



LONDON & QUADRANT HOUSING TRUST

(incorporated in England with limited liability under the Co-operative and Community Benefit Societies Act 2014 with registration number 30441R and registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008, as amended by the Localism Act 2011, with number L4517)

£250,000,000 2.625 per cent. Secured Bonds due 2028
(the **2028 Bonds**)

Issue price: 98.724 per cent.

£250,000,000 3.125 per cent. Secured Bonds due 2053
(the **2053 Bonds** and, together with the 2028 Bonds, the **Bonds**)

Issue price: 98.407 per cent.

The £250,000,000 2.625 per cent. Secured Bonds due 2028 (the **2028 Bonds**) and the £250,000,000 3.125 per cent. Secured Bonds due 2053 (the **2053 Bonds** and, together with the 2028 Bonds, the **Bonds**) are issued by London & Quadrant Housing Trust (the **Issuer**).

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (**FSMA**) (the **UK Listing Authority**) for both the 2028 Bonds and the 2053 Bonds to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for both the 2028 Bonds and the 2053 Bonds to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

Interest on the Bonds is payable semi-annually in arrear in equal instalments on 28th February and 28th August in each year, commencing on 28th August, 2018. Interest will accrue from, and including, 28th February, 2018 (the **Issue Date**) to, but excluding, (a) in the case of the 2028 Bonds, 28th February 2028 and (b) in the case of the 2053 Bonds, 28th February, 2053 (each, the **Maturity Date**) as described in Condition 7 (*Interest*). Interest on the 2028 Bonds is payable semi-annually in arrear at the rate of 2.625 per cent. per annum and interest on the 2053 Bonds is payable semi-annually in arrear at the rate of 3.125 per cent. per annum.

The Issuer may, at its option, redeem all (or some only) of the Bonds of either Series (as defined below) at any time at the higher of their principal amount and an amount calculated by reference to the sum of (i) the yield on the relevant outstanding United Kingdom government benchmark conventional gilt having the nearest maturity date to that of the Bonds and (ii) 0.30 per cent. (or, where any such redemption is to take place on or following the date falling three months prior to the Maturity Date, at their principal amount), together with accrued interest. The Issuer may also, at its option, redeem all, but not some only, of the Bonds of either Series at any time at their principal amount plus accrued interest, in the event of certain tax changes as described in Condition 9.2 (*Redemption for Taxation Reasons*). Unless previously redeemed the Bonds will be redeemed in full on the Maturity Date.

The Bonds are expected to be assigned on issue a rating of "A3" by Moody's Investors Service EMEA Limited (**Moody's**) and "A+" by Standard & Poor's Credit Market Services Europe Limited (**S&P**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The Bonds will be issued in bearer form and in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

The 2028 Bonds and the 2053 Bonds will initially be represented by temporary global bonds (the **2028 Temporary Global Bond** and the **2053 Temporary Global Bond**, respectively, and, together, the **Temporary Global Bonds**), without interest coupons, which will be deposited on or about 28th February, 2018 (the **Closing Date**) with a common safekeeper for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the 2028 Temporary Global Bond and interests in the 2053 Temporary Global Bond will be exchangeable for interests in permanent global bonds (the **2028 Permanent Global Bond** and the **2053 Permanent Global Bond**, respectively, and, together, the **Permanent Global Bonds** and, together with the Temporary Global Bonds, the **Global Bonds**), without interest coupons, on or after 9th April, 2018 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Bonds will be exchangeable for definitive Bonds only in certain limited circumstances - see "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*".

An investment in the Bonds involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" on page 13 of this Offering Circular.

Joint Lead Arrangers and Joint Bookrunners

LLOYDS BANK

NATWEST MARKETS

SANTANDER GLOBAL CORPORATE BANKING

The date of this Offering Circular is 26th February, 2018

This Offering Circular comprises a prospectus for the purposes of section 85(2) of the FSMA.

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

The figures referred to in the Valuation Report (as defined below) prepared by Savills Advisory Services Limited (the *Valuer*) in the sections entitled "*Market Commentary*" and "*Valuation Approach*" were obtained from Nationwide, the Royal Institution of Chartered Surveyors, the Council of Mortgage Lenders, OnTheMarket, the Office of National Statistics, HM Land Registry, Rightmove, Rightmove Plus and Social Housing. The Issuer confirms that such figures have been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by Nationwide, the Royal Institution of Chartered Surveyors, the Council of Mortgage Lenders, OnTheMarket, the Office of National Statistics, HM Land Registry, Rightmove, Rightmove Plus and Social Housing, no facts have been omitted which would render the reproduced figures inaccurate or misleading.

East Thames Limited (the *Original Charging Subsidiary*) accepts responsibility for (a) the information contained in the section "*Description of the Original Charging Subsidiary*" and (b) the other references to the Original Charging Subsidiary contained herein. To the best of its knowledge (having taken all reasonable care to ensure that such is the case) such information and other references are in accordance with the facts and do not omit anything likely to affect the import thereof.

The Valuer accepts responsibility for the information contained in the section "*Valuation Report*" and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular should be read and construed on the basis that such documents are incorporated in, and form part of, this Offering Circular.

The only persons authorised to use this Offering Circular in connection with the offering of the Bonds are Banco Santander, S.A., Lloyds Bank plc and The Royal Bank of Scotland plc (trading as NatWest Markets) (together, the *Joint Bookrunners*).

Neither the Joint Bookrunners nor Prudential Trustee Company Limited (the *Bond Trustee*) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners or the Bond Trustee as to the accuracy or completeness of the information contained in, or incorporated by reference in, this Offering Circular or any other information provided by the Issuer or the Original Charging Subsidiary in connection with the offering of the Bonds. Neither the Joint Bookrunners nor the Bond Trustee accepts any liability in relation to the information contained in, or incorporated by reference in, this Offering Circular or any other information provided by the Issuer in connection with the offering of the Bonds or their distribution.

No person is or has been authorised by the Issuer, the Original Charging Subsidiary, the Joint Bookrunners or the Bond Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Original Charging Subsidiary, the Joint Bookrunners or the Bond Trustee.

To the fullest extent permitted by law, the Joint Bookrunners do not accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by them or on their behalf in connection with the Issuer, the Original Charging Subsidiary or the issue and offering of the Bonds. The Joint Bookrunners each accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Original Charging Subsidiary, the Joint Bookrunners or the Bond Trustee that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Original Charging Subsidiary. Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Original Charging Subsidiary, the Joint Bookrunners or the Bond Trustee to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer or the Original Charging Subsidiary is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners and the Bond Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Charging Subsidiaries (as defined below) during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a further description of certain restrictions on the offering and sale of the Bonds and on distribution of this Offering Circular, see "*Subscription and Sale*" below.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Original Charging Subsidiary, the Joint Bookrunners and the Bond Trustee do not represent that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Bookrunners or the Bond Trustee which is intended to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Bonds in the United States and the United Kingdom (see "*Subscription and Sale*" below).

IN CONNECTION WITH THE ISSUE OF THE BONDS, THE ROYAL BANK OF SCOTLAND PLC (TRADING AS NATWEST MARKETS) AS STABILISING MANAGER (THE *STABILISING*

MANAGER) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Prospective purchasers of Bonds should ensure that they understand the nature of the Bonds and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and the risks of investment in the Bonds and that they consider the suitability of the Bonds as an investment in light of their own circumstances and financial condition.

***MiFID II product governance / Professional investors and ECPs only target market* – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market of the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, *MiFID II*); and (ii) all channels for the distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a *distributor*) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.**

All references in this Offering Circular to *Sterling* and £ refer to the lawful currency of the United Kingdom.

CONTENTS

Clause	Page
Overview	6
Risk Factors	13
Conditions of the 2028 Bonds	35
Conditions of the 2053 Bonds	60
Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form	85
Use of Proceeds	88
Description of London & Quadrant Housing Trust	89
Description of the Original Charging Subsidiary	101
Documents Incorporated by Reference	103
Valuation Report	104
Taxation	184
Subscription and Sale	186
General Information	188

OVERVIEW

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular.

This overview must be read as an introduction to this Offering Circular and any decision to invest in the Bonds should be based on a consideration of this Offering Circular as a whole.

Words and expressions defined in "*Conditions of the 2028 Bonds*", "*Conditions of the 2053 Bonds*" and "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*" shall have the same meanings in this overview.

Issuer: London & Quadrant Housing Trust (the **Issuer**).

The Issuer is a Registered Provider of Social Housing and a not-for-profit organisation whose activities are regulated by the Regulator of Social Housing (as defined below).

The Issuer's primary business object is the provision of social housing, providing and managing housing and matters connected with, or incidental to, the provision of housing, in each case for poor people or for the relief of aged, disabled or chronically sick people and any other charitable object that can be carried out from time to time by a registered society registered as a provider of social housing with the Regulator of Social Housing.

Description of the Bonds: £250,000,000 2.625 per cent. Secured Bonds due 2028 (the **2028 Bonds**) and £250,000,000 3.125 per cent. Secured Bonds due 2053 (the **2053 Bonds** and, together with the 2028 Bonds, the **Bonds**) to be issued by the Issuer on 28th February, 2018 (the **Issue Date**).

The 2028 Bonds and the 2053 Bonds will each constitute a separate series (a **Series**) and will each have a different ISIN and Common Code. Reference to any Condition of the 2028 Bonds or the 2053 Bonds in this Offering Circular shall be to the respective condition set out in "*Conditions of the 2028 Bonds*" or "*Conditions of the 2053 Bonds*" below.

Use of Proceeds: The net proceeds of the issue of the Bonds (after deduction of expenses payable by the Issuer) shall be applied in furtherance of the Issuer's objects as permitted by its Rules including, without limitation, on-lending to its Subsidiaries and the repayment of any existing indebtedness of the Issuer and the Original Charging Subsidiary.

Issue Price: The Issue Price of the 2028 Bonds is 98.724 per cent.

The Issue Price of the 2053 Bonds is 98.407 per cent.

Form: The Bonds will be issued in bearer form as described in "*Form of the Bonds and Summary of Provisions relating to*

the Bonds while in Global Form".

- Status:** The Bonds will constitute direct secured obligations of the Issuer and the Bonds of each Series will rank *pari passu* without any preference or priority among themselves.
- Interest:** Interest on the Bonds is payable semi-annually in arrear in equal instalments on 28th February and 28th August of each year, commencing on 28th August, 2018, subject to adjustment in accordance with Condition 8.5 (*Payment only on a Presentation Date*) (each, an **Interest Payment Date**). Interest will accrue from (and including) the Issue Date to (but excluding) the Maturity Date (being 28th February, 2028 in respect of the 2028 Bonds and 28th February, 2053 in respect of the 2053 Bonds).
- The 2028 Bonds will bear interest at a fixed rate of 2.625 per cent. per annum and the 2053 Bonds will bear interest at a fixed rate of 3.125 per cent. per annum.
- Final Redemption:** Unless previously redeemed or purchased and cancelled in accordance with Condition 9 (*Redemption and Purchase*), the Bonds will be redeemed at their principal amount on the Maturity Date.
- Optional Early Redemption:** The Issuer may, at its option, redeem all (or some only) of the Bonds of either Series at any time upon notice given in accordance with Condition 9.3 (*Early Redemption at the Option of the Issuer*) at the higher of their principal amount and an amount calculated by reference to the sum of (i) the yield on the relevant outstanding UK Government benchmark conventional gilt having the nearest maturity date to that of the Bonds and (ii) 0.30 per cent. (or, where any such redemption is to take place on or following the date falling three months prior to the Maturity Date, at their principal amount), together with accrued interest.
- Early Redemption for Tax Reasons:** The Issuer may also, at its option, redeem all, but not some only, of the Bonds of either Series at any time at their principal amount plus accrued interest, in the event of certain tax changes as described in Condition 9.2 (*Redemption for Taxation Reasons*).
- Purchase:** The Issuer and any of its Subsidiaries (including, without limitation, any of the Charging Subsidiaries) may, at any time, purchase Bonds in accordance with the provisions of Condition 9.5 (*Purchases*). Any Bonds purchased by the Issuer or any of its Subsidiaries may be held or resold or may be surrendered for cancellation.
- Security:** The Issuer's obligations in respect of each Series of Bonds are secured pursuant to the Security Agreements by:
- (a) first legal mortgages over the Charged Properties;

- (b) first fixed charges over all plant and machinery, the benefit of Insurances and future licences, consents and authorisations in respect of the Charged Properties; and
- (c) assignments by way of security of the Issuer's and the Charging Subsidiaries' rights, title and interest arising under the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and all agreements, now or from time to time entered into or to be entered into for the sale, letting or other disposal or realisation of, or in connection with the management, ownership, refurbishment, development, repair, improvement or servicing of, the whole or any part of the Security Assets.

In the case of an Additional Charging Subsidiary which is a company limited by guarantee, the relevant Security Agreement(s) will also contain a floating charge granted by such Additional Charging Subsidiary over the whole of its undertaking and assets.

The Issuer's obligations in respect of each Series of Bonds are also secured pursuant to the Bond Trust Deed by:

- (a) a charge by way of first fixed charge over all moneys from time to time standing to the credit of the Charged Account in respect of such Series and all debts represented thereby;
- (b) an assignment by way of security of the Issuer's rights, title and interest arising under the Agency Agreement and the Account Agreement, to the extent they relate to such Series; and
- (c) a charge by way of first fixed charge over all sums held from time to time by the Paying Agents for the payment of principal, premium or interest in respect of such Series.

The assets comprising the Security have characteristics that demonstrate capacity to produce funds to service the payments due and payable on the Bonds.

Negative Pledge:

The Issuer has covenanted (pursuant to Condition 5.2 (*Negative Pledge and Disposals*)), the Original Charging Subsidiary has covenanted (pursuant to the Bond Trust Deed) and each Additional Charging Subsidiary will be required to covenant, in each case for so long as any of the Bonds remain outstanding, save as expressly permitted by the Bond Trust Deed and/or the Security Documents, not to create or permit to subsist, over any of the Security Assets, any mortgage or charge or any other security interest

ranking in priority to, or *pari passu* with, the security created by or pursuant to the Bond Trust Deed or the Security Documents (as applicable), excluding, for this purpose any security interest created by operation of law.

Asset Cover Covenant:

Pursuant to Condition 5.3 (*Asset Cover Covenant*) the Issuer has covenanted, for so long as any of the Bonds of each Series remain outstanding, that it shall at all times ensure that the sum of:

- (a) the Minimum Value of the Charged Properties; and
- (b) the Charged Cash,

in each case, in respect of such Series, will not be less than the aggregate principal amount of the Bonds of such Series outstanding.

In calculating the Minimum Value of the Charged Properties, a discount is applied in accordance with the definition thereof such that any value given in a valuation of Charged Properties on an EUV-SH basis is divided by 105, and any value given in a valuation of Charged Properties on an MV-ST basis is divided by 115, and, in each case, is multiplied by 100.

Information Covenant:

The Issuer has also covenanted to deliver to the Bond Trustee, within 180 days after the end of each Financial Year, (a) a copy of its own and its consolidated audited financial statements for such Financial Year, (b) a copy of the audited financial statements of each Charging Subsidiary for such Financial Year (both its own and, where applicable, on a consolidated basis) and (c) a Compliance Certificate, and, upon request by a Bondholder to the Issuer, to make copies of such documents available to any of the Bondholders at the Issuer's registered office.

In addition to the rights of the Bondholders of each Series to convene a meeting pursuant to Condition 16 (*Meetings of Bondholders, Modification, Waiver, Authorisation and Determination*), at the request of the requisite majority of the Bondholders of a Series, the Issuer shall hold a meeting of the Bondholders of such Series to discuss the financial position of the Issuer and each Charging Subsidiary, provided that the Issuer shall not be required to hold any such meeting more than once in any calendar year.

Valuations:

The Issuer has covenanted, in respect of each Series, pursuant to Condition 5.4 (*Valuations*), for so long as any of the Bonds of such Series remain outstanding, that:

- (a) it shall deliver a Full Valuation to the Bond Trustee at least once in every period of five calendar years (beginning in 2023) and, unless the Bond Trustee agrees otherwise, such Full Valuation must be

delivered in the period between 31st March and the date falling 60 days after 31st March in each year that such Full Valuation is required to be delivered; and

- (b) it shall deliver to the Bond Trustee a Desk Top Valuation in the period between 31st March and the date falling 120 days thereafter in each year (beginning in 2019) other than a year in respect of which a Full Valuation is required to be delivered pursuant to paragraph (a) above.

The Original Charging Subsidiary has covenanted, and each Additional Charging Subsidiary will be required to covenant, (pursuant to the Bond Trust Deed) to provide all reasonable assistance to the Issuer for the preparation and delivery to the Bond Trustee of such Full Valuations and Desk Top Valuations.

Addition, Substitution and Release of Charged Properties and Charged Cash:

The Issuer or any Charging Subsidiary may charge and/or allocate, substitute or release and/or reallocate Charged Properties from the Security (and the Bond Trustee, in its capacity as Representative, shall consent to such charging and/or allocation, substitution or release and/or reallocation and execute an amended Apportionment Certificate to reflect the same) subject to, and in accordance with, the requirements set out in Conditions 6.1 (*Addition of New Charged Properties*), 6.2 (*Substitution of Charged Properties*), 6.3 (*Release and/or Reallocation of Charged Properties*) and 6.4 (*Statutory Disposals*).

The Issuer may also, at any time, deposit money into the applicable Charged Account to ensure compliance with the Asset Cover Test. The Issuer may only withdraw Charged Cash from such Charged Account if (a) it is, at the relevant time, in compliance with the Asset Cover Test and no Event of Default or Potential Event of Default has occurred and is continuing and (b) either: (i) such Charged Cash is to be applied by the Issuer in the acquisition of a property which is to be charged pursuant to the Security Documents and allocated for the benefit of the 2028 Bond Beneficiaries or the 2053 Bond Beneficiaries, as applicable, and, immediately following the acquisition, charging and allocation of such property, the Issuer will be in compliance with the Asset Cover Test or (ii) such Charged Cash is to be used for any purpose permitted by its Rules and, immediately following the withdrawal, the Issuer will be in compliance with the Asset Cover Test.

