>£297,303</b>
<b>Rental Value on VPV</b>	<b>£330,337</b>
<b>Property Type (planning)</b>	<b>Open retail (part food)</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>47,191</b>

The Property comprises of a single storey retail unit with ancillary storage and office accommodation to first floor mezzanine. The Property is set beneath, and adjacent to, a multi-storey car park with an external car parking deck forming the roof over the Property. The unit has been sub-divided and partially underlet to Sports Direct on a 25 year lease from 25 March 1998 at a current rent of £182,500 per annum. The Environ Report concludes that the site represents a low risk with respect to environmental liability. The Property is considered to be in a fair condition for its age and use (it was constructed in 1986).

The Property is situated on the periphery of Basildon town centre. Basildon is ranked 76 of the PROMIS centres, which falls below the average for sub regional shopping centres.

The tenure of the Borrower's interest in the Property is long leasehold, held pursuant to a Superior Lease for a term of 125 years less 10 days from 16 September 1985. In addition to the lease granted to Sports Direct, part of the Property (being a car park with ancillary offices) is subject to a third party lease for a term of 125 years less 20 days from 16 September 1985 at an annual rent of £1. A further part of the Property on which is sited an electricity substation is subject to a third party lease for a term of 125 years less 15 days, granted to EDF Energy Networks (EPM) Plc at an annual rent of £5.

## **Belfast**

### **Key Features**

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<b>Market Value (MV)</b>	<b>£3,180,000</b>
<b>MV per sq. ft.</b>	<b>£103.50</b>
<b>Vacant Possession Value (VPV)</b>	<b>£1,110,000</b>
<b>VPV per sq. ft</b>	<b>£36.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£268,870</b>
<b>Rental Value on MV</b>	<b>£230,438</b>
<b>Rental Value on VPV</b>	<b>£215,075</b>
<b>Property Type (planning)</b>	<b>Open retail</b>
<b>Tenure</b>	<b>Part freehold and long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>30,725</b>

The Property comprises of a single (solus) retail warehouse of steel portal frame construction with an ancillary/store area to the rear and additional storage at mezzanine. The Property is located in Newtown Abbey in Belfast which is a strong retail destination, however the Property is slightly removed from the main retail warehouse provision in the city. The Property was built in the late 1980s and the store is stated to be in reasonable condition. The Environ Report concludes that the site represents a moderate risk with respect to environmental liability.

Belfast is categorised by PROMIS as a sub-regional centre with a catchment of 739,000, classed as not particularly affluent. Belfast benefits from below average competition. The largest competing centre is 26 miles away in Ballymena.

The Property is part freehold and part leasehold. The freehold part of the Property was a former private road and is held with possessory title, with the benefit of an indemnity policy (£20,000,000 limit). The tenure of the Borrower's interest in the leasehold part of the Property is held pursuant to a Superior Lease for a term of 10,000 years from 16 March 1997.

## Bristol

### Key Features

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<b>Market Value (MV)</b>	<b>£10,230,000</b>
<b>MV per sq. ft.</b>	<b>£243.99</b>
<b>Vacant Possession Value (VPV)</b>	<b>£6,170,000</b>
<b>VPV per sq. ft</b>	<b>£147.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£703,290</b>
<b>Rental Value on MV</b>	<b>£628,920</b>
<b>Rental Value on VPV</b>	<b>£649,884</b>
<b>Property Type (planning)</b>	<b>Open retail (non-food)</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>41,928</b>

The Property comprises a purpose built single (solus) retail warehouse unit with service access via a separate entrance, two dock-level loading bays and car parking. The building on the Property is understood to have been constructed in 1984, is of steel portal frame construction with profile metal cladding to the roof and elevations and in fair overall condition given its age, although fairly costly work is anticipated in respect of the roof and some mechanical services during the next 2 years. The Environ Report concludes that the site represents a low risk.

Bristol is the largest city in the South West of England with a total catchment population of 956,000 and a shopping population of approximately 492,000, ranking the city 10 of the PROMIS Centres. The Property is situated within the Cribbs Causeway retail area, which is a dominant and busy retail warehouse and regional shopping centre destination, although the Property occupies a secondary location. Neighbouring occupiers include TK Maxx, Hobbycraft, Wickes, Tesco Home Plus, Smyths Toys and B&Q.

The Property is in an area potentially affected by radon gas and is subject to restrictions for the benefit of the nearby Filton Airport preventing development for residential purposes and the construction of any building which infringes certain defined limits. A planning permission dated 31 January 1985 also restricts use to a non-food retail warehouse.

## Cardiff

### Key Features

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<b>Market Value (MV)</b>	<b>£8,210,000</b>
<b>MV per sq. ft.</b>	<b>£205.25</b>
<b>Vacant Possession Value (VPV)</b>	<b>£4,370,000</b>
<b>VPV per sq. ft</b>	<b>£109.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£630,000</b>
<b>Rental Value on MV</b>	<b>£540,000</b>
<b>Rental Value on VPV</b>	<b>£580,000</b>
<b>Property Type (planning)</b>	<b>Restricted retail (non food) by square feet development</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>40,000</b>

The Property consists of a purpose built solus retail warehouse situated in a secondary retail warehouse location of Olympian Drive. Morrisons supermarket occupies a site on the opposite of International Drive from which Olympian Drive and the Property is accessed. The Property forms part of a wider regeneration area comprising of sports and leisure and residential developments. Surrounding use is predominantly leisure, however (in addition to Morrisons), Lidl Foodstores and Cardiff Bay Retail Park are situated within a five minute drive time.

The Property is understood to have been constructed in 2006 and is considered to be in a fair condition for its age with a reasonable level of maintenance having been carried out on it. The Environ Report concludes that the site represents a low risk with respect to environmental liability (although at the time of the Initial Valuation, Environ was awaiting response to an updated request for information from the local authority).

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 250 years less 3 days from 19 April 2006. There is a restriction on the permitted use of the Property for the first 15 years of the term of the Superior Lease (i.e. until 19 April 2021) preventing the sale of convenience goods and restricting the use to toys and associated goods with no other use permitted until after 19 April 2021. The Superior Lease reserves a current annual rent of £65,076.34. The rent is reviewed upwards only every five years to the higher of (i) the annual rent increased by 2.5% for every year or part year of the term from the relevant commencement date up to the relevant review date compounded annually and (ii) the initial rent plus the amount that bears the same proportion to the initial rent increased in line with the Retail Prices Index. The Lease specifically requires the tenant to pay the rent under the Superior Lease.

## Coventry (Hinckley Road Distribution Centre)

### Key Features

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<b>Market Value (MV)</b>	<b>£42,550,000</b>
<b>MV per sq. ft.</b>	<b>£63.65</b>
<b>Vacant Possession Value (VPV)</b>	<b>£25,610,000</b>
<b>VPV per sq. ft</b>	<b>£38.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£3,309,075</b>
<b>Rental Value on MV</b>	<b>£2,841,125</b>
<b>Rental Value on VPV</b>	<b>£3,342,500</b>
<b>Property Type (planning)</b>	<b>Freehold</b>
<b>Tenure</b>	<b>Warehouse and storage (not retail)</b>
<b>Area (in sq. ft.)</b>	<b>668,500</b>

The Property comprises a large distribution warehouse with high and low bays with ancillary offices and dock level loading on three sides and a trailer park to the south. The high bay section of the building has a height of around 17m and is fully racked throughout. The unit has 123 dock level doors along the west, north and south sides (a ratio of 1 door to every 5,000 sq ft). The building is in fair condition and has been adequately maintained, although repair is required to areas of roof and elevation cladding and the gas fired space heating and air conditioning to the offices is likely to require renewal in the medium term. The Environ Report notes that the eastern half of the site is subject to risk of flooding (greater than 1:100 probability) although there have been no reports of this actually occurring and that the site falls within a 'Radon affected' area, but concludes that the Property represents a low to moderate risk with respect to environmental liability.

The Property is situated within the established commercial/distribution location of Crosspoint, Coventry, adjacent to Junction 2 of the M6 motorway (forming the intersection with the A46) and is adjacent to the Toys R Us retail store.

The Property is subject to (for the benefit of neighbouring landowners and occupiers) various rights of support, use of service media and access to a pumping station across and also various imposed various covenants, the most material of which are (a) not to commit any legal nuisance on/from the Property (b) not to obstruct any access roads and (c) not to store any goods except in suitable screened areas. The land is also subject to agreements for the construction of sewers which granted rights to construct and maintain sewers in favour of Severn Trent Water and imposed covenants not to build over or damage the line of the sewer and only to use the surface of the land above the sewer for agricultural or garden purposes. A planning permission for the development of the Property also imposes conditions, the most material of which are (a) not to construct or allow any direct access to the Coventry eastern by-pass and (b) to limit discharge from the pumping station to 31 litres per second.

## Coventry (Retail Store)

### Key Features

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<b>Market Value (MV)</b>	<b>£6,510,000</b>
<b>MV per sq. ft.</b>	<b>£150.39</b>
<b>Vacant Possession Value (VPV)</b>	<b>£3,170,000</b>
<b>VPV per sq. ft</b>	<b>£73.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£499,342</b>
<b>Rental Value on MV</b>	<b>£432,880</b>
<b>Rental Value on VPV</b>	<b>£432,880</b>
<b>Property Type (planning)</b>	<b>Retail, restricted to retail sale of toys only</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>43,288</b>

The Property comprises a detached, single storey, purpose built retail warehouse of steel frame construction with brickwork and profile metal sheet cladding, with a covered entrance porch and separate double door entry and exit. The building on the Property was constructed in 1993 and has perimeter mezzanine storage with car parking to the front and east and servicing to the rear with two dock loading bays specifically adapted for use by OpCo. The building structure and fabric is in a fair condition given its age and type of construction with no significant defects observed, although it is receiving a low level of maintenance. The Environ Report concludes that there is low sensitivity in respect of environmental liability with no significant contamination noted.

The Property is located approximately 4 miles north of Coventry City Centre on Cross Point Business Park. This is not an established retail area and the site sits in isolation to surrounding uses, which are predominantly industrial and commercial, although Tesco and Asda both have nearby stores.

Access from the public highway is obtained over a private road, the use of which is shared with neighbouring owners/occupiers. A right of way over this private road is granted but the Property is affected by various mutual covenants (protected by a Land Registry restriction which requires a deed of covenant from any transferee) relating to its use and maintenance, including an obligation to contribute towards maintenance costs. A public footpath crosses the Property and there is a prohibition on the Property being used as a ten-pin bowling centre.

The Property is subject to a licence (determinable on 1 month's notice) granting Coventry City Council the right to install equipment and cables for a closed circuit television surveillance system. Part of the Property is subject to an underlease of 80 car parking spaces in favour of Barclays Bank for a term expiring 23 June 2014.

The planning permission for the erection of the store on the Property contains a condition that the building is to only be used for retailing (with offices, storage and staff facilities) children's toys and play equipment, including children's bicycles, computer games and baby care items and as ancillary to such goods, children's clothing, footwear, baby food and confectionary.

## Croydon

### Key Features

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<b>Market Value (MV)</b>	<b>£15,850,000</b>
<b>MV per sq. ft.</b>	<b>£370.84</b>
<b>Vacant Possession Value (VPV)</b>	<b>£9,900,000</b>
<b>VPV per sq. ft</b>	<b>£232.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£1,089,666</b>
<b>Rental Value on MV</b>	<b>£940,302</b>
<b>Rental Value on VPV</b>	<b>£854,820</b>
<b>Property Type (planning)</b>	<b>Open retail (non-food)</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>42,741</b>

The Property comprises a single (solus) building of steel frame construction and profile clad with car parking, a rear service yard and dock loading. A secondary entrance was recently added. The building is considered to be in a fair condition in the context of its age and form of construction but is receiving a fair level of reactive maintenance. The Environ Report concludes that the site represents a moderate risk with respect to environmental liability.

Croydon is located 10 miles south of central London. Purley Way is the principal retail warehouse destination in south London, with a high critical mass of retail, although the Property has a secondary location. Neighbouring occupiers include Currys, PC World and John Lewis Home, B&Q and IKEA.

There is a small area, comprising a grit tank, drainage channel and car parking which is not included in the registered title, but which seems to have been used as part of the Property since about 1987, and is totally surrounded by the Property.

There are rights of way across the Property in favour of neighbouring units and the Property has the benefit of similar rights over neighbouring land. The exercise of these is subject to payment of a contribution to maintenance costs. A wayleave agreement also grants Thames Water a right of access across the property to/from their neighbouring facility.

The Property is subject to covenants prohibiting the sale of alcohol or use as a greyhound or other race track and not to obstruct an access road or damage a culvert. There are also various agreements relating to the construction of an electricity sub-station on part of the Property, these also grant rights relating to the maintenance of electrical cables and equipment on or across the Property, and impose covenants not to build over, damage or interfere with any of these. The electricity sub-station itself (the site of which can be moved in case of redevelopment) is the subject of a lease for 99 years from 29 August 1990 at a nominal rent. There is a further (undated) wayleave agreement (apparently dating from the 1950s) relating to an electricity line crossing the Property.

A planning permission dated February 1989 prohibits the sale of food from the Property and a further planning undertaking dated January 1990 requires compliance with the Croydon Corporation Act 1960 (this seems largely to relate to fire precautions) which binds successors and must be renewed on any sale or material change of use. The Property also lies within an "Archaeological Priority Zone" (this could affect future redevelopment).

## Derby

### Key Features

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<b>Market Value (MV)</b>	<b>£7,660,000</b>
<b>MV per sq. ft.</b>	<b>£182.83</b>
<b>Vacant Possession Value (VPV)</b>	<b>£3,970,000</b>
<b>VPV per sq. ft</b>	<b>£95.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£607,608</b>
<b>Rental Value on MV</b>	<b>£523,700</b>
<b>Rental Value on VPV</b>	<b>£502,752</b>
<b>Property Type (planning)</b>	<b>Retail, restricted to bulky goods planning consent</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>41,896</b>

The Property comprises a purpose built retail warehouse of twin bay steel portal framed construction. The building on the Property was constructed 23 years ago, it is in a fair condition given its age and form of construction but is receiving a low level of maintenance, particularly to the external envelope. Four roof mounted air conditioning packaged chiller units use R22 refrigerant and will therefore require replacement in the short term. The Environ Report concludes that the site represents a low risk with respect to environmental liability.

The property is well located adjoining Wyvern Retail Park and a Sainsbury's superstore. Neighbouring occupiers include Next Home, Homebase, Currys, Halfords, Carpetright, Maplin, Mothercare and Boots (which shares the Property's car park). Derby is ranked 18 of the PROMIS centres,

The Property is subject to rights in favour of the adjoining unit (unit 8) relating to access, car parking, signage, the use of trolley bays and other common estate facilities. The owner of the Property must maintain and insure these (subject to the adjoining unit owner contributing towards the costs of this) and any transferee must covenant with the adjoining owner to observe and perform these obligations.

The Property is also subject to covenants in favour of the former British Railways Board (now Railtrack Plc) not to construct any building or roadway without the consent of British Railways Board, to indemnify British Railways Board in respect of the costs of maintaining any fences, culverts or similar facilities benefitting the Property and not to use the Property as a public house, restaurant, cafe, coffee shop or similar. A planning permission dated March 1989 restricts the use of the Property to the sale of toys, nursery equipment and bicycles and prohibits the sale of books and footwear.



## **Doncaster**

### **Key Features**

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<b>Market Value (MV)</b>	<b>£3,770,000</b>
<b>MV per sq. ft.</b>	<b>£144.76</b>
<b>Vacant Possession Value (VPV)</b>	<b>£2,120,000</b>
<b>VPV per sq. ft</b>	<b>£81.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£299,460</b>
<b>Rental Value on MV</b>	<b>£260,440</b>
<b>Rental Value on VPV</b>	<b>£260,440</b>
<b>Property Type (planning)</b>	<b>Open retail (non food)</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>26,044</b>

The Property comprises a purpose built solus retail warehouse unit of steel portal frame construction. The building on the Property is understood to have been constructed in 1996, it is in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance. The Environ Report noted that the Property lies within a former coal mining area (although in an agreement dated March 1998 British Coal agreed not to mine coal beneath the property for 125 years from such date) and within an area potentially subject to radon gas, but concluded that the Property is of low risk so far as environmental issues were concerned.

Doncaster town is ranked 35 of the PROMIS centres. The Property is alongside the Lakeside Outlet Village, a Premier Inn and KFC and is close to a B&Q warehouse. The surrounding use is predominantly commercial and industrial.

The Property has the benefit of rights of way and to use service media over adjoining land, subject to a contribution towards maintenance costs. The Property is also subject to rights of way over adjoining land and to various covenants for the benefit of the remainder of the estate on which the Property is located, the most material of these are to maintain the roads, service media and landscaped areas, not to burn any rubbish or store any inflammable or noxious materials, to maintain a drain, not to store material equipment or chattels on the external areas except in properly screened areas, not to obstruct the estate access road nor do or allow anything which causes nuisance damage to neighbouring owners/occupiers. There are also restrictions on the Property being used for purposes other than retail, business, light industrial, storage, hotel or entertainment purposes and not to use more than 25,000 square feet for food sales (unless ancillary to other uses). Any transferee or lessee must also covenant to observe and perform these obligations, which are also protected by a Land Registry restriction on the title to the Property.

There is also a second restriction registered against the title which requires the consent of a neighbouring landowner (currently Doncaster Carr Limited) for the registration of any transfer, charge or lease affecting the Property. Any mortgagee must enter into a deed of covenant with such landowner undertaking (if it becomes a mortgagee in possession) to observe various obligations affecting the same.

## Enfield

### Key Features

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<b>Market Value (MV)</b>	<b>£13,730,000</b>
<b>MV per sq. ft.</b>	<b>£314.20</b>
<b>Vacant Possession Value (VPV)</b>	<b>£9,120,000</b>
<b>VPV per sq. ft</b>	<b>£209.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£944,306</b>
<b>Rental Value on MV</b>	<b>£830,262</b>
<b>Rental Value on VPV</b>	<b>£753,791</b>
<b>Property Type (planning)</b>	<b>Restricted retail (non-food)</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>43,698</b>

The Property forms part of Enfield Retail Park and comprises an end-of-terrace unit on the seven unit scheme. Enfield Retail Park was developed in 1993 and is situated just off the A10, being a arterial route into central London. The Property is in a fair condition with ageing use compared with similar warehouse properties. Enfield primary catchment population is significantly above the smaller London centre PROMIS average. The surrounding occupiers of Enfield Retail Park include Boots, Sports Direct, Currys, Halfords, Pets at Home and Costa Coffee. The Environ Report concludes that the Property represents a low to moderate risk with respect to environmental liability but, should the Property be redeveloped in the future, it is likely that further assessment of ground conditions may be required.

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 125 years from 1 October 1993.

A condition exists within the planning permission for the unit which prohibits the sale of food, alcoholic drink, tobacco, books, newspapers, magazines, clothing and footwear, radio, television and photographic equipment, chemist goods and jewellery. Until 2018, under the terms of the Superior Lease, the Property is to be used only as a retail shop, other than one devoted to food and convenience goods. After 2018, the tenant may sell food and convenience goods as ancillary items. The planning permission for the retail park also prohibits any sub-division on the units.

## Glasgow

### Key Features

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<b>Market Value (MV)</b>	<b>£6,970,000</b>
<b>MV per sq. ft.</b>	<b>£204.95</b>
<b>Vacant Possession Value (VPV)</b>	<b>£4,310,000</b>
<b>VPV per sq. ft</b>	<b>£127.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£534,576</b>
<b>Rental Value on MV</b>	<b>£476,112</b>
<b>Rental Value on VPV</b>	<b>£493,116</b>
<b>Property Type (planning)</b>	<b>Retail - consent for DIY goods, furniture, carpets, floor coverings, household textiles, electrical goods, gardening goods, toys and ancillary goods and motor vehicle accessories.</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>34,008</b>

The Property consists of a detached purpose built solus retail unit adjacent to an Asda Superstore. Built in 1997, the building is stated to be in a reasonable condition but would benefit for a programme of maintenance. The Property is located in the south-west side of Glasgow with visibility from the M8 motorway and access from junction 24 of the M8 motorway. The site was previously a quarry and subsequently formed part of a refuse disposal works, however the site was subject to a programme of remediation prior to the development currently used in 1997. The Property is considered to carry a low to moderate risk with respect to environmental liability.

The tenure of the Borrower's interest in the Property is leasehold pursuant to a Superior Lease for a term of 125 years from 2nd June 1997. The landlord (owner of the adjoining food store) has rights prohibiting food use and also has controlling rights over the shared car park. If there is no retail trade from the Property for a continuous period of five years then the benefit of the rights over the neighbouring car park will cease.

## **Ipswich**

### **Key Features**

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<b>Market Value (MV)</b>	<b>£8,090,000</b>
<b>MV per sq. ft.</b>	<b>£187.78</b>
<b>Vacant Possession Value (VPV)</b>	<b>£4,510,000</b>
<b>VPV per sq. ft</b>	<b>£105.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£599,326</b>
<b>Rental Value on MV</b>	<b>£516,996</b>
<b>Rental Value on VPV</b>	<b>£495,455</b>
<b>Property Type (planning)</b>	<b>Retail - bulky goods plus toys</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>43,083</b>

The Property consists of a solus purpose built retail warehouse located in a busy retailing location with Tesco, Mothercare, PC World, Currys and Multiyork in the vicinity. The Initial Valuation confirms that the Property is in a reasonable condition and the Environ Report concludes that the site represents a low risk with respect to environmental liability.

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease, for a term of approximately 120 years, from 30 April 1991 to 6 October 2111. The Superior Lease prohibits a change of use.

The planning permission governing the construction and use of the Property limits its use to the sale of toys, infant care products, DIY and gardening products, self-assembly flat-pack and other furniture, carpets and white electrical goods, the sale, hire or repair of motor vehicles and cycles, caravans, boats and plant and the sale of food and drink to be consumed on the premises as ancillary activity to the main use.

## Leeds

### Key Features

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<b>Market Value (MV)</b>	<b>£15,700,000</b>
<b>MV per sq. ft.</b>	<b>£365.51</b>
<b>Vacant Possession Value (VPV)</b>	<b>£12,070,000</b>
<b>VPV per sq. ft</b>	<b>£281.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£996,146</b>
<b>Rental Value on MV</b>	<b>£859,080</b>
<b>Rental Value on VPV</b>	<b>£934,250</b>
<b>Property Type (planning)</b>	<b>Open retail (non-food)</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>42,954</b>

The Property comprises a purpose-built steel-framed retail warehouse located on an established shopping park in a good location, with servicing to the rear shared with adjacent retailers. The building structure, fabric and plant are in a fair condition with no significant defects observed to visible structure, although a backlog of maintenance items is apparent to the external elevations and roof coverings. The Environ Report notes that the Property lies within a former coal mining area, and is former landfill (although land gas protection measures have been incorporated in the building design) but concludes that the Property presents a moderate risk with respect to environmental liability

The Property is on a prime retail and leisure location with good motorway access on the outskirts of south Leeds. Neighbouring occupiers include Ikea, Next, Gap, Marks & Spencer Simply Food, River Island, Mamas & Papas and Arcadia. Other surrounding uses include leisure, industrial and residential.

The Property is subject to rights of way, to use service media and in respect of car parking spaces on/across neighbouring land, a right to lay and maintain an electricity cable and various covenants prohibiting use for any noisy, noxious or offensive trade or business. A planning agreement imposes additional restrictions, the most material of which prevent the construction of any mezzanine floor except for ancillary office and staff facilities and of any building within 3 metres of the line of a main which crosses under the Property.

## Liverpool

### Key Features

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<b>Market Value (MV)</b>	<b>£3,650,000</b>
<b>MV per sq. ft.</b>	<b>£147.27</b>
<b>Vacant Possession Value (VPV)</b>	<b>£860,000</b>
<b>VPV per sq. ft</b>	<b>£35.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£299,460</b>
<b>Rental Value on MV</b>	<b>£247,850</b>
<b>Rental Value on VPV</b>	<b>£148,710</b>
<b>Property Type (planning)</b>	<b>Retail (non-food and clothing and footwear prohibited)</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>24,785</b>

The Property consists of a solus unit in mixed commercial area and the building is a high bay warehouse with steel portal frame construction. There is storage at ground and mezzanine levels to the rear and side elevations and the unit shares a car park with CostCo. The building on the Property is understood to have been constructed in 1987. The Property is understood to have been constructed in 1987 and is considered to be in a fair condition but is receiving a low level of maintenance. The Environ Report concludes that the site represents a moderate to high risk with respect to environmental liability. The Property is located north of the city centre and docks. Liverpool is ranked 7th of the major cities in the UK by PROMIS.

An indemnity insurance policy is in place relating to two sets of unknown restrictive covenants which affect parts of the Property. The covenants were contained in deeds dated 30 January 1987 and 27 July 1993. The indemnity limit is £3,000,000 and the policy benefits Toys "R" Us Properties (UK) Limited, its successors in title and mortgagees. The Property is subject to restrictions in an agreement dated 21 April 1995 not to build above or 5 metres either side of the sewer that runs across the site. Pursuant to such agreement, consent was granted for CostCo to build adjacent to the sewer. It appears that part of the Property has been built in the restricted area, however, this cannot be confirmed.

The Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 125 years from 6 March 1997. The car park is outside of the Property but the tenant has a right to use the whole of the shared car park free of charge. The planning permission dated 29 May 1996 prevents the sale of food, clothing or footwear but, although the Property includes a Babies "R" Us which may represent a technical breach, the clothing element of the sales mix is limited and the Valuers would not anticipate a significant impact on trade if the restriction was enforced.

The Superior Lease contains certain restrictions in relation to the Property and the tenant during the "Costco Period" (i.e. the period during which Price Costco Europe (UK) Limited or any successor in title or any group company occupy other buildings on the estate on which the Property is located for the purposes of warehouse club or cash and carry operations). This period still applies and the restrictions permit the use of the Property only for sale of items usually sold at Toys "R" Us stores or such other use as the landlord may approve in writing (the landlord may withhold consent to use for leisure, sporting or recreational activities, warehouse club or cash and carry operations, nightclub, pub, food retail operation if more than 7.59% of net internal area). A further restriction also prevents price or quality comparison promotions to goods sold by Costco (the landlord of the Superior Lease) in Liverpool, Merseyside or Lancashire.

Until 5 March 2022, the Property may not to be underlet in parts of less than 8,500 square feet.

## London (Brent Cross)

### Key Features

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<b>Market Value (MV)</b>	<b>£12,610,000</b>
<b>MV per sq. ft.</b>	<b>£268.86</b>
<b>Vacant Possession Value (VPV)</b>	<b>£8,550,000</b>
<b>VPV per sq. ft</b>	<b>£182.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£800,783</b>
<b>Rental Value on MV</b>	<b>£703,515</b>
<b>Rental Value on VPV</b>	<b>£680,065</b>
<b>Property Type (planning)</b>	<b>Retail, limited to the sale of children's toys and associated children's goods only</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>46,901</b>

The Property consists of a solus purpose built retail warehouse unit comprising of steel portal frame, metal profile cladding to the pitch roofs and brick elevations to two-thirds height with profile cladding above. The Property is close to a number of main roads including the A406 and A41. Access to the Property is shared with the neighbouring Tesco Superstore. The building structure and fabric is in a fair condition with no significant defect observed, although some backlog maintenance is apparent. Continued roof and elevation repairs are required to ensure the building remains wind and water tight and the building survey estimates budget costs liability is to be in the region of £177,000 over the next five years. The Environ Report concludes that the site represents a low to moderate risk with respect to environmental liability.

The Property is in an area designated for regeneration and it is proposed that the Property and adjoining Tesco supermarket will be demolished. The local authority may use compulsory purchase powers to achieve this, but there are no proposals to relocate the Property. Outline planning permission for the contemplated development was granted on 28 October 2010. The Borrower believes that the timescale for that development, the use of any compulsory purchase powers and the phasing and commencement of the development and its associated effect on the Property is not certain and that the Property will not be affected for some years to come. The Borrower is continuing negotiations with the local authority to seek the construction of a suitable replacement store, but, if the Property is compulsorily purchased, compensation would be payable.

The current planning consent prohibits the sub-letting of the unit and restricts the use of the Property to the sale of children's toys and associated children's goods.

The Borrower has two long leasehold interests of the Property. One being a 125 year lease from 17 December 1986 and a concurrent lease of 192 years, 5 months and 11 days from 6 July 1994. The 125 year lease takes effect as an underlease whilst the concurrent lease subsists. The Property is also subject to four third party leases:

- (i) from 6 July 1994 to 14 December 2111 to Tesco Stores Limited at an annual rent of £1– vehicular access;
- (ii) until 14 December 2111 to London Borough of Barnet at an annual rent of £1 – part of an all-weather sports pitch;
- (iii) 99 years from 17 December 1996 of an electricity substation to EDF Energy Networks at a nil rent; and
- (iv) 10 years from 27 January 2003 to Tesco Stores Limited at an annual rent of £500 – a totem sign.

## London (Old Kent Road)

### Key Features

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<b>Market Value (MV)</b>	<b>£11,900,000</b>
<b>MV per sq. ft.</b>	<b>£459.57</b>
<b>Vacant Possession Value (VPV)</b>	<b>£8,960,000</b>
<b>VPV per sq. ft</b>	<b>£346.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£755,160</b>
<b>Rental Value (ERV) on MV</b>	<b>£647,350</b>
<b>Rental Value (ERV) on VPV</b>	<b>£699,138</b>
<b>Property Type (planning)</b>	<b>Open retail</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>25,894</b>

The Property comprises a single (solus) retail unit of brick construction to half height, with profile steel, prominently located on the A2 road in south east London. The building is considered to be in reasonable condition given its age and use. The Environ Report concludes that the site represents a low risk with respect to environmental liability.

Old Kent Road is a strong retail warehousing cluster in south east London. Neighbouring occupiers include Aldi, Asda, Carpetright, Staples, Mothercare World, PC World, B&Q and Halfords.

The Property is subject to a restrictive covenant prohibiting use for any purpose connected with the sale of alcohol.



## Nottingham

### Key Features

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<b>Market Value (MV)</b>	<b>£10,860,000</b>
<b>MV per sq. ft.</b>	<b>£251.65</b>
<b>Vacant Possession Value (VPV)</b>	<b>£7,500,000</b>
<b>VPV per sq. ft</b>	<b>£174.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£804,103</b>
<b>Rental Value on MV</b>	<b>£690,480</b>
<b>Rental Value on VPV</b>	<b>£712,058</b>
<b>Property Type (planning)</b>	<b>Retail, restricted to toys and games and/or the range of goods specified in policy S7 of the City of Nottingham Local Plan</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>43,155</b>

The Property is a purpose built retail warehouse of twin based steel portal frame construction. The Property was constructed 22 years ago and is considered to be in a fair condition but is receiving a low level of maintenance. The Environ Report concludes that there is a low to moderate sensitivity in respect to environmental liability with no significant contamination noted.

The Property is located on one of the two main retail parks in the city which includes a terrace of open consented units and a B&Q warehouse. The Property lies in close proximity to the A453 one of Nottingham's main arterial routes. Nottingham ranks number 7 of the PROMIS centres which is around average for the major cities.

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 999 years from 3 June 1992.

Planning permission prohibits the use of the Property for any purpose other than the retail sale of toys and a range of goods specified in policy S7 of the City of Nottingham Local Plan. There is a side letter permitting the sale of children's clothes, shoes and other goods ancillary to the permitted goods). A section 106 agreement dated 12 March 1993 is in the process of being modified which, when completed, will impose a covenant on the Property that no food retail sales are permitted save for the sale of baby food accounting for approximately 2.6 per cent. of turnover.

## Oldbury

### Key Features

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<b>Market Value (MV)</b>	<b>£5,410,000</b>
<b>MV per sq. ft.</b>	<b>£128.91</b>
<b>Vacant Possession Value (VPV)</b>	<b>£3,220,000</b>
<b>VPV per sq. ft</b>	<b>£77.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£414,665</b>
<b>Rental Value on MV</b>	<b>£356,711</b>
<b>Rental Value on VPV</b>	<b>£377,694</b>
<b>Property Type (planning)</b>	<b>Open retail (non-food) and free standing restaurant with drive through facility</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>41,966</b>

The Property comprises a detached, single storey, purpose built retail warehouse of dual bay, steel frame construction with brickwork and steel profile cladding. The building on the Property was constructed in 1988, the structure and fabric of the building is in a fair condition given its age and form of construction but is receiving a low level of maintenance. The Environ Report notes that there are disused mine shafts adjacent to the boundaries and a landfill site with 250 metres, but concludes that there is moderate sensitivity in respect of environmental liability.

The Property is located approximately 5 miles west of Birmingham City Centre and neighbouring occupiers include Halfords, Dunelm Mill and a McDonald's drive through unit shares the site. The surrounding uses are predominantly a combination of industrial and other commercial. Oldbury is encompassed within the wider, extensive Birmingham catchment population which is ranked 2 out of the PROMIS centres.

Part of the main access to/from the Property has insufficient documentary title and defective title insurance (which also benefits successors and mortgages) for the sum of £1,000,000 is in place in this respect. The Property is subject to rights of support and entry for maintenance purposes for an embankment carrying the M5 motorway (improvements to this are planned, but not yet implemented) and to agreements prohibiting use for the manufacture of salt or chemicals, or laying any pipes across the Property for the carriage of brine, water, gas or electricity for such purposes unless required by the local authority or a public utility supplier.

## Oxford

### Key Features

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<b>Market Value (MV)</b>	<b>£15,550,000</b>
<b>MV per sq. ft.</b>	<b>£357.42</b>
<b>Vacant Possession Value (VPV)</b>	<b>£9,610,000</b>
<b>VPV per sq. ft</b>	<b>£221.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£986,260</b>
<b>Rental Value on MV</b>	<b>£826,614</b>
<b>Rental Value on VPV</b>	<b>£761,355</b>
<b>Property Type (planning)</b>	<b>Open retail (non-food). Planning prohibits sale of food. Not more than 40,176 of development to be used for DIY materials.</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>43,506</b>

The Property is a detached, single storey, purpose-built retail warehouse of steel portal frame construction with a combination of brick and profile sheet cladding to the exterior. The Property was constructed in 1993 and the building structure and fabric is in a fair condition with no significant defects observed, although some backlog maintenance is apparent. The Environ Report notes that the site was originally undeveloped greenfield land until the 1970s when it was occupied by a garage, with a bakery occupying about 10% of the site to the northern boundary. Remedial works were undertaken in 1993 and passive ground gas prevention measures were implemented within the construction of existing development. The report concludes that there is moderate to high sensitivity in respect of environmental liability.

Oxford is a regional centre and an economically buoyant urban area, ranked 40 out of the PROMIS centres. The site is on the western outskirts approximately 1.5 miles from the City Centre. Botley Road is the prime retail warehouse location within Oxford and the surrounding area comprises predominantly retail warehouse and industrial units with other commercial uses including offices, car showrooms and some residential. Neighbouring occupiers include Argos, Currys, Aldi, Wickes and Pets at Home.

The Property is freehold although the shared car parking and access areas are subject to rights relating to access, car parking and service media and obligations relating to the maintenance of and contribution to costs. All owners are required to procure deeds of covenant (protected by Land Registry restrictions) in this respect from any transferees.

## Peterborough

### Key Features

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<b>Market Value (MV)</b>	<b>£8,550,000</b>
<b>MV per sq. ft.</b>	<b>£199.86</b>
<b>Vacant Possession Value (VPV)</b>	<b>£5,410,000</b>
<b>VPV per sq. ft</b>	<b>£126.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£632,867</b>
<b>Rental Value on MV</b>	<b>£577,530</b>
<b>Rental Value on VPV</b>	<b>£620,310</b>
<b>Property Type (planning)</b>	<b>Retail (non-food)</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>42,780</b>

The Property comprises a single (solus) unit. The building structure and fabric is in a fair condition given its age and form of construction with no significant defects observed to visible structure, although some backlog maintenance is apparent (replacement of the heating boiler and treatment of roof panels replacement of section of flat roof at the front of the property is required). The Environ Report notes that the site is in an area of moderate-high sensitivity with regard to groundwater resources and in a radon affected area (prior uses including an in-filled quarry and a goods depot) but concludes that the site represents a moderate risk with respect to environmental liability.

The Property is located on Peterborough's inner ring road but divorced from the town centre and other retail parks. Neighbouring occupiers however include B&Q, Matalan, PC World, Brantano, M&S, Carpetright, Dunelm and Asda Living.

The Property is subject to rights of support in favour of the adjoining railway, and a right of entry (except during October, November and December in each year) for the railway operator (currently Railtrack plc) to maintain this. There are also agreements not to deposit any waste materials on the railway nor put up any building within 10 metres of the railway without the railway owner's consent. Parts are also subject to leases, both at nominal rents, of (i) the site of an electricity sub-station for a term of 60 years from 19 October 1995 (the sub-lease also granting rights of way and of entry to maintain electricity wires and cables crossing the Property) and (ii) the site of a "McDonalds" restaurant for a term of 199 years from 17 March 1995.

## Plymouth

### Key Features

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<b>Market Value (MV)</b>	<b>£6,500,000</b>
<b>MV per sq. ft.</b>	<b>£130.60</b>
<b>Vacant Possession Value (VPV)</b>	<b>£2,060,000</b>
<b>VPV per sq. ft</b>	<b>£41.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£549,917</b>
<b>Rental Value on MV</b>	<b>£447,939</b>
<b>Rental Value on VPV</b>	<b>£286,183</b>
<b>Property Type (planning)</b>	<b>Open retail (development description states non-food, but no condition is in place).</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>49,771</b>

The Property comprises a long, narrow and slightly irregular shaped site in an edge of town location, bounded by roads on three sides, with a secure self contained service yard to the rear providing dock level loading access. The store forms part of larger structure and is situated at ground floor level, the majority beneath a multi storey car park and of concrete frame construction. The building on the Property was built in the late 1980s, it is in fair condition given its age and form of construction but is receiving a low level of maintenance. The Property is within an area potentially affected by radon gas but the Environ Report concludes the site represents a low risk with respect to environmental liability.

The Property is situated at the edge of Plymouth city centre with surrounding uses including retail (Drakes Circus Shopping Centre) and commercial uses. Plymouth is categorised by PMA (PROMIS) as a sub regional centre, with a catchment population of 467,000, classified as not particularly affluent. Plymouth benefits from below average competition, the largest competing centre is Exeter (43 miles away).

The Property is effectively an "island" site and, as a result, there are several rights and reservations (relating principally to access, service media and repairing obligations) benefitting and burdening both the Property and the adjoining premises (largely comprising the car park owned by Plymouth City Council). There are also rights to use a pedestrian footbridge serving the Property.

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 25 years from 3 October 1988 (at a current annual rent of £3,500) expiring 2 October 2013 and then a 110 year lease (on the same terms, but at a nominal rent) from 3 October 2013. The Superior Lease and a planning permission dating from December 1986 both restrict the display of advertisements without the prior consent of Plymouth Council (as planning authority and superior landlord). A small part of the Property is subject to an underlease in favour of British Heart Foundation, at a current annual rent of £60,000, expiring in September 2018

Responsibility for maintenance and insurance of the structure of which the Property forms part is the responsibility of the superior landlord, but the owner of the property contributes towards the costs of complying with this through a service charge.

## Poole

### Key Features

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<b>Market Value (MV)</b>	<b>£6,650,000</b>
<b>MV per sq. ft.</b>	<b>£153.96</b>
<b>Vacant Possession Value (VPV)</b>	<b>£1,760,000</b>
<b>VPV per sq. ft</b>	<b>£41.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£545,547</b>
<b>Rental Value on MV</b>	<b>£475,123</b>
<b>Rental Value on VPV</b>	<b>£237,562</b>
<b>Property Type (planning)</b>	<b>Whilst Toys R Us occupy, the retail use permitted is the sale by Toys "R" Us of their normal range of goods. Once Toys "R" Us cease to occupy, the Property can only be used for industrial use and/or warehousing and/or distribution.</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>43,193</b>

The Property comprises a single (solus) retail unit of steel portal frame construction. The building on the Property is circa 22 years old, is in a fair condition for its age and there has been a reasonable level of maintenance, although there are some observed defects and outstanding maintenance matters, most of which were relatively minor. The Environ Report concludes that there is low to moderate sensitivity in respect of environmental liability with no significant contamination noted.

The Property unit is located on the fringes of the Nuffield Industrial Estate in Poole. Access to the unit via Nuffield road is not straightforward and is via a roundabout/slip road some 300 yards to the west. Neighbouring occupiers include B&Q, Currys, PC World DFS and Tesco.

A planning (Section 106 TCPA 1991) agreement dated 10 May 1991 restricts the use of the Property to sale by Toys "R" Us of its normal range of goods and, if Toys "R" Us cease to trade from the Property, then it cannot be used for any use other than industrial, warehousing and/or distribution use without the consent of Poole Borough Council. The Property also lies within the "safeguarding" area for Bournemouth International Airport (this means no development involving construction of a building above 90 metres high may be undertaken without prior consultation with the airport owner) and there must also be consultation with the Civil Aviation Authority for any proposed development involving a sewage works, refuse tip, nature reserve or bird sanctuary.

## Sheffield

### Key Features

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<b>Market Value (MV)</b>	<b>£7,190,000</b>
<b>MV per sq. ft.</b>	<b>£166.57</b>
<b>Vacant Possession Value (VPV)</b>	<b>£4,350,000</b>
<b>VPV per sq. ft</b>	<b>£101.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£589,232</b>
<b>Rental Value on MV</b>	<b>£517,980</b>
<b>Rental Value on VPV</b>	<b>£625,893</b>
<b>Property Type (planning)</b>	<b>Retail (non-food) with no fashion, footwear, pharmaceuticals, fashion accessories, jewellery, cosmetics and toiletries</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>43,165</b>

The Property is an end of terrace unit on Meadowhall Retail Park. The Property is considered to be in a fair condition, although there is a backlog of maintenance. The mechanical and electrical plant is considered to be in a fair condition but receiving a minimal level of maintenance. Four roof mounted air conditioning units use R22 refrigerant and therefore will need to be replaced in the short term. The Environ Report concludes that the site represents a low to moderate risk for environmental liability.

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 125 years from 25 March 1992. The Superior Lease prohibits the use of the Property as a betting shop, public house, hotel or inn for the sale of alcohol, or for the sale of food unless ancillary to a non-food use.

## Shrewsbury

### Key Features

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<b>Market Value (MV)</b>	<b>£10,200,000</b>
<b>MV per sq. ft.</b>	<b>£311.46</b>
<b>Vacant Possession Value (VPV)</b>	<b>£9,570,000</b>
<b>VPV per sq. ft</b>	<b>£292.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£755,532</b>
<b>Rental Value on MV</b>	<b>£654,980</b>
<b>Rental Value on VPV</b>	<b>£892,410</b>
<b>Property Type (planning)</b>	<b>Retail (non-food), not to use as a garden centre or tourist information centre</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>32,749</b>

The Property comprises a detached, single storey, purpose built retail warehouse of steel frame construction with brickwork cladding and mansard roof. The Property was constructed in 1994 and is considered to be in a fair condition but is receiving a low level of maintenance. The Environ Report concludes that there is low sensitivity in respect of environmental liability with no significant contamination noted.

The property is located approximately 3 miles south of Shrewsbury town centre amongst the dominant cluster of retail warehousing provision in the town. Neighbouring occupiers include Sainsburys, Pets at Home, Boots, Harveys, Next, Sports World, Carphone Warehouse and Currys. Shrewsbury is ranked 74 out of the PROMIS Centres.

The Property has the benefit of rights of way over access roads and to use service media crossing neighbouring land but the maintenance position is unclear – the owners of both the Property and adjoining land have obligations to maintain different parts with mutual contribution rights and must each enter into further deeds of covenant in this respect on any disposal of their premises. The Property is also subject to covenants which prohibit use of the Property for the sale of petrol/motor fuels, as a restaurant, cafe, coffee bar or the retail sale of food, as a garden centre or tourist information centre. A planning consent dated April 1988 prohibits use of the Property predominantly for the sale of food. An electricity supplier also has rights to run wires/cables across the Property and is the beneficiary of covenants not to build or plant any trees/shrubs over the line of such wires/cables.



## Solihull

### Key Features

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<b>Market Value (MV)</b>	<b>£11,700,000</b>
<b>MV per sq. ft.</b>	<b>£268.66</b>
<b>Vacant Possession Value (VPV)</b>	<b>£7,870,000</b>
<b>VPV per sq. ft</b>	<b>£181.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£804,917</b>
<b>Rental Value on MV</b>	<b>£696,800</b>
<b>Rental Value on VPV</b>	<b>£762,125</b>
<b>Property Type (planning)</b>	<b>Open retail purposes excluding the sale of food, alcohol, fashion clothes, fashion accessories, books and stationary save as ancillary to main use</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>43,550</b>

The Property comprises a detached, single storey, purpose built retail warehouse of steel frame construction with brickwork cladding and mansard roof. The building structure and fabric is in a fair condition in the context of its age and type of construction with no significant defects observed to visible structure, although some backlog maintenance is apparent. The Environ Report concludes that there is low to moderate sensitivity in respect of environmental liability with no significant contamination noted.

The Solihull primary catchment encompasses a large part of the south eastern quadrant of the West Midlands conurbation. PROMIS ranks the town 54 out of the PROMIS Centres. The Property is located approximately two miles south west of Solihull town centre, within the dominant cluster of retail warehouse provision in the area. Neighbouring occupiers include Homebase, Argos, Boots, Mothercare, Currys, Pets at Home, Bensons and B&Q.

The Property has the benefit of rights of way over an access road and to use service media, subject to payment of 33.3% of the cost of maintain such access road. A covenant to comply with this obligation (protected by a Land Registry restriction) must be obtained on any transfer of the Property. An agreement with the adjoining owner/occupier provides for the sharing of car parking spaces on the retail park – the Property can use 120 of the 300 spaces for 99 years and the Property owner must maintain, and not restrict access to, these (these rights can be determined if the adjoining land ceases to be used for retail purposes but a covenant to comply with this obligation, also protected by a Land Registry restriction, must be obtained on any transfer of the Property).

Part of the Property (being the site of a gas governor station, which site can be moved in the case of redevelopment) is subject to a lease of a gas governor station with ancillary rights to run gas pipes on and across the Property for a term of 99 years from 24 May 1993 along with easements for access and maintenance purposes. The planning consent for the present building on the Property prohibits the sale of food, alcohol, fashion clothes, fashion shoes, fashion accessories, books or stationery unless ancillary to the main use and also prohibits sub-division of such building if such sub-division results in trading areas of less than 10,000 square feet.

## Southampton

### Key Features

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<b>Market Value (MV)</b>	<b>£12,410,000</b>
<b>MV per sq. ft.</b>	<b>£299.51</b>
<b>Vacant Possession Value (VPV)</b>	<b>£7,590,000</b>
<b>VPV per sq. ft</b>	<b>£183.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£853,587</b>
<b>Rental Value on MV</b>	<b>£745,830</b>
<b>Rental Value on VPV</b>	<b>£725,113</b>
<b>Property Type (planning)</b>	<b>Open retail</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>41,435</b>

The Property consists of a solus unit on the edge of retail scheme with prominence to the A3204 Western Esplanade, close to West Key Shopping Centre and Retail Park and close to the pedestrian links from the town to the railway station. The Property is circa 22 years old and is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance. The Valuers estimate the budget cost liabilities of £178,000 (£80,000 short-term (1-2 years) and £98,000 medium-term (3-5 years)) but conclude that this site represents a low risk with respect to environmental liability.

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 125 years from 18 October 1986. The Superior Lease contains pre-emption provisions in favour of the landlord if the tenant (the Borrower) or any assignee being a Toys "R" Us group company, wishes to assign or underlet the whole of the Property. Before such assignment or underletting can take place, the tenant must first offer a surrender for a specified premium and indicating whether or not the tenant wishes to take a lease back of the Property (and if so, on what terms). The landlord can, within 28 days of receiving such offer, either accept the offer or reject the offer. The pre-emption provisions do not apply to a mortgagee exercising its powers of sale or leasing and do not prevent the assignment of whole to any company within the same group. The Lease of the Property was granted with a small area of the car park carved out of the demise so as not to trigger these pre-emption provisions.

The Superior Lease contains provisions requiring the tenant to operate a car parking system in the car park at the Property. The profits and losses of such operation are to be split 50:50 between the tenant and the landlord of the Superior Lease, with the tenant being required to account quarterly to the landlord. Notwithstanding this, in practice, the car park is managed and operated by the local authority (who is also the landlord under the Superior Lease) under a service level agreement. The Property is subject to a footpath used by the public and a planning permission affecting the Property contains a condition that such footpath is to remain unobstructed for pedestrian use.

## Stockton-on-Tees

### Key Features

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<b>Market Value (MV)</b>	<b>£17,540,000</b>
<b>MV per sq. ft.</b>	<b>£412.72</b>
<b>Vacant Possession Value (VPV)</b>	<b>£11,280,000</b>
<b>VPV per sq. ft</b>	<b>£265.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£1,205,849</b>
<b>Rental Value on MV</b>	<b>£1,062,475</b>
<b>Rental Value on VPV</b>	<b>£966,852</b>
<b>Property Type (planning)</b>	<b>Retail (non-food)</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>42,499</b>

The Property consists of a solus purpose built stand-alone retail warehouse unit situated adjacent to Teeside Shopping Park. The Property comprises of steel portal frame construction beneath a profile metal clad roof. The Property was constructed circa 1990 and is considered to be in a fair condition but is receiving a low level of maintenance. The Environ Report concludes that the site represents a low risk with respect to environmental liability.

The Property and Teeside Shopping Park are accessed by the A19, just off the main A66 ring road due south of Stockton-on-Tees centre. Middlesborough town centre is approximately 2 miles to the east of the sight. Stockton ranks 166 of PROMIS centres, which is below the average for average towns.

The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 125 years from 29 September 1989. The Property is subject to a lease of an electricity sub-station with associated easement rights relating to plant and equipment for the sub-station. The Initial Valuation confirms that there were no specific issues highlighted in relation to this discrepancy in the legal due diligence which impacted the valuation of the Property.

## Swindon

### Key Features

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<b>Market Value (MV)</b>	<b>£9,030,000</b>
<b>MV per sq. ft.</b>	<b>£208.96</b>
<b>Vacant Possession Value (VPV)</b>	<b>£4,760,000</b>
<b>VPV per sq. ft</b>	<b>£110.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£716,699</b>
<b>Rental Value on MV</b>	<b>£626,618</b>
<b>Rental Value on VPV</b>	<b>£626,618</b>
<b>Property Type (planning)</b>	<b>Open retail (non-food)</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>43,215</b>

The Property is a purpose built solus retail warehouse unit situated on a self contained site on the junction of the A419 and A420 along Oxford Road, to the east side of Swindon. The Property occupies an edge of town location, situated within the secondary, though established, retail destination. The Property was constructed in or around 1991 and is in a fair condition for its age and use compared to many similar retail warehouse properties. There has been a reasonable level of maintenance during the life of the Property, although there were a number of observed defects and some outstanding minor maintenance matters. The Environ Report concludes that the site represents a low risk with respect to environmental liability.

A Sainsbury's food store sits adjacent to the Property, with a secondary four unit retail warehouse scheme called St Margaret's Retail Park located on the opposite side of Oxford Road. Swindon is ranked as 39 of the PROMIS centres.

In the original title transfer from 1989, a covenant restricted the permitted use to a hotel or lorry park for 25 years from the transfer date (01/09/1989). Subsequent deeds of variation allowed the use as a retail warehouse for the sale of toys (including games, computers, bicycles, books, party ware, educational aids for children and ancillary items. It cannot be guaranteed that parties do not exist who may be able to enforce the original use covenant, however, the covenant expires on the 31st August 2014. No indemnity insurance exists in respect of this title issue although the Borrower has not received any notices of breach. A planning permission prevents the use of the Property for any use other than retail.

Two planning agreements with the Council restricts development of the open land situated within the southern part of the Property, south of the entrance road and permit the Council to use the car park as a park and ride site. The number of spaces to which the Council is entitled to is between 150-220 throughout the year, although the park and ride scheme has yet to be implemented.

The Property is also subject to covenants to maintain the boundary wall within the lorry park along the boundary of the Property, which it was required to do pursuant to the terms of a deed dated 18 October 1991. No sale, lease or other disposition (other than a charge) can be registered at the Land Registry unless the transferee or tenant enters into a direct covenant with the adjoining owner to maintain the boundary wall. There is a restriction on the title to the Property protecting this requirement.

## **Warrington**

### **Key Features**

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<b>Market Value (MV)</b>	<b>£5,950,000</b>
<b>MV per sq. ft.</b>	<b>£139.10</b>
<b>Vacant Possession Value (VPV)</b>	<b>£3,690,000</b>
<b>VPV per sq. ft</b>	<b>£86.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£488,175</b>
<b>Rental Value on MV</b>	<b>£427,750</b>
<b>Rental Value on VPV</b>	<b>£513,300</b>
<b>Property Type (planning)</b>	<b>Open retail (non-food)</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Area (in sq. ft.)</b>	<b>42,775</b>

The Property consists of the solus retail warehouse with steel portal frame construction with ancillary/store area to the rear and additional storage at mezzanine level. The property is located to the north of Warrington, a short distance south of the M62. The Property is located close to IKEA, M&S, Next and Boots.

The Property is believed to have been constructed in 1988 and is considered to be in a fair condition in the context of its age and form of construction. CBRE concludes that the Property represents a low risk with respect to environmental liability. A restrictive covenant is in place in favour of Warrington and Runcorn Development Corporation dated 25 April 1974, which permits only retail use for the sale of toys and games and other goods incidental thereto, or use within class B1 (business, offices) or class B8 (storage, distribution).

## Woking

### Key Features

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<b>Market Value (MV)</b>	<b>£5,150,000</b>
<b>MV per sq. ft.</b>	<b>£124.52</b>
<b>Vacant Possession Value (VPV)</b>	<b>£3,580,000</b>
<b>VPV per sq. ft</b>	<b>£87.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£421,376</b>
<b>Rental Value on MV</b>	<b>£372,240</b>
<b>Rental Value on VPV</b>	<b>£434,280</b>
<b>Property Type (planning)</b>	<b>Retail</b>
<b>Tenure</b>	<b>Part freehold and long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>41,360</b>

The Property is located in the centre of Woking within the Peacock Shopping Centre. The Property is located on the ground floor with multi-storey car park above. The building is circa 30 years old and is considered to be in a fair condition in the context of its age, which is receiving low levels of maintenance. Estimated maintenance budget cost liabilities are £39,800 (£2,800 immediate, £10,000 short-term and £27,000 medium-term). The Environ Report concludes that the site represents a low to moderate risk with respect to environmental liability.

The Borrower's interest in the Property is part freehold and part leasehold. The leasehold area is used as a loading bay and parking spaces and held pursuant to a Superior Lease for a term of 130 years less 5 days from 25 March 1989. The Property is also joined with Unit 1A of the Peacock Centre, which is a short leasehold premises held under a separate lease by OpCo. The Borrower has no interest in, and no security is granted over, this additional area, which was excluded from the valuation report commissioned over the store, although the Borrower believes that the Property can still open and trade without this additional area, which will require reinstating as a separate unit at the end of the term of the lease (30 June 2019).

The Property is subject to the lease of the upper parts to Woking Borough Council for 999 years from 1979 at a peppercorn rent. Part of the ground floor of the Property is also let to South Eastern Electricity Board for use as a electricity sub-station for 99 years from 1989 at a rent of £1 per annum.

## York

### Key Features

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<b>Market Value (MV)</b>	<b>£7,760,000</b>
<b>MV per sq. ft.</b>	<b>£230.58</b>
<b>Vacant Possession Value (VPV)</b>	<b>£5,280,000</b>
<b>VPV per sq. ft</b>	<b>£157.00</b>
<b>Current Annual Rent (to February 2014)</b>	<b>£554,408</b>
<b>Rental Value on MV</b>	<b>£487,983</b>
<b>Rental Value on VPV</b>	<b>£538,464</b>
<b>Property Type (planning)</b>	<b>Open retail</b>
<b>Tenure</b>	<b>Long leasehold</b>
<b>Area (in sq. ft.)</b>	<b>33,654</b>

The Property comprises a detached retail warehouse with secure servicing from the rear. The building structure and fabric is in a satisfactory condition, however, some significant repairs were identified as being required to the access road and car park areas and it is likely that on-going roof and elevation repairs will be required to the external claddings. The two roof mounted air conditioning packaged chiller units using R22 refrigerant will require replacement by 2015. The Environ Report identifies a major aquifer lying under the land but concludes that the Property presents a low to moderate risk with respect to environmental liability.

The Property is located on part of a larger retail park to the north of York and neighbouring occupiers include Tesco Extra, Mothercare, Argos, Tesco Extra and Maplin.

The Property has the benefit of, but is subject to, rights (relating particularly to the estate roads, service media and car parking) over or in respect of other units. The tenure of the Borrower's interest in the Property is leasehold, held pursuant to a Superior Lease for a term of 999 years from 8 April 1993 at a nominal rent, although a service charge of 24.77% of the costs of maintaining the common areas of the retail park is also payable. Notwithstanding that the Superior Lease provides for the tenant to insure the Property, in practice OpCo does so under its Lease, however the landlord of the Superior Lease does not seem to have raised objection to this.

**APPENDIX 2**  
**TOYS "R" US PROPERTIES (UK) LIMITED ACCOUNTS**



**Company Registration No. 5410177**

**Toys 'R' Us Properties (UK) Limited**

**Report and Financial Statements**

**Period from 30 January 2011 to  
28 January 2012**

# **Toys 'R' Us Properties (UK) Limited**

## **Report and financial statements 2012**

### **Officers and professional advisers**

#### **Directors**

Mr D Rurka (retired March 2011)  
R McLaughlan (appointed January 2012)  
Mr P J Shayer  
Mr F C Muzika  
Mr R S Zarra (USA)

#### **Secretary**

Mitre Secretaries Limited

#### **Registered office**

Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

# **Toys 'R' Us Properties (UK) Limited**

## **Directors' report (continued)**

The directors present their annual report and the audited financial statements for the period from 30 January 2011 to 28 January 2012.

### **Business review and principal activities**

The company has acquired sites in the United Kingdom and rents them to a fellow subsidiary of Toys 'R' Us Holdings Ltd. The directors consider the results achieved from ordinary activities before taxation to be satisfactory.

Rental income in the period of £33,067,000 has covered Bank interest payable of £21,958,000 by 1.51 times.

The Toys 'R' Us Holdings Ltd group manages its operations on a group basis. For this reason the company's directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business.

### **Principal risks and uncertainties**

The Senior Loan is at a fixed rate and the company has entered into hedging arrangements in relation to its floating rate exposure under the credit agreement, whereby the company effectively fixed the interest under the Junior Loan at 6.8075% plus mandatory costs per annum. It therefore has no interest rate exposure.

### **Environment**

The company recognises the importance of its environmental responsibilities monitors its impact on the environment, and designs and implement policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

### **Employees**

The company does not employ any staff; all services and administration are provided by a fellow subsidiary.

### **Results and dividends**

The result for the period, after taxation, amounted to a loss of £3,957,000 (2011: loss of £4,899,000). The directors do not recommend the payment of any dividends (2011: nil).

### **Directors**

The directors who served the company throughout the period were as follows:

D Rurka (retired March 2011)  
R McLaughlan (appointed January 2012)  
P J Shayer  
F C Muzika  
R S Zarra (USA)

# **Toys 'R' Us Properties (UK) Limited**

## **Directors' report (continued)**

### **Going Concern**

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility. As explained in Note 11, the loan facility held by the Company is due to mature on 7 April 2013. Our ultimate parent company (Toys "R" Us, Inc.) has retained advisors with respect to the refinancing, to achieve such a refinancing through a combination of means including refinancing, partial payment and refinancing, and/or maturity extension under existing loan provisions.

After making enquiries, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### **Interest in share capital**

The company is a wholly owned subsidiary undertaking of Toys 'R' Us Holdings Limited, itself a wholly owned subsidiary of Toys 'R' Us (UK) Limited.

### **Creditor payment policy and practice**

The company does not have any third party trade creditors. All creditors are settled by Toys 'R' Us Limited, via intercompany account, and that company's policies on payment of creditors and trade creditors days are disclosed in its Directors' Report.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

F C Muzika  
Director

9 July 2012

## **Toys 'R' Us Properties (UK) Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Toys 'R' Us Properties (UK) Limited**

We have audited the financial statements of Toys 'R' Us Properties (UK) Limited for the period from 30 January 2011 to 28 January 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 January 2012 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on matters prescribed in the Companies Act 2006**

- In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Toys 'R' Us Properties (UK) Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Charlton (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
2012

## Toys 'R' Us Properties (UK) Limited

### Profit and loss account

Period from 30 January 2011 to 28 January 2012

	Notes	Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
<b>Turnover</b>		33,067	31,609
Administrative expenses	3	(7,193)	(7,133)
<b>Operating profit</b>	4	25,874	24,476
Net finance expenses	6	(28,425)	(28,659)
<b>Loss on ordinary activities before taxation</b>		(2,551)	(4,183)
Tax charge on loss on ordinary activities	7	(1,093)	(716)
<b>Loss for the financial period</b>	14	(3,644)	(4,899)

There are no recognised gains or losses in either period other than the loss as shown above. Accordingly, no statement of total recognised gains and losses has been presented.

All amounts derive from continuing operations.



## Toys 'R' Us Properties (UK) Limited

### Balance sheet 28 January 2012

	Notes	28 January 2012 £'000	29 January 2011 £'000
<b>Fixed assets</b>			
Tangible assets	8	465,871	472,853
<b>Current assets</b>			
Debtors	9	227	445
Cash at bank in hand		14	5
		241	450
<b>Creditors: amounts falling due within one year</b>	10	(96,248)	(97,933)
<b>Net current liabilities</b>		(96,007)	(97,483)
<b>Total assets less current liabilities</b>		369,864	375,370
<b>Creditors: amounts falling due after more than one year</b>	11	(405,262)	(407,041)
<b>Provision for liabilities</b>	12	(682)	(765)
<b>Net liabilities</b>		(36,080)	(32,436)
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account	14	(36,080)	(32,436)
<b>Shareholders' deficit</b>		(36,080)	(32,436)

The financial statements of Toys 'R' Us Properties (UK) Limited (registered number 5410177) were approved by the Board of Directors on 9 July 2012.

Signed on behalf of the Board of Directors

F C Muzika

Director

R McLaughlan

Director

# **Toys 'R' Us Properties (UK) Limited**

## **Notes to the accounts**

### **Period from 30 January 2011 to 28 January 2012**

#### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period. The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

##### **Basis of accounting**

The financial statements have been prepared on the historical cost basis.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 2. The financial position of the company is as shown in the balance sheet on page 8. Due to the company being in a net current liability position, Toys 'R' Us Limited and Toys 'R' Us Properties Limited have confirmed that they have no current expectation to call any amounts (including interest) owed by the company for a period of at least 12 months from the date of signing these financial statements. As presented and described in note 11, the company has £60.5 million of external borrowings from The Royal Bank of Scotland PLC and £347.7 million of external borrowings from Vanwall Finance Plc. Both loans are secured by selected real estate owned by the company and are repayable in 2013. There is significant headroom in relation to the covenants attached to the loans highlighted above.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has access to considerable financial resources from across the Toys 'R' Us Group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### **Capital instruments**

Debt issue costs are capitalised and netted against the associated proceeds. Debt is stated at the amount of net proceeds after deduction of finance costs. Finance costs are amortised to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

##### **Cash flow statement**

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

# Toys 'R' Us Properties (UK) Limited

## Notes to the accounts

Period from 30 January 2011 to 28 January 2012

### 1. Accounting policies (continued)

#### Related parties transactions

The company is a wholly owned subsidiary of Toys 'R' Us Inc., the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly owned subsidiaries of the Toys 'R' Us Inc. group. There were no other related party transactions.

#### Fixed assets

All fixed assets are initially recorded at cost. The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Long leasehold land	over the period of the relevant long lease
Freehold and long leasehold buildings	50 years

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

# Toys 'R' Us Properties (UK) Limited

## Notes to the accounts

Period from 30 January 2011 to 28 January 2012

### 1. Accounting policies (continued)

#### Operating leases

Rentals paid and received under operating leases are charged to income on a straight-line basis over the term of the lease.

### 2. Profit on ordinary activities

Directors' emoluments have been borne by other group companies. The directors of the company are also directors or officers of a number of the companies within the Toys 'R' Us Inc. group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the current or prior period.

### 3. Turnover

Turnover comprises rental income from properties, exclusive of VAT. All turnover relates to continuing activities within the UK.

### 4. Operating profit

This is stated after charging:

	Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
Depreciation of owned fixed assets	6,982	6,982

Fees of £10,000 (2011: £10,000) payable to the company's auditor for the audit of the company's annual accounts are borne by a fellow subsidiary.

### 5. Staff costs (including directors)

No staff costs were incurred during the period (2011: £nil) as the company does not employ any staff (2011: £nil). All services and administration are provided by a fellow subsidiary.

# **Toys 'R' Us Properties (UK) Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **6. Finance costs**

	Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
Bank interest receivable	1	-
Bank interest payable	(21,958)	(22,055)
Interest on intercompany loans	(6,468)	(6,604)
	<u>(28,425)</u>	<u>(28,659)</u>

### **7. Taxation**

#### (a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
<i>Current tax:</i>		
UK Corporation tax:	1,166	772
Adjustment in respect of previous periods	10	-
Total current tax	<u>1,176</u>	<u>772</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences	<u>(83)</u>	<u>(56)</u>
Tax charge on loss on ordinary activities	<u>1,093</u>	<u>716</u>

# **Toys 'R' Us Properties (UK) Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **7. Taxation (continued)**

(b) Factors affecting current tax charge:

The tax assessed on the loss of ordinary activities for the period ended is higher (2011: higher) than the standard rate of corporation tax in the UK of 26.32% (2011: 28%). The differences are reconciled below:

	<b>Period from 30 January 2011 to 28 January 2012 £'000</b>	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>
Loss on ordinary activities before taxation	(2,551)	(4,183)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK	(671)	(1,171)
Capital allowances in excess of depreciation	27	27
Depreciation on non-qualifying assets	1,810	1,916
Adjustments in respect of previous periods	10	-
Total current tax (note 7(a))	<u>1,176</u>	<u>772</u>

(c) Deferred taxation

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Capital allowances in excess of depreciation	(682)	(765)
Provision for deferred taxation	<u>(682)</u>	<u>(765)</u>
		<b>£'000</b>
At 29 January 2011		(765)
Profit and loss account movement arising		83
At 28 January 2012		<u>(682)</u>

# **Toys 'R' Us Properties (UK) Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **8. Tangible fixed assets**

	<b>Land and buildings</b>		
	<b>Freehold property £'000</b>	<b>Long term leasehold property £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 29 January 2011 and at 28 January 2012	338,920	168,620	507,540
<b>Depreciation:</b>			
At 29 January 2011	21,275	13,412	34,687
Charge for the period	4,256	2,726	6,982
At 28 January 2012	25,531	16,138	41,669
<b>Net book amount:</b>			
At 29 January 2011	317,645	155,208	472,853
At 28 January 2012	313,389	152,482	465,871

### **9. Debtors**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Amounts owed by group undertakings	-	-
Other debtors	227	445
	<u>227</u>	<u>445</u>

### **10. Creditors: amounts falling due within one year**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Bank loans	1,778	1,778
Amount owed to group undertakings	84,780	87,300
VAT	1,320	1,083
Corporation tax	1,165	772
Accruals and deferred income	7,205	7,000
	<u>96,248</u>	<u>97,933</u>

# **Toys 'R' Us Properties (UK) Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **11. Creditors: amounts falling due after more than one year**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Bank loans	405,262	407,041

On 8 February 2006, Toys 'R' Us Properties (UK) Limited ("Toys Properties", "the borrower"), entered into a credit agreement with Vanwall Finance PLC as the Issuer and as Senior Lender and The Royal Bank of Scotland PLC as Junior Lender, which included a series of Secured Senior Loans comprising an initial principal amount of approximately £347.0 million and a Junior Loan comprising an initial principal amount of up to £62.4 million. The Senior Lender and Junior Lender have also agreed to provide an aggregate of approximately £10.8 million in additional loans under specified conditions. The loans are secured by, among other things, selected UK real estate, which has been or will be acquired by the borrower. The credit agreement contains customary covenants, including, among other things, covenants that restrict the ability of Toys Properties to incur certain additional indebtedness, create or permit liens on assets, dispose of or acquire further property, vary or terminate the lease agreements, conclude further leases or engage in mergers or consolidations. The credit agreement has a seven-year term and Toys Properties is required to repay the loans in part in quarterly instalments from the first anniversary date. The final maturity date is 7 April 2013.

The credit agreement also contains various and customary events of default with respect to the loans, including, without limitation, the failure to pay interest or principal when the same is due under the credit agreement, cross default provisions, the failure of representations and warranties contained in the Credit Agreement to be true and certain insolvency events with respect to Toys Properties. The Senior Loan bears interest at an annual rate of mandatory costs plus 4.5575% plus a margin ranging from 0.28% to 1.50% and the Junior Loan bears interest at an annual rate of mandatory costs plus LIBOR plus a margin of 2.25%. Toys Properties has entered into hedging arrangements in relation to its floating rate exposure under the credit agreement, whereby Toys Properties effectively fixed the interest under the Junior Loan at 6.8075% plus mandatory costs per annum. The market value of the swap is £4.8 million (2011: £4.8 million).

Discussions have commenced with various lenders on potential refinancing options related to the debt that matures on 7 April 2013. Our ultimate parent company (Toys "R" Us, Inc.) has appointed advisors with respect to the refinancing to put together a credible plan to achieve such a refinancing through a combination of means including refinancing, partial payment and refinancing, and/or maturity extension under existing loan provisions.

### **12. Provision for liabilities**

	<b>Deferred tax £'000</b>
At 29 January 2011	765
Charged to profit and loss account	(83)
At 28 January 2012	682



## Toys 'R' Us Properties (UK) Limited

### Notes to the accounts

Period from 30 January 2011 to 28 January 2012

#### 13. Share capital

	28 January 2012 £	29 January 2011 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	1	1

#### 14. Reconciliation of movements in shareholders' deficit

	Share capital £'000	Profit and loss account £'000	Total £'000
At 30 January 2010	-	(27,537)	(27,537)
Loss for the period	-	(4,899)	(4,899)
At 29 January 2011	-	(32,436)	(32,436)
Loss for the period	-	(3,644)	(3,644)
At 28 January 2012	-	(36,080)	(36,080)

#### 15. Immediate and ultimate parent company

The company is a wholly owned subsidiary undertaking of Toys 'R' Us Holdings Ltd (the immediate parent company), a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest group in which the results of the company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc, 1 Geoffrey Way, Wayne, New Jersey 07470, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Toys 'R' Us Holdings Limited, a private company incorporated in Great Britain and registered in England and Wales. Copies of those financial statements are available from Toys 'R' Us Holdings Limited, Mitre House, 160 Aldersgate Street, London, EC1A 4DD.

**Company Registration No. 5410177**

**Toys 'R' Us Properties (UK) Limited**

**Report and Financial Statements**

**Period from 29 January 2012 to  
2 February 2013**

# **Toys 'R' Us Properties (UK) Limited**

## **Report and financial statements 2013**

### **Officers and professional advisers**

#### **Directors**

R McLaughlan  
Mr P J Shayer (retired 24 August 2012)  
Mr F C Muzika  
Mr R S Zarra (USA)

#### **Secretary**

Mitre Secretaries Limited

#### **Registered office**

Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

# **Toys 'R' Us Properties (UK) Limited**

## **Directors' report (continued)**

The directors present their annual report and the audited financial statements for the period from 29 January 2012 to 2 February 2013.

### **Business review and principal activities**

The company has acquired sites in the United Kingdom and rents them to a fellow subsidiary of Toys 'R' Us Holdings Ltd. The directors consider the results achieved from ordinary activities before taxation to be satisfactory.

Rental income in the period of £35,293,000 (2012: £33,067,000) has covered Bank interest payable of £22,723,000 (2012: £21,958,000) by 1.55 times (2012: 1.51 times).

The Toys 'R' Us Holdings Ltd group manages its operations on a group basis. For this reason the company's directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business.

### **Principal risks and uncertainties**

The Senior Loan is at a fixed rate and the company has entered into hedging arrangements in relation to its floating rate exposure under the credit agreement, whereby the company effectively fixed the interest under the Junior Loan at 6.8075% plus mandatory costs per annum. It therefore has no interest rate exposure.

### **Environment**

The company recognises the importance of its environmental responsibilities monitors its impact on the environment, and designs and implement policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

### **Employees**

The company does not employ any staff; all services and administration are provided by a fellow subsidiary.

### **Results and dividends**

The result for the period, after taxation, amounted to a loss of £2,339,000 (2012: loss of £3,644,000). The directors do not recommend the payment of any dividends (2012: £nil).

### **Directors**

The directors who served the company throughout the period except as noted, were as follows:

R McLaughlan  
P J Shayer (retired 24 August 2012)  
F C Muzika  
R S Zarra (USA)

# **Toys 'R' Us Properties (UK) Limited**

## **Directors' report (continued)**

### **Going concern**

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

### **Creditor payment policy and practice**

The company does not have any third party trade creditors. All creditors are settled by Toys 'R' Us Limited, via intercompany account, and that company's policies on payment of creditors and trade creditors days are disclosed in its Directors' Report.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

F C Muzika  
Director

13 June 2013

## **Toys 'R' Us Properties (UK) Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Toys 'R' Us Properties (UK) Limited**

We have audited the financial statements of Toys 'R' Us Properties (UK) Limited for the period from 29 January 2012 to 2 February 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 February 2013 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on matters prescribed in the Companies Act 2006**

- In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Toys 'R' Us Properties (UK) Limited**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Charlton (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

2013



## Toys 'R' Us Properties (UK) Limited

### Profit and loss account

Period from 29 January 2012 to 2 February 2013

	Notes	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
<b>Turnover</b>		35,293	33,067
Administrative expenses	3	(7,186)	(7,193)
<b>Operating profit</b>	4	28,107	25,874
Finance expenses (net)	6	(29,090)	(28,425)
<b>Loss on ordinary activities before taxation</b>		(983)	(2,551)
Tax charge on loss on ordinary activities	7	(1,356)	(1,093)
<b>Loss for the financial period</b>	14	(2,339)	(3,644)

There are no recognised gains or losses in either period other than the loss as shown above. Accordingly, no statement of total recognised gains and losses has been presented.

All amounts derive from continuing operations.

## Toys 'R' Us Properties (UK) Limited

### Balance sheet 2 February 2013

	Notes	2 February 2013 £'000	28 January 2012 £'000
<b>Fixed assets</b>			
Tangible assets	8	458,886	465,871
<b>Current assets</b>			
Debtors	9	5	227
Cash at bank in hand		50	14
		55	241
<b>Creditors: amounts falling due after more than one year</b>	10	(496,756)	(96,248)
<b>Net current liabilities</b>		(496,701)	(96,007)
<b>Total assets less current liabilities</b>		(37,815)	369,864
<b>Creditors: amounts falling due after more than one year</b>	11	-	(405,262)
<b>Provision for liabilities</b>	12	(604)	(682)
<b>Net liabilities</b>		(38,419)	(36,080)
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account	14	(38,419)	(36,080)
<b>Shareholders' deficit</b>		(38,419)	(36,080)

The financial statements of Toys 'R' Us Properties (UK) Limited (registered number 5410177) were approved by the Board of Directors on 13 June 2013.

Signed on behalf of the Board of Directors

F C Muzika

Director

R McLaughlan

Director

# **Toys 'R' Us Properties (UK) Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period. The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

#### **Basis of accounting**

The financial statements have been prepared on the historical cost basis.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 2. The financial position of the company is as shown in the balance sheet on page 9. Due to the company being in a net current liability position, Toys 'R' Us Limited and Toys 'R' Us Properties Limited have confirmed that they have no current expectation to call any amounts (including interest) owed by the company for a period of at least 12 months from the date of signing these financial statements. As presented and described in note 11, the company has £60.5 million of external borrowings from The Royal Bank of Scotland PLC and £347.7 million of external borrowings from Vanwall Finance Plc. Both loans are secured by selected real estate owned by the company and are repayable in 2013. There is significant headroom in relation to the covenants attached to the loans highlighted above.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has access to considerable financial resources from across the Toys 'R' Us Group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The group undertook a reorganisation and re-financing in March 2013 (see note 15).

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Capital instruments**

Debt issue costs are capitalised and netted against the associated proceeds. Debt is stated at the amount of net proceeds after deduction of finance costs. Finance costs are amortised to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

#### **Cash flow statement**

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### **Related parties transactions**

The company is a wholly owned subsidiary of Toys 'R' Us Inc., the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly owned subsidiaries of the Toys 'R' Us Inc. group. There were no other related party transactions.

# Toys 'R' Us Properties (UK) Limited

## Notes to the accounts

Period from 29 January 2012 to 2 February 2013

### 1. Accounting policies (continued)

#### Fixed assets

All fixed assets are initially recorded at cost. The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Long leasehold land	over the period of the relevant long lease
Freehold and long leasehold buildings	50 years

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Operating leases

Rentals paid and received under operating leases are charged to income on a straight-line basis over the term of the lease.

### 2. Loss on ordinary activities

Directors' emoluments have been borne by other group companies. The directors of the company are also directors or officers of a number of the companies within the Toys 'R' Us Inc. group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the current or prior period.

### 3. Turnover

Turnover comprises rental income from properties, exclusive of VAT. All turnover relates to continuing activities within the UK.

# **Toys 'R' Us Properties (UK) Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **4. Operating profit**

This is stated after charging:

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
Depreciation of owned fixed assets	6,981	6,982

Fees of £10,000 (2012: £10,000) payable to the company's auditor for the audit of the company's annual accounts are borne by a fellow subsidiary.

### **5. Staff costs (including directors)**

No staff costs were incurred during the period (2012: £nil) as the company does not employ any staff (2012: none). All services and administration are provided by a fellow subsidiary.

### **6. Finance costs (net)**

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
Bank interest receivable	1	1
Bank interest payable	(22,723)	(21,958)
Interest on intercompany loans	(6,368)	(6,468)
	<u>(29,090)</u>	<u>(28,425)</u>

## Toys 'R' Us Properties (UK) Limited

### Notes to the accounts

Period from 29 January 2012 to 2 February 2013

#### 7. Taxation

- (a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
<i>Current tax:</i>		
UK corporation tax	1,434	1,166
Adjustment in respect of previous periods	-	10
Total current tax	1,434	1,176
<i>Deferred tax:</i>		
Originating and reversal of timing differences	(78)	(83)
Tax charge on loss on ordinary activities	1,356	1,093

- (b) Factors affecting current tax charge:

The tax assessed on the loss of ordinary activities for the period ended is higher (2012: higher) than the standard rate of corporation tax in the UK of 24.32% (2012: 26.32%). The differences are reconciled below:

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
Loss on ordinary activities before taxation	(983)	(2,551)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK	(239)	(671)
Capital allowances in excess of depreciation	25	27
Depreciation on non-qualifying assets	1,648	1,810
Adjustments in respect of previous periods	-	10
Total current tax (note 7 (a))	1,434	1,176

## Toys 'R' Us Properties (UK) Limited

### Notes to the accounts

Period from 29 January 2012 to 2 February 2013

#### 7. Taxation (continued)

##### (c) Factors that may affect future tax charges

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. Rollover relief will be available if proceeds from the sale of the properties are fully reinvested into qualifying assets within a period of 12 months before, and three years after, the date of disposal. The total amount not provided for is £ nil (2012: £nil). At present, it is not envisaged that any tax will become payable in the foreseeable future. The UK government has announced reductions to future corporation rates and this will impact deferred tax balances.

##### (d) Deferred taxation

	<b>2 February 2013 £'000</b>	<b>28 January 2012 £'000</b>
Capital allowances in excess of depreciation	(604)	(682)
Provision for deferred taxation	(604)	(682)
		<b>£'000</b>
At 28 January 2012		(682)
Profit and loss account movement arising		78
At 2 February 2013		(604)

## Toys 'R' Us Properties (UK) Limited

### Notes to the accounts

Period from 29 January 2012 to 2 February 2013

#### 8. Tangible fixed assets

	Land and buildings		
	Freehold property £'000	Long term leasehold property £'000	Total £'000
<b>Cost:</b>			
At 28 January 2012	338,920	168,620	507,540
Disposals	-	(7)	(7)
At 2 February 2013	<u>338,920</u>	<u>168,613</u>	<u>507,533</u>
<b>Depreciation:</b>			
At 28 January 2012	25,531	16,138	41,669
Disposals	-	(3)	(3)
Charge for the period	4,255	2,726	6,981
At 2 February 2013	<u>29,786</u>	<u>18,861</u>	<u>48,647</u>
<b>Net book amount:</b>			
At 28 January 2012	<u>313,389</u>	<u>152,482</u>	<u>465,871</u>
At 2 February 2013	<u>309,134</u>	<u>149,752</u>	<u>458,886</u>



## Toys 'R' Us Properties (UK) Limited

### Notes to the accounts

Period from 29 January 2012 to 2 February 2013

#### 9. Debtors

	2 February 2013 £'000	28 January 2012 £'000
Other debtors	5	227
	<u>5</u>	<u>227</u>

#### 10. Creditors: amounts falling due within one year

	2 February 2013 £'000	28 January 2012 £'000
Bank loans	405,175	1,778
Amounts owed to group undertakings	81,665	84,780
VAT	1,096	1,320
Corporation tax	1,435	1,165
Accruals and deferred income	7,385	7,205
	<u>496,756</u>	<u>96,248</u>

On 8 February 2006, Toys 'R' Us Properties (UK) Limited ("Toys Properties", "the borrower"), entered into a credit agreement with Vanwall Finance PLC as the Issuer and as Senior Lender and The Royal Bank of Scotland PLC as Junior Lender, which included a series of Secured Senior Loans comprising an initial principal amount of approximately £347 million and a Junior Loan comprising an initial principal amount of up to £62.4 million. The Senior Lender and Junior Lender have also agreed to provide an aggregate of approximately £10.8 million in additional loans under specified conditions. The loans are secured by, among other things, selected UK real estate, which has been or will be acquired by the borrower. The credit agreement contains customary covenants, including, among other things, covenants that restrict the ability of Toys Properties to incur certain additional indebtedness, create or permit liens on assets, dispose of or acquire further property, vary or terminate the lease agreements, conclude further leases or engage in mergers or consolidations. The credit agreement has a seven-year term and Toys Properties is required to repay the loans in part in quarterly instalments from the first anniversary date. The final maturity date is 7 April 2013.