Events of Default:

Following an Event of Default, the Bond Trustee may, and if so requested by the holders of at least 25 per cent. in principal amount of the Bonds of a Series then outstanding shall (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and, upon certain events, the Bond Trustee having certified to the Issuer that such event

is, in its opinion, materially prejudicial to the interests of the Bondholders of such Series), give notice to the Issuer and the Bonds of such Series shall become immediately due and repayable at their principal amount.

The Events of Default include, *inter alia*, non-payment of any principal, premium and interest due in respect of the Bonds of the relevant Series and failure of the Issuer or any Charging Subsidiary to perform or observe any of its other obligations under the Conditions, the Bond Trust Deed or the Security Trust Deed (in each case, upon the expiry of the relevant grace period), insolvency, unlawfulness and acceleration, or non-payment, in respect of other indebtedness in an aggregate amount equal to or in excess of £10,000,000 (or its equivalent).

Meetings of Bondholders:

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

Modification and Waiver:

The Bond Trustee may, pursuant to Condition 16 (*Meetings of Bondholders, Modification, Waiver, Authorisation and Determination*), without the consent of Bondholders, Couponholders or any Secured Party, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Conditions, the Bond Trust Deed or any other Transaction Document or determine that any Potential Event of Default or Event of Default shall not be treated as such (subject to the proviso in Condition 16.2) or consent to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Bond Trustee, proven. For the avoidance of doubt, no modification shall be made to Condition 4.2 (*Security - Post-enforcement*) without the consent of each Secured Party.

Tax:

All payments in respect of the Bonds will be made without withholding or deduction for taxes imposed by the United Kingdom or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required, the Issuer shall, save in certain limited circumstances provided in Condition 10 (*Taxation*), be required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them if no such withholding or deduction had been required.

Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. These include political, financial and regulatory risks, operational risk, risks relating to the market and risks relating to the security of the Bonds.
Listing and Admission to Trading:	Application has been made to the UK Listing Authority for both the 2028 Bonds and the 2053 Bonds to be admitted to the Official List and to the London Stock Exchange for both the 2028 Bonds and the 2053 Bonds to be admitted to trading on the London Stock Exchange's regulated market.
Credit Ratings:	<p>The Bonds are expected to be assigned on issue a rating of "A3" by Moody's and "A+" by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency.</p> <p>Each of Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.</p>
Joint Lead Arrangers and Joint Bookrunners:	Banco Santander, S.A. Lloyds Bank plc The Royal Bank of Scotland plc (trading as NatWest Markets)
Principal Paying Agent:	HSBC Bank plc
Account Bank:	Barclays Bank PLC
Bond Trustee and Security Trustee:	Prudential Trustee Company Limited
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Bonds, including in the United States and the United Kingdom. See " <i>Subscription and Sale – Subscription Agreement</i> " below.
MiFID II Product Governance:	Solely for the purposes of each manufacturer's product approval processes, the manufacturers have concluded that: (i) the target market for the Bonds is eligible counterparties and professional clients only; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. See " <i>Subscription and Sale – MiFID II product governance / Professional investors and ECPs only target market</i> " below.
Governing Law:	The Bonds, the Transaction Documents and any non-contractual obligations or matters arising from or in connection with them, shall be governed by, and construed in accordance with, English law.

RISK FACTORS

An investment in the Bonds involves a degree of risk. Any of the following risks could adversely affect the Issuer's business, results of operations, financial condition and/or prospects, in which case, the trading price of the Bonds could decline, resulting in the loss of all or part of an investment in the Bonds, and the Issuer's ability to pay all or part of the interest or principal on the Bonds could be adversely affected.

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

In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. This section is not intended to be exhaustive and prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. If any of the following risks actually materialise, the Issuer's business, results of operations, financial condition and/or prospects could be materially and adversely affected. No assurance can be given that prospective Bondholders will receive full and/or timely payment of interest and principal or ultimate recovery in relation to the Bonds.

FACTORS WHICH MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE BONDS

Risks related to Social Rental Income

The tenants of the social housing (as defined in Part 2 of the Housing and Regeneration Act 2008) properties of the Issuer and its Subsidiaries (the **Group**) are personally responsible for the rental payments on the relevant occupied properties, and consequently the Group is exposed to the risk of arrears and bad debts. For the year ended 31st March, 2017, the Group's turnover from social housing lettings was £462 million, or 61 per cent. of the Group's £756 million of turnover, and operating surpluses from social housing lettings were £230 million, or 63 per cent. of the Group's £365 million of operating surpluses. As at 31st March, 2017, the Group's current tenant arrears balance was £32 million, of which £8 million has been fully provided for. As at 31st March, 2017, current tenant arrears were 3.5 per cent. Any significant exposure to arrears and bad debts may adversely affect the ability of the Issuer to meet its payment obligations in respect of the Bonds.

The Group receives a material proportion of its social rental income from housing benefit payable by local authorities. For the year ended 31st March, 2017, 39 per cent. of the Group's social rental income was received in the form of housing benefit. The Welfare Reform and Work Act 2016 incorporates a series of welfare reforms that make provisions on social housing rents, the household benefit cap and social security and tax credits that expose the Group to the risk of a reduction in rental income and an increase in arrears, which, if material, could adversely affect the ability of the Issuer to make payments in respect of the Bonds (see "*Risks related to Welfare Reform*").

Risks related to Welfare Reform

Risks related to Social Housing Rents

The relevant rent standard guidance for Registered Providers of Social Housing, first published on 31st March, 2015 (as updated on 18th March, 2016 and 3rd May, 2016), is contained within the Rent Standard

and Rent Standard Guidance sections of the regulatory framework for social housing in England (the **Regulatory Framework**) issued by the Homes and Communities Agency (the **HCA**).

The Group adjusts its rents for social housing (as defined in Part 2 of the Housing and Regeneration Act 2008) annually from 1st April each year and has, in accordance with the Welfare Reform and Work Act 2016, applied the first two 1 per cent. rent reductions effective from 1st April, 2016 and 1st April, 2017, respectively, and will apply the reductions annually thereafter up to and including 1st April, 2019. The exception to this is that the first 1 per cent. rent reduction applying to supported and sheltered housing was effective from 1st April, 2017.

In the Welfare Reform and Work Act 2016 and associated amendment regulations there is provision for exceptions to the rent reduction requirement and the Secretary of State has regulation making powers to introduce other exemptions. For example, reductions do not apply to rents payable by residents in low cost home ownership and shared ownership properties. Furthermore, the Welfare Reform and Work Act 2016 also gives the HCA, acting through its regulation committee, (the **Regulator of Social Housing**) the power, by direction, to exempt a Registered Provider of Social Housing from the rent reduction requirement. Such an exemption will only be granted where compliance with the requirement would jeopardise the Registered Provider of Social Housing's financial viability (see "*Risks related to Regulation*"). The Issuer does not expect to benefit from the exemption and therefore the changes to the rent policy imposed by the Welfare Reform and Work Act 2016 will impact on the Group's social housing properties.

As at 31st March, 2017, the Group had 64,021 social housing properties (general needs, affordable rents and supported housing tenures). For the year ended 31st March, 2017, turnover from general needs, affordable rents and supported housing tenures was £401 million, or 53 per cent. of the Group's £756 million of turnover, and operating surpluses from general needs, affordable rents and supported housing tenures were £192 million, or 53 per cent. of the Group's £365 million of operating surpluses.

The Group has forecast, based on the current number of social housing properties impacted by the changes imposed by the Welfare Reform and Work Act 2016, that, following the application of the 1 per cent. reduction, rental income will reduce by £4 million per annum for the financial years ending 31st March, 2018 to 31st March, 2020. The reduction in social rental income could have an adverse impact on the Group's cash flow that could adversely affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds. However, this risk is not considered by the Group to be material in the context of its existing and future rental income streams (that take account of forecast additional social housing completions).

In response to the Government's change to rent policy, the Group has implemented strategies to increase its private rental income (see "*Risks related to Private Rental Income*") and introduced asset management, maintenance and operational efficiencies to fully offset the rent reduction.

In addition, on 4th October, 2017 the Government confirmed that, for five years effective from 1st April, 2020, social housing rents may be increased by up to the Consumer Price Index plus 1 per cent., thus giving the Issuer certainty over future income streams, subject to any future Government rent policy changes.

Risks related to the Household Benefit Cap

The Summer Budget 2015 announced, and the Spending Review and Autumn Statement 2015 confirmed, that the total household benefit cap (the combined income from a number of welfare benefits for those receiving housing benefit or Universal Credit (see "*Risks related to Universal Credit*") and that are of working age) will be reduced from £26,000 per year (£18,200 per year for single people) to £23,000 per year in Greater London (£15,410 per year for single people) and £20,000 per year (£13,400 per year for single people) outside Greater London, to be phased in from April 2016. Measures to implement the lowering of the threshold were included in the Welfare Reform and Work Act 2016, however, the implementation of such measures is behind schedule and is not expected to be completed until 2022.

Exemptions to the total household benefit cap can apply to those tenants who qualify for working tax credit; are above the qualifying age for pensions credit; obtain certain benefits for sickness and disability; or claim a war pension. The benefit cap will not apply in circumstances where a tenant or a tenant's partner is in receipt of, or is responsible for a child or young person who is in receipt of, benefits such as disability living allowance, personal independence payment or carer's allowance. Where tenants are housed in specified accommodation including supported housing, housing benefit will not be included when calculating total benefit income.

The reduction in the household benefit cap may have an adverse impact on the ability of those tenants impacted by the Welfare Reform and Work Act 2016 to pay their rent, as, where the total amount of welfare benefits exceeds the benefit cap, the local authority will reduce a claimant's entitlement to housing benefits by the amount of that excess, meaning that affected tenants would have to pay a larger proportion of the rent themselves. Increasingly the benefit cap will be administered through Universal Credit (see "*Risks related to Universal Credit*"). In turn, this could have an adverse impact on the Group's cash flow and could affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

As at 31st March, 2017, the Group has estimated that 207 of the Group's current tenants will be affected by the reductions in the benefit cap. The Group's total current arrears balance as at 31st March, 2017 for those tenants currently affected by the total household benefit cap was £0.1 million representing 8 per cent. of rental income from those tenants but less than 0.1 per cent. of the Group's £462 million of turnover from social housing lettings for the year ended 31st March, 2017. Therefore this risk is not considered by the Group to be material in the context of its existing and future rental income streams.

Risks related to Occupation Size Criteria

The Welfare Reform Act 2012 introduced a size criterion for working age social housing tenants in receipt of housing benefit known as the "removal of the spare room subsidy" or "bedroom tax". The arrangements allow each of certain defined categories of people (such defined categories being: (a) a couple, (b) an adult (over 16), (c) two children of the same sex, (d) two children under the age of 10, (e) any other child, (f) those with a disability, and (g) a non-resident overnight carer) to be entitled to one bedroom. Exemptions are applied to supported housing tenants. Where a household has one extra bedroom, housing benefit is reduced by 14 per cent. of the rent charge. Where a household has two or more extra rooms, the reduction to housing benefit is 25 per cent.

As at 31st March, 2017, the Group has estimated that 2,679 of its current tenants are affected by reductions in benefit due to occupation size criteria. As at 31st March, 2017, the Issuer's total current arrears balance for those tenants affected by occupation size criteria was £1.2 million representing 6 per cent. of rental income from those tenants but less than 0.3 per cent. of the Group's £462 million of turnover from social housing lettings for the year ended 31st March, 2017.

The introduction of occupation size criteria may have an adverse impact on the ability of tenants to pay their rent. In turn, this could have an adverse impact on the Group's cash flow and could affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds. However, this risk is not considered by the Group to be material in the context of its existing and future rental income streams.

Risks related to Universal Credit

Universal Credit, introduced under the Welfare Reform Act 2012, replaces six existing means-tested benefits and tax credits for working-age families, namely income support, income-based jobseeker's allowance, income-related employment and support allowance, housing benefit, child tax credit and working tax credit with a single monthly payment, transferred directly into a household bank account of choice, and is currently in an extended "roll out" phase across the UK which is expected to last until March 2022.

The implementation of Universal Credit is likely to increase transaction costs and the receipt of rental payments by the Group may be delayed by in-built mechanisms in the payment of Universal Credit and/or

the failure of the tenant to apply for Universal Credit and/or regularly pay rent which is due in addition to the housing benefit and/or, in circumstances where the housing benefit is not paid directly, a failure to pass on the housing benefit payments. In such circumstances, non-payment, partial payment or any delay in payment of rent could increase Group rental income arrears and bad debts, and could affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

To address concerns that delays in payments of Universal Credit were having an adverse effect on many first time claimants, the Autumn Budget 2017 announced that: (a) the seven-day "waiting period" for such claimants would be abolished from February 2018; (b) a full month's advance payment would be available within five days of applying from January 2018 that would then be repaid, interest-free, over a twelve month period from future payments of Universal Credit; and (c) claimants who previously received housing benefit will, from April 2018, continue to receiving housing benefit for another two weeks after their application for Universal Credit.

To mitigate the risks related to Universal Credit, the Group has invested heavily in its rental collection systems, provides incentives to working tenants to pay by direct debit and maintains a high percentage of tenancies paying by direct debit and standing orders. In addition, there are three types of alternative payment arrangements available for claimants: (1) direct payment of the housing cost element to landlords (known as managed payments); (2) splitting of payments between members of a couple; and (3) more frequent payment of benefit where a claimant is in arrears with their rent for an amount equal to, or more than, two months of their rent or where a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to or more than one month's rent. If the Department of Work and Pensions (the **DWP**) does not set up a managed payment, the Issuer can request a managed payment and inform the DWP of other reasons why a managed payment might be needed. Landlords can request deductions from a claimant's Universal Credit to repay existing rent arrears. Deductions will be a minimum of 10 per cent. and a maximum of 20 per cent. of a claimant's Universal Credit standard allowance.

As at 31st March, 2017 the Group had 1,212 tenants in receipt of Universal Credit and it is forecast that, once fully "rolled out", Universal Credit will impact around 40 per cent. of the Group's existing social housing tenants. The Group's total current arrears balance at 31st March, 2017 for those tenants in receipt of Universal Credit, inclusive of alternative payment arrangements, was £1.2 million representing 14 per cent. of rental income from those tenants but less than 0.3 per cent. of the Group's £462 million of turnover from social housing lettings, and therefore this risk is not considered by the Group to be material in the context of its existing and future rental income streams.

To manage the risks in relation to welfare reform, the Group, in support of its social mission, (a) has invested heavily in financial inclusion, (b) has established a tenancy sustainment team to support tenants, (c) imposes means tested internal limits on the rent charged for larger family homes that provide headroom against the household benefit cap, (d) adopts credit checks or affordability checks at tenancy inception and (e) ultimately, can pursue eviction. Furthermore, the Group recognises (i) the spread of its tenancies across local authorities, (ii) the willingness of existing employed tenants to preserve 'life-time' tenancies, (iii) an acknowledgement amongst tenants that social rents are significantly lower in London and the south east of England than an equivalent private rented sector property, (iv) the scarcity of social and affordable housing in London that means demand for social and affordable housing is high and (v) its ability to charge re-let tenancies at Affordable Rent. See "*Risks related to Housing Grant*".

Risks related to Government policy: 'Right to Buy'

The introduction of the right to buy to assured tenants of Registered Providers of Social Housing was a manifesto commitment by the Conservative party for the 2015 general election. An announcement from the Secretary of State for Communities and Local Government on 24th September, 2015 confirmed a proposal made by the National Housing Federation (**NHF**) to introduce the right to buy voluntarily. The voluntary arrangement is based on four key principles: (1) tenants would have the right to purchase a home at right to buy discounts (maximum discount of £77,900 (£103,900 in London)) subject to government funding for the scheme; (2) Registered Providers of Social Housing will have the final decision about whether to sell an

individual property; (3) Registered Providers of Social Housing will receive the full market value of the properties sold, with the value of the discount funded by the Government; and (4) nationally, for every home sold under the agreement a new affordable property would be built, thereby increasing supply.

The Prime Minister confirmed on 7th October, 2015 that the NHF's proposal had been accepted by the Government. This means that, rather than including the right to buy extension in the Housing and Planning Act 2016 as a statutory obligation, there is an agreement by the social housing sector to deliver the extension voluntarily. The Housing and Planning Act 2016 establishes a statutory framework to facilitate the implementation of the voluntary right to buy scheme and makes provision for grants to be paid to Registered Providers of Social Housing to cover the cost of selling housing assets at a discount. The Housing and Planning Act 2016 states that such grant may be made on any terms and conditions the Secretary of State considers appropriate.

In November 2015 a voluntary right to buy pilot scheme was set up by the Ministry of Housing, Communities and Local Government (**MHCLG**) (previously known as the Department for Communities and Local Government) and launched with five Registered Providers of Social Housing, including the Issuer, whereby a tenant who has been a public sector tenant of the Issuer for at least ten years and who lives in one of the local authority areas within which the pilot scheme is operating could be eligible to buy their home via the pilot scheme. The applicant could only continue through to purchase once the Housing and Planning Bill was enacted in May 2016. The scope and funding of the pilot scheme was limited to a maximum of 600 completed sales (150 by the Issuer).

The Autumn Statement 2016 announced that the Government would fund a "large-scale regional pilot of the right to buy for housing association tenants." It is expected that over 3,000 tenants will be able to buy their own home with right to buy discounts under this extended pilot scheme. The pilot will last for one year and will test two aspects of the voluntary agreement that the original pilots did not cover, namely (a) one for one replacement and (b) portability of discounts. Until the Government sets a date for full national roll-out which, at the earliest, will not take place until after April 2018, and legislation is in place to extend the right to buy to assured tenants of Registered Providers of Social Housing, it is difficult to determine with any certainty exactly how this proposal could impact on the Group. Relevant factors include local housing markets, the demographic profile of households, the size and type of stock and the cost consequences for discounts and replacement. During the voluntary right to buy scheme, the Issuer received over 1,894 expressions of interest. The Group has estimated that the change could generate significant cash receipts and operating surpluses. However, the policy could have an adverse impact on the Group's longer term rental cash flow and operating margin which, in turn, could affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

Risks related to Non Social Rental Income

Risks related to Low-cost Home Ownership, Shared Equity and Asset Management

The Group receives income from low-cost home ownership (also commonly known as shared ownership) sales, the redemption of shared equity properties and the sale of properties pursuant to its asset management arrangements, the amount of which is affected by housing market risk. As part of its provision of affordable housing, the Group receives low-cost home ownership income generated on the initial sale of a property (known as the "first tranche") which is sold to the "shared owner", on subsequent sales of further "tranches" or portions of the property (known as "staircasings") from the shared owner and in the form of subsidised rent. Household income eligibility thresholds have been increased to £80,000 outside London and £90,000 in London. Other restrictions, such as local authorities' right to set additional eligibility criteria, are in the process of being relaxed or removed.

For the year ended 31st March, 2017, low-cost home ownership first tranche sales amounted to £95 million, or 13 per cent. of the Group's £756 million of turnover, and operating surpluses from low-cost home ownership first tranche sales were £33 million, or 9 per cent. of the Group's £365 million of operating surpluses. As at 31st March, 2017, the Group held 8,768 low-cost home ownership units and shared

ownership properties are expected to account for approximately 25 per cent. of the Group's development programme.

The Group also receives income generated from staircasings of shared ownership properties, the redemption of shared equity properties and income from the sale of fixed asset and investment properties as part of its on-going asset management strategy. As at 31st March, 2017, the Group held 2,491 shared equity units. For the year ended 31st March, 2017, surpluses on the disposal of fixed assets and investments were £53 million, or 15 per cent. of the Group's £365 million of operating surplus.

Each of these markets is exposed to housing market risk, including both demand and pricing risks (see "*Risks related to the Housing Market*") that could, in turn, impact upon the Group's cash flow and the Issuer's ability to meet its payment obligations on a timely basis under the Bonds.

To manage the risks relating to non social rental income, the Group operates a conservative business model and strategy within a stringent governance framework that seeks to protect the terms of any financing arrangement. Where shared ownership properties remain unsold for a period longer than envisaged, the Group will review a number of options that include reduced sales values and switching tenure to market rents or to intermediate market rents (which are between affordable and market rents).

Risks related to the Issuer's Investments

Risks related to Business Acquisitions

The Group has made in the past, and may make in the future, business acquisitions that could impact on the performance and risk profile of the Group. The Issuer acquired the Original Charging Subsidiary for nil consideration on 6th December, 2016 and is exposed to the business, results of operations, financial condition and prospects of the Original Charging Subsidiary through the intra-group loan (the **Intra-Group Loan**) that the Issuer has made to the Original Charging Subsidiary. The Original Charging Subsidiary's prime activity is to operate as a Registered Provider of Social Housing (see "*Description of the Original Charging Subsidiary*"). In addition to the Intra-Group Loan, the Issuer's investment is in the form of one fully paid up share (which carries no rights to dividends, distributions on winding up or rights of redemption). As at 31st March, 2017, the principal amount outstanding on the Intra-Group Loan was £300 million.

The Issuer purchased Gallagher Estates Holdings Limited, Wixams First Limited, West Longstanton Limited, Gallagher Longstanton Limited, Redlawn Limited, Gallagher Waterbeach Limited, Gallagher Estates NR Limited and Drayton Stratford Limited (together and including the Issuer's 25 per cent. direct investment in GW 305 Limited, **Gallagher Estates**), all of which are wholly owned subsidiaries of the Issuer (see "*Description of London & Quadrant Housing Trust*"). The Issuer purchased Gallagher Estates, its subsidiaries and their respective subsidiaries for £304 million on 2nd February, 2017 and is exposed to the business, results of operations, financial condition and prospects of Gallagher Estates through its equity investment in the share capital issued by Gallagher Estates (see "*Risks Related to Strategic Land*").

Acquisitions can involve a number of risks, such as the underlying business performing less well than expected after an acquisition, the possibility of the integration diverting management's attention or the possible loss of key personnel (see "*Risks related to Key Personnel*") within the acquired business and other risks inherent in the systems of the acquired business and associated with unanticipated events or liabilities. All of these factors, combined with the Original Charging Subsidiary's risks related to social rental income (see "*Risks related to Social Rental Income*"), risks related to welfare reform (see "*Risks related to Welfare Reform*"), risks related to government policy (see "*Risks related to Government Policy: Right to Buy*"), risks related to the housing market (see "*Risks related to the Housing Market*") and risks related to housing grant and the regulatory framework (see "*Risks related to Housing Grant and the Regulatory Framework*"), could have a material effect on the business, results of operations, financial condition or prospects of the Original Charging Subsidiary that, in turn, could have a material adverse effect on the ability of the Original Charging

Subsidiary to repay to the Issuer amounts outstanding under the Intra-Group Loan and, ultimately, the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

However, with respect to the acquisition of the Original Charging Subsidiary, the Issuer has considered these risks and has mitigated them by: (a) implementing a group vision of one brand and one culture that sets commonly agreed principles relating to the Group's mission, vision, values and strategic objectives; (b) adopting a governance framework that establishes the principle of an integrated group board and executive group at Group level that is responsible for delivery of strategic objectives; (c) establishing and implementing an operational and infrastructure integration plan; and (d) outlining a strategic plan to fully absorb the assets and liabilities of the Original Charging Subsidiary into the Issuer by 31st March, 2018 through a transfer of engagements (see "*Description of the Original Charging Subsidiary*").

In addition, and pursuant to the Security Trust Deed, the Original Charging Subsidiary will grant security over, *inter alia*, certain of its housing stock in favour of the Security Trustee which will be allocated to the benefit of each of the 2028 Bond Beneficiaries and the 2053 Bond Beneficiaries. Except to the extent of such security (together with any other security granted in favour of the Bond Trustee pursuant to the Bond Trust Deed), the Bondholders will have no recourse to the Original Charging Subsidiary and, to the extent that the realised value of such security is insufficient to meet the obligations of the Issuer under the Bonds, the Bondholders will have no residual claim against the Original Charging Subsidiary for any outstanding amounts.

Risks related to the Sale of Properties

The Issuer is exposed to cash flow and profits from the sale of properties that are dependent on economic conditions and the residential real estate market in London and the south east of England through its investment in L&Q New Homes Limited (NHL), a wholly owned subsidiary of the Issuer. NHL's prime activity is the development of property for open market sale, either directly or conducted through joint ventures, and its profits are gift aided to the Issuer. The Issuer's investment is in the form of all share capital issued by NHL and a loan facility provided to NHL backed by a floating charge over the assets of NHL as shown as loan creditors in the audited consolidated financial statements for the financial year ended 31st March, 2017. As at 31st March, 2017, the Issuer's investment in NHL was £716 million.

For the year ended 31st March, 2017, the Group's turnover for open market sales was £119 million, or 16 per cent. of the Group's £756 million of turnover, and operating surpluses from open market sales were £30 million, or 8 per cent. of the Group's £365 million of operating surplus. For the year ended 31st March, 2017 the Group's share in profits from joint ventures was £13 million, or 4 per cent. of the Group's £365 million of operating surplus. Outright sale properties (inclusive of those conducted in joint ventures) are expected to account for approximately 25 per cent. of the Group's development programme.

NHL's ability to generate revenue and cash flow from its outright sales programme, conducted both within NHL and through its joint ventures depends on the existence of buyers willing to pay attractive prices for those properties at the time the Group wishes to sell them. The existence of these buyers in turn depends upon overall economic conditions, the residential real estate market and other factors set out in "*Risks related to the Housing Market*", including the availability of mortgage finance. In difficult economic conditions, NHL or its joint ventures may not be able to sell properties for an appropriate price or on acceptable terms in a timely manner and may therefore be unable to realise projected profits. Additionally, as a consequence of cyclicality and volatility in the prices of residential property, NHL may be exposed to counterparty risk and may acquire properties in periods of higher prices and may be forced to sell them during periods of lower prices. There is no guarantee that the price NHL would be able to achieve on the sale of such properties would realise the margin anticipated or would exceed the acquisition or development cost of the property. In addition, the length of time needed to find purchasers and to complete such transfers or sales may increase in periods of market uncertainty. Downward pressure on sales prices may occur in the future and volumes of property sales and the revenue and profits from such sales may also be adversely affected.

If NHL is unable to dispose of properties at attractive prices on a timely basis or at all, NHL's revenue from property sales could decline substantially which may have a material adverse effect on NHL's business, results of operations, financial condition or prospects. This, in turn, could have a material adverse effect on the value of the Issuer's investment in NHL and affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

Risks related to Private Rental Income

The Issuer is exposed to cash flow and profits from market rents that are dependent on economic conditions and the residential real estate market in London and the south east of England through its investment in L&Q PRS Co Limited (**PRS**), a wholly owned subsidiary of the Issuer. PRS's primary activity is the provision of properties at full market rent and its profits will be gift aided to the Issuer. As at 31st March, 2017, the Group had 1,418 market rent properties. The Issuer's total investment is in the form of all share capital issued by PRS and a loan facility provided to PRS backed by a floating charge over the assets of PRS as shown as loan creditors in the audited consolidated financial statements for the financial year ended 31st March, 2017. As at 31st March, 2017, the Issuer's investment in PRS was £158 million.

For the year ended 31st March, 2017, the Group's turnover from market rent properties was £19 million, or 3 per cent. of the Group's £756 million of turnover, and operating surpluses were £12 million, or 3 per cent. of the Group's £365 million of operating surplus. Market rent properties are expected to account for approximately 25 per cent. of the Group's development programme.

The ability to generate rental income, cash flow and the desired rental yields from market rent properties are generally affected by overall economic conditions, the residential real estate market and other factors set out in "*Risks related to the Housing Market*" and "*Risks related to the Sale of Properties*" where modest sales are conducted to maximise the yield from the market rented portfolio.

Market rent properties are most at risk with respect to rental levels to the extent that adverse market conditions affect rent review negotiations and the ability to re-let property following the termination of a tenancy. There can be no assurance that existing tenants will renew their leases at the end of the current tenancies nor can there be any assurance that new tenants of equivalent standing (or any new tenants) will be found to take up vacant properties at the same or similar rental levels. During periods for which properties are vacant, rent will not be received and there is a risk of incurring additional expenses until the relevant properties are re-let. Even if tenant renewals or replacements are not affected, there can be no assurance that such renewals or replacements will be on terms (including rental levels and rent review terms) that are as favourable as before or that new tenants will be as creditworthy as previous tenants. If there are significant vacant periods, replacements are not on favourable terms or levels of rent arrears increase, this could result in revaluation losses and may have a material adverse effect on PRS's business, results of operations, financial condition and/or prospects. This, in turn, could have a material adverse effect on the value of the Issuer's investment in PRS and affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

Risks related to Construction

As part of its on-going tax planning strategy the Issuer is exposed to its investment in Quadrant Construction Services Limited (**QCS**), a wholly owned subsidiary of the Issuer. QCS's primary activity is to procure construction and development services to the Group and its profits are gifted to the Issuer. The Issuer's investment is in the form of all share capital issued by QCS and a loan facility provided to QCS backed by a floating charge over the assets of QCS as shown as loan creditors in the audited consolidated financial statements for the financial year ended 31st March, 2017. As at 31st March, 2017, the Issuer's investment in QCS (excluding balances due in less than one year) was £344 million.

QCS's ability to generate income and cash flow are generally affected by overall economic conditions, the residential real estate market and other factors set out in "*Risks related to the Housing Market*".

Major, or a series of, health and safety incidents (see "*Risks related to Legal and Compliance*"), incorrect assumptions, flawed assessments underlying cost estimates, material defects, sub-contractor risk and insufficient warranty coverage may have a material adverse effect on the business, results of operations, financial condition and/or prospects of those entities.

This, in turn, could have a material adverse effect on the value of the Issuer's investment in QCS that could affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

Risks related to Strategic Land

As part of its on-going investment strategy, the Issuer is exposed to cash flow and profits from strategic land sites that are dependent on economic conditions and the residential real estate market through its investment in Gallagher Estates. Gallagher Estates' primary activity is the land promotion of land sites, whereby it purchases land and puts in place infrastructure before delivering serviced land to the market place for development. The Issuer's total equity investment is in share capital issued by Gallagher Estates. As at 31st March, 2017, the Issuer's investment in Gallagher Estates was £304 million.

For the year ended 31st March, 2017, the Group's turnover from land sales was £42 million, or 6 per cent. of the Group's £756 million of turnover, and operating surpluses from land sales were £5 million, or 1 per cent. of the Group's £365 million of operating surplus. The Group expects the acquisition of the Gallagher Estates to be accretive to its earnings and Gallagher Estates will continue to operate as a stand-alone entity with no guarantees or legal support provided by the Issuer.

Gallagher Estates' ability to generate revenue and cash flow from the sale of strategic land sites depends on the level of demand from potential buyers for those sites at the time Gallagher Estates wishes to sell them. The existence of these buyers in turn depends upon overall economic conditions, the residential real estate market and other factors set out in "*Risks related to the Housing Market*". In difficult economic conditions, Gallagher Estates may not be able to sell strategic land sites for an appropriate price or on acceptable terms in a timely manner and may therefore be unable to realise projected profits. Additionally, as a consequence of cyclical and volatility in the prices of strategic land, Gallagher Estates may be exposed to counterparty risk and may acquire land in periods of higher prices and may be forced to sell them during periods of lower prices. There is no guarantee that the price Gallagher Estates would be able to achieve on the sale of such land would realise the margin anticipated or would exceed the acquisition or development cost of the land. In addition, the length of time needed to find purchasers and to complete such transfers or sales may increase in periods of market uncertainty. Downward pressure on land prices may occur in the future and volumes of land sales and the revenue and profits from such sales may also be adversely affected.

If Gallagher Estates is unable to dispose of strategic land at attractive prices on a timely basis or at all, Gallagher Estates' revenue from land sales could decline substantially which may have a material adverse effect on Gallagher Estates' business, results of operations, financial condition or prospects. This, in turn, could have a material adverse effect on the value of the Issuer's investment in Gallagher Estates and affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

Risks related to the Concentration of Investments

In addition, because the Issuer's investments are not representative of the market as a whole due to the concentration of property assets and value in London and the south east of England, the market values of properties may be more adversely affected by any future downturn, than the market average. Future declines in the performance of the Issuer's investments could have a material adverse effect on the value of the Issuer's investments and on its business, results of operations, financial condition and/or prospects that, in turn, could adversely affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

To manage the risks relating to the Issuer's current and future investments that are predominantly based in London and the south east of England where, historically, demand is strong and supply is limited, the

Group's policies, in accordance with its governance framework, take a conservative approach to financial planning and project appraisal. The Group caps its investment exposure to ensure that, at all times, investment income is not relied upon to service any debt obligations or required to satisfy any covenants which it is required to maintain pursuant to the terms of existing financing arrangements (including its obligations under the Bonds) in a stress tested environment. In addition, the Group recognises that, as at 31st March, 2017, it had revenue reserves of £2,345 million, revaluation reserves of £1,886 million, an estimated open market value of properties at £22,700 million and has a large element of discretion in the authorisation of spending relating to its maintenance expenditure, control over the phasing and timing of development completions and, in the event of a market downturn, can be further protected by its ability to switch properties to different tenure types.

Risks related to the Housing Market

Risks related to Market and Development

Residential property investment is subject to varying degrees of market and development risks. Market values of properties in London and the south east of England are generally affected by overall conditions in the economy; political factors and systemic events, including the condition of the financial markets; the cost and availability of finance to businesses and consumers; fiscal and monetary policies; changes in government legislation; political developments, including changes in regulatory or tax regimes; changes in unemployment, gilt yields, interest rates and credit spreads; levels of prevailing inflation; changes in consumer spending; an increase in the supply of, or a reduction in demand for, residential property; infrastructure quality; the returns from alternative assets as compared to residential property; environmental considerations; changes in planning laws and practices; and the perceived threat from terrorism. Residential real estate values and rental revenues are also affected by factors specific to each local market in which the property is located, including the supply of available property and demand for residential real estate and the availability of mortgage finance to prospective purchasers.

While the Issuer is primarily, and will continue to be, a provider of affordable housing it is exposed to commercial pressures and therefore undertakes diversified residential property investment and activities through its subsidiaries (see "*Risks related to the Issuer's Investments*") where income is subject to such commercial pressure, including both demand and pricing risks.

Among other things, these market risks may be heightened as a result of the UK vote to leave the European Union on 23rd June, 2016 and these risks have the potential to impact upon the value of the Group's assets, expenses incurred by the Group with existing residential properties, rental income produced by these properties, the ability to develop land acquired, the ability to sell properties and the ability to acquire additional sites (see "*Risks relating to withdrawal of the UK from the European Union*"). This, in turn, could impact on the Group's cash flow and the ability of the Issuer to satisfy any covenants which it is required to maintain pursuant to the terms of existing financing arrangements, including its obligations under the Bonds.

For the year ended 31st March, 2017, the Group's turnover from non-social housing lettings and non-social activities was £198 million, or 26 per cent. of the Group's £756 million of turnover, and operating surpluses (inclusive of the Group's share in profits from joint ventures) were £61 million, or 17 per cent. of the Group's £365 million of operating surplus. The number of properties completed by the Group in the year ended 31st March, 2017 was 2,552, of which 60 per cent. were for social rent, affordable rent or low cost home ownership.

As at 31st March, 2017 the Group (excluding Gallagher Estates) has a development pipeline, inclusive of land options and developments in joint ventures, of circa 44,300 properties of which 22 per cent. is on site and a further 8 per cent. is committed to become on site. As at 31st March, 2017, the Group had 78,179 social housing units under management, or 86 per cent. of the Group's 90,571 total housing units under management. The Group expects approximately 50 per cent. of those properties in the development pipeline to be ultimately owned by the Issuer for the purposes of social rent, affordable rent or low cost home ownership. As at 31st March, 2017, the Group had 12,392 non-social rent units under management, or 14 per

cent. of the Group's 90,571 total housing units under management. The Group expects approximately 25 per cent. of those properties in the development pipeline to be ultimately owned by the Group for the purposes of non-social rent and 25 per cent. of those properties in the development pipeline are expected to be sold at open market value.