The credit agreement also contains various and customary events of default with respect to the loans, including, without limitation, the failure to pay interest or principal when the same is due under the credit agreement, cross default provisions, the failure of representations and warranties contained in the Credit Agreement to be true and certain insolvency events with respect to Toys Properties. The Senior Loan bears interest at an annual rate of mandatory costs plus 4.5575% plus a margin ranging from 0.28% to 1.50% and the Junior Loan bears interest at an annual rate of mandatory costs plus LIBOR plus a margin of 2.25%. Toys Properties has entered into hedging arrangements in relation to its floating rate exposure under the credit agreement, whereby Toys Properties effectively fixed the interest under the Junior Loan at 6.8075% plus mandatory costs per annum. The market value of the swap is £0.6 million (2012: £4.8 million).

The group undertook a reorganisation and re-financing in March 2013 (see note 15).

## Toys 'R' Us Properties (UK) Limited

### Notes to the accounts

Period from 29 January 2012 to 2 February 2013

#### 11. Creditors: amounts falling due after more than one year

	2 February 2013 £'000	28 January 2012 £'000
Bank loans	-	405,262

#### 12. Provision for liabilities

	Deferred tax £'000
At 28 January 2012	682
Charged to profit and loss account	(78)
At 2 February 2013	604

#### 13. Share capital

	2 February 2013 £	28 January 2012 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	1	1

#### 14. Reconciliation of movements in shareholders' deficit

	Share capital £'000	Profit and loss account £'000	Total £'000
At 29 January 2011	-	(32,436)	(32,436)
Loss for the period	-	(3,644)	(3,644)
At 28 January 2012	-	(36,080)	(36,080)
Loss for the period	-	(2,339)	(2,339)
At 2 February 2013	-	(38,419)	(38,419)

## **Toys 'R' Us Properties (UK) Limited**

### **Notes to the accounts**

#### **Period from 29 January 2012 to 2 February 2013**

##### **15. Post balance sheet events**

On 25 March 2013, the company entered into a new Propco facility agreement. This was funded on 28 March 2013 for an aggregate principal amount of £263m. The net proceeds of the new Propco facility agreement together with cash on hand from the group, were used to repay the principal balance of the £346m UK real estate senior and £60m junior credit facilities.

On 28 March 2013, following a group restructuring, additional shares were authorised and allotted leaving giving rise to share capital as follows:

##### **Authorised**

167,393,998 ordinary shares of £1 each

##### **Allotted, called up and fully paid**

167,393,998 ordinary share of £1

##### **16. Immediate and ultimate parent company**

The company is a wholly owned subsidiary undertaking of Toys 'R' Us Holdings Ltd (the immediate parent company), a company incorporated in the United Kingdom and registered in England and Wales.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest group in which the results of the company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc, 1 Geoffrey Way, Wayne, New Jersey 07470, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Toys 'R' Us Holdings Limited, a private company incorporated in the United Kingdom and registered in England and Wales. Copies of those financial statements are available from Toys 'R' Us Holdings Limited, Mitre House, 160 Aldersgate Street, London EC1A 4DD.

**APPENDIX 3**  
**TOYS "R" US LIMITED ACCOUNTS**

**Company Registration No. 1809223**

**Toys 'R' Us Limited**

**Financial Statements**

**Period from 3 February 2008 to  
31 January 2009**

## Toys 'R' Us Limited

### Profit and loss account

Period from 3 February 2008 to 31 January 2009

	Notes	Period from 3 February 2008 to 31 January 2009 £'000	Period from 4 February 2007 to 2 February 2008 £'000
<b>Turnover</b>	2	516,321	566,553
Cost of sales		(323,497)	(363,808)
<b>Gross profit</b>		192,824	202,745
Distribution costs		(187,134)	(177,560)
Administrative expenses		(18,681)	(19,156)
Total operating expenses		(205,815)	(196,716)
<b>Operating (loss) / profit</b>	3	(12,991)	6,029
Profit on disposal of tangible fixed assets	4	-	496
		(12,991)	6,525
Interest receivable	7	25,245	25,719
Interest payable and similar charges	8	(15,008)	(14,730)
		10,237	10,989
<b>(Loss) / profit on ordinary activities before taxation</b>		(2,754)	17,514
Tax credit / (charge) on profit on ordinary activities	9	1,687	(4,018)
<b>(Loss) / profit for the financial period</b>		(1,067)	13,496

All amounts derive from continuing operations.

## Toys 'R' Us Limited

### Statement of total recognised gains and losses Period from 3 February 2008 to 31 January 2009

		Period from 3 February 2008 to 31 January 2009 £'000	Period from 4 February 2007 to 2 February 2008 £'000
	Note		
<b>(Loss) / profit for the financial period</b>		(1,067)	13,496
Actuarial loss relating to pensions	21	(703)	(1,906)
Deferred tax attributable to the actuarial loss	21(c)	197	275
<b>Total recognised gains and losses since last annual report and financial statements</b>		<b>(1,573)</b>	<b>11,865</b>

All amounts derive from continuing operations.

## Toys 'R' Us Limited

### Balance sheet 31 January 2009

	Notes	31 January 2009 £'000	2 February 2008 £'000
<b>Fixed assets</b>			
Tangible assets	10	55,391	58,257
Investment	11	356,588	336,578
		<hr/> 411,979	<hr/> 394,835
<b>Current assets</b>			
Stocks	12	51,201	69,524
Debtors	13	101,003	96,007
		<hr/> 152,204	<hr/> 165,531
<b>Creditors: amounts falling due within one year</b>	14	<hr/> (170,461)	<hr/> (162,771)
<b>Net current (liabilities) / assets</b>		<hr/> (18,257)	<hr/> 2,760
<b>Total assets less current liabilities</b>		<hr/> 393,722	<hr/> 397,595
<b>Creditors: amounts falling due after more than one year</b>	15	(61,006)	(60,733)
<b>Provisions for liabilities</b>	16	<hr/> (8,676)	<hr/> (11,084)
<b>Net assets excluding pension liability</b>		<hr/> 324,040	<hr/> 325,778
<b>Pension liability</b>	21	<hr/> (9,632)	<hr/> (9,797)
<b>Net assets including pension liability</b>		<hr/> 314,408	<hr/> 315,981
<b>Capital and reserves</b>			
Called up share capital	18	100	100
Profit and loss account	19	314,308	315,881
<b>Shareholders' funds</b>	19	<hr/> 314,408	<hr/> 315,981

These financial statements were approved by the Board of Directors on 20 July 2009.

Signed on behalf of the Board of Directors

D Rurka (Chairman)

F C Muzika

Director

Director



# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 3 February 2008 to 31 January 2009**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period. The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on page 2. The financial position of the company is as shown in the balance sheet on page 10. The company is financed by a loan from its immediate parent and has no third party debt. Due to the company being in a net current liability position, the company's immediate parent has confirmed that it has no current expectation to call any amounts (including interest) owed by the company for a period of at least 12 months from the date of signing these financial statements. The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has access to considerable financial resources from across the Toys 'R' Us Group together with long term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial reporting Standard No. 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### **Related party transactions**

The company is a wholly owned subsidiary of Toys 'R' Us Inc., the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions that are part of the Toys 'R' Us Inc. group. There were no other related party transactions.

#### **Fixed assets**

All fixed assets are initially recorded at cost. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 1. Accounting policies (continued)

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Long leasehold land	over the period of the relevant long lease
Freehold and long leasehold buildings	50 years
Leasehold improvements	25 years or the lease term whichever is shorter
Fixtures, fittings, tools and equipment	5 to 20 years

#### Stocks

Retail stock is valued at the lower of cost and net realisable value. Cost is calculated based on a weighted average cost.

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Operating leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 1. Accounting policies (continued)

#### Pensions

The Company operates both a defined benefit scheme and a defined contribution pension scheme.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### 2. Turnover

Turnover comprises the value of goods sold to customers in the United Kingdom, exclusive of VAT and intra-group transactions, and relates wholly to the main activity of retailing. All turnover relates to continuing activities.

The directors consider the retailing of toys and other children-related products to be the only line of business and the United Kingdom to be the only geographic location in which the company operates. Hence no further disclosure is required with respect to SSAP 25 Segmental Reporting.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 3. Operating profit

This is stated after charging:

	Period from 3 February 2008 to 31 January 2009 £'000	Period from 4 February 2007 to 2 February 2008 £'000
Depreciation of owned fixed assets	8,072	7,955
Operating lease rentals - land and buildings	58,160	56,379
- plant and machinery	2,573	1,788
Royalty payments	15,490	16,997
Fixed asset impairment charge	4,924	-
Fees payable to the company's auditors for the audit of the company's annual accounts	32	30
<i>Fees payable to the company's auditors for other services to the group</i>		
The audit of the immediate parent company and its subsidiaries pursuant to legislation	50	65
<b>Total audit fees</b>	<b>82</b>	<b>95</b>
Other services	5	17
<b>Total non-audit fees</b>	<b>5</b>	<b>17</b>
Fees payable to the company's auditors and their associates in respect of associated pension schemes		
Audit	11	12
<b>Total fees</b>	<b>98</b>	<b>124</b>

### 4. Exceptional items

	Period from 3 February 2008 to 31 January 2009 £'000	Period from 4 February 2007 to 2 February 2008 £'000
Profit on disposal of fixed assets	-	496

## Toys 'R' Us Limited

### Notes to the accounts

Period from 3 February 2008 to 31 January 2009

#### 5. Staff costs (including directors)

	Period from 3 February 2008 to 31 January 2009 £'000	Period from 4 February 2007 to 2 February 2008 £'000
Wages and salaries	52,639	53,969
Social security costs	4,201	4,338
Other pension costs	1,733	1,516
	<hr/> 58,573	<hr/> 59,823

The monthly average number of employees during the period was as follows (including directors):

	Period from 3 February 2008 to 31 January 2009 £'000	Period from 4 February 2007 to 2 February 2008 £'000
Distribution staff	4,415	4,491
Administrative staff	363	350
	<hr/> 4,778	<hr/> 4,841

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 3 February 2008 to 31 January 2009**

### **6. Directors' emoluments**

	<b>Period from 3 February 2008 to 31 January 2009 £'000</b>	<b>Period from 4 February 2007 to 2 February 2008 £'000</b>
Emoluments	1,005	1,568
Value of company pension contributions to money purchase schemes	118	113
	<b>No.</b>	<b>No.</b>
Members of money purchase pension schemes	3	3
The amounts in respect of the highest paid director are as follows:		
	<b>£'000</b>	<b>£'000</b>
Emoluments	453	800
Value of company pension contributions to money purchase schemes	52	50

### **7. Interest receivable**

	<b>Period from 3 February 2008 to 31 January 2009 £'000</b>	<b>Period from 4 February 2007 to 2 February 2008 £'000</b>
Bank interest receivable	158	445
Other loan interest receivable	25,087	25,274
	25,245	25,719

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 3 February 2008 to 31 January 2009**

### **8. Interest payable and similar charges**

	<b>Period from 3 February 2008 to 31 January 2009 £'000</b>	<b>Period from 4 February 2007 to 2 February 2008 £'000</b>
Bank interest payable	1,842	2,415
Net interest payable on pension scheme	633	404
Interest on other loans	12,533	11,911
	<u>15,008</u>	<u>14,730</u>

### **9. Taxation**

#### (a) Tax on profit on ordinary activities

The tax (credit) / charge is made up as follows:

	<b>Period from 3 February 2008 to 31 January 2009 £'000</b>	<b>Period from 4 February 2007 to 2 February 2008 £'000</b>
<i>Current tax:</i>		
UK corporation tax	1,004	5,749
Adjustment in respect of previous periods	(544)	36
Total current tax	<u>460</u>	<u>5,785</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences (9 (c))	(2,408)	(2,110)
Deferred tax charged relating to pension liability(21 (c))	261	343
Total deferred tax	<u>(2,147)</u>	<u>(1,767)</u>
Total tax (credit) / charge on profit on ordinary activities	<u>(1,687)</u>	<u>4,018</u>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 9. Taxation (continued)

(b) Factors affecting current tax charge:

The tax assessed on the (loss) / profit of ordinary activities for the period is higher (2008: higher) than the standard rate of corporation tax in the UK of 28.33 % (2008: 30%). The differences are reconciled below:

	<b>31 January 2009 £'000</b>	<b>2 February 2008 £'000</b>
(Loss) / Profit on ordinary activities before taxation	(2,754)	17,514
(Loss) / Profit on ordinary activities multiplied by		
standard rate of corporation tax in the UK	(780)	5,254
Disallowed expenses and non taxable income	30	233
Capital allowances in excess of depreciation	782	232
Depreciation on non-qualifying assets	1,236	551
Adjustments in respect of previous periods	(544)	36
Non-taxable transfer of assets	-	(149)
Other timing differences	(264)	(372)
Total current tax (note 9 (a))	<u>460</u>	<u>5,785</u>

(c) Factors that may effect future tax charges

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. Rollover relief will be available if proceeds from the sale of the properties are fully reinvested into qualifying assets within a period of 12 months before, and three years after, the date of disposal. The total amount not provided for is £ nil (2008: £nil). At present, it is not envisaged that any tax will become payable in the foreseeable future.

(d) Deferred taxation

	<b>31 January 2009 £'000</b>	<b>2 February 2008 £'000</b>
Capital allowances in advances of depreciation	(8,882)	(11,224)
Short term timing differences	<u>206</u>	<u>140</u>
Provision for deferred taxation	<u>(8,676)</u>	<u>(11,084)</u>
		<b>£'000</b>
At 3 February 2008		(11,084)
Profit and loss account movement arising during the 52 week period		<u>2,408</u>
At 31 January 2009		<u>(8,676)</u>



## Toys 'R' Us Limited

### Notes to the accounts

Period from 3 February 2008 to 31 January 2009

#### 10. Tangible fixed assets

	Leasehold improve- ments £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost:</b>			
At 3 February 2008	52,537	85,929	138,466
Additions	278	9,928	10,206
Disposals	-	(641)	(641)
At 31 January 2009	52,815	95,216	148,031
<b>Depreciation:</b>			
At 3 February 2008	19,096	61,113	80,209
Charge for the period	2,706	5,366	8,072
Disposals		(565)	(565)
Impairment provision	3,904	1,020	4,924
At 31 January 2009	25,706	66,934	92,640
<b>Net book amount:</b>			
At 31 January 2009	27,109	28,282	55,391
At 2 February 2008	33,441	24,816	58,257

#### 11. Investments

	31 January 2009 £'000	2 February 2008 £'000
Loans	356,588	336,578

The company has advanced unsecured loans of £298,973,000 plus interest of £57,615,000 to Toys 'R' Us (UK) Ltd. (2008: Loan of £298,973,000 plus interest of £37,605,000). The loan is wholly repayable in 2013 and interest receivable is fixed at 6.59%.

## Toys 'R' Us Limited

### Notes to the accounts

Period from 3 February 2008 to 31 January 2009

#### 12. Stocks

	31 January 2009 £'000	2 February 2008 £'000
Finished goods	51,201	69,524

There is no material difference between the value of stock included in the balance sheet and its replacement cost.

#### 13. Debtors

	31 January 2009 £'000	2 February 2008 £'000
Trade debtors	7,949	4,026
Amounts owed by group undertakings	78,644	80,206
Other debtors	2,031	2,627
Corporation Tax	3,042	-
Prepayments and accrued income	9,337	9,148
	101,003	96,007

#### 14. Creditors: amounts falling due within one year

	31 January 2009 £'000	2 February 2008 £'000
Bank overdraft	10,935	1,103
Trade creditors	29,974	51,708
Amounts owed to other group undertakings	94,727	68,854
Corporation tax	-	1,249
Other taxes and social security costs	21,437	23,974
Current portion capital lease obligations	57	53
Other creditors	3,360	3,584
Accruals and deferred income	9,971	12,246
	170,461	162,771

#### 15. Creditors: amounts falling due after more than one year

	31 January 2009 £'000	2 February 2008 £'000
Capital lease obligations	72	130
Other creditors and deferred income	5,934	5,603
Amounts owed to immediate parent undertaking	55,000	55,000
	61,006	60,733

The £55 million loan is repayable in 2012 and bears an interest rate of 12.33% per annum.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 3 February 2008 to 31 January 2009**

### **16. Provision for liabilities**

	<b>Deferred tax £'000</b>
At 3 February 2008	11,084
Released to profit and loss account	(2,408)
Utilised in period	<u>-</u>
At 31 January 2009	<u><u>8,676</u></u>

#### **Deferred tax**

Refer to note 9.

### **17. Commitments under operating leases**

At 31 January 2009 the group had annual commitments under non-cancellable operating leases as set out below:

	<b>31 January 2009</b>		<b>2 February 2008</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
Within one year	-	76	-	845
Within two to five years	2,540	1,772	2,438	1,564
In over five years	<u>56,546</u>	<u>-</u>	<u>53,984</u>	<u>-</u>
	<u><u>59,086</u></u>	<u><u>1,848</u></u>	<u><u>56,422</u></u>	<u><u>2,409</u></u>

### **18. Share capital**

	<b>31 January 2009 £'000</b>	<b>2 February 2008 £'000</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100,000 ordinary shares of £1 each	<u><u>100</u></u>	<u><u>100</u></u>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 19. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At 3 February 2007	100	304,016	304,116
Profit for the period	-	13,496	13,496
Other recognised gains and losses in relation to pension scheme	-	(1,631)	(1,631)
At 2 February 2008	100	315,881	315,981
Loss for the period	-	(1,067)	(1,067)
Other recognised gains and losses in relation to pension scheme	-	(506)	(506)
At 31 January 2009	100	314,308	314,408

### 20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £ 10,488,000 (2008: £4,685,000).

### 21. Pensions

A full actuarial valuation was carried out at 1 April 2007 and updated to 31 January 2009 by a qualified independent actuary. The major assumptions used by the actuary are detailed in the following disclosures.

#### (a) Change in benefit obligation

	31 January 2009 £'000	2 February 2008 £'000
Benefit obligation at beginning of year	35,490	32,160
Current service cost	1,041	1,003
Interest cost	2,085	1,727
Plan participants' contributions	468	386
Actuarial losses / (gains) due to change in experience	204	(63)
Actuarial (gains) / losses due to change in assumptions	(5,465)	644
Benefits paid from plan/company	(446)	(366)
Benefit obligation at end of year	33,377	35,490

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 21. Pensions (continued)

#### (b) Change in plan assets

	31 January 2009 £'000	2 February 2008 £'000
Fair value of plan assets at beginning of year	21,883	19,234
Expected return on plan assets	1,452	1,323
Actuarial gains/(losses) on plan assets	(5,964)	(1,326)
Employer contributions	2,606	2,632
Member contributions	468	386
Benefits paid from plan	(446)	(366)
Fair value of plan assets at end of year	<u>19,999</u>	<u>21,883</u>

#### (c) Amounts recognised in the balance sheet

Present value of wholly or partly funded obligations	33,377	35,490
Fair value of plan assets	<u>(19,999)</u>	<u>(21,883)</u>
Deficit (surplus) for funded plans	13,378	13,607
Present value of wholly unfunded obligations	-	-
Effect of surplus cap (par 41 limit)	<u>-</u>	<u>-</u>
Gross liability (asset)	13,378	13,607
Unrecognized past service (cost) benefit	-	-
Related deferred tax liability / (asset)	<u>(3,746)</u>	<u>(3,810)</u>
Net liability (asset)	<u>9,632</u>	<u>9,797</u>
Movement in deferred tax recognised in profit and loss statement	(261)	(343)
Movement in deferred tax recognised in the statement of total recognised gains and losses	<u>197</u>	<u>275</u>

#### (d) Components of pension cost

*Amounts recognised in profit and loss statement*

Current service cost	1,041	1,003
Interest cost	2,085	1,727
Expected return on plan assets	(1,452)	(1,323)
Past service cost	-	-
Gain)/loss due to settlements	-	-
(Gain)/loss due to curtailments	<u>-</u>	<u>-</u>
Total pension cost recognised in the profit and loss account	<u>1,674</u>	<u>1,407</u>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 21. Pensions (continued)

	2009	2008	2007	2006	2005
Actuarial (gains)/losses immediately recognised	703	1,906	(2,167)	4,497	790
Effect of surplus cap (par 41 limit)	-	-	-	-	-
Exchange rate gain / (loss)	-	-	-	-	-
Total pension cost recognised in the STRGL	703	1,906	(2,167)	(4,497)	790
<i>Cumulative amount of actuarial (gains)/losses immediately recognised</i>	1,024	321	(1,585)	582	(3,915)

### (e) Principal actuarial assumptions

	31 January 2009 %	2 February 2008 %
<i>Weighted-average assumptions to determine benefit obligations</i>		
Discount rate	6.10	5.80
Rate of compensation increase	4.00	4.30
Rate of price inflation	3.55	3.60
Rate of pension increases	3.05	3.30
<i>Weighted-average assumptions to determine net pension cost</i>		
Discount rate	5.80	5.30
Expected long-term rate of return on plan assets	6.26	6.43
Rate of compensation increase	4.30	3.80
Rate of price inflation	3.60	3.10
Rate of pension increases	3.30	2.80
<i>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations for:</i>		
Male member age 65 (current life expectancy)	22.00	21.90
Male member age 40 (life expectancy at age 65)	23.30	23.20
Female member age 65 (current life expectancy)	24.80	24.80
Female member age 40 (life expectancy at age 65)	26.00	26.00

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 21. Pensions (continued)

#### (f) Plan assets

*The asset allocation at the year-end were as follows:*

#### **Asset Category**

Equity Securities  
Bond Securities  
Real Estate  
Other

#### **Total**

#### 31 January 2009

Percentage of plan assets	Expected return on plan assets
63.57	7.50
36.38	5.30
0.00	n/a
0.05	2.00
<u>100.00</u>	<u>6.70</u>

#### 2 February 2008

#### **Asset Category**

Equity Securities  
Bond Securities  
Real Estate  
Other

#### **Total**

Percentage of plan assets	Expected return on plan assets
65.75	6.5
33.51	5.8
0.00	n/a
0.74	5.8
<u>100.00</u>	<u>6.26</u>

*Amounts Invested in Company's Own Financial Instruments*

	31 January 2009 £'000	2 February 2008 £'000
Plan Assets Invested in Company Equity Securities	-	-
Plan Assets Invested in Company Bond Securities	-	-
Plan Assets Invested in Real Estate Currently Used by Company	-	-
Plan Assets Invested in Other Assets Currently Used by Company	-	-

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes, and the mix of investments held currently to arrive at the long term expected rate.

*Actual return on assets*

	31 January 2009 £'000	2 February 2008 £'000
Actual return on plan assets	(4,512)	(3)

# Toys 'R' Us Limited

## Notes to the accounts

Period from 3 February 2008 to 31 January 2009

### 21. Pensions (continued)

#### (g) History of experience gains and losses

	2009	2008	2007	2006	2005
Defined benefit obligation	33,377	35,490	32,160	31,433	22,540
Fair value of plan assets	19,999	21,883	19,234	16,179	12,102
Deficit	13,378	13,607	12,926	15,254	10,438
Difference between the expected and actual return on plan assets (gain/(loss)):					
a. Amount	(5,964)	(1,326)	66	1,859	302
b. Percentage of plan assets	(30%)	(6%)	0%	11%	2%
Experience (gain)/loss on plan liabilities					
a. Amount	204	(63)	(27)	(162)	240
b. Percentage of present value of plan liabilities	1%	(0%)	(0%)	1%	(1%)

#### (h) Other Required Disclosure Amounts

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.	2,609	2,700
--	-------	-------

#### (i) Balance Sheet Reconciliation

Gross balance sheet liability at beginning of year	13,607	12,926
Pension expense recognised in P&L in the financial year	1,674	1,407
Amounts recognised in STRGL in the financial year (includes exchange rate (gain) / loss)	703	1,906
Actual contributions made by company in the financial year	(2,606)	(2,632)
Net transfer in/(out) (including the effect of any business combinations/divestitures)	-	-
Balancing item adjustment (as a result of rounding)	-	-
Gross balance sheet liability at end of year	13,378	13,607



## **Toys 'R' Us Limited**

### **Notes to the accounts**

**Period from 3 February 2008 to 31 January 2009**

#### **22. Immediate and ultimate parent company and controlling party**

The company is a wholly-owned subsidiary undertaking of Toys 'R' Us Holdings (UK) Ltd (the immediate parent company), a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest group in which the results of the company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc, 1 Geoffrey Way, Wayne, New Jersey 07470, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Toys 'R' Us Holdings Limited, a private company incorporated in Great Britain and registered in England and Wales. Copies of those financial statements are available from Toys 'R' Us Holdings Limited, Mitre House, 160 Aldersgate Street, London EC1A 4DD.

**Company Registration No. 1809223**

**Toys 'R' Us Limited**

**Financial Statements**

**Period from 1 February 2009 to  
30 January 2010**

## Toys 'R' Us Limited

### Profit and loss account

Period from 1 February 2009 to 30 January 2010

		Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
	Notes		
<b>Turnover</b>	2	555,937	516,321
Cost of sales		(356,256)	(323,497)
<b>Gross profit</b>		199,681	192,824
Distribution costs		(170,229)	(187,134)
Administrative expenses		(20,972)	(18,681)
Total operating expenses		(191,201)	(205,815)
<b>Operating profit/(loss)</b>	3	8,480	(12,991))
Interest receivable	6	23,642	25,245
Interest payable and similar charges	7	(13,096)	(15,008)
		10,546	10,237
<b>Profit/(loss) on ordinary activities before taxation</b>		19,026	(2,754)
Tax (charge)/credit on profit on ordinary activities	8	(6,022)	1,687
<b>Profit/(loss) for the financial period</b>		13,004	(1,067)

All amounts derive from continuing operations.

## Toys 'R' Us Limited

### Statement of total recognised gains and losses Period from 1 February 2009 to 30 January 2010

		Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
	Notes		
<b>Profit/(loss) for the financial period</b>		13,004	(1,067)
Actuarial loss relating to pensions	20	(1,291)	(703)
Deferred tax attributable to the actuarial loss	20(c)	361	197
<b>Total recognised gains and losses since last annual report and financial statements</b>		<u>12,074</u>	<u>(1,573)</u>

All amounts derive from continuing operations.

## Toys 'R' Us Limited

### Balance sheet 30 January 2010

	Notes	30 January 2010 £'000	31 January 2009 £'000
<b>Fixed assets</b>			
Tangible assets	9	57,650	55,391
Investments	10	374,744	356,588
		<u>432,394</u>	<u>411,979</u>
<b>Current assets</b>			
Stocks	11	56,103	51,201
Debtors	12	93,667	101,003
		<u>149,770</u>	<u>152,204</u>
<b>Creditors:</b> amounts falling due within one year	13	(173,955)	(170,461)
Net current liabilities		<u>(24,185)</u>	<u>(18,257)</u>
<b>Total assets less current liabilities</b>		408,209	393,722
<b>Creditors:</b> amounts falling due after more than one year	14	(62,383)	(61,006)
<b>Provisions for liabilities</b>	15	(9,460)	(8,676)
<b>Net assets excluding pension liability</b>		336,366	324,040
<b>Pension liability</b>	20	<u>(9,891)</u>	<u>(9,632)</u>
<b>Net assets including pension liability</b>		<u>326,475</u>	<u>314,408</u>
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Profit and loss account	18	326,375	314,308
<b>Shareholders' funds</b>	18	<u>326,475</u>	<u>314,408</u>

The financial statements of Toys 'R' Us Limited (registered number 1809223) were approved by the Board of Directors on July 2010.

Signed on behalf of the Board of Directors

D Rurka (Chairman)	F C Muzika
Director	Director

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period. The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

#### Basis of preparation

The financial statements are prepared under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on page 2. The financial position of the company is as shown in the balance sheet on page 10. The company is financed by a loan from its immediate parent and has no third party debt. Due to the company being in a net current liability position, the company's immediate parent has confirmed that it has no current expectation to call any amounts (including interest) owed by the company for a period of at least 12 months from the date of signing these financial statements. The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has access to considerable financial resources from across the Toys 'R' Us Group together with long term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### Related party transactions

The company is a wholly owned subsidiary of Toys 'R' Us Inc., the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly owned subsidiaries of the Toys 'R' Us Inc. group. There were no other related party transactions.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 1. Accounting policies (continued)

#### Fixed assets

All fixed assets are initially recorded at cost. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	25 years or the lease term whichever is shorter
Fixtures, fittings, tools and equipment	5 to 20 years

#### Stocks

Retail stock is valued at the lower of cost and net realisable value. Cost is calculated based on a weighted average cost.

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 1. Accounting policies (continued)

#### Operating leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

#### Investments

Fixed asset investments are shown at cost less provision for impairment.

#### Pensions

The Company operates both a defined benefit scheme and a defined contribution pension scheme.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### 2. Turnover

Turnover comprises the value of goods sold to customers in the United Kingdom, exclusive of VAT and intra-group transactions, and relates wholly to the main activity of retailing. All turnover relates to continuing activities.

The directors consider the retailing of toys and other children-related products to be the only line of business and the United Kingdom to be the only geographic location in which the company operates. Hence no further disclosure is required with respect to SSAP 25 Segmental Reporting.



# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 3. Operating profit

This is stated after charging:

	Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
Depreciation of owned fixed assets	8,009	8,072
Operating lease rentals		
- land and buildings	59,451	58,160
- plant and machinery	1,668	2,573
Royalty payments	15,283	15,490
fixed asset impairment charge	-	4,924
Fees payable to the company's auditors for the audit of the company's annual accounts	32	32
<i>Fees payable to the company's auditors for other services to the group</i>		
The audit of the immediate parent company and its subsidiaries pursuant to legislation	44	50
<b>Total audit fees</b>	<b>76</b>	<b>82</b>
Other services	3	5
<b>Total non-audit fees</b>	<b>3</b>	<b>5</b>
Fees payable to the company's auditors and their associates in respect of associated pension schemes		
Audit	11	11
<b>Total fees</b>	<b>90</b>	<b>98</b>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 4. Staff costs (including directors)

	Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
Wages and salaries	53,761	52,639
Social security costs	4,478	4,201
Other pension costs	1,628	1,733
	<hr/> 59,867 <hr/>	<hr/> 58,573 <hr/>

The monthly average number of employees during the period was as follows (including directors):

	Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
Distribution staff	3,971	4,415
Administrative staff	354	363
	<hr/> 4,325 <hr/>	<hr/> 4,778 <hr/>

### 5. Directors' emoluments

	Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
Emoluments	2,092	1,005
Value of company pension contributions to money purchase schemes	119	118
	No.	No.
Members of money purchase pension schemes	<hr/> 3 <hr/>	<hr/> 3 <hr/>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 5. Directors' emoluments (continued)

The amounts in respect of the highest paid director are as follows:

	£'000	£'000
Emoluments	1,052	453
Value of company pension contributions to money purchase schemes	52	52

### 6. Interest receivable

	Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
Bank interest receivable	472	158
Intercompany loan interest receivable	23,170	25,087
	23,642	25,245

### 7. Interest payable and similar charges

	Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
Bank interest payable	1,398	1,842
Net interest payable on pension scheme	639	633
Interest on intercompany loans	11,059	12,533
	13,096	15,008

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 8. Taxation

#### (a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

	Period from 1 February 2009 to 30 January 2010 £'000	Period from 3 February 2008 to 31 January 2009 £'000
<i>Current tax:</i>		
UK corporation tax	4,945	1,004
Adjustment in respect of previous periods	33	(544)
Total current tax	4,978	460
<i>Deferred tax:</i>		
Originating and reversal of timing differences (8(c))	784	(2,408)
Deferred tax charged relating to pension liability (20(c))	260	261
Total deferred tax	1,044	(2,147)
Total tax charge/(credit) on profit on ordinary activities	6,022	(1,687)

#### (b) Factors affecting current tax charge:

The tax assessed on the profit/(loss) of ordinary activities for the period is lower (2009: higher) than the standard rate of corporation tax in the UK of 28% (2009: 28.33%). The differences are reconciled below:

	30 January 2010 £'000	31 January 2009 £'000
Profit/(loss) on ordinary activities before taxation	19,026	(2,754)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK	5,327	(780)
Disallowed expenses and non taxable income	38	30

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 8. Taxation (continued)

	30 January 2010 £'000	31 January 2009 £'000
Capital allowances in excess of depreciation	(555)	782
Depreciation on non-qualifying assets	567	1,236
Adjustments in respect of previous periods	33	(544)
Other timing differences	(432)	(264)
Total current tax (note 8(a))	4,978	460

#### (c) Factors that may effect future tax charges

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. Rollover relief will be available if proceeds from the sale of the properties are fully reinvested into qualifying assets within a period of 12 months before, and three years after, the date of disposal. The total amount not provided for is £ nil (2009: £nil). At present, it is not envisaged that any tax will become payable in the foreseeable future.

#### (d) Deferred taxation

	30 January 2010 £'000	31 January 2009 £'000
Capital allowances in advances of depreciation	(9,550)	(8,882)
Short term timing differences	90	206
Provision for deferred taxation	(9,460)	(8,676)
		£'000
At 1 February 2009		(8,676)
Profit and loss account movement arising during the 52 week period		(784)
At 30 January 2010		(9,460)

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 1 February 2009 to 30 January 2010**

### **9. Tangible fixed assets**

	<b>Leasehold improve- ments</b>	<b>Fixtures, fittings, tools and equipment</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 1 February 2009	52,815	95,216	148,031
Additions	3,121	7,174	10,295
Disposals	-	(4,488)	(4,488)
	<hr/>	<hr/>	<hr/>
At 30 January 2010	55,936	97,902	153,838
<b>Depreciation:</b>			
At 1 February 2009	25,706	66,934	92,640
Charge for the period	2,705	5,304	8,009
Disposals	-	(4,461)	(4,461)
	<hr/>	<hr/>	<hr/>
At 30 January 2010	28,411	67,777	96,188
<b>Net book amount:</b>			
At 30 January 2010	<hr/> 27,525	<hr/> 30,125	<hr/> 57,650
At 31 January 2009	<hr/> 27,109	<hr/> 28,282	<hr/> 55,391

### **10. Investments**

	<b>30 January 2010 £'000</b>	<b>31 January 2009 £'000</b>
Loans	<hr/> 374,744	<hr/> 356,588

The company has advanced unsecured loans of £298,973,000 plus interest of £75,771,000 to Toys 'R' Us (UK) Ltd. (2009: Loan of £298,973,000 plus interest of £57,615,000). The loan is wholly repayable in 2013 and interest receivable is fixed at 6.59%.

### **11. Stocks**

	<b>30 January 2010 £'000</b>	<b>31 January 2009 £'000</b>
Finished goods	<hr/> 56,103	<hr/> 51,201

There is no material difference between the value of stock included in the balance sheet and its replacement cost.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 12. Debtors

	30 January 2010 £'000	31 January 2009 £'000
Trade debtors	3,873	7,949
Amounts owed by group undertakings	76,643	78,644
Other debtors	2,736	2,031
Corporation tax	-	3,042
Prepayments and accrued income	10,415	9,337
	<u>93,667</u>	<u>101,003</u>

### 13. Creditors: amounts falling due within one year

	30 January 2010 £'000	31 January 2009 £'000
Bank overdraft	2,695	10,935
Trade creditors	44,807	29,974
Amounts owed to other group undertakings	87,255	94,727
Corporation tax	770	-
Other taxes and social security costs	20,966	21,437
Current portion capital lease obligations	21	57
Other creditors	3,439	3,360
Accruals and deferred income	14,002	9,971
	<u>173,955</u>	<u>170,461</u>

### 14. Creditors: amounts falling due after more than one year

	30 January 2010 £'000	31 January 2009 £'000
Capital lease obligations	52	72
Other creditors and deferred income	7,331	5,934
Amounts owed to immediate parent undertaking	55,000	55,000
	<u>62,383</u>	<u>61,006</u>

The £55 million loan is repayable in 2012 and bears an interest rate of 12.33% per annum.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 1 February 2009 to 30 January 2010**

### **15. Provision for liabilities**

	<b>Deferred tax £'000</b>
At 1 February 2009	8,676
Charged to profit and loss account	784
Utilised in period	-
	<hr/>
At 30 January 2010	<u>9,460</u>
Deferred tax	
Refer to note 8.	

### **16. Commitments under operating leases**

At 30 January 2010 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>30 January 2010</b>		<b>31 January 2009</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
Within one year	8	1,061	-	76
Within two to five years	5,615	798	2,540	1,772
In over five years	54,638	-	56,546	-
	<hr/>	<hr/>	<hr/>	<hr/>
	60,261	1,859	59,086	1,848

### **17. Share capital**

	<b>30 January 2010 £'000</b>	<b>31 January 2009 £'000</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<hr/> 100	<hr/> 100
<b>Allotted, called up and fully paid</b>		
100,000 ordinary shares of £1 each	<hr/> <hr/> 100	<hr/> <hr/> 100



# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 18. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At 2 February 2009	100	315,881	315,981
Loss for the period	-	(1,067)	(1,067)
Other recognised gains and losses in relation to pension scheme	-	(506)	(506)
At 31 January 2009	100	314,308	314,408
Profit for the period	-	13,004	13,004
Other recognised gains and losses in relation to pension scheme	-	(930)	(930)
Dividends paid	-	(7)	(7)
At 30 January 2010	100	326,375	326,475

### 19. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2009: £10,488,000).

### 20. Pensions

A full actuarial valuation was carried out at 1 April 2007 and updated to 30 January 2010 by a qualified independent actuary. The major assumptions used by the actuary are detailed in the following disclosures.

#### (a) Change in benefit obligation

	30 January 2010 £'000	31 January 2009 £'000
Benefit obligation at beginning of year	33,377	35,490
Current service cost	989	1,041
Interest cost	2,058	2,085
Plan participants' contributions	456	468
Actuarial losses due to change in experience	-	204
Actuarial losses/(gains) due to change in assumptions	6,007	(5,465)
Benefits paid from plan/company	(630)	(446)
Benefit obligation at end of year	42,257	33,377

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 20. Pensions (continued)

#### (b) Change in plan assets

	30 January 2010 £'000	31 January 2009 £'000
Fair value of plan assets at beginning of year	19,999	21,883
Expected return on plan assets	1,419	1,452
Actuarial gains/(losses) on plan assets	4,716	(5,964)
Employer contributions	2,559	2,606
Member contributions	456	468
Benefits paid from plan	(630)	(446)
Fair value of plan assets at end of year	28,519	19,999

#### (c) Amounts recognised in the balance sheet

Present value of wholly or partly funded obligations	42,257	33,377
Fair value of plan assets	(28,519)	(19,999)
Deficit for funded plans	13,738	13,378
Gross liability (asset)	13,738	13,378
Related deferred tax asset	(3,847)	(3,746)
Net liability	9,891	9,632
Movement in deferred tax recognised in profit and loss statement	(260)	(261)
Movement in deferred tax recognised in the statement of total recognised gains and losses	361	197

#### (d) Components of pension cost

*Amounts recognised in profit and loss statement*

Current service cost	989	1,041
Interest cost	2,058	2,085
Expected return on plan assets	(1,419)	(1,452)
Total pension cost recognised in the profit and loss account	1,628	1,674

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 1 February 2009 to 30 January 2010**

### **20. Pensions (continued)**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Actuarial (gains)/losses immediately recognised	<u>1,291</u>	<u>703</u>	<u>1,906</u>	<u>(2,167)</u>	<u>4,497</u>
Total pension cost recognised in the STRGL	<u>1,291</u>	<u>703</u>	<u>1,906</u>	<u>(2,167)</u>	<u>(4,497)</u>
<i>Cumulative amount of actuarial (gains)/losses immediately recognised</i>	<u>2,315</u>	<u>1,024</u>	<u>321</u>	<u>(1,585)</u>	<u>582</u>

### **(e) Principal actuarial assumptions**

	<b>30 January 2010 %</b>	<b>31 January 2009 %</b>
<i>Weighted-average assumptions to determine benefit obligations</i>		
Discount rate	5.60	6.10
Rate of compensation increase	4.00	4.00
Rate of price inflation	3.60	3.55
Rate of pension increases	2.95	3.05
<i>Weighted-average assumptions to determine net pension cost</i>		
Discount rate	6.10	5.80
Expected long-term rate of return on plan assets	6.70	6.26
Rate of compensation increase	4.00	4.30
Rate of price inflation	3.55	3.60
Rate of pension increases	3.05	3.30
	<b>Years</b>	<b>Years</b>
<i>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations for:</i>		
Male member age 65 (current life expectancy)	22.00	22.00
Male member age 40 (life expectancy at age 65)	23.30	23.30
Female member age 65 (current life expectancy)	24.80	24.80
Female member age 40 (life expectancy at age 65)	26.00	26.00

# Toys 'R' Us Limited

## Notes to the accounts

Period from 1 February 2009 to 30 January 2010

### 20. Pensions (continued)

#### (f) Plan assets

*The asset allocation at the year-end were as follows:*

	<b>30 January 2010</b>	
	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
<i>Asset Category</i>		
Equity Securities	71.60	7.20
Bond Securities	24.20	5.60
Other	4.20	0.50
<b>Total</b>	<b>100.00</b>	<b>6.53</b>

	<b>31 January 2009</b>	
	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
<i>Asset Category</i>		
Equity Securities	63.57	7.50
Bond Securities	36.38	5.30
Other	0.05	2.00
<b>Total</b>	<b>100.00</b>	<b>6.70</b>

*Amounts Invested in Company's Own Financial Instruments*

	<b>30 January 2010</b>	<b>31 January 2009</b>
	<b>£'000</b>	<b>£'000</b>
Plan Assets Invested in Company Equity Securities	-	-
Plan Assets Invested in Company Bond Securities	-	-
Plan Assets Invested in Real Estate Currently Used by Company	-	-
Plan Assets Invested in Other Assets Currently Used by Company	-	-

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes, and the mix of investments held currently to arrive at the long term expected rate.

*Actual return on assets*

	<b>30 January 2010</b>	<b>31 January 2009</b>
	<b>£'000</b>	<b>£'000</b>
Actual return on plan assets	6,135	(4,512)

## Toys 'R' Us Limited

### Notes to the accounts

Period from 1 February 2009 to 30 January 2010

#### 20. Pensions (continued)

##### (g) History of experience gains and losses

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Defined benefit obligation	42,257	33,377	35,490	32,160	31,433
Fair value of plan assets	28,519	19,999	21,883	19,234	16,179
Deficit	13,738	13,378	13,607	12,926	15,254
Difference between the expected and actual return on plan assets (gain/(loss)):					
a. Amount	4,716	(5,964)	(1,326)	66	1,859
b. Percentage of plan assets	17%	(30%)	(6%)	0%	11%
Experience (gain)/loss on plan liabilities					
a. Amount	0	204	(63)	(27)	(162)
b. Percentage of present value of plan liabilities	0%	1%	(0%)	(0%)	1%

##### (h) Other Required Disclosure Amounts

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.	2,559	2,609
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##### (i) Balance Sheet Reconciliation

Gross balance sheet liability at beginning of year	13,378	13,607
Pension expense recognised in P&L in the financial year	1,628	1,674
Amounts recognised in STRGL in the financial year (includes exchange rate (gain) / loss)	1,291	703
Actual contributions made by company in the financial year	(2,559)	(2,606)
Gross balance sheet liability at end of year	13,738	13,378

## **Toys 'R' Us Limited**

### **Notes to the accounts**

**Period from 1 February 2009 to 30 January 2010**

#### **21. Immediate and ultimate parent company and controlling party**

The company is a wholly-owned subsidiary undertaking of Toys 'R' Us Holdings Ltd (the immediate parent company), a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest group in which the results of the company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc, 1 Geoffrey Way, Wayne, New Jersey 07470, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Toys 'R' Us Holdings Limited, a private company incorporated in Great Britain and registered in England and Wales. Copies of those financial statements are available from Toys 'R' Us Holdings Limited, Mitre House, 160 Aldersgate Street, London EC1A 4DD.

**Company Registration No. 1809223**

**Toys 'R' Us Limited**

**Financial Statements**

**Period from 31 January 2010 to  
29 January 2011**

## Toys 'R' Us Limited

### Profit and loss account

Period from 31 January 2010 to 29 January 2011

	Notes	Period from 31 January 2010 to 29 January 2011 £'000	Period from 1 February 2009 to 30 January 2010 £'000
<b>Turnover</b>	2	509,855	555,937
Cost of sales		(329,775)	(356,256)
<b>Gross profit</b>		180,080	199,681
Distribution costs		(169,689)	(170,229)
Administrative expenses (including in 2011 an exceptional pension curtailment gain of £6,818,000 – see note 20)		(11,714)	(20,972)
Total operating expenses		(181,403)	(191,201)
<b>Operating (loss)/profit</b>	3	(1,323)	8,480
Interest receivable	6	23,081	23,642
Interest payable and similar charges	7	(11,903)	(13,096)
		11,178	10,546
<b>Profit on ordinary activities before taxation</b>		9,855	19,026
Tax charge on profit on ordinary activities	8	(2,891)	(6,022)
<b>Profit for the financial period</b>		6,964	13,004

All amounts derive from continuing operations.



## Toys 'R' Us Limited

### Statement of total recognised gains and losses Period from 31 January 2010 to 29 January 2011

		Period from 31 January 2010 to 29 January 2011 £'000	Period from 1 February 2009 to 30 January 2010 £'000
	Notes		
<b>Profit for the financial period</b>		6,964	13,004
Actuarial gain/(loss) relating to pensions	20	2,867	(1,291)
Deferred tax attributable to the actuarial (gain)/loss	20(c)	(912)	361
<b>Total recognised gains and losses since last annual report and financial statements</b>		<b>8,919</b>	<b>12,074</b>

All amounts derive from continuing operations.

# Toys 'R' Us Limited

## Balance sheet 29 January 2011

	Notes	29 January 2011 £'000	30 January 2010 £'000
<b>Fixed assets</b>			
Tangible assets	9	61,296	57,650
Investments	10	392,826	374,744
		<hr/> 454,122	<hr/> 432,394
<b>Current assets</b>			
Stocks	11	54,334	56,103
Debtors	12	93,136	93,667
		<hr/> 147,470	<hr/> 149,770
<b>Creditors:</b> amounts falling due within one year	13	<hr/> (192,385)	<hr/> (173,955)
<b>Net current liabilities</b>		<hr/> (44,915)	<hr/> (24,185)
<b>Total assets less current liabilities</b>		<hr/> 409,207	<hr/> 408,209
<b>Creditors:</b> amounts falling due after more than one year	14	<hr/> (63,703)	<hr/> (62,383)
<b>Provisions for liabilities</b>	15	<hr/> (7,990)	<hr/> (9,460)
<b>Net assets excluding pension liability</b>		<hr/> 337,514	<hr/> 336,366
<b>Pension liability</b>	20	<hr/> (2,120)	<hr/> (9,891)
<b>Net assets including pension liability</b>		<hr/> 335,394	<hr/> 326,475
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Profit and loss account	18	335,294	326,375
<b>Shareholders' funds</b>	18	<hr/> 335,394	<hr/> 326,475

The financial statements of Toys 'R' Us Limited (registered number 1809223) were approved by the Board of Directors on 26 May 2011.

Signed on behalf of the Board of Directors

F C Muzika

Director

P J Shayer

Director

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period. The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on page 2. The financial position of the company is as shown in the balance sheet on page 10. The company is financed by a loan from its immediate parent and has no third party debt. Due to the company being in a net current liability position, the company's immediate parent has confirmed that it has no current expectation to call any amounts (including interest) owed by the company for a period of at least 12 months from the date of signing these financial statements. The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has access to considerable financial resources from across the Toys 'R' Us Group together with long term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Cash flow statement**

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### **Related party transactions**

The company is a wholly owned subsidiary of Toys 'R' Us Inc., the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly-owned subsidiaries of the Toys 'R' Us Inc. group. There were no other related party transactions.

#### **Fixed assets**

All fixed assets are initially recorded at cost. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 31 January 2010 to 29 January 2011

### 1. Accounting policies (continued)

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	25 years or the lease term whichever is shorter
Fixtures, fittings, tools and equipment	5 to 20 years

#### Stocks

Retail stock is valued at the lower of cost and net realisable value. Cost is calculated based on a weighted average cost.

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Operating leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

#### Investments

Fixed asset investments are shown at cost less provision for impairment.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **1. Accounting policies (continued)**

#### **Pensions**

The Company operates both a defined benefit scheme and a defined contribution pension scheme.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **2. Turnover**

Turnover comprises the value of goods sold to customers in the United Kingdom, exclusive of VAT and intra-group transactions, and relates wholly to the main activity of retailing. All turnover relates to continuing activities.

The directors consider the retailing of toys and other children-related products to be the only line of business and the United Kingdom to be the only geographic location in which the company operates. Hence no further disclosure is required with respect to SSAP 25 Segmental Reporting.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **3. Operating (loss)/profit**

This is stated after charging:

	Period from 31 January 2010 to 29 January 2011 £'000	Period from 1 February 2009 to 30 January 2010 £'000
Depreciation of owned fixed assets	7,318	8,009
Operating lease rentals - land and buildings	61,099	59,451
- plant and machinery	2,389	1,668
Royalty payments	15,700	15,283
Exceptional (gain) – Pension plan curtailment – see note 20(d)	(6,818)	-
Fees payable to the company's auditor for the audit of the company's annual accounts	32	32
<b>Total audit fees</b>	<b>32</b>	<b>32</b>
Other services	3	3
<b>Total non-audit fees</b>	<b>3</b>	<b>3</b>
Fees payable to the company's auditor and their associates in respect of associated pension schemes		
Audit	7	11
<b>Total fees</b>	<b>42</b>	<b>46</b>

### **4. Staff costs (including directors)**

	Period from 31 January 2010 to 29 January 2011 £'000	Period from 1 February 2009 to 30 January 2010 £'000
Wages and salaries	49,702	53,761
Social security costs	4,011	4,478
Pension Plan Curtailment	(6,818)	-
Other pension costs	1,361	1,628
	<b>48,256</b>	<b>59,867</b>

# **Toys 'R' Us Limited**

## **Notes to the accounts**

### **Period from 31 January 2010 to 29 January 2011**

#### **4. Staff costs (including directors) continued:**

The monthly average number of employees during the period was as follows (including directors):

	Period from 31 January 2010 to 29 January 2011	Period from 1 February 2009 to 30 January 2010
Distribution staff	4,190	3,971
Administrative staff	347	354
	<hr/> 4,537 <hr/>	<hr/> 4,325 <hr/>

#### **5. Directors' emoluments**

	Period from 31 January 2010 to 29 January 2011 £'000	Period from 1 February 2009 to 30 January 2010 £'000
Emoluments	1,128	2,092
Value of company pension contributions to money purchase schemes	122	119
	<hr/> No. <hr/>	<hr/> No. <hr/>
Members of money purchase pension schemes	3	3

The amounts in respect of the highest paid director are as follows:

	£'000	£'000
Emoluments	509	1,052
Value of company pension contributions to money purchase schemes	54	52

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **6. Interest receivable**

	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>	<b>Period from 1 February 2009 to 30 January 2010 £'000</b>
Bank interest receivable	117	472
Intercompany loan interest receivable	22,964	23,170
	<u>23,081</u>	<u>23,642</u>

### **7. Interest payable and similar charges**

	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>	<b>Period from 1 February 2009 to 30 January 2010 £'000</b>
Bank interest payable	735	1,398
Net interest payable on pension scheme	440	639
Interest on intercompany loans	10,728	11,059
	<u>11,903</u>	<u>13,096</u>

### **8. Taxation**

#### **(a) Tax on profit on ordinary activities**

The tax charge is made up as follows:

	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>	<b>Period from 1 February 2009 to 30 January 2010 £'000</b>
<i>Current tax:</i>		
UK corporation tax	1,966	4,945
Adjustment in respect of previous periods	245	33
Total current tax	<u>2,211</u>	<u>4,978</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences (8 (c))	(1,471)	784
Deferred tax charged relating to pension liability (20 (c))	2,151	260
Total deferred tax	<u>680</u>	<u>1,044</u>
Total tax charge on profit on ordinary activities	<u>2,891</u>	<u>6,022</u>



# Toys 'R' Us Limited

## Notes to the accounts

Period from 31 January 2010 to 29 January 2011

### 8. Taxation (continued)

#### (b) Factors affecting current tax charge:

The tax assessed on the profit of ordinary activities for the period is lower (2010: lower) than the standard rate of corporation tax in the UK of 28% (2010: 28.33%). The differences are reconciled below:

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Profit on ordinary activities before taxation	9,855	19,026
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	2,759	5,327
Disallowed expenses and non-taxable income	25	38
Capital allowances in excess of depreciation	1,094	(555)
Depreciation on non-qualifying assets	528	567
Adjustments in respect of previous periods	245	33
Other timing differences	(2,440)	(432)
Total current tax (note 8 (a))	<u>2,211</u>	<u>4,978</u>

#### (c) Factors that may effect future tax charges

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. Rollover relief will be available if proceeds from the sale of the properties are fully reinvested into qualifying assets within a period of 12 months before, and three years after, the date of disposal. The total amount not provided for is £ nil (2010: £nil). At present, it is not envisaged that any tax will become payable in the foreseeable future.

#### (d) Deferred taxation

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Capital allowances in advances of depreciation	(8,037)	(9,550)
Short-term timing differences	47	90
Provision for deferred taxation	<u>(7,990)</u>	<u>(9,460)</u>
		<b>£'000</b>
At 30 January 2010		(9,460)
Profit and loss account movement arising during the 52 week period		1,470
At 29 January 2011		<u>(7,990)</u>

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **9. Tangible fixed assets**

	<b>Leasehold improve- ments £'000</b>	<b>Fixtures, fittings, tools and equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 30 January 2010	55,936	97,902	153,838
Additions	685	10,323	11,008
Disposals	(7)	(635)	(642)
At 29 January 2011	56,614	107,590	164,204
<b>Depreciation:</b>			
At 30 January 2010	28,411	67,777	96,188
Charge for the period	2,479	4,839	7,318
Disposals	-	(598)	(598)
At 29 January 2011	30,890	72,018	102,908
<b>Net book amount:</b>			
At 29 January 2011	25,724	35,572	61,296
At 30 January 2010	27,525	30,125	57,650

### **10. Investments**

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Loans	392,826	374,744

The company has advanced unsecured loans of £298,973,000 plus interest of £93,853,000 to Toys 'R' Us (UK) Ltd. (2010: Loan of £298,973,000 plus interest of £75,771,000). The loan is wholly repayable in 2013 and interest receivable is fixed at 6.59%.

### **11. Stocks**

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Finished goods	54,334	56,103

There is no material difference between the value of stock included in the balance sheet and its replacement cost.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **12. Debtors**

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Trade debtors	4,046	3,873
Amounts owed by group undertakings	76,144	76,643
Other debtors	1,112	2,736
Corporation tax	1,708	-
Prepayments and accrued and income	10,126	10,415
	<b>93,136</b>	<b>93,667</b>

### **13. Creditors: amounts falling due within one year**

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Bank overdraft	9,469	2,695
Trade creditors	32,434	44,807
Amounts owed to other group undertakings	112,977	87,255
Corporation tax	-	770
Other taxes and social security costs	23,602	20,966
Current portion capital lease obligations	8	21
Other creditors	4,737	3,439
Accruals and deferred income	9,158	14,002
	<b>192,385</b>	<b>173,955</b>

### **14. Creditors: amounts falling due after more than one year**

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Capital lease obligations	44	52
Other creditors and deferred income	8,659	7,331
Amounts owed to immediate parent undertaking	55,000	55,000
	<b>63,703</b>	<b>62,383</b>

The £55 million loan is repayable in 2012 and bears an interest rate of 12.33% per annum.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **15. Provision for liabilities**

	<b>Deferred tax £'000</b>
At 30 January 2010	9,460
Charged to profit and loss account	(1,470)
At 29 January 2011	<u>7,990</u>

This provision is in respect of deferred tax – See note 8 for more details

### **16. Commitments under operating leases**

At 29 January 2011 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>29 January 2011</b>		<b>30 January 2010</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
Within one year	19	24	8	1,061
Within two to five years	7,045	1,986	5,615	798
In over five years	55,586	-	54,638	-
	<u>62,650</u>	<u>2,010</u>	<u>60,261</u>	<u>1,859</u>

### **17. Share capital**

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **18. Reconciliation of movements in shareholders' funds**

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 February 2009	100	314,308	314,408
Profit for the period	-	13,004	13,004
Other recognised losses in relation to pension scheme	-	(930)	(930)
Dividends paid	-	(7)	(7)
At 30 January 2010	100	326,375	326,475
Profit for the period		6,964	6,964
Other recognised gains and losses in relation to pension scheme	-	1,955	1,955
At 29 January 2011	100	335,294	335,394

### **19. Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £nil (2010: £nil).

### **20. Pensions**

A full actuarial valuation was carried out at 1 April 2007 and updated to 29 January 2011 by a qualified independent actuary. The major assumptions used by the actuary are detailed in the following disclosures.

#### **(a) Change in benefit obligation**

	29 January 2011 £'000	30 January 2010 £'000
Benefit obligation at beginning of period	42,257	33,377
Current service costs	921	989
Interest cost	2,379	2,058
Plan participants' contributions	429	456
Actuarial (gains) due to change in experience	(2,741)	-
Actuarial losses due to change in assumptions	2,497	6,007
Benefits paid from plan/company	(598)	(630)
Plan Curtailments	(6,818)	-
Benefit obligation at end of period	38,326	42,257

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **20. Pensions (continued)**

#### **(b) Change in plan assets**

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Fair value of plan assets at beginning of period	28,519	19,999
Expected return on plan assets	1,939	1,419
Actuarial gains on plan assets	2,623	4,716
Employer contributions	2,510	2,559
Member contributions	429	456
Benefits paid from plan	(598)	(630)
	<hr/>	<hr/>
Fair value of plan assets at end of period	35,422	28,519
	<hr/>	<hr/>

#### **(c) Amounts recognised in the balance sheet**

Present value of wholly or partly funded obligations	38,326	42,257
Fair value of plan assets	(35,422)	(28,519)
	<hr/>	<hr/>
Deficit for funded plans	2,904	13,738
Gross liability	2,904	13,738
Related deferred tax asset	(784)	(3,847)
	<hr/>	<hr/>
Net liability	2,120	9,891
	<hr/>	<hr/>
Movement in deferred tax recognised in profit and loss statement	(2,151)	(260)
Movement in deferred tax recognised in the statement of total recognised gains and losses	(912)	361
	<hr/>	<hr/>

#### **(d) Components of pension cost**

*Amounts recognised in profit and loss statement*

Current service cost	921	989
Interest cost	2,379	2,058
Expected return on plan assets	(1,939)	(1,419)
(Gain) due to curtailments	(6,818)	-
	<hr/>	<hr/>
Total pension cost recognised in the profit and loss account	(5,457)	1,628
	<hr/>	<hr/>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 31 January 2010 to 29 January 2011

### 20. Pensions (continued)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Actuarial (gains)/losses immediately recognised	(2,867)	1,291	703	1,906	(2,167)
Total pension cost recognised in the STRGL	(2,867)	1,291	703	1,906	(2,167)
<i>Cumulative amount of actuarial (gains)/losses immediately recognised</i>	(552)	2,315	1,024	321	(1,585)

#### (e) Principal actuarial assumptions

	29 January 2011 %	30 January 2010 %
<i>Weighted-average assumptions to determine benefit obligations</i>		
Discount rate	5.50	5.60
Rate of compensation increase	2.35	4.00
Rate of price inflation	3.00	3.60
Rate of pension increases	2.95	2.95
<i>Weighted-average assumptions to determine net pension cost</i>		
Discount rate	5.60	6.10
Expected long-term rate of return on plan assets	6.53	6.70
Rate of compensation increase		
Rate of price inflation	4.00	4.00
Rate of pension increases	3.60	3.55
	2.95	3.05
	<b>Years</b>	<b>Years</b>
<i>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations for:</i>		
Male member age 65 (current life expectancy)	23.50	22.00
Male member age 40 (life expectancy at age 65)	27.00	23.30
Female member age 65 (current life expectancy)		
Female member age 40 (life expectancy at age 65)	25.10	24.80
	28.80	26.00

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **20. Pensions (continued)**

#### **(f) Plan assets**

*The asset allocation at the year-end were as follows:*

	<b>29 January 2011</b>	
<i>Asset Category</i>	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
Equity Securities	74.30%	7.20%
Bond Securities	25.50%	5.50%
Other	0.20%	0.50%
<b>Total</b>	<b>100.00%</b>	<b>6.75%</b>

	<b>30 January 2010</b>	
<i>Asset Category</i>	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
Equity Securities	71.60%	7.20%
Bond Securities	24.20%	5.60%
Other	4.20%	0.50%
<b>Total</b>	<b>100.00%</b>	<b>6.53%</b>

*Actual return on assets*

	<b>29 January 2011 £'000</b>	<b>30 January 2010 £'000</b>
Actual return on plan assets	4,562	6,135



# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

### **20. Pensions (continued)**

#### **(g) History of experience gains and losses**

	<b>2011 £'000</b>	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Defined benefit obligation	(38,326)	(42,257)	(33,377)	(35,490)	(32,160)
Fair value of plan assets	<u>35,422</u>	<u>28,519</u>	<u>19,999</u>	<u>21,883</u>	<u>19,234</u>
Deficit	2,904	13,738	13,378	13,607	12,926
Difference between the expected and actual return on plan assets (gain/(loss)):					
a. Amount	2,623	4,716	(5,964)	(1,326)	66
b. Percentage of plan assets	7%	17%	(30%)	(6%)	0%
Experience (gain)/loss on plan liabilities					
a. Amount	(2,741)	0	204	(63)	(27)
b. Percentage of present value of plan liabilities	(7%)	0%	1%	(0%)	(0%)

#### **(h) Other Required Disclosure Amounts**

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.	2,510	2,559	2,609
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#### **(i) Balance sheet Reconciliation**

Gross balance sheet liability at beginning of year	13,738	13,378	13,607
Pension expense recognised in P&L in the financial year	(5,457)	1,628	1,674
Amounts recognised in STRGL in the financial year (includes exchange rate (gain)/loss)	(2,867)	1,291	703
Actual contributions made by company in the financial year	<u>(2,510)</u>	<u>(2,559)</u>	<u>(2,606)</u>
Gross balance sheet liability at end of year	<u>2,904</u>	<u>13,738</u>	<u>13,378</u>

## **Toys 'R' Us Limited**

### **Notes to the accounts**

**Period from 31 January 2010 to 29 January 2011**

**21. Immediate and ultimate parent company and controlling party**

The company is a wholly-owned subsidiary undertaking of Toys 'R' Us Holdings Ltd (the immediate parent company), a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest group in which the results of the company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc, 1 Geoffrey Way, Wayne, New Jersey 07470, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Toys 'R' Us Holdings Limited, a private company incorporated in Great Britain and registered in England and Wales. Copies of those financial statements are available from Toys 'R' Us Holdings Limited, Mitre House, 160 Aldersgate Street, London EC1A 4DD.

**Company Registration No. 01809223**

**Toys 'R' Us Limited**

**Report and Financial Statements  
Period from 30 January 2011 to  
28 January 2012**

## Toys 'R' Us Limited

### Profit and loss account

Period from 30 January 2011 to 28 January 2012

		Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
	Notes		
<b>Turnover</b>	2	476,314	509,855
Cost of sales		<u>(299,619)</u>	<u>(329,775)</u>
<b>Gross profit</b>		<u>176,695</u>	<u>180,080</u>
Distribution costs		(172,611)	(169,689)
Administrative expenses (including in 2011 an exceptional pension curtailment gain of £6,818,000 – see note 20)		<u>(19,092)</u>	<u>(11,714)</u>
Total operating expenses		<u>(191,703)</u>	<u>(181,403)</u>
<b>Operating loss</b>	3	<u>(15,008)</u>	<u>(1,323)</u>
Interest receivable	6	23,250	23,081
Interest payable and similar charges	7	<u>(10,838)</u>	<u>(11,903)</u>
		<u>12,412</u>	<u>11,178</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(2,596)	9,855
Tax charge on profit on ordinary activities	8	<u>631</u>	<u>(2,891)</u>
<b>(Loss)/profit for the financial period</b>	18	<u>(1,965)</u>	<u>6,964</u>

All amounts derive from continuing operations.

## Toys 'R' Us Limited

### Statement of total recognised gains and losses Period from 30 January 2011 to 28 January 2012

		Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
	Notes		
<b>(Loss)/profit for the financial period</b>		(1,965)	6,964
Actuarial (loss)/gain relating to pensions	20	(6,163)	2,867
Deferred tax attributable to the actuarial (loss)/gain	20(c)	<u>1,483</u>	<u>(912)</u>
<b>Total recognised (losses)/gains since last annual report and financial statements</b>		<u><u>(6,645)</u></u>	<u><u>8,919</u></u>

All amounts derive from continuing operations.

# Toys 'R' Us Limited

## Balance sheet 28 January 2012

	Notes	28 January 2012 £'000	29 January 2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	60,195	61,296
Investments	10	410,975	392,826
		<u>471,170</u>	<u>454,122</u>
<b>Current assets</b>			
Stocks	11	76,685	54,334
Debtors	12	89,306	93,136
Cash at bank and in hand		3,669	-
		<u>169,660</u>	<u>147,470</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(234,717)</u>	<u>(192,385)</u>
<b>Net current liabilities</b>		<u>(65,057)</u>	<u>(44,915)</u>
<b>Total assets less current liabilities</b>		406,113	409,207
<b>Creditors: amounts falling due after more than one year</b>	14	(66,090)	(63,703)
<b>Provisions for liabilities</b>	15	<u>(5,923)</u>	<u>(7,990)</u>
<b>Net assets excluding pension liability</b>		334,100	337,514
<b>Pension liability</b>	20	<u>(5,351)</u>	<u>(2,120)</u>
<b>Net assets including pension liability</b>		<u>328,749</u>	<u>335,394</u>
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Profit and loss account	18	<u>328,649</u>	<u>335,294</u>
<b>Shareholders' funds</b>	18	<u>328,749</u>	<u>335,394</u>

The financial statements of Toys 'R' Us Limited (registered number 1809223) were approved by the Board of Directors on 9 July 2012.

Signed on behalf of the Board of Directors

F C Muzika

R McLaughlan

Director

Director

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period. The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on page 2. The financial position of the company is as shown in the balance sheet on page 10. The company is financed by a loan from its immediate parent and has no third party debt. Due to the company being in a net current liability position, the company's immediate parent has confirmed that it has no current expectation to call any amounts (including interest) owed by the company for a period of at least 12 months from the date of signing these financial statements. The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has access to considerable financial resources from across the Toys 'R' Us Group together with long term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Cash flow statement**

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### **Related party transactions**

The company is a wholly owned subsidiary of Toys 'R' Us Inc., the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly-owned subsidiaries of the Toys 'R' Us Inc. group. There were no other related party transactions.

#### **Fixed assets**

All fixed assets are initially recorded at cost. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 30 January 2011 to 28 January 2012

### 1. Accounting policies (continued)

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	25 years or the lease term whichever is shorter
Fixtures, fittings, tools and equipment	5 to 20 years

#### Stocks

Retail stock is valued at the lower of cost and net realisable value. Cost is calculated based on a weighted average cost.

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Operating leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

#### Investments

Fixed asset investments are shown at cost less provision for impairment.



# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **1. Accounting policies (continued)**

#### **Pensions**

The Company operates both a defined benefit scheme and a defined contribution pension scheme.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **2. Turnover**

Turnover comprises the value of goods sold to customers in the United Kingdom, exclusive of VAT and intra-group transactions, and relates wholly to the main activity of retailing. All turnover relates to continuing activities.

The directors consider the retailing of toys and other children-related products to be the only line of business and the United Kingdom to be the only geographic location in which the company operates. Hence no further disclosure is required with respect to SSAP 25 Segmental Reporting.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **3. Operating loss**

This is stated after charging/(crediting):

	Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
Depreciation of owned fixed assets	7,822	7,318
Operating lease rentals		
- land and buildings	62,859	61,099
- plant and machinery	1,620	2,389
Royalty payments	13,963	15,700
Exceptional (gain) – Pension plan curtailment – see note 20(d)	-	(6,818)
Fees payable to the company's auditor for the audit of the company's annual accounts	32	32
<b>Total audit fees</b>	<b>32</b>	<b>32</b>
Other services	3	3
<b>Total non-audit fees</b>	<b>3</b>	<b>3</b>
Fees payable to the company's auditor and their associates in respect of associated pension schemes Audit	7	7
<b>Total fees</b>	<b>42</b>	<b>42</b>

### **4. Staff costs (including directors)**

	Period from 30 January 2011 to 28 January 2012 £'000	Period from 31 January 2010 to 29 January 2011 £'000
Wages and salaries	47,953	49,702
Social security costs	3,778	4,011
Pension Plan Curtailment	-	(6,818)
Other pension costs	1,872	1,361
	<b>53,603</b>	<b>48,256</b>

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **4. Staff costs (including directors) continued:**

The monthly average number of employees during the period was as follows (including directors):

	<b>Period from 30 January 2011 to 28 January 2012</b>	<b>Period from 31 January 2010 to 29 January 2011</b>
Distribution staff	3,630	4,190
Administrative staff	<u>301</u>	<u>347</u>
	<u><u>3,931</u></u>	<u><u>4,537</u></u>

### **5. Directors' emoluments**

	<b>Period from 30 January 2011 to 28 January 2012 £'000</b>	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>
Emoluments	915	1,128
Value of company pension contributions to money purchase schemes	<u>77</u>	<u>122</u>
	<b>No.</b>	<b>No.</b>
(one member retired March 2011)		
Members of money purchase pension schemes	<u>4</u>	<u>3</u>
<i>The amounts in respect of the highest paid director are as follows:</i>	<b>£'000</b>	<b>£'000</b>
Emoluments	<u>331</u>	<u>509</u>
Value of company pension contributions to money purchase schemes	<u>36</u>	<u>54</u>

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **6. Interest receivable**

	<b>Period from 30 January 2011 to 28 January 2012 £'000</b>	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>
Bank interest receivable	20	117
Intercompany loan interest receivable	22,896	22,964
Net interest receivable on pension scheme	334	-
	<u>23,250</u>	<u>23,081</u>

### **7. Interest payable and similar charges**

	<b>Period from 30 January 2011 to 28 January 2012 £'000</b>	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>
Bank interest payable	393	735
Net interest payable on pension scheme	-	440
Interest on intercompany loans	10,445	10,728
	<u>10,838</u>	<u>11,903</u>

### **8. Taxation**

- (a) Tax on (loss)/profit on ordinary activities  
The tax (credit)/charge is made up as follows:

	<b>Period from 30 January 2011 to 28 January 2012 £'000</b>	<b>Period from 31 January 2010 to 29 January 2011 £'000</b>
<i>Current tax:</i>		
UK corporation tax	963	1,966
Adjustment in respect of previous periods	(10)	245
Total current tax	<u>953</u>	<u>2,211</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences (8 (c))	(2,067)	(1,471)
Deferred tax charged relating to pension liability (20(c))	483	2,151
Total deferred tax	<u>(1,584)</u>	<u>680</u>
Total tax charge on (loss)/profit on ordinary activities	<u>(631)</u>	<u>2,891</u>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 30 January 2011 to 28 January 2012

### 8. Taxation (continued)

#### (b) Factors affecting current tax charge:

The tax assessed on the profit of ordinary activities for the period is lower (2011: lower) than the standard rate of corporation tax in the UK of 26.32% (2011: 28%). The differences are reconciled below:

	28 January 2012 £'000	29 January 2011 £'000
(Loss)/profit on ordinary activities before taxation	(2,596)	9,855
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK	(683)	2,759
Disallowed expenses and non-taxable income	51	25
Capital allowances in excess of depreciation	1,428	1,094
Depreciation on non-qualifying assets	556	528
Adjustments in respect of previous periods	(10)	245
Other timing differences	(389)	(2,440)
Total current tax (note 8 (a))	953	2,211

#### (c) Factors that may effect future tax charges

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. Rollover relief will be available if proceeds from the sale of the properties are fully reinvested into qualifying assets within a period of 12 months before, and three years after, the date of disposal. The total amount not provided for is £ nil (2011: £nil). At present, it is not envisaged that any tax will become payable in the foreseeable future.

#### (d) Deferred taxation

	28 January 2012 £'000	29 January 2011 £'000
Capital allowances in advances of depreciation	(6,041)	(8,037)
Short-term timing differences	118	47
Provision for deferred taxation	(5,923)	(7,990)
		£'000
At 29 January 2011		(7,990)
Profit and loss account movement arising during the 52 week period		2,067
At 28 January 2012		(5,923)

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **9. Tangible fixed assets**

	<b>Leasehold improve- ments £'000</b>	<b>Fixtures, fittings, tools and equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 30 January 2011	56,614	107,590	164,204
Additions	2,599	4,231	6,830
Disposals	(3)	(1,052)	(1,055)
At 28 January 2012	59,210	110,769	169,979
<b>Depreciation:</b>			
At 30 January 2011	30,890	72,018	102,908
Charge for the period	2,903	4,919	7,822
Disposals	(2)	(944)	(946)
At 28 January 2012	33,791	75,993	109,784
<b>Net book amount:</b>			
At 28 January 2012	25,419	34,776	60,195
At 29 January 2011	25,724	35,572	61,296

### **10. Investments**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Loans	410,975	392,826

The company has advanced unsecured loans of £298,972,000 plus interest of £112,003,000 to Toys 'R' Us (UK) Ltd. (2011: Loan of £298,972,000 plus interest of £93,854,000). The loan is wholly repayable in 2013 and interest receivable is fixed at 6.59%.

### **11. Stocks**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Finished goods	76,685	54,334

There is no material difference between the value of stock included in the balance sheet and its replacement cost.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **12. Debtors**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Trade debtors	5,540	4,046
Amounts owed by group undertakings	73,027	76,144
Other debtors	5	1,112
Corporation tax	-	1,708
Prepayments and accrued income	10,734	10,126
	<u>89,306</u>	<u>93,136</u>

### **13. Creditors: amounts falling due within one year**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Bank overdraft	-	9,469
Trade creditors	36,649	32,434
Amounts owed to other group undertakings	156,278	112,977
Corporation tax	951	-
Other taxes and social security costs	25,806	23,602
Current portion capital lease obligations	9	8
Other creditors	4,233	4,737
Accruals and deferred income	10,791	9,158
	<u>234,717</u>	<u>192,385</u>

### **14. Creditors: amounts falling due after more than one year**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Capital lease obligations	35	44
Stock options granted	193	-
Other creditors and deferred income	10,862	8,659
Amounts owed to immediate parent undertaking	55,000	55,000
	<u>66,090</u>	<u>63,703</u>

The £55 million loan is repayable in 2012 and bears an interest rate of 12.33% per annum.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **15. Provision for liabilities**

	<b>Deferred tax £'000</b>
At 29 January 2011	7,990
Charged to profit and loss account	<u>(2,067)</u>
At 28 January 2012	<u><u>5,923</u></u>

This provision is in respect of deferred tax – See note 8 for more details

### **16. Commitments under operating leases**

At 28 January 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>28 January 2012</b>		<b>29 January 2011</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
Within one year	1,187	74	19	24
Within two to five years	5,824	1,711	7,045	1,986
In over five years	<u>58,628</u>	<u>-</u>	<u>55,586</u>	<u>-</u>
	<u><u>65,639</u></u>	<u><u>1,785</u></u>	<u><u>62,650</u></u>	<u><u>2,010</u></u>

### **17. Share capital**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>



# Toys 'R' Us Limited

## Notes to the accounts

Period from 30 January 2011 to 28 January 2012

### 18. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At 30 January 2010	100	326,375	326,475
Profit for the period		6,964	6,964
Other recognised losses in relation to pension scheme	-	1,955	1,955
At 29 January 2011	100	335,294	335,394
Profit for the period		(1,965)	(1,965)
Other recognised gains and losses in relation to pension scheme	-	(4,680)	(4,680)
At 28 January 2012	100	328,649	328,749

### 19. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2011: £nil).

### 20. Pensions

A full actuarial valuation was carried out at 1 April 2007 and updated to 28 January 2012 by a qualified independent actuary. The major assumptions used by the actuary are detailed in the following disclosures.

#### (a) Change in benefit obligation

	28 January 2012 £'000	29 January 2011 £'000
Benefit obligation at beginning of period	38,326	42,257
Current service cost	864	921
Interest cost	2,125	2,379
Plan participants' contributions	406	429
Actuarial (gains) due to change in experience	-	(2,741)
Actuarial losses due to change in assumptions	6,180	2,497
Benefits paid from plan/company	(646)	(598)
Plan Curtailments	-	(6,818)
Benefit obligation at end of period	47,255	38,326

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **20. Pensions (continued)**

#### **(b) Change in plan assets**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Fair value of plan assets at beginning of period	35,422	28,519
Expected return on plan assets	2,459	1,939
Actuarial gains on plan assets	17	2,623
Employer contributions	2,462	2,510
Member contributions	406	429
Benefits paid from plan	(646)	(598)
Fair value of plan assets at end of period	<u>40,120</u>	<u>35,422</u>

#### **(c) Amounts recognised in the balance sheet**

Present value of wholly or partly funded obligations	47,255	38,326
Fair value of plan assets	<u>(40,120)</u>	<u>(35,422)</u>
Deficit for funded plans	<u>7,135</u>	<u>2,904</u>
Gross liability	7,135	2,904
Related deferred tax asset	<u>(1,784)</u>	<u>(784)</u>
Net liability	<u>5,351</u>	<u>2,120</u>
Movement in deferred tax recognised in profit and loss statement	(483)	(2,151)
Movement in deferred tax recognised in the statement of total recognised gains and losses	<u>1,483</u>	<u>(912)</u>

#### **(d) Components of pension cost**

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
<i>Amounts recognised in profit and loss statement</i>		
Current service cost	864	921
Interest cost	2,125	2,379
Expected return on plan assets	(2,459)	(1,939)
(Gain) due to curtailments	<u>-</u>	<u>(6,818)</u>
Total pension cost recognised in the profit and loss account	<u>530</u>	<u>(5,457)</u>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 30 January 2011 to 28 January 2012

### 20. Pensions (continued)

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Actuarial losses/(gains) immediately recognised	6,163	(2,867)	1,291	703	1,906
Total pension cost recognised in the STRGL	<u>6,163</u>	<u>(2,867)</u>	<u>1,291</u>	<u>703</u>	<u>1,906</u>
<i>Cumulative amount of actuarial losses/(gains) immediately recognised</i>	<u>5,611</u>	<u>(552)</u>	<u>2,315</u>	<u>1,024</u>	<u>321</u>

### (e) Principal actuarial assumptions

	28 January 2012 %	29 January 2011 %
<i>Weighted-average assumptions to determine benefit obligations</i>		
Discount rate	4.90	5.50
Rate of compensation increase	2.35	2.35
Rate of price inflation CPI	2.37	3.00
Rate of pension increases	2.90	2.95
<i>Weighted-average assumptions to determine net pension cost</i>		
Discount rate	5.50	5.60
Expected long-term rate of return on plan assets	6.75	6.53
Rate of compensation increase	2.35	4.00
Rate of price inflation	3.50	3.60
Rate of pension increases	2.95	2.95
	<b>Years</b>	<b>Years</b>
<i>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations for:</i>		
Male member age 65 (current life expectancy)	23.60	23.50
Male member age 40 (life expectancy at age 65)	27.20	27.00
Female member age 65 (current life expectancy)	25.30	25.10
Female member age 40 (life expectancy at age 65)	29.00	28.80

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **20. Pensions (continued)**

#### **(f) Plan assets**

*The asset allocation at the year-end were as follows:*

	<b>28 January 2012</b>	
	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
<i>Asset Category</i>		
Equity Securities	71.60%	6.70%
Bond Securities	28.30%	4.10%
Other	0.10%	0.50%
<b>Total</b>	<b>100.00%</b>	<b>5.95%</b>

	<b>29 January 2011</b>	
	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
<i>Asset Category</i>		
Equity Securities	74.30%	7.20%
Bond Securities	25.50%	5.50%
Other	0.20%	0.50%
<b>Total</b>	<b>100.00%</b>	<b>6.75%</b>

*Actual return on assets*

	<b>28 January 2012 £'000</b>	<b>29 January 2011 £'000</b>
Actual return on plan assets	2,476	4,562

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

### **20. Pensions (continued)**

#### **(g) History of experience gains and losses**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(47,255)	(38,326)	(42,257)	(33,377)	(35,490)
Fair value of plan assets	<u>40,120</u>	<u>35,422</u>	<u>28,519</u>	<u>19,999</u>	<u>21,883</u>
Deficit	<u>(7,135)</u>	<u>(2,904)</u>	<u>(13,738)</u>	<u>(13,378)</u>	<u>(13,607)</u>
Difference between the expected and actual return on plan assets (gain/(loss)):					
a. Amount	17	2,623	4,716	(5,964)	(1,326)
b. Percentage of plan assets	-	7%	17%	(30%)	(6%)
Experience (gain)/loss on plan liabilities					
a. Amount	0	(2,741)	-	204	(63)
b. Percentage of present value of plan liabilities	-	(7%)	-	1%	-

#### **(h) Other required disclosure amounts**

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date	<u>2,482</u>	<u>2,510</u>	<u>2,559</u>
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#### **(i) Balance sheet reconciliation**

Gross balance sheet liability at beginning of year	2,904	13,738	13,378
Pension expense recognised in P&L in the financial year	530	(5,457)	1,628
Amounts recognised in STRGL in the financial year (includes exchange rate (gain) / loss)	6,163	(2,867)	1,291
Actual contributions made by company in the financial year	(2,462)	(2,510)	(2,559)
Gross balance sheet liability at end of year	<u>7,135</u>	<u>2,904</u>	<u>13,738</u>

## **Toys 'R' Us Limited**

### **Notes to the accounts**

**Period from 30 January 2011 to 28 January 2012**

#### **21. Immediate and ultimate parent company and controlling party**

The company is a wholly-owned subsidiary undertaking of Toys 'R' Us Holdings Ltd (the immediate parent company), a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest group in which the results of the company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc, 1 Geoffrey Way, Wayne, New Jersey 07470, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Toys 'R' Us Holdings Limited, a private company incorporated in Great Britain and registered in England and Wales. Copies of those financial statements are available from Toys 'R' Us Holdings Limited, Mitre House, 160 Aldersgate Street, London EC1A 4DD.