Risks related to the Grenfell Tower tragedy

The Group is committed to considering all possible methods of mitigating fire risk. Following the Grenfell Tower tragedy, the Group has undertaken a thorough review of all stock with particular regard to fire safety. As at the date of this Offering Circular, the Group has identified 909 properties, or 1.0 per cent. of the Group's 90,571 total housing units under management, located on ten estates, that include full or partial Aluminium Composite Material (ACM) cladding that has failed, or would be expected to fail, combustibility tests conducted by Building Research Establishment. 577 of these properties are within high rise blocks (defined as six storeys and over) and 332 properties are within low rise blocks (defined as five storeys and below). These properties do not form part of the Charged Properties.

In response, the Group is working closely with external parties, in particular the London Fire Brigade, and has implemented, as a minimum, the interim mitigating measures as issued by the MHCLG to ensure the safety of residents, pending replacement of the cladding (where necessary). These measures include but are not limited to: (a) the removal of ACM cladding on all 909 properties; (b) notification to fire and rescue services; (c) the completion of recommendations made within the latest fire risk assessment (each of which have been conducted within the past twelve months); (d) engagement with residents to ensure that they fully understand emergency fire procedures; (e) ensuring that any smoke control systems, including associated fire detection systems, are operating correctly; (f) ensuring that there is sufficient roadway access and hardstanding for firefighting vehicles; and (g) where necessary, provision of a fire watch by appropriately trained patrolling wardens.

This is an evolving situation, and advice and guidance is changing constantly as more is learnt about what caused the spread of fire at Grenfell Tower. In order to address: (a) any proposed changes in building regulations specifically related to the Grenfell Tower tragedy including (but not limited to) changes to The Regulatory Reform (Fire Safety) Order 2005 and the Building Regulations 2010 considering (i) the recommendations made by the independent public inquiry announced by the Government on 15th June, 2017 and (ii) the recommendations made by the independent review of building regulations and fire safety led by former Health and Safety Executive Chair Dame Judith Hackitt and commissioned by the Secretary of State for Communities and Local Government on 28th July, 2017; (b) the destructive inspection of the common parts of a building referred to as "type 4" fire risk assessments; (c) the potential for renovation, maintenance and modernisation programmes (see "*Risks related to Renovation, Maintenance and Modernisation Programmes*"); and (d) staffing and budgetary resource, including any other remedial works that are necessary, the Group has allocated £50 million in its business plan over a three year period. If the Group were faced with material unforeseen renovation, maintenance or modernisation costs in excess of the specific allocation made, this could impact upon the Group's cash flow and the Issuer's ability to meet its payment obligations on a timely basis under the Bonds.

Risks related to Renovation, Maintenance and Modernisation Programmes

Meeting budgets and deadlines for renovation, maintenance and modernisation projects often depends on accurate information regarding the Group's properties and, where applicable, on the reliability of third party contractors. Accurate construction, historical and other related information for properties is not always available. If, for example, any of the Group's real estate violates building codes or was built using defective or other inappropriate materials (see "*Risks related to Legal and Compliance*"), the Group could incur substantial unbudgeted costs to remediate the problem (for example to remove asbestos contamination) and potentially suffer material reputational damage.

Routine or unforeseen renovation, maintenance or modernisation projects that are delayed by, for example, the bankruptcy of a general contractor, may also cause the Group to exceed a budget or deadline and there is

a risk that properties could become vacant during the same period. If the Group were faced with high unforeseen renovation, maintenance and modernisation costs and is unable to increase the rents to recoup the increased value associated with such renovations this could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects that, in turn, could adversely affect the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

To manage the risk on the reliability of third party contractors, the Group has rolled out a programme to directly provide maintenance services on its properties.

Risks related to the Housing Grant and the Regulatory Framework

Risks related to Regulation

The Housing and Regeneration Act 2008, as amended by the Localism Act 2011 and the Housing and Planning Act 2016, (the **Act**) makes provision for the regulation of social housing provision in England. Pursuant to the Act, the Regulator of Social Housing acts as the regulator of Registered Providers of Social Housing in England including the Issuer. The HCA exercises its functions as Regulator of Social Housing acting through a separate committee established to undertake this regulatory role. The Regulator of Social Housing continues to provide economic regulation for Registered Providers of Social Housing in order to ensure that they are financially viable and well governed.

The Regulator of Social Housing regulates in accordance with the Regulatory Framework that sets out the standards which apply to Registered Providers of Social Housing (the **Standards**). The Standards cover: governance and financial viability; value for money; rent; quality of accommodation; repairs and maintenance; allocations, mutual exchanges and tenure; neighbourhood management, local area co-operation and anti-social behaviour; and tenant involvement and empowerment. Registered Providers of Social Housing are expected to comply with the Standards and to establish arrangements to ensure that they are accountable to their tenants, the Regulator of Social Housing and relevant stakeholders.

The enforcement by the Regulator of Social Housing of the Standards other than those relating to governance and financial viability, rent and value for money is restricted to cases in which there is, or there is a risk of, serious detriment to tenants (including future tenants). The Regulatory Framework includes guidance as to how the Regulator of Social Housing will assess whether serious detriment may arise.

In April 2015 the HCA published updates to the Regulatory Framework. These provide for changes in the way the Regulator of Social Housing regulates, including asset and liability registers which are aimed to ensure that social housing assets are not put at risk, to protect the public value in those assets and to ensure that Registered Providers of Social Housing, including the Issuer, can continue to attract the necessary finance to build new homes. The Issuer has adhered to the requirements of the Regulatory Framework.

On 30th October, 2015, the Office for National Statistics (**ONS**) announced that private Registered Providers of Social Housing (such definition including the Issuer and the Original Charging Subsidiary) should be re-classified as public non-financial corporations. The effect of this reclassification was that private Registered Providers of Social Housing were categorised as being part of the public sector in the national accounts of the ONS. The Government quickly made a commitment to deregulation of the sector to reverse the classification. In a speech on 5th November, 2015 the Secretary of State said that the ONS decision was a technical matter and that the Government intended to restore the classification outside the public sector. Subsequently, the Government introduced deregulatory measures through the Housing and Planning Act 2016 with the intention that the private sector status of Registered Providers of Social Housing be restored.

As part of these deregulatory measures the HCA, in March 2017, published new directions under the Housing and Planning Act 2016 that became effective from 6th April, 2017. These new directions have been accompanied by detailed guidance on when and how to notify the HCA about: (a) the removal of the constitutional consensus regime (meaning that HCA consent will no longer be required for Registered Providers of Social Housing to undertake certain changes such as mergers, change of status, restructuring,

winding-up or dissolution); and (b) disposals of social housing dwellings (meaning that Registered Providers of Social Housing will no longer need consent from the HCA for sales, charging for security and changes of ownership of social housing stock). They were designed to persuade the ONS to reverse its reclassification judgement and take Registered Providers of Social Housing back out of the "public sector" classification. The explicit purposes of the new directions notifications are to: (i) validate adherence to all relevant laws and compliance with the governing documents of Registered Providers of Social Housing; (ii) ensure accountability to tenants and enshrine proper consultation with tenants when considering a disposal that would mean a change in the tenant's landlord or changes that affect tenant's statutory or contractual rights; and (iii) promote the achievement of value for money in the delivery of social housing.

On 16th November, 2017 the ONS published a notification letter confirming that English Registered Providers of Social Housing (such definition including the Issuer and the Original Charging Subsidiary) have been reclassified as private non-financial corporations. The effective date for this reclassification is 16th November, 2017, the date The Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017 came into force.

The Regulator of Social Housing's intention is to strengthen its expectations of Registered Providers of Social Housing in relation to risk management and planning for adverse events. The changes are designed to underpin the financial viability of Registered Providers of Social Housing, including the Issuer, but it is possible that compliance may result in increased costs.

Any breach of new or existing regulations could lead to the exercise of the Regulator of Social Housing's statutory powers. The Regulator of Social Housing publishes guidance on how it regulates. It adopts a proportionate approach with an emphasis on self-regulation and co-regulation. In practice, use of statutory powers is rare. Serious non-compliance with the economic standard is more likely to lead to a downgrade of the Regulator of Social Housing's published regulatory judgement and agreement with the Regulator of Social Housing of the corrective action to be taken. Any such intervention by the Regulator of Social Housing in respect of the Issuer may adversely impact its ability to meet its obligations under the Bonds.

On 25th January, 2017 the Regulator of Social Housing published an interim regulatory judgement for the Issuer which concluded that both the viability and governance standards were met and graded the Issuer "G1" for governance and "V1" for viability. Further detail is provided in the section headed "*Description of London & Quadrant Housing Trust*" below.

Risks related to Housing Grant

The Group has historically received, and is expecting to receive, grant funding from a variety of sources. The Localism Act 2011 devolved the housing and regeneration functions of Homes England (a function of the HCA) in Greater London to the Greater London Authority (the **GLA**). Due to the nature of grant funding, there is a risk that, following the approval of grant, Homes England or the GLA may revise the terms of a grant and reduce the entitlement or suspend or cancel any instalment of such a grant. In certain circumstances set out in the "Capital Funding Guide" and the "Recovery of Capital Grants and Recycled Capital Grant Fund General Determination 2017" of Homes England and the "Capital Funding Guide and the Recovery of Capital Grants and Recycled Capital Grant Fund General Determination 2017" of the GLA, including, but not limited to, failure to comply with conditions associated with the grant or a disposal of the property funded by a grant, the grant may be required to be repaid or reused.

Any material repayment of historical grant funding held on the Group's balance sheet has the potential impact on the Group's cash flow which could, in turn, materially increase the Issuer's net debt position and thus its ability to satisfy any obligations which it is required to comply with pursuant to the terms of existing financing arrangements. In turn, this could adversely affect the ability of the Issuer to meet its payment obligations under the Bonds.

As at 31st March, 2017, the Group had received £3,767 million of grant funding in the form of deferred grant income due within one year of £24 million, deferred grant income due in greater than one year of £1,667

million, accumulated amortisation of government grant of £264 million, grant on homebuy equity loans of £110 million and a contingent grant liability of £1,702 million.

Grant funding for Registered Providers of Social Housing has, in recent years, undergone significant and material change. Under the 2011-2015 Affordable Homes Programme, the level of capital grant made available to fund new affordable homes was reduced to £4.5 billion compared to £8.4 billion under the previous review period. To compensate for this, Registered Providers of Social Housing are able to charge Affordable Rents where a Framework Delivery Agreement with the HCA has been entered into. The Issuer received £39 million of grant under the 2011-2015 Affordable Homes Programme to deliver 1,800 properties for Affordable Rent. As at 31st March, 2017, there were 4,008 Affordable Rent tenancies owned and managed by the Issuer.

The 2015-2018 Affordable Homes Programme was launched in January 2014. The level of capital grant made available nationally to fund new affordable housing was £2.9 billion, £1.7 billion being made available for outside London and administered by the HCA and £1.2 billion being made available for London and administered by the GLA. The primary change was that all of the available funding will not be allocated from the outset. Instead, up to 75 per cent. will be allocated, with the remainder being made available via on-going market engagement. The Issuer did not bid for grant under the 2015-2018 Affordable Homes Programme but instead applied to use its recycled capital grant fund to deliver 376 properties for Affordable Rent. As at 31st March, 2017, the Group held £78 million of recycled capital grant fund and £7 million in its disposals proceeds fund.

In April 2016, the HCA announced that it was making available £4.7 billion of capital grant between 2016-2021 under the Shared Ownership and Affordable Homes Programme 2016-2021. In addition, the Autumn Statement 2016 announced that an additional £1.4 billion would be made available to build 40,000 affordable homes and that the Shared Ownership and Affordable Homes Programme 2016-2021 will support a variety of tenures which now includes affordable rent, shared ownership and rent to buy. This, together with the publication of the Housing White Paper "Fixing our broken housing market" published in February 2017, has marked a shift of emphasis in Government investment priorities back towards rented housing.

In November 2016 the Mayor of London published his "Homes for Londoners: Affordable Homes Programme 2016-2021 Funding Guidance" that sets out how the GLA will use £3.15 billion of capital grant secured in the Autumn Statement 2016 to support the delivery of 90,000 affordable homes in London, utilising new planning guidance, designed to speed up development and boost affordable housing numbers. It is expected that most homes in the Mayor of London's programme will be delivered by Registered Providers of Social Housing. The Issuer expects to receive up to £400 million of grant from the GLA to support the delivery of 20,000 affordable homes in London. On 13th July, 2017, the Mayor of London announced that the GLA would provide £1.7 billion in grant funding to local authorities and Registered Providers of Social Housing to build almost 50,000 homes over a four year period. This includes a strategic partnership with the Group under which the Group will receive circa £400 million in housing grant to build approximately 20,000 homes.

The increased competition, the increased need for bidders to provide evidence regarding timescale compliance and the possible future reduction in grants beyond 2021 could result in a reduced overall amount of grant funding being allocated to the Group and, accordingly, the Group may seek to increase commercial risk (see "*Risks related to the Housing Market*") to subsidise affordable housing and/or the Group may have to increase net debt, each of which may have a corresponding effect on the ability of the Issuer to meet its payment obligations on a timely basis under the Bonds.

Risks related to Credit Ratings, Capital Resources and Pensions

Risks related to Credit Ratings

The on-going creditworthiness of the Issuer depends on many factors, including the link to national government, industry, competitive, financial and operational performance, economic factors, the level of

drawn debt, the ability to access new debt and the strength of the Group's management and governance structure. Actual deterioration or a perceived deterioration in any of these factors or a combination of these factors may result in a downgrade in the Issuer's perceived creditworthiness as indicated by the Issuer's issued credit ratings that could, in turn, cause the trading price of the Bonds to decline and, consequently, may result in a loss of all or part of an investment in the Bonds. In addition, the Conditions of the Bonds permit the Issuer to undertake Permitted Reorganisations. In such circumstances, the resulting entity's credit risk may change. Moody's and S&P have published credit ratings of "A3" and "A+" in respect of the Issuer, most recently on 29th September, 2017 and 5th July, 2017, respectively, and are expected to issue credit ratings of "A3" and "A+" for the Bonds. The Group aims to maintain a business strategy, risk appetite statement, operational and governance structure and a capital structure which is consistent with strong investment grade credit ratings.

The aforementioned ratings may not reflect the potential impact of all risks related to the Issuer, the market and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the assigning rating agency at any time.

Each of Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Risks related to Capital Resources

The ability of the Group to operate its business depends in part on it being able to raise funds. An increase in the cost, or lack of availability, of finance (whether for macroeconomic reasons, such as a lack of liquidity in the debt markets or the inability of a financing counterparty to honour pre-existing lending arrangements, or reasons specific to the Group) could impact the Group's ability to progress its business objects, deliver the expected rates of return on investments and the day-to-day financing (or refinancing) requirements of the Group's business over the longer term. Any material increase in the cost of financing or any decrease in the availability of financing on reasonable terms could have a material adverse effect on the Group's business, operations, financial condition and/or prospects and, in turn, the Issuer's ability to meet its payment obligations on a timely basis under the Bonds. As at 31st December, 2017, the Group had £5,079 million of outstanding loan facilities (total bank loans and overdrafts, debenture loans but excluding net issue premium and loan fair value adjustments) of which £4,347 million was held by the Issuer, £257 million by the Original Charging Subsidiary, £175 million by PRS and £300 million by Gallagher Estates. As at 31st December, 2017, £600 million of the Group's outstanding loan facilities (total bank loans and overdrafts, debenture loans but excluding net issue premium and loan fair value adjustments) were due for repayment within one year, £1,438 million between one and five years, £1,038 million between five and ten years, £950 million between ten and twenty years and £1,053 million in greater than twenty years. As at 31st December, 2017, the Group had Net Debt (as defined below) (excluding any fair value of derivatives) of £4,527 million.

In addition, the Group is subject to the risk that it will be unable to generate sufficient cash flows, or be unable to obtain sufficient funding, to satisfy its obligations to service and/or refinance its indebtedness. Further, any covenants contained in the Group's borrowing arrangements, including the Bonds, may limit or prohibit the Group's operational and financial flexibility. Any event of default, cross default, breach of a covenant or the inability to vary or waive any covenants could generally have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects and, in turn, the Issuer's ability to meet its payment obligations on a timely basis under the Bonds.

To manage liquidity risk and augment its capital reserves, the Group's treasury strategy ensures that a significant liquidity buffer in the form of cash and undrawn but committed revolving credit facilities are available, funding is procured in advance of need and sufficient headroom against covenants is maintained, in each case after considering the envisaged worst case scenario of the Group's most recent business plan. Further, the Group seeks to ensure that leverage is maintained at a level within the Group's risk appetite as measured by its ability to service debt and maintain strong investment grade credit ratings (see "*Risks related to Credit Ratings*").

Risks related to Interest Rates

The Group is subject to adverse interest rate movements that could lead to an increase in the cost of borrowing. The Group's interest rate risk arises from the risk of fluctuations in interest charges on floating rate borrowings. Although the Group seeks to manage this risk in accordance with its hedging strategy through the use of variable to fixed interest rate swaps, this strategy may result in volatility in the Group's net assets and surpluses caused by marking to market these derivative contracts at each balance sheet date. In addition, there is a risk that the Group is unable to provide collateral against its mark-to-market derivatives that could have a material adverse effect on the Group's financial condition and, in turn, the Issuer's ability to meet its payment obligations on a timely basis under the Bonds.

To manage this risk, the Group has in place material and significant thresholds within its credit support annexes under ISDA agreements to collateralise any mark-to-market movements. These seek to provide the Group with sufficient headroom, and limit the exposure to 'cash calls' against adverse mark-to-market positions.

As at 31st December, 2017, the Group had £2,301 million of outstanding fixed rate debt facilities, or 45 per cent. of the Group's total of £5,079 million of outstanding debt facilities and £2,778 million of floating rate debt facilities, or 55 per cent. of the Group's total of £5,079 million of outstanding debt facilities.

As at 31st December, 2017, the Group had £4,655 million of drawn debt (total bank loans and overdrafts, debenture loans but excluding net issue premium and loan fair value adjustments) of which £2,381 million (which includes the nominal value of fixed paying cash flow hedges) was fixed, or 51 per cent. of the Group's £4,655 million of drawn loan facilities (total bank loans and overdrafts, debenture loans but excluding net issue premium and loan fair value adjustments). The nominal value of the cash flow hedges in the Group at 31st December, 2017 was £80 million. As at 31st December, 2017, mark-to-market exposure to interest rate swaps and approved derivative instruments used to manage interest rate volatility was £0.1 million which the Issuer believes has no adverse impact on liquidity, covenants and financial results. The Group seeks to hold interest rate swaps to maturity.

Risks related to Pensions

The Group provides retirement benefits to certain of its former and current employees through a number of defined benefit schemes, including the London & Quadrant Housing Trust Staff Benefits Plan, the Local Government Pension Scheme administered by The London Borough of Bexley; the Local Government Pension Scheme administered by Buckinghamshire County and the Local Government Pension Scheme administered by Waltham Forest Council (together, the **Defined Benefit Pension Scheme**). There are 23 active members in the Defined Benefit Pension Scheme and each Defined Benefit Pension Scheme is closed to new members.

The pension liability assessed on an FRS102 basis for the Defined Benefit Pension Schemes was £23 million as at 31st March, 2017, and the Defined Benefit Pension Scheme contributions, including deficit contributions, made by the Group were £4 million (as measured under FRS102) in the year ended 31st March, 2017. The Issuer, following the agreement of a new deficit recovery plan, intends to make a £2 million lower contribution in the financial year ended 31st March, 2018.

The Group also participates in the Social Housing Pension Scheme (**SHPS**), a multi-employer plan which provides benefits on final pensionable pay. The Group's pension liability for SHPS assessed on an FRS102 basis was £22 million as at 31st March, 2017 and the SHPS contributions, including deficit contributions, made by the Group were £4 million in the year ended 31st March, 2017. The last formal valuation of SHPS on a buy out basis was conducted as at 30th September, 2014 with the next valuation being due to be conducted as at 30th September, 2017 (though as at the date of this Offering Circular, that valuation has not been published). The Group expects to make £3 million of deficit contributions in the financial year ended 31st March, 2018 and £21 million of deficit contributions payable after the 31st March, 2018 in accordance

with the agreed funding plan. This funding plan will be revised once the valuation as at 30th September, 2017 has been finalised and published.

If the market value of the Pension Scheme declines in relation to the assessed liabilities, which depends on, among other things, the real returns that can be obtained from the assets, the longevity of its members, the rate of increase of salaries, discount rate assumptions and inflation, or if the trustees or the regulator of pensions determines that the Issuer's liabilities requires a different approach to contributions and deficit reduction, the Issuer may be required to increase its contributions which could have an adverse impact on the Issuer's financial condition and, in turn, its ability to meet its payment obligations on a timely basis under the Bonds.

Risks related to Operations, Legal and Compliance

Risks related to the Group's Operations

Operational risks may result from major systems failure or breaches in systems security (although, in the case of the Group, it has prepared business continuity plans in order to mitigate against this, as it is dependent upon its technology in order to deliver business processes, maintain financial controls and to provide a high quality service) and the consequences of theft, fraud, health and safety and environmental issues, natural disaster and acts of terrorism.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as an entity with securities admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market.

Risks related to Key Personnel

The Group's success depends upon the continuing services, and where necessary recruitment of the members of its senior management team and other key personnel. If one or more senior executives or other key personnel are unable or unwilling to continue in their present positions, the Group may not be able to replace them easily or at all. As a result the Group's business may be disrupted and its financial condition and results of operations may be materially affected. Competition for senior management and key personnel is high, the pool of qualified candidates is limited and the Group may not be able to retain the services of its senior executives or key personnel or attract and retain high-quality new senior executives or key personnel. If any key personnel leave and carry on any activities in competition with the Group, it may lose other staff members, and legal remedies against such individuals may be limited. In addition, the lack of succession planning, the loss of suitably qualified employees, a reduction in the labour force or the inability to hire and retain suitably qualified replacements (see "*Risks relating to withdrawal of the UK from the European Union*"), could impair the Group's ability to execute its business plan and achieve its objectives, leading to problems with employee morale.

Risks related to Legal and Compliance

The Issuer knows the significance to its operations of, and is focused on, adhering to all legal and compliance legislation, in particular those in relation to health and safety including gas safety, fire safety, asbestos and legionella. The Group is not currently aware of any material failure to adhere to applicable health and safety or environmental laws, litigation or breach of regulatory laws, or failure to comply with corporate, employee or taxation laws that has not already been reported and accounted for. If any of this were to occur in the future, this could have an adverse impact on the Group's results of operations and, in turn, the Issuer's ability to meet its payment obligations on a timely basis under the Bonds.

The Group has the benefit of insurance for, among others, employer's liability, public liability and directors' and officers' liability at levels which the management of the Group considers to be prudent for the type of business in which the Group is engaged and commensurate with entities of a similar size and operating in similar industries.

To minimise health and safety risk, the Group has in place detailed health and safety policies, undertakes routine checks and assessments, is in compliance with its legal and regulatory requirements, including gas safety checks and fire risk assessments, and has in place clearly defined defect intervention standards, each of which are reviewed on a regular basis by a specialist and experienced in-house health and safety function and are monitored by management of the Group and a Health and Safety Board that reports directly into the Executive Group.

Risks relating to withdrawal of the UK from the European Union

On 23rd June, 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29th March, 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement, or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Group including the impact on the Issuer's investments (see "*Risks related to the Issuer's Investments*") and the impact on key personnel (see "*Risks related to Key Personnel*"). As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Bonds and/or the market value and/or the liquidity of the Bonds in the secondary market.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE BONDS

Risks Related to the Structure of the Bonds

Liability of the Issuer under the Bonds: The Bonds will be obligations of the Issuer only and do not establish any liability or other obligation of any other person mentioned in this Offering Circular. The Bonds will constitute direct, general, secured obligations of the Issuer and the Bonds of each Series will rank equally among themselves.

Interest rate risk: The Bonds bear interest at a fixed rate and therefore involve the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Redemption prior to maturity: In the event that the Bonds become repayable prior to maturity either following an Event of Default (as defined in Condition 12.1 (*Events of Default*)), due to taxation reasons (pursuant to Condition 9.2 (*Redemption for Taxation Reasons*)) or at the option of the Issuer where the date for redemption falls on or after the date falling three months prior to the Maturity Date (pursuant to Condition 9.3 (*Early Redemption at the Option of the Issuer*)), the Bonds will be redeemed in full at their principal amount, plus accrued interest. In such circumstances it may not be possible for an investor to reinvest the redemption proceeds at an effective rate of interest as high as the interest rate on the Bonds. Furthermore, the optional redemption feature of the Bonds is likely to limit their market value as the market value generally will not rise substantially above the price at which they can be redeemed.

Modification, waivers and substitution: The Conditions of the Bonds of each Series and the Bond Trust Deed contain provisions for calling meetings of Bondholders of such Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders of such Series, including such Bondholders who did not attend and vote at the relevant meeting and such Bondholders who voted in a manner contrary to the majority.

The Conditions of the Bonds of each Series and the Bond Trust Deed also provide that the Bond Trustee may, without the consent of Bondholders, Couponholders of such Series or any Secured Party (i) agree to

any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds of such Series or the Bond Trust Deed or any other Transaction Document or (ii) determine without the consent of the Bondholders of such Series or the other Secured Parties that any Potential Event of Default or Event of Default shall not be treated as such or (iii) agree to the substitution of another company, registered society or other entity as principal debtor under the Bonds of such Series in place of the Issuer, in the circumstances described in the Conditions, provided, in each case, that the Bond Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Bondholders of such Series.

Denominations involve integral multiples: definitive Bonds: The Bonds have denominations consisting of a minimum of £100,000 plus one or more higher integral multiples of £1,000. It is possible that the Bonds may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to £100,000.

If definitive Bonds are issued, holders should be aware that definitive Bonds which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Change in Law: The Conditions of the Bonds, and the ratings which are to be assigned to them, are based on English law, regulatory and administrative practice in effect as at the date of this Offering Circular, and have due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of HM Revenue & Customs in force or applied in the United Kingdom as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the United Kingdom, or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of HM Revenue & Customs as applied in the United Kingdom after the date of this Offering Circular.

Potential Conflicts of Interest: Each of the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Paying Agents and the Account Bank (together with the Issuer and the Charging Subsidiaries, the **Relevant Parties**) and their affiliates in the course of each of their respective businesses may provide services to other Relevant Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Relevant Parties and their affiliates or between such Relevant Parties and their affiliates and such third parties. Each of the Relevant Parties (other than the Issuer and the Charging Subsidiaries) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Relevant Party.

Taxation: Under Condition 10 (*Taxation*), the Issuer will not be entitled to make any deduction or withholding on account of tax from payments in respect of the Bonds unless such withholding or deduction is required by law. In the event that any deduction or withholding on account of tax is required by law, the Issuer shall be required (except in the limited circumstances set out in Condition 10 (*Taxation*)) to pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them if no such withholding or deduction had been required. Where the deduction or withholding is required as a result of a change in applicable law or regulations, the Issuer may exercise its option to redeem the Bonds of either Series in full at the principal amount, plus accrued interest, pursuant to Condition 9.2 (*Redemption for Taxation Reasons*). As mentioned above, in such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

For a description of the current United Kingdom law and practice relating to withholding tax treatment of the Bonds, see below in "*Taxation – United Kingdom Taxation*".

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

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

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

Risks Relating to the Security of the Bonds

Considerations relating to the Security: The Bonds of each Series will be secured by the Security granted, pursuant to the Bond Trust Deed and the Security Documents, in favour of the Bond Trustee and the Security Trustee, as applicable, for the benefit of the Bondholders of such Series and such security includes first fixed legal mortgages over the Charged Properties.

The validity of any security given by the Issuer or any Charging Subsidiary in connection with additions and substitutions of Charged Properties may depend on the solvency of the Issuer or such Charging Subsidiary at the time of the grant.

Environmental Considerations: Under relevant UK environmental legislation, liability for environmental matters can be imposed on the "owner" or "person in control" of land. The term "owner" is not specifically defined and could include anyone with a proprietary interest in a property, which could include a representative of a trustee as a mortgagee in possession (in respect of which see the risk factor entitled "*Mortgagee in Possession Liability*" below). Environmental laws may impose liability on the owner for clean-up costs if a property is or becomes contaminated. The Issuer or a Charging Subsidiary may therefore be liable for the entire amount of the clean-up and redemption costs for a contaminated site regardless of whether the contamination was caused by it or not. These costs, if material, may affect the ability of the Issuer to meet its payment obligations under the Bonds.

In addition, the presence of hazardous or toxic substances, or the failure to adequately remedy adverse environmental conditions at a Charged Property, may adversely affect the market value of the Charged Property, as well as the Issuer's or a Charging Subsidiary's ability to sell, lease or refinance the Charged Property. Any environmental liability imposed on the Issuer could, if material, affect its ability to meet its payment obligations under the Bonds.

Sufficiency of Insurance: Although each Charged Property is required to be insured at appropriate levels and against customary risks, there can be no assurance that any loss incurred will be of a type covered by such insurance, nor can there be any assurance that the loss will not exceed the limits of such insurance. Any interruption in income or any loss or damage caused to a Charged Property not adequately covered by insurance could, if material, result in a shortfall in funds available to service the Issuer's payment obligations under the Bonds.

Fixed charges may take effect under English law as floating charges: Pursuant to the Bond Trust Deed, the Issuer has purported to grant a fixed charge over, amongst other things, all rights and benefits under the Charged Account in respect of each Series. The law of England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer may take effect under English law only as floating charges if, for example, it is determined that the Bond Trustee does not exert sufficient control over the charged assets for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then the claims of the Bond Trustee will be subject to claims which are given priority over a floating charge by law, including, amongst other things, prior charges, certain subsequent charges, the expenses of any winding up or administration and the claims of preferential creditors.

Claims of Creditors of the Issuer other than Secured Parties: Under English law, any creditor (who has not entered into non-petition clauses) would be able to commence insolvency or winding up proceedings against the Issuer or a Charging Subsidiary in respect of any unpaid debt.

Mortgagee in Possession Liability: There is a risk that the Security Trustee may be deemed to be a mortgagee in possession if it physically enters into possession of a Charged Property or performs an act of control or influence which may amount to possession, such as submitting a demand direct to tenants requiring them to pay rents to the Security Trustee. The consequence of being a mortgagee in possession would be that the Security Trustee may be obliged to account to the Issuer or the relevant Charging Subsidiary, as the case may be, for the income obtained from the Charged Property, be liable for any damage to the Charged Property, have a limited liability to repair the Charged Property and, in certain circumstances, may be obliged to make improvements or incur financial liabilities in respect of the Charged Property. A mortgagee in possession may also be liable to a tenant for any mismanagement of the relevant property and may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), the liabilities of a property owner.

Moratorium and special administration regime: In order to protect the interest of tenants and to preserve the housing stock of a Registered Provider of Social Housing within the social housing sector and within the regulatory regime, a 28 working day moratorium on the disposal of land (including the enforcement of any security) by an insolvent non-profit Registered Provider of Social Housing will apply, upon certain steps being taken in relation to that provider such as presenting a winding up petition or appointing an administrator. The Regulator of Social Housing will then seek to agree proposals about the future ownership and management of the provider's land with its secured creditors. The moratorium procedure may adversely affect the Security Trustee's ability to enforce the Security, as the procedure stipulates actions that must be taken by a secured creditor prior to that secured creditor being able to enforce its security and gives powers to the Regulator of Social Housing in respect of certain secured assets.

In addition, a new special administration regime for Registered Providers of Social Housing in England is expected to come into force within the next few months and will be available in addition to the current moratorium regime. It is expected that an interim moratorium will run from the date of issue of an application for a housing administration order until the application is either dismissed or a housing administration order takes effect and, upon the making of a housing administration order, a Registered Provider of Social Housing shall become subject to a moratorium for so long as such Registered Provider of Social Housing is subject to a housing administration order, that prevents creditors from enforcing claims against it. However, secondary regulations are required to bring provisions of the new regime into force and a commencement date has not yet been confirmed.

Under the new regime, no steps may be taken by any person other than the Secretary of State for the winding up, entry into administration by or enforcement of security of a Registered Provider of Social Housing, unless 28 days' notice of that step has been given to the Regulator of Social Housing and elapsed, or the Regulator of Social Housing has waived the notice requirement. During that 28 day period, the Secretary of State or the Regulator of Social Housing, with the consent of the Secretary of State, may apply for a housing administration order.

The new regime preserves a moratorium on disposals of land described above (though reduces the relevant period from 28 working days to 28 days). However, each housing administration order will last for 12 months (subject to certain exceptions), during which there will be restrictions on the ability of the appointed administrator to dispose of social housing assets.

The new housing administration regime may delay the disposal of social housing assets by any insolvent Registered Provider of Social Housing. It would also adversely affect the Security Trustee's and the Bond Trustee's ability to enforce the Security for so long as any administration order is in place and, ultimately, may result in a delay to the period in which a Bondholder would be repaid in the event of the Issuer defaulting in respect of its obligations in respect of the Bonds.

Risks Relating to the Market Generally

Potential Limited Liquidity: The Bonds may not have an established market when issued. There can be no assurance of a secondary market for the Bonds or the continued liquidity of such market if one develops. The development or continued liquidity of any secondary market for the Bonds will be affected by a number of factors such as the state of credit markets in general and the creditworthiness of the Issuer, as well as other factors such as the time remaining to the maturity of the Bonds.

CONDITIONS OF THE 2028 BONDS

The following is the text of the Conditions of the 2028 Bonds which will be endorsed on the 2028 Bonds in definitive form. 2028 Bonds in definitive form will only be issued in certain limited circumstances. For a summary of the provisions relating to the 2028 Bonds in global form see "Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form" below.

The £250,000,000 2.625 per cent. Secured Bonds due 2028 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Bonds) of London & Quadrant Housing Trust (the **Issuer**) are constituted by a Bond Trust Deed dated 28th February, 2018 (as amended and/or supplemented and/or restated from time to time, the **Bond Trust Deed**) made between the Issuer, the Original Charging Subsidiary (as defined below) and Prudential Trustee Company Limited (the **Bond Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the **Bondholders**) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons (if any) for further interest coupons (the **Talons**) and the holders of the Talons).

The Bondholders have the benefit of security allocated to them pursuant to a Security Trust Deed dated 6th December, 2016 (as amended and/or supplemented and/or restated from time to time, the **Security Trust Deed**) made between, *inter alios*, the Issuer, the Original Charging Subsidiary and Prudential Trustee Company Limited (the **Security Trustee**, which expression shall include any successor(s)).

The Bonds also have the benefit of an Agency Agreement (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28th February, 2018 and made between the Issuer, the Bond Trustee, HSBC Bank plc as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Copies of the Bond Trust Deed, the Security Trust Deed, the Security Agreements (as defined below) and the Agency Agreement are available for inspection during normal business hours by the Bondholders and the Couponholders at the principal office for the time being of the Bond Trustee, being at the date of issue of the Bonds at Laurence Pountney Hill, London EC4R 0HH, and at the specified office of each of the Paying Agents. The Bondholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed, the Security Trust Deed, the Security Agreements and the Agency Agreement applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Bond Trust Deed, which includes the form of the Bonds, and the Security Trust Deed.