**Company Registration No. 01809223**

**Toys 'R' Us Limited**

**Financial Statements**

**Period from 29 January 2012  
to 2 February 2013**

## Toys 'R' Us Limited

### Profit and loss account

Period from 29 January 2012 to 2 February 2013

		Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
	Notes		
<b>Turnover</b>	2	460,857	476,314
Cost of sales		(288,304)	(299,619)
<b>Gross profit</b>		<u>172,553</u>	<u>176,695</u>
Distribution costs		(175,731)	(172,611)
Administrative expenses		(18,701)	(19,092)
Total operating expenses		<u>(194,432)</u>	<u>(191,703)</u>
<b>Operating loss</b>	3	<u>(21,879)</u>	<u>(15,008)</u>
Interest receivable	6	23,224	23,250
Interest payable and similar charges	7	(11,225)	(10,838)
		<u>11,999</u>	<u>12,412</u>
<b>(Loss) on ordinary activities before taxation</b>		<u>(9,880)</u>	<u>(2,596)</u>
Tax credit on loss on ordinary activities	8	<u>2,998</u>	<u>631</u>
<b>(Loss) for the financial period</b>	18	<u>(6,882)</u>	<u>(1,965)</u>

All amounts derive from continuing operations.



## Toys 'R' Us Limited

### Statement of total recognised gains and losses Period from 29 January 2012 to 2 February 2013

		Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
	Notes		
<b>(Loss) for the financial period</b>		(6,882)	(1,965)
Actuarial (loss) relating to pensions	20	(341)	(6,163)
Deferred tax attributable to the actuarial (loss)	20(c)	(64)	1,483
<b>Total recognised (losses) since last annual report and financial statements</b>		<u>(7,287)</u>	<u>(6,645)</u>

All amounts derive from continuing operations.

## Toys 'R' Us Limited

### Balance sheet 2 February 2013

	Notes	2 February 2013 £'000	28 January 2012 £'000
<b>Fixed assets</b>			
Tangible assets	9	55,526	60,195
Investments	10	429,468	410,975
		<u>484,994</u>	<u>471,170</u>
<b>Current assets</b>			
Stocks	11	76,669	76,685
Debtors	12	98,837	89,306
Cash at bank and in hand		2,570	3,669
		<u>178,076</u>	<u>169,660</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(309,198)</u>	<u>(234,717)</u>
<b>Net current liabilities</b>		<u>(131,122)</u>	<u>(65,057)</u>
<b>Total assets less current liabilities</b>		353,872	406,113
<b>Creditors: amounts falling due after more than one year</b>	14	(21,823)	(66,090)
<b>Provisions for liabilities</b>	15	<u>(5,935)</u>	<u>(5,923)</u>
<b>Net assets excluding pension liability</b>		326,114	334,100
<b>Pension liability</b>	20	<u>(4,652)</u>	<u>(5,351)</u>
<b>Net assets including pension liability</b>		<u>321,462</u>	<u>328,749</u>
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Profit and loss account	18	<u>321,362</u>	<u>328,649</u>
<b>Shareholders' funds</b>	18	<u>321,462</u>	<u>328,749</u>

The financial statements of Toys 'R' Us Limited (registered number 1809223) were approved by the Board of Directors on 13 June 2013

Signed on behalf of the Board of Directors

F C Muzika  
Director

R McLaughlan  
Director

# **Toys 'R' Us Limited**

## **Notes to the accounts**

### **Period from 29 January 2012 to 2 February 2013**

#### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period. The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on page 2. The financial position of the company is as shown in the balance sheet on page 10. The company is financed by a loan from its immediate parent and has no third party debt. Due to the company being in a net current liability position, the company's immediate parent has confirmed that it has no current expectation to call any amounts (including interest) owed by the company for a period of at least 12 months from the date of signing these financial statements. The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has access to considerable financial resources from across the Toys 'R' Us Group together with long term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The group undertook a reorganisation and re-financing in March 2013 (see note 21).

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future (see note 21). Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Cash flow statement**

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### **Related party transactions**

The company is a wholly owned subsidiary of Toys 'R' Us Inc., the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly-owned subsidiaries of the Toys 'R' Us Inc. group. There were no other related party transactions.

#### **Fixed assets**

All fixed assets are initially recorded at cost. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

# Toys 'R' Us Limited

## Notes to the accounts

Period from 29 January 2012 to 2 February 2013

### 1. Accounting policies (continued)

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	25 years or the lease term whichever is shorter
Fixtures, fittings, tools and equipment	5 to 20 years

#### Stocks

Retail stock is valued at the lower of cost and net realisable value. Cost is calculated based on a weighted average cost basis.

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Operating leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

#### Investments

Fixed asset investments are shown at cost less provision for impairment.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **1. Accounting policies (continued)**

#### **Pensions**

The Company operates both a defined benefit scheme and a defined contribution pension scheme.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **2. Turnover**

Turnover comprises the value of goods sold to customers in the United Kingdom, exclusive of VAT and intra-group transactions, and relates wholly to the main activity of retailing. All turnover relates to continuing activities.

The directors consider the retailing of toys and other children-related products to be the only line of business and the United Kingdom to be the only geographic location in which the company operates. Hence no further disclosure is required with respect to SSAP 25 Segmental Reporting.

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **3. Operating loss**

This is stated after charging:

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
Depreciation of owned fixed assets	7,862	7,822
Operating lease rentals	66,949	62,859
- land and buildings		
- plant and machinery	1,483	1,620
Royalty payments	13,206	13,963
Fees payable to the company's auditor for the audit of the company's annual accounts	32	32
<b>Total audit fees</b>	<b>32</b>	<b>32</b>
Other services	-	3
<b>Total non-audit fees</b>	<b>-</b>	<b>3</b>
Fees payable to the company's auditor and their associates in respect of associated pension schemes audit	6	7
<b>Total fees</b>	<b>38</b>	<b>42</b>

### **4. Staff costs (including directors)**

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
Wages and salaries	44,866	47,953
Social security costs	3,811	3,778
Other pension costs	1,668	1,872
	50,345	53,603

# **Toys 'R' Us Limited**

## **Notes to the accounts**

### **Period from 29 January 2012 to 2 February 2013**

#### **4. Staff costs (including directors) continued:**

The monthly average number of employees during the period was as follows (including directors):

	<b>Period from 29 January 2012 to 2 February 2013</b>	<b>Period from 30 January 2011 to 28 January 2012</b>
Distribution staff	3,017	3,630
Administrative staff	282	301
	<u>3,299</u>	<u>3,931</u>

#### **5. Directors' emoluments**

	<b>Period from 29 January 2012 to 2 February 2013 £'000</b>	<b>Period from 30 January 2011 to 28 January 2012 £'000</b>
Emoluments	866	915
Value of company pension contributions to money purchase schemes	<u>102</u>	<u>77</u>
	<b>No.</b>	<b>No.</b>
Members of money purchase pension schemes	<u>3</u>	<u>4</u>
The amounts in respect of the highest paid director are as follows:		
	<b>£'000</b>	<b>£'000</b>
Emoluments	<u>385</u>	<u>331</u>
Value of company pension contributions to money purchase schemes	<u>45</u>	<u>36</u>

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **6. Interest receivable**

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
Bank interest receivable	4	20
Intercompany loan interest receivable	23,106	22,896
Net interest receivable on pension scheme	114	334
	<u>23,224</u>	<u>23,250</u>

### **7. Interest payable and similar charges**

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
Bank interest payable	589	393
Interest on intercompany loans	10,636	10,445
	<u>11,225</u>	<u>10,838</u>

### **8. Taxation**

- (a) Tax on (loss) on ordinary activities  
The tax (credit) is made up as follows:

	Period from 29 January 2012 to 2 February 2013 £'000	Period from 30 January 2011 to 28 January 2012 £'000
<i>Current tax:</i>		
UK corporation tax	(1,481)	963
Adjustment in respect of previous periods	(158)	(10)
Total current tax	<u>(1,639)</u>	<u>953</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences (8 (c))	(1,689)	(2,067)
Deferred tax charged relating to pension liability (20 (c))	330	483
Total deferred tax	<u>(1,359)</u>	<u>(1,584)</u>
Total tax credit on (loss) on ordinary activities	<u>(2,998)</u>	<u>(631)</u>



# Toys 'R' Us Limited

## Notes to the accounts

Period from 29 January 2012 to 2 February 2013

### 8. Taxation (continued)

#### (b) Factors affecting current tax charge:

The tax assessed on the profit of ordinary activities for the period is lower (2012: lower) than the standard rate of corporation tax in the UK of 24.32% (2012: 26.32%). The differences are reconciled below:

	2 February 2013 £'000	28 January 2012 £'000
(Loss) on ordinary activities before taxation	(9,880)	(2,596)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK	(2,403)	(683)
Disallowed expenses and non-taxable income	123	51
Capital allowances in excess of depreciation	1,163	1,428
Depreciation on non-qualifying assets	448	556
Adjustments in respect of previous periods	(158)	(10)
Other timing differences	(812)	(389)
Total current tax (note 8 (a))	(1,639)	953

#### (c) Factors that may affect future tax charges

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. Rollover relief will be available if proceeds from the sale of the properties are fully reinvested into qualifying assets within a period of 12 months before, and three years after, the date of disposal. The total amount not provided for is £ nil (2012: £nil). At present, it is not envisaged that any tax will become payable in the foreseeable future. The UK government has announced reductions to future corporation rates and this will impact deferred tax balances.

#### (d) Deferred taxation

	2 February 2013 £'000	28 January 2012 £'000
Capital allowances in excess of depreciation	(4,457)	(6,041)
Short-term timing differences	223	118
Provision for deferred taxation	(4,234)	(5,923)
		£'000
At 28 January 2012		(5,923)
Profit and loss account movement arising during the 53 week period		1,689
At 2 February 2013		(4,234)

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **9. Tangible fixed assets**

	<b>Leasehold improve- ments £'000</b>	<b>Fixtures, fittings, tools and equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 29 January 2012	59,210	110,769	169,979
Additions	117	3,076	3,193
Disposals	-	(128)	(128)
At 2 February 2013	<u>59,327</u>	<u>113,717</u>	<u>173,044</u>
<b>Depreciation:</b>			
At 29 January 2012	33,791	75,993	109,784
Charge for the period	2,793	5,069	7,862
Disposals	-	(128)	(128)
At 2 February 2013	<u>36,584</u>	<u>80,934</u>	<u>117,518</u>
<b>Net book amount:</b>			
At 2 February 2013	<u>22,743</u>	<u>32,783</u>	<u>55,526</u>
At 28 January 2012	<u>25,419</u>	<u>34,776</u>	<u>60,195</u>

### **10. Investments**

	<b>02 February 2013 £'000</b>	<b>28 January 2012 £'000</b>
Loans	<u>429,468</u>	<u>410,975</u>

The company has advanced unsecured loans of £298,972,000 plus interest of £130,496,000 to Toys 'R' Us (UK) Ltd. (2012: Loan of £298,972,000 plus interest of £112,003,000). The loan is wholly repayable in 2013 and interest receivable is fixed at 6.59%. The investment was repaid in March 2013 as part of the group re-financing (see note 21) and replaced with a £370,522,881 10 year investment with interest at 6 month GBP libor + 6.5%.

### **11. Stocks**

	<b>02 February 2013 £'000</b>	<b>28 January 2012 £'000</b>
Finished goods	<u>76,669</u>	<u>76,685</u>

There is no material difference between the value of stock included in the balance sheet and its replacement cost.

## Toys 'R' Us Limited

### Notes to the accounts

Period from 29 January 2012 to 2 February 2013

#### 12. Debtors

	2 February 2013 £'000	28 January 2012 £'000
Trade debtors	5,593	5,540
Amounts owed by group undertakings	68,674	73,027
Other debtors	-	5
Corporation tax credit	14,751	-
Prepayments and accrued income	9,819	10,734
	<u>98,837</u>	<u>89,306</u>

#### 13. Creditors: amounts falling due within one year

	2 February 2013 £'000	28 January 2012 £'000
Bank overdraft	-	-
Trade creditors	30,125	36,649
Amounts owed to other group undertakings	184,524	156,278
Corporation tax	-	951
Other taxes and social security costs	22,789	25,806
Current portion capital lease obligations	9	9
Amounts owed to immediate parent undertaking	55,000	-
Other creditors	4,010	4,233
Accruals and deferred income	12,741	10,791
	<u>309,198</u>	<u>234,717</u>

The £55 million loan bears an interest rate of 12.33% per annum and was repaid in March 2013 as part of a re-organisation of the UK group relating to the refinancing noted below (see note 21).

#### 14. Creditors: amounts falling due after more than one year

	2 February 2013 £'000	28 January 2012 £'000
Capital lease obligations	26	35
Corporation Tax	9,905	-
Stock options granted	930	193
Other creditors and deferred income	10,962	10,862
Amounts owed to immediate parent undertaking	-	55,000
	<u>21,823</u>	<u>66,090</u>

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **15. Provision for liabilities**

	<b>Deferred tax £'000</b>
At 28 January 2012	5,923
Charged to profit and loss account	12
At 2 February 2013	<u>5,935</u>

This provision is in respect of deferred tax – See note 8 for more details

### **16. Commitments under operating leases**

At 2 February 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>2 February 2013</b>		<b>28 January 2012</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
Within one year	1,605	59	1,187	74
Within two to five years	3,465	1,618	5,824	1,711
In over five years	61,013	-	58,628	-
	<u>66,083</u>	<u>1,677</u>	<u>65,639</u>	<u>1,785</u>

### **17. Share capital**

	<b>2 February 2013 £'000</b>	<b>28 January 2012 £'000</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

# Toys 'R' Us Limited

## Notes to the accounts

Period from 29 January 2012 to 2 February 2013

### 18. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At 29 January 2011	100	335,294	335,394
Profit for the period		(1,965)	(1,965)
Other recognised losses in relation to pension scheme	-	(4,680)	(4,680)
At 28 January 2012	100	328,649	328,749
Profit for the period		(6,882)	(6,882)
Other recognised gains and losses in relation to pension scheme	-	(405)	(405)
At 2 February 2013	100	321,362	321,462

### 19. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2012: £nil).

### 20. Pensions

A full actuarial valuation was carried out by Mercer Ltd at 1 April 2010 and updated to 2 February 2013 by a qualified independent actuary. The major assumptions used by the actuary are detailed in the following disclosures.

#### (a) Change in benefit obligation

	2 February 2013 £'000	28 January 2012 £'000
Benefit obligation at beginning of period	47,255	38,326
Current service cost	1,072	864
Interest cost	2,340	2,125
Plan participants' contributions	375	406
Actuarial losses due to change in assumptions	2,998	6,180
Benefits paid from plan/company	(577)	(646)
Benefit obligation at end of period	53,463	47,255

# Toys 'R' Us Limited

## Notes to the accounts

Period from 29 January 2012 to 2 February 2013

### 20. Pensions (continued)

#### (b) Change in plan assets

	2 February 2013 £'000	28 January 2012 £'000
Fair value of plan assets at beginning of period	40,120	35,422
Expected return on plan assets	2,454	2,459
Actuarial gains on plan assets	2,657	17
Employer contributions	2,392	2,462
Member contributions	375	406
Benefits paid from plan	(577)	(646)
Fair value of plan assets at end of period	<u>47,421</u>	<u>40,120</u>

#### (c) Amounts recognised in the balance sheet

Present value of wholly or partly funded obligations	53,463	47,255
Fair value of plan assets	<u>(47,421)</u>	<u>(40,120)</u>
Deficit for funded plans	<u>6,042</u>	<u>7,135</u>
Gross liability	6,042	7,135
Related deferred tax asset	<u>(1,390)</u>	<u>(1,784)</u>
Net liability	<u>4,652</u>	<u>5,351</u>
Movement in deferred tax recognised in profit and loss statement	(330)	(483)
Movement in deferred tax recognised in the statement of total recognised gains and losses	<u>(64)</u>	<u>1,483</u>

#### (d) Components of pension cost

*Amounts recognised in profit and loss statement*

Current service cost	1,072	864
Interest cost	2,340	2,125
Expected return on plan assets	<u>(2,454)</u>	<u>(2,459)</u>
Total pension cost recognised in the profit and loss account	<u>958</u>	<u>530</u>

## Toys 'R' Us Limited

### Notes to the accounts

Period from 29 January 2012 to 2 February 2013

#### 20. Pensions (continued)

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Actuarial losses/(gains) immediately recognised	341	6,163	(2,867)	1,291	703
Total pension cost recognised in the STRGL	341	6,163	(2,867)	1,291	703
<i>Cumulative amount of actuarial losses/(gains) immediately recognised</i>	<u>5,952</u>	<u>5,611</u>	<u>(552)</u>	<u>2,315</u>	<u>1,024</u>

#### (e) Principal actuarial assumptions

	2 February 2013 %	28 January 2012 %
<i>Weighted-average assumptions to determine benefit obligations</i>		
Discount rate	4.90	4.90
Rate of compensation increase	2.35	2.35
Rate of price inflation CPI	2.70	2.37
Rate of pension increases	3.30	2.90
<i>Weighted-average assumptions to determine net pension cost</i>		
Discount rate	4.90	5.50
Expected long-term rate of return on plan assets	5.95	6.75
Rate of compensation increase	2.35	2.35
Rate of price inflation	3.07	3.50
Rate of pension increases	2.90	2.95
	<b>Years</b>	<b>Years</b>
<i>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations for:</i>		
Male member age 65 (current life expectancy)	23.80	23.60
Male member age 40 (life expectancy at age 65)	27.30	27.20

# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **20. Pensions (continued)**

#### **(f) Plan assets**

*The asset allocation at the year-end were as follows:*

	<b>2 February 2013</b>	
<i>Asset Category</i>	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
Equity Securities	73.20%	7.03%
Bond Securities	26.60%	4.25%
Other	0.20%	0.50%
<b>Total</b>	<b>100.00%</b>	<b>6.28%</b>

	<b>28 January 2012</b>	
<i>Asset Category</i>	<b>Percentage of plan assets</b>	<b>Expected return on plan assets</b>
Equity Securities	71.60%	6.70%
Bond Securities	28.30%	4.10%
Other	0.10%	0.50%
<b>Total</b>	<b>100.00%</b>	<b>5.95%</b>

*Actual return on assets*

	<b>2 February 2013</b>	<b>28 January 2012</b>
	<b>£'000</b>	<b>£'000</b>
Actual return on plan assets	5,111	2,476



# **Toys 'R' Us Limited**

## **Notes to the accounts**

**Period from 29 January 2012 to 2 February 2013**

### **20. Pensions (continued)**

#### **(g) History of experience gains and losses**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(53,463)	(47,255)	(38,326)	(42,257)	(33,377)
Fair value of plan assets	<u>47,421</u>	<u>40,120</u>	<u>35,422</u>	<u>28,519</u>	<u>19,999</u>
Deficit	<u>(6,042)</u>	<u>(7,135)</u>	<u>(2,904)</u>	<u>(13,738)</u>	<u>(13,378)</u>
Difference between the expected and actual return on plan assets (gain/(loss)):					
a. Amount	2,657	17	2,623	4,716	(5,964)
b. Percentage of plan assets	-	-	7%	17%	(30%)
Experience (gain)/loss on plan liabilities					
a. Amount	(161)	-	(2,741)	-	204
b. Percentage of present value of plan liabilities	-	-	(7%)	-	1%

#### **(h) Other required disclosure amounts**

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.

<u>2,410</u>	<u>2,482</u>	<u>2,510</u>
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#### **(i) Balance sheet reconciliation**

Gross balance sheet liability at beginning of year	7,135	2,904	13,738
Pension expense recognised in P&L in the financial year	958	530	(5,457)
Amounts recognised in STRGL in the financial year (includes exchange rate (gain) / loss)	341	6,163	(2,867)
Actual contributions made by company in the financial year	<u>(2,392)</u>	<u>(2,462)</u>	<u>(2,510)</u>
Gross balance sheet liability at end of year	<u>6,042</u>	<u>7,135</u>	<u>2,904</u>

## **Toys 'R' Us Limited**

### **Notes to the accounts**

#### **Period from 29 January 2012 to 2 February 2013**

##### **21. Post balance Sheet Events**

On 25 March 2013, the group entered into a seven year senior secured term loan facility agreement for an aggregate principal amount of £263 million which was funded on 28 March 2013. The net proceeds, together with an investment in the UK group from the ultimate holding company, Toys 'R' Us Inc., were used to repay the principal amount under the group's £406 million United Kingdom senior and junior real estate credit facilities.

##### **22. Immediate and ultimate parent company and controlling party**

The company is a wholly-owned subsidiary undertaking of Toys 'R' Us Holdings Ltd (the immediate parent company), a company incorporated in the United Kingdom and registered in England and Wales.

The company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest group in which the results of the company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc, 1 Geoffrey Way, Wayne, New Jersey 07470, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Toys 'R' Us Holdings Limited, a private company incorporated in the United Kingdom and registered in England and Wales. Copies of those financial statements are available from Toys 'R' Us Holdings Limited, Mitre House, 160 Aldersgate Street, London EC1A 4DD.

**APPENDIX 4**  
**INITIAL VALUATION**



# VALUATION REPORT

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Project Claude

Valuation of Portfolio of 31 Freehold  
and Long Leasehold Properties  
Occupied by Toys "R" Us

Valuation Report as at  
20 March 2013

On behalf of  
Toys "R" Us Inc.  
and  
the Beneficiaries to the Facility Agreement

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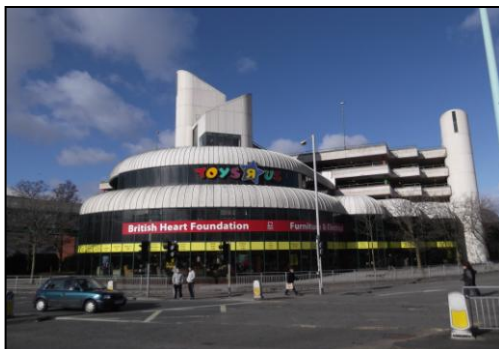
# 1

## EXECUTIVE SUMMARY

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## Executive Summary

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### The Properties

The properties comprise 27 modern purpose built out-of-town retail stores, 3 town centre retail stores and one distribution warehouse. The properties are occupied by Toys “R” Us. The properties provide accommodation totalling 173,953 sq m (1,872,409 sq ft) and are geographically dispersed, close to major urban areas across the UK.

The properties are held as investments.

### Tenure

Part freehold and part long leasehold.

The properties each have the benefit of good and marketable title.

17 of the properties (61% of portfolio by value) are held freehold. 14 properties (39% of the portfolio by value) are held on long lease (ground lease).

Each of the long leasehold properties are held for terms in excess of 100 years. 12 of the 14 ground leases are subject to a fixed peppercorn or nominal ground rent. The portfolio has an aggregate ground rent liability totalling £68,454 per annum.

### Tenancies and Covenant Strength

Each of the properties is let on an identical full repairing and insuring lease for a term of 30 years from 9 February 2006 until 8 February 2036. The properties are leased under an Opco and Propco arrangement, the Lessor being Toys “R” Us Properties (UK) Limited (Propco) and the Lessee being Toys “R” Us Limited (Opco).

As instructed, we have had regard to these intercompany leases in preparing our opinion of Market Value.

Under a proposed Deed of Variation (to be effective on completion of this transaction) the current rent payable under each of the leases is to be revised (rebased). The aggregate gross rental income (before deduction of ground rent) for the portfolio is confirmed at £23,008,457 per annum.

The leases provide for annual rental escalators based on uplifts to the Retail Prices Index, subject to a cap of 1% and a collar of 2½%. The rental uplifts take place on the anniversary of the lease and are next due on 9<sup>th</sup> February 2014.

The leases also provide for 5 yearly upwards only reviews to the higher of passing rent or Market Rental Value, next due on 9<sup>th</sup> February 2016.

**Net Income**

**£23,004,343 per annum**

This equates to:

£132.24 per sq m (£12.29 per sq ft) overall;

**Net ERV**

**£19,943,325 per annum**

This equates to:

£114.65 per sq m (£10.65 per sq ft) overall;

The figures stated above are net of ground rent payaways and non recoverable revenue costs.

**Market Value**

We are of the opinion that the Market Value of the freehold and long leasehold interests in the Properties as at 20 March 2013 is:

**£315,000,000 (THREE HUNDRED AND FIFTEEN MILLION POUNDS)**

**Yield Profile**

Net Initial Yield	6.90%
Reversionary Yield (February 2036)	5.98%
Market Value per Sq Ft	£168.23



### Vacant Possession Value

We are of the opinion that the Market Value of the freehold and long leasehold interests in the Properties, on the special assumption that the properties are vacant and available to let/for sale in their current condition as at the valuation date (20 March 2013) is:

**£194,510,000 (ONE HUNDRED AND NINETY FOUR MILLION FIVE HUNDRED AND TEN THOUSAND POUNDS)**

### Yield Profile

Net Initial Yield	0.00%
Reversionary Yield (Mar 2017)	9.94%
Nominal Equivalent Yield	7.25%
Vacant Possession Value per Sq Ft	£103.88

### Suitability for Loan Security

We have valued the freehold and long leasehold interests in the properties owned by Toys “R” Us Properties (UK) Limited (Propco) and leased on full repairing and insuring terms until February 2036 to Toys “R” Us Limited (Opco). The Opco leases are written on institutionally acceptable terms and allow annual rental increases in line with RPI, subject to a cap and collar of 2.5% - 1.0% respectively. In addition, the rent could increase with the provision for 5 yearly upward only market reviews if the estimated rental value is greater than the current passing rent. The first of these is due in February 2016.

There is no doubt the investment market would be attracted by this lease; it is much longer than is now traditionally seen in the sector with 23 years unexpired. The rent review clauses are favourable incorporating both annual RPI increases and 5 yearly upward only rent reviews to the then prevailing market values.

Any investor will need to ensure that the corporate entity paying the rent is strong enough to meet its obligations under the lease for the whole length of the outstanding lease. This is particularly important due to the fact that the prevailing rents are above the estimated rental values and are likely to continue to be so in the future unless significant rental growth occurs. Thus the covenant strength of the occupying tenant is crucial to value as any fall in income could significantly impact on the market values reported.

We have also provided the value of the freehold and long leasehold interests on the basis that the units are vacant and, as you will note, this is considerably below the value of the properties with the benefit of the lease to Opco.

We have therefore concluded that the properties provide reasonable security for mortgage purposes only if you are able to get comfortable with the covenant strength of the operating company. It will also be important to ensure the units are monitored during their use by Opco and regular maintenance is undertaken.

## Strengths

- The properties are situated in a range of regional locations across the UK, mainly within urban settings. The stores are geographically spread across the UK, with representation in, or close to, most of the major urban areas. Overall, the macro locations in which the stores are situated are considered strong in the context of the UK out of town retail market.
- The majority of stores (20 out of 30 or 71% by value) have the benefit of unrestricted open A1 retail (non food) planning consents. Unrestricted planning consents are valuable in the current market, providing a good degree of flexibility in terms of future occupational requirements.
- The majority of properties (17 out of 31 or 61% by value) are held freehold and the remainder are held on ground leases with nominal headrent payaway (with one exception, Cardiff). There are very few significant title issues (risk of CPO at Brent Cross and restrictive user provisions at Poole, Liverpool and Warrington having been reflected in our valuation).
- The portfolio benefits from long unexpired lease term of 22.8 years (all leases run until 8<sup>th</sup> February 2036 without break).
- The leases benefit from annual rental uplifts based on RPI, capped and collared at 1% and 2½%. The leases also provide for 5 yearly upwards only market rent reviews, if the estimated rental value is greater than the current passing rent.
- The Toys “R” Us covenant is regarded as institutionally acceptable, despite trading conditions in the UK which continue to be challenging. We understand the investing banks in the proposed transaction have undertaken investigations into the covenant strength of the operating company and have satisfied themselves on this point.
- A number of properties (those in primer locations and with benefit of unrestricted Open A1 planning consent) may offer medium term potential for redevelopment and subdivision. Potential may exist to downsize the Toys “R” Use occupation within the existing store footprint and subdivision, with greater intensification of use on the site.
- The portfolio includes a large distribution warehouse facility, which is the largest asset representing 13.5% of the portfolio by value. The property occupies a strong distribution location within the West Midlands, close to a major motorway junction. The warehouse is well specified and of a size which would be attractive to a number of occupiers.

## Risks and Mitigating Factors:

- The majority of stores are older generation, developed for occupation by Toys “R” Us in the 1980’s and early 1990’s. Some stores are physically tired and are not configured ideally for modern occupier requirements in terms of size, position on site and divisibility.
- The average store size is 40,130 sq ft, which is relatively large for today’s occupier requirements. There are relatively few retailers with a requirement for this size of store in the current market. Reletability of the stores in their current configuration is therefore regarded as a risk.

- The rebased portfolio rent of £23,004,343 per annum is overrented (by 15.3% as a proportion of rental value). This is not unusual in the current UK retail warehouse investment market but will represent a constraint in terms of future growth potential and underlying risk in the event of a default.
- The covenant strength of the operating company, Toys “R” Us Limited, is likely to be perceived by the investment community as moderate only. Covenant strength may come under pressure should competition from other retailers in the toys merchandise sector intensify further.
- The RPI based rental uplifts are capped at 2½%. This cap is relatively low in comparison with other long leased RPI geared investments currently on the market, where the market norm is between 3% and 5%. With RPI currently showing year-on-year growth of 3.2%, the cap is likely to be met.
- Further economic uncertainty is impacting on the property market, with values expected to stabilise and, in some cases improve slightly across all retail sectors for the remainder of 2013. We anticipate a further polarisation of values between the prime and secondary segments of the retail warehouse market, with the risk of some further mark-out of secondary yields.

### Summary of Loan Terms

We understand the loan is to consist of a £263,157,815 facility.

The term of the loan is seven years and there is no scheduled amortisation. The borrower is required to repay part of the loan if any property is sold, but in view of the requirement to pay the loan principal in seven years time, this confirms the importance of monitoring the covenant strength of Opco.

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# 2

## VALUATION REPORT

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## Valuation Report

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<b>Report Date</b>	20 March 2013
<b>Addressee</b>	<p>(a) Toys "R" Us Inc</p> <p>(b) The Facility Agent, the security Agent and Hedge Counterparty to be appointed in connection with the facility agreement with, among others, Debussy DTC plc to be dated on or around 28 March 2013 (as amended from time to time, the "<b>Facility Agreement</b>") and each of their respective transferees, successors, or assignees;</p> <p>(c) each person which becomes a party to the Facility Agreement or related finance documents as lender or hedging counterparty in accordance with the terms thereof and its transferees, successors, or assignees;</p> <p>(d) If applicable, any manager, hedging counterparty, liquidity facility provider or other support provider in connection with any securitisation or syndication of, or referable to, any loan made under the Facility Agreement; and</p> <p>(e) any other manager, note trustee and/or security trustee in connection with any securitisation of, or referable to, any loan under the Facility Agreement,</p> <p>(Together the "<b>Beneficiaries</b>").</p>
<b>The Properties</b>	As listed in the Schedule of Capital Values set out below.
<b>Instruction</b>	To value on the basis of Market Value the Properties as at the valuation date in accordance with your instructions dated 28 February 2013.
<b>Valuation Date</b>	20 March 2013.
<b>Capacity of Valuer</b>	External.
<b>Purpose of Valuation</b>	Loan.

## **Market Value**

**£315,000,000 (THREE HUNDRED AND FIFTEEN MILLION POUNDS)** exclusive of VAT, as shown in the Schedule of Capital Values set out below.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

## **Compliance with Valuation Standards**

The valuations have been prepared in accordance with The RICS Valuation – Professional Standards (2012) ("the Red Book").

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE Ltd, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

## **Assumptions**

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

## **Variation from standard Assumptions**

As instructed, we have also valued the properties on the following special assumptions that the Properties are vacant and available to let/for sale in their current condition as at the valuation date.

When carrying out this valuation we have had regard to the three occupational subleases that currently exist and the potential benefit this would provide to the owner of the properties in the event that the tenant is no longer in occupation.

## **Vacant Possession Value**

**£194,510,000 (ONE HUNDRED AND NINETY FOUR MILLION FIVE HUNDRED AND TEN THOUSAND POUNDS)** exclusive of VAT, as shown in the Schedule of Capital Values set out below.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

## **General Comments and Suitability for Mortgage Purposes**

We have valued the freehold and long leasehold interests in the properties owned by Toys "R" Us Properties (UK) Limited (Propco) and leased on full repairing and insuring terms until February 2036 to Toys "R" Us Limited (Opco). The Opco leases are written on institutionally acceptable terms and allow annual rental increases in line with RPI, subject to a cap and collar of 2.5% - 1.1% respectively. In addition, the rent could increase with the provision for 5 yearly upward only market reviews if the estimated rental value is greater than the current passing rent. The first of these is due in February 2016.

There is no doubt the investment market would be attracted by this lease; it is much longer than is now traditionally seen in the sector with 23 years unexpired. The rent review clauses are favourable incorporating both annual RPI increases and 5 yearly upward only rent reviews to the then prevailing market values. Clearly the fact that the indexation increase is capped at 2.5% is slightly detrimental but nonetheless overall the terms of the lease are attractive to the investment market.

Any investor will need to ensure that the corporate entity paying the rent is strong enough to meet its obligations under the lease for the whole length of the outstanding lease. This is particularly important due to the fact that the prevailing rents are above the estimated rental values and are likely to continue to be so in the future unless significant rental growth occurs. Thus the covenant strength of the occupying tenant is crucial to value as any fall in income could significantly impact on the market values reported.

Toys 'R' Us Limited operate in a very competitive market with many competing stores offering a similar product. This has compounded in recent years with increasing retail sales via the internet and the growth in the wide range of products now available from supermarkets and other large retailers.

However, notwithstanding the comments above, Toys "R" Us Limited have continued to trade reasonably well throughout the recent difficult trading period. We also understand the investing banks in the proposed transaction have undertaken significant investigations into the covenant strength of the operating company and have satisfied themselves on this point. We have assumed any purchaser would be able to undertake the same level of investigations and would reach a similar conclusion. We have as a result valued on the basis that the covenant of the operating company would be perceived as institutionally acceptable.

We have reviewed the draft Certificates of Title prepared by CMS Cameron McKenna undated but received by e mail on 19 March 2013 and have reflected their contents in the values reported. We have also reviewed the overview Building Surveying Report prepared by our colleagues at CBRE Ltd and we note the costs set out are capital expenditure to be incurred predominately for general maintenance and so would be the responsibility of the tenant (Opco).



However, when considering the vacant possession values, in order to attract a tenant, these works will need to be carried out by the landlord prior to securing a letting. We have therefore reflected these costs in our valuations on this basis.

We have also made an allowance for the likely costs whilst the unit is vacant including empty rates, insurance costs together with rent free incentives and letting and legal fees.

## **Verification**

We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of the information contained within our report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

## **Valuer**

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the Red Book.

## **Independence**

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0% of the total UK revenues.

## **Conflicts of Interest**

We have previously provided valuation advice on the properties on your behalf in 2005. CBRE also prepared Building Condition Survey Reports on the properties in 2005 and in 2013.

We confirm that, with the exception of the above, we have had no previous material involvement with any of the properties, and that copies of our conflict of interest checks have been retained within the working papers.

## **Reliance**

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

## Disclosure

The Beneficiaries may disclose the report (and any other advice, letters, certificates or other documents relating to such report (without reliance):

- (a) where disclosure is requested or required by any applicable law or regulation, by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body or in connection with legal proceedings relating to the report;
- (b) to any affiliates of any Beneficiary;
- (c) to their respective agents or advisers, or any of them, in connection with the loan and/or hedging transactions under or in respect of the Facility Agreement or any securitisation of, or referable to, any loan made under the Facility Agreement;
- (d) to any financial institution or other entity in connection with the loan and/or hedging transactions under or in respect of the Facility Agreement, and their respective advisers;
- (e) to future owners, or prospective purchasers, of any property financed under the Facility Agreement;
- (f) to the rating agencies (and their respective legal advisors) in connection with any securitisation of, or referable to, any loan made under the Facility Agreement and to investors in such securitisation;
- (g) where disclosure is required by the rules of any stock exchange, listing authority or similar body on which their shares or other securities are listed;
- (h) to any potential transferee or assignee of any lender under the Facility Agreement.
- (i) To any party whose consent is required for the purposes of implementing any transaction contemplated or required in connection with paragraphs (c) to (f) and (h) above; and
- (j) Where the report (or any draft or part thereof) is in the public domain, unless it is as a result of any breach of confidentiality undertaking

The Beneficiaries may also make reference to the information referred to above, and include all or part thereof, in any offering materials or ongoing investor reporting materials related to any securitisation of, or referable to, any loan made under the Facility Agreement.

## Publication

Except as provided above, neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear, subject to the clause below where the Beneficiaries may disclose the report (without reliance):

- (a) where the publication is requested or required by law or in respect of legal proceedings in connection with the report; and
- (b) where the publication is requested or required by the mandatory rules or regulations of any competent supervisory or regulatory body of any Beneficiary;

The Beneficiaries may also make reference to the report, and include all or part of the report, in any offering materials or ongoing investor reporting materials related to such securitisation.

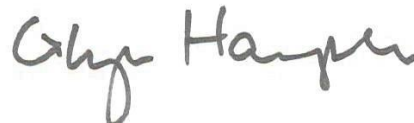
Yours faithfully



**Peter Stoughton-Harris, MRICS**  
**Executive Director**  
**RICS Registered Valuer**  
For and on behalf of CBRE Ltd

T: 020 7182 2675  
E: peter.stoughton-harris@cbre.com

Yours faithfully



**Glyn Harper, MRICS**  
**Director**  
**RICS Registered Valuer**  
For and on behalf of CBRE Ltd

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## Schedule of Capital Values

Address	Market Value Freehold Properties	Market Value * Long Leasehold Properties	Vacant Possession Value
BASILDON, Southernhay		£3,940,000	£2,180,000
BELFAST, 38 Mill Road, Newtonabbey		£3,180,000	£1,110,000
LONDON NW2, Tilling Road, Brent Cross		£12,610,000	£8,550,000
BRISTOL, Centaurus Rd, Cribbs Causeway	£10,230,000		£6,170,000
CARDIFF, Olympean Drive, Cardiff Bay		£8,210,000	£4,370,000
COVENTRY, Cross Point Business Park	£6,510,000		£3,170,000
CROYDON, Trojan Way, Purley Way	£15,850,000		£9,900,000
DERBY, Wyvern Way	£7,660,000		£3,970,000
DONCASTER, The Carr, White Rose Way	£3,770,000		£2,120,000
ENFIELD, Enfield Retail Park		£13,730,000	£9,120,000
GLASGOW, 480 Helen Street		£6,970,000	£4,310,000
IPSWICH, Copdock Interchange		£8,090,000	£4,510,000
LEEDS, Gelderd Road, Birstall	£15,700,000		£12,070,000
LIVERPOOL, 9 Paisley Road		£3,650,000	£860,000
NOTTINGHAM, Riverside Retail Park		£10,860,000	£7,500,000
LONDON SE15, Old Kent Road	£11,900,000		£8,960,000
OLDBURY, Wolverhampton Road	£5,410,000		£3,220,000
OXFORD, Botley Road	£15,550,000		£9,610,000
PETERBOROUGH, Bourges Boulevard	£8,550,000		£5,410,000
PLYMOUTH, Flora Street		£6,500,000	£2,060,000
POOLE, Nuffield Road	£6,650,000		£1,760,000
SHEFFIELD, Meadowhall Retail Park		£7,190,000	£4,350,000
SHREWSBURY, Meol Brace Retail Park	£10,200,000		£9,570,000
SOLIHULL, Solihull Retail Park	£11,700,000		£7,870,000
SOUTHAMPTON, Western Esplanade		£12,410,000	£7,590,000
SWINDON, Oxford Road	£9,030,000		£4,760,000
TEESSIDE, Teesside Shopping Park		£17,540,000	£11,280,000
WARRINGTON, Europa Boulevard	£5,950,000		£3,690,000
WOKING, Church Street West	£5,150,000		£3,580,000
YORK, Clifton Moor Centre		£7,760,000	£5,280,000
COVENTRY, Distribution Centre, Cross Point Business Park	£42,550,000		£25,610,000
<b>Total Market Value</b>	<b>£192,360,000</b>	<b>£122,640,000</b>	
<b>Total Vacant Possession Value</b>			<b>£194,510,000</b>

\* more than 50 years unexpired

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## Scope of Work & Sources of Information

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<b>Sources of Information</b>	We have carried out our work based upon information supplied to us by Toys "R" Us, as set out within this report, which we have assumed to be correct and comprehensive.
<b>The Properties</b>	Our report to follow will contain a more detailed brief summary of the property details on which our valuation has been based.
<b>Inspections</b>	We have internally inspected all properties between 5 February 2013 and 18 February 2013.
<b>Areas</b>	We have not measured the Properties but have relied upon the floor areas provided.
<b>Environmental Matters</b>	<p>We have been provided with an overview report prepared by CBRE Ltd which includes a summary of the environmental reports prepared by Environ UK Limited.</p> <p>We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.</p>
<b>Repair and Condition</b>	We have relied upon the overview report prepared by CBRE Ltd on building conditions supplied to us.
<b>Town Planning</b>	We have made verbal Planning enquiries only. Information supplied to us by planning officers is given without liability on their part. We cannot, therefore, accept responsibility for incorrect information or for material omissions in the information supplied to us.
<b>Titles, Tenures and Lettings</b>	<p>We have been provided with copies of Reports on Title prepared by your solicitors CMS Cameron McKenna LLP and have reflected the contents of these Reports in our valuations.</p> <p>Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.</p> <p>We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.</p>

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## Valuation Assumptions

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### Capital Values

Each valuation has been prepared on the basis of "Market Value", which is defined as:

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

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.

### The Property

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

### Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.
- (c) the properties possess current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

## **Repair and Condition**

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

## **Title, Tenure, Planning and Lettings**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995;
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;

- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (j) where more than 50% of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.



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# 3

## MARKET REPORTS

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# OCCUPATIONAL MARKET COMMENTARY

## Market Background

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### Out of Town Retail Market Summary

The retail market has continued to be very challenging over the last couple of years with customer spending continuing to be low and showing little sign of a general national and international economic recovery. During this period the UK market has continued to struggle with further high profile corporate casualties such as MFI, Focus, Allied Carpets, JJB Sports, Comet and most recently Dreams.

Due to the continued lack of development pipeline in both Shopping Centres and Retail Parks the void space, created by the demise of the retailers mentioned, on the prime and good secondary schemes is being taken up by a number of the new entrants to the market. Retailers such as Wren Kitchens, Oak Furnitureland and CSL furniture are taking space on bulky parks and Hobbycraft, H&M, Debenhams, Nike and the discount operators acquiring on the Open A1 parks. However, many of the poorer secondary and tertiary retail warehouse destinations are of little interest to these operators and landlords are considering alternative uses such as foodstore and residential development.

In terms of large space occupation Marks & Spencer continue to develop a general merchandise and food only concept and the success of the first Home and Garden store in Shoreham has encouraged Next to continue to seek further sites to expand this operation. Decathlon have recently opened a number of further stores of circa 30,000 sq ft in Warrington, Bolton and Coventry and continue to seek further opportunities. Debenhams have also recently opened an out of town store in the former Focus unit on Ravenside Retail Park, Chesterfield of circa 60,000 sq ft as a direct result of the inability to find suitable space in-town.

The difficult economic climate has resulted in the rapid expansion of discount retailers in the UK market both in town and out of town. Poundland and Poundworld are the main players in this market for units of between 5,000 and 10,000 sq ft and are paying the highest rents. However, both B&M and Home Bargains are also rapidly expanding and are willing to take larger format stores of between 12,000 and 20,000 sq ft.

Other Open A1 retailers actively acquiring units on the Retail Parks include River Island, JD/Bank, Sports Direct and Hobbycraft. Nike have recently begun a tentative expansion into the UK out of town market with deals agreed in West Thurrock, Craigmileith and Fosse Park with a further seven stores planned to open through 2013.

### Competition

Whilst Toys R Us remains the dominant toy retailer in the UK competition in this sector continues to emerge from the internet, the expansion of non-food sales within foodstores and expansion from new entrants on Retail Parks such as Smyths Toys and Kiddicare. Further competition from the discounters such as Poundland, Family Bargains and Discount UK on lower priced items is also having an impact.

Kiddicare are a Peterborough based internet retailer recently bought by Morrisons who received a significant premium to assign the leases of a portfolio of 10 former Best Buy stores across the UK. 40,000 sq ft stores in Nottingham, Thurrock and Merry Hill have opened so far with a further seven openings planned throughout 2013.

Mothercare’s out of town expansion is currently on hold whilst they seek to dispose of a number of high street stores with only a handful of poor performing out of town stores currently on the market.

Smyths Toys, the Irish based company which entered the UK in 2009 are arguably the biggest threat to the out of town dominance of Toys R Us. They now have approximately 40 stores across the UK with more sites currently under offer or being evaluated. There is no specific focus for store opening in terms of locations as they continue to be opportunity led although they are becoming more rent sensitive and require large premiums to take space.

### **Unit Sizing in the Current Market**

The majority of retailers trading out of town locations in the UK have changed their retailing format both in terms of size and style. In general average unit size has decreased and this is in large parts as a result of the introduction of mezzanine trading floors. However, more recently various retailers have executed ‘rightsizing’ strategies to accommodate the likely continued impact of multichannel retailing in the future.

It is becoming increasingly common for retailers who have previously considered units of circa 10,000 sq ft on a Retail Park to now be capable of occupying units for circa 5,000 to 7,500 sq ft. As the DIY market becomes more mature large warehouses previously opened by B&Q, Wickes and Homebase are no longer required and they have all been gradually reducing their optimum store size. Similarly, retailers such as DFS and Dunelm who have historically taken units of circa 20,000/25,000 sq ft are now considering smaller formats as their retail portfolio expands.

### **Development Pipeline**

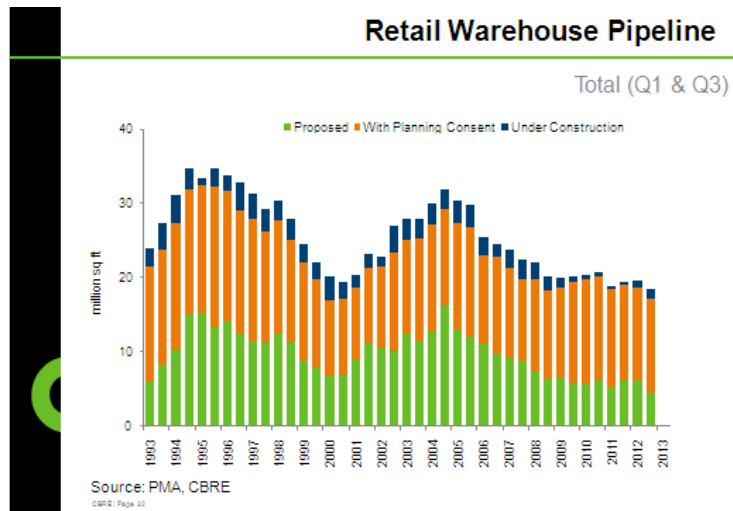
The development pipeline of prime, new retail warehouse accommodation is at an all time low. Competitive pressure will therefore be a factor in the occupational market for the stronger schemes, with rental growth forecast in the sector over the next five years.

The amount of retail warehouse park floorspace under construction is 1.23 million sq ft as at end of Q3 2012. The amount of retail warehouse park space under construction is currently just 44% of the level recorded in September 2007. The overall pipeline has contracted by 18% since 2007 and 42% overall since its peak back in 2004.

The lack of supply is partly as a result of the recession and lack of occupational demand, particularly from the bulky goods subsector. However, a major contributor to the shortage is the continued planning restrictions in place, particularly affecting Open A1 retail parks – which remain exceedingly difficult to secure.

The bar chart below sets out annual completions of new retail parks since 1993:

### Completed (annual)



Source: CBRE, PMA

### Rental Growth

Rental levels are broadly static at present time across the retail warehouse sector as a whole. Rental values saw a material mark-back (-6.4%) during 2009 but have remained broadly static over the course of the past two years as shown in the table below:

Year	Retail Warehouse Rental Growth % pa	IPD Universe Rental Growth % pa
2008	-0.0%	-1.4%
2009	-6.4%	-8.4%
2010	-0.1%	-0.8%
2011	+0.6%	+0.1%
2012	0.0%	-0.2%

Source: IPD Monthly index

Rental values in the retail warehouse sector have consistently outperformed the wider property market over the span of the past five years

Looking forward, the outlook for rental values in the sector is reasonably positive for prime properties and we are forecasting growth in the sector for the period from 2013 to 2016. The annualised average growth forecast over the 5 year period is 3.5%.

The CBRE Research forecast from December 2012 for prime parks is set out below:

Year	Rental Growth % pa
2013	+2.6%
2014	+3.7%
2015	+4.3%
2016	+5.0%
2017	+5.4%
Average 2012-2017	+3.5%

Source: CBRE Research

# INVESTMENT MARKET COMMENTARY

## Retail Warehouse Investment Market

### Commentary

Although sentiment in the retail market as a whole remains flat, the out of town retail subsector continues to remain on many investors requirement list, particularly institutional investors and specialist REITs. At the prime end of the market, there is a healthy balance between demand and supply with relatively low levels of bank debt in the sector.

Over the past five years, the out of town retail subsector has consistently outperformed the IPD index as a whole and has generally been ranked second in the sector hierarchy behind Central London offices. Capital growth performance for the subsector compared to the IPD Universe (monthly) is set out below:

Year	Retail Warehouse Capital Growth % pa	IPD Universe Capital Growth % pa
2008	-28.7%	-27.1%
2009	+0.7%	-5.6%
2010	+8.9%	+6.9%
2011	+2.0%	+1.2%
2012	-4.9%	-2.6%

Source: IPD Monthly index

The UK property market experienced reduced transactional volumes in 2012. The out of town retail sector was characterised by a shortage of prime stock entering the market and we have seen a good level of competitive bidding when prime open consented parks of average lot size have been brought to market.

A great deal of stock brought to market was of secondary quality and, for these secondary lots there was evidence of a widening gap between vendor pricing expectations and bid offers.

The final quarter of the 2012 was by far the most active (transactionally), in what was a historically low volume year. £408 million of retail warehouse parks completed during the quarter though The Junction Portfolio constituted almost half of the entire year's total (£908 million). The final quarter, however, compares favourably to Q4 2011, when £315 million was transacted. Over the course of the year 22 parks were transacted – 60% of which can be classed as predominantly 'Open'. The top 4 major Retail Warehouse purchasers in 2012 were: Hammerson, Orchard Street, Blackrock and Pradera.

### Retail Warehouse Investment Yields

In common with the rest of the UK property market, 2012 saw a continued trend of polarisation between prime and secondary yields. The yield gap between prime and secondary has continued to widen as the year progressed.

The CBRE Prime Open A1 fashion park yield has edged out by circa 25 basis points over the course of the past 12 months. Over the same period the Prime Bulky User park yield has moved out by 40 basis points and the Secondary Park yield by 100 basis points. The prime solus retail warehouse yield (of relevance to the Toys “R” Us stores) has moved out by 25 basis points over this period.

Sector Sub Category	Dec 2011	Dec 2012	Mar 2013	Trending
Park - Open A1 inc fashion	5.00%	5.25%	5.25%	Stable
Park – Prime Bulky User	5.85%	6.25%	6.25%	Stable
Solus – Prime – Bulky User	6.00%	6.25%	6.25%	Stable
Park – Secondary	8.25%	9.25%	9.25%	Weaker

Source: CBRE

### Forecast

Looking forward, CBRE Research are forecasting above average growth in the retail warehouse sector over the next five years. 2012 was slightly negative, although broadly in line, with the rest of the property market, we are forecasting steady growth going forward in 2013 with strong growth forecast between 2014 and 2015.

Our forecast for the next 5 years (to end of 2017) is set out below:

Year	Capital Growth % pa
2013	+3.7%
2014	+6.1%
2015	+4.7%
2016	+0.0%
2017	-2.4%
Average 2012-2016	+1.1%

Source: CBRE Research

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The long term (10 year plus) average prime yield is forecast to be c5.08%. Our prime yield now is officially 5.25% but nothing has traded near this figure since Brighton Retail Park in December 2011. Values typically follow equity prices with a time lag. Equities have performed strongly of late which gives optimism, but ongoing Eurozone volatility tempers this. We predict that recovery will be very slow, coupled with yield compression. We expect better volumes of stock to be traded in 2013 when compared to 2012, together with an increase in secondary activity.

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# 4

## METHODOLOGY

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# METHODOLOGY

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## Rental Values

We have provided rental values under two scenarios:

**Market Value:** this rental value assumes Toys R Us would be in the market to take the unit as a whole, possibly with other alternative occupiers.

**Vacant Possession:** these rental values assume the premises are vacant and to let in the open market. The rental values ascribed are therefore ‘headline’ rents where the incoming tenant would also expect to receive a rent free period and/or a capital contribution or incentive. Under this scenario we have taken into account an appropriate period during which the property could be vacant or ‘void’ until it is let

Taking into account the locations, size and nature of the properties, we consider the incoming occupier would in most cases be able to secure an incentive package equivalent to between 18 and 24 months rent free. This could be made up entirely of rent free or the capital equivalent although in the current market it would generally be a mixture of both elements. Such incentive packages are currently the market norm for properties of this type even where there is an element of competitive tension in the tenant demand. Packages of closer to 12 months rent in value are only achievable on much smaller units of c 5,000 – 10,000sqft on prime unrestricted A1 retail parks.

With regard to the letting void, we have adopted a range of between 12 and 24 months (average 18 months) depending on quality of unit and location.

The main reason behind the assumptions we have made is that following the failure of Comet, Dreams and JJB amongst others, there continues to be availability of units of all sizes in the current market.

We do not see this market average or trend demonstrably changing over the next 12 months but if the wider market deteriorates further and more space comes to the market, potential occupiers could demand increased incentive packages.

## Potential Occupiers

Tenant demand will be largely dependent on the specific location and also critically the planning consent available.

Potential occupier demand could come from the following:

### Food:

#### a) Whole stores:

Morrisons, Sainsburys, Waitrose

#### b) Part stores:

Lidl, Aldi

**Non food A1:**

**a) Whole stores**

Primark, Matalan, TK Maxx, B&M Homestore, The Range.

**b) Part Stores:**

Dunelm, Poundland, Poundworld, 99p Stores, Sports Direct.com, Brantano.

**Bulky Goods:**

**a) Whole stores:**

Next Home

**b) Part Stores:**

Next Home, Wren Kitchens, Oak Furniture Land, Buzz Beds, Maplin.

**Market Values**

We have undertaken an appraisal of the portfolio based on the current Opco leases which are in place (30 years from February 2006) subject to the recently agreed rebased rental income of £23,004,343 per annum at portfolio level.

We have valued the properties individually, although we have also had regard to the value of the portfolio. There are pros and cons between value of the portfolio and value of individual lots. However, we are of the opinion that the pros and cons are evenly balanced and we have taken the view that, in broad terms, the value of the individual lots should equate approximately to the value of the portfolio.

We have not made any deductions to the income for ground rent payable on those properties held on long lease. We understand the Opco has covenanted to pay the respective ground rent sums therefore we have assumed no liability in our valuations.

We have valued the individual properties by targeting an initial yield which has been applied to the contractual income in each case. The initial yields adopted in our valuation range from 6.00% to 8.00% and have been banded in terms of quality of store and location. In terms of hierarchy, the strongest stores are considered to be Old Kent Road, Brent Cross and Birstall (Leeds), each of which represents a nationally prime location with strong underlying occupational demand (and potentially strong underlying site value). The weakest stores are considered to be Basildon, Belfast, Plymouth and Poole – each of which occupy weak locations where underlying occupational demand is (and thus reletability) is regarded as thin.

We have also had regard to overrent in arriving at our opinion of yield. On the basis of the revised rental income, the stores are overrented by approximately 15%. This has generally been consistently applied across all properties. Whilst this level of overrent is not unusual in the UK property market, the rental growth performance of the assets going forward is likely to be restricted to the RPI cap of 2.5% and this is likely to result in a widening margin of overrent through the remaining life of the lease.

No capital deductions have been made for cost of maintenance and repair (the items

identified within the Building Survey Reports prepared by CBRE) on the basis that the Opco leases are drafted on full repairing terms with all items falling within the tenant’s repairing covenants.

We have allowed for standard purchasers’ costs of 5.80% in our valuations.

Based on this approach we have arrived at a value for the aggregate of the individual properties of £315 million (Three Hundred and Fifteen Million Pounds) exclusive of VAT. We have attached (under Section 5 of this report) a schedule which summarises the individual values.

### **Vacant Possession Values**

As part of the refinancing you have negotiated on behalf of the company you have asked for an indication of the vacant possession value of the Freehold and Long Leasehold portfolio of property owned and leased back to the company.

We have undertaken an exercise to assess the likely headline rent the assets could be let for as individual stores having regard to their location, prominence, configuration, unit size, and number of car parking spaces; together with the local and national demand and supply for each unit.

We have assumed that the property would be re let as a whole, and little regard has been given to the potential to redevelop or sub-divide the units in order to attract additional demand and therefore the potential to achieve higher rents for the units, albeit after incurring capex.

Having arrived at our view of rental value we have then considered how long we believe it would take to secure a tenant, the void period, and the rent free period that would have to be offered to an in going tenant. We have also incorporated into our cash flows the void costs including void rates, service charge, letting and legal fees on letting (taken at 15% of rental value). Letting voids ranging from 12 to 24 months have been adopted (18 months as an average). The rent free leasing incentives we have adopted also range from 12 to 24 months.

We have also made an allowance for any capital expenditure which would be required to put the premises into a lettable condition or made any allowance for any environmental, ground or structural issues. The CBRE Building Survey Reports you have commissioned have identified an overall budget cost in the order of £5,102,800 and we have deducted this sum in arriving at our Vacant Possession Value.

We have then considered the return (the yield) we believe an investor would require for each unit in isolation depending on the similar criteria as considered when looking at the rental value, but also having regard to the likely quality of tenant and lease length that would be achieved on re letting or if there was potential marriage value if the unit was, for example, on an established park. The yields we have adopted range from 6.25% to 9.00% and are graded in terms of quality of the asset.

Finally we have capitalised the rental value based on the yield, deferred the value for the letting void and rent free period, and deducted void costs. We have then deducted purchaser’s costs of 5.8% to cover stamp duty, purchaser’s agent and legal fees and VAT on both legal and agent fees.

Based on this approach we have arrived at a value for the aggregate of the individual properties of £194,510,000 million (One Hundred and Ninety Four Million Five Hundred and Ten Thousand Pounds) exclusive of VAT. We have attached a schedule (under Section 5 of this Report) which summarises the individual values.

## LEASING MARKET EVIDENCE

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### Store Characteristics

The majority of assets are solus, detached stores which were built for occupation by Toys “R” Us. The individual stores range in size from 24,785 sq ft (Liverpool) to 49,771 sq ft (Plymouth) and the average store size is 40,130 sq ft.

The majority of stores were developed in the 1980’s and early 1990’s. A number of the stores are located within retail parks, including some parks which are dominant within their catchment. A number of stores occupy solus locations close to complementary retail uses. There are also a number of edge of town centre stores which offer hybrid characteristics.

### Evidence

In researching rental evidence, we have principally had regard to local evidence within each of the towns in which the Toys “R” Us stores are situated. Each town constitutes its own market and, although there is a national tone of evidence for these stores, we have principally concentrated on local evidence. We have focussed on evidence from medium and large sized stores (typically ranging from 20,000 to 50,000 sq ft) within the respective markets.

Evidence has been taken from rent reviews, new lettings and space on the market and available to let. Evidence has been largely taken over the span of the current market cycle (from 2008 onwards).

We attach (see following page) a schedule of evidence we have had regard to in preparing our rental values.

### Rental Values

For the purpose of the Market Value, we have adopted net effective rental value of £19,943,325 per annum at portfolio level, reflecting an overall rate of £14.20 per sq ft (excluding the distribution warehouse). These rental values have been assessed on the assumption that Toys “R” Us would be in the market to occupy the stores.

Individual rental values adopted range from £6.30 (Basildon) to £25.00 per sq ft (Old Kent Road and Teesside).

For the purpose of the Vacant Possession Values, we have reported a headline rental value of £20,453,426 per annum, reflecting an overall rate of £14.20 per sq ft (excluding the distribution warehouse). These rental values have been assessed on the basis that Toys “R” Us are no longer in the market to occupy the stores.

PROJECT CLAUDE								
SCHEDULE OF RENTAL EVIDENCE								
TOWN	ADDRESS	TENANT	FLOOR AREA (SQ FT)	RENT PA	RENT PSF	TRANSACTION TYPE	TRANSACTION DATE	COMMENTS
AINTREE	Racecourse Retail Park	B&Q	103,752	£1,352,000	£13.03	Rent Review	24/06/2006	Settled at nil increase
AINTREE	Racecourse Retail Park	Best Buy	41,777	£760,000	£18.19	Letting	22/02/2010	Received incentive package
AINTREE	Racecourse Retail Park	M&S	30,205	£825,000	£27.31	Letting	24/06/2008	Fixed uplifts in June 2013 and June 2018. OMV review in June 2023
BASILDON	Hazlemere Road	Go Outdoors	25,000	£320,000	£12.80	Letting	30/04/2009	30 months rent free. Rent reviews to OMV capped at 2.5% compound.
CHICHESTER	Chichester RP	John Lewis	35,569	£780,000	£21.93	Letting	03/01/2012	20 weeks rent free and £2,646,000 capital contribution. Unit taken in existing condition
COVENTRY	Gallagher RP	B&M Retail	20,139	£360,000	£17.88	Letting		12 mths incentive package - Bulky
COVENTRY	Alvis Retail Park	DFS	20,054	£478,690	£23.85	Rent Review		Determination - uplift from £22.50
COVENTRY	Gallagher RP	T K Maxx	20,004	£416,250	£20.81	Rent Review		Break clause 24th June 2011. Cash given to TK Maxx and 2010 review settled at nil increase as part of deal to remove break.
COVENTRY	Wheler Road	Matalan	36,300	£544,500	£15.00	Rent Review	25/12/2010	Nil increase - open A1 non-food
COVENTRY	Arena Retail Park	Decathlon	30,000	£395,000	£13.17	Letting	30/09/2011	2 years rent free, rising fixed uplift throughout term to £600,000 years 5-10
COVENTRY	Gallagher Retail Park	SCS	12,607	£303,500	£24.07	Rent Review	25/03/2012	
COVENTRY	Rodford Road	Wickes	33,500	£452,250	£13.50	Letting	25/03/2012	
COVENTRY	Gallagher Retail Park	Matalan	20,000	£390,000	£19.50	Rent Review	25/03/2012	RR outstanding. Passing rent from arbitration award.
DERBY	Kingsway RP	Homebase	34,945	£559,120	£16.00	Assignment	05/06/2007	Homebase previously occupied the unit under a 25 year FRI lease from 29/09/1987 and a passing rent of £362,813 pa from the 29/09/2002 review. No premium was paid to Homebase.
DONCASTER	Wheatley Hall Road	Matalan	40,000		£13.00	Rent Review	/2011	Settled at nil increase at last review
IPSWICH	Martlesham Heath RP	M&S Simply Food	15,000	£375,000	£25.00	Agreement for Lease	01/12/2011	9 months rent free and £750,000 capital contribution
IPSWICH	Martlesham Heath RP	Next	30,588	£764,700	£25.00	Letting	/01/2012	
IPSWICH	Orwell RP	Matalan	27,800	£430,900	£15.50	Letting	/05/2011	12 months rent free
IPSWICH	Russell Road	Staples	27,990			Rent Review	/05/2010	Previous passing rent, £12.50 per sq ft.
IPSWICH	Copdock Mill Interchange	Mothercare	15,187	£262,000	£17.25	Rent Review	25/03/2010	Nil increase rent review settlement
IPSWICH	Suffolk RP	Next	8,322	£208,050	£25.00	Agreement for Lease	08/09/2011	16 weeks rent free and £275,000 capital contribution
LEEDS	Junction One RP	B&Q	91,587	£1,602,773	£17.50	Rent review	29/09/2008	
LONDON	Blackheath - Blackheath Road	Wickes	26,497	£582,900	£22.00	Rent Review	25/03/2011	Previous passing rent, £21.75 per sq ft.
LONDON	Friern Barnet - Friern Bridge RP	B&Q	50,200	£953,800	£19.00	Agreement for Lease	24/06/2011	13 weeks rent free and £1,538,450 capital contribution
LONDON	Leyton - Leyton Mills RP	B&Q	49,350	£1,159,725	£23.50	Rent Review	01/04/2008	Previous passing rent £22.50
LONDON	Enfield - Enfield RP	Homebase	34,550	£906,000	£26.25	Rent Review	25/03/2009	Nil increase Arbitration Award. Rent Awarded was £25.00.
LONDON	Enfield - Enfield RP	Best Buy	33,705	£1,000,000	£29.67	Surrender and Re-Let	08/11/2009	4 months rent free and £1,500,000 capital contribution
LONDON	Enfield - Coliseum RP	Dunelm	24,978	£499,560	£20.00	Agreement for Lease	30/06/2009	3 months rent free and £200,000 capital contribution
LONDON	Old Kent Road	Oak Furniture Land	12,900	£263,160	£20.40	Agreement for Lease	/11/2012	50% rent for years 1&2, then a further 18 months rent free if break at year 3 is not operated.
LONDON	Old Kent Road - Cantium RP	Pets at Home	10,229	TBC	TBC	In Negotiation	05/07/1905	Likely letting at c£32.50 per sq ft, 12 months rent free
LONDON	Old Kent Road - Southernwood RP	Currys	19,887	£546,893	£27.50	Rent Review	02/01/2009	Rent review settled at nil increase
LONDON	Old Kent Road	Mothercare	12,333	£246,660	£20.00	Letting	12/03/2010	24 months rent free and £100,000 capital contribution
LONDON	Brent Cross - Staples Corner RP	Wren Kitchens	9,608	£264,220	£27.50	Letting	03/09/2012	3 months rent free and 2 years capital contribution
LONDON	Brent Cross - Staples Corner RP	Dwell	5,030	£163,475	£32.50	Letting	23/08/2012	3 months rent free, £215,000 capital contribution
LONDON	Brent Cross - Staples Corner RP	Hobbycraft	7,395	£166,388	£22.50	Letting	06/09/2011	12 month package
LONDON	Brent Cross - Brent SP	CSL	13,054	£510,411	£39.10	Letting	24/06/2011	12 months rent free.
LONDON	Croydon - Purley Way	Furniture Village	23,230	£929,200	£40.00	Letting	05/07/1905	14 month package. Former Comet unit
LONDON	Croydon - Valley Plaza RP	M&S	26,397	£871,365	£33.01	On the market	05/07/1905	Unit being marketed by M&S with minimal interest. Consiered overrented.
NOTTINGHAM	Castle Marina Retail Park	KiddiCare	30,000		£23.50	Assignment	/2012	Effective rent after packages lower
OLDBURY	Great Bridge Retail Park	Former JJB	12,000		£18.50	Rent review	/2011	
OXFORD	Botley Road	Dunelm	30,000	£450,000	£15.00	Letting	/11/2012	Incentive package
OXFORD	Botley Road	PC World	25,000	£662,500	£26.50	Rent Review	03/03/2009	Nil increase settlement
PETERBROUGH	Boulevard RP	Dunelm Mill	19,019	£361,361	£19.00	Letting	01/10/2007	12 months rent free. Net effective £17.58 psf
PETERBROUGH	Maskew Avenue RP	Matalan	30,000	£495,000	£16.50	Letting	03/09/2007	Received 4 months rent free and £600k cap con.
PLYMOUTH	Friary RP	Dunelm Mill	29,317	£435,000	£15.00	Letting	25/12/2008	
PLYMOUTH	Marsh Mills RP	PC World	25,062	£532,567	£21.25	Rent Review	25/03/2011	Rent Review outstanding?
PLYMOUTH	Marsh Mills RP	DFS	20,000	£490,000	£24.50	Rent Review	25/03/2011	Rent Review outstanding?
PLYMOUTH	Marsh Mills RP (Phase 2)	Wickes	28,795	£575,900	£20.00	Rent Review	15/08/2009	
POOLE	Wessex Gate RP	DFS	20,964	£398,300	£19.00	Rent Review	03/12/2012	2012 rent reiew outstanding - likely nil increase
POOLE	Wessex Gate RP	Furniture Village	20,689	£388,000	£18.75	Rent Review	23/10/2012	2012 rent reiew outstanding - likely nil increase
POOLE	Wessex Gate RP	DSG	26,364	£474,550	£18.00	Rent Review	29/09/2012	2012 rent reiew outstanding - likely nil increase
POOLE	Wessex Gate RP	DSG	26,338	£474,090	£18.00	Rent Review	29/09/2012	2012 rent reiew outstanding - likely nil increase
POOLE	Wessex Gate RP	Lounge Sofa Co	9,225	£267,525	£29.00	Letting	23/08/2011	6 months rent free. Tenant has now gone into administration and vacated.
SHEFFIELD	Meadowhall Shopping Centre	Homebase	40,000		£13.00	Rent review	/2010	
SHOREHAM BY SEA	Upper Shoreham Road	Next	36,417	£1,300,000	£35.70	Letting	17/12/2010	5 months rent free and £2,750,000 capital contruibution
SHREWSBURY	Sundorne Retail Park	Range	30,364	£310,000	£9.34	Letting	18/02/2011	Net effective Rent £9.34. Package of 12 months rent free
SHREWSBURY	Meol Brace	Fromer Focus	30,000		£22.50	Letting	01/10/2012	£1.5 million and 4 months, so net effective £17.50
SOLIHULL	Sears Retail Park	M&S Simply Food	12,000	£456,000	£38.00	Letting	04/07/1905	9 months rent free , 20 year lease with break in year 15.
SOUTHAMPTON	Mountbatten RP	Oak Furniture Land	10,898	£141,674	£13.00	Letting	04/07/1905	2 weeks rent free, then 6 months rent free and half rent for 12 months if break at yr 3 not operated.
SOUTHAMPTON	Mountbatten RP	Wren Kitchens	6,912	£140,000	£20.25	Letting	04/07/1905	13.5 months rent free then 12 months at half rent.
SWINDON	Greenbridge RP	Homebase	31,564	£710,190	£22.50	Rent Review	25/12/2009	Nil increase settlement
SWINDON	Greenbridge RP	Harveys	7,530	£225,900	£30.00	Rent Review	25/12/2009	Previous passing rent £27.62
SWINDON	Greenbridge RP	DSG	25,049	£588,650	£23.50	Rent Review	24/06/2010	Nil increase settlement
SWINDON	Greenbridge RP	DSG	24,941	£416,347	£16.69	Rent Review	29/09/2011	Nil increase settlement
SWINDON	Mannington RP	John Lewis	30,650			Letting	/2010	
TUNBRIDGE WELLS	Kingstanding BP	Homebase	47,120	£989,520	£21.00		/05/2008	Arbitration award
TUNBRIDGE WELLS	Kingstanding BP	John Lewis	47,120	£1,107,320	£23.50	Letting		£1,6000,000 capital contribution. Former Homebase.
WARRINGTON	Gemini Retail Park	Next Home	18,805	£564,150	£30.00	Sale and Leaseback	04/07/1905	Sale and Leaseback transaction, full details unavailable. Rent to be indexed linked in lease.
WARRINGTON	Gemini Retail Park	Boots	30,487	£1,200,000	£39.36	Rent Review	12/02/2011	Part of unit subject to Next.
WARRINGTON	Gemini Retail Park	Next	15,000	£637,500	£42.50	Rent Review	12/02/2011	
YORK	Clifton Moor - Phase 2	Family Bargains	14,800	£296,000	£20.00	Letting	01/08/2011	6 months rent free.
YORK	Clifton Moor - Phase 2	Dunelm	38,251	£535,514	£14.00	Rent Review	28/09/2009	Nil increase 3rd party Award. Lease renewal discussions ongoing.



## INVESTMENT MARKET EVIDENCE

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### Investment Characteristics

We have attached an investment evidence document setting out transactions we have had regard to in preparing our valuations.

### Solus Retail Warehouse Stores

We have included in the attached document a selection of evidence involving solus retail warehouse investment transactions which have taken place over the current market cycle spanning the last 6 to 9 months. Lots sizes in this segment of the market range typically from £5 million to £20 million and encompass sales involving DIY stores (B&Q, Homebase, Wickes), other bulky goods retailers (DFS, Carpetright, DSG, Matalan). We are not aware of any investment transactions involving the Toys “R” Us covenant.

Yields achieved within this market segment range from circa 6.00% at best (for example, the sale of the Wickes unit at Seven Sisters, and the sale of the Homebase unit at Catford) and outwards to 9% depending on secondary characteristics (lease length, covenant, location). The overall initial yield of 6.90% we have reported at portfolio level indicates a mid, slightly above average quality of asset.

There are relatively few transactions involving solus units with Open A1 planning consent.

We have included details of a long let B&Q store in Hull which has the benefit of RPI uplifts capped at 3%, which was marketed in October of last year at a yield of 6.50%, but remained unsold with interest understood to be at 7.00%.

We have also included details of two small park sales: Staples Corner Retail Park (in close proximity to Brent Cross) which sold shortly prior to year end at a price reflecting a yield of 5.65%; and Trafalgar Way, Croydon (of relevance to the Toys Croydon store), which was sold in December 2011 at a price reflecting a yield of 6.00%. Both transactions demonstrate a premium for Greater London investment stock.

### Town Centre Stores

We have included within the attached document a selection of evidence for town centre stores, typically large variety or department stores which may offer characteristics similar to the Toys “R” Us stores at Woking, Basildon and Plymouth.

Evidence we have had regard to for this type of store ranges from 6.2% (Debenhams Eastbourne) to 7.25% (House of Fraser, Carlisle). We have also included evidence from a secondary parade of shops in Basildon which transacted at close to 11%.

### Distribution Warehouses

With specific regard to the Coventry Distribution Facility, we have included a selection of investment evidence from the high bay distribution warehouse sector over the past 6 to 9 months.

We have had regard to the John Lewis warehouse at Milton Keynes (20 year term) which has recently been marketed at a yield of 6.85%, the Royal Mail warehouse at Peterborough (18 years unexpired) which is currently on the market quoting a yield of 7.00%, and the United Biscuits warehouse at Ashby De La Zouch (15 years unexpired) which was on the market at a quoting yield of 6.75% but achieved a price reflecting 7.58%.

## **Marketability and Potential Purchasers**

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The properties possess attractive characteristics. They are dispersed geographically across the major UK urban areas and the locations are generally regarded as strong. The lease length offered (22.8 years) is very favourable in the context of the wider retail warehouse investment market. The annual RPI uplifts are also favourable. The portfolio contains a number of properties which may possess redevelopment potential in the medium term.

Risks and mitigating factors will include physical configuration of some of the stores, reletting risk, perceived covenant risk and maintenance/repair of the stores. We believe these factors have been priced into the values reported.

The average lot size of the retail stores (circa £9.1 million) is attractive and potential purchasers would include UK institutional investors, specialist property company REITs and private investors.

The specialist REITs (Hammerson, London Metric, British Land) would also be attracted to the portfolio as a whole, principally to exploit synergies with their existing retail warehouse portfolios, and also, to exploit underlying asset management potential such as downsizing, intensification of use on the sites in the medium term.



## Project Claude

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## Retail Warehouses

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## Retail Warehouses Prime Solus

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### Wickes, Seven Sisters London



- Freehold
- 39,527 sq ft (3,672 sq m) with 101 car spaces (1:267)
- Permitted A1 retail use
- Let to Wickes Building Supplies Limited for 25 years from October 2004 (18 years unexpired)
- The passing rent is £699,399 pa (£17.69 psf)
- The rent is subject to open market review on a 5 yearly upwards only basis, next review in July 2015
- Quoting £11m, 6.01% NIY
- Date to Market: Oct 2011
- Sold (Dec 11) 5.96% NIY

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### Trafalgar Way Retail Park, Croydon



- Freehold
- 33,537 sq ft.
- Open A1 non-food planning consent (Best Buy) and Bulky goods consent (Carphone Warehouse).
- Two standalone units, Unit 1 constructed in 1999 and Unit 2 in 2001. 154 car park spaces
- Current rent passing of £1,177,072 p.a. (£35.10psf)
- Let on 2 FRI leases to Carphone Warehouse. Unit 1 t/a Best Buy, Unit 2 t/a Carphone Warehouse/Jessops. Weighted unexpired term of 12.5 years.
- Asset management opportunities
- Quoting £19,350,000, NIY 5.75%
- Date to Market: Nov 2011
- Sold (Dec 2011) 6.00% NIY

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### Homebase, Catford



- Freehold
- Open A1 (non-food) planning consent.
- 29,906 sq ft (2,778 sq m) with 166 car parking spaces.
- Let to Homebase until Sept 2025 (13.5 years unexpired).
- Current rent is £747,650 pa (£25 psf).
- 5 yearly open market rent reviews, with the next review due in September 2013.
- Sold off market to LaSalle Investment Management at £11.876m, 5.95% NIY (March 2012).

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### Dreams, Guildford



- Freehold
- 12,917 sq ft (1,200 sq m)
- Bulky goods planning consent
- New purpose built retail warehouse (constructed 2010) with trading mezzanine (3,372 sq ft) and 48 car park spaces.
- Let to Dreams from 30<sup>th</sup> July 2010 on a 20-year lease, 18.5 years unexpired
- Current passing rent of £510,221.50 pa (£39.50psf) and subject to 5 yearly 3% pa fixed uplifts.
- Over rented.
- Quoting Price £8,400,000, 5.74% NIY
- Date to Market: Oct 2011
- Available (Dec 2011)

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### Homebase, Fulbourne Road, Walthamstow

HOMEBASE

- Part bulky-part Open A1 planning consent
- Modern purpose built retail warehouse comprising 56,779 sq ft GIA
- Let to Homebase until 2025. Unexpired lease term of 13.5 years.
- Current passing rent £1,078,801 pa (£19 psf)
- Date to market: November 2012
- Quoting £16m 6.35%NIY (November 2012)

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### Homebase & Halfords, Staines Upon Thames



- Freehold
- Open A1 planning consent
- Built in 1995, totally 41,019 sq ft.
- Divided into two units, occupiers Halfords and Homebase.
- Let to Homebase until March 2025. Unexpired lease term of 12.5 years.
- Current passing rent £1,023,300 pa (£25psf)
- Bought to market: October 2012
- Quoting £15.475m, 6.25%NIY (October 2012)
- Was under offer to Prupim at 6.07% NIY £16m but has fallen out of bed (November 2012).

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### Wickes, Edinburgh



- Heritable interest (Scottish Freehold equivalent)
- Refurbished 21,935 sq ft (2,038 sq m)
- Class 1 (non-food) planning consent
- Let to Wickes Building Supplies Limited for 25 years from July 2011 (24.5 years unexpired)
- Passing rent is £329,000 pa (£15.00psf)
- Open market review 5 yearly upwards only reviews with first review capped at £372,233p.a. (2.5% per annum compound)
- Quoting £5.18m, 6.00% NIY
- Date to market: Jan 2012
- Sold to CBRE Global Investors for £4.9m, 6.35% NIY (March 2012)

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### Retail Warehouses Solus – RPI & Fixed Uplifts

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### B&Q Extra, Hull



- Freehold
- Constructed 2001
- 102,857 sq ft with garden centre and trade counter (providing an extra c.20,000 sq ft), and 415 car parking spaces (1:248 ratio).
- Forms part of St. Andrew's Quay retail park which totals c.325,000 sq ft.
- Bulky goods planning consent
- Let to B&Q Plc. Lease re-geared for a further 17.75 years. Expiring 30 April 2030
- Passing rent of £1,270,225 pa (£12.35psf)
- 5 yearly upwards only reviews, RPI capped at 3% p.a. Next review: 01 May 2015
- Date to market: July 2012
- Quoting £18,470,000, 6.50% NIY
- Interest believed to be at circa 7% NIY (October 2012)

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### B&Q and Pets At Home, Burgess Hill



- Forward funding opportunity
- To be held freehold
- Will comprise two purpose built retail warehouse units extending to approx 49,673 sq ft, with garden centre.
- Construction due to start at the end of 2012 with practical completion targeted for July 2013
- Bulky goods planning consent
- New 15 year FRI leases to B&Q Plc and Pets at Home Ltd producing a total annual income of £869,941 pa reflecting rents of £17 psf and £20 psf.
- The B&Q lease has five yearly upwards only rent reviews linked to RPI (capped at 2.5%). The Pets At Home lease has open market reviews.
- The tenants incentives packages will be covered by the developer
- Quoting £12,180,000, 6.75% NIY.
- Date to market: September 2012
- Interest believed to be better than asking (November 2012)

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### B&Q, Hedge End, Southampton



- Freehold
- 115,991 sq ft (10,776 sq m) including a mezzanine
- Bulky goods planning consent
- Let to B&Q Plc for 20 years from December 2007 (15.75 years unexpired)
- Passing rent of £2,096,304 pa with 5 yearly fixed RPI uplifts subject to a cap
- The vendor will be providing a rental top up to £2,430,245 pa which will be the indexed increase in December 2012
- 5 yearly upwards only open market reviews, next review November 2012
- Date to market: May 2012
- Held in a Luxembourg based SPV
- Quoting £38,200,000, 6.25% NIY (based on acquisition costs of 1.8% for the benefit of the SPV).