1. DEFINITIONS

Words and expressions defined in the Bond Trust Deed, the Security Trust Deed or the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

In these Conditions:

2028 Bond Beneficiaries means, collectively, the Bondholders and the other Secured Parties;

Account Agreement means the Account Agreement dated 28th February, 2018 between the Issuer, the Bond Trustee and the Account Bank, as amended and/or supplemented and/or restated from time to time;

Account Bank means Barclays Bank PLC as account bank under the Account Agreement and any successor account bank appointed thereunder;

Additional Charging Subsidiary means any Eligible Subsidiary which creates security in favour of the Security Trustee for the benefit of itself and the 2028 Bond Beneficiaries pursuant to, and in accordance with, the Security Documents;

Appointee means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Bond Trustee under, or pursuant to, these Conditions or the Bond Trust Deed;

Apportionment Certificate means, in relation to the 2028 Bond Beneficiaries, the certificate to the Representative as signed by the Issuer and each Charging Subsidiary and countersigned by the Security Trustee and the Representative which sets out the Charged Properties which are allocated in favour of the 2028 Bond Beneficiaries in relation to all monies, liabilities and obligations whatsoever (actual or contingent) payable, owing, due or incurred by the Issuer to the 2028 Bond Beneficiaries pursuant to the Bond Trust Deed, the Bonds, the Coupons and the other Transaction Documents, as amended and redelivered from time to time, and which is substantially in the form set out in Schedule 4 to the Security Trust Deed;

Asset Cover Test means the financial covenant set out in Condition 5.3 (*Asset Cover Covenant*);

Authorised Signatory means, in respect of the Issuer or any Charging Subsidiary, a board member, a director, the secretary or any senior executive officer of the Issuer or such Charging Subsidiary, as the case may be;

Beneficiary means:

- (a) in respect of the Bonds, the 2028 Bond Beneficiaries; and
- (b) each other entity which has acceded or will accede to the Security Trust Deed as a beneficiary pursuant to and in accordance with the terms of the Security Trust Deed;

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

Certificate of Title has the meaning given to it in the Security Trust Deed;

Charged Account means the account in the name of the Issuer established pursuant to the Account Agreement which is charged in favour of the Bond Trustee pursuant to the Bond Trust Deed for the benefit of the 2028 Bond Beneficiaries;

Charged Cash means, at any time, the aggregate of all amounts standing to the credit of the Charged Account at such time;

Charged Properties means, at any time, the property legally mortgaged and any other freehold or leasehold property charged by way of first fixed charge pursuant to a Security Agreement and which has been allocated for the benefit of the 2028 Bond Beneficiaries pursuant to the Security Trust Deed;

Charging Subsidiary means the Original Charging Subsidiary and each Additional Charging Subsidiary, subject to the Original Charging Subsidiary or such Additional Charging Subsidiary ceasing to be a Charging Subsidiary in accordance with the Bond Trust Deed and the Security Trust Deed;

Compliance Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*) to the Bond Trust Deed setting out, *inter alia*, calculations in respect of the Asset Cover Test;

continuing means, in respect of an Event of Default, that such Event of Default is continuing unremedied and unwaived to the satisfaction of the Bond Trustee;

Desk Top Valuation means, in relation to the Charged Properties, a valuation of those properties conducted in accordance with the same methodology as a Full Valuation addressed to, *inter alios*, the Bond Trustee provided by a Valuer on a "desk-top" basis;

Eligible Subsidiary means any member of the Group (other than the Issuer) which is a charity (whether registered or exempt) and a Registered Provider of Social Housing;

Enforcement Event means any event, howsoever described, specified in a Finance Document (as defined in the Security Trust Deed) as an event upon the occurrence of which the relevant Beneficiary or group of Beneficiaries (or the relevant representative thereof, being, in the case of the 2028 Bond Beneficiaries, the Representative) to whom such Finance Document relates becomes entitled:

- (a) to call for early repayment of all or any of the Secured Liabilities (as defined in the Security Trust Deed) under such Finance Documents; and/or
- (b) to call for cash collateral in respect of all or any contingent Secured Liabilities under such Finance Documents (but shall not include any Beneficiary becoming entitled to call for the delivery of cash pursuant to an ISDA credit support annex unless the relevant Obligor fails to make payment thereof when so demanded); and/or
- (c) to terminate all or any of the transactions entered into pursuant to such Finance Document (but excluding any interest rate arrangement entered into by the relevant Beneficiary to which the Issuer is not a party unless such Beneficiary becomes entitled to terminate the same as a consequence of a default (howsoever described) by the relevant Obligor under the terms of the Finance Document prior to the scheduled maturity thereof); and/or
- (d) to require the Security Trustee to enforce any of the Security Documents (as defined in the Security Trust Deed) constituting such Beneficiary's apportioned security;

EUV-SH means a valuation made on the basis of existing use value for social housing ("EUV-SH") as defined by the RICS at UKVS1.12 of the RICS Valuation Professional Standards January 2014 (revised April 2015) (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of the RICS Valuation Standards) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Bond Trustee and a Valuer, and **EUV-SH Charged Properties** shall be construed accordingly;

Event of Default has the meaning given to it in Condition 12.1 (*Events of Default*);

Financial Year means each 12 month period ending on 31st March;

Fixtures means, in relation to any Charged Property, all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon owned by the Issuer or the relevant Charging Subsidiary, as the case may be;

Full Valuation means, in relation to the Charged Properties, the New Additional Properties or the New Substitute Properties, a valuation of those properties addressed to, *inter alios*, the Bond Trustee

provided by a Valuer containing such information as is relevant to the portfolio of the Charged Properties, the New Additional Properties or the New Substitute Properties, as the case may be, and showing the value of the properties on the basis of EUV-SH and/or MV-ST (to the extent applicable) or, where agreed between the Bond Trustee and the Issuer, a letter from the relevant Valuer confirming that there have been no material changes in respect of a previous Full Valuation given by such Valuer in respect of such properties;

Group means, together, the Issuer and its Subsidiaries;

Housing and Regeneration Act means the Housing and Regeneration Act 2008 (as amended from time to time);

Insurances means all contracts and policies of insurance of whatever nature which are from time to time taken out by or with the authority and on behalf of the Issuer or the relevant Charging Subsidiary, as the case may be, in relation to the Charged Property;

Letting Documents means any lease, tenancy or licence to occupy, or any agreement for any of the same, from time to time granted or entered into by the Issuer or the relevant Charging Subsidiary, as the case may be, or any predecessor in title of the Issuer or such Charging Subsidiary to which a Charged Property may be subject from time to time and any licence, consent or approval given thereunder;

Minimum Value means:

$$\left(\frac{A}{105} + \frac{B}{115} \right) \times 100$$

where:

A = the Value of the residential EUV-SH Charged Properties determined on the basis of EUV-SH; and

B = the Value of the residential MV-ST Charged Properties determined on the basis of MV-ST.

For the avoidance of doubt, the Charged Properties shall be treated as EUV-SH Charged Properties for the purpose of determining the Minimum Value unless and until a Value, determined on the basis of MV-ST, is given by a Valuer in respect of such Charged Properties and the Valuer has confirmed that it has reviewed a Certificate of Title in respect of each such Charged Property and, on the basis of which, the Valuer is of the opinion that it may be disposed of by the Issuer or the relevant Charging Subsidiary on an unfettered basis (meaning subject to any existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use);

MV-ST means a valuation made on the basis of the current Market Value as defined by the RICS at VPS4 1.2 of the RICS Valuation Professional Standards January 2014 (revised April 2015) (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of the RICS Valuation Standards) (effectively, in these circumstances, based on the fact that the properties are subject to existing tenancies but are not restricted to use as social housing let at sub-market rents, and that any units that become vacant may be sold with vacant possession) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Bond Trustee and a Valuer;

MV-ST Charged Properties means the Charged Properties accepted as such in accordance with the provisions of the Bond Trust Deed;

New Additional Properties has the meaning given to it in Condition 6.1 (*Addition of New Charged Properties*);

New Property Approval Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 6 (*Form of New Property Approval Certificate*) to the Bond Trust Deed;

New Substitute Properties has the meaning given to it in Condition 6.2 (*Substitution of Charged Properties*);

Obligor has the meaning given to it in the Security Trust Deed and, in the case of the 2028 Bond Beneficiaries, means the Issuer;

Original Charging Subsidiary means East Thames Limited, a registered society incorporated under the Co-operative and Community Benefit Societies Act 2014 with registration number 7444;

Permitted Reorganisation means any amalgamation, merger, consolidation or transfer of engagements of the whole of the Issuer's or any Charging Subsidiary's property (including, for the avoidance of doubt, any statutory procedure as provided for under the Co-operative and Community Benefit Societies Act 2014) made between the Issuer or such Charging Subsidiary, as the case may be, (**Party A**) and any other entity (**Party B**) provided that (a) any new amalgamated entity to be created as a result thereof will be a Registered Provider of Social Housing at the time when such Permitted Reorganisation becomes effective; (b) following any such amalgamation, merger, consolidation or transfer of engagements in respect of which the property of Party A (including, for the avoidance of doubt, any liabilities) shall become vested in such Party B or new amalgamated entity, Party B or such new amalgamated entity, as the case may be, will thereafter be responsible for all the liabilities of Party A pursuant to the Co-operative and Community Benefit Societies Act 2014 (or otherwise); and (c) a certificate executed by two authorised signatories of Party A or Party B confirming the above is provided to the Bond Trustee;

Potential Event of Default means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the forming of an opinion and/or the fulfilment of any similar condition, would constitute an Event of Default;

Property Release/Reallocation Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 8 (*Form of Property Release/Reallocation Certificate*) to the Bond Trust Deed;

Property Security has the meaning given to it in Condition 4 (*Security*);

Registered Provider of Social Housing means a person listed in the register of providers of social housing established under Chapter 3 of Part 2 of the Housing and Regeneration Act or any replacement or successor legislation thereto or a person having a status which, in the opinion of the Issuer and the Bond Trustee, is substantially equivalent under any replacement or successor legislation;

Regulator of Social Housing means the regulation committee of the Homes and Communities Agency constituted pursuant to the Housing and Regeneration Act, as amended by the Localism Act 2011, or any similar future authority or authorities carrying on substantially the same regulatory and/or supervisory functions;

Relevant Date means, in respect of any payment, the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Bond Trustee on or before the due date, it means the date on which, the full amount of the money

having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 14 (*Notices*);

Relevant Jurisdiction means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds and Coupons;

Representative means the Bond Trustee in its capacity as Representative for the 2028 Bond Beneficiaries pursuant to the Security Trust Deed;

RICS means the Royal Institution of Chartered Surveyors;

Right to Buy means the right of a tenant of a property:

- (a) to buy that property from the Issuer or a Charging Subsidiary under section 180 of the Housing and Regeneration Act or under Part V of the Housing Act 1985 (or any similar right replacing those rights) or under any contract conferring such a right and including, without limitation, such rights preserved notwithstanding any previous transfers of that property to the Issuer from any local authority;
- (b) to acquire an interest in that property from the Issuer or a Charging Subsidiary by means of a shared-ownership lease where the terms of any such lease comply with the regulatory requirements of the Regulator of Social Housing or have been approved by the Issuer or the relevant Charging Subsidiary, as the case may be; or
- (c) to buy or acquire an interest in that property from the Issuer or a Charging Subsidiary under any voluntary scheme approved by the Issuer or the relevant Charging Subsidiary, as the case may be;

Rules means the rules of the Issuer, as amended from time to time;

Secured Parties means the Bond Trustee (for itself and on behalf of the Bondholders and the Couponholders), the Principal Paying Agent, the other Paying Agents and the Account Bank;

Security has the meaning given to it in Condition 4 (*Security*);

Security Agreement means (a) the Security Agreement dated 28th February, 2018 between the Issuer and the Security Trustee pursuant to which the Issuer provides security in respect of its obligations under the Bonds, the Coupons and the other Transaction Documents, (b) the Security Agreement dated 28th February, 2018 between the Original Charging Subsidiary and the Security Trustee pursuant to which the Original Charging Subsidiary provides security in respect of the Issuer's obligations under the Bonds, the Coupons and the other Transaction Documents and (c) any additional agreement entered into between the Issuer or a Charging Subsidiary and the Security Trustee substantially in the form set out in the Security Trust Deed pursuant to which the Issuer or such Charging Subsidiary, as the case may be, provides security in respect of the Issuer's obligations under the Bonds, the Coupons and the other Transaction Documents;

Security Assets has the meaning given to it in Condition 4 (*Security*);

Security Documents means the Security Trust Deed and each Security Agreement;

Shared Ownership Property means any property acquired by the Issuer or any Charging Subsidiary then being occupied on shared ownership terms or in respect of which the Issuer or the relevant Charging Subsidiary, as the case may be, grants a lease on shared ownership terms so that

the Issuer or the relevant Charging Subsidiary holds, or is intending to hold upon disposal on shared ownership terms, less than 100 per cent. of the beneficial (or heritable) interest in that property and the purchaser of the balance of that beneficial (or heritable) interest has the right to acquire a further portion of the Issuer's or the relevant Charging Subsidiary's retained beneficial (or heritable) interest;

Shared Ownership Sale means the disposal of the whole or any interest in a unit of residential accommodation by the Issuer or any Charging Subsidiary (or of the retained interest of the Issuer or any Charging Subsidiary in any unit of residential accommodation) which, immediately before the disposal, was comprised in a Shared Ownership Property;

Social HomeBuy has the meaning given to that term in the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006;

Statutory Disposal means a Shared Ownership Sale, the exercise of a Right to Buy or a Social HomeBuy disposal;

Statutory Disposal Certificate means a certificate, signed by two Authorised Signatories of the Issuer and, in circumstances where a Charging Subsidiary is withdrawing one or more Charged Properties from the Security Assets pursuant to a Statutory Disposal, the relevant Charging Subsidiary, substantially in the form set out in Schedule 9 (*Form of Statutory Disposal Certificate*) to the Bond Trust Deed;

Subsidiary has the meaning given to that term in section 271 of the Housing and Regeneration Act and, in relation to the Issuer, means an entity of which a person has direct and indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar rights of ownership and **control** for this purpose means the powers to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise;

Substitute Property Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 7 (*Form of Substitute Property Certificate*) to the Bond Trust Deed;

Transaction Documents means the Bond Trust Deed, the Security Trust Deed, each Security Agreement, the Agency Agreement and the Account Agreement;

Transaction Party means any person who is a party to a Transaction Document;

Value means, at any time and in relation to the Charged Properties, the value of those properties as shown in the then latest Full Valuation or Desk Top Valuation on the basis of EUV-SH or, as the case may be, MV-ST (provided that if any Charged Property or part thereof is sold pursuant to a Right to Buy, the Value of the relevant Charged Property shall, for the purposes of this definition and with effect from the date of the relevant sale or release, be zero (if the entire relevant Charged Property has been sold) or (if only part of the Issuer's or the relevant Charging Subsidiary's interest in the relevant Charged Property has been sold) shall be the proportion of the value of the Charged Property which has not been sold pursuant to the relevant Right to Buy); and

Valuer means Savills Advisory Services Limited or such other reputable firm of surveyors which is a member of the RICS as may be appointed by the Issuer or the Security Trustee from time to time.

2. FORM, DENOMINATION AND TITLE

The Bonds are in bearer form, serially numbered, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Coupons and (if applicable) Talons attached on issue. No Bonds will be issued with a denomination above £199,000.

Title to the Bonds and to the Coupons will pass by delivery. The Issuer, any Paying Agent and the Bond Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bond or Coupon as the absolute owner for all purposes (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond or Coupon or any notice of previous loss or theft of the Bond or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

3. STATUS

The Bonds and the Coupons are direct obligations of the Issuer, secured in the manner set out in Condition 4 (*Security*), and rank *pari passu* without any preference or priority among themselves.

4. SECURITY

4.1 Security

(a) The Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions, the Bond Trust Deed and the Security Documents) pursuant to each Security Agreement in favour of the Security Trustee for the benefit of itself and the 2028 Bond Beneficiaries as follows:

- (i) by way of a first legal mortgage over the Charged Properties together with all buildings and Fixtures thereon, the proceeds of sale of all or any part thereof and (so far as the same are capable of being mortgaged) the benefit of any covenants for title given or entered into by any predecessor in title of the Issuer or any Charging Subsidiary and any moneys paid or payable in respect of such covenants;
- (ii) by way of first fixed charge over:
 - (A) all fixed plant and machinery now or in the future owned by the Issuer or any Charging Subsidiary and its interest in any fixed plant or machinery in its possession, in each case which form part of the Charged Property;
 - (B) all benefits in respect of the Insurances and all claims and returns of premiums in respect of the Charged Property;
 - (C) the benefit of all present and future licences, consents and authorisations (statutory or otherwise) held in connection with the Issuer's or any Charging Subsidiary's business so far as it relates to the Security Assets or the use of any of the Security Assets specified in paragraph (i) and subparagraph (A) above and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and
 - (D) if and in so far as the legal mortgage set forth in paragraph (i) above or the assignments referred to in paragraph (iii) shall for any reason be ineffective as legal mortgages or assignments, the assets referred to in those clauses; and
- (iii) by an assignment by way of security of the Issuer's and the Charging Subsidiaries' rights, title and interest arising under:
 - (A) the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors in respect thereof and all security held by the Issuer or any Charging Subsidiary in respect of the obligations of the tenants, lessees, licensees or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or any Charging Subsidiary or which may become due and

owing to the Issuer or any Charging Subsidiary at any time in the future in connection therewith); and

- (B) all agreements, now or from time to time entered into or to be entered into for the sale, letting or other disposal or realisation of, or in connection with the management, ownership, refurbishment, development, repair, improvement or servicing of, the whole or any part of the Security Assets (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or any Charging Subsidiary or which may become due and owing to the Issuer or any Charging Subsidiary at any time in the future in connection therewith),

provided always that, unless and until an Event of Default (as defined in the Security Trust Deed) has occurred and is outstanding (but subject to the terms of the Finance Documents (as defined in the Security Trust Deed)), the Issuer and each Charging Subsidiary shall be entitled to exercise all its rights and claims under or in connection with the agreements and covenants referred to in paragraphs (A) and (B)) above, and provided further that the Security Trustee shall not give any notice of assignment contained in this paragraph (iii) to any person (other than the landlord of the property in respect of which the Issuer or any Charging Subsidiary is a tenant) unless and until a Default (as defined in the Security Trust Deed) has occurred and is outstanding.