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### Retail Warehouses Regional Solus

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### B&Q, Derby



- Freehold
- 106,336 sq ft with garden centre and trade counter
- Located adjacent to a 89,739 sq ft Sainsbury's foodstore
- The site extends to approximately 7 acres (2.84 hectares), offering a site coverage of approximately 35%.
- Bulky goods planning consent
- Let to B&Q Plc until November 2027 (15 years unexpired).
- Passing rent of £1,450,000 pa (£13.64psf)
- 5 yearly upwards only open market reviews, next review November 2012
- Quoting £21,080,000, 6.50% NIY
- Date to market: April 2012
- Sold to Knight Frank Investors at 7.00% NIY (July 2012).

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### Matalan, Castle Street, Luton



- Freehold
- 40,369 sq ft
- Open A1 planning consent
- Average unexpired lease term of 15.5 years
- Annual rent £570,000 (£14.12 psf)
- Brought to market: October 2012
- Quoting £7.3m, 7.38% NIY
- Understood to be under offer at 7.25% NIY to a private investor (November 2012).

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### Matalan, Beresford Terrace, Parkhouse Street, Ayr



- 12 years unexpired.
- Quoting c.8.00% NIY
- Interest understood to be closer to 9.00%.
- Further details required.

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### Westwood Cross, Kent



- Freehold site 1.3 acres.
- 16,000 sq ft (1486 sq m) with 65 car parking spaces and consent for additional 8,000 sq ft mezzanine space.
- A1 non-food planning consent.
- A new 15 year lease to DFS Trading Limited.
- Annual rent of £360,000 reflecting £22.50 per sq ft (£242 per sq m) based on a target GIA of 16,000 sq ft. Initial 12 month rent free period.
- Five yearly open market rent reviews.
- Quoting £5.44m, 6.25% NIY (including initial site purchase of £2.1m).
- Date to market: March 2012
- Believe interest did not reach quoting price/vendor's aspirations (April 2012)

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### DFS, Crittalls Corner, Sidcup, Kent



- Freehold site 1.995 acres.
- Prominent location adjacent to A20 dual carriageway.
- 22,822 sq ft with 120 car parking spaces.
- A1 non-food planning consent.
- Let to DFS Furniture Company Limited on lease and reversionary lease for term expiring on 30 January 2030.
- Annual rent of £649,648 pa reflecting £26.50 per sq ft overall.
- Five yearly open market rent reviews.
- Quoting £9.097m, reflecting 6.75% NIY
- Date to market: Sept 2012
- Was under offer to fund at keener than asking but did not proceed due to concerns over covenant.
- Interest understood to be at or in excess of 7.00%.

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### The Range, Units A & B, Treliske Industrial Estate, Truro



- Pair of interlinking retail warehouse units providing 37,152 sq ft with 190 car park spaces.
- Open A1 non food planning consent.
- Entire let to CDS Superstores (International) Ltd v/a The Range.
- 20 year term from June 2011 (circa 19 years unexpired).
- Rent £440,000 per annum (£13.00 per sq ft).
- Rent reviews 5 yearly, next due June 2016, with 3,440 sq ft link block fully rentalisable at that date, providing guaranteed reversion.
- Quoting £6.25M (Sept 2012), reflecting 6.65%NIY, with minimum reversion to 7.28% in June 2016.
- Interest understood to be at circa 6.75% but currently remains unsold.

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### The Range, Boston



- Details TBC

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### Retail Warehouse Parks in close proximity to Toys 'R Us

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### Birstall Shopping Park, Leeds



- Freehold
- 164,608 sq ft (15,292 sq m). Constructed 2001.
- Part open A1 and part bulky planning consent.
- Comprises 16 retail warehouse units, ranging in size from 4,875 sq ft to 19,997 sq ft.
- 626 car parking spaces, a ratio of 1:263 sq ft (1:24 sq m).
- Occupiers include Boots, River Island, next, Next Home, M&S, Gap, Outfit, Sports Direct and Mamas & Papas, among others.
- Average weighted unexpired lease term of 10.2 years.
- Passing rent of £7,748,239 p.a. Average rent £30.14 per sq ft.
- Date to market: Feb 2012
- Quoting £133m, 5.5% NIY
- Available (June 2012)

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### Staples Corner Shopping Park, London



- Freehold
- Open A1 planning consent (part food)
- 49,437 sq ft, developed and refurbished in 2009.
- Tenants include Argos, Homesense, Maplin Electronics, Hobbycraft, Wren Kitchens, and Dwell.
- Total rent of c. £1,449,475 pa
- WAULT of 9.6 years, average rents of £29.62 psf.
- Vendor: Henderson
- Quoting £22,830,000 6.00% NIY (September 2012).
- Believed to be under offer at sub 5.75% NIY (November 2012).

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### Riverside Retail Park, Warrington



- Freehold
- 158,259 sq ft (14,703 sq m). 12 units with approximately 625 cars.
- A1 non-food planning consent. Food sales also permitted over 18,600 sq ft (1,728 sq m) across retail terrace.
- Let to Homebase, Sportsdirect, Discount UK, Pets at Home, Laura Ashley, Home Bargains and Next.
- Average unexpired term 9.7 years (excluding break clause).
- Total passing rent is £2,601,421 pa. Rents range between £13 per sq ft and £22.65 per sq ft.
- Quoting £35m, 7.03% NIY.
- Date to market: March 2012
- Understood to be under offer at sub 8% NIY (Oct 2012)

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### Meadowside Retail Park, Oxford



- Freehold
- Wide bulky goods planning consent
- 46,785 sq ft of retail accommodation
- Let to Dunelm, Halfords and Hobbycraft on 15 year leases from June 2012.
- WAULT 14 years
- Average passing rents £17.51 psf.
- Poor prominence from Botley Road.
- Quoting £11.91m, 6.50% NIY.
- Date to market: October 2012
- Under offer to CBREGI at c. 6.75% NIY (November 2012).

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### Town Centre Department Stores

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### High Street Retail – Yields

	Dec 2011	Sept 2012	Dec 2012
Prime	4.75%	4.85%	4.85%
Good Secondary	6.25%	7.00%	7.00%
Secondary	9.00%	10.50%	11.25%

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### 26-40 English Street, Carlisle



Retail  
High Street Shops

- Freehold
- 95,446 sq ft
- Department store arranged over basement, ground and three upper floors. Prime retail pitch in Carlisle, refurbished in 2010.
- Let to House of Fraser on a 40 year lease from 30th July 1999. 5 yearly upwards only rent reviews.
- Current Rent: £1,028,084 pa
- Date to market: June 2012
- Quoting: £14,400,000, 6.75% NIY
- Previously under offer at 7.25% NIY however the deal fell through.
- Available (Nov 2012)

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### Debenhams, Princes Street, Stockport



Retail  
High Street Shops

- Leasehold (5% of income)
- Entirely let to Debenhams until June 2036.
- Current rent: £681,900 pa
- Date to market: Nov 2011
- Quoting £9,060,000, NIY 7.00%
- Sold at 7% NIY to the council (special purchaser). Market bids understood to be 7.5% to 7.75% NIY (March 2012).

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### 158/170 Terminus Road & 4-6 Lismore Road, Eastbourne



Retail  
High Street Shops

- Freehold
- Prominent department store in a secondary pitch.
- Entirely let to Debenhams Retail Plc until March 2034.
- Fixed rental uplifts at review.
- Current rent: £778,882 pa (£7.44 psf)
- Date to market: Mar 2012
- Quoting £11,325,000, NIY 6.50% (6.70% NIY at first fixed uplift in 2013)
- Sold at £11.8m, 6.2% NIY (6.42% NIY at first fixed uplift in 2013) to LaSalle IM. Four bids received (May 2012).

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### 1 Albert Street, Nottingham



Retail  
High Street Shops

- Freehold
- 125,145 sq ft
- Retail sales over lower ground, ground, first and second floors.
- Let to Marks and Spencer Plc on FRI lease expiring 28th September 2022.
- Guiding at 5.75% NIY
- Current Rent is £1,300,000 pa. Rent free period from 28/09/12 to 23/09/2013. Vendor will top up rental income during the rent free period.
- Date to market : Nov 2012
- Available – good interest, bids early December (Dec 2012)

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### 80-88 Queen Street, Cardiff



Retail  
High Street Shops

- Freehold
- Prime high street department store comprising 95,601 sq ft floor space (GIA).
- Let to Next at £1,500,000 pa for 25 years until 4 Feb 2027.
- Current rent: £1,500,000 pa
- Date to market: May 2012
- Quoting: £27,000,000, 5.25% NIY
- Feb 2012 rent review is outstanding (5 yearly upwards only, assumed fully fitted out including lifts, escalators, stairs and AC).
- Sold to RREEF for £25.8m, 5.50% NIY (Aug 2012).

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### 1-23 Market Pavement, 1-4 South Walk, Basildon



Retail  
High Street Shops

- Freehold
- 42,973 sq ft
- 11 retail units within 2 unbroken parades, arranged over ground and first floors with frontages onto both South Walk and Market Pavement.
- WULT approximately 6.32 years.
- The block is leased to a variety of national, regional and local retailers
- Current Rent is £449,683 pa
- Date to market : Jul 2012
- Quoting: £3,865,000, 11.00% NIY.
- Under offer at close to quoting (Nov 2012).

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### Distribution Warehouses

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## Industrial Distribution – Yields

	Dec 2011	Sept 2012	Dec 2012
Prime Distribution	6.50%	6.50%	6.50%

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## SIRFT, Europa Way, Sheffield



Industrial Distribution

- Freehold
- The tenant will be investing £6m into the site including the construction of an office block, concrete batching plant and welfare facilities.
- The site also has planning permission for a 283,000 sq ft warehouse so the investor will be left with a prime development site at the end of the lease
- 5 yearly reviews which will be to the greater of open market value or compounded CPI increases (4% cap and 2% collar)
- Current Rent: £360,000 pa
- Quoting Price: £5,050,000
- Quoting NIY: 6.75%
- SOLD February 2013
- Price: £5,780,000
- NIY: 6.23%
- Vendor: Peveril Securities

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## John Lewis, Magna Park, Milton Keynes



Industrial Distribution

- Freehold
- 650,440 sq ft
- Constructed in 2007, 15m eaves, cross docked, 79 dock levellers, 6 level access, 50m yard depth
- Let on FRI terms to John Lewis Plc for 20 years expiring 12/08/2027, fixed increase in Aug 2017 2.5% compounded
- Current rent of £4,784,920 (£7.35 psf)
- Date to market: Jul 2012
- Quoting Price: £66,625,000
- Quoting NIY: 6.8%
- Still Available (Mar '13) Not being actively marketed due to re-gear possibilities.

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## United Biscuits Ltd, Flagstaff, 42 Industrial Park, Ashby De La Zouch



Industrial Distribution

- Freehold
- 304,983 sq ft
- High bay distribution warehouse,
- Let to United Biscuits (UK) Limited.
- Lease extended to 15 years, expiring 29 September 2027
- Current Rent: £1,708,000 pa
- Date to market: Apr 2012
- Available
- Quoting Price: £23,920,000
- Quoting NIY: 6.75%
- SOLD: January 2013
- Price: £21,300,000
- NIY: 7.58%

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## Royal Mail, Papyrus Road, Peterborough



Industrial Distribution

- Freehold
- 207,603 sq ft
- The property is let to The Royal Mail Group Limited by way of two co-terminous reversionary leases, commencing on the expiry of the existing lease, for a term expiring 23 June 2031. They are both on full repairing and insuring terms, subject to five yearly upward only rent reviews.
- Current Rent: £902,000 pa
- Quoting Price: £12,180,000
- Quoting NIY: 7.00%
- Under Offer Feb 2013
- Terms Confidential (Mar '13)

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## G.Park Rugeley, Lea Hall Way, Rugeley



Industrial Distribution

- Freehold
- 707,488 sq ft
- Modern single let cross-dock distribution warehouse, site area 40 acres, site coverage 41%, 14.3m ceiling height, 80 loading doors
- Tenancy: Let to Amazon for a period of 15 years from 9<sup>th</sup> August 2011, guarantee provided by Amazon EU Sarl, expires on 8<sup>th</sup> August 2026. 5 yearly upward only rent reviews in line with RPI capped at 4% per annum compounded
- Current Rent is £2,794,554 pa (£3.05 psf)
- Date to market: Aug 2011
- Quoting Price £40.64m, NIY 6.50%
- Vendor: Gazeley
- Completed 7.5% NIY (Jun 12)

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### Tesco Stores Ltd, Church Manorway, Erith

No Picture Available

Industrial  
Distribution

- Freehold
- 122,082 sq ft
- Rent: £903,407 pa
- 7,717 sq ft Mezzanine level, 194 car spaces, 28 van loading bays
- Let to Tesco Stores Ltd for 20 years upon practical completion.
- Unexpired Term: 20 years
- SOLD: November 2012
- Vendor: Bericote
- Purchaser: Aberdeen
- Price: £14,850,000 (£121.64 per sq ft)
- NIY: 5.75%

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### Booker Cash and Carry, St George's Way, Nuneaton



Industrial  
Distribution

- 91,181 SQ FT
- Let to Booker Cash
- Unexpired term: 14.9 years
- Annual 3% fixed increases.
- Quoting Price: £8,100,000
- Quoting NIY: 7%
- Still available (Dec 2012)

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### Brantano UK Ltd, Interlink, Bardon Business Park, Bardon



Industrial  
Distribution

- Freehold
- 145,183 sq ft
- Constructed in 2001 and extended for the tenant in 2012. 2 stories of offices, 12 dock levellers, 1 level access loading door, 3 storey mezzanine, tenant improvement.
- Let to Brantano (UK) Limited as their UK Headquarters for a term expiring on 31st December 2031, with no breaks.
- The lease is guaranteed by Macintosh Retail Group NV. (Net assets €357million).
- Subject to fixed rental increases in 2016, 2021, and 2026.
- Unexpired Term: 19 years
- Current Rent: £820,000 pa
- Rent with vendor's top-up: £931,818
- Quoting Price: £12,500,000
- Quoting NIY: 7.05% (with top-up)
- Available (Dec 2012)

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### Marks & Spencer PLC, Dartford Tunnel Distribution Centre, Weston Avenue, West Thurrock



Industrial  
Distribution

- Freehold
- 250,277 sq ft
- Constructed in 1987, 47.5% site cover, 4.71ha, 11.65acres, Substantial 6 bay distribution warehouse with 2 storey ancillary offices (14,590sqft), m eaves height ranges - 7.91m - 8.77m
- Marks & Spencer PLC, FRI terms, 35 year lease from June 1987, expires June 2022, 11.75years unexpired, 5 yearly rent reviews - next 12.6.2012, ERV £1,690,000 (£6.75 psq ft)
- Current Rent is £1,476,000 pa (£5.90 psq ft)
- Purchase Price: £18,800,000 NIY: 7.42%
- Date of Sale: Aug 2012

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### Palletforce Plc, Centrum West, Burton Upon Trent



Industrial  
Distribution

- Freehold
- 379,482 sq ft
- Constructed in 2008, 6 dock level loading doors, 3 storey ancillary office, 40% site coverage, 283 HGV parking spaces
- Let on FRI terms to Palletforce Plc providing an unexpired lease term of 12.9 years, 5 yearly rent reviews
- Current passing rent of £920,243pa rising to £1,840,487pa in 01/02/2013 plus additional income, rent top up to £1,927,768pa till 01/02/2013.
- Vendor: Goodman
- Date to market: Feb 11
- Asking Price: £24,300,000 7.5% NIY
- Completed: £20,820,000 NIY: 8.75%
- Bought by Standard Life

CBRE

CB Richard Ellis | Page 47



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# 5

## **SCHEDULE OF CAPITAL VALUES**

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**PROJECT CLAUDE - REBASED RENT LEASE VALUATION - MARCH 2013**



Country	Store #	Store Name	Lease/Owned/Ground Lease	Gross Area [sqft]	Current Estimated		LH Payaway	Overrented*			Net Initial Yield	Net Market Value
					Rental Value £psf			Rebased Rent £psf	[compared to current ERV]	Rebased Rent £pa		
UK	03604	Basildon	Ground Leased	47,191	6.30		-	7.29	15.8%	344,143	8.25%	3,940,000
UK	03659	Belfast	Ground Leased	30,725	7.50			8.75	16.7%	268,870	8.00%	3,180,000
UK	03607	Brent Cross	Ground Leased	46,901	15.00			17.07	13.8%	800,783	6.00%	12,610,000
UK	03606	Bristol	Owned	41,928	15.00			16.77	11.8%	703,290	6.50%	10,230,000
UK	03605	Cardiff	Ground Leased	40,000	13.50		-	15.75	16.7%	630,000	7.25%	8,210,000
UK	03642	Coventry	Owned	43,288	10.00			11.54	15.4%	499,342	7.25%	6,510,000
UK	03626	Croydon	Owned	42,741	22.00			25.49	15.9%	1,089,666	6.50%	15,850,000
UK	03627	Derby	Owned	41,896	12.50			14.50	16.0%	607,608	7.50%	7,660,000
UK	03649	Doncaster	Owned	26,044	10.00			11.50	15.0%	299,460	7.50%	3,770,000
UK	03646	Enfield	Ground Leased	43,698	19.00			21.61	13.7%	944,306	6.50%	13,730,000
UK	03661	Glasgow Helen St	Ground Leased	34,008	14.00		-	15.72	12.3%	534,576	7.25%	6,970,000
UK	03633	Ipswich	Ground Leased	43,083	12.00		-	13.91	15.9%	599,326	7.00%	8,090,000
UK	03631	Leeds	Owned	42,954	20.00			23.19	16.0%	996,146	6.00%	15,700,000
UK	03658	Liverpool	Ground Leased	24,785	10.00			12.08	20.8%	299,460	7.75%	3,650,000
UK	03636	Nottingham	Ground Leased	43,155	16.00			18.63	16.5%	804,103	7.00%	10,860,000
UK	03660	Old Kent Road	Owned	25,894	25.00			29.16	16.7%	755,160	6.00%	11,900,000
UK	03616	Oldbury	Owned	41,966	8.50			9.88	16.2%	414,665	7.25%	5,410,000
UK	03645	Oxford	Owned	43,506	19.00			22.67	19.3%	986,260	6.00%	15,550,000
UK	03617	Peterborough	Owned	42,780	13.50			14.79	9.6%	632,867	7.00%	8,550,000
UK	03632	Plymouth	Ground Leased	49,771	9.00		-	11.05	22.8%	549,917	8.00%	6,500,000
UK	03634	Poole	Owned	43,193	11.00			12.63	14.8%	545,547	7.75%	6,650,000
UK	03602	Sheffield	Ground Leased	43,165	12.00			13.65	13.8%	589,232	7.75%	7,190,000
UK	03651	Shrewsbury	Owned	32,749	20.00			23.07	15.4%	755,532	7.00%	10,200,000
UK	03643	Solihull	Owned	43,550	16.00			18.48	15.5%	804,917	6.50%	11,700,000
UK	03608	Southampton	Ground Leased	41,435	18.00		-	20.60	14.4%	853,587	6.50%	12,410,000
UK	03635	Swindon	Owned	43,215	14.50			16.58	14.4%	716,699	7.50%	9,030,000
UK	03628	Teesside	Ground Leased	42,499	25.00			28.37	13.5%	1,205,849	6.50%	17,540,000
UK	03620	Warrington	Owned	42,775	10.00			11.41	14.1%	488,175	7.75%	5,950,000
UK	03615	Woking	Owned/GL	41,360	9.00			10.19	13.2%	421,376	7.75%	5,150,000
UK	03644	York	Ground Leased	33,654	14.50			16.47	13.6%	554,408	6.75%	7,760,000
UK		Coventry Distribution Centre	Owned	668,500	4.25			4.95	16.5%	3,309,075	7.35%	42,550,000
				<b>1,872,409</b>	<b>19,943,325</b>		<b>-</b>		<b>15.3%</b>	<b>23,004,343</b>	<b>6.90%</b>	<b>315,000,000</b>

**Note:**

**23 yrs unexpired**

**Rent reviewed annually in line with the retail price index (cap and collar of 2.5% and 1.0%) subject to 5 yearly open market reviews**

**Current rent rebased to £23m**

**\* Over renting of 15.3% apportioned across the assets**

Country	Store #	Store Name	Lease/Owned/Ground Lease	Gross Area [sqft]	Current Estimated	LH Payaway £pa	Current Estimated	Letting Void [months]	Rent Free [months]	Letting Fees 15%	Rateable Value [ft. estimated]	Empty Bus. Rates £0.471 [during void]	Budget Building Survey costs	Void costs	Non rec S/C costs	Net Yield	Net Vacant Possession Value	£per sqft	Rev Yield
					Headline Rental Value £psf		Headline Rental Value £pa												
UK	03604	Basildon	Ground Leased	47,191	7.00	1	330,337	18	18	49,551	570,000	335,588	210,000	35,393	-	8.75%	2,180,000	46.20	14.33%
UK	03659	Belfast	Ground Leased	30,725	7.00		215,075	24	24	32,261	215,000	177,214	345,500	30,725	-	8.75%	1,110,000	36.13	18.36%
UK	03607	Brent Cross	Ground Leased	46,901	14.50		680,065	12	12	102,010	825,000	291,431	177,000	23,451	-	6.25%	8,550,000	182.30	7.52%
UK	03606	Bristol	Owned	41,928	15.50		649,884	18	18	97,483	1,040,000	612,300	314,000	31,446	-	7.00%	6,170,000	147.16	9.96%
UK	03605	Cardiff	Ground Leased	40,000	14.50	65,037	580,000	18	24	87,000	605,000	356,194	20,000	30,000	-	7.75%	4,370,000	109.25	12.54%
UK	03642	Coventry	Owned	43,288	10.00		432,880	24	24	64,932	645,000	531,641	150,000	43,288	-	7.75%	3,170,000	73.23	12.91%
UK	03626	Croydon	Owned	42,741	20.00		854,820	12	12	128,223	850,000	300,263	184,500	21,371	-	6.75%	9,900,000	231.63	8.16%
UK	03627	Derby	Owned	41,896	12.00		502,752	18	24	75,413	500,000	294,375	200,000	31,422	-	8.00%	3,970,000	94.76	11.97%
UK	03649	Doncaster	Owned	26,044	10.00		260,440	12	24	39,066	327,500	115,689	178,000	13,022	-	8.00%	2,120,000	81.40	11.63%
UK	03646	Enfield	Ground Leased	43,698	17.25		753,791	12	12	113,069	740,000	261,405	145,000	21,849	33,461	6.50%	9,120,000	208.71	7.81%
UK	03661	Glasgow Helen St	Ground Leased	34,008	14.50	5	493,116	18	18	73,967	470,000	276,713	145,000	25,506	-	7.75%	4,310,000	126.73	10.80%
UK	03633	Ipswich	Ground Leased	43,083	11.50	1	495,455	18	18	74,318	490,000	288,488	149,500	32,312	-	7.50%	4,510,000	104.68	10.38%
UK	03631	Leeds	Owned	42,954	21.75		934,250	12	12	140,137	460,000	162,495	150,000	21,477	-	6.25%	12,070,000	281.00	7.32%
UK	03658	Liverpool	Ground Leased	24,785	6.00		148,710	24	24	22,307	290,000	239,033	95,000	24,785	10,580	8.25%	860,000	34.70	16.33%
UK	03636	Nottingham	Ground Leased	43,155	16.50		712,058	12	12	106,809	925,000	326,756	125,000	21,578	19,419	7.25%	7,500,000	173.79	8.97%
UK	03660	Old Kent Road	Owned	25,894	27.00		699,138	12	12	104,871	565,000	199,586	111,000	12,947	-	6.25%	8,960,000	346.03	7.37%
UK	03616	Oldbury	Owned	41,966	9.00		377,694	18	24	56,654	430,000	253,163	160,000	31,475	-	7.50%	3,220,000	76.73	11.08%
UK	03645	Oxford	Owned	43,506	17.50		761,355	12	12	114,203	825,000	291,431	196,000	21,753	-	6.25%	9,610,000	220.89	7.49%
UK	03617	Peterborough	Owned	42,780	14.50		620,310	18	24	93,047	615,000	362,081	213,000	32,085	-	7.50%	5,410,000	126.46	10.84%
UK	03632	Plymouth	Ground Leased	49,771	5.75	3,500	286,183	18	18	42,927	368,500	216,954	115,000	37,328	8,998	8.50%	2,060,000	41.39	13.14%
UK	03634	Poole	Owned	43,193	5.50		237,562	12	12	35,634	430,000	151,898	155,000	21,597	-	9.00%	1,760,000	40.75	12.79%
UK	03602	Sheffield	Ground Leased	43,165	14.50		625,893	24	24	93,884	625,000	515,156	215,000	43,165	28,709	8.25%	4,350,000	100.78	13.61%
UK	03651	Shrewsbury	Owned	32,749	27.25		892,410	12	12	133,862	610,000	215,483	202,000	16,375	9,251	7.25%	9,570,000	292.22	8.81%
UK	03643	Solihull	Owned	43,550	17.50		762,125	18	18	114,319	1,130,000	665,288	140,500	32,663	271	6.75%	7,870,000	180.71	9.15%
UK	03608	Southampton	Ground Leased	41,435	17.50	1	725,113	18	18	108,767	820,000	482,775	178,000	31,076	-	6.75%	7,590,000	183.18	9.03%
UK	03635	Swindon	Owned	43,215	14.50		626,618	24	24	93,993	500,000	412,125	167,000	43,215	-	8.00%	4,760,000	110.15	12.43%
UK	03628	Teesside	Ground Leased	42,499	22.75		966,852	12	12	145,028	845,000	298,496	172,000	21,250	1,554	6.75%	11,280,000	265.42	8.10%
UK	03620	Warrington	Owned	42,775	12.00		513,300	24	24	76,995	510,000	420,368	90,000	42,775	-	8.25%	3,690,000	86.27	13.16%
UK	03615	Woking	Owned/GL	41,360	10.50		434,280	18	18	65,142	389,500	229,318	39,800	31,020	715	8.25%	3,580,000	86.56	11.48%
UK	03644	York	Ground Leased	33,654	16.00		538,464	18	18	80,770	690,000	406,238	140,000	25,241	28,376	7.00%	5,280,000	156.89	9.64%
UK		Coventry Distribution Centre	Owned	668,500	5.00		3,342,500	24	12	501,375	3,260,000	2,303,190	220,000	668,500	-	8.50%	25,610,000	38.31	12.34%
				1,872,409	20,453,426	68,545	20,453,426					3,068,014	11,993,132	5,102,800	1,520,087	141,334	194,510,000		

Note:  
Primary assumption – that the premises is vacant and to let as a whole with the existing planning consent  
Average market void and Tenant's incentive packages for good locations would normally be 12 months and 18 months respectively, therefore the void and incentive packages for these properties reflect their general secondary locations  
Units with Toys only planning consents presents significant challenges. Alternative occupiers in theory would be Smyths Toys, Kiddicare and Mothercare, but in many instances, the units sizes would be prohibitive  
In instances where we have reduced the ERV compared with our original analysis, reflects Toys only planning restrictions with limited envisaged demand from other toy occupiers

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# 6

## PROPERTY REPORTS

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# PROJECT CLAUDE

## BELFAST

**TOWN:** BELFAST

**ADDRESS:** 38 Mill Road, Newtownabbey



### KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>30,725</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Open A1	

### Market Value

<b>Market Value:</b>	£3,180,000
<b>MV per sq ft</b>	£103.50
<b>Initial yield:</b>	8.00%
<b>Reversionary yield:</b>	6.85%

<b>Current Income:</b>	£268,870
<b>Income per sq ft</b>	£8.75
<b>Rental Value:</b>	£230,438
<b>ERV per sq ft</b>	£7.50

### Vacant Possession Value

<b>Vacant Possession Value:</b>	£1,110,000
<b>VPV per sq ft</b>	£36

<b>Rental Value:</b>	£215,075
<b>ERV per sq ft</b>	£7
<b>Void Assumption (mths):</b>	24+24
<b>Capitalisation rate</b>	8.75%
<b>% of Market Value</b>	34.91%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	The investment would prove difficult to sell in the current market. The lot size may attract some private investors. Property companies and institutions could be interested at a sufficient discount to comparable opportunities elsewhere in the UK.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	The Northern Irish investment market is very weak at present and transaction volumes are very low.
<b>Suitability for Security</b>	We are of the opinion that property provides adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	Solus retail warehouse of steel portal frame construction with ancillary/store area to the rear and additional storage at mezzanine level. Internally the unit has been fitted out to the tenants standard corporate specification. There is car parking to the front and side elevations and a surfaced secure yard to the rear.
<b>Flexibility for Sub-division</b>	The unit could potentially subdivide.
<b>Servicing Provision</b>	Secure rear service yard accessed via a dedicated service road. Access the store is from two dock level loading doors.

## LOCATION & SITUATION

<b>Location</b>	Newtownabbey is a strong retail destination, however the subject unit is slightly removed from the main retail warehouse provision.
<b>Situation &amp; Surrounding Uses</b>	Mothercare - Longwood Retail Park Matalan - Longwood Retail Park Argos - Abbey Centre
<b>Area Catchment &amp; Demographic</b>	Belfast is categorised by PMA (PROMIS) as a sub regional centre with a catchment population of 739,000, classed as not particularly affluent. Belfast benefits from below average competition. The largest competing centre is Ballymena (26 miles away).

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	A regular shaped site with low site cover, large car park and yard area. The store is set back from the main road.
<b>Environmental Considerations</b>	The Phase 1 Environmental Assessment provided by Environ report dated March 2013 concludes that the site represents a moderate risk with respect to environmental liability.
<b>Age &amp; Building Condition</b>	Built late 1980's, the store appears to be in a reasonable condition.

## TENURE

<b>Comments</b>	Long leasehold with 9984 years unexpired at a peppercorn rent.
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	30,725	£268,870.00	£7.50	£230,438

<b>Market Trends &amp; Marketability</b>	The unit is not prominent, and if it became vacant, the unit would be hard to relet. This is predominantly down to the lack of interest from retailers, as well as the availability of superior space elsewhere. The stronger location is Abbey Retail Park.
<b>Void Assumptions &amp; Reletability</b>	The lack of interest shown by other retailers would suggest that the subject property would take a long time to relet. It is likely that a void of 24 months may be necessary, with a similar timeframe needed as an incentive to an incoming tenant.
<b>Occupational Evidence</b>	We are aware of a number of 2011/2012 open market lettings in Belfast and surrounding towns. In July 2012 Pets at Home took a new 10 year lease of a 13,000 sq ft unit in The Sprucefield Centre, Lisburn at a rising rent averaging at £274,300 per annum with 2 years rent free. Next also took space in The Sprucefield Centre at a rent of £360,792 per annum with 2.5 years rent free, for a unit of 15,000 sq ft with a 7,000 sq ft mezz. Turning to relevant Belfast evidence, in September 2011 Unit 1 Balmoral Plaza, was let to Chain Reaction on a new ten year lease, break in year 5 at £100,000 per annum. The unit is 10,000 sq ft and the tenant was granted 3 months rent free.
<b>Justification for Opinion of ERV</b>	The ERV is considerably lower than the passing rent to take into account the lack of interest in this unit. There are vacancies at Longwood Retail Park and Hammerson have proposed extending Abbey Retail Park which would both be preferential to other retailers. For this reason, the ERV has been reduced to £7.50 as the large global rent would act as a barrier to entrance for many retailers.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Open A1 planning consent

Good parking provision

Large site

#### Weaknesses

Would be very difficult to relet if vacant

Detached from the main retail warehouse cluster

Northern Ireland is a difficult market with very limited investment transaction volumes

## ACTIVE MANAGEMENT OPPORTUNITIES

Whilst the unit would lend itself to being sub-divided, demand for the location either as a whole or sub-divided from retailers is likely to be limited due to the location and the fact that there is superior space available elsewhere.

Potential to utilise surplus site for additional retail/A3 pods subject to planning and tenant demand.

# PROJECT CLAUDE



## STATUTORY ENQUIRIES

### Town Planning

The property is covered by the Department of the Environment for Northern Ireland. Planning permission was granted for erection of retail warehouse in June 1996 (U/92/0386R)

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£238,500

## REFERENCES:

CBRE Surveyor:

TR

Date:

07/02/2013

# PROJECT CLAUDE

## GLASGOW

**TOWN:** GLASGOW

**ADDRESS:** 400 Helen Street



### KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>34008</b> sq ft
<b>TENURE</b>	Long Leasehold
<b>PLANNING</b>	Consent for DIY goods, furniture, carpets, floor coverings, household textiles, electrical goods, gardening goods, toys and ancillary goods and motor vehicle accessories.

### Market Value

<b>Market Value:</b>	£6,970,000
<b>MV per sq ft</b>	£204.95
<b>Initial yield:</b>	7.25%
<b>Reversionary yield:</b>	6.46%

<b>Current Income:</b>	£534,576
<b>Income per sq ft</b>	£15.72
<b>Rental Value:</b>	£476,112
<b>ERV per sq ft</b>	£14.00

### Vacant Possession Value

<b>Vacant Possession Value:</b>	£4,310,000
<b>VPV per sq ft</b>	£127

<b>Rental Value:</b>	£493,116
<b>ERV per sq ft</b>	£15
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	7.75%
<b>% of Market Value</b>	61.84%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	The landlord (owner of the adjoining foodstore) has rights prohibiting food use and also has controlling rights over the shared car park.
<b>Suitability for Security</b>	The property is considered to offer reasonable security.

## PROPERTY DESCRIPTION

<b>Description</b>	Detached purpose built solus retail unit adjacent to Asda Superstore. Customer access and parking is shared with the adjoining Asda store.
<b>Flexibility for Sub-division</b>	Yes but limited to 2 units
<b>Servicing Provision</b>	Separate dedicated servicing with access via Helen Street.

## LOCATION & SITUATION

<b>Location</b>	Prominent, benefiting from its position adjacent to a modern Asda foodstore. Visible from the M8 motorway with access from Junction 24.
<b>Situation &amp; Surrounding Uses</b>	Adjacent to Asda foodstore and McDonalds. Surrounding uses also include a mixture of industrial and social housing.
<b>Area Catchment &amp; Demographic</b>	South west side of Glasgow. The location has relatively poor demographics with a surrounding mix of industrial and social housing in the vicinity.



# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The property occupies a rectangular and level site with area of 1.209 acres and a density of 65%

### Environmental Considerations

The site was previously a quarry and subsequently formed part of a refuse disposal works. However, the site was subject to a programme of remediation prior to redevelopment for its current use in 1997. The property is considered to carry a low-to-moderate risk.

### Age & Building Condition

Built in 1997. The building is in reasonable condition but would benefit from a programme of maintenance. Minor remedial works are required to the roof, which leaks in places. In addition, upgrade works are required to the air handling plant.

## TENURE

### Comments

Long leasehold. Subject to payment of a fixed ground rent of £5 per annum. Title is good and marketable.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	34,008	£534,576.00	£14.00	£476,112

### Market Trends & Marketability

With a unit of this size, there are very few transactions of comparison, so it is difficult to predict the time frame needed to re-let this unit should that be required. The site lacks any critical mass that would attract some retailers, however the nearby Asda store would increase the car counts.

### Void Assumptions & Reletability

The unit would split to form a smaller unit of approximately 10,000 sq ft. This would receive the greatest level of interest, as there are many discount retailers that would be interested. The void period could amount to 12 months, with the ingoing retailer requesting up to 18 months of rent free

### Occupational Evidence

There is limited retail warehouse competition in the immediate vicinity. The closest retail park is Junction 24 Retail Park, which is anchored by a B&M Homestore. The only availability in the area is a pod unit of 1,600 sq ft. The most recent letting in Glasgow is under offer to Nike at Strathkelvin in Bishopbriggs. The rental tone is £16 psf.

### Justification for Opinion of ERV

The ERV has been reduced as a result of the situation in Glasgow having not improved in the past couple of years. On top of this, the global rent is so big that it will put off many retailers that would require a unit of this size.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Prominent location visible from Scotland's busiest motorway

Adjacent to a busy Asda store

#### Weaknesses

Shared parking with Asda

Lack of retail critical mass in surrounding area

Poor local demographic and restricted planning

## ACTIVE MANAGEMENT OPPORTUNITIES

Subdivision of the unit (into 10,000 sq ft and 24,000 sq ft) may be possible, although rear servicing may be an issue.

# PROJECT CLAUDE



## STATUTORY ENQUIRIES

### Town Planning

The planning user is restricted to a wide range of bulky goods.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£470,000

## REFERENCES:

CBRE Surveyor:

LM

Date:

08/02/2013

# PROJECT CLAUDE

ENFIELD , Enfield Retail Park

**TOWN:** ENFIELD

**ADDRESS:** Enfield Retail Park



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,698</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Restricted A1 (non-food)	

## Market Value

<b>Market Value:</b>	£13,730,000
<b>MV per sq ft</b>	£314.20
<b>Initial yield:</b>	6.50%
<b>Reversionary yield:</b>	5.72%

<b>Current Income:</b>	£944,306
<b>Income per sq ft</b>	£21.61
<b>Rental Value:</b>	£830,262
<b>ERV per sq ft</b>	£19.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£9,120,000
<b>VPV per sq ft</b>	£209

<b>Rental Value:</b>	£753,791
<b>ERV per sq ft</b>	£17
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	6.50%
<b>% of Market Value</b>	66.42%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant.
<b>Property Specific Issues</b>	<p>There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation. The following property specific issues were raised:</p> <p>We understand a condition exists within planning permission (ref TP/91/0110) which prohibits the sale of food, alcoholic drink, tobacco, books, newspapers, magazines, clothing and footwear, radio, TV and photographic equipment, chemists goods and jewellery.</p> <p>Until 2018, the tenant is unable to sell food and convenience goods (even when as ancillary items). After 2018 the tenant may sell food and convenience goods as ancillary items.</p> <p>Potential Chancel repair liability.</p>
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	<p>The unit forms part of the Enfield Retail Park and comprises an end of terrace unit on the 7-unit scheme. Customer access is via Crown Road, off the A10 (Cambridge Road).</p> <p>The unit is of steel frame with a profile metal cladding roof and a combination of profile metal cladding and brick/blockwork walls. Internally the unit has been fitted out to the tenants standard corporate specification.</p>
<b>Flexibility for Sub-division</b>	The unit is suitable for subdivision, however a servicing corridor would be required to the rear of the unit (along the eastern boundary of the building).
<b>Servicing Provision</b>	Separate service vehicle access is provided to the retail park and subject property via Chalkmill Drive which is off Crown Road. The service yard and access road are outside of the leasehold interest, however the long-leaseholder has the benefit to right of way over the service access road and yard.

# PROJECT CLAUDE



## LOCATION & SITUATION

<b>Location</b>	The property benefits from a strong location on Enfield Retail Park, which is prominently situated just off a busy arterial route to Central London (the A10).
<b>Situation &amp; Surrounding Uses</b>	The property is situated on Enfield Retail Park where surrounding occupiers include Boots, Costa Coffee, Currys, Sports Direct, Halfords and Pets at Home. On the opposite side of Crown Road is a Sainsbury's superstore. The cluster of retail warehouse provision creates a critical mass of retail. Otherwise the surrounding use is predominantly light industrial.
<b>Area Catchment &amp; Demographic</b>	Enfield has a total primary catchment population of 269,000, which is significantly above the Smaller London Centre PROMIS average. The estimated shopping population of Enfield is 155,000. The affluence of Enfield is broadly in line with the Retail PROMIS average.

## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	The site is regular and broadly square in shape. The site has prominence on the retail park.
<b>Environmental Considerations</b>	The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low to moderate risk with respect to environmental liability. Should the site be redeveloped in the future it is likely that further assessment of ground conditions may be required.
<b>Age &amp; Building Condition</b>	We understand that the site was developed around 1993 by J Sainsbury Developments Limited. From a Building Surveying perspective, the property is in fair condition for its age and use compared with many similar retail warehouse properties. There has been a minimal level of maintenance and therefore a moderate number of defects were observed most of which are relatively minor.

## TENURE

<b>Comments</b>	Long leasehold. The property is held long leasehold. The lease commenced 01/10/1993 for a term of 125 years expiring 30/09/2118 and is subject to an annual rent of a peppercorn.
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
<b>GIA (whole)</b>	43,698	£944,306.00	£19.00	£830,262

<b>Market Trends &amp; Marketability</b>	Enfield Retail Park has 3 vacant units (former Comet, JJB and Currys) all of which extend to c.15,000 sq ft out of a total provision of c.160,000 sq ft. The landlords wish to 'soften' the tenant mix across the scheme to incorporate more fashion occupiers. Kiddicare are due to open in the former Best Buy store imminently. We believe the scheme is in a prominent location and has the ability to be a good scheme. A number of retailers have expressed interest in the scheme including Debenhams, Arcadia, TK Maxx, M&S Simply Food and Nike. However, at the current time the scheme is in a state of flux and the ERV of the subject unit to reflect this. Furthermore, the subject unit is set back from the main road. Consequently its visibility is inferior compared to some of the other vacant units on the scheme.
<b>Void Assumptions &amp; Reletability</b>	The number of vacant units on the scheme and the large size of the subject unit has resulted in us adopting a void period of 18 months and a rent free period of 18 months.
<b>Occupational Evidence</b>	Evidence on the scheme is historic. The former Homebase unit (which was subsequently let to Best Buy) was subject to a 25/3/2009 RR. The unit extends to 34,550 sq ft and had a passing rent of £906,000 pax (£26.25psf). The Arbitrator made an Award at £25.00psf resulting in a nil increase. Homebase assigned their lease to Best Buy in November 2011. The unit was subsequently surrendered and relet to Best Buy at a rent of £1,000,000 (£28.94psf), 4 months rent free and a £1,500,000 capital contribution.
<b>Justification for Opinion of ERV</b>	The vacant units in the area present an opportunity, to improve the retail offer, and a threat, to the rental values, in the general area. Whilst there is a good level of retailer interest on the scheme, this is yet to materialise. Consequently, we have aired on the side of caution in relation to the subject unit's ERV.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Well located with proximity to the A10, which is a busy dual carriageway.

The property is situated on a retail park adjacent to a foodstore.

Located within Greater London.

#### Weaknesses

The planning permission provides a restriction on the sale of food, however we understand the restriction relaxes from 2018 onwards.

The unit is set back from the A10 and therefore lacks prominence.

## ACTIVE MANAGEMENT OPPORTUNITIES

We understand planning permission was obtained for the creation of a new retail unit within the existing Toys R Us premises (TP/91/0110/12). Permission restricted the range of goods that may be sold to: pharmaceuticals; health products and beauty products; baby and young children products; photographic products; and lunchtime, health and dietary foods related to a chemist's store. Therefore the opportunity exists to downsize the current tenant by sub-dividing the unit and re-letting the newly created accommodation (subject to tenant demand).

## STATUTORY ENQUIRIES

### Town Planning

The retail unit obtained permission under application ref TP/91/0110, as part of a wider scheme including other retail units and B1/B2 space. Conditions provide that the unit as a whole may be used for the sale of any goods other than: food; alcoholic drink; tobacco; books, newspapers and magazines that are not ancillary to the type of goods sold from the unit; adult clothing and footwear; chemists goods; and jewellery. Further planning permission was obtained for the creation of a new retail unit within the existing Toys R Us premises (TP/91/0110/12). It restricted the range of goods that may be sold from that unit to: pharmaceuticals; health products and beauty products; baby and young children products; photographic products; and lunchtime, health and dietary foods related to a chemist's store. This unit has currently not been constructed. The property is not listed nor does it lie within a conservation area.

### Conservation Area or Listed

### Rateable Value

£740,000

## REFERENCES:

CBRE Surveyor:

JH

Date:

05/02/2013

# PROJECT CLAUDE

WARRINGTON , Europa Boulevard

**TOWN:** WARRINGTON

**ADDRESS:** Europa Boulevard



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>42,775</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 non-food.	

## Market Value

<b>Market Value:</b>	£5,950,000
<b>MV per sq ft</b>	£139.10
<b>Initial yield:</b>	7.75%
<b>Reversionary yield:</b>	6.79%

<b>Current Income:</b>	£488,175
<b>Income per sq ft</b>	£11.41
<b>Rental Value:</b>	£427,750
<b>ERV per sq ft</b>	£10.00

## Vacant Possession Value

<b>Vacant Possession Value:</b>	£3,690,000
<b>VPV per sq ft</b>	£86

<b>Rental Value:</b>	£513,300
<b>ERV per sq ft</b>	£12
<b>Void Assumption (mths):</b>	24+24
<b>Capitalisation rate</b>	8.25%
<b>% of Market Value</b>	62.02%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	The property is located in an established retail and industrial location, the opportunity provides a long unexpired lease term with fixed increases. The lot size may attract interest from property companies and private investors including those able to raise finance.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There is a restrictive covenant on user, limiting the use to retail of toys and associated goods or B1/B8 (Industrial).
<b>Suitability for Security</b>	We are of the opinion that property provides adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	The property is a solus retail warehouse of steel portal frame construction with ancillary/store area to the rear and additional storage at mezzanine level. The frontage has full height glazing in part. Internally the unit has been fitted out to the tenants standard corporate specification. There is car parking to the front and side elevations and a surfaced secure yard to the rear.
<b>Flexibility for Sub-division</b>	Potential to sub divide although the unit is not perpendicular to the car park which could create frontage or prominence issues for the units created.
<b>Servicing Provision</b>	A secure service yard is located at the rear, accessed by a separate road the main customer entrance. Loading access to the store is by dock level roller shutter doors.

## LOCATION & SITUATION

<b>Location</b>	The property is located to the north of Warrington a short distance south of the M62. Excellent out of town location close to Ikea, M&S, Next and Boots.
<b>Situation &amp; Surrounding Uses</b>	Located close to Ikea, M&S, Next and Boots albeit the subject unit is separate from these retailers. Other surrounding users include car showrooms, industrial and residential.
<b>Area Catchment &amp; Demographic</b>	Warrington is categorised by PMA (PROMIS) as a sub regional centre, with a catchment population of 335,000, classed as moderately affluent. Warrington's largest competing centre is Liverpool, other competition comes from Runcorn, Altrincham, St Helens, Wigan, Chester and Manchester.

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

Regular shaped site with relatively low site cover. Access is at two points from Europa Boulevard.

### Environmental Considerations

CBRE concludes that the site represents a low risk with respect to environmental liability. No further works are recommended.

### Age & Building Condition

The property is believed to have been constructed in 1988. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Freehold. Restrictive covenant in favour of Warrington and Runcorn Development Corporation dated 25 April 1974 applies, permitting only retail use for the sale of toys and games and other goods incidental thereto, or use as within class B1/B8.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	42,775	£488,175.00	£10.00	£427,750

### Market Trends & Marketability

The subject unit sits amongst a cluster of 'destination retailers' including Porcelanosa, Boots, Next and Ikea. T

### Void Assumptions & Reletability

Should the unit become vacant, we believe the following void period and rent free period would need to be adopted: Void period - 24 months. Rent free period - 24 months. Should the restrictive covenant in favour of Warrington and Runcorn Development Corporation dated 25 April 1974, permitting only retail use for the sale of toys and games and other goods incidental thereto, be lifted and therefore allow more retailers to trade from the scheme, this void period and rent free period would be reduced.

### Occupational Evidence

The evidence in the area relates to units that allow a broader range of goods to be sold from the unit and do not have a restrictive covenant in place. Therefore a substantially lower ERV has been adopted on the subject unit. Next have leased a unit on an adjacent plot of land to their current store (via a sale and leaseback) of 18,800 sq ft plus full cover mezzanine. They are paying a rent of £30psf, the store will be used for their Next Home concept. They have also retained their existing store of 15,000 sq ft (sublet from Boots). The passing rent on the Boots unit (30,488 sq ft) is £39.36psf from the February 2011 rent review.

### Justification for Opinion of ERV

The Toys R Us unit is one of a very few 'big box' units in the area so one would expect it to be subject to a good level of retailer demand subject to the restrictive covenant being lifted. However, we are to value the unit with the restrictive covenant in place and also take account of the unit's lack of main road presence/prominence and the fact it is divorced from the other retailers in the area - Ikea, M&S, Next and Boots. Consequently its rental value has been tempered for reasons outlined above.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong regional location, good situation close to Ikea and M&S.

Opportunity to split, subject to planning for subdivision.

Low site cover may provide an opportunity to add further industrial or retail/ A3 pods subject to removing the restrictive covenant.

#### Weaknesses

Restrictive covenant limiting the use to the sale of toys or within class B1/B8.

Poor rental growth prospects due to restrictive use and supply of retail warehousing stock.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The location of the subject property is good and benefits from excellent adjacent occupiers close by including Ikea and Marks and Spencer. However, the subject store is slightly isolated from the critical mass. Subdivision of the unit is physically possible but restrictive covenant limits adjacent occupiers.

Potential to utilise surplus site for further development, subject to planning.

## STATUTORY ENQUIRIES

### Town Planning

The property is located in an area covered by the Warrington Borough Council Unitary Development Plan and Local Development Framework.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£795,000

## REFERENCES:

CBRE Surveyor:

EH

Date:

13/02/2013



# PROJECT CLAUDE

SHEFFIELD, Meadowhall Retail Park

**TOWN:** SHEFFIELD

**ADDRESS:** Meadowhall Retail Park



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,165</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	A1 non-food with no fashion, footwear, pharmaceuticals, fashion accessories, jewellery, cosmetics and toiletries	

## Market Value

<b>Market Value:</b>	£7,190,000
<b>MV per sq ft</b>	£166.57
<b>Initial yield:</b>	7.75%
<b>Reversionary yield:</b>	6.80%

<b>Current Income:</b>	£589,232
<b>Income per sq ft</b>	£13.65
<b>Rental Value:</b>	£517,980
<b>ERV per sq ft</b>	£12.00

## Vacant Possession Value

<b>Vacant Possession Value:</b>	£4,350,000
<b>VPV per sq ft</b>	£101

<b>Rental Value:</b>	£625,893
<b>ERV per sq ft</b>	£15
<b>Void Assumption (mths):</b>	24+24
<b>Capitalisation rate</b>	8.25%
<b>% of Market Value</b>	60.50%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	End of Terrace unit on Retail Park
<b>Flexibility for Sub-division</b>	Yes, two units only. A widening of the planning would be required to maximise value.
<b>Servicing Provision</b>	Serviced from rear as part of Retail Park

## LOCATION & SITUATION

<b>Location</b>	Good. Meadowhall is home to a regional shopping centre and a substantial retail park
<b>Situation &amp; Surrounding Uses</b>	Rest of Meadowhall Retail Park
<b>Area Catchment &amp; Demographic</b>	Sheffield and surrounding areas

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

Trapezium-shaped, 0.411 hectare (1.016 acre) level site forming part of a retail park.

### Environmental Considerations

The Environ Phase I environmental report dated March 2013 concludes that the site represents a LOW to MODERATE risk. Former uses of the site include a steel works. The park is built on an infilled site and in a radon affected area.

### Age & Building Condition

The CBRE building report concludes that the building structure & fabric is in a fair condition with no significant defects observed to visible structure, although there is a backlog of maintenance. Continued roof and elevation repairs are required to ensure the building remains wind and watertight. The Mechanical and Electrical plant is considered to be in a fair condition and is receiving a minimal level of maintenance. Four roof mounted packaged air conditioning units were operating using R22 refrigerant which will be banned from 2015 under the Montreal Protocol and therefore will require replacement in the short term.

## TENURE

### Comments

Long Leasehold 125 years from 25 March 1992 at a fixed peppercorn rental. The tenant currently pays 21.13% of the park's service charge costs. There is a potential chancel repair liability.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,165	£589,232.00	£12.00	£517,980

### Market Trends & Marketability

Sheffield is home to Meadowhall regional Shopping Centre which absorbs a huge amount of the available tenant demand. The Retail Park is situated close to the Meadowhall Centre so it does gain the advantage of some of the footfall which the centre generates

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 24 month reletting void and a 24 month incentive package would be needed to secure a tenant

### Occupational Evidence

There are no vacancies on this scheme which is indicative of the strength of the location considering the level of supply in Sheffield.

### Justification for Opinion of ERV

The Homebase unit on the scheme which is some 40,000 sq ft has a passing rent of circa £13.00 psf but is now considered historic. Smaller space (10,000) sq ft within the park demonstrates a headline rent in the order of £20.00 psf although to achieve such a headline in the current market some incentives would be required. The subject unit is very prominent in comparison with the Homebase which is also somewhat masked.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Large established retail location

#### Weaknesses

Considerable supply of retail warehousing in the city

A1 non food (excluding clothing, footwear, fashion accessories, jewellery, cosmetics/toiletries and pharmaceuticals) and no more than 25,000 sq ft of floorspace on the park as a whole may be used for the sale of food

There are proposals to provide retail warehouse units on the unused land at Meadowhall Centre, subject to obtaining planning permission.

Opportunity to split into 2 but would only be really viable following a widening of the planning.

Poorer rental growth prospects due to restrictive use

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

Unit will split into 2 but difficult to identify occupational demand. Widening planning could improve situation although Open A1 retailers are already located in Meadowhall Regional Shopping Centre. Potential to target retailers with "Home" concept such as Next, and TK's Homesense.

## STATUTORY ENQUIRIES

### Town Planning

Planning permission for the Retail Park was granted 6 March 1992 for 13 units, two food units, a garden centre and parking. Maximum 25,000 sq ft for food retail on the park.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£625,000

## REFERENCES:

CBRE Surveyor:

MJ

Date:

07/02/2013

# PROJECT CLAUDE

PETERBOROUGH, Bourges Boulevard

**TOWN:** PETERBOROUGH

**ADDRESS:** Bourges Boulevard



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>42,780</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	A1 non food	

## Market Value

<b>Market Value:</b>	£8,550,000
<b>MV per sq ft</b>	£199.86
<b>Initial yield:</b>	7.00%
<b>Reversionary yield:</b>	6.38%

<b>Current Income:</b>	£632,867
<b>Income per sq ft</b>	£14.79
<b>Rental Value:</b>	£577,530
<b>ERV per sq ft</b>	£13.50

## Vacant Possession Value

<b>Vacant Possession Value</b>	£5,410,000
<b>VPV per sq ft</b>	£126

<b>Rental Value:</b>	£620,310
<b>ERV per sq ft</b>	£15
<b>Void Assumption (mths):</b>	18+24
<b>Capitalisation rate</b>	7.50%
<b>% of Market Value</b>	63.27%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investors to include Institutions/Prop co's
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property offers reasonable security for loan purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	Solus unit on the edge of the town centre.
<b>Flexibility for Sub-division</b>	Yes probably into a maximum two units.
<b>Servicing Provision</b>	Excellent, spacious area to the rear. Would need amending if the unit were to be split into two.

## LOCATION & SITUATION

<b>Location</b>	On inner ring road but divorced from town centre and retail parks.
<b>Situation &amp; Surrounding Uses</b>	B&Q and Matalan at Maskew Avenue, PC World, Brantano, M&S, Carpetright, Dunelm and Asda Living.
<b>Area Catchment &amp; Demographic</b>	Peterborough and surrounding area

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site is predominantly rectangular in shape and generally level. The site totals approximately 1.02 hectares (5.96 acres).

### Environmental Considerations

Environ's Phase I environmental report dated March 2013 concludes that the site represents a MODERATE risk with respect to environmental liability.

The site and it is in an area of moderate-high sensitivity with regard to groundwater resources. It is in a radon affected area.

Prior uses of parts of the site include an infilled quarry and a goods depot which may have left some environmental issues.

### Age & Building Condition

Built in 1989. CBRE have undertaken a building survey and conclude that the property is in a fair condition in the context of its age and form of construction, but is receiving a low level of maintenance and now requires items of repair and replacement.

The building structure & fabric is in a fair condition with no significant defects observed to visible structure, although some backlog maintenance is apparent. Treatment of roof panels is required to maintain the life expectancy of this element and replacement is required to a section of flat roof at the front of the property. External areas are falling into disrepair and a comprehensive package of external maintenance will be required in the short to medium term.

The M&E is considered to be in a fair condition and is receiving a minimal level of maintenance. The four roof mounted air conditioning packaged chiller units are assumed to be original and operating using R22 refrigerant which will be banned from 2015 under the Montreal Protocol and therefore will require replacement in the short term. The heating boiler is in a poor condition and will also require replacement in the medium term. Further expenditure will also be required to assess the electrical distribution throughout.

## TENURE

### Comments

Freehold. The McDonalds unit to the south forms part of the same title and is underlet for a term of 199 years from 17 March 1995. The substation is underlet at a peppercorn until 19 October 2055. There is a potential chance repair liability.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	42,780	£632,867.00	£13.50	£577,530

### Market Trends & Marketability

There has been considerable letting activity in Peterborough over the last few years which was formerly home to two Focus units. One at Boongate has been let to The Range and the other on Brotherhood Retail Park has formed part of a comprehensive redevelopment with 35,000 sq ft having been let to M&S. This activity has tended to absorb any potential tenants for the unit which lies close the town centre but is nevertheless almost impossible to reach other than by car.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 24 month reletting void and a 24 month incentive package would be needed to secure a tenant.

### Occupational Evidence

Matalan took 30,000 sq ft in 2007 at £16.60 psf a short distance from this unit however values have fallen since then and a number of deals for vacated Focus units have absorbed any likely tenants for this unit. There remains unlet space within the redeveloped Brotherhood park.

### Justification for Opinion of ERV

At 40,000 sq ft and not forming part of either the town centre or any recognised Out of Town location this is likely to prove to be a difficult unit to let. Additionally recent letting activity has absorbed a number of large space tenants reducing further the likely demand. The ERV will therefore be towards the lower end of the range for out of town space. The Homebase, at Padholm Road has a passing rent of £12.50 psf and is in an inferior location.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

A1 non food planning

Located near city centre with excellent prominence to inner ring road.

#### Weaknesses

Considerable supply of retail warehousing in the town

Standalone unit relatively isolated from other retail units

To access southbound Bourges Boulevard, must exit from the property's rear onto Westfield Road.

## ACTIVE MANAGEMENT OPPORTUNITIES

Unit would split into 2, although it is end-on to Bourges Boulevard. The location is divorced from other retail warehouse provision but may suit discount retailers that have a large, destination concept such as The Range, B&M and Family Bargains.

Extend the unit, subject to planning as there is a large car park

## STATUTORY ENQUIRIES

#### Town Planning

The property falls under the jurisdiction of Peterborough City Council. The property is in a Transport Zone and Transport Safeguard Area and a General Employment Zone. The property was granted planning permission 8 April 1988 and the adjacent McDonald's in March 1995. The property does not have any planning applications pending. Peterborough's Core Strategy was adopted in February 2011 and covers policies until 2026.

#### Conservation Area or Listed

Not applicable.

#### Rateable Value

£615,000

## REFERENCES:

CBRE Surveyor:

JT

Date:

08/02/2013

# PROJECT CLAUDE

COVENTRY, Cross Point

TOWN: COVENTRY

ADDRESS: Cross Point



## KEY FACTS

ACCOMMODATION (GIA)	43,288	sq ft
TENURE	Freehold	
PLANNING	Restricted to the retail sale of Toys only.	

## Market Value

Market Value:	£6,510,000
MV per sq ft	£150.39
Initial yield:	7.25%
Reversionary yield:	6.65%
Current Income:	£499,342
Income per sq ft	£11.54
Rental Value:	£432,880
ERV per sq ft	£10.00

## Vacant Possession Value

Vacant Possession Value	£3,170,000
VPV per sq ft	£73
Rental Value:	£432,880
ERV per sq ft	£10
Void Assumption (mths):	24+24
Capitalisation rate	7.75%
% of Market Value	48.69%

## EXECUTIVE SUMMARY

Marketability/ Investor Demand	Likely investor demand from institutions or prop co's who are attracted by the long term income security.
Future Property Performance Volatility	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
Property Specific Issues	There were no specific property issues highlighted in the legal and environmental due diligence.
Suitability for Security	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

Description	A detached, single storey, purpose built retail warehouse of steel frame construction with brickwork and profile metal sheet cladding. There is a covered entrance porch and separate double door entry and exit. Internally fitted out to tenant corporate specification with perimeter storage mezzanine. Car parking is to the front and eastern elevation of the unit, servicing is to the rear with two dock loading bays which are specifically adapted for use by Toys R Us.
Flexibility for Sub-division	The unit is built upon a large site area, given its current configuration it could be subdivided to form two units. The planning consent is restricted to the sale of Toys only, this would need to be widened to enable sub letting.
Servicing Provision	Rear service yard with two dock loading bays. The bays have been adapted for use by Toys R Us and would potentially require alteration works if unit was sublet. Toys R Us has sole use of the service yard with access off the main customer entrance point.

## LOCATION & SITUATION

Location	The property is located approximately 4 miles north of Coventry City Centre, located on Cross Point Business Park, accessed off the A46 dual carriageway. Junction 2 of the M6 motorway is approximately half a mile to the east. The unit itself is accessed from Park Way, which in turn is accessed off the Hinckley Road (A4600). The unit itself is not located within an established retail area and the site sits in isolation to surrounding industrial uses.
Situation & Surrounding Uses	The surrounding uses are predominantly industrial and commercial, from both Cross Point Business Park and the Walgrave Triangle Business Park. There are two large foodstores, both Tesco and Asda, within close proximity.

# PROJECT CLAUDE



## Area Catchment & Demographic

Coventry has a relatively dense primary catchment. The total population in the primary catchment is estimated by PROMIS to be 436,000, with an estimated shopping population of 274,000. This ranks the town 36 out of the PROMIS Centres. It is not a particularly affluent catchment population, ranking 127 of the PROMIS Centres, with an above average proportion of the least affluent DE social group.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site was originally open agricultural land, until it was developed for its current use as a retail warehouse in 1993. The site is largely rectangular in shape with a flat topography and an overall site area of approximately 2 hectares. The immediate surrounding uses are industrial and commercial.

### Environmental Considerations

The Environmental Report prepared by Environ UK Limited in March 2013 concludes that there is low sensitivity in respect of environmental liability with no significant contamination noted.

### Age & Building Condition

The property was constructed in 1993. The building structure & fabric is in a fair condition with no significant defects observed to visible structure. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Freehold title number WM621403. To keep the Private access road in good and substantial repair. To pay a fair proportion of cost of repairing and maintaining the road. Liable for water drainage charge of £7,814pa (current year). Map outlines a potential gas pipe which could be included within the property boundary. Potential chancel liability would recommend indemnity insurance for both the above. Licence held by Barclays Bank until June 2014 for 80 car parking spaces. £41,600pa.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,288	£499,342.00	£10.00	£432,880

### Market Trends & Marketability

This unit is restricted by planning to the sale of Toys only. The unit is conveniently situated for Motorway access however it does not form part of any of the main Retail Warehouse locations for the city. It is however close to a substantial Tesco Food store and leisure scheme.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 24 month void and a 2 year incentive package would be needed to secure a tenant.

### Occupational Evidence

Coventry has a considerable amount of Out of Town Retail space in a number of schemes throughout the city. The majority of this has bulky goods planning. There is a significant amount of vacant space which has a depressing effect on rental levels. The former Comet unit at Alvis RP is vacant as is the former JJB and Peacocks units on Central Six and the JJB Sports at Gallagher RP.

### Justification for Opinion of ERV

The most recent large space letting is 30,000 sq ft to Decathlon at Arena RP which has a headline rental of £16.67 psf and an effective rental after incentives of £13.75 psf. The subject has a more restrictive planning and the location provides a poorer offer hence the lower ERV on this store.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

The property is located close to the main Toys R Us distribution centre and a large Tesco foodstore.

The current unit is constructed on a large site, which provides an excellent car parking ratio.

The location benefits from very good accessibility, within close proximity of Jct 2 of the M6.

#### Weaknesses

Not located within an established retail warehousing location. Unit is relatively isolated in current form.

Coventry already has a strong supply of retail warehousing provision, albeit this location is outside the city centre.

The current planning use is restricted to Toys only. This is extremely limiting for future sub letting potential.



# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The unit could potentially be subdivided into two units. There would also be room to potentially develop further units within the current site area. Although this would be subject to a widening of the planning consent as the current use is very restrictive.

In the event that planning can be widened the location will be difficult to promote over other locations within the Coventry conurbation. The fact that there is no other significant retail in close proximity will make marketing difficult and identifying occupational demand is a problem.

## STATUTORY ENQUIRIES

<b>Town Planning</b>	Falls under the jurisdiction of Coventry City Council, and planning policy under the Coventry Local Development Plan. The Core Strategy Development Plan, which is to form part of the Local Development Framework was submitted in July 2012.
<b>Conservation Area or Listed</b>	The property is not listed nor does it lie within a conservation area.
<b>Rateable Value</b>	£645,000

## REFERENCES:

CBRE Surveyor: RM Date: 08/02/2013

# PROJECT CLAUDE

## SHREWSBURY, Meole Brace Retail Park

**TOWN:** SHREWSBURY

**ADDRESS:** Meole Brace Retail Park



### KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>32,749</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	A1 non food, not to use as a garden centre or tourist information centre.	

### Market Value

<b>Market Value:</b>	£10,200,000
<b>MV per sq ft</b>	£311.46
<b>Initial yield:</b>	7.00%
<b>Reversionary yield:</b>	6.42%
<b>Current Income:</b>	£755,532
<b>Income per sq ft</b>	£23.07
<b>Rental Value:</b>	£654,980
<b>ERV per sq ft</b>	£20.00

### Vacant Possession Value

<b>Vacant Possession Value</b>	£9,570,000
<b>VPV per sq ft</b>	£292
<b>Rental Value:</b>	£892,410
<b>ERV per sq ft</b>	£27
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	7.25%
<b>% of Market Value</b>	93.82%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	A detached, single storey, purpose built retail warehouse of steel frame construction with brickwork cladding and mansard roof. There is a glass facade and an entrance lobby with separate double door entry and exit. Internally fitted out to tenant corporate specification with perimeter storage mezzanine. Car parking is to the front of the unit, servicing is to the rear with two dock loading bays which are specifically adapted for use by Toys R Us.
<b>Flexibility for Sub-division</b>	Yes, given the unit is standalone with rear service access it could be sub divided without significant works needing to be undertaken, although we estimate a maximum of two units.
<b>Servicing Provision</b>	Rear service yard with two dock loading bays. The bays have been adapted for use by Toys R Us and would potentially require alteration works if unit was sublet. Servicing is separate from the main customer entrance/egress points.

## LOCATION & SITUATION

<b>Location</b>	The property is located approximately 3 miles south of Shrewsbury town centre amongst the dominant cluster of retail warehousing provision in the town. The unit forms the southern part of Meole Brace Retail Park. A stand alone unit with a Sainsburys foodstore and petrol station separating the unit from the main retail parade. Other occupiers include , amongst others, Pets at Home, Boots ,Harveys, Next, Sports World, Carphone Warehouse and Currys. The park is accessed from the A5112 Hereford Road, which connects to the M54 via A5 approximately 6 miles to the east.
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# PROJECT CLAUDE



## Situation & Surrounding Uses

The property is located within a cluster of retail provision, with immediately surrounding occupiers including Sainsburys, Boots, Currys, Next, Rosebys, Sports Direct, Argos, Pets at Home, Halfords and Carphone Warehouse. To the southern boundary is farmland, to the east a railway line, Sainsbury's bounds the north of the site and the A5112 and some residential bound the western edge of the site.

## Area Catchment & Demographic

The Shrewsbury primary catchment serves an extensive but geographically sparsely populated primary catchment. The total population in the primary catchment is estimated by PROMIS to be 316,000, with an estimated shopping population of 177,000. This ranks the town 74 out of the PROMIS Centres. There is a moderately affluent catchment population, ranking 82 of the PROMIS Centres, with an above average proportion of the C1 social class, in contrast the most affluent AB social class is moderately under represented.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site was originally undeveloped greenfield land until it was developed for its current use as a retail warehouse in 1994. The topography of the site is generally flat and rectangular in shape. There is a raised elevation to the eastern boundary for the railway line. The site area is approximately 1.3 hectares, with the current property covering c45% of the total area.

### Environmental Considerations

The Environmental Report prepared by Environ UK Limited in March 2013 concludes that there is low sensitivity in respect of environmental liability with no significant contamination noted.

### Age & Building Condition

The property was constructed in 1994. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Freehold title number SL75530. Toys R Us to pay proportion of costs for maintaining access roads. The property lies within a mineral consultation area, the Coal Authority believes coal is close to the surface. Would recommend looking at potential indemnity insurance policy. Water Authority currently looking to Toys R Us to replace a water pipe lying to northern boundary of property.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	32,749	£755,532.00	£20.00	£654,980

### Market Trends & Marketability

This unit is located on the best Out of Town scheme in Shrewsbury and although it is slightly divorced from the scheme as a whole it is adjacent to a substantial Sainsburys food store. The scheme has managed to remain fully let in the main although lettings have taken time and the values on the park have fallen back from their peak 5 years or so ago.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 12 month void and a 2 year incentive package would be needed to secure a tenant

### Occupational Evidence

A number of units have fallen vacant over the last 5 years the former Focus unit being one of these. This has now let to TK Maxx. 10 yr lease £22.50 with £1.5 million and 4 months rent free. At 30,000 sq ft this can be analysed to show a net effective rent of £17.50 psf.

### Justification for Opinion of ERV

The unit is well located and adjacent to a food store on the edge of the best Retail Park in Shrewsbury which with the evidence supports our ERV.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong location forming part of an established retail destination with good critical mass of retailers.

Adjacent to a Sainsburys food store which provides the benefit of increased customer footfall.

Benefits from an Open A1 non food planning consent, therefore if required to sub let there would be a larger pool of potential hypothetical tenants.

#### Weaknesses

The unit lacks prominence from the main road (A5112).

The unit is standalone and sits detached from the main retail park, instead directly adjacent to the Sainsburys. Alternative occupiers may prefer the critical mass provided on the retail terrace.

## ACTIVE MANAGEMENT OPPORTUNITIES

We would anticipate that sub division of the existing store would be possible. Toys "R" Us would remain in 20,000 sq ft. The remainder of the unit could split into 2 units with relative ease. The neighbouring Meole Brace Retail Park has a good level of demand from a range of high street and discount retailers. The former Focus is now let to TK Maxx.

The current car parking configuration has prominence and frontage to the main A5112. There are several A3 pod units already on the adjacent site, namely Pizza Hut and McDonalds but, subject to planning consent, it could be possible to develop out this area with further A3 units.

## STATUTORY ENQUIRIES

#### Town Planning

Falls within the jurisdiction of Shropshire County Council. The first part of the Local Development Framework, the Core Strategy Planning Document was adopted in February 2011, this provides key strategic planning policy up to 2026. Key policy for Out of Town Centre development for Shrewsbury is based upon a needs only criteria, where suitability for in town use can be disproven.

#### Conservation Area or Listed

The property is not listed however it does lie within a Mineral Consultation Area.

#### Rateable Value

£610,000

## REFERENCES:

CBRE Surveyor:

RR

Date:

08/02/2013

# PROJECT CLAUDE

## DERBY, Wyvern Retail Park

**TOWN:** DERBY

**ADDRESS:** Wyvern Retail Park



### KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>41,896</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Restricted to bulky goods planning consent	

### Market Value

<b>Market Value:</b>	£7,660,000
<b>MV per sq ft</b>	£182.83
<b>Initial yield:</b>	7.50%
<b>Reversionary yield:</b>	6.46%

<b>Current Income:</b>	£607,608
<b>Income per sq ft</b>	£14.50
<b>Rental Value:</b>	£523,700
<b>ERV per sq ft</b>	£12.50

### Vacant Possession Value

<b>Vacant Possession Value</b>	£3,970,000
<b>VPV per sq ft</b>	£95

<b>Rental Value:</b>	£502,752
<b>ERV per sq ft</b>	£12
<b>Void Assumption (mths):</b>	18+24
<b>Capitalisation rate</b>	8.00%
<b>% of Market Value</b>	51.83%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	The property is a purpose built retail warehouse of twin bay steel portal framed construction with brick/block cavity elevations and metal profile cladding above, and metal profile cladding sheets to the pitched roofs.
<b>Flexibility for Sub-division</b>	The adopted Local Plan prohibits the subdivision or merging of units and provision of mezzanine floors. The building physically allows for sub-division into two units although there may be loading issues.
<b>Servicing Provision</b>	Good with two dock level loading doors to the rear (west) of the building.

## LOCATION & SITUATION

<b>Location</b>	The property is well located adjoining Wyvern Retail Park and a Sainsbury's superstore. The Wyvern Retail Park lies adjacent to the A52 dual carriageway, which is one of the main routes in and out of Derby City Centre. As a result, the Park is widely regarded as having the most favourable location of Derby's retail parks. The property benefits from a prominent position being easily visible from the A52.
<b>Situation &amp; Surrounding Uses</b>	The property is situated to the western end of Wyvern Retail Park and shares the same access road. Wyvern Retail Park is one of the prime retail parks serving Derby and occupiers include Next Home, Homebase, Currys, Halfords, Carpetright, Maplin and Mothercare. On the same site as the Toys R Us unit is a Boots unit, which shares the same car parking provisions.

# PROJECT CLAUDE



## Area Catchment & Demographic

Wyvern Retail Park primarily serves Derby and the south and western conurbation. The total population within the Derby primary catchment area is 548,000 and the estimated shopping population of Derby is 368,000, ranking the city 18 of the PROMIS centres, which is around the average for the Regional Centres. The age profile of the Derby primary catchment population is broadly comparable with the national average however the catchment population is not particularly affluent, ranking 143 of the PROMIS Centres on the PMA Affluence Indicator.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site extends 1.957 hectares (4.836 acres). It is generally level and is broadly rectangular with curved boundary corners, albeit for a spur to the north-east corner of the plot.

### Environmental Considerations

The Environmental Report prepared by Environ dated March 2013 concludes that the site represents a low risk with respect to environmental liability.

### Age & Building Condition

The property was constructed 23 years ago. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance, particularly to the external envelope. There were no significant defects observed to the visible structure, although some backlog maintenance is apparent. Four roof mounted air conditioning packaged chiller units were noted to be operating although they appear to be using R22 refrigerant which will be banned from 2015 under the Montreal Protocol and so will therefore require replacement in the short term.

## TENURE

### Comments

There appears to be a discrepancy between the legal title boundary and the land used as car parking along the northern boundary of the site. The purchasers legal advisers are aware of this but consider the discrepancy to be minor and confirm that no indemnity policy is warranted. A parcel of land forming the neighbouring Boots retail unit in the southern section of the property's title has been sold freehold. Covenants are in place for both properties to share car parking and associated costs. Likewise there are covenants allowing Toys R Us access over the neighbouring property to undertake maintenance to their property and service media.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	41,896	£607,608.00	£12.50	£523,700

### Market Trends & Marketability

Wyvern Retail Park is a well located scheme with good access to the A52. The subject unit occupies a slightly detached position at the end of the scheme with a Sainsburys food store to the other end. The scheme is one of the two dominant schemes in Derby along with Kingsway Retail Park and the more secondary Meteor Centre.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 18 month reletting void and a 24 month incentive package would be needed to secure a tenant.

### Occupational Evidence

The majority of the space has bulky goods planning consent and the demand for such space in units of this size is limited. Currently the former Focus on the Meteor Centre (39,000 sq ft) remains vacant and to let. The former Comet on Kingsway Retail Park (24,000 sq ft) has been subdivided and a new letting of part has recently taken place to Hobbycraft on a 8,970 sq ft unit at a headline rent equating to £28.50 per sq ft. The letting demonstrates modest rental growth is taking place for smaller units.

### Justification for Opinion of ERV

Rental values in Derby remain static. Large space such as the DIY units demonstrate rents of in the order of £13.00 psf and the ERV for this store is determined by this evidence.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Property forms part of one of primary Retail Parks in Derby which provides a good retail offer including a foodstore.

Wyvern Retail Park is widely regarded as having the most favourable location of Derby's retail parks and the property benefits from a prominent position being easily visible from the A52 dual carriageway.

The shared car parking with Boots provides a car parking ratio of circa 1:160 sq ft which is considered good.

#### Weaknesses

Large supply of retail warehousing in Derby.

Bulky goods and toys planning restriction.

The adopted Local Plan prohibits the subdivision or merging of units and provision of mezzanine floors.

## ACTIVE MANAGEMENT OPPORTUNITIES

Subject to planning the unit would split but difficult to identify occupational demand. Widening planning would improve situation and if achieved the location would appeal to the main discount retailers such as Family Bargains and The Range.

## STATUTORY ENQUIRIES

### Town Planning

The current adopted Local Plan for the City is the City of Derby Local Plan Review (2006) (CDLPR). The Government introduced a new planning system in 2004 and Derby City Council are in the process of producing a Local Development Framework (LDF) which will eventually replace the adopted Local Plan. Under the proposals map, the property (and wider Wyvern Retail Park) is subject to Planning Policy S9(3), restricting the sale of goods to DIY Goods; Furniture, Carpets and Soft Furnishings; Bulky Electrical Goods. It also prohibits the subdivision or merging of units and provision of mezzanine floors.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£550,000

## REFERENCES:

CBRE Surveyor:

JS

Date:

06/02/2013

# PROJECT CLAUDE

DONCASTER, White Rose Way

**TOWN:** DONCASTER

**ADDRESS:** White Rose Way



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>26,044</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 (non food)	

## Market Value

<b>Market Value:</b>	£3,770,000
<b>MV per sq ft</b>	£144.76
<b>Initial yield:</b>	7.50%
<b>Reversionary yield:</b>	6.53%

<b>Current Income:</b>	£299,460
<b>Income per sq ft</b>	£11.50
<b>Rental Value:</b>	£260,440
<b>ERV per sq ft</b>	£10.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£2,120,000
<b>VPV per sq ft</b>	£81

<b>Rental Value:</b>	£260,440
<b>ERV per sq ft</b>	£10
<b>Void Assumption (mths):</b>	12+24
<b>Capitalisation rate</b>	8.00%
<b>% of Market Value</b>	56.23%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant.
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Purpose built solus retail warehouse unit situated adjacent to the Lakeside Village Outlet Shopping Centre, off the A6182 (White Rose Way). The unit is of steel portal frame construction beneath a pitch roof clad with profile metal sheeting. The elevations are brick work to approximately 2m with profile metal sheeting to roof level. Internally the unit has been fitted out to the tenants standard corporate specification.
<b>Flexibility for Sub-division</b>	Yes, into a maximum of 2 units. It is likely the service access road would require reconfiguration works.
<b>Servicing Provision</b>	The unit has separate service vehicle access to the rear of the unit off, situated Carriage Drive.

## LOCATION & SITUATION

<b>Location</b>	The property is located on an out of town retail site approximately two miles south of Doncaster town centre. The property is accessed from Carriage Drive which in turn leads to White Rose Way the A6182, with J3 of the M18 motorway approximately 2 miles to the south. The property is situated adjacent to Lakeside Village Outlet Shopping park though slightly removed from the main retail warehousing provision.
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# PROJECT CLAUDE



## Situation & Surrounding Uses

The surrounding use is predominantly retail and industrial. The subject sits alongside the Lakeside Outlet Village, a Premier Inn and KFC and is close to a B&Q warehouse.

## Area Catchment & Demographic

The total primary catchment population of Doncaster is 427,000. The estimated shopping population of Doncaster is 275,000, ranking the town 35 of the PROMIS centres. The Doncaster catchment population is one of the least affluent of the PROMIS catchments, ranking 181 of the PROMIS Centres on the PMA Affluence Indicator.

The most affluent AB and C1 social groups are particularly under-represented within the Doncaster catchment.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site is generally level and both the site and building are broadly rectangular on plan.

### Environmental Considerations

The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low risk with respect to environmental liability.

### Age & Building Condition

We understand that the building was constructed in 1996. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Freehold

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	26,044	£299,460.00	£10.00	£260,440

### Market Trends & Marketability

Doncaster has a substantial supply of Bulky Goods space and a single open planning scheme at Wheatley Hall Road. Large space has shown a reluctance to let, the former Focus on Wheatley Hall Road being an example of this. The subject unit is not on a retail park being adjacent to the Lakeside Village Outlet shopping centre as such and despite the open planning permission at this size it is difficult to identify demand.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 12 month void and a 2 year incentive package would be needed to secure a tenant.

### Occupational Evidence

There is generally an oversupply of Bulky Goods space and even the open planning space has demonstrated little in the way of growth over the last 5 years or so. The Matalan on Wheatley Hall Retail Park is passing off £13.00 for just under 40,000 sq ft and was settled at nil increase at last review, and the smaller units on the park have if anything demonstrated declining values.

### Justification for Opinion of ERV

This is an off pitch location for a retail warehouse and this combined with the proven lack of demand for units of this size in Doncaster dictates that the ERV will be low.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Situated very close to Lakeside Village Outlet centre, therefore benefitting from a high degree of footfall.

Good Prominence to main road (White Rose Way).

A1 (Non food) Planning consent.

#### Weaknesses

Large supply of retail warehouse stock in the town.

The existing store would be considered too large for the majority of retail warehouse occupiers. This would limit the pool of potential hypothetical tenants if you were to re-let.

The macro-location of the property is weak.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The unit could be split to incorporate a downsizing of the subject tenant to provide an additional unit to be let to an Open A1 (non food) retailer, subject to tenant demand.

## STATUTORY ENQUIRIES

### Town Planning

Falls within the jurisdiction of Doncaster Council's Planning policy, currently under the Local Development Framework (adopted May 2012) and Unitary Development Plan (Saved policies). The LDF will replace the UDP.

Outline planning permission was granted on 23 March 1993 for the development of non-food retail, office/industrial and warehouse units, a hotel, diner, petrol filling station and car showroom, infrastructure, car parking and landscaping.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£327,500

## REFERENCES:

CBRE Surveyor:

MJ

Date:

07/02/2013

# PROJECT CLAUDE

BASILDON, Southernhay

**TOWN:** BASILDON

**ADDRESS:** Southernhay



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>47,191</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Open A1 (part food)	

## Market Value (existing rent)

<b>Market Value:</b>	£3,940,000
<b>MV per sq ft</b>	£83.49
<b>Initial yield:</b>	8.25%
<b>Reversionary yield:</b>	7.13%
<b>Current Income:</b>	£344,143
<b>Income per sq ft</b>	£7.29
<b>Rental Value:</b>	£297,303
<b>ERV per sq ft</b>	£6.30

## Vacant Possession Value

<b>Vacant Possession Value</b>	£2,180,000
<b>VPV per sq ft</b>	£46
<b>Rental Value:</b>	£330,337
<b>ERV per sq ft</b>	£7
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	8.75%
<b>% of Market Value</b>	55.33%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant.
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation. The following property specific issues were raised: The head lease was granted for 125 years (less 10 days) from 16 September 1985, expiring on 6 September 2110. The lease is subject to an annual rent of £1 pa. We have reflected the length of unexpired head-lease term in the valuation. There is a third party lease in place to Sports Direct.com 25 years from 25/03/1998 (10 yrs unexpired) current rent £182,500 pa.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	The property comprises a single storey retail unit with ancillary storage and office accommodation to a first floor mezzanine. The customer entrance to the unit is from the pedestrianised area of the town centre on Southernhay. The property is set beneath, and adjacent to, a multi-storey car park with an external car parking deck forming the roof over the property. The unit is of pre-cast concrete frame construction with a combination of brick and blockwork and painted metal clad elevations. Internally the unit has been fitted out to the tenants standard corporate specification. The unit has been sub-divided and let to Sports Direct.
<b>Flexibility for Sub-division</b>	The unit has been sub-divided once and let to Sports Direct. The unit would be suitable for further sub-division, however there exists an excess of supply of retail accommodation in the town centre therefore tenant demand for the unit may be low.
<b>Servicing Provision</b>	Dedicated, unsecured servicing to the rear is accessible via Southernhay.

# PROJECT CLAUDE



## LOCATION & SITUATION

<b>Location</b>	The property is situated on the periphery of Basildon town centre close to the A1321 which links directly to the A12 and the centre of London. Customer access is via a pedestrian entrance off Southernhay. Customer vehicle access to the site and to the car park is set to the rear of the building, off Great Oaks. The location is poor for retail warehousing.
<b>Situation &amp; Surrounding Uses</b>	The unit is situated at the northern end of the pedestrianised Southernhay, which is on the fringe of the town centre retail provision. The Westgate shopping centre is situated at the lower end of Southernhay where many national multiple retailers are in occupation. The shopping centre includes an Asda foodstore. Staples and Carphone Warehouse occupy retail warehouse units to the north of the property on Southernhay.
<b>Area Catchment &amp; Demographic</b>	The total primary catchment population of Basildon is 328,000. The estimated shopping population of Basildon is 176,000, ranking the town 76 of the PROMIS centres, which is below the average for the Sub Regional Centres. The Basildon catchment population is moderately affluent.

## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	The site is rectangular on plan.
<b>Environmental Considerations</b>	The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low risk with respect to environmental liability. We understand that no notable risks to the subject property, from historic or current off-site activities, were identified.
<b>Age &amp; Building Condition</b>	We understand the property was constructed in 1986. From a Building Surveying perspective, the property is in fair condition for its age and use compared with many similar retail warehouse properties. There has been a minimal level of maintenance and therefore a moderate number of defects were observed most of which are relatively minor.

## TENURE

<b>Comments</b>	The property is held on a long lease from Chester Grove Ltd for a term of 125 years (less 10 days) from 16 September 1985 expiring 6 September 2110 (97.5 years unexpired). The rent payable is £1 pa (if demanded).
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	47,191	£344,143.00	£6.30	£297,303

<b>Market Trends &amp; Marketability</b>	The unit's configuration will make it difficult to let as a whole or in part. The town centre which is due for redevelopment is located nearby. Tenants tend to have a poor opinion of Basildon making letting vacant units difficult and all of these issues combine to suppress demand for this unit.
<b>Void Assumptions &amp; Reletability</b>	If this unit fell vacant it is considered there would be a 24 month void and a 3 year incentive package would be needed to secure a tenant
<b>Occupational Evidence</b>	The former Comet unit on Pipp's Hill Retail Park of some 15,000 sq ft has attracted some interest and will soon be let however this will be at significantly below the historic rental peak for this park.
<b>Justification for Opinion of ERV</b>	There is significant out of town retail space in Basildon although the majority of this is let. Nevertheless many of the units are overrented and the former MFI unit on the Mayflower Retail Park took some years to find a tenant. The recent lettings on Pipp's Hill which is a superior park are demonstrating rents in the low £20s for 10,000 sq ft down from £26.50 at their peak 5 years ago.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

The property benefits from Open A1 consent with food provision permitted up to a maximum of 10,000 sq ft to be used for the sale of food and drink.

The property has good prominence to Southernhay and is close to an Asda foodstore.

The property is located close to the town centre.

#### Weaknesses

If the unit became vacant there would be very limited tenant demand.

There is a high vacancy rate within the immediate retail location.

The location of the property is poor for retail warehousing.

## ACTIVE MANAGEMENT OPPORTUNITIES

The unit in its current configuration will be difficult to let as a whole or in part.

The position of the entrance to the unit, the servicing and access to car parking makes a potential sub division challenging. Tenant demand for large secondary space is very limited.

We would advise investigating the potential to sub-divide the unit and letting to a food retailer (subject to tenant demand and reconfiguring the unit).

## STATUTORY ENQUIRIES

#### Town Planning

Planning permission was granted on 10 January 1985 for the development of a retail store within Class 1 together with associated car parking, subject to a condition restricting the amount of retail floor space to be used for the sale of food and drink to 10,000 sq ft.  
On 2 January 1998, planning permission was granted for sub-division of the subject unit (ref BAS/1191/97).

#### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

#### Rateable Value

£570,000

## REFERENCES:

CBRE Surveyor:

JH

Date:

05/02/2013

# PROJECT CLAUDE

OXFORD, Botley Road

**TOWN:** OXFORD

**ADDRESS:** Botley Road



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,506</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 non-food. Not more than 40,176 sq ft of the development is to be used for the sale of 'Do It Yourself' materials. Planning prohibits the sale of food.	

## Market Value

<b>Market Value:</b>	£15,550,000
<b>MV per sq ft</b>	£357.42
<b>Initial yield:</b>	6.00%
<b>Reversionary yield:</b>	5.32%
<b>Current Income:</b>	£986,260
<b>Income per sq ft</b>	£22.67
<b>Rental Value:</b>	£826,614
<b>ERV per sq ft</b>	£19.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£9,610,000
<b>VPV per sq ft</b>	£221
<b>Rental Value:</b>	£761,355
<b>ERV per sq ft</b>	£18
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	6.25%
<b>% of Market Value</b>	61.80%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from Institutions or Property Companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	A detached, single storey, purpose built retail warehouse of steel portal frame construction with a combination of brick and profile sheet cladding to the exterior. There is a full height glass facade to the entrance canopy, with double door customer entrance and egress points. Internally the unit is fitted out to a tenant corporate specification with perimeter storage mezzanine. Car parking is to the front of the unit and shared with the neighbouring Aldi and Wickes units.
<b>Flexibility for Sub-division</b>	Yes, given the unit is standalone with rear service access it could be sub divided without significant works needing to be undertaken. Given the depth of the unit we do not believe it would subdivide easily into more than 2 units.
<b>Servicing Provision</b>	Rear service yard with two dock loading bays. The bays have been adapted for use by Toys R Us and would potentially require alteration works if the unit was sublet. Toys R Us has sole use of the service yard with access through the main car park.

## LOCATION & SITUATION

<b>Location</b>	Botley Road is the prime retail warehouse location within Oxford. The property is located within an edge of town retail park on the A420 Botley Road leading to the west of Oxford City Centre and approximately half a mile from the A34. The site is on the western outskirts of Oxford and approximately 1.5 miles from the City Centre. The site is generally level and essentially rectangular on plan. The surrounding area comprises predominantly retail warehouse and industrial units.
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# PROJECT CLAUDE



## Situation & Surrounding Uses

The surrounding uses are predominantly retail, with a mix of other commercial uses on the Botley Road including offices, car showrooms and some residential. The property is located amongst a cluster of retail warehousing provision on this stretch of the Botley Road. Adjacent schemes include Botley Road Retail Park, Templars Shopping Park and the Oxford Retail Park. Neighbouring occupiers include, amongst others, Argos, Currys, Aldi, Wickes and Pets at Home.

## Area Catchment & Demographic

Oxford is a regional centre and an economically buoyant urban area in rural Oxfordshire. The total population in the primary catchment is estimated by PROMIS to be 515,000, with an estimated shopping population of 252,000. This ranks the town 40 out of the PROMIS Centres. There is a moderately affluent catchment population, ranking 36 of the PROMIS Centres, with a significantly above average proportion of the most affluent AB social class.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site was originally undeveloped greenfield land until the 1970s when it was occupied by a garage, with a bakery occupying c10 % of the site to the northern boundary. The existing structure was built in 1993. The site is largely flat although very slightly built up towards the southern boundary. The site is broadly rectangular in shape and occupies an area of approximately 1.3 hectares.

### Environmental Considerations

The Environmental Report prepared by Environ UK Limited in March 2013 concludes that there is moderate to high sensitivity in respect of environmental liability. Historically the site was used as a garage which led to soil contamination. Remedial works were undertaken in 1993 and passive ground gas prevention measures were implemented within the construction of existing development.

### Age & Building Condition

The property was constructed in 1993. The building structure & fabric is in a fair condition with no significant defects observed to visible structure, although some backlog maintenance is apparent. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Freehold title number ON157436. Part of title sold to Kelwood Estates 2004 (site let to adjacent Aldi store). Mutual benefits of access, rights of light etc. To pay fair proportion of maintaining access road. Potential restrictive covenant for 1923 - restricting use of land.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,506	£986,260.00	£19.00	£826,614

### Market Trends & Marketability

Botley Road is the main out of town retailing location in Oxford, with the majority of retail warehouse parks and clusters situated in this location. The subject unit is reasonably prominent and would appeal to retailers, although the size would be an issue when marketing the unit as a whole.

### Void Assumptions & Reletability

There are a number of vacant units in Oxford, which provide competition for the subject unit if it was to let. Notwithstanding this, the unit benefits from open A1 non food planning, is situated in a good location on Botley Road and should let reasonably well. As with most of the Toys R Us units, the size will be the inhibiting factor when it comes to reletting as a whole. Void: 12 months, Incentive Package: 18 months.

### Occupational Evidence

Dunelm took a lease on a 30,000 sq ft unit in close proximity to the subject at the end of 2012. We understand that the unit has a bulky goods planning consent and that they agreed a rent of £15.00 headline with a small incentive package. The Dunelm unit is in an inferior location to the subject Toys unit. Elsewhere on Botley Road, the 2009 rent review of the 25,000 sq ft PC World unit was agreed at a nil increase off £26.50 per sq ft.

### Justification for Opinion of ERV

The Dunelm letting and PC World rent review settlement provide the parameters for assessing the rental value of the subject. When considering the planning, comparables and quantum issues together with the merits of the subject, £19.00 per sq ft is justified.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong location forming part of an established retail destination with good critical mass of retailers.

The unit benefits from an Open A1 non food planning consent which would provide the opportunity to sub let the unit to a wide pool of potential hypothetical tenants.

The unit benefits from prominence off the main Botley Road and has a good car parking provision. Would anticipate strong occupational demand and limited supply of good quality stock in the area.

#### Weaknesses

The existing store would be considered too large as a whole for the majority of retail warehouse occupiers. This would limit your pool of potential hypothetical tenants if you were to re-let.

The unit is set back from the main road and it's prominence is currently slightly masked by trees on the roadside verge.

## ACTIVE MANAGEMENT OPPORTUNITIES

The unit would sublet, but probably only once easily. Given the strong location and the open A1 planning consent, it is likely that there would be good demand for the whole or a sublet part. We are aware that retailers such as M&S, Next and John Lewis all have high profile requirements in Oxford. Next would take the whole or part and should initially be approached in respect to a future rationalisation strategy.

The car parking provision, albeit shared with neighbouring units, is plentiful. The unit is set back from the road with the car parking fronting the main Botley Road. There is a potential future asset management opportunity to build out A3 units to the front of the car park, if planning permission could be obtained.

## STATUTORY ENQUIRIES

#### Town Planning

Outline planning consent was granted in 1989, reference NOY/0762/87. Further consent was granted in March 1993 under reference NRY/0563/92. This granted permission for the erection of 74,000 sq ft of non food retail warehousing, including a garden centre of 4,200 sq ft and car parking provision for 515 cars. The permission restricted the sale of DIY goods to a maximum of 40,176 sq ft.

#### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area. However, there is a Tree Preservation Order in place and a potential chancel repair liability. We would advise professional indemnity insurance is taken out in respect of the above two issues.

#### Rateable Value

£825,000

## REFERENCES:

CBRE Surveyor:

CT

Date:

09/01/2013



# PROJECT CLAUDE

SWINDON, Oxford Road

**TOWN:** SWINDON

**ADDRESS:** Oxford Road



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,215</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 (non-food)	

## Market Value

<b>Market Value:</b>	£9,030,000
<b>MV per sq ft</b>	£208.96
<b>Initial yield:</b>	7.50%
<b>Reversionary yield:</b>	6.56%
<b>Current Income:</b>	£716,699
<b>Income per sq ft</b>	£16.58
<b>Rental Value:</b>	£626,618
<b>ERV per sq ft</b>	£14.50

## Vacant Possession Value

<b>Vacant Possession Value</b>	£4,760,000
<b>VPV per sq ft</b>	£110
<b>Rental Value:</b>	£626,618
<b>ERV per sq ft</b>	£15
<b>Void Assumption (mths):</b>	24+24
<b>Capitalisation rate</b>	8.00%
<b>% of Market Value</b>	52.71%

## EXECUTIVE SUMMARY

### Marketability/ Investor Demand

Likely investor demand from institutions, prop co's who are attracted by the long term income security.

### Future Property Performance Volatility

There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant

### Property Specific Issues

There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation.

The following issues relate to the property:

In the original title transfer (01/09/1989), a covenant restricted permitted use to a hotel or lorry park for 25 years from the transfer date. Subsequent deeds of variation allowed the use as a retail warehouse. It cannot be guaranteed that parties do not exist who may be able to enforce the original use covenant. The covenant expires on 31/08/2014.

The Company covenants to maintain the boundary wall with the lorry park along the boundary to the north-east of the property.

A section 52 agreement with the council restricts development of the open land situated within the southern part of the site south of the entrance road, included within the freehold ownership.

A Section 106 and 52 agreement permitted the Council to use the car park as a park and ride. The number of spaces which the Council is entitled to is between 150-220 throughout the year.

No indemnity insurance exists in respect of title issues.

### Suitability for Security

We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

### Description

Purpose built solus retail warehouse unit situated on a self contained site on the junction of the A419 and A420 along Oxford Road, to the eastern side of Swindon. The property is accessed off the A419 slip road, with a separate exit from the unit onto the A420.

The unit is of a steel portal frame construction with metal profile cladding sheets and brickwork elevations. The unit benefits from dedicated customer car parking. Internally the unit has been fitted out to the tenants standard corporate specification.

### Flexibility for Sub-division

The unit is suitable for a subdivision, however the service arrangement would need to be reconfigured.

### Servicing Provision

Servicing is accessed off the A419 via the customer entrance to the scheme. Servicing is situated to the rear of the unit and is provided via two dock-level loading bays.

# PROJECT CLAUDE



## LOCATION & SITUATION

### Location

The property occupies an edge of town location, situated within a secondary, though established, retail destination. The property is adjacent to a Sainsbury's foodstore, with a secondary four unit retail warehouse scheme called St. Margaret's Retail Park (occupied by Pets at Home, Hobbycraft, Poundstretcher and Dunelm) located on the opposite side of Oxford Road. Both the scheme and foodstore are accessed off the A420 while the subject is accessed off the A419.

### Situation & Surrounding Uses

St. Margaret's Retail Park is situated across Oxford Road from the property. There is also a Sainsbury's supermarket immediately adjacent to the subject property. The property is situated approximately 0.5 miles north along Oxford Road from Greenbridge Retail Park, which includes a range of open A1, bulky and A3 restaurant tenants.

### Area Catchment & Demographic

The total primary catchment population of Swindon is 481,000. The estimated shopping population of Swindon is 259,000, ranking the town 39 of the PROMIS centres. The Swindon catchment population is moderately affluent; in the 2001 Census the Swindon area contained a significantly above average proportion of adults within the most affluent AB social group.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site is irregular in shape and includes an area of open but overgrown land with a balancing pond, which is situated within the southern part of the site south of the entrance road.

### Environmental Considerations

The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low risk with respect to environmental liability.

### Age & Building Condition

The property was constructed in or around 1991. From a Building Surveying perspective, the property is in fair condition for its age and use compared with many similar retail warehouse properties. There has been a reasonable level of maintenance during the life of the property although there were a number of observed defects and some outstanding maintenance matters, most of which were relatively minor.

## TENURE

### Comments

Freehold

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,215	£716,699.00	£14.50	£626,618

### Market Trends & Marketability

Swindon is well supplied with retail warehouse space, with the main schemes being Greenbridge Retail Park close to the subject premises and Orbital Shopping Park to the North of the town. Mannington Retail Park to the west of the town has recently been redeveloped and is anchored by John Lewis. Many potential tenants for the premises are already represented in the town, and given the size of the unit, re-letting as a whole will prove difficult.

### Void Assumptions & Reletability

The unit benefits from open A1 non food planning consent, however given its size, finding a tenant for the whole is likely to prove difficult in the short term.

### Occupational Evidence

The 2009 rent review of the 31,564 sq ft Homebase unit on Greenbridge Retail Park (the main scheme in the town) was settled at a nil increase at £22.50 per sq ft. Subsequently, the 2010 and 2010 reviews of the 25,000 sq ft DSG units on the scheme were settled at nil increases at £23.50 and £16.70 per sq ft. Small units on the scheme (7,500 sq ft) are achieving uplifts as evidenced by the 2009 rent review of the Harveys, agreed at £30.00 per sq ft.

### Justification for Opinion of ERV

Given the location and size of the unit £14.50 per sq ft is justified when considering the rents achieved on smaller units on the superior Greenbridge Retail Park and making appropriate adjustments to reflect quantum, prominence and retail critical mass.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Excellent car parking provision and good accessibility to the A419 and M4.

The property benefits from Open A1 (non food) planning consent.

Situated adjacent to a busy Sainsbury's superstore and close to the bulky goods scheme, St. Margaret's Retail Park.

#### Weaknesses

The property lacks prominence and is obscured by shrubbery; signposting is provided on the roundabout to indicate access. Subsequently the unit does not fully capitalise on the passing traffic generated by the neighbouring Sainsbury's store and retail park.

The property is situated in a secondary retail warehouse location.

We understand from the Building Survey Report that mechanical and engineering provision within the unit dates from the property's construction over 22 years ago. The report advises that replacement/maintenance works are likely in the short to medium term.

## ACTIVE MANAGEMENT OPPORTUNITIES

Potential to subdivide the unit and let with an open A1 consent (subject to planning and tenant demand).

The property occupies a large site; we would advise investigating the potential to redevelop the site (subject to planning and tenant demand) to provide additional units and a larger scheme to create critical mass of retail warehousing.

We would advise increasing the prominence of the property through better landscaping of the boundaries fronting the A419 and A420, subject to planning.

## STATUTORY ENQUIRIES

#### Town Planning

Planning permission was granted on 8 March 1991 for the erection of a non-food retail warehouse.

#### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

#### Rateable Value

£500,000

## REFERENCES:

CBRE Surveyor:

JA

Date:

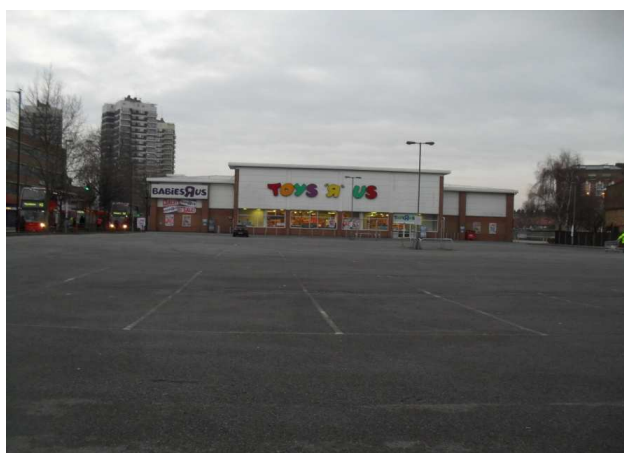
08/02/2013

# PROJECT CLAUDE

LONDON, Old Kent Road

**TOWN:** LONDON

**ADDRESS:** Old Kent Road



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>25,894</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 with restriction on servicing to 8:00-18:00 Mon-Sat only.	

## Market Value

<b>Market Value:</b>	£11,900,000
<b>MV per sq ft</b>	£459.57
<b>Initial yield:</b>	6.00%
<b>Reversionary yield:</b>	6.00%

<b>Current Income:</b>	£755,160
<b>Income per sq ft</b>	£29.16
<b>Rental Value:</b>	£647,350
<b>ERV per sq ft</b>	£25.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£8,960,000
<b>VPV per sq ft</b>	£346

<b>Rental Value:</b>	£699,138
<b>ERV per sq ft</b>	£27
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	6.25%
<b>% of Market Value</b>	7.80%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Solus unit situated on the A2 Old Kent Road. The unit is of brick construction to half height, with profile steel cladding above.
<b>Flexibility for Sub-division</b>	Possible, but not ideally suited for subdivision.
<b>Servicing Provision</b>	The unit has dock loading to the rear, with service vehicles gaining access over the customer car park.

## LOCATION & SITUATION

<b>Location</b>	The unit is prominently located on the A2, which experiences high traffic flow. Access to the site is however not directly off Old Kent Road, but is off Asylum Road at the back of the site. The unit lacks the critical mass of an on-park location.
<b>Situation &amp; Surrounding Uses</b>	Aldi, Asda, Carpetright, Staples, Mothercare World, PC World, Cantium Retail Park (B&Q, Halfords)
<b>Area Catchment &amp; Demographic</b>	South East London.

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	2.53 acres (1.02ha) site with good frontage onto Old Kent Road.
<b>Environmental Considerations</b>	The Environ report dated March 2013 concludes the site represents a low risk with respect to environmental liability.
<b>Age &amp; Building Condition</b>	Reasonable condition given their age and use.

## TENURE

<b>Comments</b>	Freehold
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
<b>GIA (whole)</b>	25,894	£755,160.00	£25.00	£647,350

<b>Market Trends &amp; Marketability</b>	Old Kent Road is a strong retail warehousing cluster in south east London. Void rates are relatively low and the underlying retailer demand is strong. The former Comet on Cantium Retail Park has attracted a number of bids since it fell vacant at the end of 2012. Notwithstanding the size of the subject, we would expect good demand if it fell vacant.
<b>Void Assumptions &amp; Reletability</b>	Given the open A1 planning consent, the unit would appeal to a number of occupiers. The size of the unit is more conforming than the majority of Toys R Us stores, and it is conceivable that the likes of Next, TK Maxx etc would see this as a good location for a flagship store. The void and incentive package is therefore minimal. Void: 12 months Package: 12 months.
<b>Occupational Evidence</b>	The most recent evidence on Old Kent Road is the November 2012 letting of the 12,900 sq ft former Magnet unit to Oak Furniture Land at a headline rent of £20.40 per sq ft with incentives. Previously Mothercare took the former Land of Leather unit of 12,333 sq ft at £20.00 headline - £15.60 net. The subject is superior to these non-conforming retail units. Rent review evidence on comparable sized stores of a similar nature to the subject include the 2009 nil increase of the Currys (now DFS) on Southernwood Retail Park at £7.50 per sq ft and most recently the March 2011 rent review on the 26,497 sq ft Wickes in Blackheath at £22.00 per sq ft - a small uplift.
<b>Justification for Opinion of ERV</b>	The unit benefits from an open A1 planning consent which is not unusual for this location. The unit is prominent and superior to both the Oak Furniture Land and Mothercare units. The rent review settlements on the Wickes in Blackheath and the Currys on Southernwood Retail Park provide helpful parameters for the rental value on the subject and therefore justify the ERV of £25.00 per sq ft.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Very good prominence onto Old Kent Road

Good tenant demand for Old Kent Road.

Open A1 consent and opportunity to sub-divide

#### Weaknesses

Not part of a major retail warehouse park.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The unit could be subdivided into two c12,500 sq ft units, which would maximise its rental value, particularly with the benefit of its open A1 planning consent. Given the recent "new format" Toys R Us store opening in Colliers Wood, Toys R Us could retain one of the 12,500 sq ft units, subject to securing mezzanine planning consent. Various retailers would have active requirements for Old Kent Road for a well located unit such as the subject. Re-letting of the unit as a whole or in parts should be achievable. High Street retailers that have an out of town concept would consider this location and if competition can be generated then more favourable terms may be agreed.

## STATUTORY ENQUIRIES

**Town Planning** The property is designated as retail within the UDP and its use as an employer is protected.

**Conservation Area or Listed** The property is not listed nor does it lie within a conservation area.

**Rateable Value** £565,000

## REFERENCES:

CBRE Surveyor: AJ Date: 12/02/2013

# PROJECT CLAUDE

LONDON, Tilling Road, Brent Cross

**TOWN:** LONDON

**ADDRESS:** Tilling Road, Brent Cross



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>46,901</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	For the sale of children's toys and associated children's goods only.	

## Market Value

<b>Market Value:</b>	£12,610,000
<b>MV per sq ft</b>	£268.86
<b>Initial yield:</b>	6.00%
<b>Reversionary yield:</b>	5.27%

<b>Current Income:</b>	£800,783
<b>Income per sq ft</b>	£17.07
<b>Rental Value:</b>	£703,515
<b>ERV per sq ft</b>	£15.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£8,550,000
<b>VPV per sq ft</b>	£182

<b>Rental Value:</b>	£680,065
<b>ERV per sq ft</b>	£15
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	6.25%
<b>% of Market Value</b>	67.80%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation. However, the property is within an area designated for regeneration, in which it will be purchased by the borough under its CPO powers and be demolished. There are no proposals to relocate the unit.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security for loan purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	Solus purpose built retail warehouse unit comprising a steel portal frame, metal profile cladding to the pitched roofs, and brick elevations to two-thirds height, with profile cladding above. The site has car parking of approximately 500 spaces and loading bay facilities are located to the rear of the store (access is shared with customer access to Toy R Us and the Tesco Superstore).
<b>Flexibility for Sub-division</b>	Yes but limited by relatively narrow frontage to depth ratio, and restricted loading access due to shared customer entrance.
<b>Servicing Provision</b>	The unit is serviced from the rear left flank. The service area is restricted and shared with customer access to the unit and Tesco Superstore.

# PROJECT CLAUDE



## LOCATION & SITUATION

<b>Location</b>	The unit is in a good location, prominent to a number of main roads. Access to the unit is via Tilling Road, which is accessed off the A406 roundabout. It can also be accessed off the A41 via a west bound slip road. Its entrance is shared with the neighbouring Tesco Superstore.
<b>Situation &amp; Surrounding Uses</b>	Tesco Superstore is adjacent to the subject store, and the 90,000 sq ft Brent South Shopping Park is located to the north east and is anchored by Next and TK Maxx.
<b>Area Catchment &amp; Demographic</b>	North West London.

## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	The site extends 2.510 hectares (6.202 acres), is generally flat and irregular in shape.
<b>Environmental Considerations</b>	The Environ report dated March 2013 concludes the site represents a low to moderate risk with respect to environmental liability. No further works are recommended however should the site be redeveloped, particularly to a more sensitive end use, it is likely that the regulatory authorities will require further assessment of the contamination in respect to the proposed future use.
<b>Age &amp; Building Condition</b>	The CBRE building survey highlights that the building structure and fabric is in a fair condition with no significant defects observed to the visible structure, although some backlog maintenance is apparent. Continued roof and elevation repairs are required to ensure the building remains wind and watertight. The building survey estimates budget cost liabilities to be in the region of £177,000 over the next 5 years.

## TENURE

<b>Comments</b>	Long leasehold. The property is held on two long leaseholds. The first commenced 17/12/1986 for a term of 125 years expiring 17/12/2111. The second lease commenced 06/07/1994 for a term of 192 years, 5 months and 11 days, expiring 17/12/2186. Both leases are subject to an annual rent of a peppercorn. Adjacent Tesco has right of way at all time and for all purposes over and along estate roads.
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
<b>GIA (whole)</b>	46,901	£800,783.00	£15.00	£703,515

<b>Market Trends &amp; Marketability</b>	The prime retail park in close proximity to the subject is Brent Shopping Park, attracting rents of c£50.00 per
<b>Void Assumptions &amp; Reletability</b>	Given the highly restrictive planning consent, Toys R Us are the only tenant that would occupy this unit at present. If the planning consent could be widened, we believe the unit would attract some interest on the open market, both in whole or in part via a subletting. The current planning consent effectively prohibits the subletting of the unit, and impacts the ERV on the whole. If the planning on the unit could be widened, we would expect reasonable demand for the unit as a whole and in part. 12 month void: Package 12 months.
<b>Occupational Evidence</b>	The most recent evidence in the vicinity relates to the 2012 lettings to Dwell and Wren Kitchens on Staples Corner Retail Park at £32.50 and £27.50 headline (£28.22 and £22.00 net effective). CSL took a 13,054 sq ft unit on Brent Shopping Park in June 2011 at a rent of £39.10 per sq ft headline (£36.17 net effective). Both of these parks are superior to the subject Toys R Us unit. The June 2011 B&Q letting in Friern Barnet at £19.00 per sq ft headline on 50,200 sq ft (£15.94 net) provides a guide to large unit evidence in this area of north London.
<b>Justification for Opinion of ERV</b>	Taking into account the location, the restrictive planning, having regard to the recent occupational evidence and making appropriate quantum adjustments justifies the ERV of £15.00 per sq ft.



# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Good location and prominence

Affluent north west London catchment

Adjacent to Tesco superstore

#### Weaknesses

Given the restrictive Planning, suitable occupiers are restricted to Toys R Us or a direct competitor.

Uncertainty over site future as it falls within the borough council's proposed redevelopment scheme.

Accessibility to the store is limited by local transportation configuration

## ACTIVE MANAGEMENT OPPORTUNITIES

Given the highly restrictive planning consent, Toys R Us or a competitor are the only tenants that would occupy this unit at present. A widening of the planning consent would attract some interest on the open market, both in whole or in part via a subletting. Package: 12 months.

## STATUTORY ENQUIRIES

#### Town Planning

Property is within an area designated for regeneration, in which it will be purchased by the borough under its CPO powers and be demolished. There are no proposals for relocating the property. Outline planning permission for the contemplated development was granted and registered on 28 October 2010.

#### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

#### Rateable Value

£825,000

## REFERENCES:

CBRE Surveyor:

CK

Date:

08/02/2013

# PROJECT CLAUDE

POOLE, Nuffield Road, Nuffield Industrial Estate

**TOWN:** POOLE

**ADDRESS:** Nuffield Road, Nuffield Industrial Estate



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,193</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Whilst Toys R Us occupy, the retail purpose permitted is the sale by Toys R Us for their normal range of goods, but other retail use is permitted by consent of the Council. Once Toys R Us cease to occupy, then the property can only be used for industrial use and/or warehousing and/or distribution.	

## Market Value

<b>Market Value:</b>	£6,650,000
<b>MV per sq ft</b>	£153.96
<b>Initial yield:</b>	7.75%
<b>Reversionary yield:</b>	7.14%

<b>Current Income:</b>	£545,547
<b>Income per sq ft</b>	£12.63
<b>Rental Value:</b>	£475,123
<b>ERV per sq ft</b>	£11.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£1,760,000
<b>VPV per sq ft</b>	£41

<b>Rental Value:</b>	£237,562
<b>ERV per sq ft</b>	£6
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	9.00%
<b>% of Market Value</b>	26.47%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Solus unit of steel portal frame construction, profile clad to full height.
<b>Flexibility for Sub-division</b>	Physically possible, but the restrictive planning effectively prevents subdivision.
<b>Servicing Provision</b>	Serviced from the rear of the property via a separate access route.

# PROJECT CLAUDE



## LOCATION & SITUATION

<b>Location</b>	The unit is located on the fringes of the Nuffield Industrial Estate. Access to the unit via Nuffield road is not straightforward and is via the Fleetsbridge roundabout/slip road some 300 yards to the west. On the other side of this roundabout, another 200m to the west, is a large B&Q store, and further west is Wessex Gate Retail Park, with occupiers including Currys, PC World and DFS. There is also a large Tesco situated approximately 1/2 mile north west of the subject property.
<b>Situation &amp; Surrounding Uses</b>	Primarily Wessex Gate Retail Park and Wessex Gate East Retail Park. The closest retail warehouse to the subject store is the B&Q a short distance to the west via the A3049.
<b>Area Catchment &amp; Demographic</b>	Poole and surrounding conurbations

## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	4.53 acres / 1.83 hectares. The site is generally level and is essentially rectangular in nature.
<b>Environmental Considerations</b>	The Environmental Report prepared by Environ dated March 2013 concludes that there is low to moderate sensitivity in respect of environmental liability with no significant contamination noted.
<b>Age &amp; Building Condition</b>	The building is circa 22 years old. The property is in a fair condition for its age. There has been a reasonable level of maintenance during the life of the property although there were a number of observed defects and some outstanding maintenance matters, most of which were relatively minor. CBRE estimate budget cost liabilities of £155,000 in the medium term (3-5 years).

## TENURE

<b>Comments</b>	Freehold
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,193	£545,547.00	£11.00	£475,123

<b>Market Trends &amp; Marketability</b>	There are a number of retail warehouse parks in Poole, providing more than ample supply for a town of this nature. The subject unit is located on the fringes of an industrial area with no other surrounding retailers. It is therefore likely to appeal to a very limited pool of occupiers.
<b>Void Assumptions &amp; Reletability</b>	Given the highly restrictive planning consent and the size of the unit, letting it as a whole will prove very difficult. If Toys R Us vacate, the planning for the unit reverts to an industrial use - which in reality would be the most likely use for the unit if Toys R Us ever decide to leave. The Vacant Possession Value reflects this factor. Void: 18 months Package: 24 months.
<b>Occupational Evidence</b>	The rent review evidence for units of 20,000-26,000 sq ft on Wessex Gate Retail Park indicates that units of this size are rack rented at best at £18.00-£19.00 per sq ft. The subject is significantly larger, and in a considerably poorer location. The lettings to John Lewis in Chichester and Next in Shoreham at £35.70 and £21.93 (headline) respectively are of note, however the subject unit falls some way below these in terms of planning, location, specification and surrounding retail critical mass.
<b>Justification for Opinion of ERV</b>	Given the location, size and restrictive planning consent, a rent of £11.00 per sq ft is certainly reasonable when considering the wider basket of rental evidence.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Prominent location.

Subdivision physically possible.

#### Weaknesses

Secondary location with poor access.

Permitted use restrictions if Toys R Us cease to occupy.

No identifiable demand for the unit as a whole as it is too large for Toys R Us

## ACTIVE MANAGEMENT OPPORTUNITIES

The unit would split although probably only once. Given the supply of retail warehousing in Poole, demand for the unit in a secondary location would be limited, even before the restrictive user covenant is considered. The restrictive user would have to be widened before any asset management is considered. For ERV purposes on a downsize we have assumed that the restricted user could be relaxed and accommodate a retail warehouse occupier in a 10,000 sq ft unit. We have assumed that Toys R Us would wish to retain representation in Poole and would take the remaining unit of 32,788 sq ft. We have therefore adopted an industrial rate of £5.00 per sq ft, reflecting the restrictive user.

## STATUTORY ENQUIRIES

#### Town Planning

The property falls within the jurisdiction of Poole Borough Council's planning policy. The Core Strategy (adopted February 2009) sets out the framework for development in Poole. Planning permission was granted on 10 May 1991 (ref 5/91/16281/023/F) to erect a non-food retail warehouse, laying out of car parking, access and service road and associated landscaping.

#### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

#### Rateable Value

£430,000

## REFERENCES:

CBRE Surveyor:

JS

Date:

08/02/2013

# PROJECT CLAUDE

YORK, Clifton Moor Centre

**TOWN:**

**YORK**

**ADDRESS:**

**Clifton Moor Centre, off Hurricane Way**



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>33,654</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Open A1	

## Market Value

<b>Market Value:</b>	£7,760,000
<b>MV per sq ft</b>	£230.58
<b>Initial yield:</b>	6.75%
<b>Reversionary yield:</b>	5.94%

<b>Current Income:</b>	£554,408
<b>Income per sq ft</b>	£16.47
<b>Rental Value:</b>	£487,983
<b>ERV per sq ft</b>	£14.50

## Vacant Possession Value

<b>Vacant Possession Value:</b>	£5,280,000
<b>VPV per sq ft</b>	£157

<b>Rental Value:</b>	£538,464
<b>ERV per sq ft</b>	£16
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	7.00%
<b>% of Market Value</b>	68.00%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Detached good quality retail warehouse on a prominent park to the north of York
<b>Flexibility for Sub-division</b>	The unit could split into three units, one of 15,000 sq ft, 10,000 sq ft and 7,500 sq ft.
<b>Servicing Provision</b>	The property benefits from secure servicing to the rear of the unit, accessed off Hurricane Way

## LOCATION & SITUATION

<b>Location</b>	The immediate area is an established retail warehousing destination with many retailers locating nearby, including Tesco Extra.
<b>Situation &amp; Surrounding Uses</b>	Mothercare, Argos, Tesco Extra, Maplin and more
<b>Area Catchment &amp; Demographic</b>	York and the northern side of the city.

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

Part of a park on a generally flat, rectangular-shaped site.

### Environmental Considerations

The Environ Phase I environmental report dated March 2013 concludes that the property presents a LOW to MODERATE risk with respect to environmental liability. There is a major aquifer under the property. Previous site uses include an airfield and industrial.

### Age & Building Condition

The CBRE building report concludes that the building structure & fabric is in a satisfactory condition, however, some significant repairs were identified to the access road and car park areas that require attention. In addition it is likely that on-going roof and elevation repairs will be required to the external claddings to prevent further deterioration of the surface finish and profiled steel. The Mechanical and Electrical plant is considered to be in a fair condition and is receiving a minimal level of maintenance. Two roof mounted air conditioning packaged chiller units were operating using R22 refrigerant which will be banned from 2015 under the Montreal Protocol and therefore will require replacement in the short term.

## TENURE

### Comments

Long leasehold held for a 999 year term with effect from 8 April 1993 at a peppercorn (fixed). The tenant pays 24.77% of the park's service charge.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	33,654	£554,408.00	£14.50	£487,983

### Market Trends & Marketability

The property is surrounded by destination retailers, however competition from Monks Cross and Foss Islands Retail Park mean the scheme features quite low in the city's retail warehouse hierarchy. This will be further impounded by the addition of a new retail warehouse scheme in York - Vanguard Shopping Park in opening in April 2014. The scheme will be anchored by John Lewis, Next and M&S and sit alongside a terrace of restaurant and kiosk units. The opening of this scheme will have a detrimental impact on Monks Cross Shopping Park located opposite (due to retailer relocations) thereby altering the hierarchy of the retail warehouse schemes in York. Moreover, two adjacent units on the scheme now stand vacant due to retailer administrations. Both units (JJB Sports and Comet) extend to c.15,000 sq ft. To date, there has been little demand for the units.

### Void Assumptions & Reletability Occupational Evidence

The number of vacant units on the scheme and the large size of the subject unit has resulted in us adopting a void period of 18 months and a rent free period of 18 months would be appropriate.

There has been a lack of contemporary large unit evidence on the schemes in the area and a number of rent reviews remain outstanding. The most recent letting in the area relates to a August 2011 letting to Family Bargains at a headline rent of £20.00 psf with a 6 month rent free period netting back to a rent of £19.50psf.

### Justification for Opinion of ERV

The vacant units in the area present an opportunity to improve the retail offer and a threat to the rental values, on the local schemes particularly because the hierarchy of retail warehouse schemes in the city is going to change once the Vanguard Shopping Park scheme opens. The lack of contemporary evidence and the adjacent vacancies justifies the ERV that has been adopted.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Critical mass of retail warehousing

Good prominence to the ring road

Open A1 consent

#### Weaknesses

Located to one end of the scheme

Competition from other parks

Competition from vacant units on scheme - Comet, JJB and former Powerhouse

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The unit would split easily and could potentially be subdivided into units of 7,500, 10,000 and 15,000 sq ft. There would be good demand due to the nature of the area, however with the abundance of retail warehouse provision in York, many retailers are already represented.

## STATUTORY ENQUIRIES

**Town Planning** The property was granted planning permission 8 September 1993 for non-food retail use.

**Conservation Area or Listed** The property is not listed nor does it lie within a conservation area.

**Rateable Value** £690,000

## REFERENCES:

CBRE Surveyor: MP Date: 08/02/2013

# PROJECT CLAUDE

IPSWICH, Copdock Interchange

**TOWN:** IPSWICH

**ADDRESS:** Copdock Interchange



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,083</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Bulky goods plus toys.	

## Market Value

<b>Market Value:</b>	£8,090,000
<b>MV per sq ft</b>	£187.78
<b>Initial yield:</b>	7.00%
<b>Reversionary yield:</b>	7.00%

<b>Current Income:</b>	£599,326
<b>Income per sq ft</b>	£13.91
<b>Rental Value:</b>	£516,996
<b>ERV per sq ft</b>	£12.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£4,510,000
<b>VPV per sq ft</b>	£105

<b>Rental Value:</b>	£495,455
<b>ERV per sq ft</b>	£12
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	7.50%
<b>% of Market Value</b>	55.75%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Solus, purpose built retail warehouse, brick clad to eaves.
<b>Flexibility for Sub-division</b>	Yes, but would require additional service points.
<b>Servicing Provision</b>	Dock loading facility to the rear of unit.

## LOCATION & SITUATION

<b>Location</b>	A busy retailing location with Tesco, Mothercare, PC World, Currys and Multiyork in the vicinity. There is not however much synergy within each individual retailing element and access to the subject unit is not straightforward.
<b>Situation &amp; Surrounding Uses</b>	A cluster of retail warehousing and a foodstore - Tesco, Mothercare, PC World, Currys and Multiyork.
<b>Area Catchment &amp; Demographic</b>	Ipswich and surrounding conurbations to the north and south due to access links via the A14.



# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	2.68ha (6.6 acres), some of the site has compromised access and is not used.
<b>Environmental Considerations</b>	The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low risk with respect to environmental liability.
<b>Age &amp; Building Condition</b>	Reasonable considering age and use of the asset.

## TENURE

<b>Comments</b>	Long leasehold. The property is held on long lease from Suffolk County Council for a term of approximately 120 years from 30 April 1991 and expiring 6 October 2111, the rent payable is £1 pa (if demanded).
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,083	£599,326.00	£12.00	£516,996

<b>Market Trends &amp; Marketability</b>	There are a number of vacant units in Ipswich - most notably is the former Comet of 30,000 sq ft on Anglia Retail Park. B&Q also want to downsize their unit on Anglia Retail Park by as much as 40,000 sq ft. Notwithstanding the prominence of the subject to the busy A14, the property is relatively isolated from other retailers.
<b>Void Assumptions &amp; Reletability</b>	Given the relatively restrictive planning consent and the size of the unit, letting it as a whole will prove problematic. Letting in part is also likely to prove difficult. Given the lack of open A1 consented space in Ipswich, if the planning consent could be widened, the situation would be improved. Void: 12 months Package: 12 months.
<b>Occupational Evidence</b>	Next and M&S have taken units of 30,588 and 15,000 sq ft respectively at Martlesham Heath to the east of Ipswich, both at rents of £25.00 per sq ft with significant incentive packages. Closer to the town centre, in mid 2011 Matalan took a unit of 27,800 sq ft in a secondary location on Orwell Retail Park at £15.50 headline - £14.34 net effective. Rent review evidence on comparable sized stores of a similar nature to the subject include the minimal uplift from £12.50 per sq ft on the 27,990 sq ft Staples on Russell Road near the town centre. The March 2010 rent review on the 15,187 sq ft Mothercare, the closest retail warehouse to the subject was settled at a nil increase off a rent of £17.25 per sq ft.
<b>Justification for Opinion of ERV</b>	Open A1 planning consent attracts a premium in Ipswich given the lack of supply. This is evidenced by the lettings to Next and M&S at Martlesham Heath. The subject is larger and has a more restrictive planning consent, and will therefore attract a significantly lower ERV. The Staples rent review and the Matalan letting provide a guide to the ERV, however the subject is larger (and in the case of Matalan, has a more restrictive planning). Considering the comparables and the merits of the subject, £12.00 per sq ft is justified.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Highly prominent to the A14

Reasonable critical mass of retail warehousing in the locality.

#### Weaknesses

If subdivided additional servicing access would be required.

Site configuration and access is not strong.

The unit lacks synergy with other retailers in the vicinity.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The unit would split although probably only once. There is a good supply of bulky goods units in Ipswich, so demand for a downsized unit with the current planning consent would be questionable. There is strong demand for good quality open A1 non food out of town space in Ipswich, therefore if the planning consent could be widened, it would enhance the opportunities significantly. We have assumed an open A1 non food planning consent would be granted on both units as part of a downsize and applied our ERV accordingly. Toys R Us are assumed to remain in 32,809 sq ft following the downsize.

## STATUTORY ENQUIRIES

**Town Planning** The property is covered by The Ipswich Borough Council Development Plan

**Conservation Area or Listed** The property is not listed nor does it lie within a conservation area.

**Rateable Value** £490,000

## REFERENCES:

CBRE Surveyor: AJ Date: 15/02/2013

# PROJECT CLAUDE

TEESSIDE, Teesside Shopping Park

**TOWN:** TEESSIDE

**ADDRESS:** Teesside Shopping Park



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>42,499</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	A1 non food retail	

## Market Value

<b>Market Value:</b>	£17,540,000
<b>MV per sq ft</b>	£412.72
<b>Initial yield:</b>	6.50%
<b>Reversionary yield:</b>	5.73%

<b>Current Income:</b>	£1,205,849
<b>Income per sq ft</b>	£28.37
<b>Rental Value:</b>	£1,062,475
<b>ERV per sq ft</b>	£25.00
<b>% Overrent:</b>	

## Vacant Possession Value

<b>Vacant Possession Value:</b>	£11,280,000
<b>VPV per sq ft</b>	£265

<b>Rental Value:</b>	£966,852
<b>ERV per sq ft</b>	£23
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	8.10%
<b>% of Market Value</b>	64.31%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant.
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence which impacted the valuation. The head-lease is subject to an annual peppercorn rent, if demanded. The head lease expires in 100.5 years.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Purpose built standalone retail warehouse unit situated adjacent to Teesside Shopping Park. The property comprises steel portal frame construction beneath a profile metal clad roof. The elevations principally comprise cavity wall construction with steel sheet cladding. Principally, customer access to the site is via Newmarket Avenue though a secondary customer car park is provided to the south east of the property, which is accessed via Sandown Way.
<b>Flexibility for Sub-division</b>	The property is well configured for a subdivision.
<b>Servicing Provision</b>	The unit is serviced from the rear with a dedicated service yard accessed via Sandown Way.

## LOCATION & SITUATION

<b>Location</b>	The property benefits from a strong location, well positioned within Teesside Shopping Park just off the customer route through the park. The subject unit and Teesside Shopping Park are accessed via the A19 just off the main A66 ring road due south of Stockton on Tees centre. Middlesbrough town centre is approximately 2 miles to the east of the site.
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# PROJECT CLAUDE



## Situation & Surrounding Uses

The subject unit is prominently situated off the main route through Teesside Shopping Park, which provides over 400,000 sq ft of retail warehousing in over 40 units. Tenant representation on the park includes Open A1 Fashion and bulky retailers, in addition to leisure and A3 uses. Tenants include: Marks and Spencer, Boots, H&M, River Island, Argos, DSG, McDonalds, TGI Fridays. Morrisons supermarket is situated directly opposite the subject property.

## Area Catchment & Demographic

Teesside Shopping Park acts as a major regional retail destination pulling on Stockton-on-Tees and Middlesbrough as immediate catchment, but also surrounding conurbations. Stockton has a total catchment population of 200,000. Stockton has a shopping population of approximately 67,000, ranking the city 166 of the PROMIS centres, which is below the average for the Average Towns. The catchment population of Stockton is not particularly affluent with an above average proportion of the population falling within the least affluent D and E social groups, while the most affluent AB social group is under-represented.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site is broadly regular in shape and is generally level. The unit is well orientated towards Teesside Shopping Park and Morrisons. Due to the layout of the site, the majority of the dedicated car parking is situated to the north west of the unit.

### Environmental Considerations

The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low risk with respect to environmental liability.

### Age & Building Condition

We understand the unit was constructed circa 1990. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Long leasehold until 2114 at a peppercorn rent.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	42,499	£1,205,849.00	£25.00	£1,062,475

### Market Trends & Marketability

Teesside Retail Park is a dominant regional scheme and this unit occupies a prominent stand alone site directly opposite a Morrisons food store. It is however 41,500 sq ft and located in an area where there is a huge supply of out of town retail space, as such demand for such space will be limited even in locations of this quality.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 12 month reletting void and an 12 month incentive package would be needed to secure a tenant.

### Occupational Evidence

Despite the huge supply of out of town retail space locally this scheme has historically nearly always been fully let where as space such as the former MFI in Portrack lane nearby has remained unlet for years. Small space on this scheme has historically been above £50.00 psf although values have subsequently fallen back somewhat.

### Justification for Opinion of ERV

The regional nature of the park and the prominence of the unit adjacent to a Morrisons supermarket coupled with the excellent tenant line up would combine to generate demand for this unit despite its size and as such the ERV is considered realistic.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong location on one of the UK's leading shopping parks.

The unit benefits from good prominence to the A66, Morrisons and the main retail terrace.

Good parking provision.

#### Weaknesses

The unit is removed from the main terrace of retail warehousing at Teesside Shopping Park.

The existing store would be considered too large for the majority of retail warehouse occupiers. This would limit the pool of potential hypothetical tenants if you were to re-let as a single unit.

The site layout is sub-optimal with regards to car parking situated mostly to the side of the property.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The unit is suitable for sub-division to provide two units, which would benefit from good prominence to the primary access to Teesside Shopping Park (subject to planning and tenant demand).

## STATUTORY ENQUIRIES

### Town Planning

Falls within the jurisdiction of Stockton Borough Council's planning policy, currently under the Local Development Scheme (adopted March 2005, revised January 2011).  
Outline planning permission (ref TDC/87/019) was granted on 25 September 1989 for the development.  
We understand no condition exists restricting the range of goods that may be sold.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£845,000

## REFERENCES:

CBRE Surveyor:

MP

Date:

08/02/2013

# PROJECT CLAUDE

PLYMOUTH, Rendel Street, Western Approach

**TOWN:** PLYMOUTH

**ADDRESS:** Rendel Street, Western Approach



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>49,771</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Open A1 (Development description states non food but no condition is in place)	

## Market Value

<b>Market Value:</b>	£6,500,000
<b>MV per sq ft</b>	£130.60
<b>Initial yield:</b>	8.00%
<b>Reversionary yield:</b>	6.51%

<b>Current Income:</b>	£549,917
<b>Income per sq ft</b>	£11.05
<b>Rental Value:</b>	£447,939
<b>ERV per sq ft</b>	£9.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£2,060,000
<b>VPV per sq ft</b>	£41

<b>Rental Value:</b>	£286,183
<b>ERV per sq ft</b>	£6
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	8.50%
<b>% of Market Value</b>	31.69%

## EXECUTIVE SUMMARY

### Marketability/ Investor Demand

The property is located on the edge of the Plymouth city centre and provides a long unexpired lease term with fixed increases. The lot size may attract interest from property companies and private investors including those able to raise finance.

### Future Property Performance Volatility

There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant

### Property Specific Issues

There is a sub tenant in place, British Heart Foundation for a term of 10 years from 26 September 2008 at £70,000 per annum.

### Suitability for Security

We are of the opinion that property provides adequate security for lending purposes.

## PROPERTY DESCRIPTION

### Description

The property forms part of larger structure and is situated at ground floor level and the majority is beneath a multi storey car park. The subject has been divided to form two retail units. The property is of concrete frame construction, both the floor and ceiling are reinforced concrete slab. Elevations are combination of brickwork and metal cladding, there is semi circular glazed curtain walling to the frontage (southern elevation). The roof of the subject predominantly comprises the lowest floor of the multi storey car park. The roofs over the main structure are mansard with areas of asphalt covered concrete.

### Flexibility for Sub-division

The subject has been subdivided to create two separate retail units. The second unit has been sub let to The British Heart Foundation.

### Servicing Provision

There is a secure self contained service yard to the rear which provides dock level loading access to the unit.

# PROJECT CLAUDE



## LOCATION & SITUATION

<b>Location</b>	The property occupies a prominent position on the main inner ring road, immediately to the west of the city centre. The subject is opposite the Frankfort Gate entrance into Drakes Circus, albeit not immediately adjoining the shopping centre.
<b>Situation &amp; Surrounding Uses</b>	The property is at the edge of the city centre, surrounding uses include retail (Drakes Circus Shopping Centre) and commercial uses.
<b>Area Catchment &amp; Demographic</b>	Plymouth is categorised by PMA (PROMIS) as a sub regional centre, with a catchment population of 467,000, classified as not particularly affluent. Plymouth benefits from below average competition, the largest competing centre is Exeter (43 miles away, other competing centres include Newton Abbot, Truro and Torquay).

## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	A long narrow and slightly irregular shaped site in an edge of town location, bounded by roads on three sides. The site slopes gently downwards towards the south.
<b>Environmental Considerations</b>	The Environ report dated March 2013 concludes the site represents a low risk with respect to environmental liability.
<b>Age &amp; Building Condition</b>	The property is believed to have been constructed in the late 1980's. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

<b>Comments</b>	Long Leasehold. The property is currently held on a lease expiring October 2013 (originally Homebase) subject to an annual rent of £3,500. A reversionary lease is then in place for a term of 110 years at a peppercorn rent.
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	49,771	£549,917.00	£9.00	£447,939

<b>Market Trends &amp; Marketability</b>	This is an edge of town centre unit having more in common with the shopping centre than out of town retail.
<b>Void Assumptions &amp; Reletability</b>	If this unit fell vacant it is considered there would be a 18 month void and an 18 month incentive package would be needed to secure a tenant.
<b>Occupational Evidence</b>	There is vacant space in the adjoining shopping centre. In addition the former Wickes unit at Friary Retail Park has been vacant for some time as have the former Allied Carpets unit (16,000 sq ft) and Homemaker (20,000 sq ft) at Erill RP and the former Comet (15,000 sq ft) at Coypool RP.
<b>Justification for Opinion of ERV</b>	The Dunelm unit at Friary Retail Park is let off £15.00 psf, this is a superior unit. The adjacent former Wickes has been vacant for some time indicating a lack of demand. The subject unit is less attractive and is larger at some 52,000 sq ft consequently the rent which this unit could achieve will be significantly less.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Prominent central location, strong catchment demographics.

A1 non food planning (although no condition appears to be in place so food may be an option)

Limited direct competition for the current use.

#### Weaknesses

Proximity to the shopping centre could impact occupational demand.

Potential cost liability relating to the maintenance of the car park may deter occupiers.

Leasehold and position beneath car park may deter some investors.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

Potential for further sub division. There may be an opportunity to sub to a food operator subject to confirmation of the planning permission.

## STATUTORY ENQUIRIES

### Town Planning

The property is located in an area covered by Plymouth City Council and the PCC Local Development Framework which sets out planning policy to 2021 and beyond. The planning permission dated 3 February 1987 (3647/86) for the erection of multi storey car park and DIY store, including garden centre with landscaping and highway works.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£216,954

## REFERENCES:

CBRE Surveyor:

IB

Date:

10/01/2013



# PROJECT CLAUDE

LIVERPOOL, 9 Paisley Street

**TOWN:** LIVERPOOL

**ADDRESS:** 9 Paisley Street



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>24,785</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	A1 non food, clothing and footwear also prohibited	

## Market Value

<b>Market Value:</b>	£3,650,000
<b>MV per sq ft</b>	£147.27
<b>Initial yield:</b>	7.75%
<b>Reversionary yield:</b>	6.42%

<b>Current Income:</b>	£299,460
<b>Income per sq ft</b>	£12.08
<b>Rental Value:</b>	£247,850
<b>ERV per sq ft</b>	£10.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£860,000
<b>VPV per sq ft</b>	£35

<b>Rental Value:</b>	£148,710
<b>ERV per sq ft</b>	£6
<b>Void Assumption (mths):</b>	24+24
<b>Capitalisation rate</b>	8.25%
<b>% of Market Value</b>	23.56%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Although in a secondary location, the opportunity provides a long unexpired lease term with fixed increases. The lot size may attract interest from property companies and private investors including those able to raise finance.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	Moderate to high risk environmental issues identified may require further investigation.
<b>Suitability for Security</b>	We are of the opinion that property provides adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	The property is a solus unit in mixed commercial area. The building is a high bay retail warehouse of steel portal frame construction, with full height glazed frontage. There is storage at ground and mezzanine levels to rear and side elevations. The unit shares a car park with Costco. Internally it unit has been fitted out to the tenants standard corporate specification. There is an area of secure surfaced yard to the rear.
<b>Flexibility for Sub-division</b>	Potential to sub divide.
<b>Servicing Provision</b>	Self contained yard accessed from Paisley Street, separate to customer entrance. Loading via two dock level roller shutter doors.

## LOCATION & SITUATION

<b>Location</b>	North of the city centre and docks. Poor retail location although benefitting from footfall generated by Costco opposite. The property benefits from high volumes of passing traffic, however the unit is not easily accessible.
<b>Situation &amp; Surrounding Uses</b>	Costco are the adjacent occupier. Closest alternative Toys R Us is in Warrington. Smyths Toys are at Speke Road, Liverpool. St Helens and Brombrough.

# PROJECT CLAUDE



## Area Catchment & Demographic

Liverpool is categorised as a Major City by PMA (PROMIS) ranked 7th in the UK with a catchment population of over 1,000,000, although it is one of the least affluent. Liverpool's largest competing centre is Manchester, other competition comes from Bootle, St Helens. Birkenhead, Warrington, Southport and Chester.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

Slightly irregular shaped site with yard only along part of the rear elevation. Prominent position with frontage to Great Howard Street and Waterloo Road.

### Environmental Considerations

The Environmental Report by Environ report dated March 2013 concludes the site represents a moderate to high risk with respect to environmental liability.

### Age & Building Condition

Understood to have been constructed in 1987. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Long leasehold at a peppercorn rent. There are restrictions in an agreement dated 21 April 1995 not to build above or 5m either side a sewer that runs across the site. It appears from the plans that the property has been built in the restricted area. Title indemnity insurance is in place on the freehold title (MS138481) to an indemnity limit of £3m. It may be appropriate to increase this in line with MV. The car park is outside of the leasehold demise but there is a right to use the whole of the shared car park for free.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	24,785	£299,460.00	£10.00	£247,850

### Market Trends & Marketability

This property is poorly located in retail terms, lacking visibility and accessibility. As such demand would be ve

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 24 month reletting void and a 24 month incentive package would be needed to secure a tenant.

### Occupational Evidence

The retail warehouse market in Liverpool is dominated by New Mersey Retail Park, Speke and to a lesser extent by two schemes at Aintree. In addition there is a major redevelopment pending at Edge Lane. Rental levels at Speke are circa £42 for 10,000 sq ft and £32.00 at Aintree for units with open A1 planning consent. Best Buy took a large unit on Racecourse Retail Park at Aintree which has been subsequently assigned to Kiddicare. This deal was a headline rental of £18.20 psf with a capital contribution of £3,336,332, reflecting a net effective rent of £10.20 psf.

### Justification for Opinion of ERV

There is no shortage of space in Liverpool most of which is superior and as such this unit will command a rent towards the bottom of the rental hierarchy in the city.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Correct size for TRU current trading format

Might suit another destination retailer or discount retailers-food or non food (subject to planning being widened).

Prominent road side position with high level of passing traffic.

#### Weaknesses

Not an established retail location which would limit demand from other retailers to take space there

May prove difficult to re-let if vacant

Contamination issues may deter some investors

## ACTIVE MANAGEMENT OPPORTUNITIES

Very limited due to non retail location. May suit a local retailer, a discount retailer such as B&M Bargains, Family Bargains or Discount UK or possibly a discount food retailer in part only, all subject to a widening of the planning consent.

# PROJECT CLAUDE



## STATUTORY ENQUIRIES

### Town Planning

The property is located in an area covered by Liverpool City Council, The Liverpool Local Plan sets out planning policy to 2028. The planning permission dated 29 May 1996 prevents the sale of food, clothing or footwear. Although the unit includes a Babies R Us, which may represent a technical break, the clothing element of the sales mix is however relatively limited and we would not anticipate a significant impact on trade if the restriction was enforced.

### Conservation Area or Listed

A notice of listed buildings consent dated December 1997 permitted the demolition of Galton Street warehouse. This building had to be demolished in order to construct the subject.

### Rateable Value

£290,000

## REFERENCES:

CBRE Surveyor:

EH

Date:

10/01/2013

# PROJECT CLAUDE

## SOUTHAMPTON

**TOWN:** SOUTHAMPTON

**ADDRESS:** Western Esplanade



### KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>41,435</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Open A1.	

### Market Value

<b>Market Value:</b>	£12,410,000
<b>MV per sq ft</b>	£299.51
<b>Initial yield:</b>	6.50%
<b>Reversionary yield:</b>	6.01%

<b>Current Income:</b>	£853,587
<b>Income per sq ft</b>	£20.60
<b>Rental Value:</b>	£745,830
<b>ERV per sq ft</b>	£18.00

### Vacant Possession Value

<b>Vacant Possession Value:</b>	£7,590,000
<b>VPV per sq ft</b>	£183

<b>Rental Value:</b>	£725,113
<b>ERV per sq ft</b>	£18
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	6.75%
<b>% of Market Value</b>	61.16%

### EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

### PROPERTY DESCRIPTION

<b>Description</b>	Solus unit on the edge of a retail scheme with good prominence to the A3024 Western Esplanade, close to West Quay Shopping Centre and Retail Park and close to the pedestrian links from the town to the rail station.
<b>Flexibility for Sub-division</b>	The unit is well configured for a subdivision.
<b>Servicing Provision</b>	Serviced from the rear. Service lorries access via a small car park to the rear, which may be converted to a service yard should the unit be subdivided.

### LOCATION & SITUATION

<b>Location</b>	The property occupies a good edge of town centre location, albeit in a solus position, but in close proximity to the other main retail warehouse provision of West Quay Retail Park and Mountbatten Retail Park, with a main route into the City Centre.
<b>Situation &amp; Surrounding Uses</b>	Homebase, Comet and B&Q are all located further west on the A33.
<b>Area Catchment &amp; Demographic</b>	Southampton and surrounding conurbations. Southampton is an important port and one of the principal commercial centres in the South East region. The population of the primary catchment is 710,000.

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	4.38 acres / 1.77 hectares. The site is generally level and is essentially rectangular in nature.
<b>Environmental Considerations</b>	CBRE concludes that the site represents a low risk with respect to environmental liability.
<b>Age &amp; Building Condition</b>	The building is circa 22 years old. From a building surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance. CBRE estimate budget cost liabilities of £178,000 (£80,000 short term (1-2 years) & £98,000 medium term (years 3-5)).

## TENURE

<b>Comments</b>	Long leasehold. There is a potential chance repair liability.
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
<b>GIA (whole)</b>	41,435	£853,587.00	£18.00	£745,830

<b>Market Trends &amp; Marketability</b>	The unit occupies a good edge of town centre location in close proximity to both West Quay Retail Park and Mountbatten Retail Park. There are two former Comet units in the city, both of which are struggling to re-let. These and examples of highly incentivised lettings illustrate a decline in rental values over recent years.
<b>Void Assumptions &amp; Reletability</b>	There are a handful of vacant units in Southampton, which provide competition for the subject unit if it was to let - particularly in part. As a whole, the unit will be problematic to re-let given its size, although the flexible open A1 non food planning consent would widen the pool of potential occupiers. Void: 18 months Package: 18 months.
<b>Occupational Evidence</b>	The two most recent lettings in Southampton relate to considerably smaller units on Mountbatten Retail Park adjacent to the subject premises. Oak Furnitureland took 10,898 sq ft at £13.00 per sq ft with incentives and Wren Kitchens took 6,912 sq ft, also with a full incentive package. The most relevant "large unit" confirmed evidence in the South Coast area is the letting to John Lewis on Chichester Retail Park in the smaller retailing centre of Chichester - 35,569 sq ft at £22.00 per sq ft headline, £14.50 net. We understand that Next are taking a large unit in Hedge End at a rent of c£25.00 per sq ft but have not been able to confirm full details.
<b>Justification for Opinion of ERV</b>	The John Lewis letting in Chichester and the Next letting in Hedge End provide the parameters for the ERV. There are significant vacancies in Southampton and the highly incentivised lettings on Mountbatten Retail Park illustrate the difficult market conditions in this area. £19.00 per sq ft is justified particularly when considering the size of the subject.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Proximity to other retail parks.

Good prominence to Western Esplanade.

Good parking provision.

#### Weaknesses

Unit would benefit from refurbishment.

Parking charges during the day.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

Toys "R" Us to remain in half of the unit and target the 'Discounters' who cannot afford large space in Southampton town centre and other retail parks in a central location.

## STATUTORY ENQUIRIES

### Town Planning

The property falls within the jurisdiction of Southampton Council's planning policy, currently under the City of Southampton Local Plan Review (adopted March 2006). The council is moving towards implementing the Local Development Framework, which includes Development Plan Documents (DPDs). Southampton's adopted DPDs consist of the Core Strategy (2010) and "saved" policies from the Local Plan Review (2006). The City Centre Action Plan (which will replace some policies in the Local Plan Review) has not yet been adopted. Planning permission was granted on 9 April 1986 (ref M47/1674/20600) for the erection of a retail warehouse with associated car parking and service yard for Toys 'R' Us at Land in Western Esplanade.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£820,000

## REFERENCES:

CBRE Surveyor:

JS

Date:

08/02/2013

# PROJECT CLAUDE

CROYDON, Trojan Way, Purley Way

**TOWN:** CROYDON

**ADDRESS:** Trojan Way, Purley Way



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>42,741</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 non food	

## Market Value

<b>Market Value:</b>	£15,850,000
<b>MV per sq ft</b>	£370.84
<b>Initial yield:</b>	6.50%
<b>Reversionary yield:</b>	5.93%

<b>Current Income:</b>	£1,089,666
<b>Income per sq ft</b>	£25.49
<b>Rental Value:</b>	£940,302
<b>ERV per sq ft</b>	£22.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£9,900,000
<b>VPV per sq ft</b>	£232

<b>Rental Value:</b>	£854,820
<b>ERV per sq ft</b>	£20
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	6.75%
<b>% of Market Value</b>	33.31%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	Solus unit of steel frame construction and profile clad. The unit is partially masked as it is set back off Purley way, with retail warehousing located in front of it.
<b>Flexibility for Sub-division</b>	Physically possible but not ideally suited
<b>Servicing Provision</b>	Rear service yard with dock loading. Service vehicles and lorries gain access over the customer car park.

## LOCATION & SITUATION

<b>Location</b>	Purley Way is the principal retail warehouse destination in south London, with a high critical mass of retail warehousing in the locality of the store.
<b>Situation &amp; Surrounding Uses</b>	To the front of the subject property are Currys and PC World, who have downsized part of their unit to Next Home. To the south is a John Lewis Home, and to the north is Purley Way Retail Park occupied by four units. The Purley Way centre is located on the opposite side of Purley Way and is occupied by four units. The largest Retail Park in the locality, Valley Retail Park is located a short distance to the north, together with a B&Q and IKEA units.

# PROJECT CLAUDE



## Area Catchment & Demographic

Croydon, south London and surrounding areas. Croydon is located 10 miles south of central London with a population of 800,000 within the primary catchment area.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

4.17 acres/1.69 hectares. The site is generally level and is irregular in shape.

### Environmental Considerations

The Environ Report dated March 2013 concludes that the site represents a moderate risk with respect to environmental liability.

### Age & Building Condition

The building is circa 25 years old. From a building surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a fair level of reactive maintenance. CBRE estimate the budget cost liabilities to be £174,500 in the short term (years 1-2) and £10,000 in the medium term (years 3-5).

## TENURE

### Comments

Freehold. There is a potential chance repair liability.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	42,741	£1,089,666.00	£22.00	£940,302

### Market Trends & Marketability

The prime retail park in close proximity to the subject is Brent Shopping Park, attracting rents of c£50.00 per sq ft at the peak of the market. The unit is secondary to this location, but still occupies a prominent position to the A406 north circular.

### Void Assumptions & Reletability

Given the relatively wide open A1 non food planning consent, the unit would appeal to a number of occupiers. The size of the unit would however mean that it would be difficult to let as a whole. Demand in part would be stronger as Purley Way is the principle retail warehouse location in south London. Void: 18 months Package: 12 months.

### Occupational Evidence

The most recent evidence in the vicinity relates to the letting currently in solicitors hands to Furniture Village on the 23,230 sq ft former Comet. This letting is at a strong headline rent of £40.00 with a 14 month package - £36.33 net effective. The 26,397 sq ft M&S Simply food unit on Valley Plaza Retail Park has been on the market for some time with minimal interest from potential occupiers. The current passing rent of £33.00 on the M&S is considered overrented. Both units are superior to the subject Toys R Us - the former Comet is more prominent and the M&S benefits from the critical mass of a park location.

### Justification for Opinion of ERV

The unit benefits from an open A1 non food planning consent, however the majority of the retail warehouse provision on Purley Way has the same consent. We do not consider the planning enhances the value. Taking into account the masked location, the solus nature of the store, having regard to the recent occupational evidence and making appropriate quantum adjustments justifies the ERV of £22.00 per sq ft.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong retail warehousing location.

Open non food planning consent.

Subdivision possible.

#### Weaknesses

Partially masked to Purley Way.

Difficult to identify strong occupational demand.



# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

Subdivision physically possible, and the open A1 planning consent allows a wide range of potential occupiers, although many retail warehouse occupiers already have representation in the Purley Way area. As this is the case occupational demand for the unit as a whole or in parts is difficult to identify. When considering subdivision, we have assumed a downsized unit of 10,000 sq ft, with Toys R Us remaining in 32,732 sq ft.

## STATUTORY ENQUIRIES

### Town Planning

The property falls within the jurisdiction of the London Borough of Croydon Council's planning policy. Formal adoption of the Croydon Local Plan - Strategic Policies, (formerly Croydon's Core Strategy) is planned for April 2013.

Planning permission was granted on 9 Feb 1989 (references T/APP/L5240/A/88/092620/P2 and 87/3375/P) for the erection of a retail/warehouse building and parking for 354 cars at Trojan Way.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£850,000

## REFERENCES:

CBRE Surveyor:

JS

Date:

08/02/2013

# PROJECT CLAUDE

WOKING, Church Street West

**TOWN:** WOKING

**ADDRESS:** Church Street West



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>41,360</b>	sq ft
<b>TENURE</b>	Part Freehold / Part Short Leasehold	
<b>PLANNING</b>	Class 1 Retail	

## Market Value

<b>Market Value:</b>	£5,150,000
<b>MV per sq ft</b>	£124.52
<b>Initial yield:</b>	7.75%
<b>Reversionary yield:</b>	7.23%

<b>Current Income:</b>	£421,376
<b>Income per sq ft</b>	£10.19
<b>Rental Value:</b>	£372,240
<b>ERV per sq ft</b>	£9.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£3,580,000
<b>VPV per sq ft</b>	£87

<b>Rental Value:</b>	£434,280
<b>ERV per sq ft</b>	£11
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	8.25%
<b>% of Market Value</b>	87.57%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	Retail store adjacent to the Peacocks shopping centre which benefits from an entrance into the scheme. The property is at ground floor, with a multi storey car park above.
<b>Flexibility for Sub-division</b>	The property could subdivide to create two units, albeit this would provide secondary space.
<b>Servicing Provision</b>	Service yard provided as part of the shopping centre scheme.

## LOCATION & SITUATION

<b>Location</b>	Located in the centre of Woking within the Peacocks Shopping Centre. The property is at the corner of Church Street West with Victoria Way, allowing for good visibility from Woking's main thoroughfare.
<b>Situation &amp; Surrounding Uses</b>	Located in the town centre, there is a strong mix of retailers in the vicinity of the store, including Primark, H&M and Debenhams.
<b>Area Catchment &amp; Demographic</b>	Woking and surrounding conurbations. Woking has a primary catchment population of 179,000 but is projected to see above average growth in population over the period to 2016.

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

<b>Site Condition</b>	0.89 acres / 0.36 hectares. The property provides effectively full cover of the site.
<b>Environmental Considerations</b>	The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low to moderate risk.
<b>Age &amp; Building Condition</b>	The building is circa 30 years old. The property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance. CBRE estimate budget cost liabilities of £39,800 (£2,800 immediate, £10,000 short term and £27,000 medium term).

## TENURE

<b>Comments</b>	The property is subject to a lease of the upper parts to Woking Borough Council for 999 years from 1979 at a peppercorn rent. In addition there is lease of part of the ground floor to the South Eastern Electricity Board for 99 years from 1981 at a rent of £1 per annum. There is a potential chancel repair liability.
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## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
<b>GIA (whole)</b>	41,360	£421,376.00	£9.00	£372,240

<b>Market Trends &amp; Marketability</b>	The property is valuable as it benefits from the footfall from the shopping centre, and this will only improve once the nearby development opens. The unit looks tired and would require some refurbishment works to bring it up to the standard of other units in the vicinity.
<b>Void Assumptions &amp; Reletability</b>	The unit benefits from the visibility to the passing traffic on Victoria Way, as well as the footfall to the shopping centre adjacent to the subject unit. The site could attract interest from discounters, who would be interested in a split of the unit. If the unit became vacant a void period of 12 months would be required as a reletting period and a rent free incentive of up to 24 months.
<b>Occupational Evidence</b>	The recent letting of Marks & Spencer, who have recently taken 60,000 sq ft, was the primary letting in recent times although terms of this letting were confidential.
<b>Justification for Opinion of ERV</b>	The ERV is supported by the recent letting of an anchor 60,000 sq M&S store at the development of the nearby site. We expect this will help to generate increased levels of footfall and consequently we would expect there to be increased demand for the subject site as a result.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Town centre location.

High levels of footfall within the shopping centre.

Good visibility from Victoria Way.

#### Weaknesses

Parking is not free or at store level.

Unit would benefit from refurbishment.

It is located on the periphery of the shopping centre.

## ACTIVE MANAGEMENT OPPORTUNITIES

The unit could potentially suit a food store use, with the good visibility to the road. There is a general under supply of food retail in the town centre and all of the major retailers have large space requirements. We would advise Initially approaching foodstore operators with the aim of generating competition which may provide premium bids.

The unit could subdivide, leaving space for a discount retailer who would benefit from the high level of footfall.

Surrender the short lease back to the owner of the Peacocks Shopping Centre, albeit that this will provide poor frontage. This will reduce liabilities by c. £60,000 per annum.

# PROJECT CLAUDE



## STATUTORY ENQUIRIES

### Town Planning

The property falls within the jurisdiction of Woking Borough Council's planning policy, currently under the Core Strategy (adopted October 2012).  
We understand outline planning permission for the development (including the subject store) was granted on (ref. D/79/1274) Planning permission was granted on 18 August 1994 (ref. 94/0283) for the extension to the Toys R Us retail store to provide a link to Bandstand Mall; and provision of new lift from Bandstand Mall to Toys R Us car park to include new lift tower and new links to Toys R Us car park.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£389,500

## REFERENCES:

CBRE Surveyor:

JS

Date:

08/02/2013

# PROJECT CLAUDE

OLDBURY, Wolverhampton Road

**TOWN:** OLDBURY

**ADDRESS:** Wolverhampton Road



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>41,966</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 non food, and free standing restaurant with drive through facility. Planning consent granted 2005 for 15,000 sq ft extension. Contained s278 requirements and was not implemented.	

## Market Value

<b>Market Value:</b>	£5,410,000
<b>MV per sq ft</b>	£128.91
<b>Initial yield:</b>	7.25%
<b>Reversionary yield:</b>	6.59%
<b>Current Income:</b>	£414,665
<b>Income per sq ft</b>	£9.88
<b>Rental Value:</b>	£356,711
<b>ERV per sq ft</b>	£8.50

## Vacant Possession Value

<b>Vacant Possession Value:</b>	£3,220,000
<b>VPV per sq ft</b>	£77
<b>Rental Value:</b>	£377,694
<b>ERV per sq ft</b>	£9
<b>Void Assumption (mths):</b>	18+24
<b>Capitalisation rate</b>	7.50%
<b>% of Market Value</b>	59.52%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	A detached, single storey, purpose built retail warehouse of dual bay, steel frame construction with brickwork and steel profile cladding. There is a glass facade and an entrance lobby with separate double door entry and exit. Internally fitted out to tenant corporate specification with perimeter storage mezzanine. Car parking is to the front of the unit, servicing is to the rear with two dock loading bays which are specifically adapted for use by Toys R Us.
<b>Flexibility for Sub-division</b>	Yes, but will only split once without other significant works to provide servicing.
<b>Servicing Provision</b>	Rear service yard with two dock loading bays. The bays have been adapted for use by Toys R Us and would potentially require alteration works if unit was sublet. Toys R Us has sole use of the service yard with access off Chalford Way to the side of the subject unit.

# PROJECT CLAUDE



## LOCATION & SITUATION

### Location

The property is located approximately 5 miles west of Birmingham City Centre, situated, and with prominence from, Junction 2 of the M5 motorway. The site is approximately 2 miles from the centre of Oldbury but isn't within an established retail warehouse destination. The surrounding uses are predominantly industrial, a McDonald's drive through unit shares the Toys R Us site. The property is served with vehicular access from Birchfield Lane.

### Situation & Surrounding Uses

The surrounding uses are predominantly a combination of industrial and other commercial. There are few established retail uses, although occupiers Halfords, Dunelm Mill and a McDonalds are within close proximity. To the east of the property there is a vacant industrial unit and the M5 motorway, the south is bounded by the Titford Canal, with some residential. The west of the site is bounded by the A4034 dual carriageway.

### Area Catchment & Demographic

Oldbury is encompassed within the wider, extensive Birmingham catchment. This catchment population covers a large part of the West Midlands conurbation. The total population in the Birmingham primary catchment is estimated by PROMIS to be 1,368,000 with an estimated shopping population of 749,000. This ranks the city overall as 2 out of the PROMIS Centres. It is not an affluent catchment population, ranking 191 of the PROMIS Centres, with an above average proportion of the least affluent D/E social group.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site was originally, predominantly undeveloped greenfield land. At the early part of the century there was a boat yard and disused mine shaft at the south eastern boundary of the site. In the 1970's a transport depot was developed to the northern boundary and the existing development was constructed in 1988. The site is broadly rectangular in shape, the topography gently slopes to the north eastern boundary. The Titford Canal bounds the site to the south and south west and this elevation is raised by approximately 4m. The site extends to approximately 2.3 hectares.

### Environmental Considerations

The Environmental Report prepared by Environ UK Limited in March 2013 concludes that there is moderate sensitivity in respect of environmental liability. It is noted that there are disused mine entries adjacent to the site boundaries and a landfill site has been located within 250m.

### Age & Building Condition

The property was constructed in 1988 and refurbished in 2010. The building structure & fabric is in a fair condition with no significant defects observed to visible structure. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Freehold title number WM2879. Insufficient documentation showing right to pass through access area. Indemnity insurance in place for £1m with Sun Alliance. McDonald's sold on LLH for 199 years at a peppercorn. Local Authority minor road improvement works, due in 0-5yrs highlight that on the site upon which McDonald's is constructed there is a public footpath designation. This would require rerouting.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	41,966	£414,665.00	£8.50	£356,711

### Market Trends & Marketability

This is a prominent unit, sharing the site with McDonalds, being situated on a roundabout leading to the M5 and having access to the wider catchment of the Birmingham conurbation. Nevertheless it is a tertiary retail warehouse location and the unit is in need of a refurbishment. Demand would be limited.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 24 month reletting void and a 24 month incentive package would be required to secure a tenant.

### Occupational Evidence

The nearby Oldbury Green Retail Park provides 130,000 sq ft of open planning space and would clearly be more attractive to potential tenants for the area.

### Justification for Opinion of ERV

The former Comet at Oldbury Green of 17,000 sq ft has recently become vacant. Evidence on that scheme supports circa £18.50 psf for 12,000 sq ft (former JJB) and as such a unit of 42,000 sq ft away from that park would command considerably less. The nearby Dunelm unit of 41,000 sq ft is passing off an historic rent of in the order of £8.00 psf

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Prominent site with good car parking provision and prominence from the M5 motorway.

Benefits from a flexible Open A1 planning consent.

#### Weaknesses

Not an established retail warehousing location. Current ongoing retail warehouse development in the town centre which would be directly competing.

The unit is isolated and therefore lacks other immediately surrounding retail uses.

## ACTIVE MANAGEMENT OPPORTUNITIES

Although the unit benefits from an Open A1 non food planning permission, the location is poor compared with other locations in the vicinity. The Junction scheme will saturate most of any latent demand.

Alternative uses such as self storage and hotel use is possible. Offices are unlikely as there are sites opposite which have been proposed for office development for a number of years without interest.