The security created pursuant to the Security Documents referred to above, and/or any deed or document supplemental thereto, which has been allocated for the benefit of the 2028 Bond Beneficiaries, is referred to herein as the **Property Security**.

In the case of an Additional Charging Subsidiary which is a company limited by guarantee, the relevant Security Agreement(s) will also contain a floating charge granted by such Additional Charging Subsidiary over the whole of its undertaking and assets, which may be crystallised by the Security Trustee, prior to the appointment of an administrator to such Additional Charging Subsidiary, if an Enforcement Event occurs and is continuing unremedied or unwaived.

- (b) The Issuer's obligations in respect of the Bonds are also secured (subject as provided in these Conditions and the Bond Trust Deed) pursuant to the Bond Trust Deed in favour of the Bond Trustee for the benefit of itself and the 2028 Bond Beneficiaries as follows:
 - (i) by a charge by way of first fixed charge over all moneys from time to time standing to the credit of the Charged Account and all debts represented thereby;
 - (ii) by an assignment by way of security of the Issuer's rights, title and interest arising under the Agency Agreement and the Account Agreement, in each case to the extent they relate to the Bonds; and
 - (iii) by a charge by way of first fixed charge over all sums held from time to time by the Paying Agents for the payment of principal, premium or interest in respect of the Bonds,

provided always that, unless and until an Event of Default has occurred and is continuing (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all its rights and claims under or in connection with the agreements referred to in paragraph (ii) above.

- (c) The property charged and assigned pursuant to both the Security Documents and the Bond Trust Deed referred to above (and, in the case of the Security Documents, allocated for the benefit of the 2028 Bond Beneficiaries), together with any other property or assets held by and/or assigned to the Security Trustee (and allocated for the benefit of the 2028 Bond Beneficiaries) or the Bond Trustee, and/or any deed or document supplemental thereto, is referred to herein as the **Security Assets** and

the security created thereby (including, for the avoidance of doubt, the Property Security) is referred to herein as the **Security**.

4.2 Post-enforcement

Following the enforcement of the Property Security, the net proceeds of enforcement of the Property Security shall be applied in the following order of priority:

- (a) first, in or towards payment of (i) all costs, charges, fees, expenses, losses, demands, claims, judgments and liabilities (and all interest, taxes and duties thereon as provided in the relevant Security Documents) incurred by or on behalf of the Security Trustee and any Appointee in connection with carrying out its duties and exercising its powers and discretions under the relevant Security Documents and the remuneration of the Security Trustee and every Receiver under the relevant Security Documents in respect of acting in relation to the Security Assets which relate exclusively to the Property Security, (ii) all amounts due to the Security Trustee from the 2028 Bond Beneficiaries pursuant to Clause 5.4 of the Security Trust Deed (if any) and (iii) the 2028 Bond Beneficiaries' proportion of all amounts payable pursuant to Clause 7 of the Security Trust Deed but which remain unpaid;
- (b) second, towards payment to the Bond Trustee, in its capacity as Representative for application as set out below;
- (c) third, by allocating the balance among the Beneficiaries whose Relevant Liabilities (as defined in the Security Trust Deed) have not been fully discharged *pro rata* to their unpaid liabilities;
- (d) fourth, to the extent not already covered, in payment of all outstanding Security Trustee expenses; and
- (e) fifth, in payment of the surplus (if any) to the Issuer, the Charging Subsidiaries or any other person entitled thereto.

Following the enforcement of the Security, all monies standing to the credit of the Charged Account and the net proceeds of enforcement of the Security (in respect of the Property Security, following application as set out above) shall be applied in the following order of priority:

- (i) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Bond Trustee, any Appointee or any receiver in preparing and executing the trusts under the Bond Trust Deed (including the costs of realising the Security and the Bond Trustee's, any such Appointee's and any such receiver's remuneration);
- (ii) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement and the Account Bank under the Account Agreement on a *pro rata* and *pari passu* basis;
- (iii) third, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;
- (iv) fourth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal and premium due and payable in respect of the Bonds; and
- (v) fifth, in payment of the surplus (if any) to the Issuer or any other person entitled thereto.

5. COVENANTS

5.1 General Covenant

The Issuer covenants to comply with, and to procure that each Charging Subsidiary complies with, its various undertakings set out in the Bond Trust Deed and the Security Documents including, but not limited to, undertakings as to the maintenance of the Charged Properties.

5.2 Negative Pledge and Disposals

The Issuer covenants, and each Charging Subsidiary has covenanted or will covenant (as the case may be) in the Bond Trust Deed, in each case for so long as any of the Bonds remain outstanding, save as expressly permitted by the Bond Trust Deed and/or the Security Documents, not to create or permit to subsist, over any of the Security Assets, any mortgage or charge or any other security interest ranking in priority to, or *pari passu* with, the Security, excluding, for this purpose any security interest created by operation of law.

The Issuer also covenants, and each Charging Subsidiary has covenanted or will covenant (as the case may be) in the Bond Trust Deed, that it shall not, save as expressly permitted by the Bond Trust Deed and/or the Security Documents, sell, transfer, grant or lease or otherwise dispose of all or any part of the Security Assets without the prior written consent of the Bond Trustee or the Security Trustee, as applicable, or as permitted under these Conditions, the Bond Trust Deed and/or the Security Documents.

5.3 Asset Cover Covenant

The Issuer covenants, for so long as any of the Bonds remain outstanding, that it shall at all times ensure that the sum of:

- (a) the Minimum Value of the Charged Properties; and
- (b) the Charged Cash,

will not be less than the aggregate principal amount of the Bonds outstanding.

5.4 Valuations

The Issuer covenants, for so long as any of the Bonds remain outstanding, that:

- (a) it shall deliver a Full Valuation to the Bond Trustee at least once in every period of five calendar years (beginning in 2023) and, unless the Bond Trustee agrees otherwise, such Full Valuation must be delivered in the period between 31st March and the date falling 60 days after 31st March in each year that such Full Valuation is required to be delivered; and
- (b) it shall deliver to the Bond Trustee a Desk Top Valuation in the period between 31st March and the date falling 120 days thereafter in each year (beginning in 2019) other than a year in respect of which a Full Valuation is required to be delivered pursuant to paragraph (a) above.

Each Valuation shall set out in reasonable detail the Value of the Charged Properties as at a date no more than 90 days prior to the date of delivery of the Valuation.

The Original Charging Subsidiary has covenanted, and each Additional Charging Subsidiary will be required to covenant, (pursuant to the Bond Trust Deed) to provide all reasonable assistance to the Issuer for the preparation and delivery to the Bond Trustee of such Full Valuations and Desk Top Valuations.

5.5 Information Covenant

For so long as any of the Bonds remain outstanding, the Issuer shall:

- (a) send to the Bond Trustee not later than 180 days after the end of each Financial Year:
 - (i) a copy of its own and its consolidated audited financial statements for such Financial Year;
 - (ii) a copy of the audited financial statements of each Charging Subsidiary for such Financial Year (both its own and, where applicable, on a consolidated basis); and
 - (iii) a Compliance Certificate,

and, upon request by any Bondholder to the Issuer, make copies of such documents available to the Bondholders at the Issuer's registered office during normal business hours; and

- (b) at the request of Bondholders holding not less than 33 per cent. in principal amount of the Bonds for the time being outstanding, convene a meeting of the Bondholders to discuss the financial position of the Issuer and each Charging Subsidiary, provided, however, that the Issuer shall not be required to convene any such meeting pursuant to this Condition 5.5(b) more than once in any calendar year. Upon the request of Bondholders to convene any such meeting, as aforesaid, the Issuer shall notify all Bondholders of the date (which such date shall be no more than 21 days following such request), time and place of the meeting in accordance with Condition 14 (*Notices*). The Issuer shall act in good faith in addressing any questions regarding the financial position of it and of each Charging Subsidiary raised at any such meeting, provided, however, that the Issuer shall not be obliged to disclose any information which it, in its absolute discretion, considers to be of a confidential nature. For the avoidance of doubt, the provisions of this Condition 5.5(b) are in addition to the meetings provisions set out in Condition 16 (*Meetings of Bondholders, Modification, Waiver, Authorisation and Determination*).

6. ADDITION, SUBSTITUTION, RELEASE AND/OR REALLOCATION OF CHARGED PROPERTIES AND CHARGED CASH

6.1 Addition of New Charged Properties

The Issuer may (i) charge, and procure that any Charging Subsidiary charges, additional properties pursuant to the Security Documents and/or (ii) allocate, and procure that any Charging Subsidiary allocates, such additional properties as Charged Properties (the **New Additional Properties**) for the benefit of the 2028 Bond Beneficiaries (and the Bond Trustee, in its capacity as Representative, shall consent (without requiring the consent or sanction of the Bondholders or any Secured Party) to such charging and/or allocation and execute an amended Apportionment Certificate to reflect the same) subject to:

- (a) the delivery by the Issuer or the relevant Charging Subsidiary to the Security Trustee of the condition precedent documents specified in Schedule 3 to the Security Trust Deed in a form satisfactory to the Security Trustee in respect of the charging of such New Additional Properties; and
- (b) the delivery by the Issuer to the Bond Trustee of:
 - (i) a completed New Property Approval Certificate certifying that, *inter alia*, the New Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing; and

- (ii) a Full Valuation in relation to the New Additional Properties prepared by the Valuer dated no earlier than three months prior to the date on which the New Additional Properties are to be/were charged.

6.2 Substitution of Charged Properties

The Issuer or any Charging Subsidiary may substitute any one or more of the Charged Properties (the **Substitute Properties**) with other properties (the **New Substitute Properties**) (and the Bond Trustee, in its capacity as Representative, shall consent (without requiring the consent or sanction of the Bondholders or any Secured Party) to such substitution and execute an amended Apportionment Certificate to reflect the same) subject to:

- (a) the delivery by the Issuer or the relevant Charging Subsidiary to the Security Trustee of the condition precedent documents specified in Schedule 3 to the Security Trust Deed in a form satisfactory to the Security Trustee in respect of the charging of such New Substitute Properties; and
- (b) the delivery by the Issuer to the Bond Trustee of:
 - (i) a completed Substitute Property Certificate certifying, *inter alia*, that (x) the New Substitute Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing, (y) the Issuer is (as at the date of the Substitute Property Certificate) in compliance with the Asset Cover Test and that, immediately following the substitution, the Issuer will be in compliance with the Asset Cover Test and (z) no Event of Default or Potential Event of Default has occurred and is continuing; and
 - (ii) a Full Valuation in relation to the New Substitute Properties and the Substitute Properties prepared by the Valuer dated no earlier than three months prior to the date on which the New Substitute Properties are to be/were charged.

6.3 Release and/or Reallocation of Charged Properties

The Issuer or any Charging Subsidiary may withdraw or reallocate any one or more of the Charged Properties from the Security (and the Bond Trustee, in its capacity as Representative, shall consent (without requiring the consent or sanction of the Bondholders or any Secured Party) to such withdrawal or reallocation and execute an amended Apportionment Certificate to reflect the same), provided that the Issuer delivers to the Bond Trustee a completed Property Release/Reallocation Certificate, certifying that (a) the Issuer is (as at the date of the Property Release/Reallocation Certificate) in compliance with the Asset Cover Test and that, immediately following such release, the Issuer will be in compliance with the Asset Cover Test and (b) no Event of Default or Potential Event of Default has occurred and is continuing.

6.4 Statutory Disposals

The Issuer or any Charging Subsidiary shall have the right to withdraw Charged Property from the Security pursuant to any Statutory Disposal without the need for the consent of the Security Trustee or the Bond Trustee (in its capacity as Representative), provided however, that the Issuer and, in circumstances where a Charging Subsidiary is withdrawing one or more Charged Properties from the Security Assets pursuant to a Statutory Disposal, the relevant Charging Subsidiary shall deliver to the Bond Trustee, as soon as reasonably practicable after the Issuer or the relevant Charging Subsidiary has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate, certifying that the relevant withdrawal relates to a Statutory Disposal.

Without prejudice to the aforementioned right to withdraw Charged Property from the Security pursuant to any Statutory Disposal, the Issuer covenants that, if following such withdrawal the Issuer will no longer be in compliance with the Asset Cover Test, as soon as practicable thereafter (and, in any event, prior to the expiry of the applicable grace period in Condition 12.1(c) (*Events of Default*)), it shall (or shall procure that a Charging Subsidiary shall) charge and/or allocate additional properties as Charged Properties pursuant to Condition 6.1 (*Addition of New Charged Properties*) and/or it shall deposit money into the Charged Account pursuant to Condition 6.5 (*Charged Cash*) in an aggregate amount sufficient to ensure that the Issuer will be in compliance with the Asset Cover Test.

6.5 Charged Cash

The Issuer may, at any time, deposit money into the Charged Account to ensure compliance with the Asset Cover Test. The Issuer may only withdraw Charged Cash from the Charged Account if:

- (a) it is, at the relevant time, in compliance with the Asset Cover Test and no Event of Default or Potential Event of Default has occurred and is continuing; and
- (b) either:
 - (i) such Charged Cash is to be applied by the Issuer in the acquisition of a property which is to be charged pursuant to the Security Documents and allocated for the benefit of the 2028 Bond Beneficiaries and, immediately following the acquisition, charging and allocation of such property, the Issuer will be in compliance with the Asset Cover Test; or
 - (ii) such Charged Cash is to be used for any other purpose permitted by its Rules and, immediately following the withdrawal, the Issuer will be in compliance with the Asset Cover Test.

For these purposes, the Bond Trustee may call for and shall be at liberty to accept a certificate signed by any two Authorised Signatories of the Issuer (including, for the avoidance of doubt, a Compliance Certificate), as sufficient evidence that (a) the Issuer is, at the relevant time, in compliance with the Asset Cover Test and that no Event of Default or Potential Event of Default has occurred and is continuing and/or (b) the requirements of (i) or (ii) above, as the case may be, are met.

7. INTEREST

7.1 Interest Rate and Interest Payment Dates

The Bonds bear interest from (and including) 28th February, 2018 at the rate of 2.625 per cent. per annum, payable semi-annually in arrear in equal instalments on 28th February and 28th August in each year (each an **Interest Payment Date**), commencing on 28th August, 2018.

7.2 Interest Accrual

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

7.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full half year, it shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date

from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date multiplied by 2, and multiplying this by the rate of interest specified in Condition 7.1 above and the relevant principal amount of the Bonds.

8. PAYMENTS AND EXCHANGES OF TALONS

8.1 Payments in respect of Bonds

Payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

8.2 Method of Payment

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

8.3 Missing Unmatured Coupons

Each Bond should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 11 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due but not thereafter.

8.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*).

8.5 Payment only on a Presentation Date

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 7 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 11 (*Prescription*)):

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

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

8.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8.7 Initial Paying Agents

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

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

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

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

8.8 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*); and
- (b) any specific redemption price referred to in Condition 9 (*Redemption and Purchase*) which may be payable by the Issuer under or in respect of the Bonds.

Any reference in these Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (*Taxation*).

9. REDEMPTION AND PURCHASE

9.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their principal amount on 28th February, 2028 (the **Maturity Date**).

9.2 Redemption for Taxation Reasons

If the Issuer satisfies the Bond Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of the Relevant Jurisdiction, which change or amendment becomes effective after 28th February, 2018, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 10 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time at their principal amount together with interest accrued to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 9.2, the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders and the Couponholders.

9.3 Early Redemption at the Option of the Issuer

The Issuer may, at any time, having given:

- (a) not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 14 (*Notices*); and
- (b) notice to the Bond Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Bonds or, subject as provided in Condition 9.4 below, some only (provided, however, that in respect of a redemption in part, such redemption shall be in respect of not less than £5,000,000 in aggregate principal amount of Bonds).

Subject as follows, redemption of the Bonds pursuant to this Condition shall be made at the higher of the following:

- (i) par; and
- (ii) the amount (as calculated by a financial adviser nominated by the Issuer and approved by the Bond Trustee (the **Nominated Financial Adviser**) and reported in writing to the Issuer and

the Bond Trustee) which is equal to the principal amount of the Bonds to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their original maturity) on the Determination Date would be equal to the sum of (i) the Gross Redemption Yield at 3:00 pm (London time) on the Determination Date of the Benchmark Gilt and (ii) 0.30 per cent.,

together with any interest accrued up to (but excluding) the date of redemption. Notwithstanding the foregoing, where the date fixed for any such redemption falls on or after the date falling three months prior to the Maturity Date, redemption of the Bonds pursuant to this Condition shall be made at their principal amount, together with any interest accrued up to (but excluding) the date of redemption.

For the purposes of this Condition:

Benchmark Gilt means 6% Treasury Stock 2028 or such other conventional (i.e. not index-linked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Bond Trustee with such advice) to be the most appropriate benchmark conventional UK Government Gilt;

Determination Date means two Business Days prior to the dispatch of the notice referred to in (a) above; and

Gross Redemption Yield means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time).

9.4 Provisions relating to Partial Redemption

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected, in such place as the Bond Trustee may approve and in such manner as the Bond Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.

9.5 Purchases

The Issuer or any of its Subsidiaries (including, without limitation, any Charging Subsidiary) may at any time purchase Bonds (provided that all unmatured Coupons appertaining to the Bonds are purchased with the Bonds) in any manner and at any price. Any Bonds purchased by the Issuer or any of its Subsidiaries may be held or resold or may be surrendered for cancellation.

9.6 Cancellations

All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation will forthwith be cancelled, together with all relative unmatured Coupons attached to the Bonds or surrendered with the Bonds, and accordingly may not be held, reissued or resold.

9.7 Notices Final

Upon the expiry of any notice as is referred to in Condition 9.2 or 9.3 above the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such Condition.

10. TAXATION

All payments in respect of the Bonds or Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Bond or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 8.5 (*Payment only on a Presentation Date*)).

11. PRESCRIPTION

Bonds and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal or premium) and five years (in the case of interest) from the Relevant Date in respect of the Bonds or, as the case may be, the Coupons, subject to the provisions of Condition 8 (*Payments and Exchanges of Talons*). There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 8 (*Payments and Exchanges of Talons*).