## STATUTORY ENQUIRIES

#### Town Planning

Falls under the jurisdiction of Sandwell Council.

#### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

#### Rateable Value

£430,000

## REFERENCES:

CBRE Surveyor:

JS

Date:

10/01/2013

# PROJECT CLAUDE

CARDIFF, Cardiff Bay Olympian Drive

**TOWN:** CARDIFF

**ADDRESS:** Cardiff Bay Olympian Drive



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>40,000</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Restricted A1 (non food) by sq ft development.	

## Market Value

<b>Market Value:</b>	£8,210,000
<b>MV per sq ft</b>	£205.25
<b>Initial yield:</b>	7.25%
<b>Reversionary yield:</b>	6.22%

<b>Current Income:</b>	£630,000
<b>Income per sq ft</b>	£15.75
<b>Rental Value:</b>	£540,000
<b>ERV per sq ft</b>	£13.50

## Vacant Possession Value

<b>Vacant Possession Value</b>	£4,370,000
<b>VPV per sq ft</b>	£109

<b>Rental Value:</b>	£580,000
<b>ERV per sq ft</b>	£15
<b>Void Assumption (mths):</b>	18+24
<b>Capitalisation rate</b>	7.75%
<b>% of Market Value</b>	53.23%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant.
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the environmental due diligence. The legal reporting indicates a restriction on the permitted use (to toys and associated goods) for the first 15 years of the headlease term (expiring in 2021). Additionally, for the first 15 years of the head lease, no other use is permitted.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing adequate security.

## PROPERTY DESCRIPTION

<b>Description</b>	Purpose built solus retail warehouse unit situated in a secondary retail warehouse location off Olympian Drive. The unit is of steel portal frame construction with elevations clad in a combination of brickwork and terracotta tiling. The unit benefits from dedicated customer car parking. Internally the unit has been fitted out to the tenants standard corporate specification.
<b>Flexibility for Sub-division</b>	Suitable to provide one additional unit.
<b>Servicing Provision</b>	The unit has secured servicing to the rear and service vehicle access is via a dedicated service road off Watkiss Way to the rear of the property.



# PROJECT CLAUDE



## LOCATION & SITUATION

### Location

The property occupies a secondary location in relation to other retail warehouse provisions on Ferry Road, and is predominantly surrounded by leisure uses. Morrisons supermarket occupies a site on the opposite side of International Drive, from which Olympian Drive and the property is accessed.

The main retail warehouse provision is situated at the opposing end of Ferry Road and comprises Cardiff Bay Retail Park, which provides approximately 200,000 sq ft of accommodation.

### Situation & Surrounding Uses

The subject property forms part of a wider regeneration area comprising sports and leisure and residential developments. Surrounding use is predominantly leisure. However, Morrisons, Lidl foodstores and Cardiff Bay Retail Park are situated off Ferry Road, all within a 5 minute drive-time.

### Area Catchment & Demographic

The total population within the Cardiff primary catchment area is 1,238,000. The estimated shopping population of Cardiff is 584,000, ranking the city 8 of the PROMIS centres. Cardiff retains a large share of the available comparison spending within its primary catchment area while also drawing retail spend from a wider area. The catchment population of Cardiff is not particularly affluent with an under representation of the most affluent AB social group and an over-representation of the least affluent D and E social groups.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site is broadly rectangular on plan and is relatively flat. To the west there is a hoarding that separates the car park/building from an adjacent development site.

### Environmental Considerations

The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low risk with respect to environmental liability. (Although ENVIRON is awaiting a response to an updated request for information from the local authority).

### Age & Building Condition

The property is understood to have been constructed in 2006 and, from a building surveying perspective, is considered to be in fair condition for its age and use compared with similar retail warehouse properties. There has been a reasonable level of maintenance during the life of the property,

## TENURE

### Comments

Long leasehold  
250 years from 19/04/2006, subject to a head rent of £65,037 per annum. The head rent is subject to 5 yearly rent reviews to the higher of 2.5% or RPI, next review date is April 2016.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	40,000	£630,000.00	£13.50	£540,000

### Market Trends & Marketability

Cardiff has a very significant supply of Out of Town Retail space, and much of it is superior to this. This is a solus unit at the secondary end of Ferry Road and this, and its size militates against easy re letting. The planning permission for the development as whole restricts the amount of space which can be used for the sale of various goods and it would seem likely that this unit is restricted to the sale of Toys.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 24 month reletting void and a 24 month incentive package would be needed to secure a tenant

### Occupational Evidence

A unit of this size and in this location will necessitate a destination retailer to successfully occupy and there are a very limited number of such tenants in the market, additionally the planning permission is more than likely Toys only.

### Justification for Opinion of ERV

Long term vacancies on retail parks such as Vale Gate and Culverhouse Cross and the recent failure of Comet which has brought 2 further units to the market at Vale Gate and City Link have inevitably depressed values in the city. The nearest alternative Toys R Us unit is located at Cribbs Causeway in Bristol.

# PROJECT CLAUDE



## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

The store is relatively new, therefore it has no current building issues.

Benefits from footfall generated by nearby Morrisons foodstore.

Good car parking provision.

#### Weaknesses

Off pitch location in relation to the critical mass of retail warehouse provision. The unit also lacks prominence to passing Morrisons traffic.

Large supply of competing bulky retail warehouse units at Cardiff Bay Retail Park.

A head lease covenant restricts change of use from the permitted use (toys and play equipment, children's and adults' bicycles, baby care products, computers and video games) for the first 15 years of the term of the head lease (expires 2021). This limits the asset management options available if the unit is to be re-let.

## ACTIVE MANAGEMENT OPPORTUNITIES

The unit is suitable for sub-division to provide an additional unit. However there is limited tenant demand and an over-supply of stock in Cardiff. Furthermore, the restriction on use contained within the head lease could limit the potential pool of tenants to toys retailers.

We would advise the investigation into relaxing the planning restriction to use the floor space for the sale of goods other than toys and play equipment, children's and adults' bicycles, baby care products, computers and video games.

Potential to utilise excess car parking to develop an additional A3 pod subject to planning and tenant demand.

## STATUTORY ENQUIRIES

### Town Planning

Falls within the jurisdiction of Cardiff Council's Planning policy, currently under the Existing Plans (adopted 1996) however to be replaced by the Local Development Plan.

Outline permission was granted on 21 February 2003 (ref 01/002617/R), for the development of an international sports village comprising sports, leisure, retail, residential, hotel, conference centre, casino and restaurant/bar development. Condition 28 restricted the range of goods that may be sold from the retail floor space to 3,716 sq m gross for the sale of toys and play equipment, children's and adults' bicycles, baby care products, computers and video games.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£605,000

## REFERENCES:

CBRE Surveyor:

GH

Date:

08/02/2013

# PROJECT CLAUDE

NOTTINGHAM, Riverside Park, Queens Drive

**TOWN:** NOTTINGHAM

**ADDRESS:** Riverside Park, Queens Drive



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,155</b>	sq ft
<b>TENURE</b>	Long Leasehold	
<b>PLANNING</b>	Restricted to toys and games and/or 'the range of goods specified in [Policy] S7 of the City of Nottingham Local Plan	

## Market Value

<b>Market Value:</b>	£10,860,000
<b>MV per sq ft</b>	£251.65
<b>Initial yield:</b>	7.00%
<b>Reversionary yield:</b>	6.01%

<b>Current Income:</b>	£804,103
<b>Income per sq ft</b>	£18.63
<b>Rental Value:</b>	£690,480
<b>ERV per sq ft</b>	£16.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£7,500,000
<b>VPV per sq ft</b>	£174

<b>Rental Value:</b>	£712,058
<b>ERV per sq ft</b>	£17
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	7.25%
<b>% of Market Value</b>	69.06%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	The southern section of the car park is subject to overhead electricity cables which would impeded any potential future development, without significant expenditure to re-route them underground.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security for loan purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	The property is a purpose built retail warehouse of twin bay steel portal framed construction with brick/block cavity elevations and metal profile cladding above, and metal profile cladding sheets to the pitched roofs.
<b>Flexibility for Sub-division</b>	Sub-division possible.
<b>Servicing Provision</b>	Good with two dock level loading doors to the rear (North) of the building with its own access. Service area not shared with adjoining retailers.

## LOCATION & SITUATION

<b>Location</b>	Located on one of the two best retail parks in the city which includes a terrace of open consented units and a B&Q Warehouse, Riverside Retail Park totals 220,000 sq ft of retail warehousing. The property lies in close proximity to the A453, one of Nottingham's main arterial routes.
<b>Situation &amp; Surrounding Uses</b>	B&Q Warehouse, Next, Boots, Argos and The Outfit. There is also a vacant unit that used to accommodate JJB Sports, before it went into administration. There is also a Homebase unit nearby.

# PROJECT CLAUDE



## Area Catchment & Demographic

Serves Nottingham and surrounding conurbations. Riverside Retail Park serves Nottingham and the Southern conurbation. The total population within the Nottingham primary catchment area is 1,042,000 and the estimated shopping population of Nottingham is 597,000, ranking the city 7 of the PROMIS centres, which is around the average for the Major Cities. The age profile of the Nottingham primary catchment population includes a relatively high proportion of young adults aged 15-24. The representation of other age groups was broadly in-line with the average. The catchment population is not particularly affluent, ranking 162 of the PROMIS Centres on the PMA Affluence Indicator.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site extends 1.562 hectares (3.861 acres). It is generally level and is broadly rectangular in shape.

### Environmental Considerations

The Environmental Report prepared by Environ dated March 2013 concludes that there is low to moderate sensitivity in respect of environmental liability with no significant contamination noted.

### Age & Building Condition

The property was constructed 22 years ago. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance. There were no significant defects observed to the visible structure, although some backlog maintenance is apparent. Four roof mounted air conditioning packaged chiller units were noted to be operating although they appear to be using R22 refrigerant which will be banned from 2015 under the Montreal Protocol and so will therefore require replacement in the short term.

## TENURE

### Comments

Long Leasehold at a fixed peppercorn rent.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,155	£804,103.00	£16.00	£690,480

### Market Trends & Marketability

A prominent unit on a prime retail park. Neighbouring tenants are B&Q, Boots, Argos, Next and Outfit.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 12 month reletting void and a 12 month incentive package would be needed to secure a tenant

### Occupational Evidence

Significant vacant space in Nottingham. 20,000 sq ft former JJB unit nearby on scheme and former Comet units on Castle Marina and Madford Retail Parks. Former Best Buy unit taken by KiddiCare and it is understood the headline rent for this 30,000 sq ft unit is in the order of £23.50 psf although incentives will reduce the effective rental level. Recent activity on Victoria Retail Park which has open planning indicates rents for circa 11,000 sq ft are in the order of £20.00 psf. This is an inferior park to Riverside where values have historically been higher.

### Justification for Opinion of ERV

The unit is located on one of the prime schemes in Nottingham although the city does have a very significant supply of out of town retail space. At 43,465 sq ft this store is of a size where demand will be limited. Solus DIY stores occupied by Homebase and Wickes demonstrate rental levels of low to mid teens and this is superior in view of its scheme location.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong and established retail location.

Unit suitable for subdivision.

Unit adjacent to open consented and fashion retailers.

#### Weaknesses

Current bulky goods planning consent.

Large supply of retail warehousing in city.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

Potential to downsize and underlet part. TRU remain in occupation of 23,000 sq ft allowing two 10,000 sq ft units to be created for underletting. Given adjacent units benefit from open non food planning we advise investigations are undertaken into widening the existing planning consent. Void: 12 months, Package: 2 years.

## STATUTORY ENQUIRIES

### Town Planning

The current adopted Local Plan for the City is The Nottingham Local Plan (adopted November 2005). Under the plan, the property (and wider Riverside Retail Park) is not subject to any specific planning allocations.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£925,000

## REFERENCES:

CBRE Surveyor:

JS

Date:

06/02/2013

# PROJECT CLAUDE

LEEDS, Gelderd Road, Birstall

**TOWN:** LEEDS

**ADDRESS:** Gelderd Road, Birstall



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>42,954</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 non food	

## Market Value

<b>Market Value:</b>	£15,700,000
<b>MV per sq ft</b>	£365.51
<b>Initial yield:</b>	6.00%
<b>Reversionary yield:</b>	5.17%

<b>Current Income:</b>	£996,146
<b>Income per sq ft</b>	£23.19
<b>Rental Value:</b>	£859,080
<b>ERV per sq ft</b>	£20.00

## Vacant Possession Value

<b>Vacant Possession Value</b>	£12,070,000
<b>VPV per sq ft</b>	£281

<b>Rental Value:</b>	£934,250
<b>ERV per sq ft</b>	£22
<b>Void Assumption (mths):</b>	12+12
<b>Capitalisation rate</b>	6.25%
<b>% of Market Value</b>	76.90%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing adequate security.

## PROPERTY DESCRIPTION

<b>Description</b>	Purpose-built steel-framed retail warehouse located on an established shopping park in a good location.
<b>Flexibility for Sub-division</b>	Yes but limited by relatively narrow frontage to depth ratio.
<b>Servicing Provision</b>	Servicing to the rear elevation and shared with adjacent retailers. Access separate from customers.

## LOCATION & SITUATION

<b>Location</b>	The property is located south west of Leeds and adjacent to Junction 27 of the M62 in a prime retail and leisure destination. Total of 650,000 sq ft retail and leisure in immediate vicinity.
<b>Situation &amp; Surrounding Uses</b>	Occupiers on Birstall Shopping Park include Ikea, Next, Gap, Marks & Spencer Simply Food, River Island, Mamas & Papas, Arcadia amongst others. Other surrounding uses include leisure, industrial and residential.
<b>Area Catchment &amp; Demographic</b>	South Leeds, south and east Bradford and Kirklees. Catchment in excess of 1 million within 20 minutes drive.

# PROJECT CLAUDE



## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

A generally level 1.084 hectare (2.678 acres) site forming part of a retail park.

### Environmental Considerations

The Environ Phase I Environmental Assessment dated March 2013 concludes that the property presents a MODERATE risk with respect to environmental liability. The site is a former landfill site and land gas protection measures have been incorporated in the building design.

### Age & Building Condition

The CBRE building report dated March 2013 concludes that the building structure & fabric and M&E plant are in a fair condition with no significant defects observed to visible structure, although there is a backlog of maintenance items are apparent to the external elevations and roof coverings. Four roof mounted air conditioning packaged chiller units were operating using R22 refrigerant which will be banned from 2015 under the Montreal Protocol and therefore will require replacement in the short term. There has been minimal repair work undertaken.

## TENURE

### Comments

Freehold

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	42,954	£996,146.00	£20.00	£859,080

### Market Trends & Marketability

This is a prime retail and leisure location with good motorway access on the outskirts of Leeds There is a significant supply both here and in Leeds itself and this combined with the unit's size and prevailing local rental levels is such that there may be limited demand for this store.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 12 month void and a 12 month incentive package would be needed to secure a tenant.

### Occupational Evidence

Significant space locally although little vacant. 10,000 sq ft Comet vacancy has limited impact upon the value however.

### Justification for Opinion of ERV

A good quality tenant line up nearby encompassing the likes of Ikea, Next, Gap and River Island generate high footfalls and dwell times and as such the rental levels locally have remained relatively strong. Historically the rents for small units were significantly above £50.00 psf although these levels have declined markedly in the last 5 years or so. Alternative Toys R Us stores are to be found in Sheffield and York.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Key unit at an established retail destination

Open non food planning consent

Good prominence to the park

#### Weaknesses

Concerns over traffic congestion at peak times

General over supply of retail in Leeds, with the city centre redevelopment completing March 2013.

## ACTIVE MANAGEMENT OPPORTUNITIES

Potential to downsize and underlet part. TRU remain in occupation of 23,500 sq ft creating two 10,000 sq ft units for underletting.

# PROJECT CLAUDE



## STATUTORY ENQUIRIES

### Town Planning

The property is in an area covered by Leeds City Council and the Leeds City Council UDP. This is gradually being replaced by the Local Development Framework. Planning permission for the property was granted on 24 January 2001 for Open A1 non-food use. No mezzanine floor shall be built for retail use and no development shall take place within 3 metres of the mains that crosses the site. No unit shall be less than 743 sq m.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£750,000

## REFERENCES:

CBRE Surveyor:

MJ

Date:

07/02/2013



# PROJECT CLAUDE

SOLIHULL, Unit 6, Oakenshaw Road

**TOWN:** SOLIHULL

**ADDRESS:** Unit 6, Oakenshaw Road



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>43,550</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 consent excluding the sale of food, alcohol, fashion clothes, fashion accessories, books and stationery save as ancillary to the main use.	

## Market Value (existing rent)

<b>Market Value:</b>	£11,700,000
<b>MV per sq ft</b>	£268.66
<b>Initial yield:</b>	6.50%
<b>Reversionary yield:</b>	5.96%
<b>Equivalent yield:</b>	0.00%
<b>Current Income:</b>	£804,917
<b>Income per sq ft</b>	£18.48
<b>Rental Value:</b>	£696,800
<b>ERV per sq ft</b>	£16.00
<b>% Overrent:</b>	

## Vacant Possession Value

<b>Vacant Possession Value</b>	£7,870,000
<b>VPV per sq ft</b>	£181
<b>Rental Value:</b>	£762,125
<b>ERV per sq ft</b>	£18
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	6.75%
<b>% of Market Value</b>	67.26%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions, prop co's who are attracted by the long term income security. There is also a possibility that the owners of the neighbouring schemes Sears Retail Park and/or Solihull Retail Park would view this an opportunity to expand their ownership.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence.
<b>Suitability for Security</b>	We are of the opinion that the property would provide adequate security for lending purposes.

## PROPERTY DESCRIPTION

<b>Description</b>	A detached, single storey, purpose built retail warehouse of steel frame construction with brickwork cladding and mansard roof. There is a full height glass facade, an entrance lobby with separate double door entry and exit. Internally fitted out to tenant corporate specification with perimeter storage mezzanine. Car parking is to the front of the unit, servicing is to the rear with two dock loading bays which are specifically adapted for use by Toys R Us.
<b>Flexibility for Sub-division</b>	Yes, given the unit is standalone with rear service access it could be sub divided without significant works needing to be undertaken. The unit is not permitted to be subdivided to a floor area of less than 10,000 sq ft.
<b>Servicing Provision</b>	Rear service yard with two dock loading bays. The bays have been adapted for use by Toys R Us and would potentially require alteration works if unit was sublet. Toys R Us has sole use of the service yard with access off Chalford Way to the side of the subject unit.

# PROJECT CLAUDE



## LOCATION & SITUATION

### Location

The property is located approximately two miles south west of Solihull town centre, within the dominant cluster of retail warehouse provision in the area. The unit is accessible from two points on Lake Marshall Road, which is connected to J4 of the M42 via the A34 Stratford Road approximately two miles south. The unit lies directly adjacent to Sears Retail Park, anchored by Homebase. Solihull Retail Park, which extends to circa 183,000 sq ft is directly to the rear of the store.

### Situation & Surrounding Uses

The surrounding uses are predominantly commercial and retail with some residential. The unit is located amongst two dominant retail warehouse parks; Sears Retail Park sits adjacent and includes occupiers Homebase, Argos, Boots and a former JJB. We also understand that two new lettings have recently been agreed to M&S and Next. This should enhance the shopping offer within the immediate vicinity. Solihull Retail Park is located immediately behind the subject, occupiers include, amongst others, Mothercare, Currys, Pets at Home, Bensons and B&Q.

### Area Catchment & Demographic

The Solihull primary catchment encompasses a large part of the south eastern quadrant of the West Midlands conurbation. The total population in the primary catchment is estimated by PROMIS to be 333,000, with an estimated shopping population of 214,000. This ranks the town 54 out of the PROMIS Centres. There is a moderately affluent catchment population, ranking 67 of the PROMIS Centres, with an above average proportion of the most affluent AB social class.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site was originally undeveloped greenfield land, in 1937 a football ground was constructed over 30% of the existing site. This was cleared in the 1980's and the existing structure was built in 1993. The site gently slopes from front to rear (from access through the car park down to the retail units), and both the site and building are essentially rectangular on plan. The surrounding area comprises retail units of similar form and construction to the subject premises. The site occupies an area of approximately 1.7 hectares.

### Environmental Considerations

The Environmental Report prepared by Environ dated March 2013 concludes that there is low to moderate sensitivity in respect of environmental liability with no significant contamination noted.

### Age & Building Condition

The property was constructed in 1993. The building structure & fabric is in a fair condition with no significant defects observed to visible structure, although some backlog maintenance is apparent. From a Building Surveying perspective, the property is considered to be in a fair condition in the context of its age and form of construction but is receiving a low level of maintenance.

## TENURE

### Comments

Freehold, title number WM574711. Access to and from Marshall Lake Road entrance was granted by SLIF in 1993 for 80 years. Toys R Us share responsibility for maintaining the service roads up to a proportion of 33.3% of total costs in car park in front. Subject to a Mutual Lease of Car Park Rights (1994) which permits Toys R Us the right to park 120 cars for a term of 99 years from 1994.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	43,550	£804,917.00	£16.00	£696,800

### Market Trends & Marketability

The subject unit sits alongside three Retail Parks and a collection of solus units which make up the retail provision for Solihull and extends to c. 490,000 sq ft. There have been a number of lettings on the adjacent retail parks to Wren Kitchen, CSL, Currys/PC World megastore and M&S Simply Food, which has demonstrated a good level of retailer demand for the area albeit for units that are substantially smaller than the subject. The retail offer in the area has significantly improved.

### Void Assumptions & Reletability

In light of the above and should the unit become vacant, a void period of 18 months and a rent free period of 18 months have been adopted.

### Occupational Evidence

Part of Homebase unit under offer to M&S - 12,000 sq ft, £38psf, 9 months rent free, £1m capital contribution on a 10 year lease with tenant break option in year 15. Two vacant units in area - former JJB (10,547 sq ft) is being seriously considered by Sports Direct.

# PROJECT CLAUDE



## Justification for Opinion of ERV

The vacant units in the area present an opportunity, to improve the retail offer, and a threat, to the rental values, in the general area. The ERV of the subject premises reflects the improvements witnessed in the area to date. However, it has been slightly tempered by the subjects unit's poor prominence to the road (compared to the other adjacent units), vacant units in the area and the large size of the unit.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong location forming part of an established retail destination with good critical mass of retailers.

Immediate catchment population is affluent, with a large primary shopping catchment population.

Recent open market lettings on surrounding schemes has demonstrated continued occupier demand for the location.

#### Weaknesses

The existing store would be considered too large for the majority of retail warehouse occupiers. This would limit your pool of potential hypothetical tenants if you were to re-let.

The planning consent restricts the use of food, fashion and footwear. This ostensibly limits any future tenant to a bulky goods operator. The established Solihull Retail Park to the rear of the unit already comprises a large number of bulky goods occupiers.

## ACTIVE MANAGEMENT OPPORTUNITIES

There is potential to downsize and underlet part. Toys R Us would remain in occupation of 22,500 sq ft creating two 10,000 sq ft units to underlet. Current access to the rear service yard would allow the unit to be subdivided without undergoing extensive works.

Given the existence of open A1 non food units in the vicinity which benefit from a wider planning consent, we would advise looking into the possibility of widening the current consent. Target retailers would include operators such as Kiddicare and discounter retailers who have struggled to obtain good quality space in Solihull.

## STATUTORY ENQUIRIES

### Town Planning

Falls within the jurisdiction of Solihull Metropolitan Borough Council. Planning policy currently under the Unitary Development Plan (adopted April 2001) but is due to be replaced by the Local Development Framework. Planning consent for the property was granted in April 1993, varied by consent in November 1998 providing consent for the erection of a retail park together with garden centre, homebuild materials plus car parking. Consent has also been granted on the neighbouring Evans Halshaw site with permission for retail warehousing and a car showroom.

### Conservation Area or Listed

The property is not listed nor does it lie within a conservation area.

### Rateable Value

£1,130,000

## REFERENCES:

CBRE Surveyor:

CT

Date:

10/01/2013

# PROJECT CLAUDE

BRISTOL, Centaurus Road, Patchway

**TOWN:** BRISTOL

**ADDRESS:** Centaurus Road, Patchway



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>41,928</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Open A1 (non food)	

## Market Value

<b>Market Value:</b>	£10,230,000
<b>MV per sq ft</b>	£243.99
<b>Initial yield:</b>	6.50%
<b>Reversionary yield:</b>	5.81%

<b>Current Income:</b>	£703,290
<b>Income per sq ft</b>	£16.77
<b>Rental Value:</b>	£628,920
<b>ERV per sq ft</b>	£15.00

## Vacant Possession Value

<b>Vacant Possession Value:</b>	£6,170,000
<b>VPV per sq ft</b>	£147

<b>Rental Value:</b>	£649,884
<b>ERV per sq ft</b>	£16
<b>Void Assumption (mths):</b>	18+18
<b>Capitalisation rate</b>	7.00%
<b>% of Market Value</b>	60.31%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investor demand from institutions or property companies who are attracted by the long term income security.
<b>Future Property Performance Volatility</b>	There is a long unexpired term on the lease with fixed increases. The main volatility risks are external market factors and investor perception of covenant.
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence, with the exception of the potential for a Chancel repair liability.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Purpose built solus retail warehouse unit accessed from, and with frontage to Centaurus Road. The unit is of steel portal frame construction with profile metal cladding to the roof and elevations. The property is situated within the Cribbs Causeway retail area, to the north. The unit benefits from dedicated customer car parking to the front and southern elevations. Internally the unit has been fitted out to the tenants standard corporate specification.
<b>Flexibility for Sub-division</b>	Potential to subdivide.
<b>Servicing Provision</b>	Service vehicle access to the unit is via a separate entrance off Pegasus Road to the south-eastern boundary of the property. The unit has two dock-level loading bays.

## LOCATION & SITUATION

<b>Location</b>	Cribbs Causeway is a dominant and busy retail warehouse and regional shopping centre destination. The subject unit occupies a secondary location within the wider Cribbs Causeway destination.
<b>Situation &amp; Surrounding Uses</b>	Situated in a fringe location at the Cribbs Causeway retail area. Surrounding occupiers include TK Maxx, Hobbycraft, Wickes, Tesco Home Plus, Smyths Toys, B&Q Warehouse.

# PROJECT CLAUDE



## Area Catchment & Demographic

Bristol is the largest city in the South West of England with a total catchment population of 956,000. Bristol has a shopping population of approximately 492,000, ranking the city 10 of the PROMIS centres, which is below the average for the Major Cities. Given the wider regional role of Bristol, it is likely to draw shoppers and spending from beyond the primary catchment area, particularly to the east and south. The catchment population of Bristol is moderately affluent with an above average proportion of the population within the AB social demographic.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site is regular in shape with a slope to the north-eastern boundary. Site layout results in limited prominence to the Cribbs Causeway retail area and shallow car parking to the front of the store entrance.

### Environmental Considerations

The Phase I Environmental Assessment provided by ENVIRON (dated March 2013) concludes that the site represents a low risk.

### Age & Building Condition

The property is understood to have been constructed in 1984. From a Building Surveying perspective, the property is considered to be in fair overall condition in the context of its age, although fairly costly work is anticipated in respect of the roof and some mechanical services during the next 2 years.

## TENURE

### Comments

Freehold

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	41,928	£703,290.00	£15.00	£628,920

### Market Trends & Marketability

Although this is an exceptionally busy regional retail destination the unit occupies a secondary position within this. Additionally the configuration of the store with side servicing does not lend itself to easy subdivision.

### Void Assumptions & Reletability

If this unit fell vacant it is considered there would be a 18 month reletting void and a 24 month incentive package would be needed to secure a tenant.

### Occupational Evidence

Significant vacant space locally. 20,000 sq ft Comet, plus former PC World and Harveys has resulted in weakening of rental levels. ERV reduced accordingly.

### Justification for Opinion of ERV

Close-by 40,000 sq ft Best Buy on Centaurus Retail Park has been assigned to Kiddicare however further 70,000 sq ft vacant on Cribbs Causeway Retail Park. Smyths Toys are located on Cribbs Causeway Retail Park.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Strong location forming part of an established and major retail and leisure retail destination

The unit benefits from Open A1 (non food) planning consent

Good car parking provision.

#### Weaknesses

The unit is marginally removed from the main cluster of retail warehousing provision, towards the top of a slope.

The existing store would be considered too large for the majority of retail warehouse occupiers. This would limit the pool of potential hypothetical tenants if you were to re-let.

Large supply of retail warehouse units in immediate vicinity.

# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

The unit may be subdivided and let to another retailer, subject to planning, tenant demand and providing an adequate service corridor to the rear. However, there is a large supply of retail warehousing in the immediate location and within the wider Bristol catchment.

Potential to utilise excess car parking to develop an additional A3 pod subject to planning and tenant demand.

## STATUTORY ENQUIRIES

<b>Town Planning</b>	Planning permission was granted on 31 January 1985 for the erection of a non-food retail warehouse with ancillary offices.
<b>Conservation Area or Listed</b>	The property is not listed nor does it lie within a conservation area.
<b>Rateable Value</b>	£1,040,000

## REFERENCES:

CBRE Surveyor: GH Date: 08/02/2013

# PROJECT CLAUDE

COVENTRY, Parkway, Cross Point Business park

**TOWN:** Coventry

**ADDRESS:** Richardson Way, Cross Point Business Park



## KEY FACTS

<b>ACCOMMODATION (GIA)</b>	<b>668,500</b>	sq ft
<b>TENURE</b>	Freehold	
<b>PLANNING</b>	Class B8 (warehouse (not retail) and storage) of Town and Country Planning (Use Classes) Order 1987	

## Market Value

<b>Market Value:</b>	£42,550,000
<b>MV per sq ft</b>	£63.65
<b>Initial yield:</b>	7.35%
<b>Reversionary yield:</b>	6.31%

<b>Current Income:</b>	£3,309,075
<b>Income per sq ft</b>	£4.95
<b>Rental Value:</b>	£2,841,125
<b>ERV per sq ft</b>	£4.25

## Vacant Possession Value

<b>Vacant Possession Value</b>	£25,610,000
<b>VPV per sq ft</b>	£38

<b>Rental Value:</b>	£3,342,500
<b>ERV per sq ft</b>	£5
<b>Void Assumption (mths):</b>	24+24
<b>Capitalisation rate</b>	8.50%
<b>% of Market Value</b>	60.19%

## EXECUTIVE SUMMARY

<b>Marketability/ Investor Demand</b>	Likely investors to include Institutions/Prop co's/Distribution occupiers
<b>Future Property Performance Volatility</b>	By virtue of lease length and RPI escalator, we consider value is likely to remain stable. This is on the assumption that the perceived covenant strength of Toys R Us remains constant.
<b>Property Specific Issues</b>	There were no specific property issues highlighted in the legal and environmental due diligence which had a material impact on the valuation.
<b>Suitability for Security</b>	We are of the opinion that investors would view this asset as providing good security.

## PROPERTY DESCRIPTION

<b>Description</b>	Large distribution warehouse comprising both high and low bay with ancillary offices and dock level loading on three elevations. The high bay section of the warehouse has an eaves height of around 17m and is fully racked throughout.
<b>Flexibility for Sub-division</b>	Unlikely
<b>Servicing Provision</b>	The unit benefits from a total of 123 dock level doors along the west, north and south elevations (a ratio of 1 door to every 5,000 sq ft) which is excellent and in line with modern standards. The property benefits from 360 degree circulation around the unit and there is a trailer park (approx 32m deep) to the south of the main warehouse building.

## LOCATION & SITUATION

<b>Location</b>	The property is situated within the established commercial/distribution location of Crosspoint, Coventry, adjacent to Junction 2 of the M6 motorway (forming the intersection with the A46).
<b>Situation &amp; Surrounding Uses</b>	Adjacent to the Toys R Us retail store.

# PROJECT CLAUDE



## Area Catchment & Demographic

The property is regarded as a strong distribution location within the 'Golden Triangle'.

## CONDITION, REPAIR & ENVIRONMENTAL

### Site Condition

The site has an area of 40.9 acres providing a site density of just over 38%, which is institutionally acceptable. The site is level and mainly rectangular in shape but with a 'v' shape to the southern boundary.

### Environmental Considerations

The Environ Report (March 2013) concludes that the site represents a low to moderate risk with respect to environmental liability. There is no history of potentially contaminative uses on the site. The site was used as agricultural land prior to development in 1992. The eastern half of the site is subject to risk of flooding (greater than 1:100 probability). However, we understand there have been no reports of flooding affecting the site. The site falls within a 'Radon affected' area.

### Age & Building Condition

The property is understood to be in fair condition and has been adequately maintained. Maintenance and repair is required to areas of roof and elevation cladding. Gas fired space heating to the warehouse and air conditioning to the offices is likely to require renewal in the medium term.

## TENURE

### Comments

Freehold - The property has good and marketable title with no material incumbrances. There is a strip of land to the south of the site (the trailer park extension area) where restrictions exist on future development. This area is currently undeveloped and the restriction is not considered to be material to value.

## RENTAL VALUE ANALYSIS

### Accommodation / ERV Breakdown

Basis of Measurement GIA

Unit	Area sq ft	Contracted Rent £ pa	ERV £ per sq ft	ERV £ pa
GIA (whole)	668,500	£3,309,075.00	£4.25	£2,841,125

### Market Trends & Marketability

Well specified distribution warehouse offering specification in keeping with modern occupational requirements. Investors will be attracted by the lease length and RPI escalator provisions, but will regard the covenant strength to be moderate only, which is reflected in the yield adopted.

### Void Assumptions & Reletability

There is a limited supply of large distribution warehouse units (>500,000 sq ft) at present time. Reletting prospects are considered to be strong. We have allowed a letting period of 24 months and a letting incentive of 12 months (on assumption of letting for 5 year term certain).

### Occupational Evidence

Former Alvis tank factory at The Triangle, 280,000 sq ft, currently being marketed at £4.25 per sq ft. Lower eaves and only 11 loading doors. Tamworth 594: (594,000 sq ft) former Focus DIY unit, being marketed at rent of circa £5.00 per sq ft headline; Former Wincanton unit at Max Park, Corby, 500,000 sq ft, being marketed at £4.50 per sq ft.

### Justification for Opinion of ERV

We are of the opinion that the subjects are stronger in terms of specification than the former Alvis tank factory and are stronger in terms of location compared to comparables at Corby and Tamworth.

## CAPITAL VALUE

### Key Valuation Considerations

#### Strengths

Good location near to Jct 2 of M6, within epicentre of 'Golden Triangle'.

Limited supply of units of this size within the wider distribution market

Unit has benefit of fixtures and fittings, which would provide a significant attraction to occupiers in the current market.

#### Weaknesses

Covenant strength of tenant regarded as moderate only.

20 year old unit which is likely to require programme of planned maintenance.

Large lot size.



# PROJECT CLAUDE



## ACTIVE MANAGEMENT OPPORTUNITIES

None

## STATUTORY ENQUIRIES

### Town Planning

The permitted use of the property is as a distribution centre within Class B8 of the Town & Country Planning Act Use Classes Order. We are not aware of any significant schemes or proposals affecting the site. At nearby Junction 1 of the M6 (Rugby) there are proposals by Roxhill to develop distribution warehouse units within the Rugby Gateway site. Prologis also have proposals to develop a site at nearby Ryton (on the A45) for distribution warehousing.

### Conservation Area or Listed

Not applicable

### Rateable Value

£3,260,000

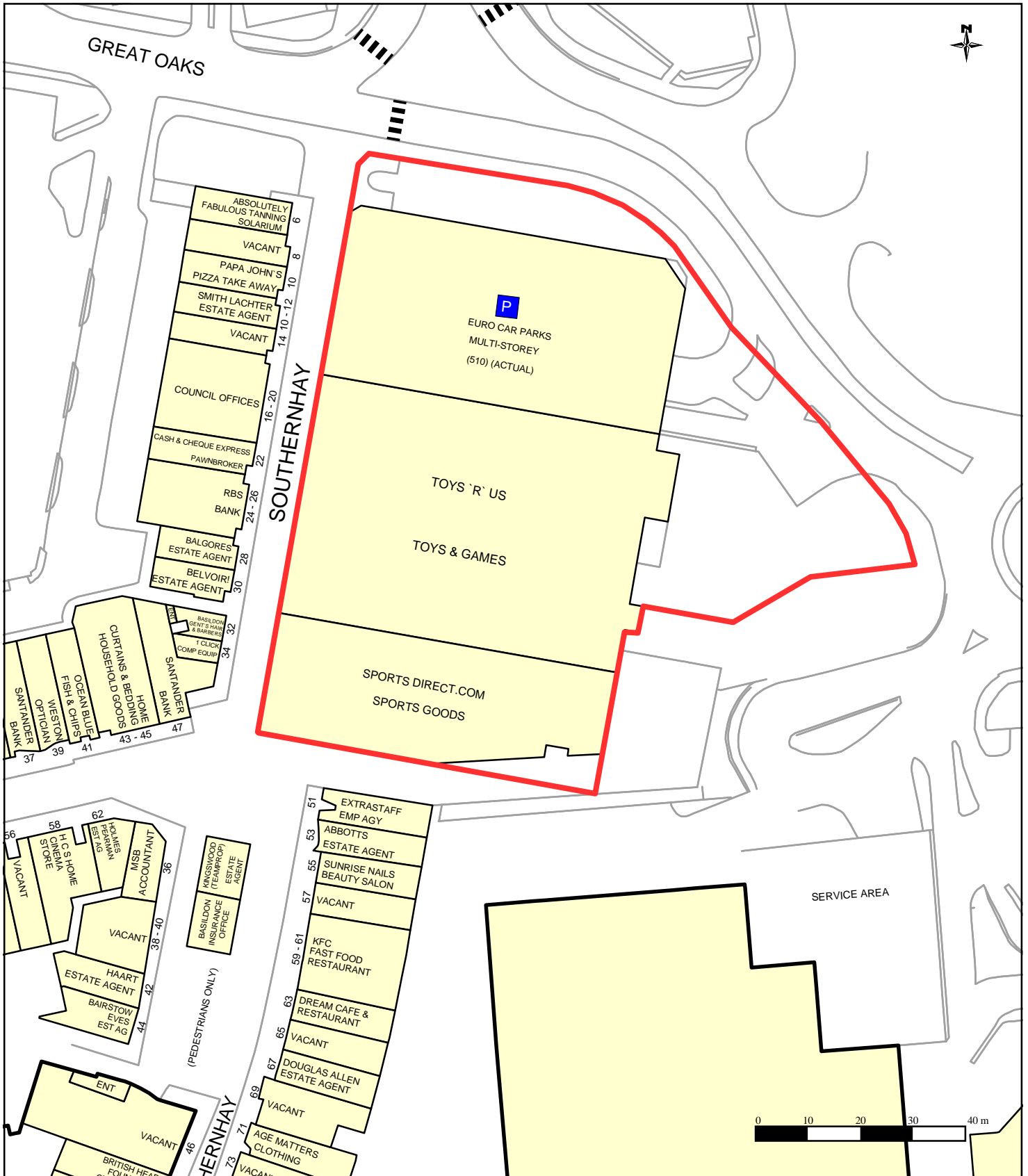
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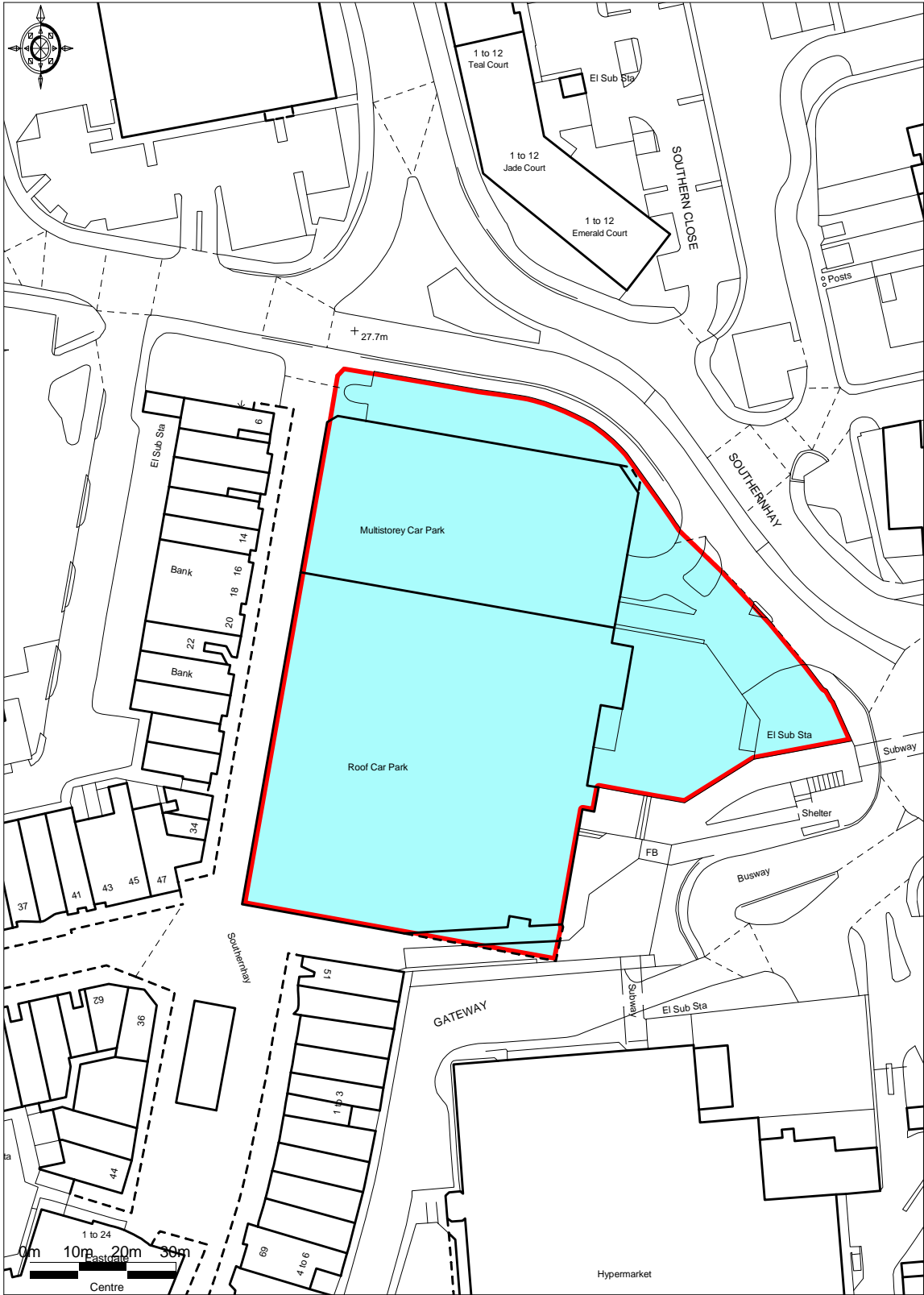
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Date:

08/02/2013



Southernhay, Basildon.



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# Situation Plan, Southernhay, Basildon.



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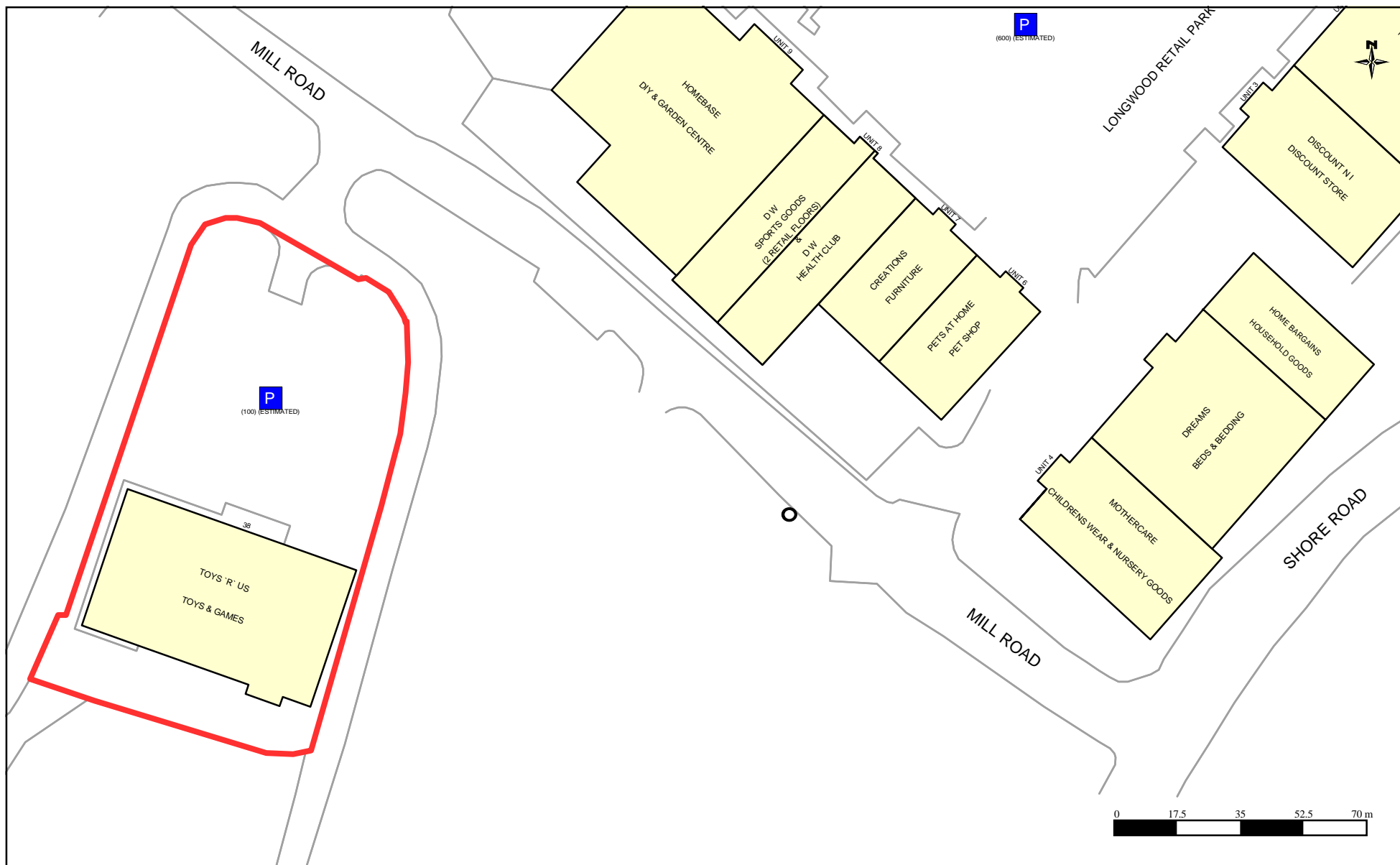
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Location Plan,  
Southernhay, Basildon.



# 38 Mill Road, Newtonabbey.



# Centaurus Road, Cribbs Causeway, Bristol.





Situation Plan,  
Centaurus Road, Cribbs Causeway, Bristol.



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Location Plan,  
Centaurus Road, Cribbs Causeway, Bristol.



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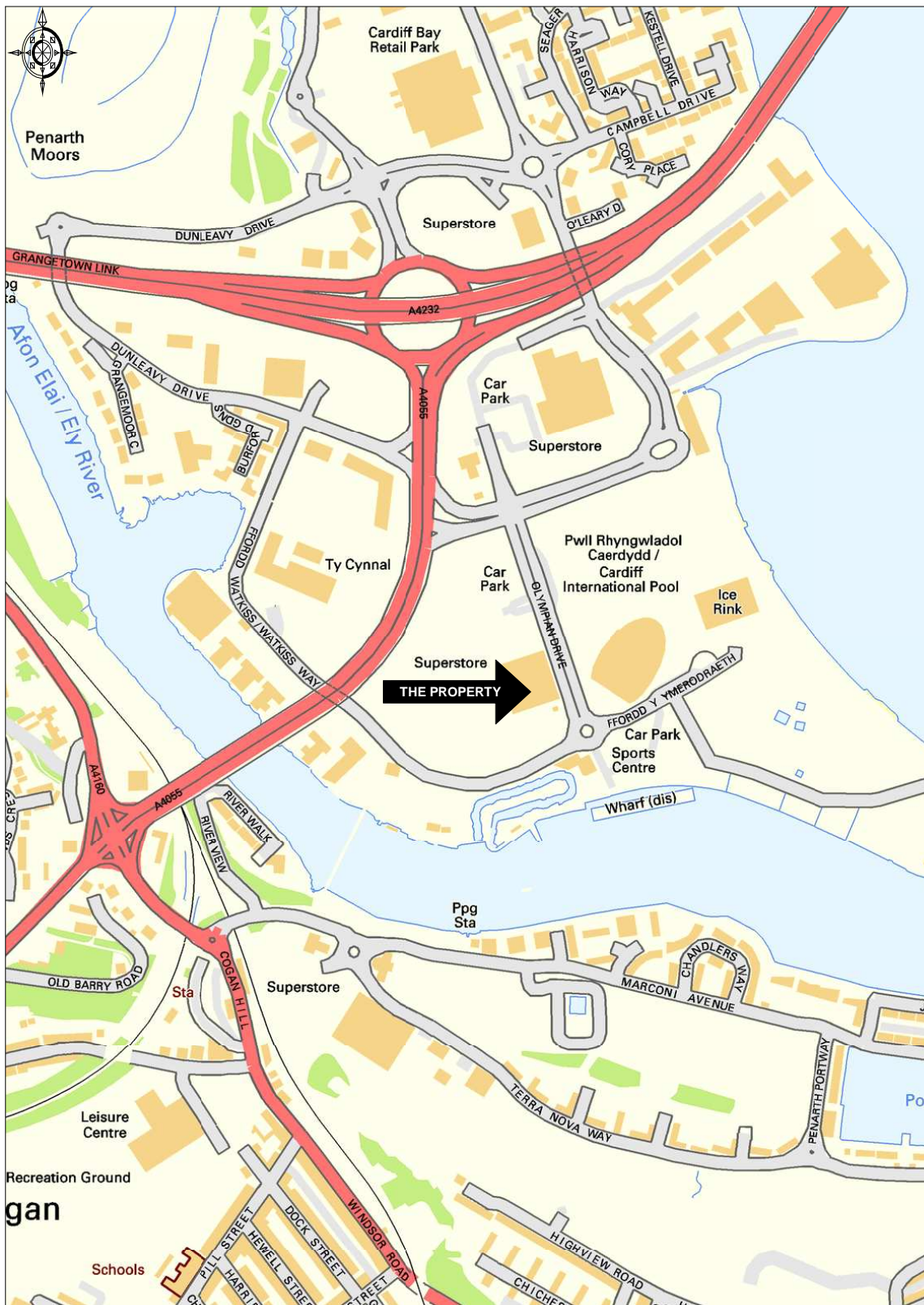
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# Cardiff Bay, Olympian Drive, Cardiff.





Cardiff Bay, Olympian Drive, Cardiff.

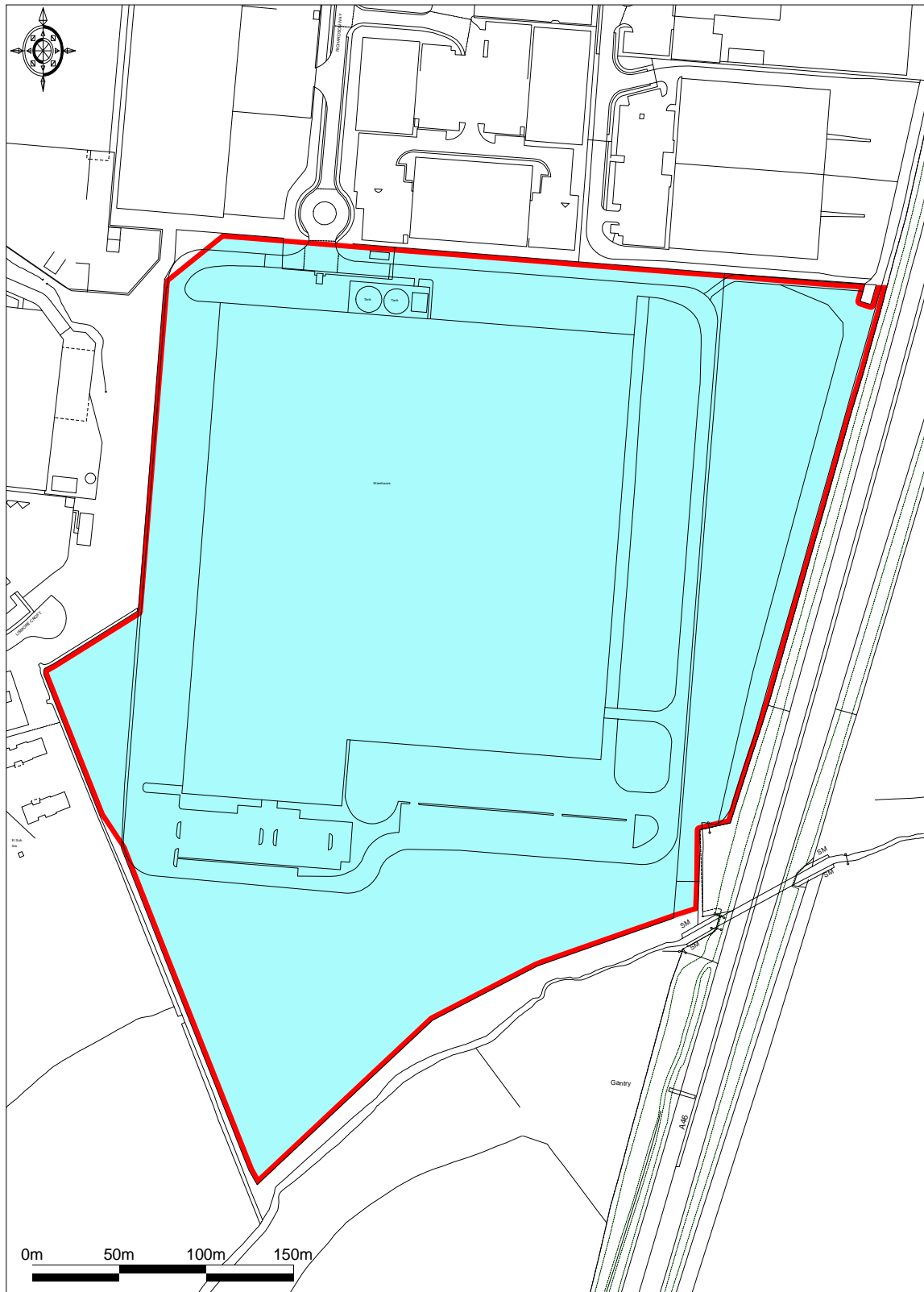




Location Plan,  
Cardiff Bay, Olympian Drive, Cardiff.



Coventry Distribution Centre,  
Cross Point Business Park, Richardson Way, Coventry.



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Situation Plan,  
Coventry Distribution Centre,  
Cross Point Business Park, Richardson Way, Coventry.

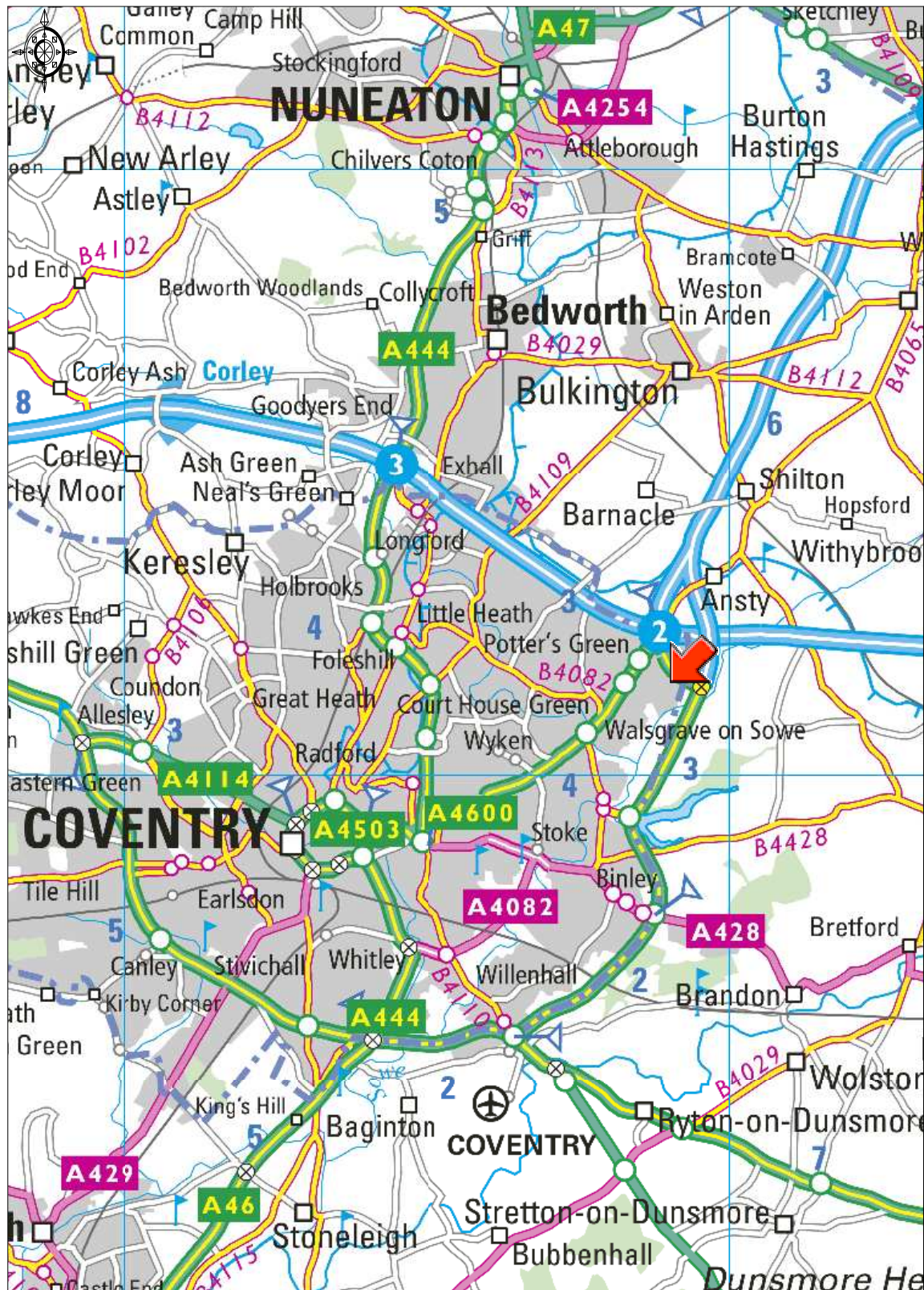


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Location Plan,  
Coventry Distribution Centre,  
Cross Point Business Park, Richardson Way, Coventry.

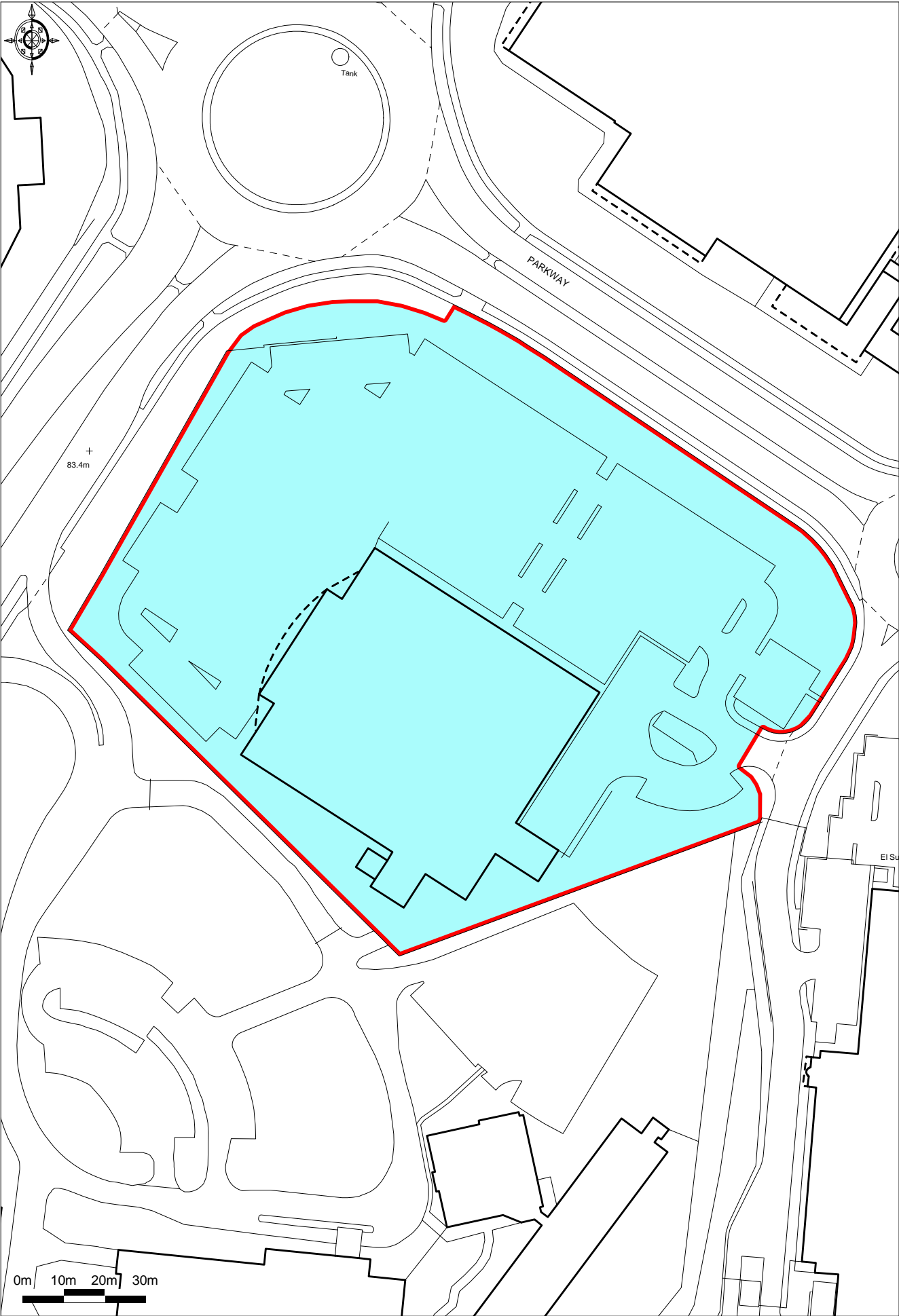


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Cross Point Business Park, Parkway, Coventry.



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# Situation Plan, Cross Point Business Park, Parkway, Coventry.

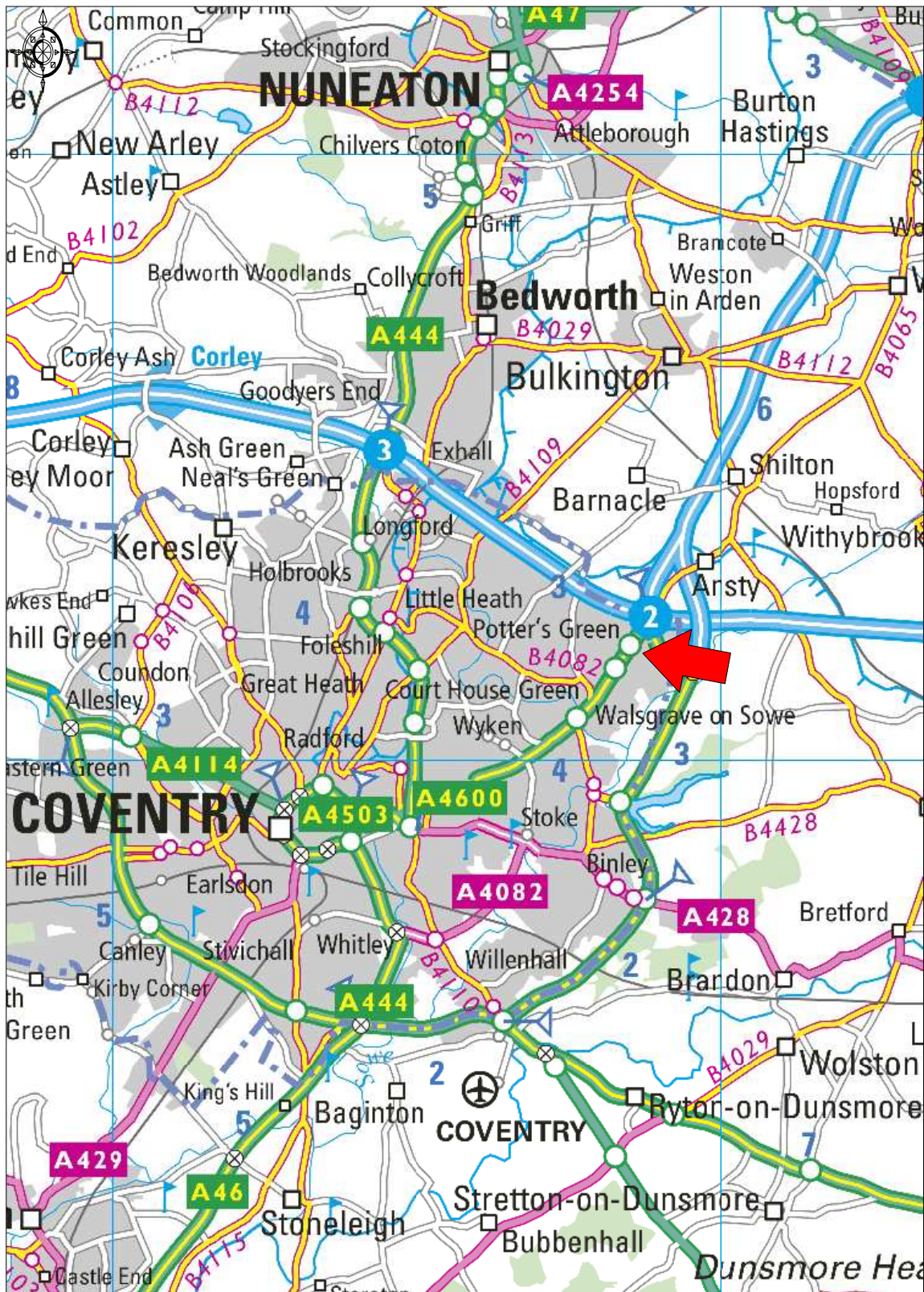


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Location Plan,  
Cross Point Business Park, Parkway, Coventry.

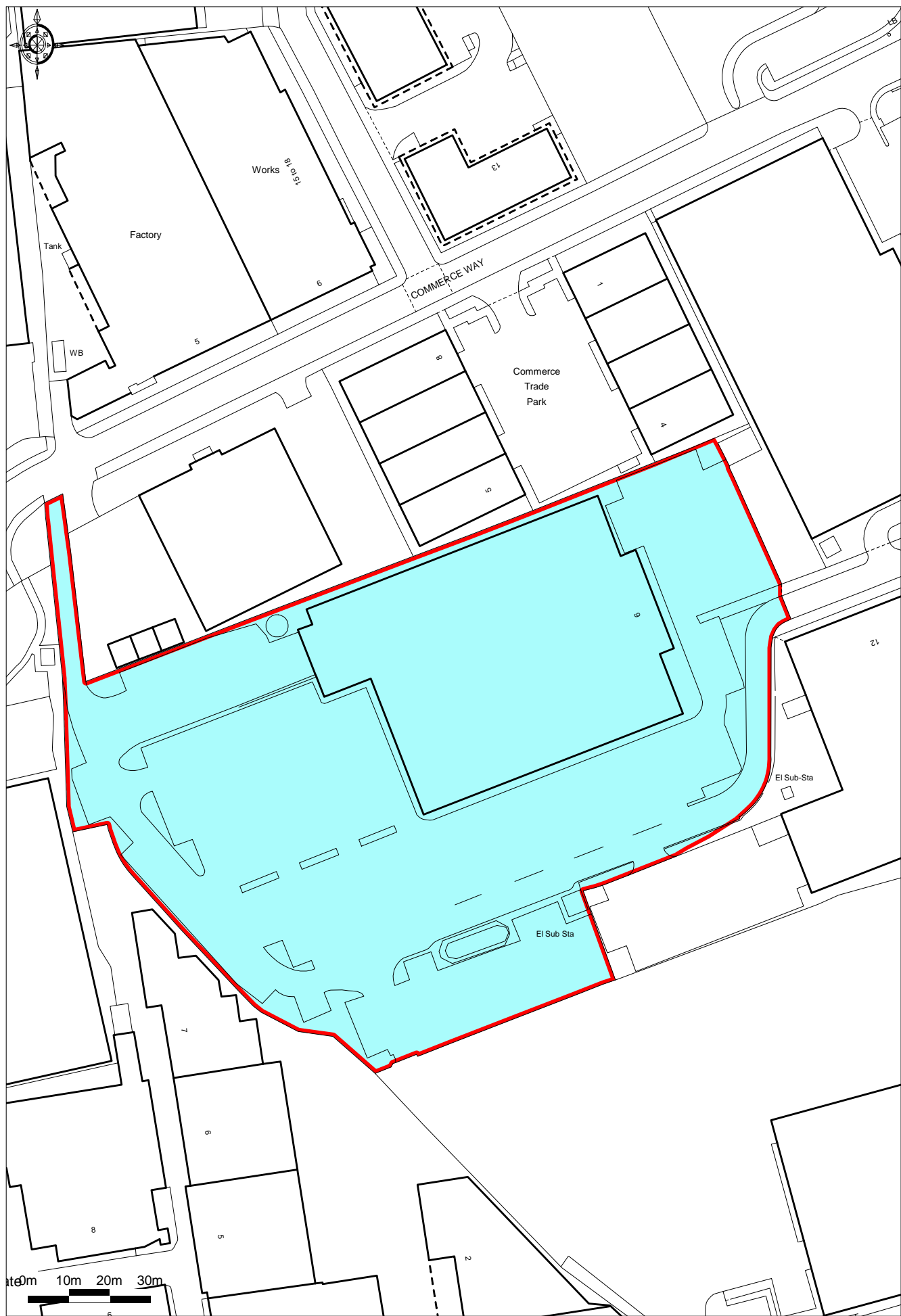


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Trojan Way, Purley Way, Croydon.



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Situation Plan,  
Trojan Way, Purley Way, Croydon.

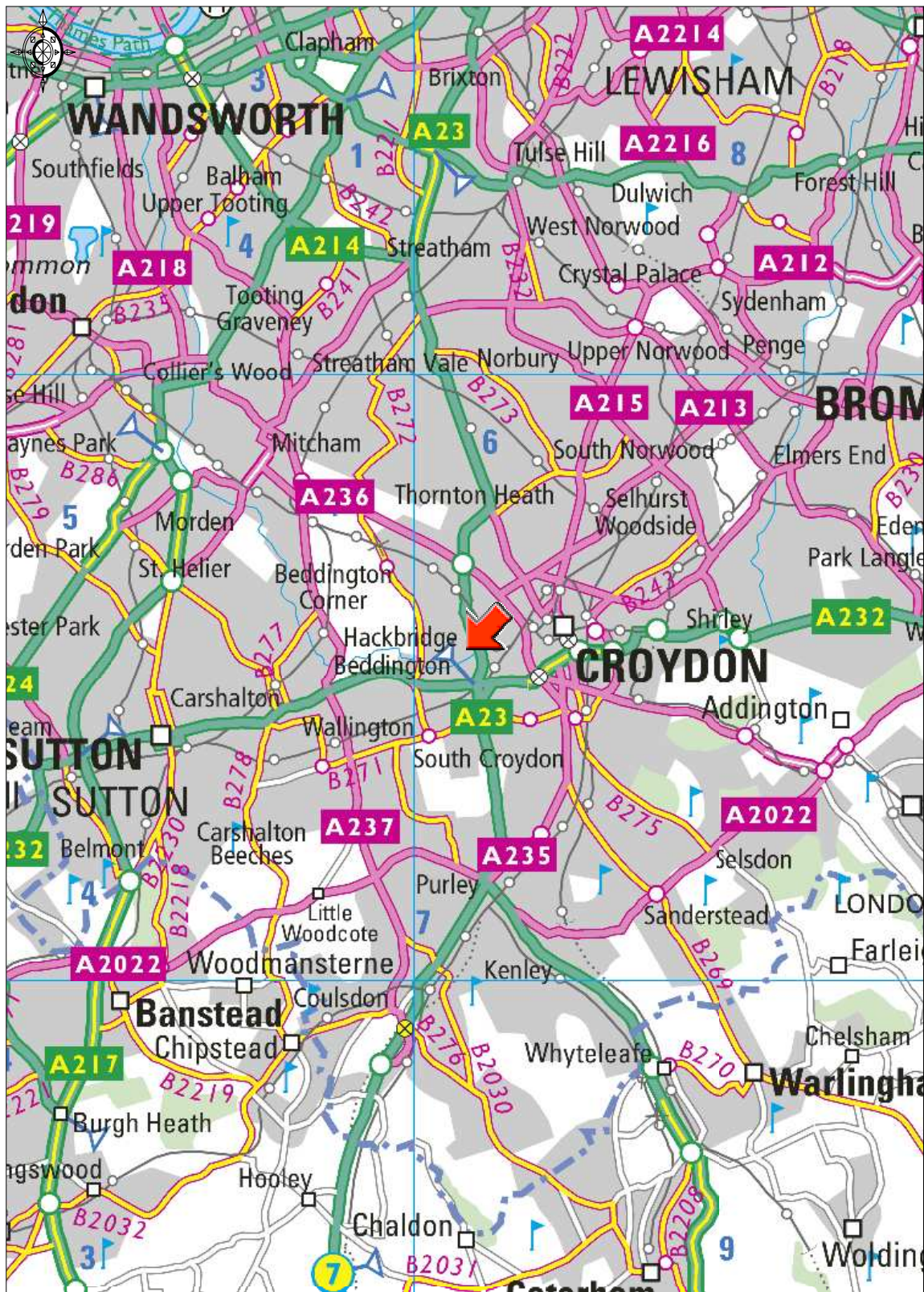


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Location Plan,  
Trojan Way, Purley Way, Croydon.

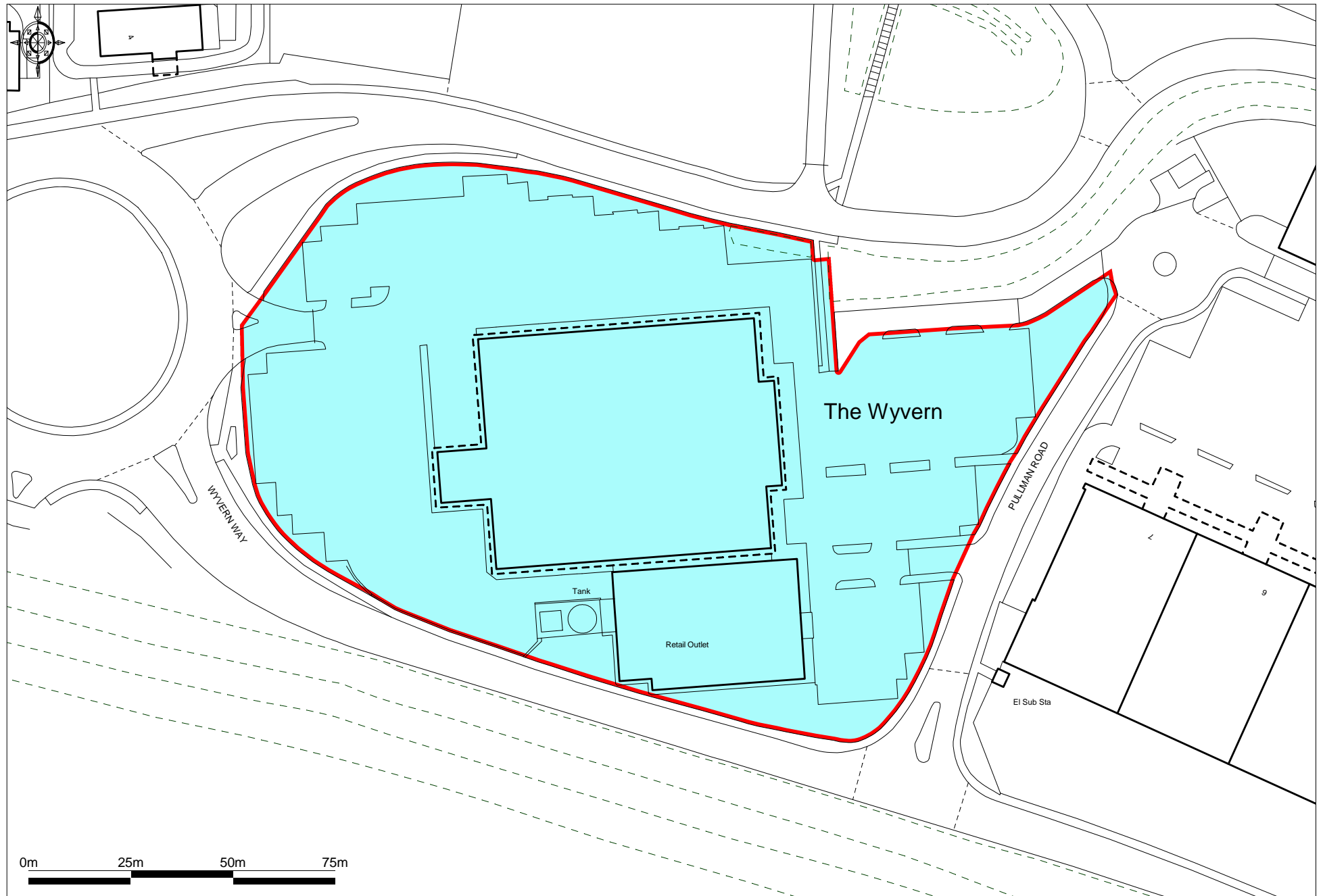


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# Wyvern Way, Derby.



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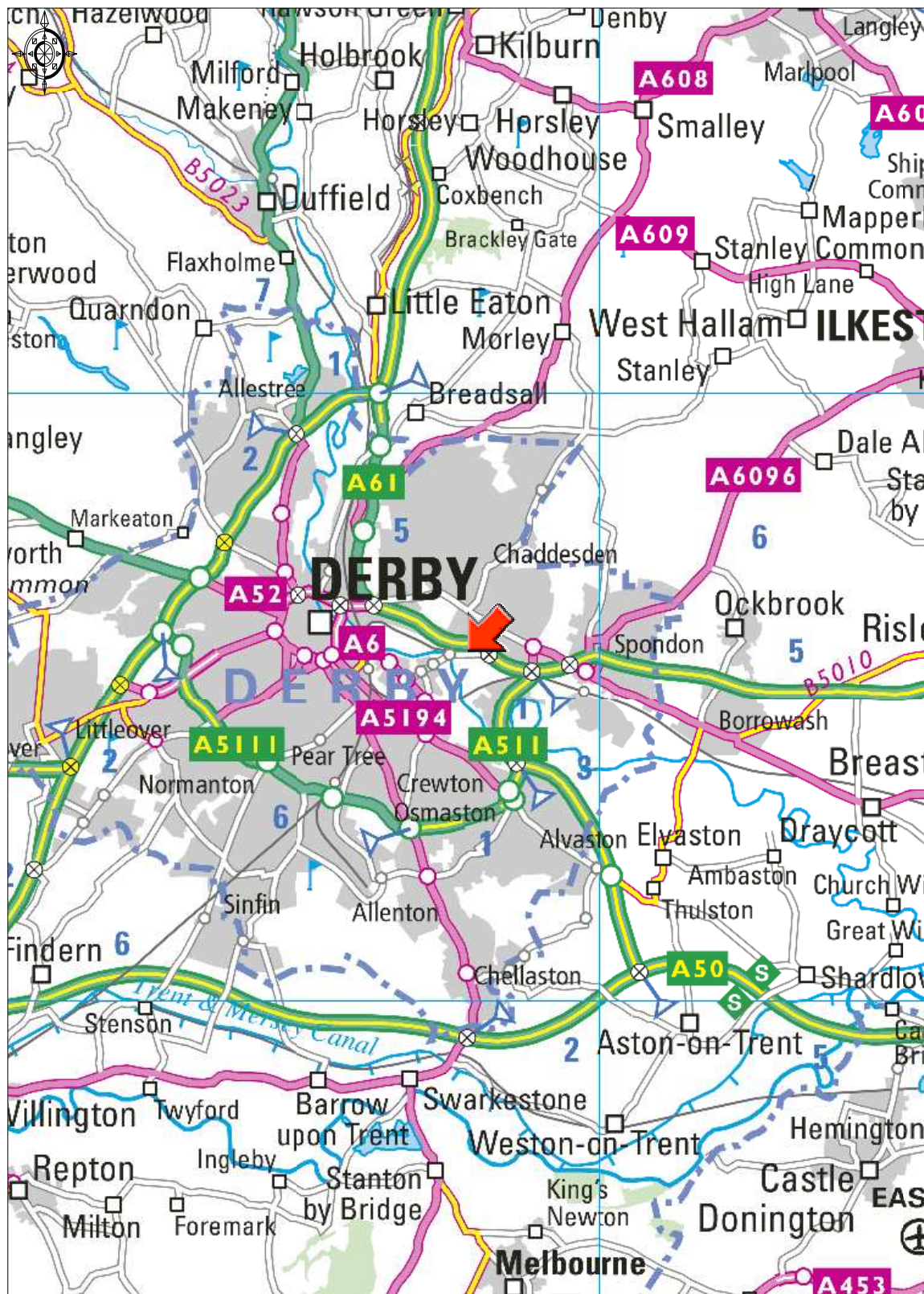
# Situation Plan, Wyvern Way, Derby.



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Location Plan,  
Wyvern Way, Derby.



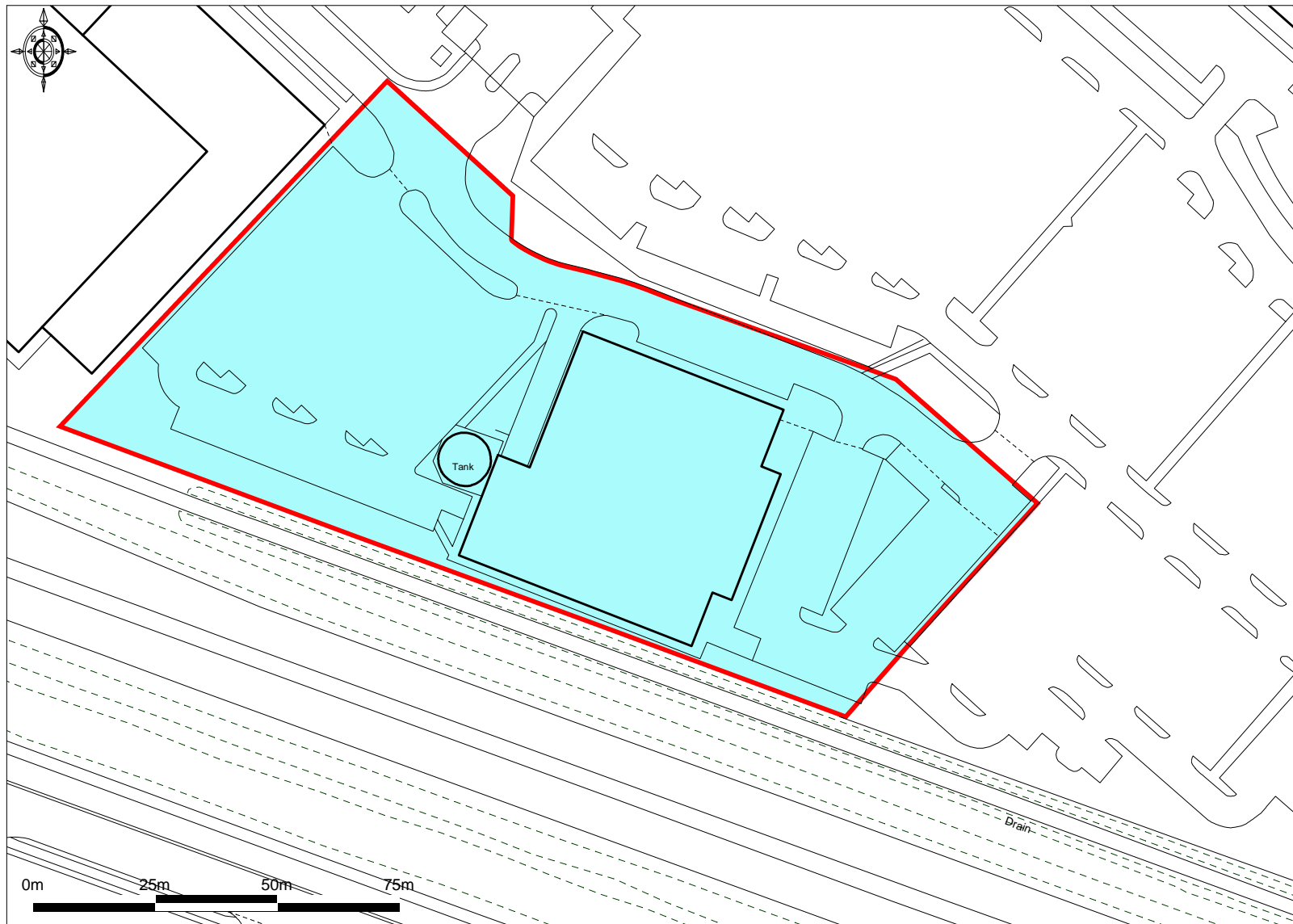
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The Carr, White Rose Way, Doncaster.



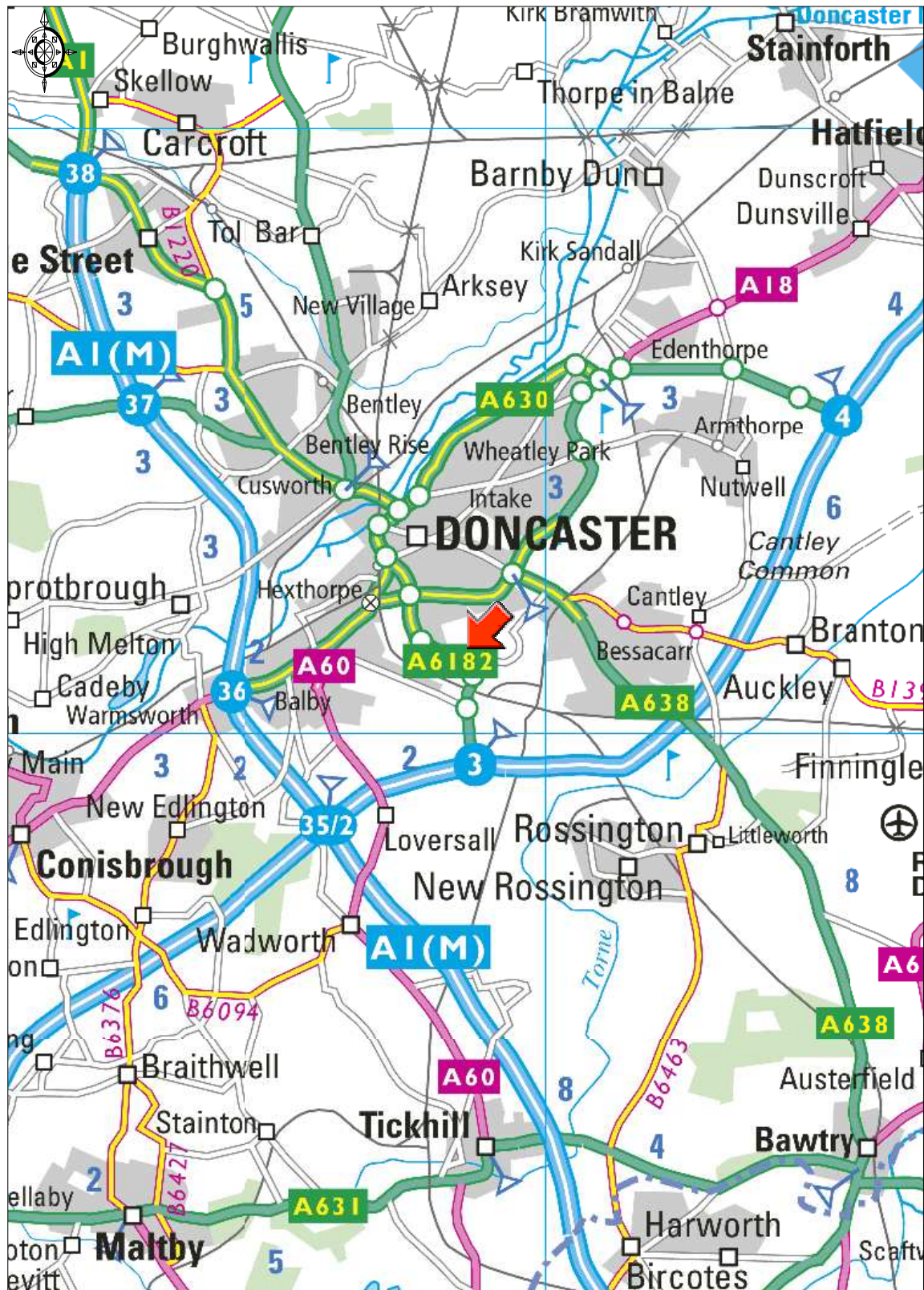
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The map shows the Lakeside area in Doncaster. A red line highlights the main road, White Rose Way (A6182), which runs diagonally from the bottom left towards the top right. A black arrow points to a specific location on this road, labeled 'THE PROPERTY'. This location is situated between Carrage Drive to the west and a roundabout to the east. To the north of the property is the Lakeside Village Outlet. Further north are the Sports Centre and Keepmoat Stadium. To the south of the property are several industrial sites, including Depots and Works, and a railway line. Other roads shown include Middle Bank, Potteric Carr Road, Sidings Court, Carrage Drive, Wharmington Drive, and Balby Carr Bank. A compass rose is in the top left corner.



Location Plan,  
The Carr, White Rose Way, Doncaster.

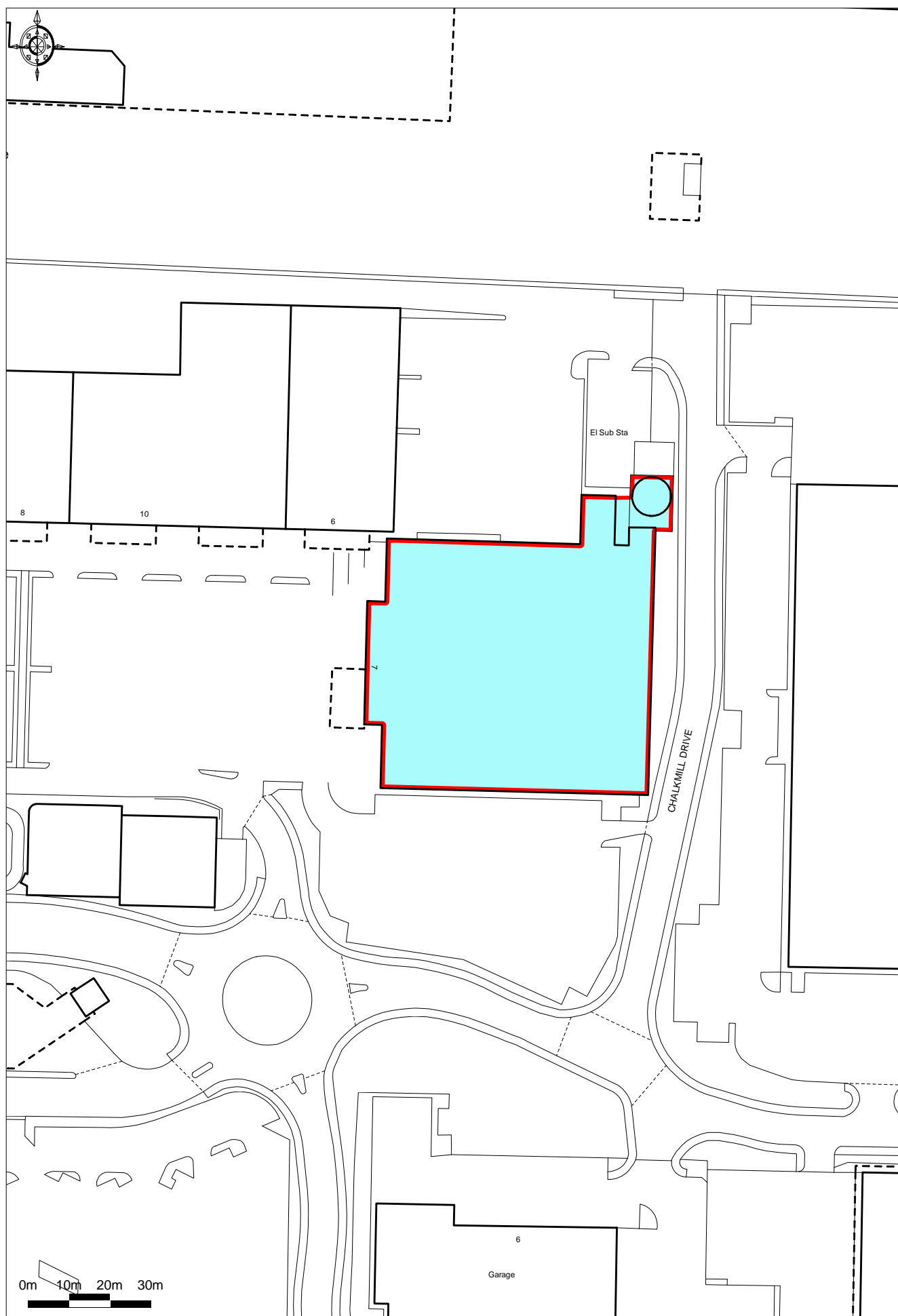


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# Enfield Retail Park, Great Cambridge Road, Enfield.



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# Situation Plan, Enfield Retail Park, Great Cambridge Road, Enfield.



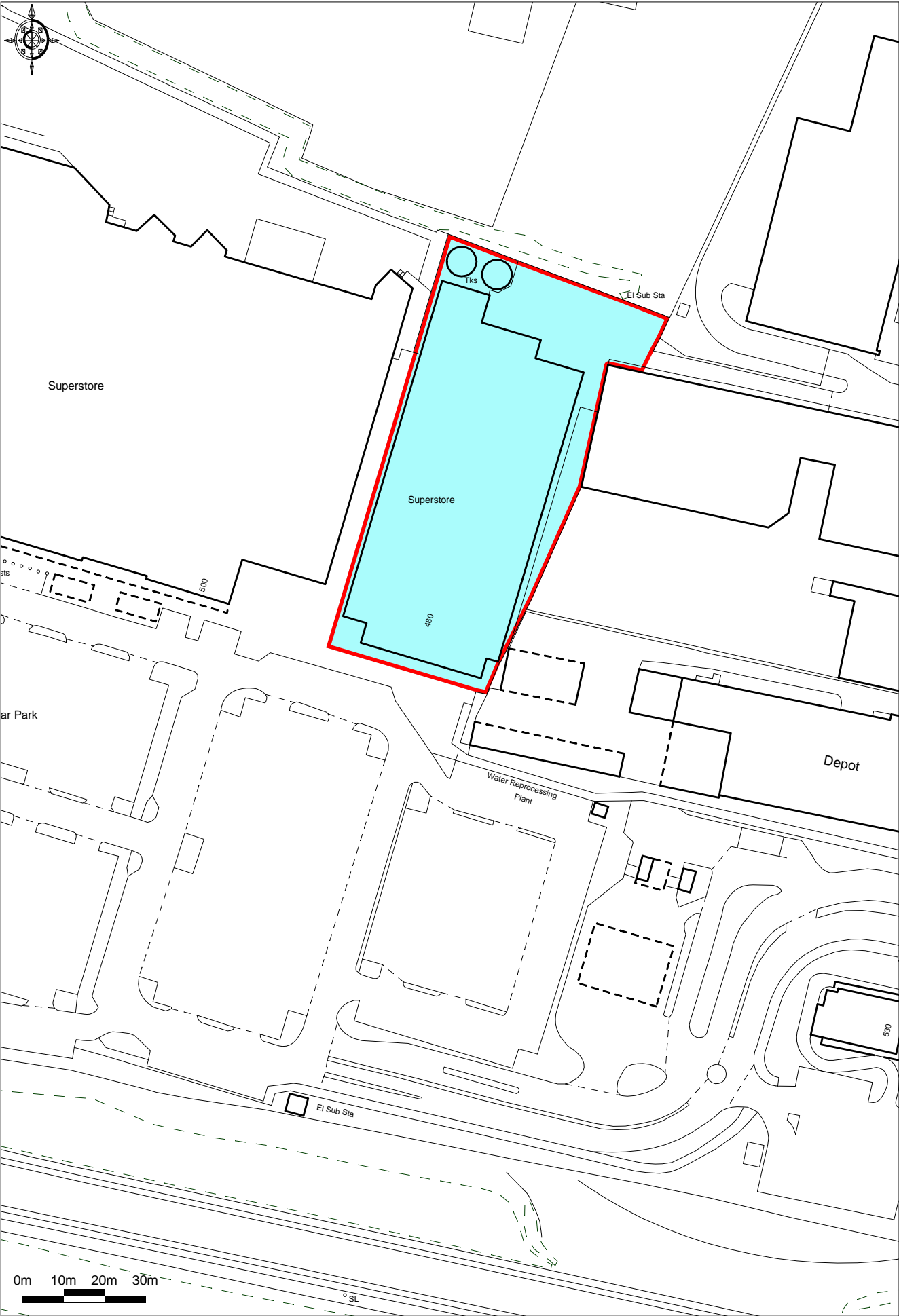
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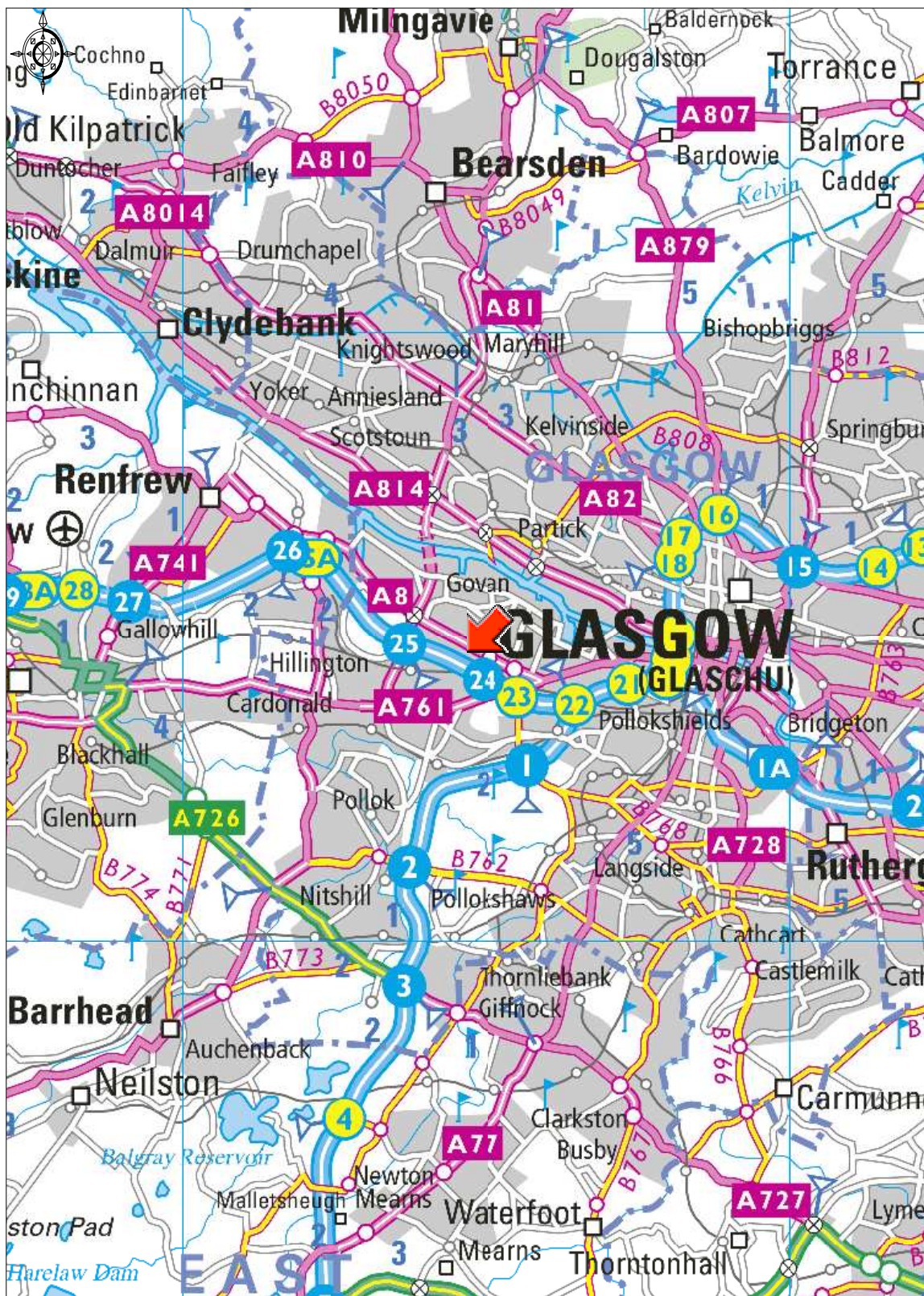


Situation Plan,  
480 Helen Street, Glasgow.





Location Plan,  
480 Helen Street, Glasgow.

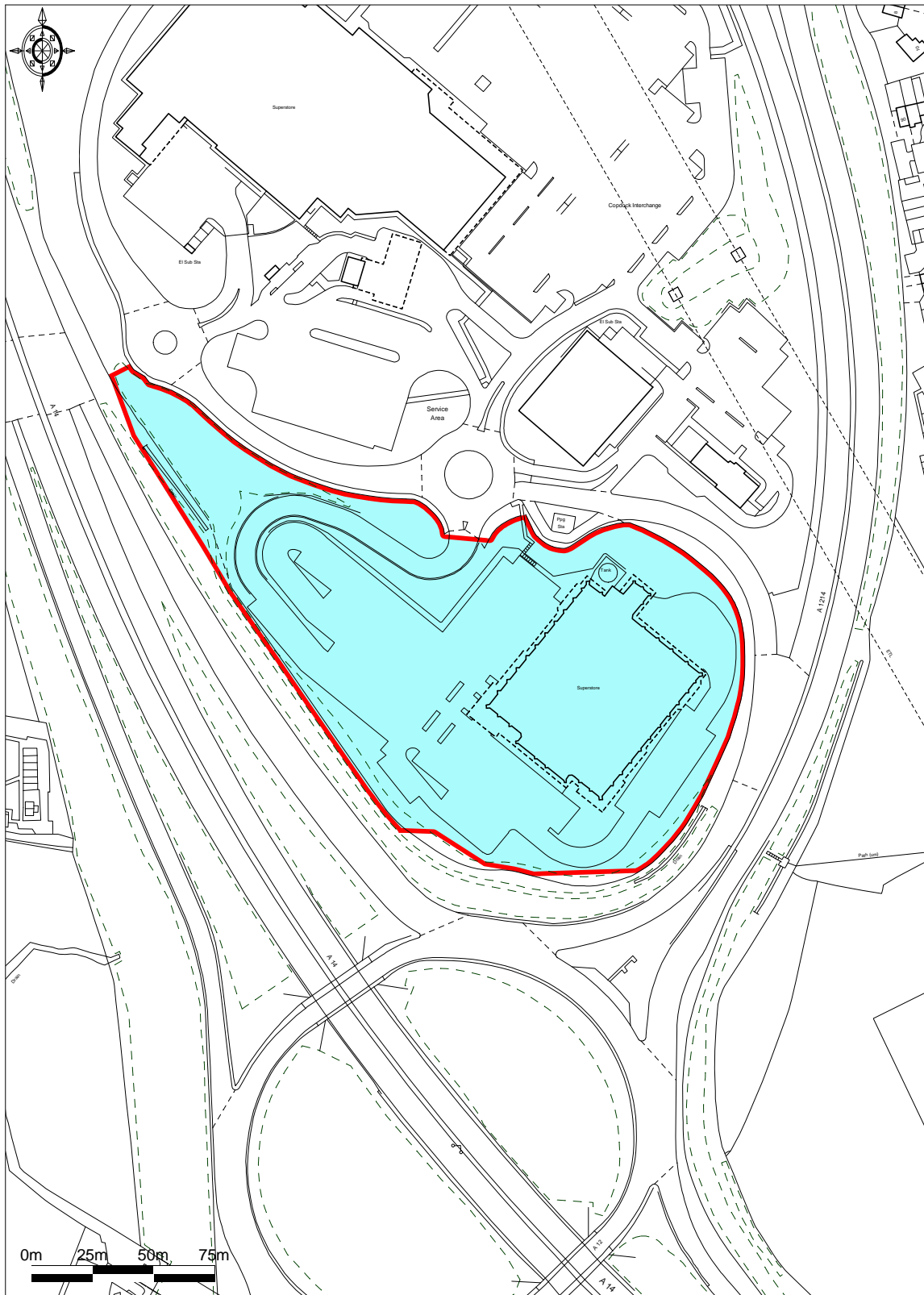


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# Copdock Interchange, London Road, Ipswich.



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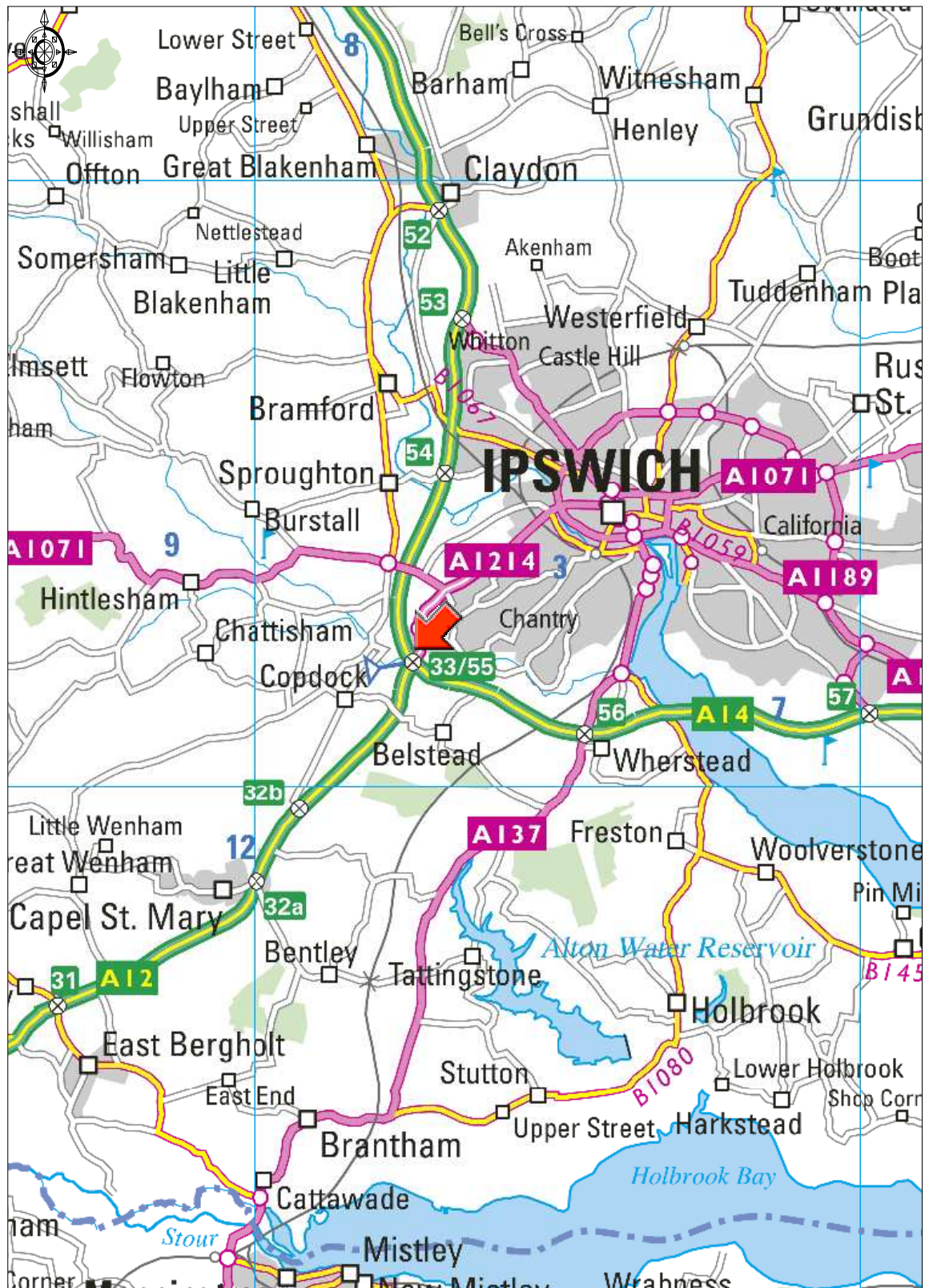
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Situation Plan,  
Copdock Interchange, London Road, Ipswich.



Location Plan,  
Copdock Interchange, London Road, Ipswich.



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Gelderd Road, Birstall, Leeds.

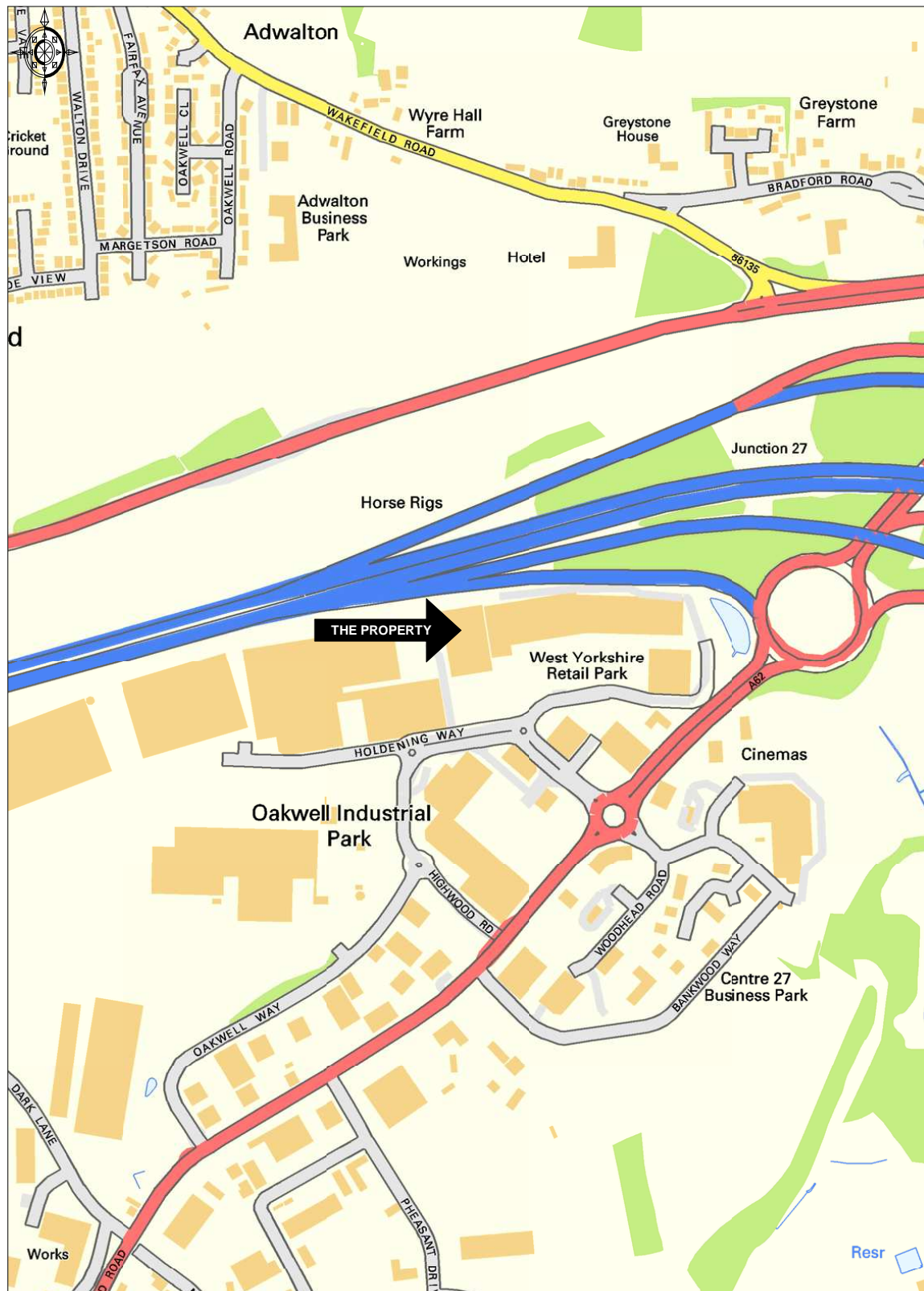


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Situation Plan,  
Gelderd Road, Birstall, Leeds.

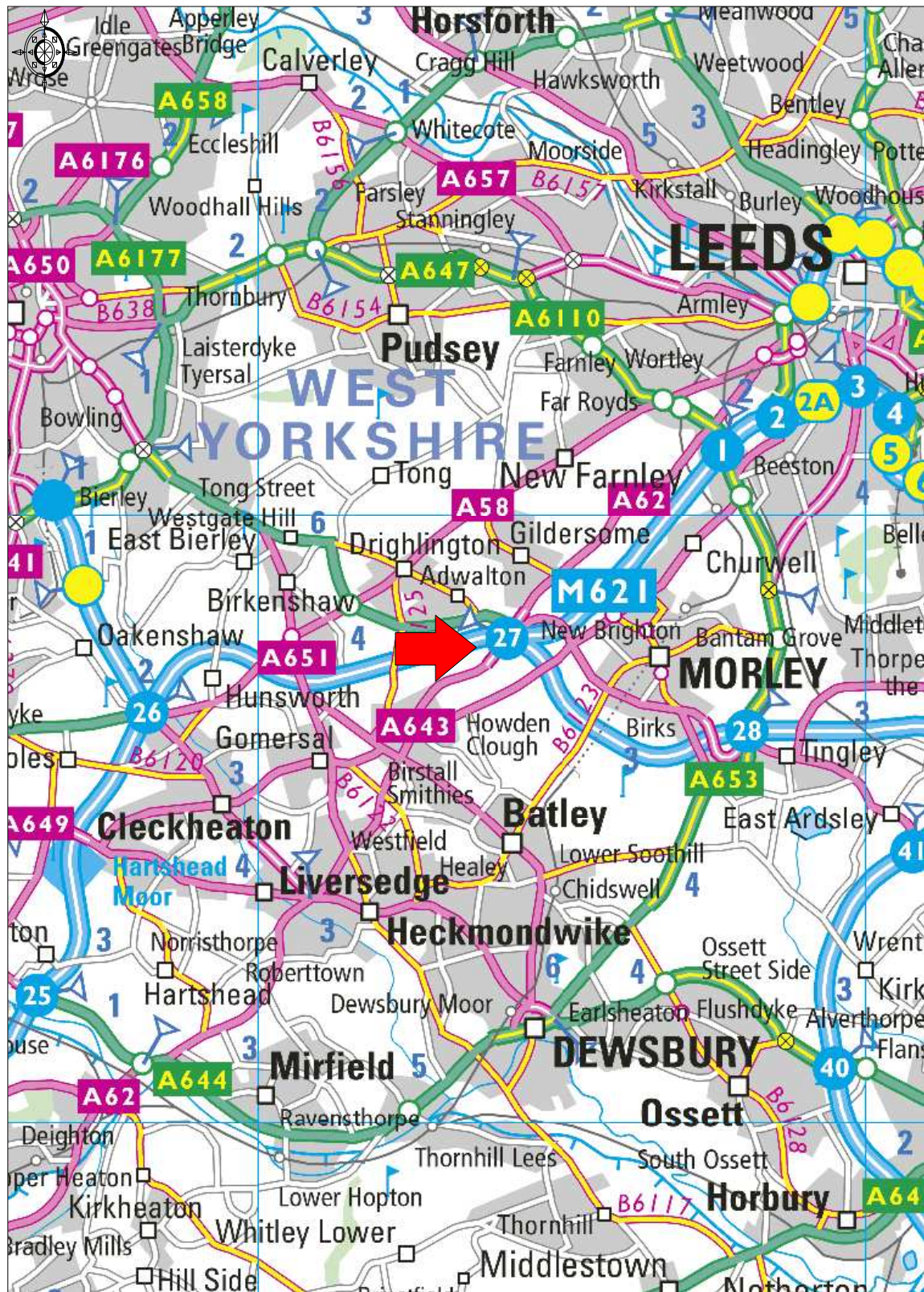


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Location Plan,  
Gelderd Road, Birstall, Leeds.

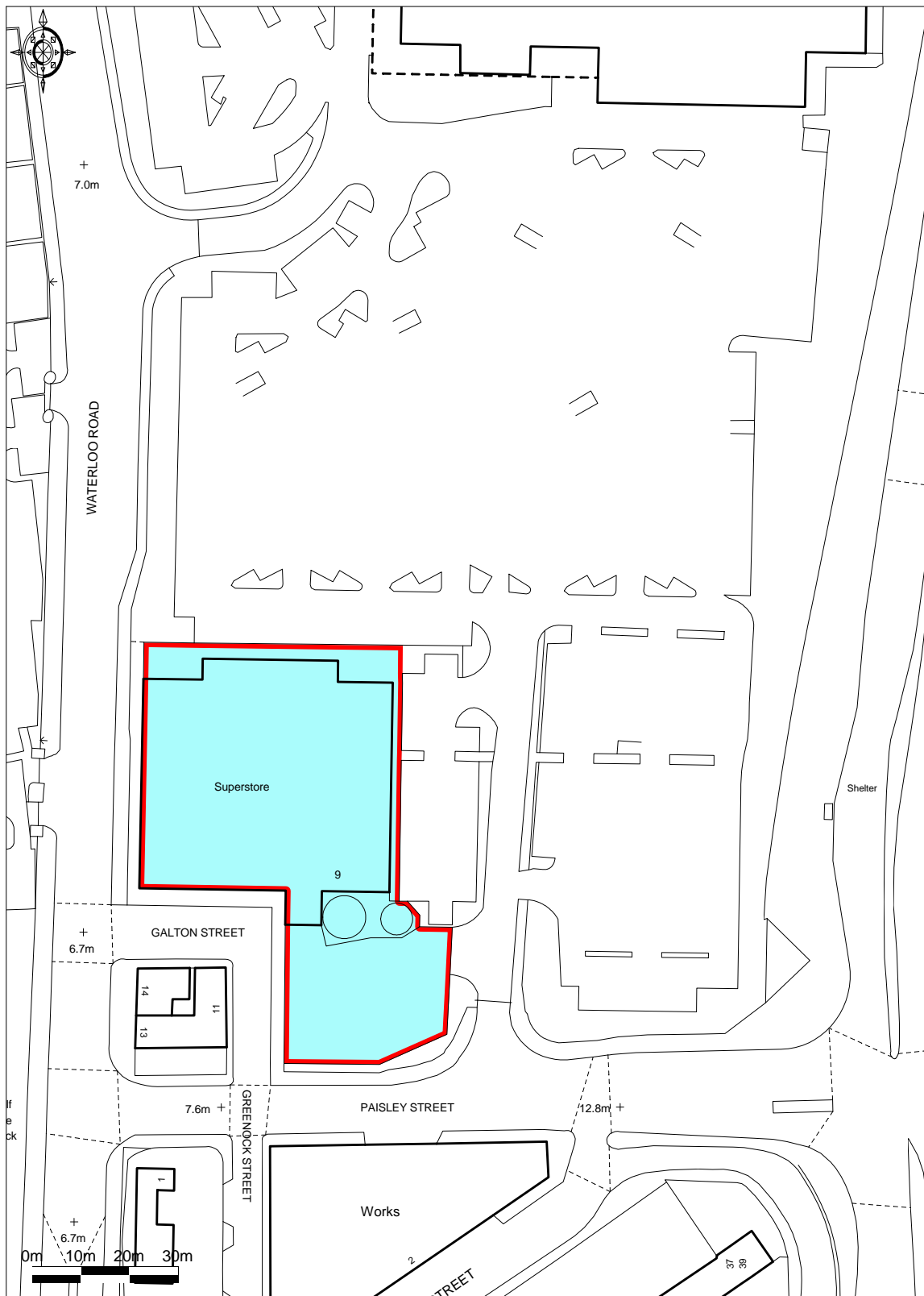


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# 9 Paisley Street, Liverpool.



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Location Plan,  
9 Paisley Street, Liverpool.

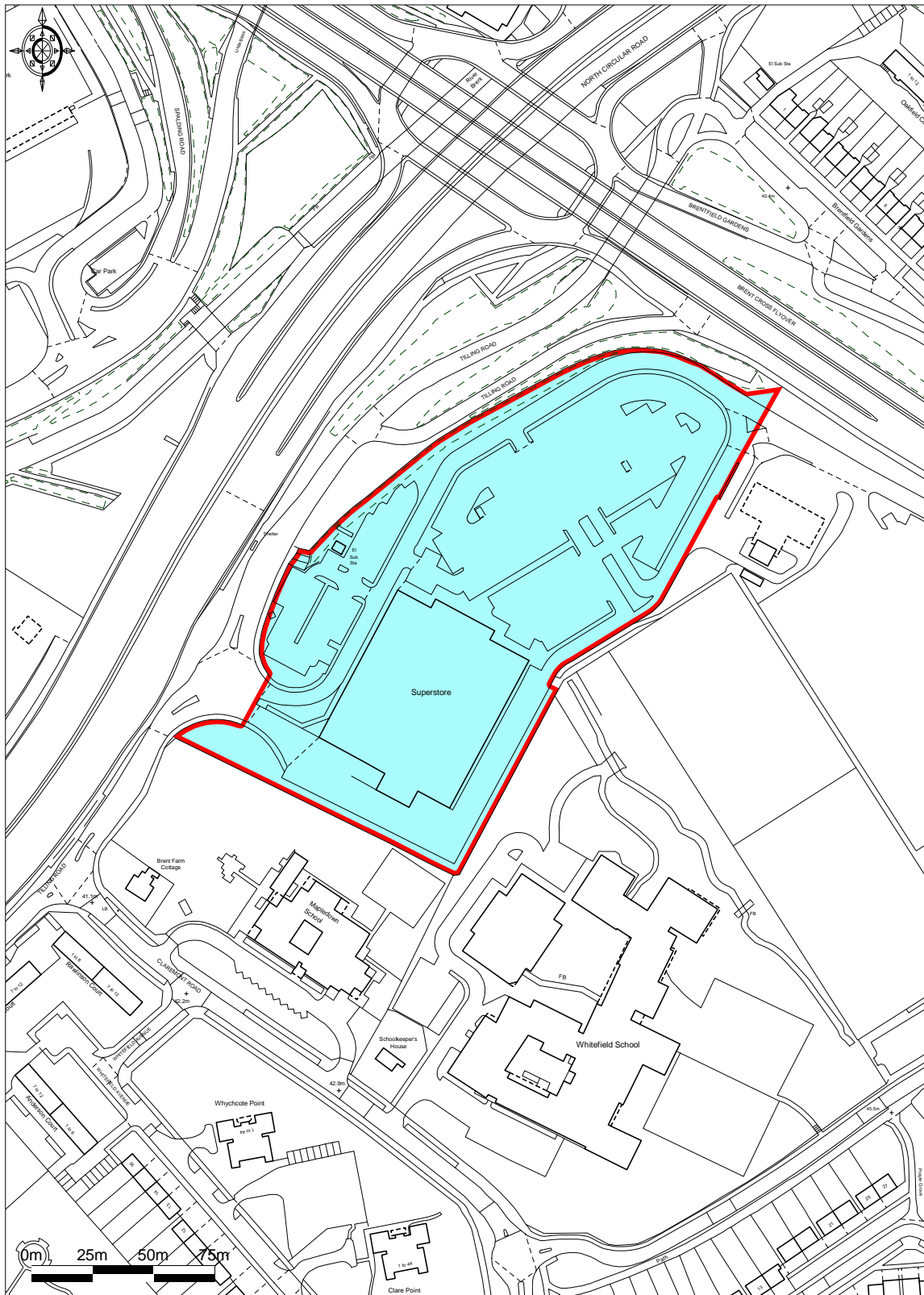


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# Tilling Road, Brent Cross, London NW2.

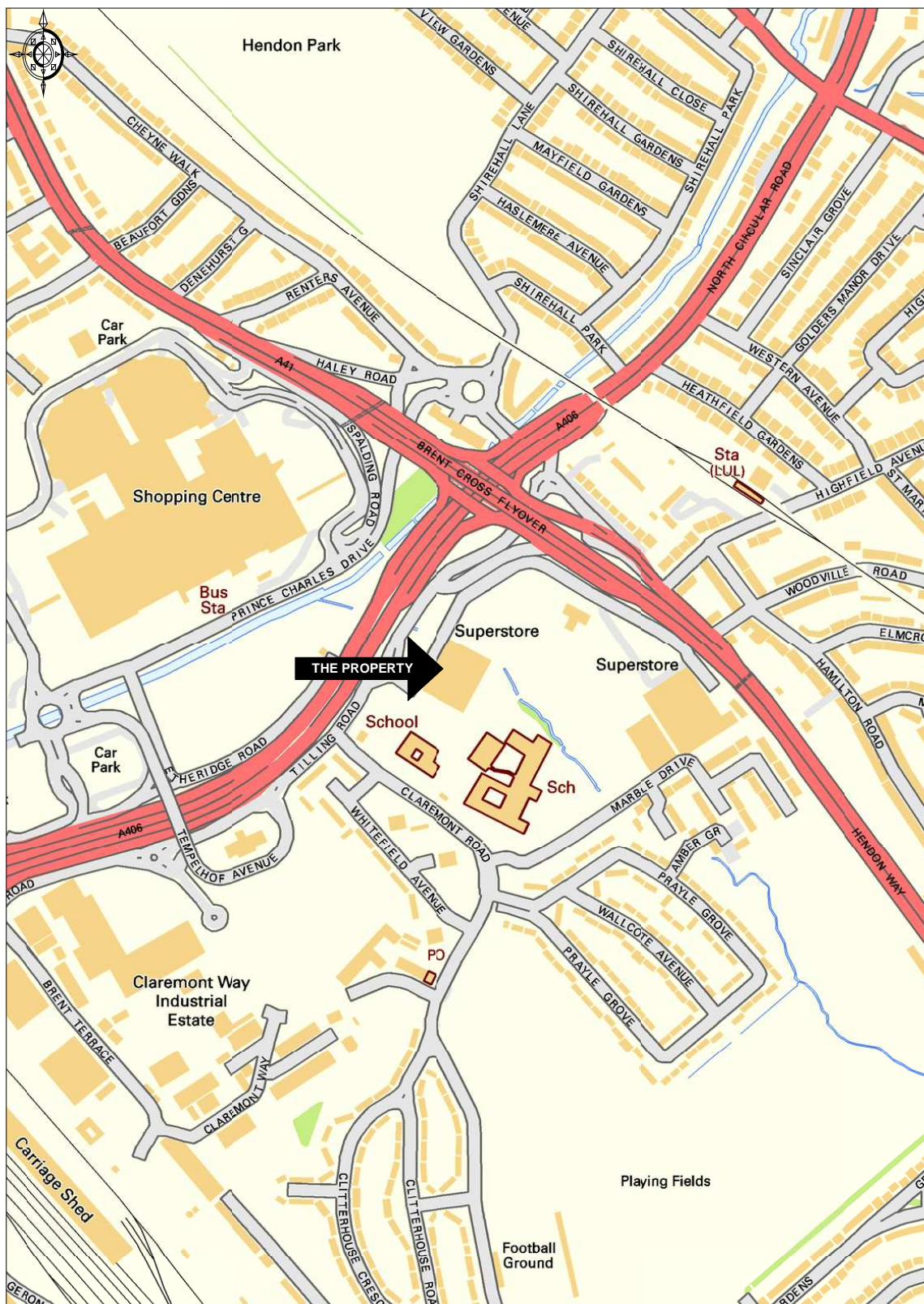


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Situation Plan,  
Tilling Road, Brent Cross, London NW2.

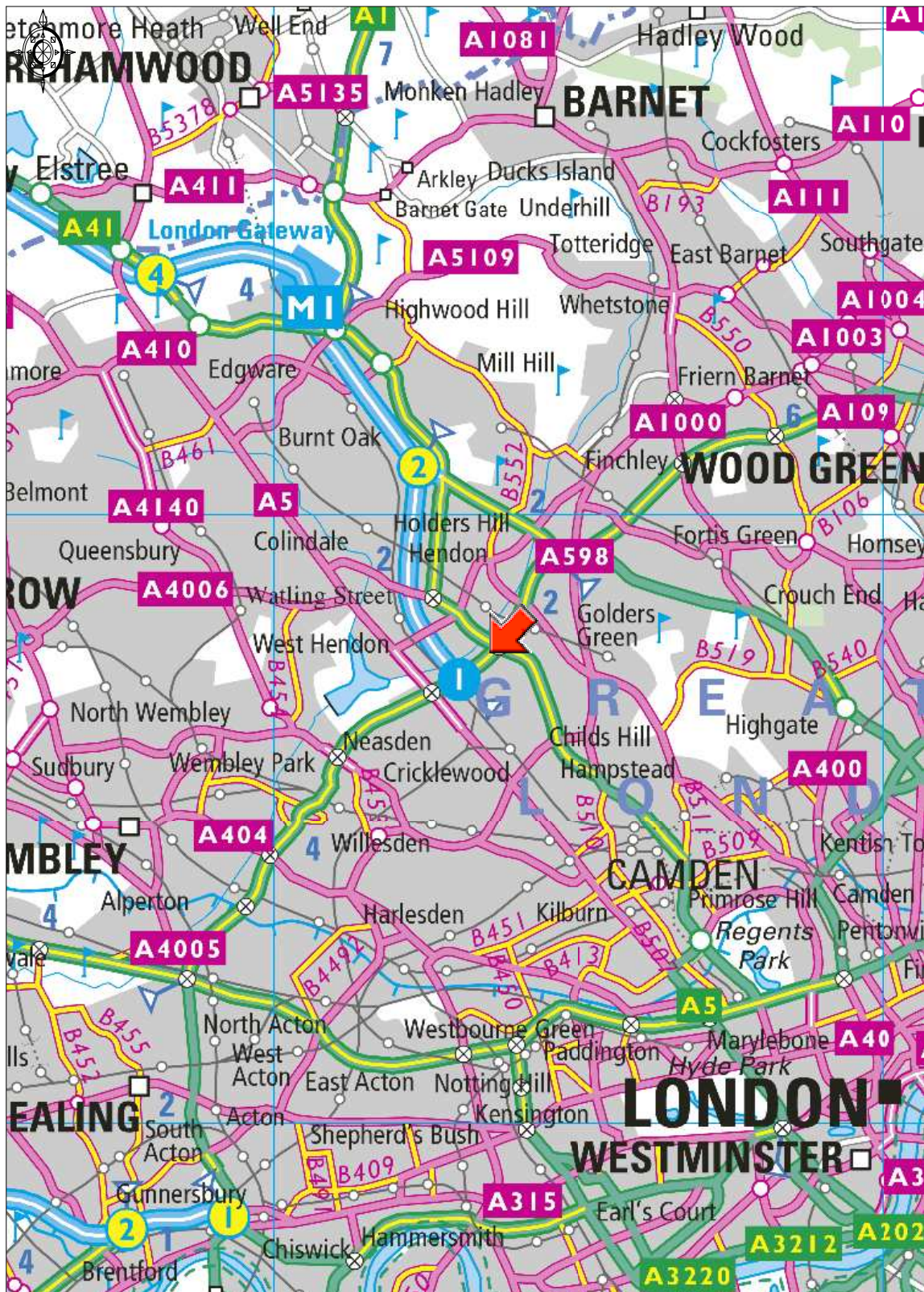


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Location Plan,  
Tilling Road, Brent Cross, London NW2.

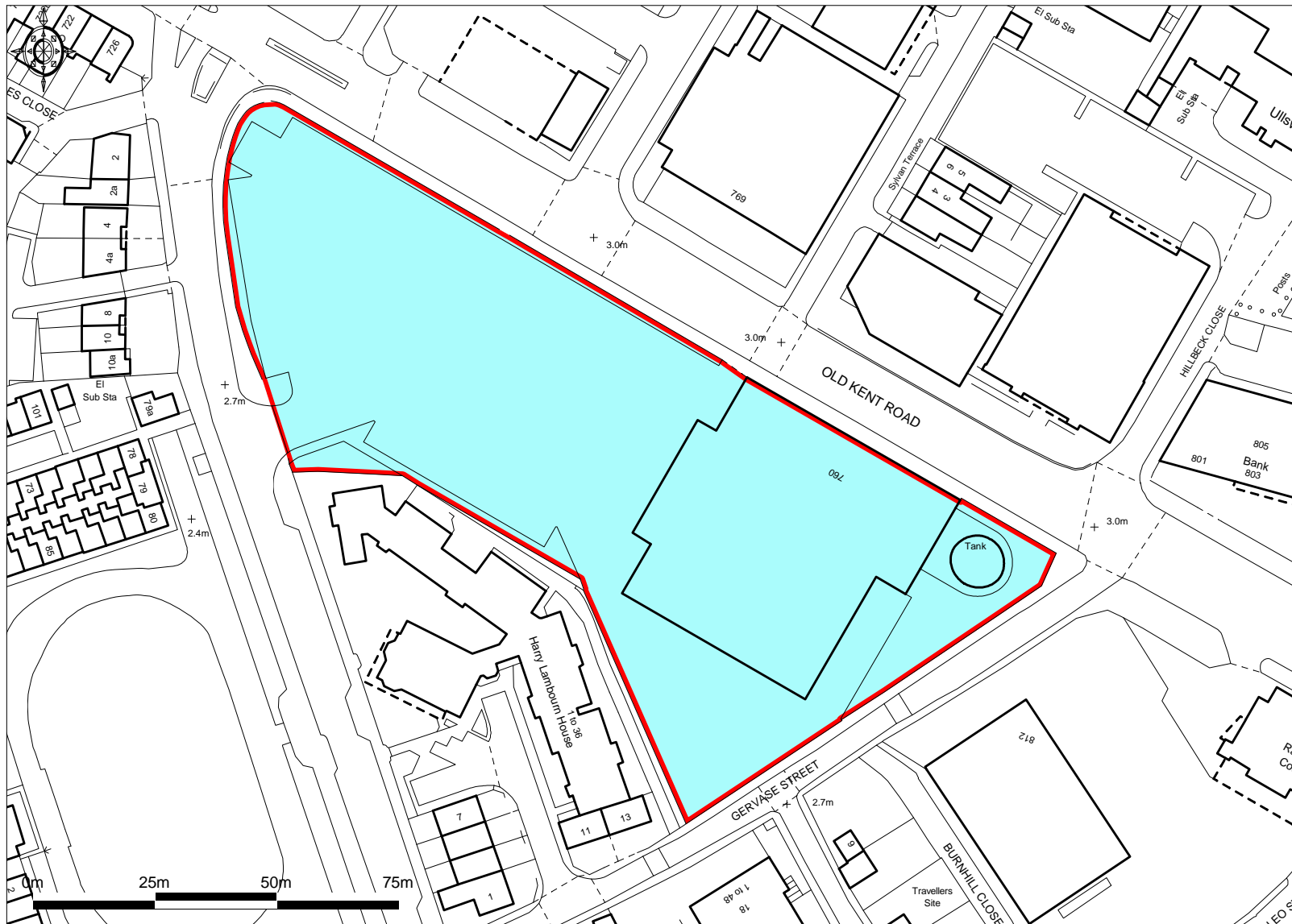


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# Old Kent Road, London SE15.



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The map shows a section of Peckham, London, with a focus on the area around Gervase Street and Old Kent Road. A black arrow points to 'THE PROPERTY' located on Gervase Street, near the intersection with Old Kent Road. The map includes labels for streets such as Argyle Way, Verney Road, Sandgate Street, Devon Street, Gervase Street, and Old Kent Road. Key landmarks include the Industrial Estate, Gas Holder Station, Visitor Centre, Recycling Facility, Brimington Park, and Peckham. Various icons represent different types of buildings: schools (Sch), police stations (PW), museums (Mus), and other facilities. A compass rose is located in the top left corner.



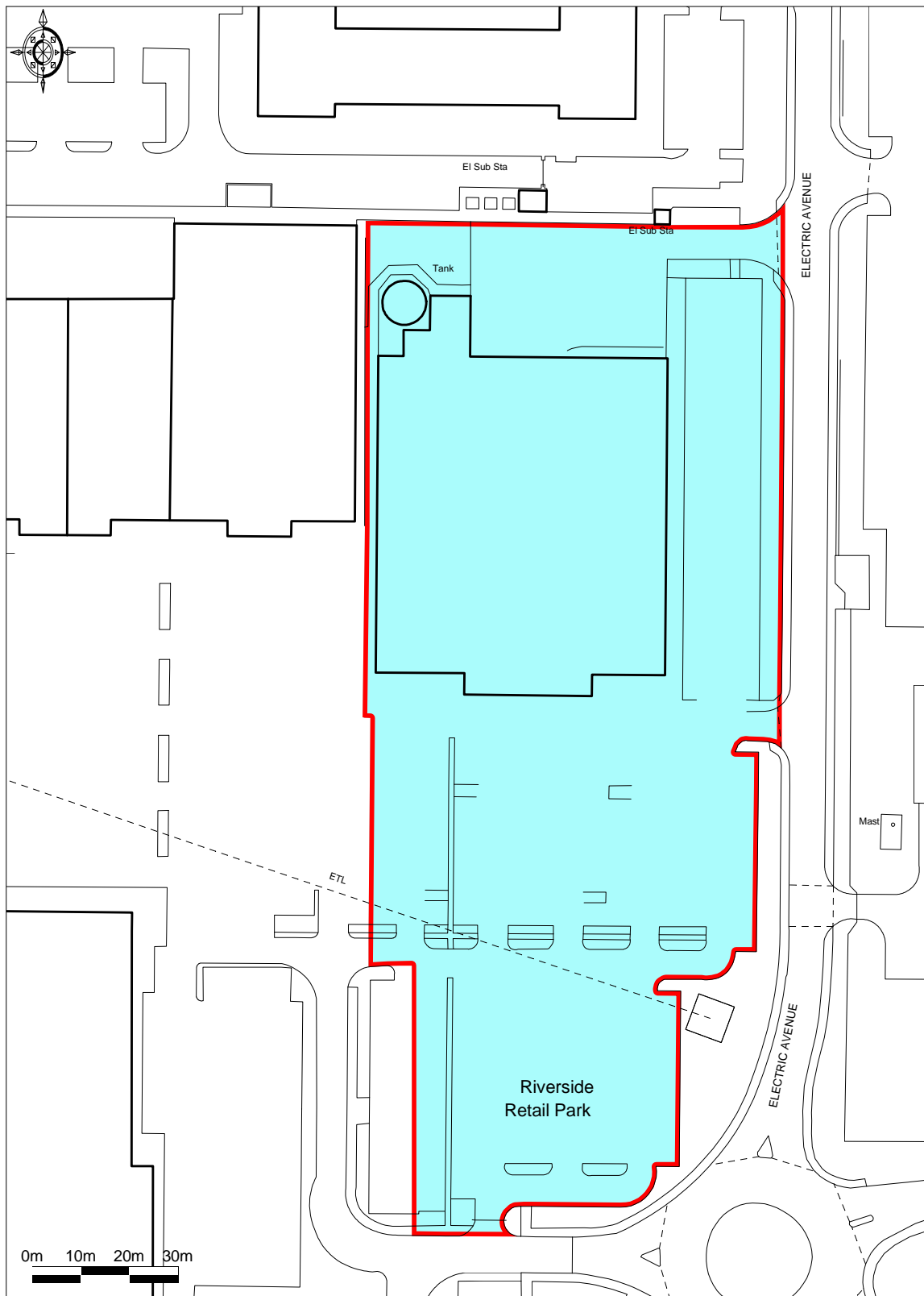
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# Riverside Retail Park, Queens Drive, Nottingham.



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Situation Plan,  
Riverside Retail Park, Queens Drive, Nottingham.

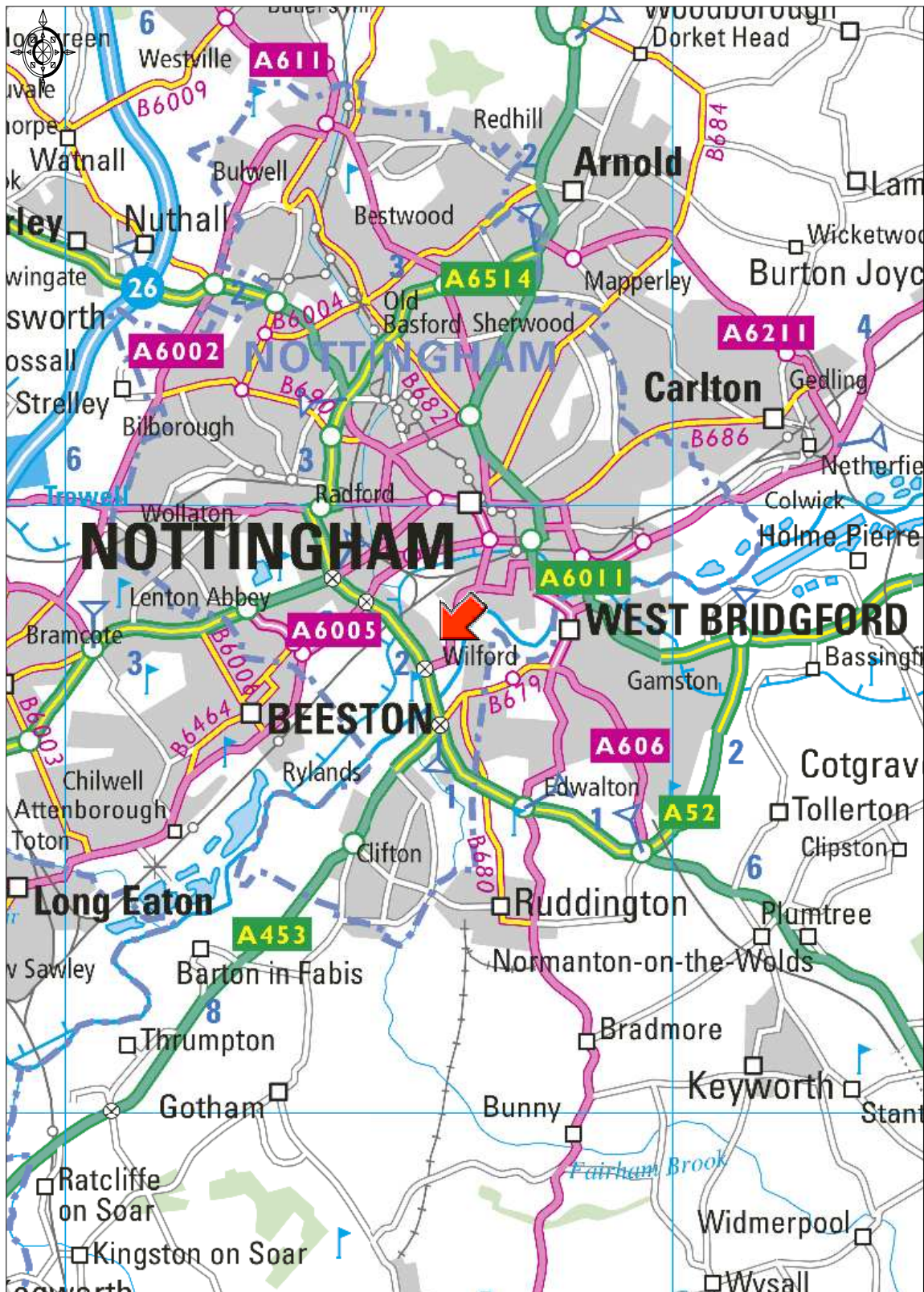


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Location Plan,  
Riverside Retail Park, Queens Drive, Nottingham.

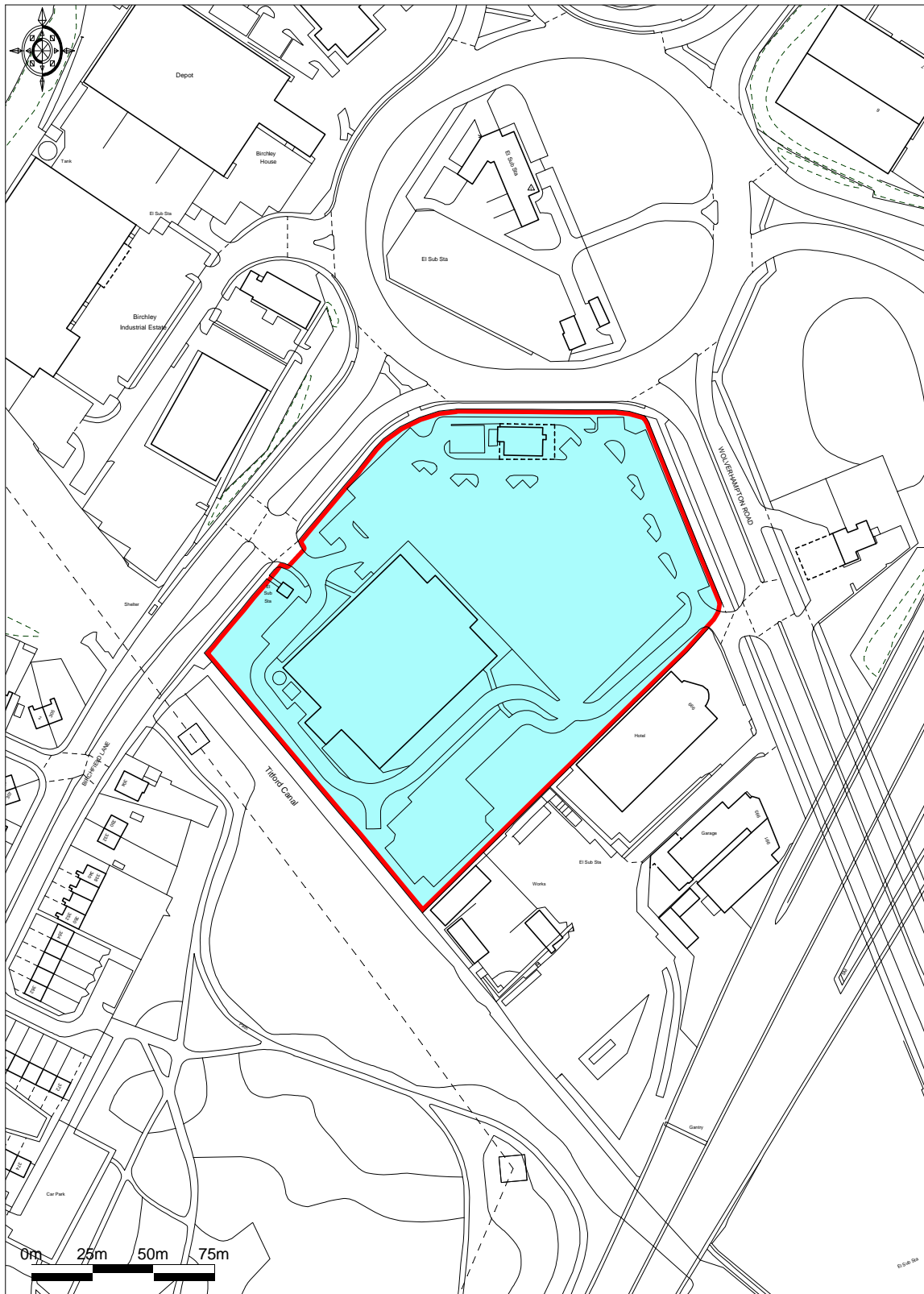


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# Wolverhampton Road, Oldbury.



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Situation Plan,  
Wolverhampton Road, Oldbury.

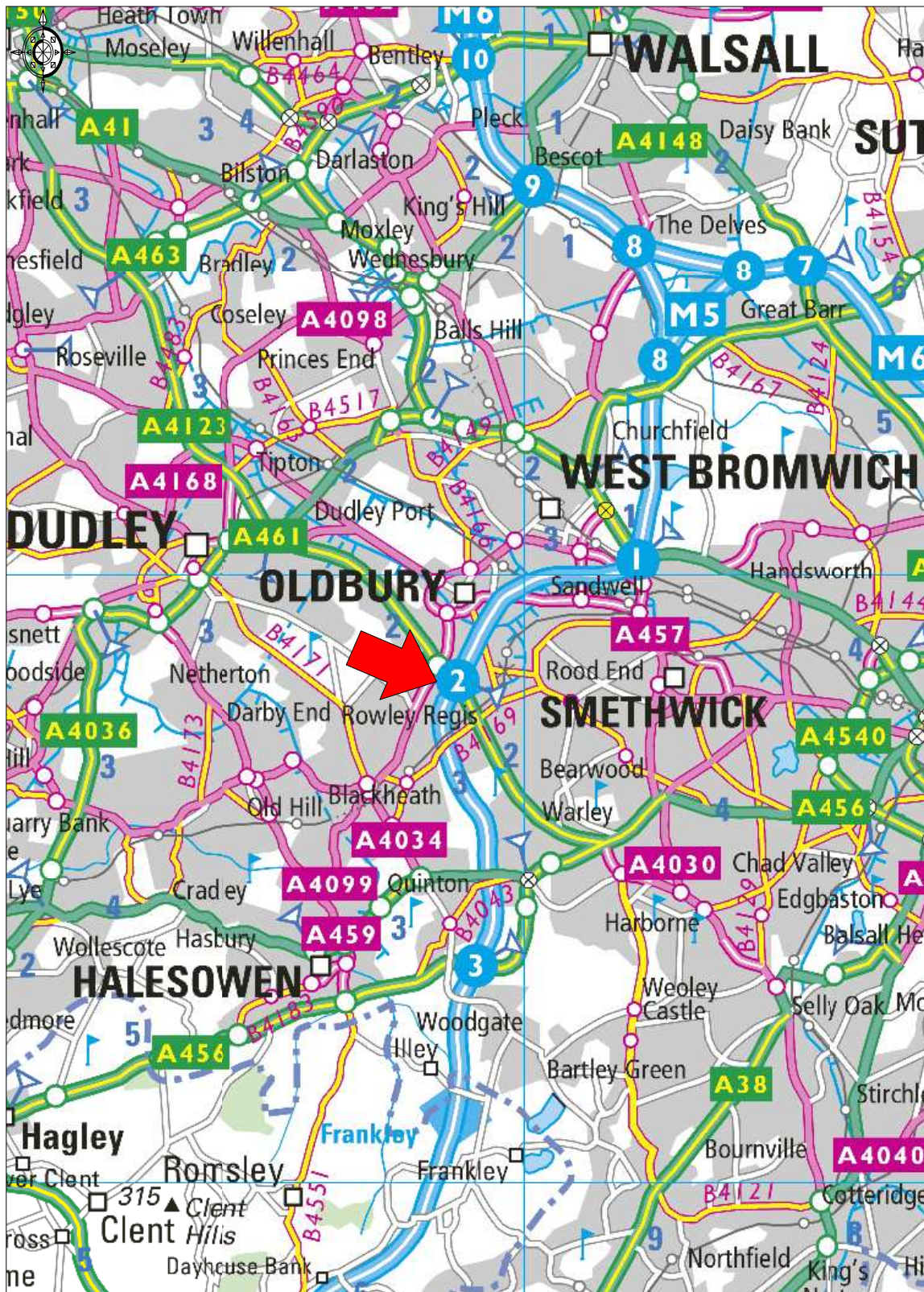


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Location Plan,  
Wolverhampton Road, Oldbury.



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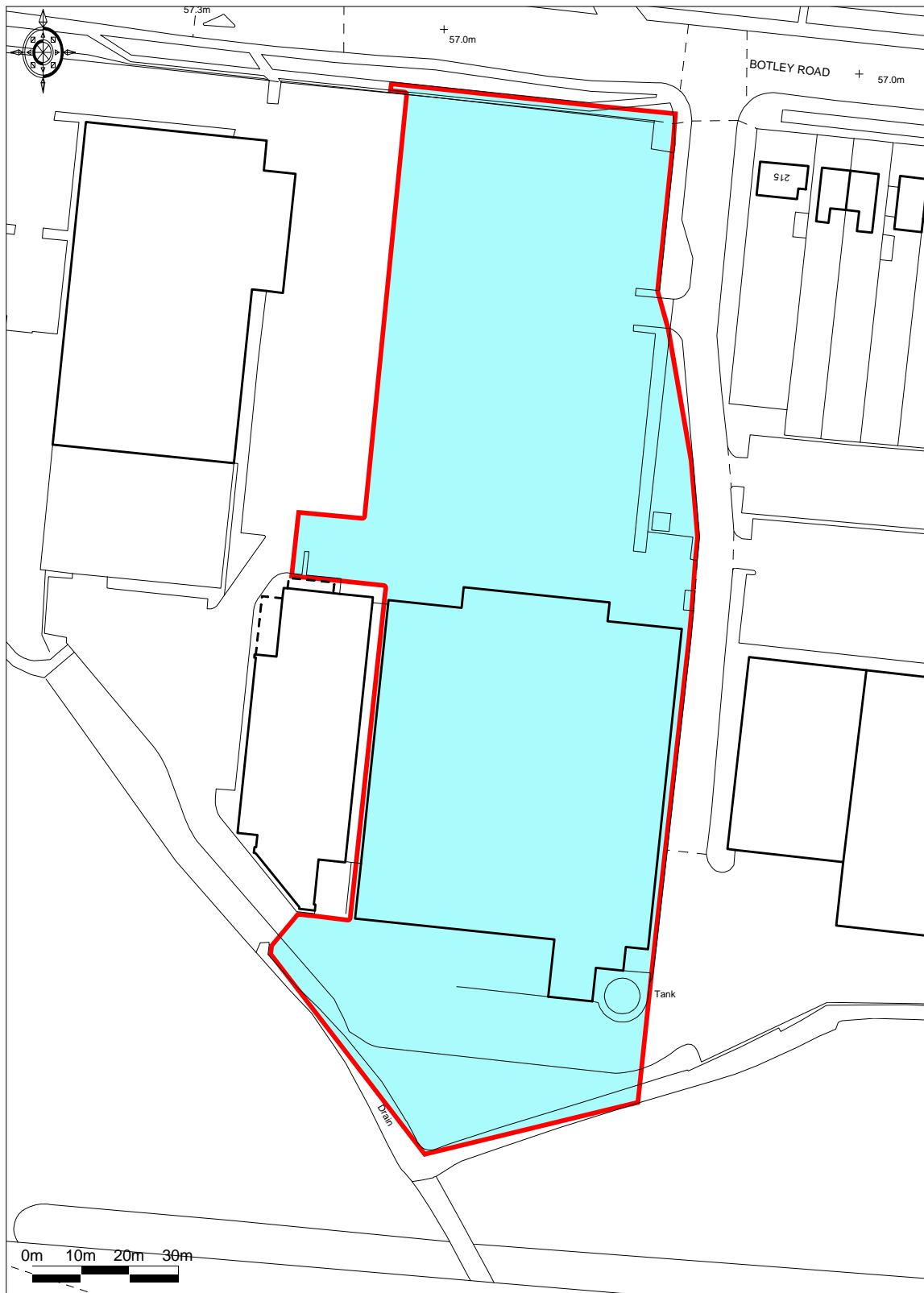
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Situation Plan,  
Botley Road, Oxford.



# Botley Road, Oxford.



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Location Plan,  
Botley Road, Oxford.



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Bourges Boulevard, Peterborough.



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# Situation Plan, Bourges Boulevard, Peterborough.



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Location Plan,  
Bourges Boulevard, Peterborough.

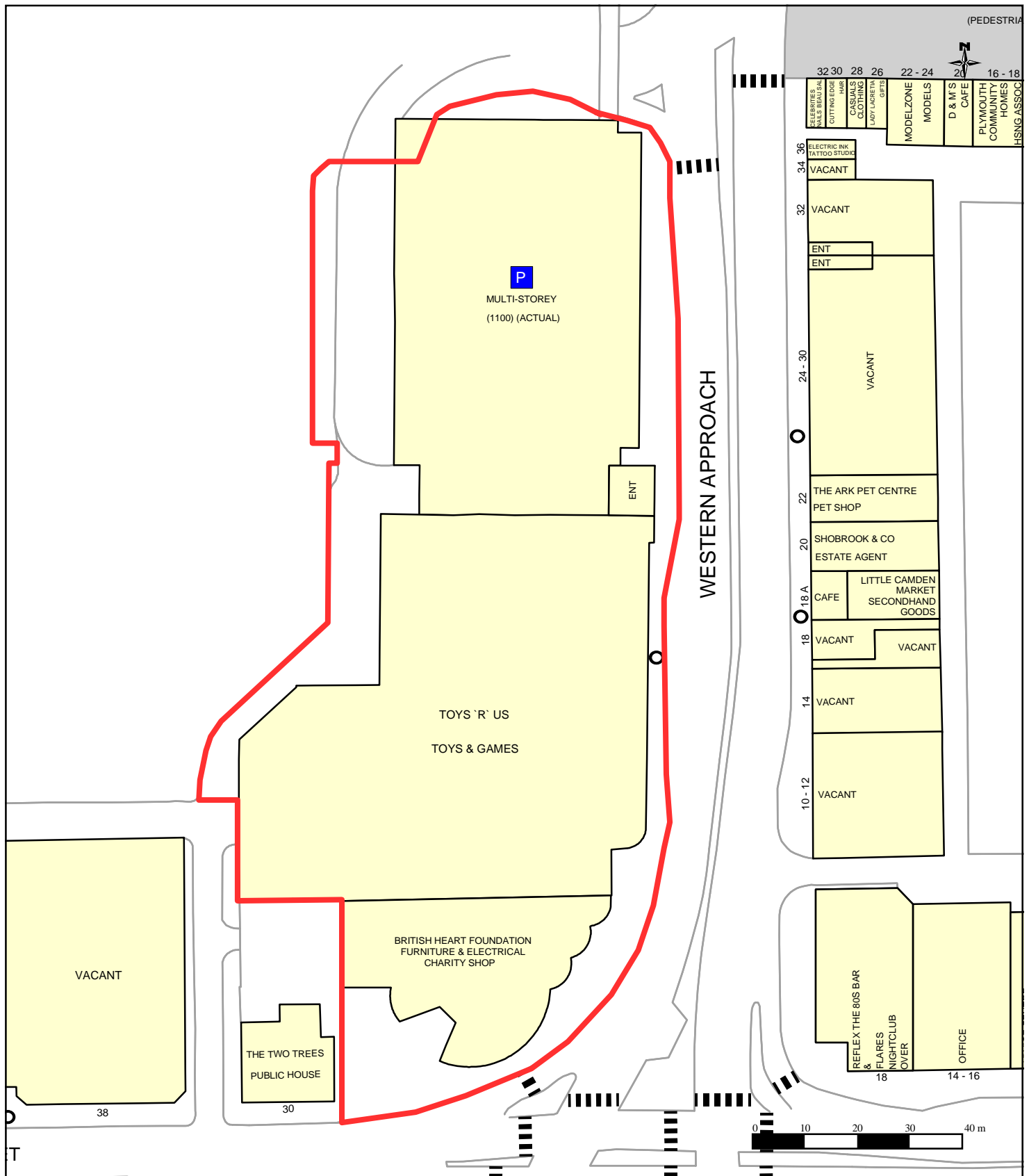


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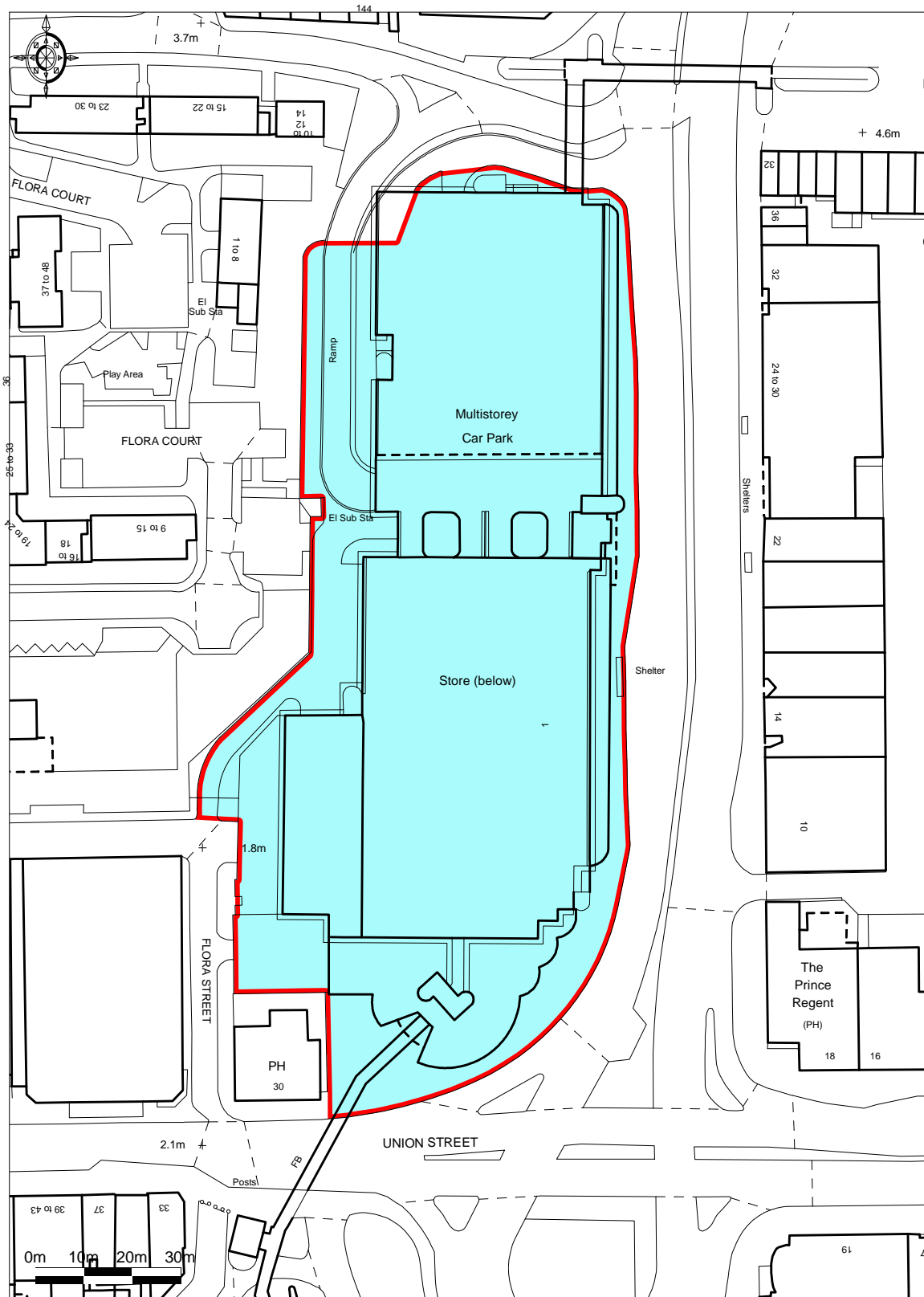


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# Rendel Street, Plymouth.



# Rendel Street, Plymouth.



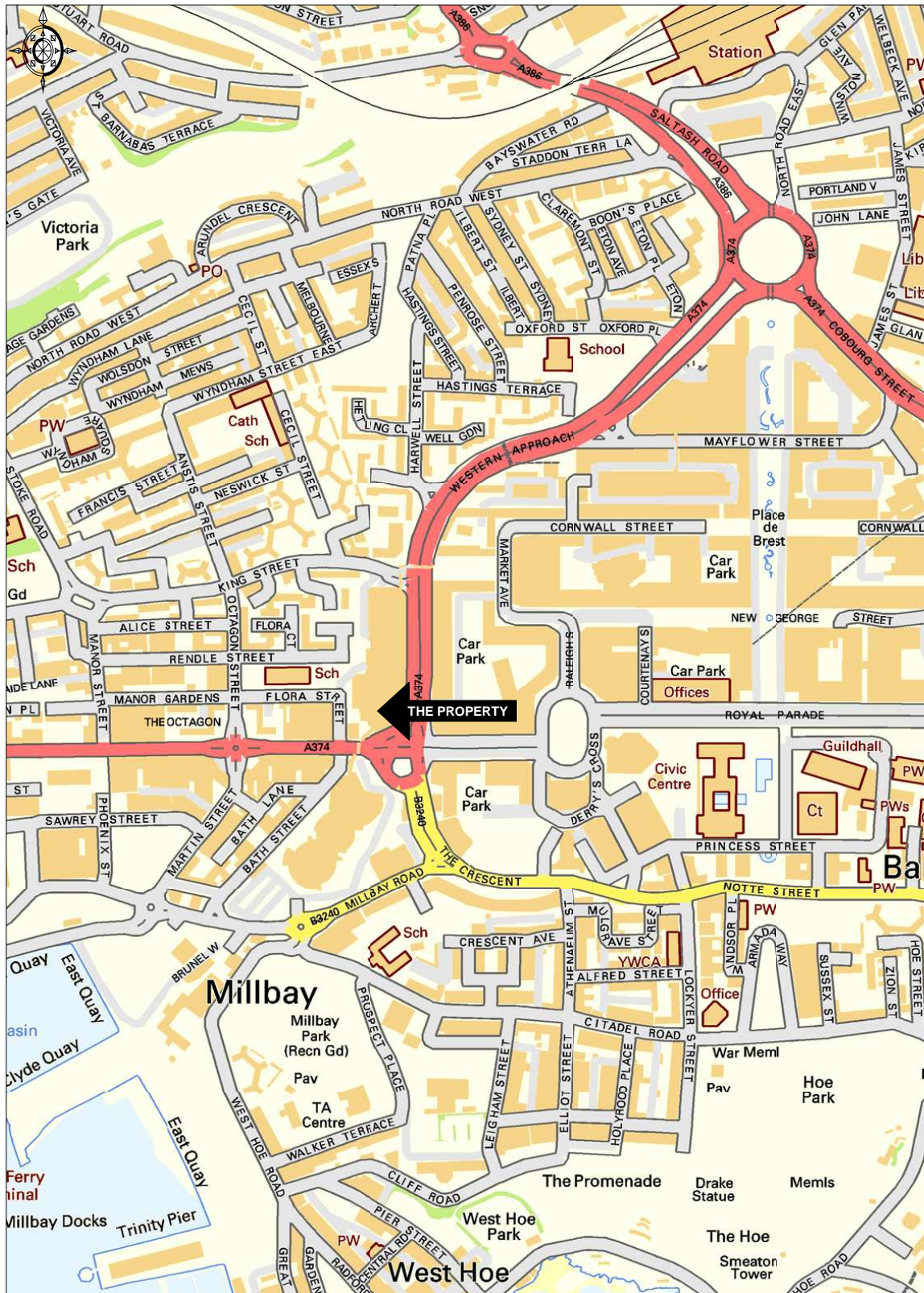
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# Situation Plan, Rendel Street, Plymouth.



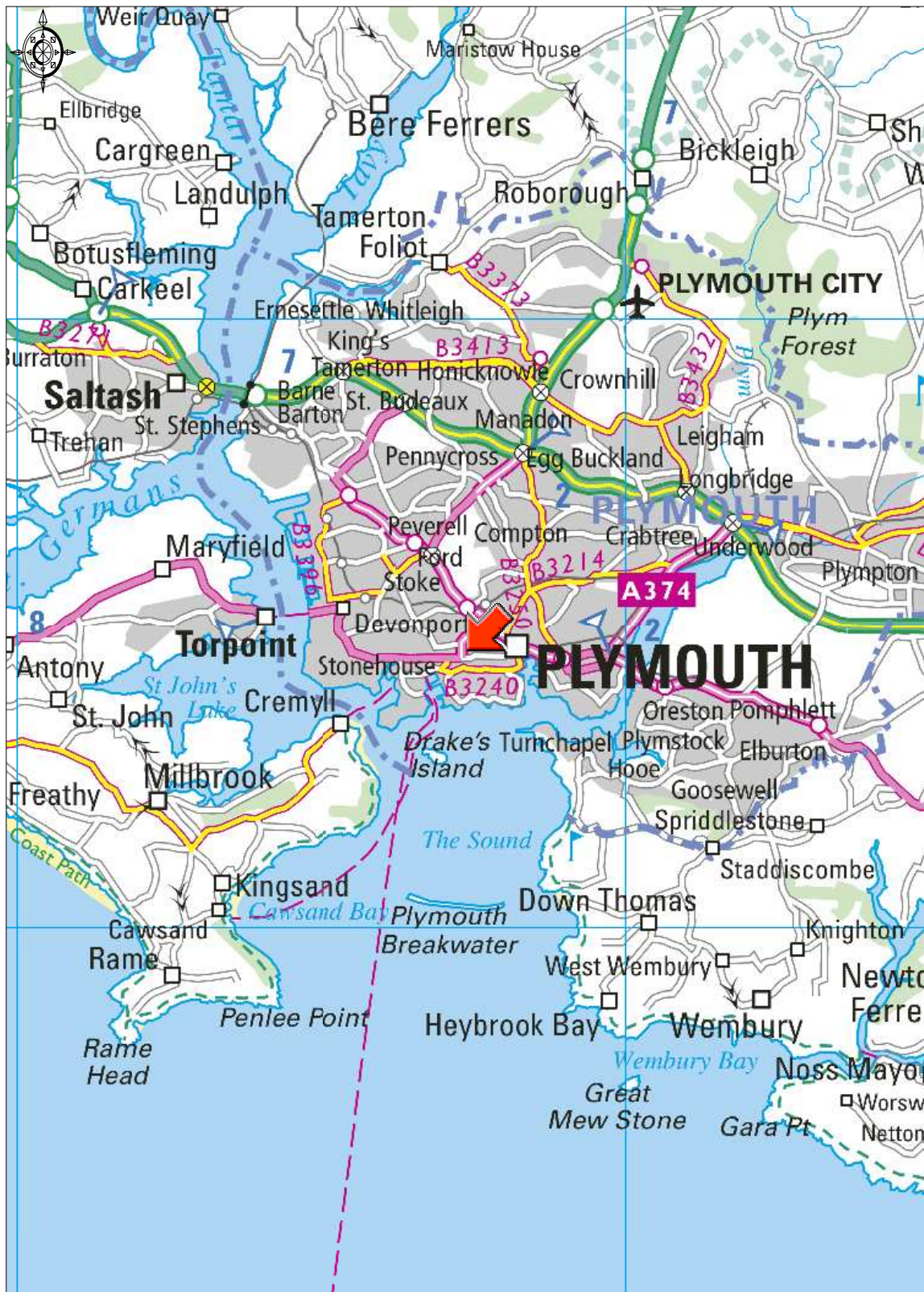
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Location Plan,  
Rendel Street, Plymouth.



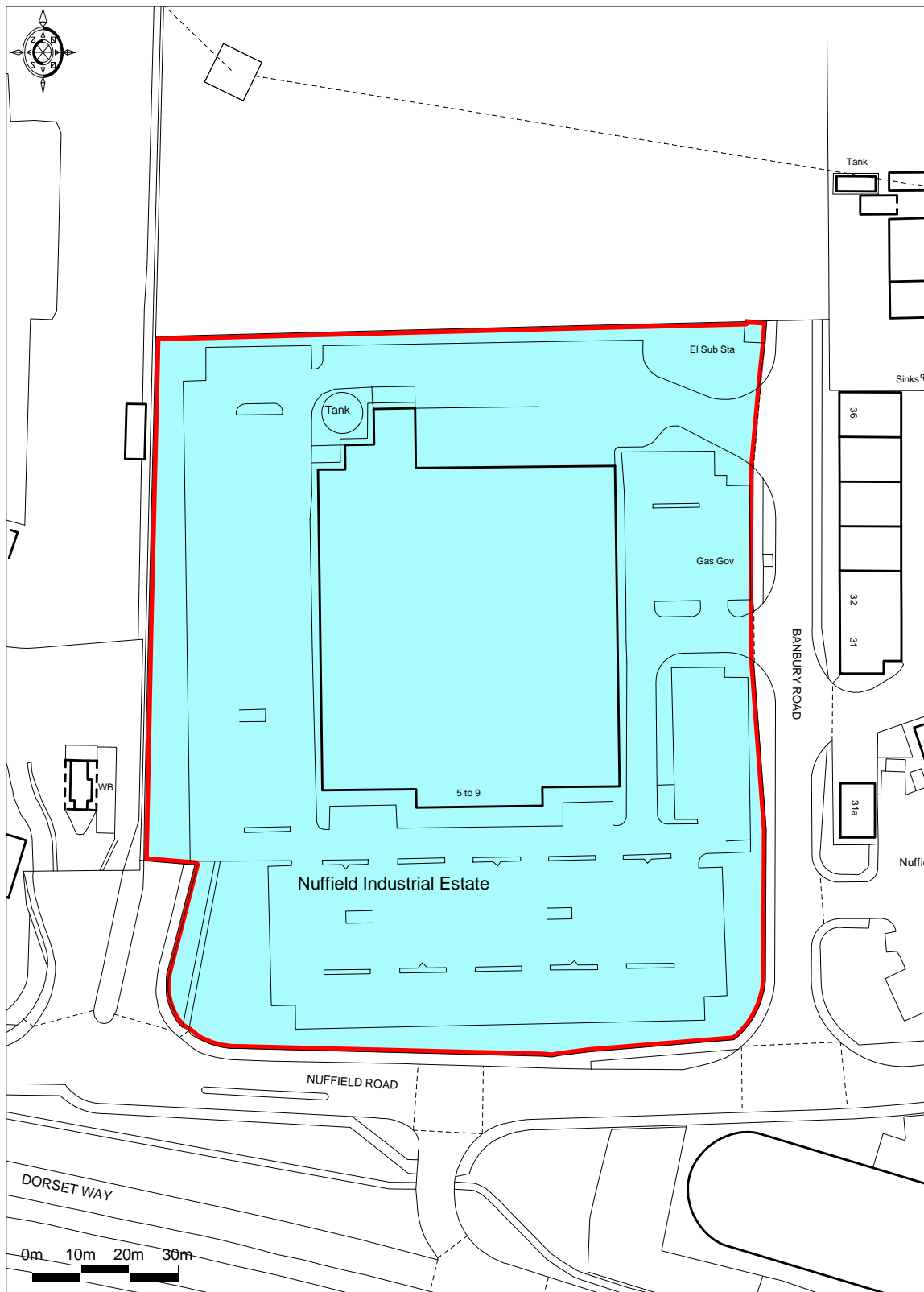
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# Nuffield Road, Poole.



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Situation Plan,  
Nuffield Road, Poole.



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Location Plan,  
Nuffield Road, Poole.

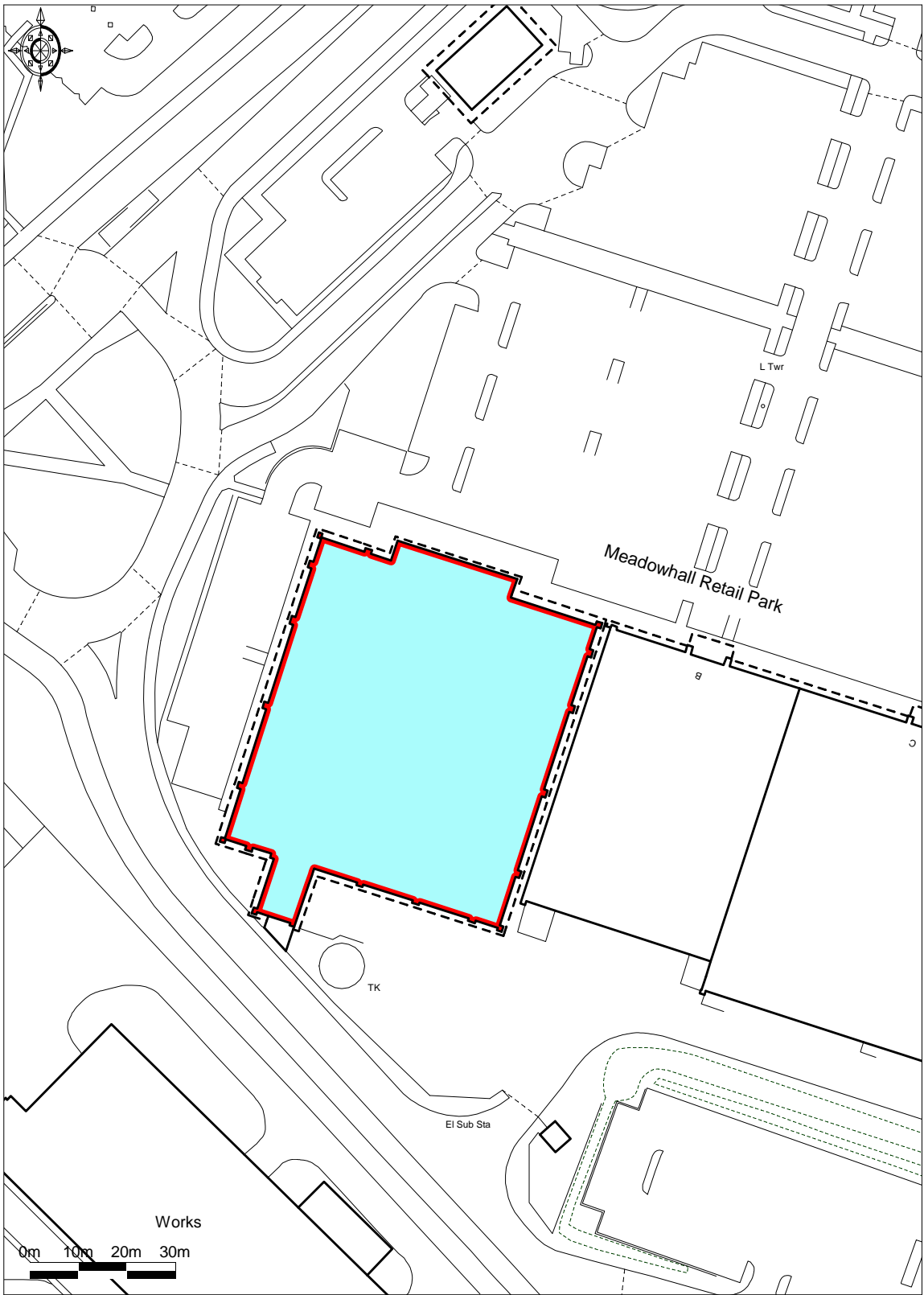


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Meadowhall Retail Park, Attercliffe Common, Sheffield.



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# Situation Plan, Meadowhall Retail Park, Attercliffe Common, Sheffield.



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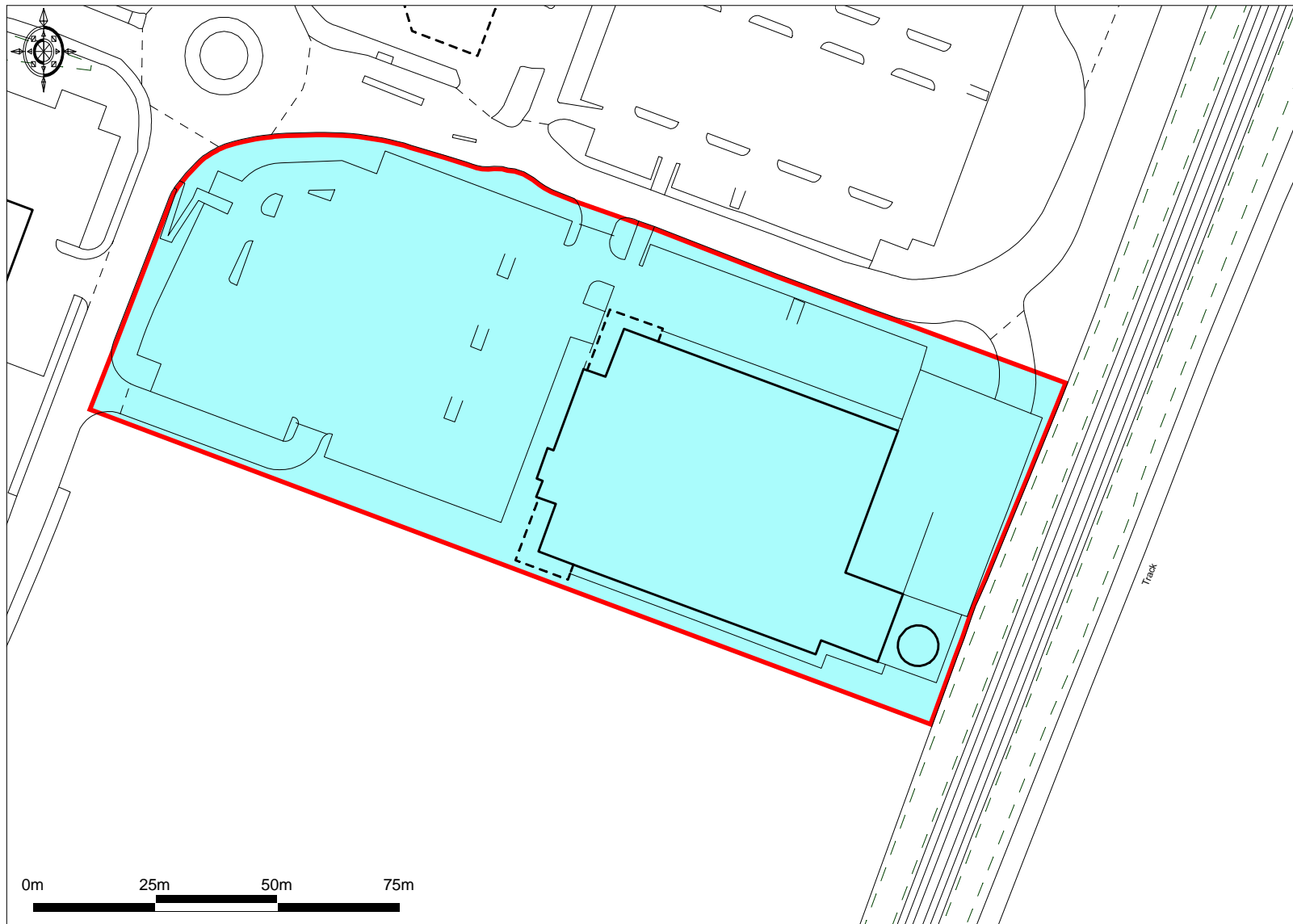


Location Plan,  
Meadowhall Retail Park, Attercliffe Common, Sheffield.



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Meol Brace Retail Park, Hereford Road, Shrewsbury.



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# Situation Plan, Meol Brace Retail Park, Hereford Road, Shrewsbury.



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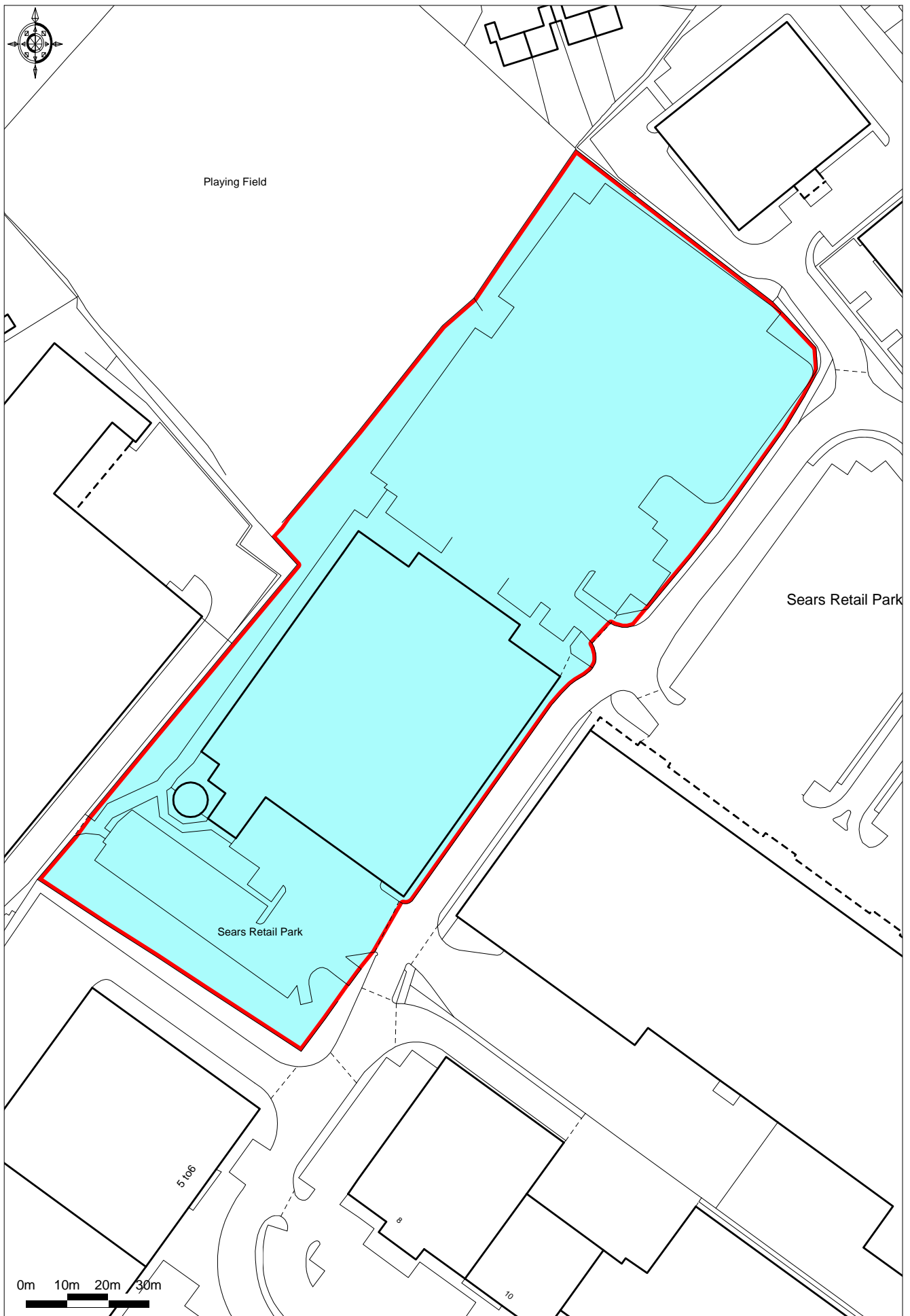
Location Plan,  
Meol Brace Retail Park, Hereford Road, Shrewsbury.



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# Solihull Retail Park, Oakenshaw Road, Solihull.





Situation Plan,  
Solihull Retail Park, Oakenshaw Road, Solihull.

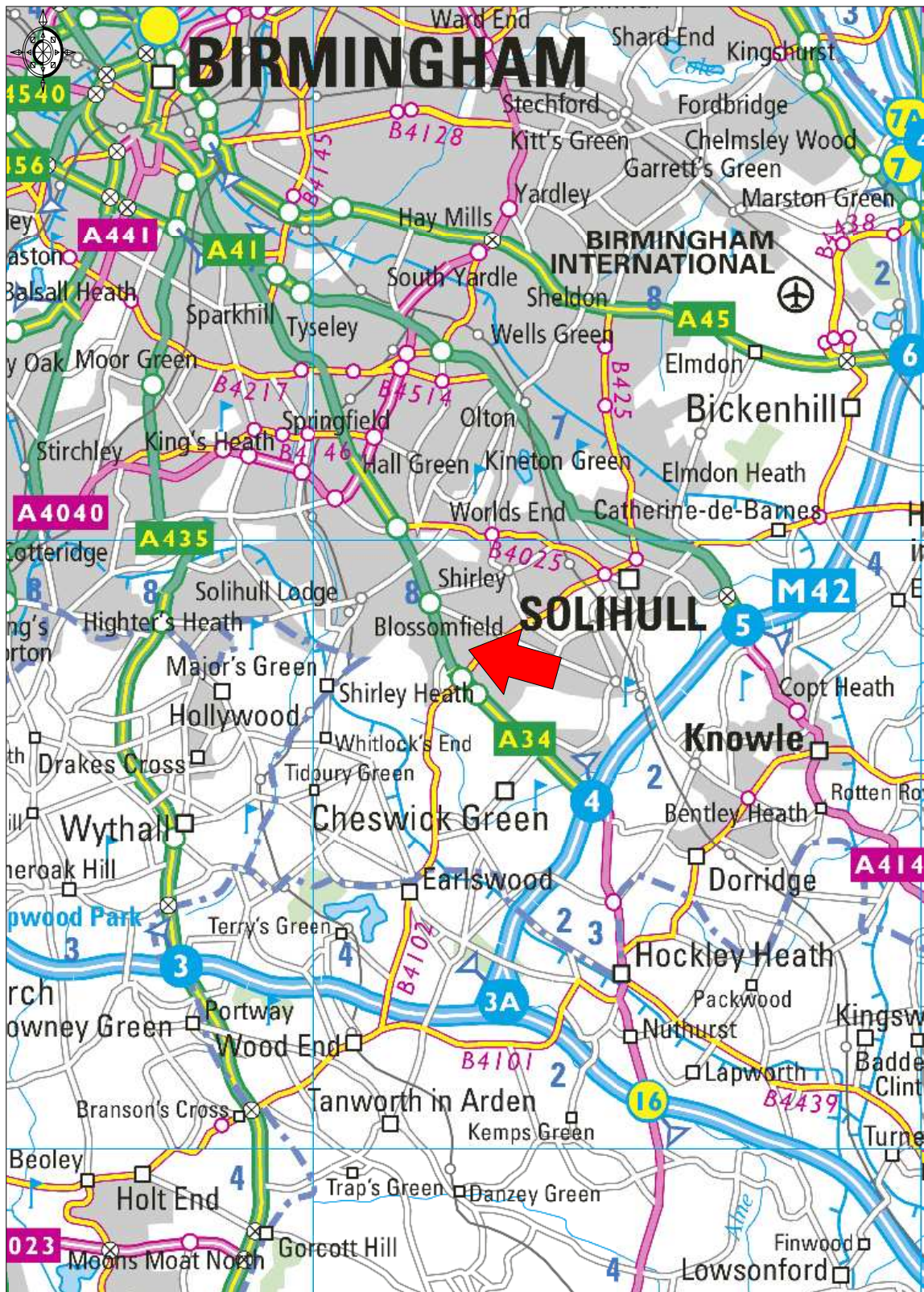


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Location Plan,  
Solihull Retail Park, Oakenshaw Road, Solihull.

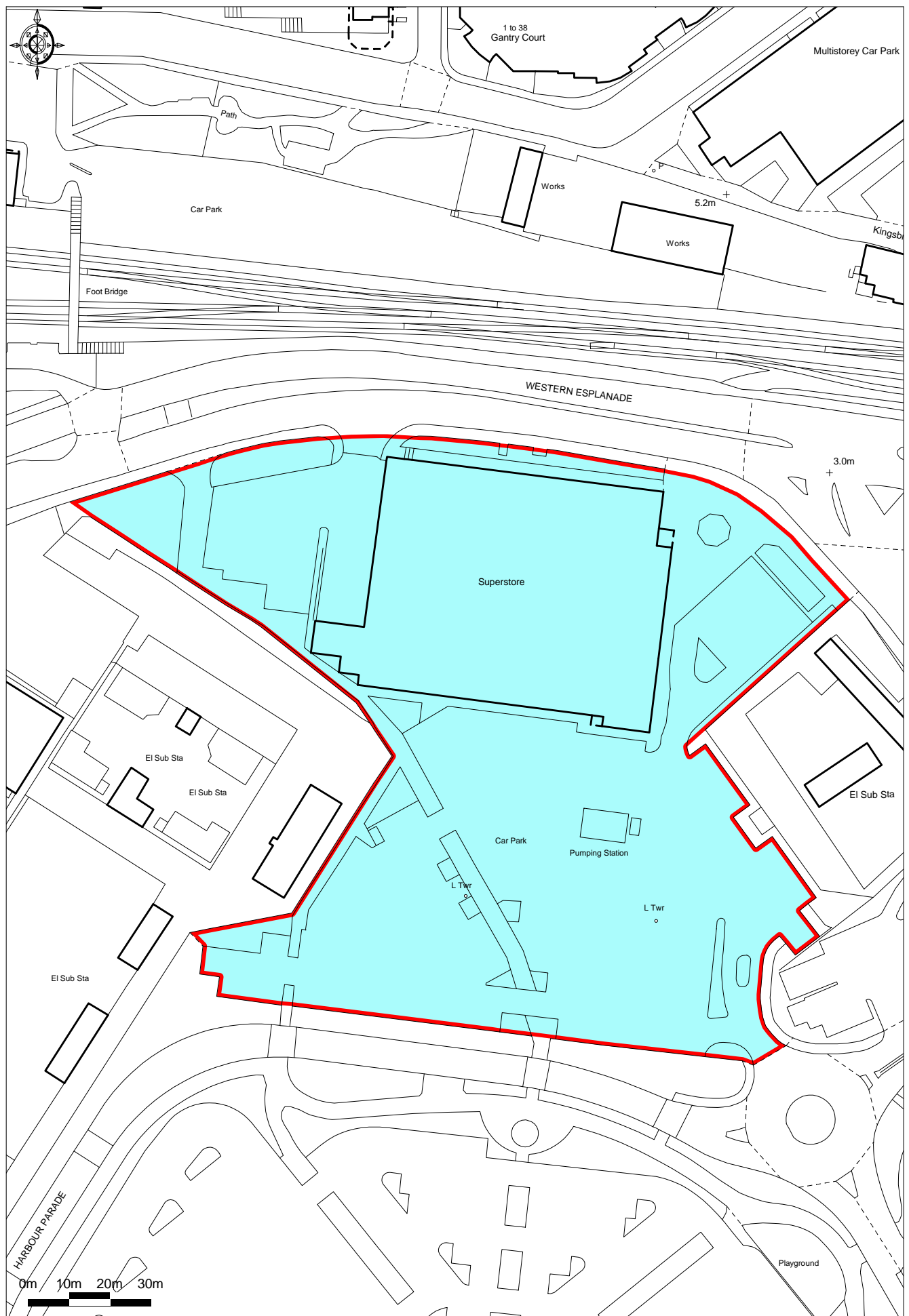


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# Western Esplanade, Southampton.



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# Situation Plan, Western Esplanade, Southampton.

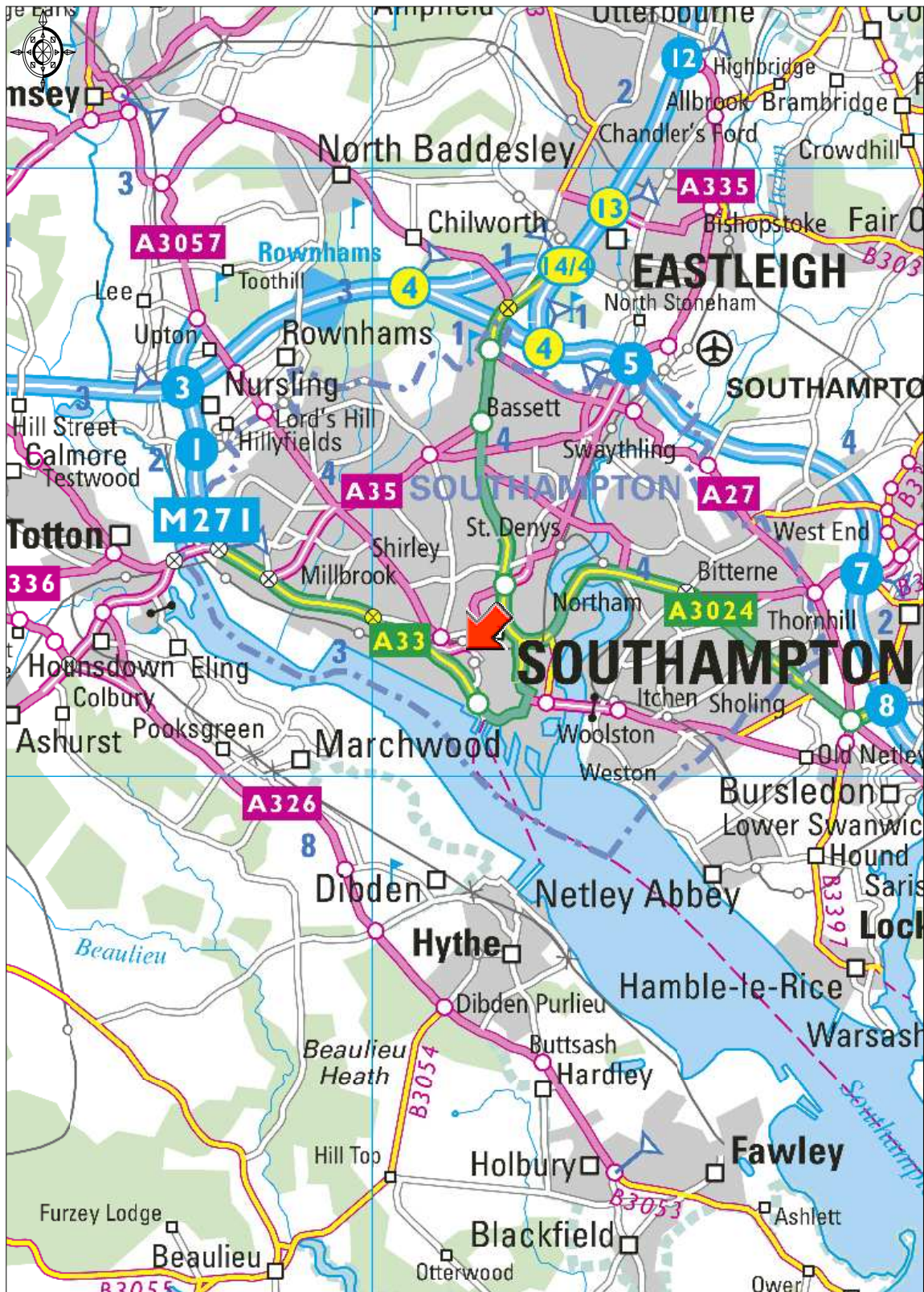


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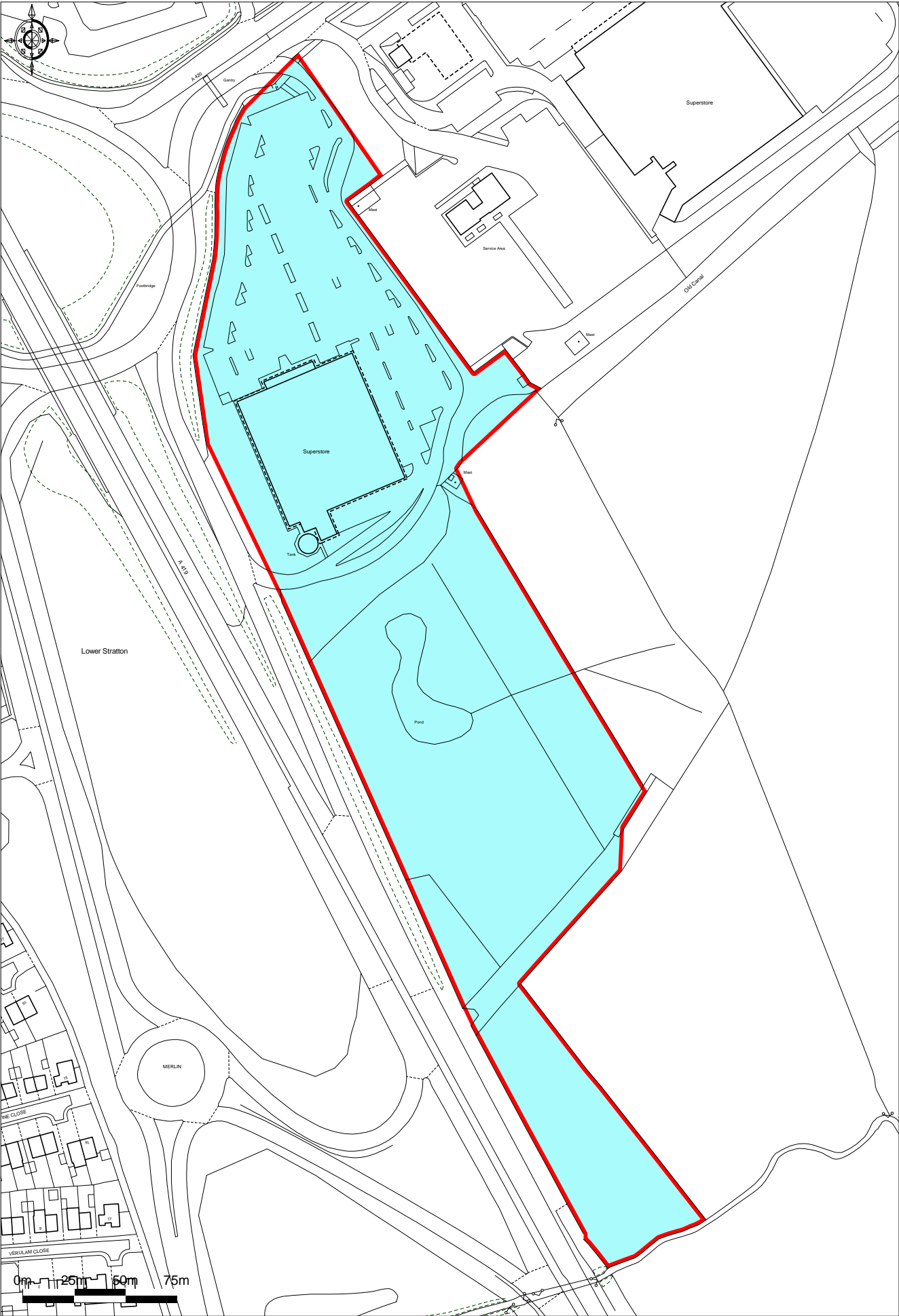
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Location Plan,  
Western Esplanade, Southampton.



Oxford Road, Swindon.



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Situation Plan,  
Oxford Road, Swindon.



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Location Plan,  
Oxford Road, Swindon.

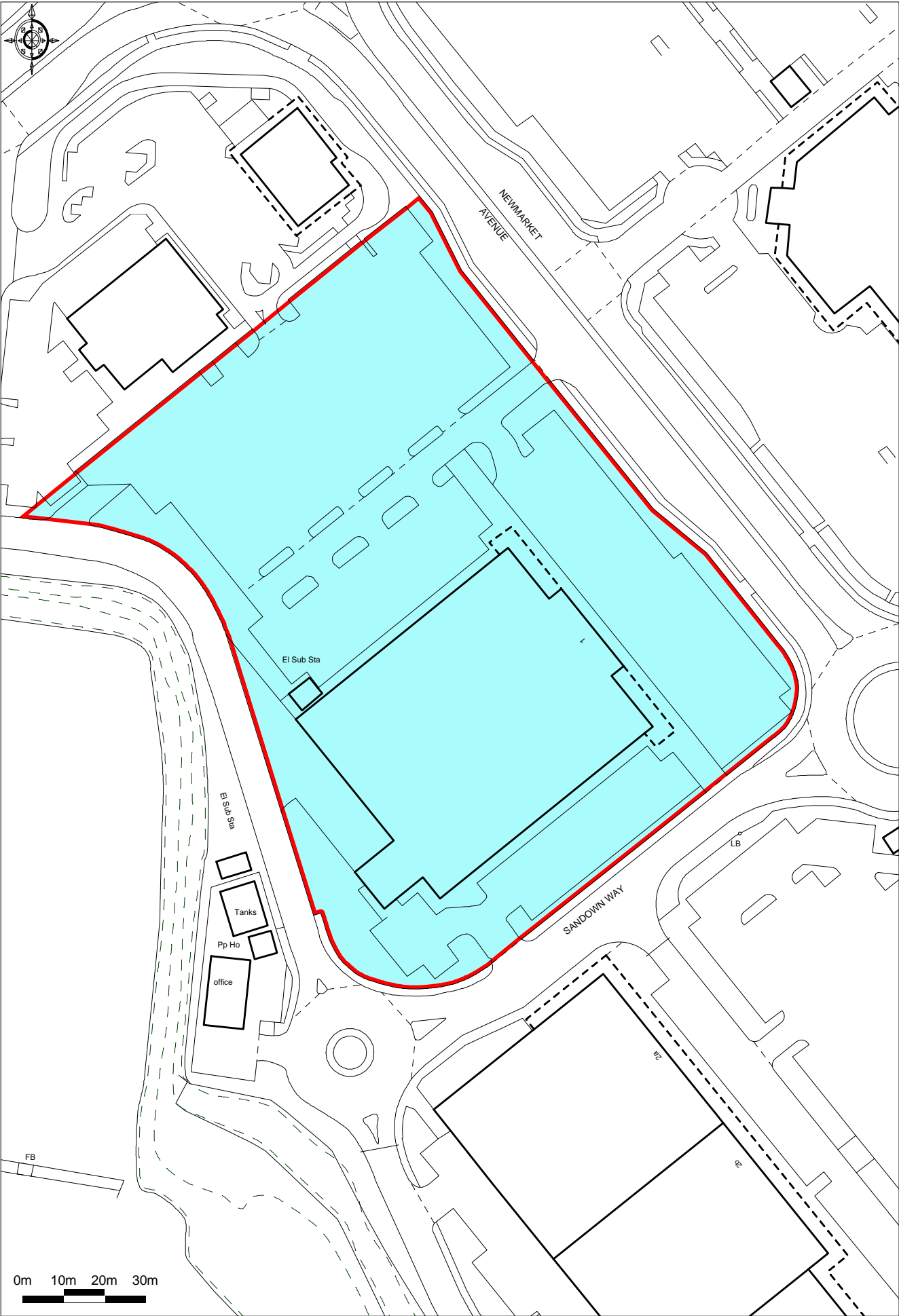


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Teesside Shopping Park, Newmarket Road, Teesside.



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# Situation Plan, Teesside Shopping Park, Newmarket Road, Teesside.

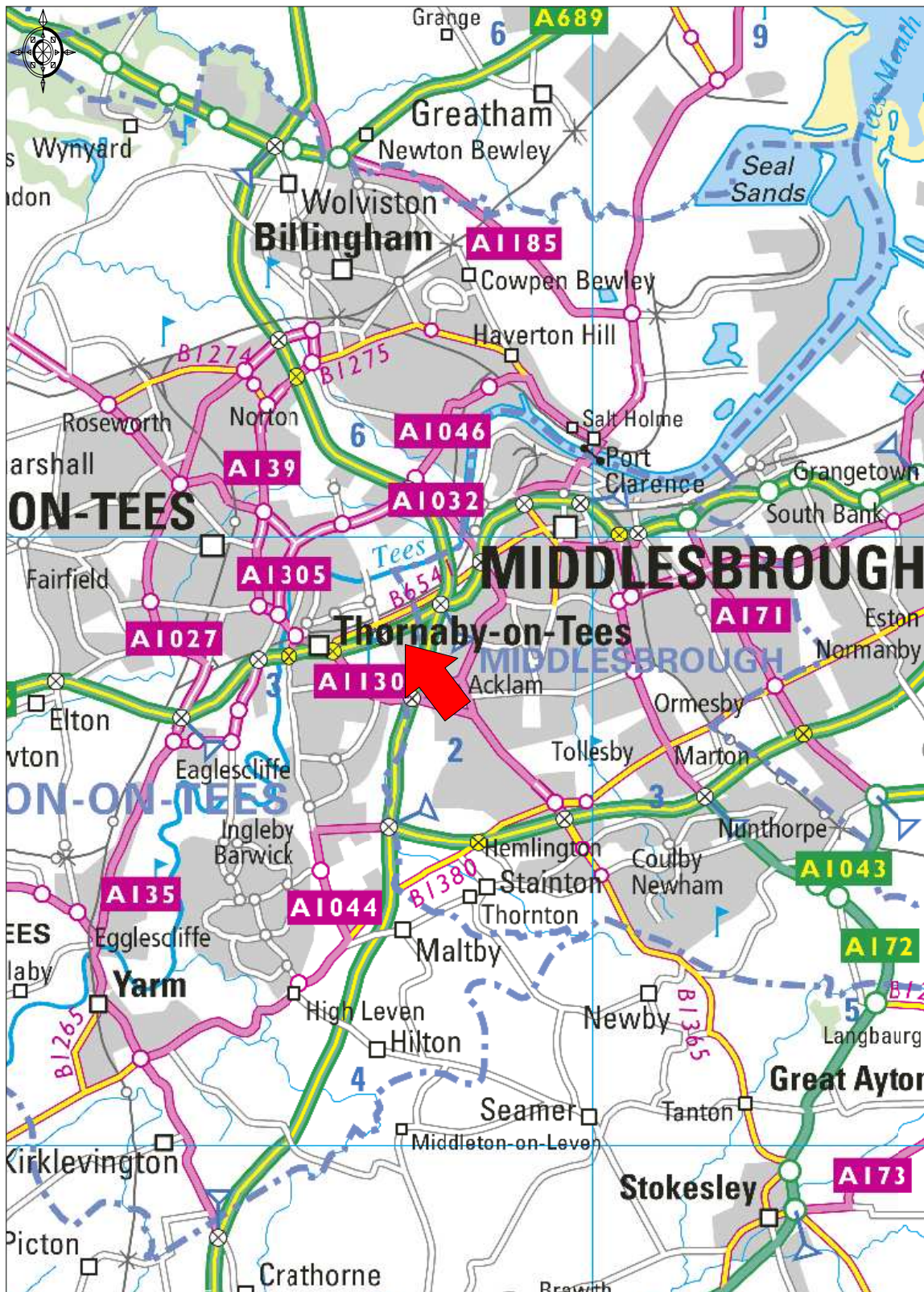


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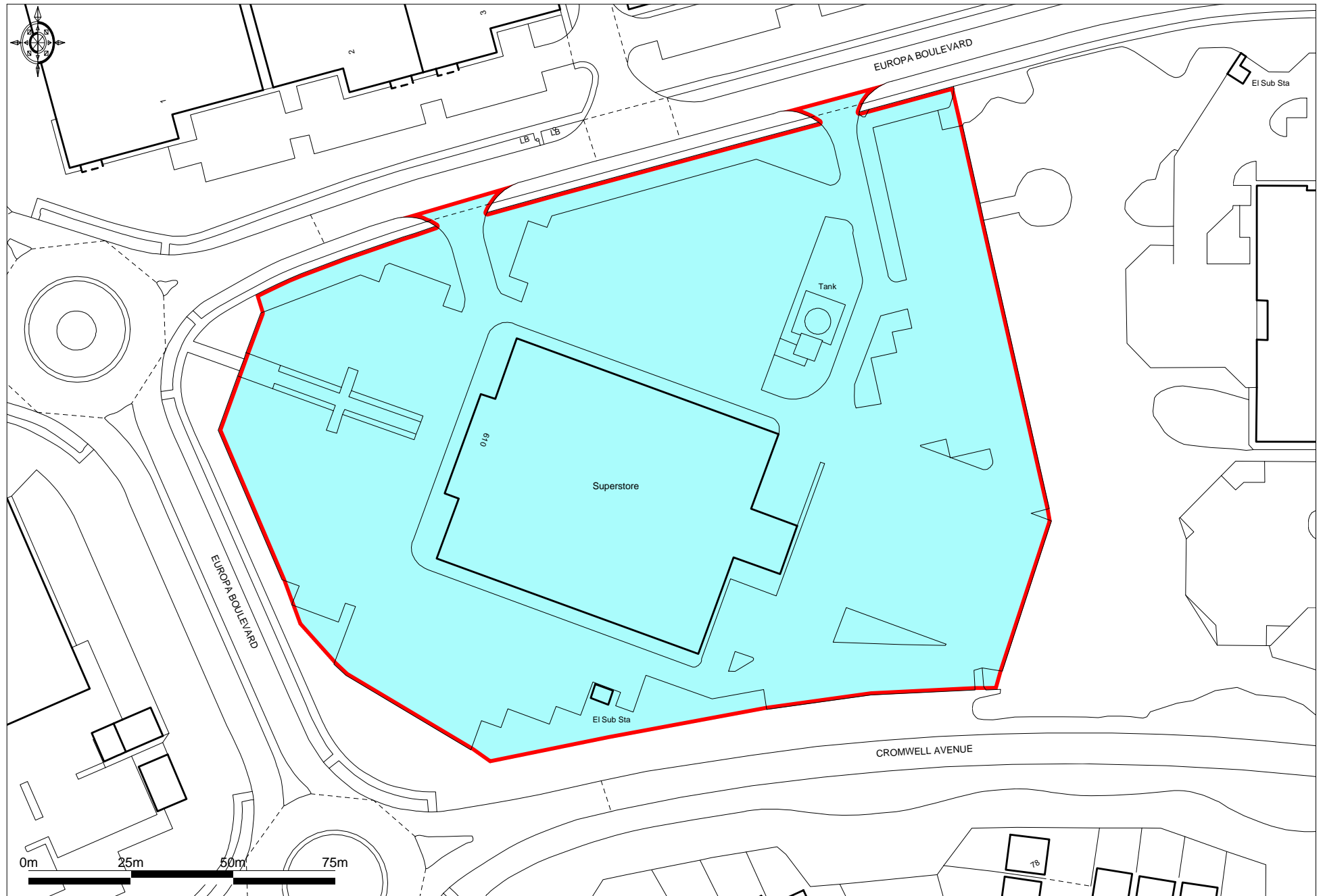
Location Plan,  
Teesside Shopping Park, Newmarket Road, Teesside.



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# Europa Boulevard, Warrington.





Situation Plan,  
Europa Boulevard, Warrington.

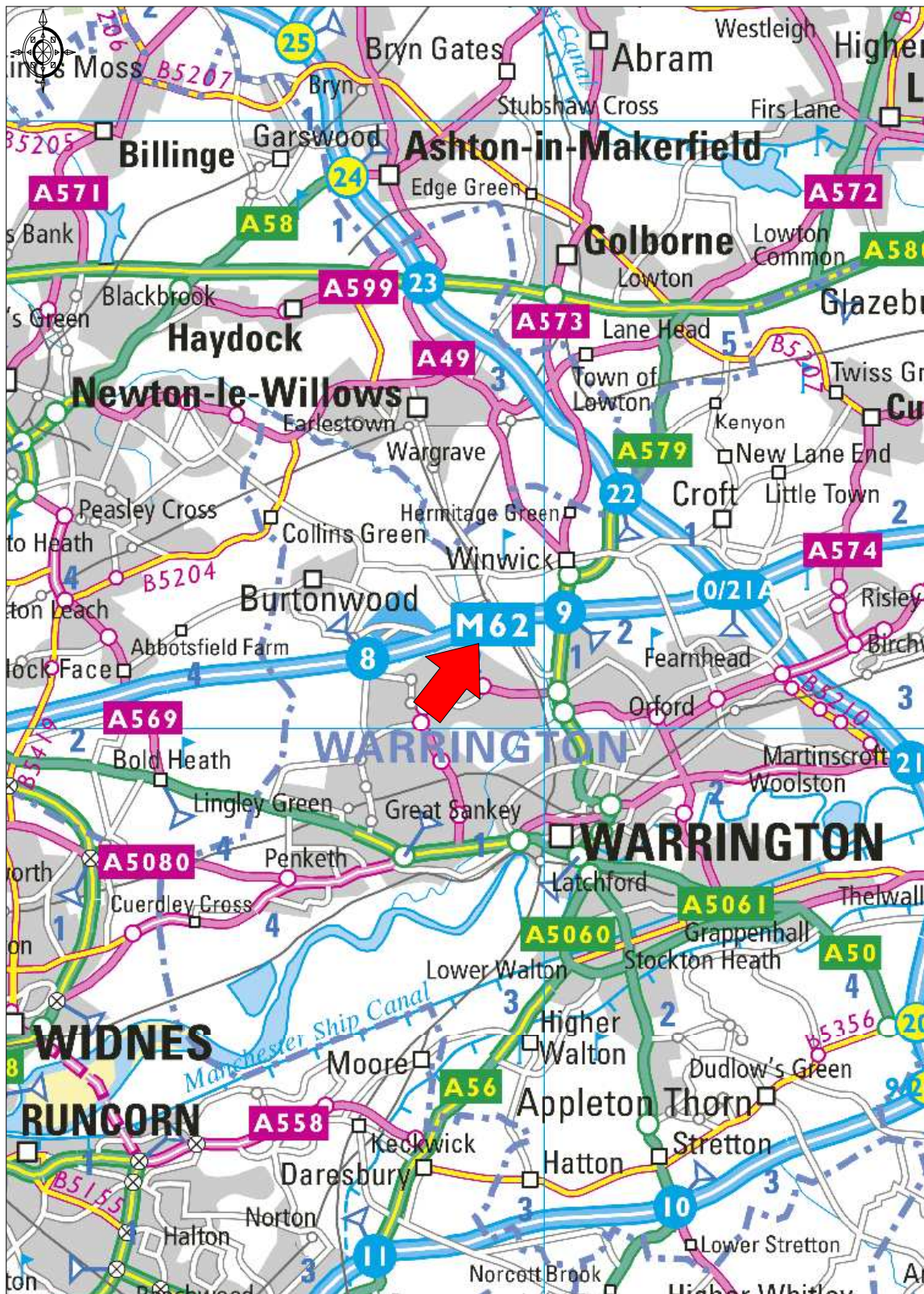


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Location Plan,  
Europa Boulevard, Warrington.



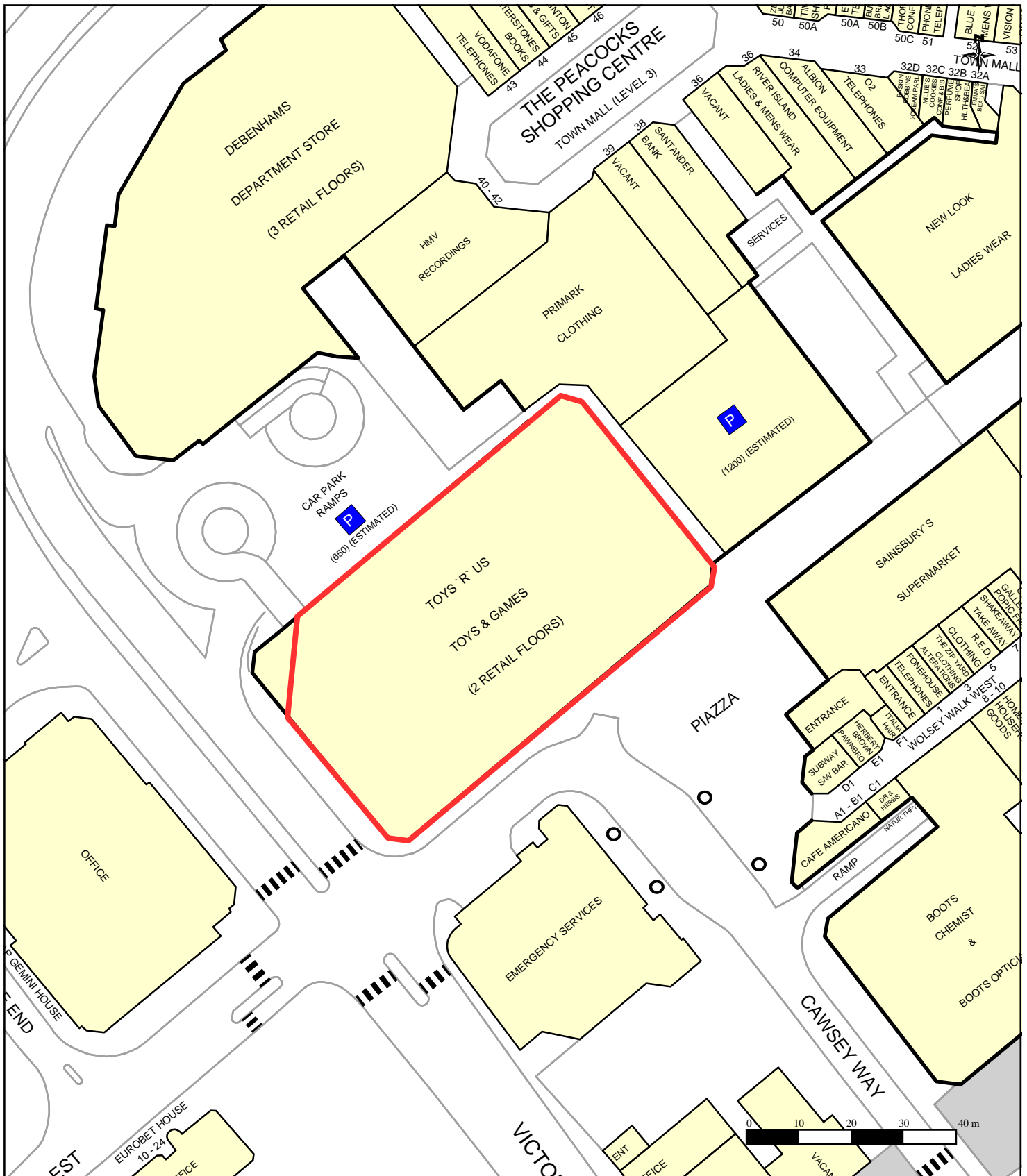
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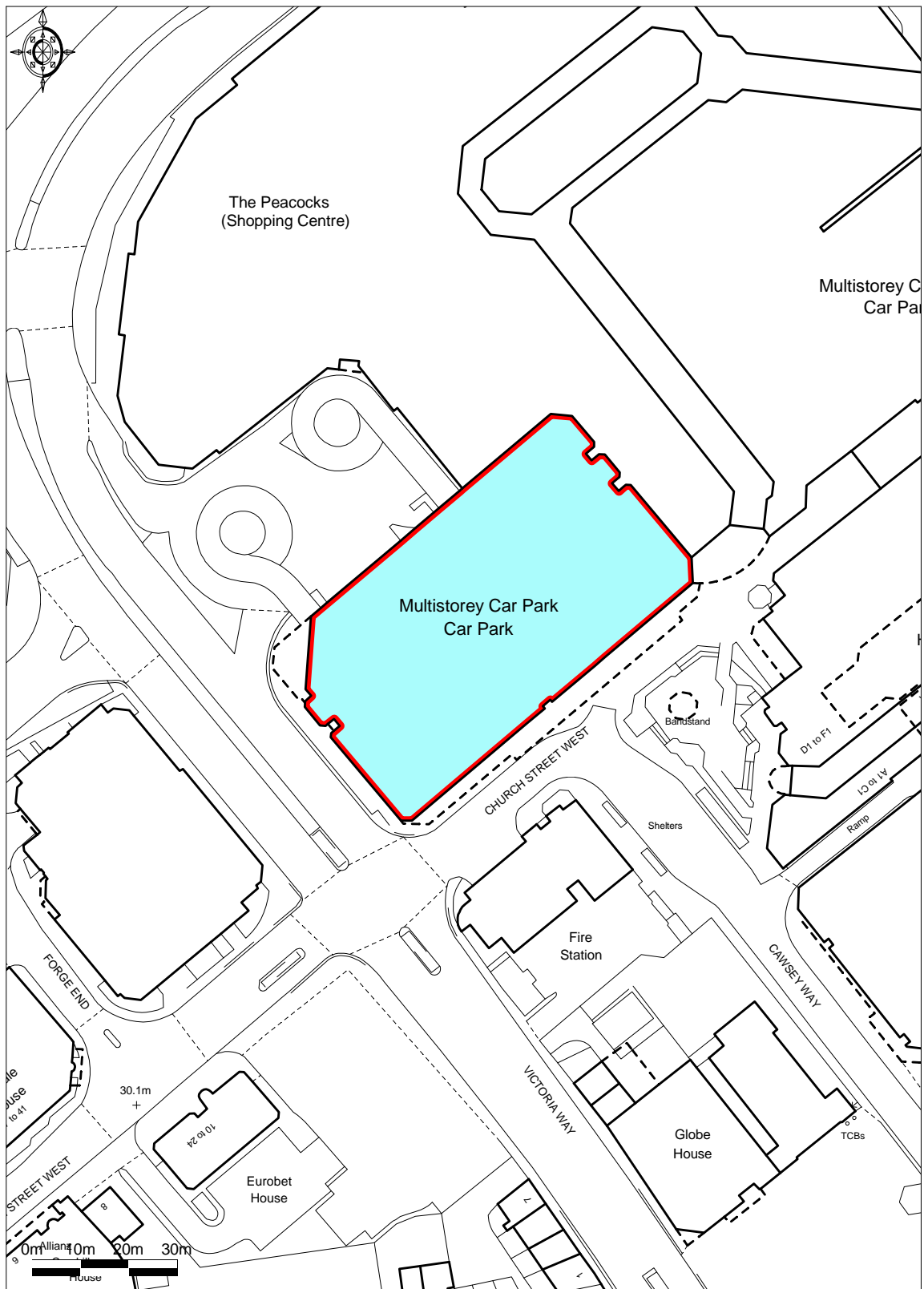
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# Church Street West, Woking.



## Church Street West, Woking.



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# Situation Plan, Church Street West, Woking.



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Location Plan,  
Church Street West, Woking.

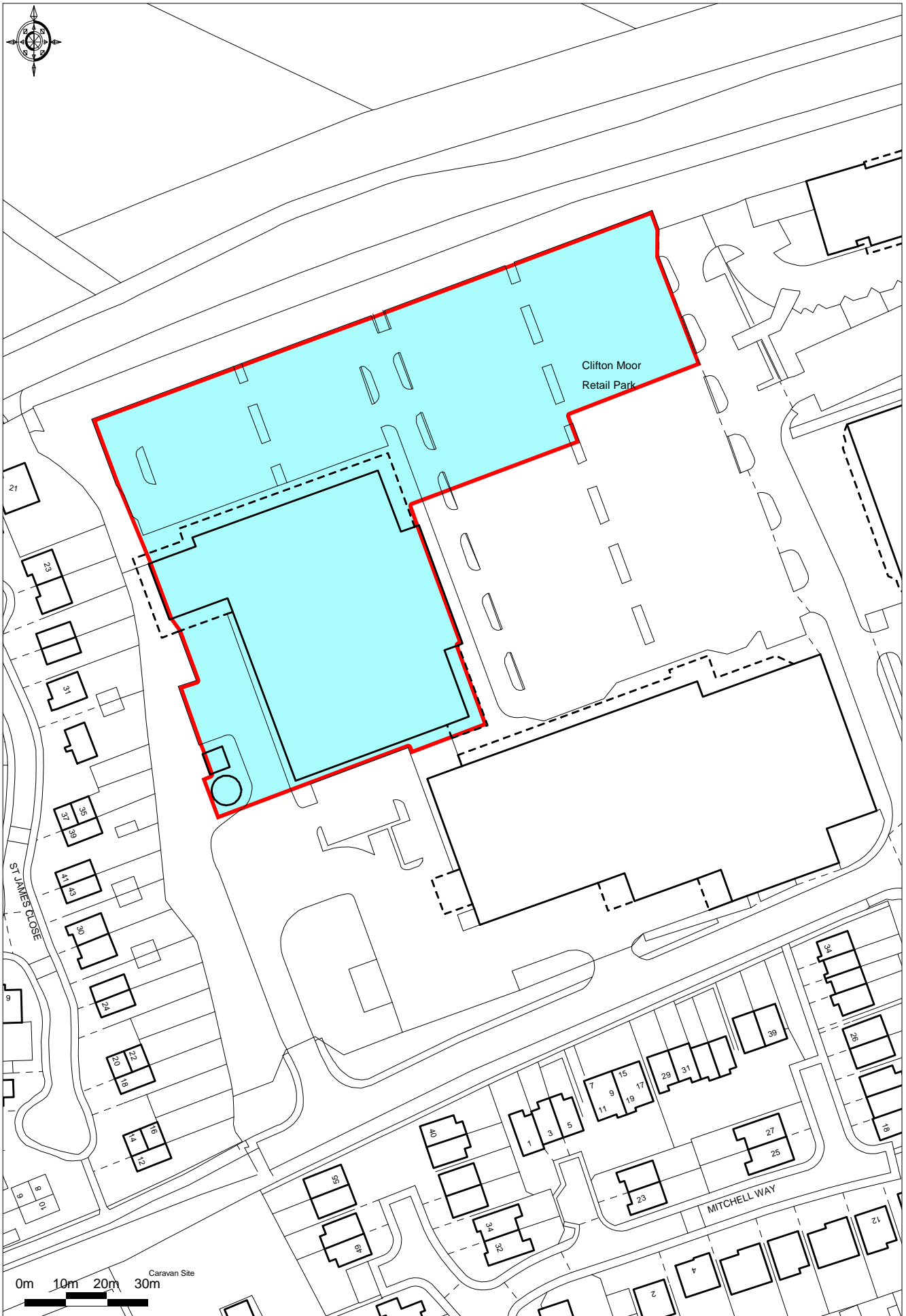


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# Clifton Moor Centre, Hurricane Way, York.





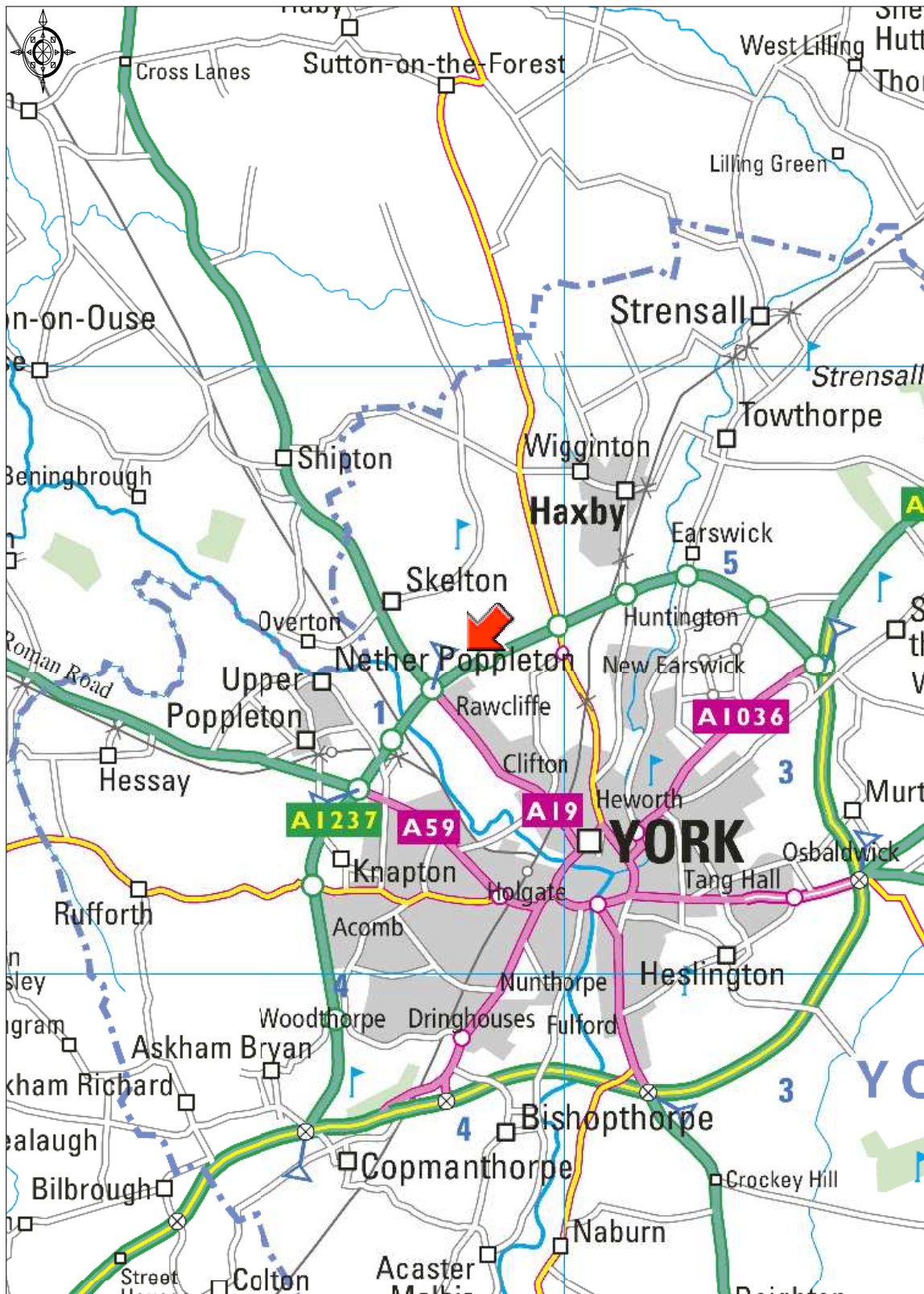
Situation Plan,  
Clifton Moor Centre, Hurricane Way, York.



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Location Plan,  
Clifton Moor Centre, Hurricane Way, York.



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# 7

## INSTRUCTION LETTER

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Michael L. Tumolo

Vice President -  
Real Estate Counsel  
Toys "R" Us, Inc.

28 February 2013

For the attention of Peter Stoughton-Harris

CBRE Ltd  
Henrietta House  
Henrietta Place  
London  
W1G 0NB

Dear Sirs

We shall be grateful if you will act on our behalf in providing an appraisal of the freehold/long leasehold interest(s) in the properties detailed in the attached schedule subject to the existing leases and any other interests in situ (the "Properties"). Your appraisal should include a valuation thereof for security purposes as at the date of your report. Your report should follow the format as set out in the attached "Guidance note for valuers providing an appraisal of commercial property".

We expect the valuation to be carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (March 2012), Global and UK edition (the "Red Book") as amended from time to time. Your opinion of current Market Value of the interests in the Properties should be on the basis defined in Valuation Standard 3.2.

The date of valuation should be the date of your report unless otherwise agreed.

Your report should be addressed as follows and contain the reliance and beneficial clauses set out below:-

**ADDRESSEE**

- (a) Toys "R" Us Inc;
- (b) The facility agent, the security agent and the hedge counterparty to be appointed in connection with the facility agreement with, among others, Debussy DTC plc to be dated on or around 28 March 2013] (as amended from time to time, the "**Facility Agreement**") and each of their respective transferees, successors, or assignees;
- (c) each person which becomes a party to the Facility Agreement or related finance documents as lender, facility agent, security agent or hedging counterparty in accordance with the terms thereof and its transferees, successors, or assignees;
- (d) If applicable, any manager, hedging counterparty, liquidity facility provider or other support provider in connection with any securitisation or syndication of, or referable to, any loan made under the Facility Agreement; and
- (e) any other manager, note trustee and/or security trustee in connection with any securitisation of, or referable to, any loan under the Facility Agreement,

(Together the "**Beneficiaries**").

**RELIANCE**

The report will be for the use only of the party or parties to who it is addressed for the specific purpose set out therein and no responsibility will be accepted to any third party for the whole or any part of its contents.

## DISCLOSURE

The Beneficiaries may disclose the report (and any other advice, letters, certificates or other documents relating to such report (without reliance):

- (a) where disclosure is requested or required by any applicable law or regulation, by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body or in connection with legal proceedings relating to the report;
- (b) to any affiliates of any Beneficiary;
- (c) to any of their respective agents or advisers and to any of the agents or advisers of any person listed in (d) to (i) below, in connection with the loan and/or hedging transactions under or in respect of the Facility Agreement or any securitisation of, or referable to, any loan made under the Facility Agreement;
- (d) to any financial institution or other entity in connection with the loan and/or hedging transactions under or in respect of the Facility Agreement, and their respective advisers;
- (e) to future owners, or prospective purchasers, of any property financed under the Facility Agreement;
- (f) to the rating agencies (and their respective legal advisors) in connection with any securitisation of, or referable to, any loan made under the Facility Agreement and to investors in such securitisation;
- (g) where disclosure is required by the rules of any stock exchange, listing authority or similar body on which their shares or other securities are listed;
- (h) to any potential transferee or assignee of any lender under the Facility Agreement;
- (i) to any party whose consent is required for the purposes of implementing any transaction contemplated or required in connection with paragraphs (c) to (f) and (h) above; and
- (j) where the report (or any draft or part thereof) is in the public domain, unless it is as a result of any breach of confidentiality undertaking.

The Beneficiaries may also make reference to the information referred to above, and include all or part thereof, in any offering materials or ongoing investor reporting materials related to any securitisation of, or referable to, any loan made under the Facility Agreement.

## PUBLICATION

Except as provided above, neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear, subject to the clause below where the Beneficiaries may disclose the report (without reliance):

- (a) where the publication is requested or required by law or in respect of legal proceedings in connection with the report; and
- (b) where the publication is requested or required by the mandatory rules or regulations of any competent supervisory or regulatory body of any Beneficiary.

The Beneficiaries may also make reference to the report, and include all or part of the report, in any offering materials or ongoing investor reporting materials related to such securitisation.

Whilst your opinion of Capital Value is required, the future performance and marketability of each Property and Properties as a portfolio are of paramount interest to the Instructing Party and it is essential that these issues are addressed fully in your report.

Prior to accepting this instruction you should satisfy yourselves and confirm in your report that you:

- 1. are able to act on our behalf as Independent Valuer and have no existing or potential conflicts of interest in complying with this instruction (other than approved by us);
- 2. have the necessary expertise and experience to advise us in relation to the Properties; and
- 3. maintain in force adequate Professional Indemnity Insurance on a per claim basis in respect of this instruction.

You have agreed with us a fee of £215,000 (including all disbursements but excluding VAT) for carrying out the work detailed herein. Your fee note addressed to the Instructing Party should be submitted to our address at the head of this instruction, together with 3 hard copies as well as an electronic copy of the completed Report.

Finally your Report must include copies of this instruction letter and the Guidance Notes you have followed in complying with our instructions.

Yours faithfully



Michael L. Tumolo  
Vice President – Real Estate Counsel  
For and on behalf of  
Toys “R” Us, Inc., as the Instructing Party

Acknowledged and agreed by:



For and on behalf of  
CBRE Ltd

P. W. STOUGHTON-HARRIS

## **GUIDANCE NOTE FOR VALUERS PROVIDING AN APPRAISAL OF COMMERCIAL PROPERTY**

### **APPRAISAL REPORT**

The Appraisal Report must contain the following information under the specified headings.

#### **1. Executive Summary**

A 'bullet point' summary in relation to the Properties in their current state as at the date of valuation and commenting upon, identifying and/or confirming, as appropriate:

- (i) likely investor demand and likely purchasers as a whole or in part;
- (ii) volatility of Property performance both rental and capital values;
- (iii) any title issues requiring further investigation;
- (iv) any pertinent issues, whether adverse or otherwise, requiring further investigation; and
- (v) its suitability, from a property perspective, as security for a secured loan.

#### **2. Location**

A short general description of the location for each of the Properties along with the immediate surrounding area is required. An Ordnance Survey Extract, Scale 1:1250, if available, detailing the Property with its boundaries edged clearly in red and/or such other extracts and/or Goad's plans as are deemed appropriate should be provided.

Brief Comment should also be provided in respect of demographic influences and surrounding land use.

#### **3. Description**

A concise description of the Properties in its existing state along with advice as to the type of construction, suitability and flexibility is required. Photographs of the Properties showing it in its context are also required and should be appended to the report.

#### **4. Accommodation**

Full details should be provided of the accommodation and you are to adopt the detailed floor areas provided which you can assume have been measured in accordance with market practice.

#### **5. Condition**

Concise comment is required on the external and internal condition of existing buildings. Specific comment is required on any defect that may have an adverse effect on its future marketability and the estimated useful remaining lifespan, both functional and economic, should be made from a valuer's perspective only. For the avoidance of doubt you are not required to undertake a building or structural survey.

If a more detailed investigation of any defect or suspected defect is considered appropriate, the Valuer shall make the Instructing Party aware of the issue immediately.

#### **6. Statutory Enquiries**

A Statement is required following the Report on Title as to:

- (ii) the current zoning of the Property within, and the status of, the relative Structure and Local Plans;
- (iii) whether the Property is listed or located in a Conservation Area;
- (iv) details of existing planning consent(s);
- (v) whether the building(s) appear(s) to comply with existing planning and listed building consent(s) and building regulations;
- (vi) the condition and suitability of the access to the Property
- (vii) the rateable value of the Property as existing, its status, and the current Uniform Business Rate.

Oral inquiry of the appropriate authorities may be sufficient but the Instructing Party should be advised if it is considered that written confirmation is necessary. You are required to read the Report on Title to be prepared by the Lawyers and to refer and comment on any aspect which is material to value in your report.

#### **7. Site and Ground Conditions**

Where appropriate, the total site area, shape and principle dimensions and topography should be stated along with details and sizes of any external areas.

If there is evidence that the Property has been affected from a valuer's viewpoint by any adverse ground conditions this should be specified along with an opinion as to the likely effect of such on the future marketability.

If there are known adverse ground conditions in the locality, even if the Property shows no apparent signs of being affected, the Instructing Party must be advised. For the avoidance of doubt, we are not required to undertake a check of surrounding buildings.

#### **8. Environmental Issues**

The Instructing Party will advise if it is aware of any contamination to the Property and make available any specialist reports in its possession. All such reports must be regarded as confidential and their existence and the contents thereof may not be disclosed to any other party, without prior written permission.

It is recognised that a firm of Surveyors is not in a position to give formal comment on the implications of site contamination. However, in order that the Instructing Party can fully assess its position informal comment as to the potential for any such problems to exist is required.

If it is observed during the course of inspection and/or considered that:

- (i) the Property and/or its immediate locality is being used for the manufacture, storage and/or sale of hazardous/toxic materials such as chemicals, petroleum products, pesticides, fertilisers, acids, asbestos, explosives, paint or radioactive materials,
- the Instructing Party must be advised immediately and provided with an opinion as to whether a full specialist environmental assessment is necessary.

Where an environmental report has been provided, the Valuer must advise the Instructing Party as to the impact of the content of such on marketability and value of the Property, including its impact as security for a secured loan.

#### **9. Tenure**

The Valuer is required to liaise with the Instructing Party's Solicitors and advise, upon receipt of the latter's report on title, as to whether there is anything contained therein which might adversely impact on the advice provided in the appraisal report.

Tenure must be stated and, if leasehold, details of the principal terms of the Lease must be provided.

Detail and comment upon any known Easements, Servitudes or rights of way, light or escape that may adversely affect the Property.

#### **10. Occupational Leases and other Agreements**

Full details must be provided of existing lease terms including any material and restrictive clauses or review provisions.

Comment is required as to the appropriateness of such having regard to prevailing market practice or conditions and on any adverse impact of the same on:

- (i) rental and capital performance and letting or sale prospects; and

- (ii) net income having regard to rent payment and collection arrangements, tenant incentives, irrecoverable void costs, maintenance repair and insurance costs etc.

Please comment on assignment provisions/privity and any opportunities for disclaiming leases.

### **11. Market Trends and General Comments**

A concise history of recent market conditions which have affected the Property is required along with an opinion as to the likely market trends which may affect the Property performance and rental and capital values for the five year period subsequent to the date of valuation.

Having regard to condition, obsolescence and any planning applications, consents or proposed developments in the locality which would have an effect, either adverse or beneficial, on the Property and other relevant information, specific comment is required on the following issues:

- (i) the value and marketability in comparison to other competing properties and schemes in that market sector, i.e., how is the Property placed with respect to the market in which it competes and will it perform better or worse than its peers?
- (ii) the volatility of the sector compared to the market as a whole;
- (iii) in event of the Property remaining or becoming vacant in whole or in part, its letting prospects in relation to the market sector;
- (iv) the merits and defects of the Property as these might relate to its value and marketability within its market sector;

### **12. Rental Value**

If a lease or leases has or will been granted in respect of the Properties, opinion must be provided of its Market Rent in its existing state and on the terms of the existing tenancies both as at the date of the report, along with justification for this opinion. Your report should include a schedule setting out the both current passing rent and the Market Rent for each Property.

Where appropriate, a schedule of comparable evidence and a note of the factors that have been considered appropriate when comparing the Property to any comparative properties should be provided.

### **13. Capital Value**

Opinion is required at the date of the report as follows:

- 1) the **Market Value** (MV) of the freehold / leasehold interest in each of the Properties in their current physical condition and subject to the terms and conditions of the existing tenancies and after deduction of normal purchasers' costs;
- 2) the MV subject to any discount which might be applied in the event that the whole portfolio were marketed with the objective of securing a single purchaser; and
- 3) the Vacant Possession Value of the freehold /leasehold interest in each of the Properties in their current physical condition but on the assumption that each of the current lease has been terminated and that each of the Properties has been vacated by the current tenant.

You must comment on the current market conditions for selling the Properties including advice as to realistic periods of time that will be required to achieve a sale at your opinion of Market Values; and any factors, which it is considered, may adversely affect the performance of the Properties and Market Rents and Market Values.

You must comment on likely purchasers, relative demand for larger/ smaller lot sizes and market activity. Please comment on saleability if the Properties were to become vacant.

You must comment on and the Market Value reported should reflect the property market's perception of the tenant's financial status.

An opinion is required as to the commercial strengths and weaknesses of the Property in its current state and with the benefit of any planning consent(s) existing as at the date of valuation.

You must set out your assumptions with regard to the covenant quality of the tenant and provide your opinion as to how you believe the covenant would be perceived in the current investment market.

Advice must also be provided as to what action might be taken to mitigate against any factors which, it is considered, might have a material adverse effect on the Property performance and rental and capital values.

Please comment on current market conditions for letting the properties including providing your opinion of a reasonable re-letting period for each of the Properties and a comment as to whether the Properties would most likely let as a whole or in parts.

Please confirm all assumptions upon which your valuations are based. You should highlight those assumptions that you consider particularly important in the context of your valuation and any matters that you recommend should be investigated further. Where you have used a "special assumption" this must be agreed in advance and referred to in the report. You should also provide a Market Value without the "special assumption".

A print out of the valuation or appraisal together with a schedule of evidence justifying the yield(s) and/or discount rate(s) selected must be provided.



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