12. EVENTS OF DEFAULT AND ENFORCEMENT

12.1 Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being secured and/or indemnified and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (d) and (k) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give notice to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Bond Trust Deed, if any of the following events (**Events of Default**) shall occur:

- (a) default is made in the payment of any principal, premium or interest due in respect of the Bonds or any of them and the default continues for a period of seven days in the case of principal or premium or 14 days in the case of interest; or

- (b) the Issuer or any Charging Subsidiary fails to perform or observe any of its other obligations under these Conditions (other than in respect of Condition 5.3 (*Asset Cover Covenant*)), the Bond Trust Deed or the Security Documents or if any representation given by the Issuer or any Charging Subsidiary to the Bond Trustee in the Bond Trust Deed or the Security Trustee in the Security Documents is found to be untrue or incorrect as at the time it was given and (except in any case where, in the opinion of the Bond Trustee, the failure or inaccuracy is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure or inaccuracy continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) the Issuer fails to perform or observe its obligations under Condition 5.3 (*Asset Cover Covenant*) and (except in any case where, in the opinion of the Bond Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (d)
 - (i) any other present or future indebtedness of the Issuer or any Charging Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
 - (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or
 - (iii) the Issuer or any Charging Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in (i), (ii) or (iii) above have occurred equals or exceeds £10,000,000 or its equivalent in other currencies (as reasonably determined by the Bond Trustee); or

- (e) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Charging Subsidiary save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (f) the Issuer or any Charging Subsidiary ceases or threatens to cease to carry on the whole or, in the opinion of the Bond Trustee, a substantial part of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (g) the Issuer or any Charging Subsidiary stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (h)
 - (i) proceedings are initiated against the Issuer or any Charging Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Charging Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer or

any Charging Subsidiary or an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Issuer or any Charging Subsidiary, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer or any Charging Subsidiary; and

- (ii) in any such case (other than the appointment of an administrator (if applicable)) is not discharged within 14 days,

save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or

- (i) the Issuer or any Charging Subsidiary (or any of their respective board members or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium); or
- (j) the Issuer or any Charging Subsidiary (or any of their respective board members or shareholders) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (k) it is or will become unlawful for the Issuer or any Charging Subsidiary to perform or comply with its obligations under or in respect of the Bonds, the Bond Trust Deed or the Security Documents.

12.2 Enforcement

The Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer or any Charging Subsidiary as it may think fit to enforce the provisions of the Bond Trust Deed, the Bonds, the Coupons and/or any of the other Transaction Documents or otherwise or (in its capacity as Representative) to direct the Security Trustee to take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer or any Charging Subsidiary as it may think fit to enforce the provisions of the Security Trust Deed, but it shall not be bound to take any such proceedings or any other steps or action in relation to the Bond Trust Deed, the Bonds, the Coupons or any of the other Transaction Documents or otherwise or to direct the Security Trustee, as aforesaid, unless (a) it has been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least 25 per cent. in principal amount of the Bonds then outstanding and (b) it has been secured and/or indemnified and/or prefunded to its satisfaction.

The Bond Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Bondholder, Couponholder or Secured Party (other than the Bond Trustee) shall be entitled (i) to take any steps or action against the Issuer or any Charging Subsidiary to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds, the Coupons or any of the other Transaction Documents; (ii) to take any steps or action against the Issuer or any Charging Subsidiary (or direct the Security Trustee to take any steps or action against the Issuer or any Charging Subsidiary) to enforce the performance of the provisions of the Security Trust Deed; or (iii) to take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or any Charging Subsidiary, in each case unless the Bond Trustee, having become bound so to take any such steps, actions or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

13. REPLACEMENT OF BONDS AND COUPONS

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

14. NOTICES

All notices to the Bondholders will be valid if published in a leading English language daily newspaper published in London. It is expected that publication will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Bond Trustee, publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Bond Trustee may approve.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

15. SUBSTITUTION

The Bond Trust Deed contains provisions permitting the Bond Trustee, without the consent of the Bondholders or the Couponholders or any Secured Party, to agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons and the Bond Trust Deed of another company, registered society or other entity subject to:

- (a) the Bond Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and
- (b) certain other conditions set out in the Bond Trust Deed being complied with.

For the avoidance of doubt, these provisions do not apply to a Permitted Reorganisation, in respect of which the consent of the Bond Trustee shall not be required.

Any such substitution shall be notified to the Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

16. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

16.1 Meetings of Bondholders

The Bond Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Coupons or any of the provisions of the Transaction Documents. Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than ten per cent. in principal amount of the Bonds for the time being remaining outstanding (other than in respect of a meeting requested by Bondholders to discuss the financial position of the Issuer and the Charging Subsidiaries, which shall be requested in accordance with, and shall be subject to, Condition 5.5(b) (*Information Covenant*)). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes any matter defined in the Bond Trust Deed as a Basic Terms Modification, including, *inter alia*, modifying the date of maturity of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds or the Coupons, the quorum shall be one or more persons holding or representing in aggregate not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing in aggregate not less than 25 per cent. in principal amount of the Bonds for the time being outstanding. In addition, the Bond Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Bond Trustee) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders shall be binding on all the Bondholders, whether or not (in the case of Extraordinary Resolutions passed at any meeting) they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

16.2 Modification, Waiver, Authorisation and Determination

The Bond Trustee may agree, without the consent of the Bondholders, Couponholders or any Secured Party, to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Bond Trust Deed or any other Transaction Document, or determine, without any such consent as aforesaid, that any Potential Event of Default or Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Bond Trustee, proven. For the avoidance of doubt, no modification shall be made to Condition 4.2 (*Security - Post-enforcement*) without the consent of each Secured Party.

16.3 Bond Trustee to have regard to interests of Bondholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the general interests of the Bondholders as a

class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer, any Charging Subsidiary, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to the extent already provided for in Condition 10 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 10 (*Taxation*) pursuant to the Bond Trust Deed.

16.4 Notification to the Bondholders

Any such modification, waiver, authorisation and/or determination shall be binding on the Bondholders, the Couponholders and the Secured Parties and (unless the Bond Trustee agrees otherwise) shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

17. INDEMNIFICATION AND PROTECTION OF THE BOND TRUSTEE AND THE SECURITY TRUSTEE AND THE BOND TRUSTEE AND THE SECURITY TRUSTEE CONTRACTING WITH THE ISSUER AND THE CHARGING SUBSIDIARIES

The Bond Trust Deed and the Security Trust Deed contain provisions for the indemnification of the Bond Trustee and the Security Trustee, respectively, and for their relief from responsibility and liability towards the Issuer, the Charging Subsidiaries, the Bondholders, the Couponholders and the Secured Parties, including (i) provisions relieving them from taking action unless secured and/or indemnified and/or prefunded to their satisfaction and (ii) provisions limiting or excluding their liability in certain circumstances. The Bond Trustee and the Security Trustee are each exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Security Assets, from any obligation to insure all or any part of the Security Assets (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), or to procure the same to be insured.

The Bond Trust Deed and the Security Trust Deed also contain provisions pursuant to which the Bond Trustee and the Security Trustee, respectively, are entitled, *inter alia*, (a) to enter into or be interested in any contract or financial or other transaction or arrangement with the Issuer, any Charging Subsidiary or any other Transaction Party or any person or body corporate associated with the Issuer, any Charging Subsidiary or any Transaction Party, (b) to accept or hold the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to the Issuer, any Charging Subsidiary or any Transaction Party or any such person or body corporate so associated or any other office of profit under the Issuer, any Charging Subsidiary or any Transaction Party or any such person or body corporate so associated 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.

Neither the Bond Trustee nor the Security Trustee shall be bound to take any step or action in connection with the Bond Trust Deed or the Bonds or the Security Trustee, as applicable, or obligations arising pursuant thereto or pursuant to the other Transaction Documents, where it is not satisfied that it is indemnified and/or secured and/or prefunded against all its liabilities and costs incurred in connection with such step or action and may demand, prior to taking any such step or action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so as to indemnify it.

Neither the Bond Trustee nor the Security Trustee shall have any responsibility for the validity, sufficiency or enforceability of the Security. Neither the Bond Trustee nor the Security Trustee shall be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

18. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders or Couponholders to create and issue further bonds ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon), secured on the same assets and so that the same shall be consolidated and form a single series with the Bonds. Any further bonds which are to form a single series with the Bonds shall be constituted by a deed supplemental to the Bond Trust Deed.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing Law

The Bond Trust Deed, the Security Documents, the Bonds and the Coupons, and any non-contractual obligations or matters arising from or in connection with them, shall be governed by, and construed in accordance with, English law.

20.2 Submission to Jurisdiction

The Issuer and the Original Charging Subsidiary have irrevocably agreed (and each Additional Charging Subsidiary will be required to irrevocably agree), in the Bond Trust Deed and the Security Trust Deed, for the benefit of the Bond Trustee and the Security Trustee (as applicable), the Bondholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds or the Coupons and accordingly have submitted (or will submit, as applicable) to the exclusive jurisdiction of the English courts.

CONDITIONS OF THE 2053 BONDS

The following is the text of the Conditions of the 2053 Bonds which will be endorsed on the 2053 Bonds in definitive form. 2053 Bonds in definitive form will only be issued in certain limited circumstances. For a summary of the provisions relating to the 2053 Bonds in global form see "Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form" below.

The £250,000,000 3.125 per cent. Secured Bonds due 2053 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Bonds) of London & Quadrant Housing Trust (the **Issuer**) are constituted by a Bond Trust Deed dated 28th February, 2018 (as amended and/or supplemented and/or restated from time to time, the **Bond Trust Deed**) made between the Issuer, the Original Charging Subsidiary (as defined below) and Prudential Trustee Company Limited (the **Bond Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the **Bondholders**) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons).

The Bondholders have the benefit of security allocated to them pursuant to a Security Trust Deed dated 6th December, 2016 (as amended and/or supplemented and/or restated from time to time, the **Security Trust Deed**) made between, *inter alios*, the Issuer, the Original Charging Subsidiary and Prudential Trustee Company Limited (the **Security Trustee**, which expression shall include any successor(s)).

The Bonds also have the benefit of an Agency Agreement (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28th February, 2018 and made between the Issuer, the Bond Trustee, HSBC Bank plc as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Copies of the Bond Trust Deed, the Security Trust Deed, the Security Agreements (as defined below) and the Agency Agreement are available for inspection during normal business hours by the Bondholders and the Couponholders at the principal office for the time being of the Bond Trustee, being at the date of issue of the Bonds at Laurence Pountney Hill, London EC4R 0HH, and at the specified office of each of the Paying Agents. The Bondholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed, the Security Trust Deed, the Security Agreements and the Agency Agreement applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Bond Trust Deed, which includes the form of the Bonds, and the Security Trust Deed.

1. DEFINITIONS

Words and expressions defined in the Bond Trust Deed, the Security Trust Deed or the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

In these Conditions:

2053 Bond Beneficiaries means, collectively, the Bondholders and the other Secured Parties;

Account Agreement means the Account Agreement dated 28th February, 2018 between the Issuer, the Bond Trustee and the Account Bank, as amended and/or supplemented and/or restated from time to time;

Account Bank means Barclays Bank PLC as account bank under the Account Agreement and any successor account bank appointed thereunder;

Additional Charging Subsidiary means any Eligible Subsidiary which creates security in favour of the Security Trustee for the benefit of itself and the 2053 Bond Beneficiaries pursuant to, and in accordance with, the Security Documents;

Appointee means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Bond Trustee under, or pursuant to, these Conditions or the Bond Trust Deed;

Apportionment Certificate means, in relation to the 2053 Bond Beneficiaries, the certificate to the Representative as signed by the Issuer and each Charging Subsidiary and countersigned by the Security Trustee and the Representative which sets out the Charged Properties which are allocated in favour of the 2053 Bond Beneficiaries in relation to all monies, liabilities and obligations whatsoever (actual or contingent) payable, owing, due or incurred by the Issuer to the 2053 Bond Beneficiaries pursuant to the Bond Trust Deed, the Bonds, the Coupons and the other Transaction Documents, as amended and redelivered from time to time, and which is substantially in the form set out in Schedule 4 to the Security Trust Deed;

Asset Cover Test means the financial covenant set out in Condition 5.3 (*Asset Cover Covenant*);

Authorised Signatory means, in respect of the Issuer or any Charging Subsidiary, a board member, a director, the secretary or any senior executive officer of the Issuer or such Charging Subsidiary, as the case may be;

Beneficiary means:

- (a) in respect of the Bonds, the 2053 Bond Beneficiaries; and
- (b) each other entity which has acceded or will accede to the Security Trust Deed as a beneficiary pursuant to and in accordance with the terms of the Security Trust Deed;

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

Certificate of Title has the meaning given to it in the Security Trust Deed;

Charged Account means the account in the name of the Issuer established pursuant to the Account Agreement which is charged in favour of the Bond Trustee pursuant to the Bond Trust Deed for the benefit of the 2053 Bond Beneficiaries;

Charged Cash means, at any time, the aggregate of all amounts standing to the credit of the Charged Account at such time;

Charged Properties means, at any time, the property legally mortgaged and any other freehold or leasehold property charged by way of first fixed charge pursuant to a Security Agreement and which has been allocated for the benefit of the 2053 Bond Beneficiaries pursuant to the Security Trust Deed;

Charging Subsidiary means the Original Charging Subsidiary and each Additional Charging Subsidiary, subject to the Original Charging Subsidiary or such Additional Charging Subsidiary ceasing to be a Charging Subsidiary in accordance with the Bond Trust Deed and the Security Trust Deed;

Compliance Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*) to the Bond Trust Deed setting out, *inter alia*, calculations in respect of the Asset Cover Test;

continuing means, in respect of an Event of Default, that such Event of Default is continuing unremedied and unwaived to the satisfaction of the Bond Trustee;

Desk Top Valuation means, in relation to the Charged Properties, a valuation of those properties conducted in accordance with the same methodology as a Full Valuation addressed to, *inter alios*, the Bond Trustee provided by a Valuer on a "desk-top" basis;

Eligible Subsidiary means any member of the Group (other than the Issuer) which is a charity (whether registered or exempt) and a Registered Provider of Social Housing;

Enforcement Event means any event, howsoever described, specified in a Finance Document (as defined in the Security Trust Deed) as an event upon the occurrence of which the relevant Beneficiary or group of Beneficiaries (or the relevant representative thereof, being, in the case of the 2053 Bond Beneficiaries, the Representative) to whom such Finance Document relates becomes entitled:

- (a) to call for early repayment of all or any of the Secured Liabilities (as defined in the Security Trust Deed) under such Finance Documents; and/or
- (b) to call for cash collateral in respect of all or any contingent Secured Liabilities under such Finance Documents (but shall not include any Beneficiary becoming entitled to call for the delivery of cash pursuant to an ISDA credit support annex unless the relevant Obligor fails to make payment thereof when so demanded); and/or
- (c) to terminate all or any of the transactions entered into pursuant to such Finance Document (but excluding any interest rate arrangement entered into by the relevant Beneficiary to which the Issuer is not a party unless such Beneficiary becomes entitled to terminate the same as a consequence of a default (howsoever described) by the relevant Obligor under the terms of the Finance Document prior to the scheduled maturity thereof); and/or
- (d) to require the Security Trustee to enforce any of the Security Documents (as defined in the Security Trust Deed) constituting such Beneficiary's apportioned security;

EUV-SH means a valuation made on the basis of existing use value for social housing ("EUV-SH") as defined by the RICS at UKVS1.12 of the RICS Valuation Professional Standards January 2014 (revised April 2015) (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of the RICS Valuation Standards) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Bond Trustee and a Valuer, and **EUV-SH Charged Properties** shall be construed accordingly;

Event of Default has the meaning given to it in Condition 12.1 (*Events of Default*);

Financial Year means each 12 month period ending on 31st March;

Fixtures means, in relation to any Charged Property, all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon owned by the Issuer or the relevant Charging Subsidiary, as the case may be;

Full Valuation means, in relation to the Charged Properties, the New Additional Properties or the New Substitute Properties, a valuation of those properties addressed to, *inter alios*, the Bond Trustee

provided by a Valuer containing such information as is relevant to the portfolio of the Charged Properties, the New Additional Properties or the New Substitute Properties, as the case may be, and showing the value of the properties on the basis of EUV-SH and/or MV-ST (to the extent applicable) or, where agreed between the Bond Trustee and the Issuer, a letter from the relevant Valuer confirming that there have been no material changes in respect of a previous Full Valuation given by such Valuer in respect of such properties;

Group means, together, the Issuer and its Subsidiaries;

Housing and Regeneration Act means the Housing and Regeneration Act 2008 (as amended from time to time);

Insurances means all contracts and policies of insurance of whatever nature which are from time to time taken out by or with the authority and on behalf of the Issuer or the relevant Charging Subsidiary, as the case may be, in relation to the Charged Property;

Letting Documents means any lease, tenancy or licence to occupy, or any agreement for any of the same, from time to time granted or entered into by the Issuer or the relevant Charging Subsidiary, as the case may be, or any predecessor in title of the Issuer or such Charging Subsidiary to which a Charged Property may be subject from time to time and any licence, consent or approval given thereunder;

Minimum Value means:

$$\left(\frac{A}{105} + \frac{B}{115} \right) \times 100$$

where:

A = the Value of the residential EUV-SH Charged Properties determined on the basis of EUV-SH; and

B = the Value of the residential MV-ST Charged Properties determined on the basis of MV-ST.

For the avoidance of doubt, the Charged Properties shall be treated as EUV-SH Charged Properties for the purpose of determining the Minimum Value unless and until a Value, determined on the basis of MV-ST, is given by a Valuer in respect of such Charged Properties and the Valuer has confirmed that it has reviewed a Certificate of Title in respect of each such Charged Property and, on the basis of which, the Valuer is of the opinion that it may be disposed of by the Issuer or the relevant Charging Subsidiary on an unfettered basis (meaning subject to any existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use);

MV-ST means a valuation made on the basis of the current Market Value as defined by the RICS at VPS4 1.2 of the RICS Valuation Professional Standards January 2014 (revised April 2015) (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of the RICS Valuation Standards) (effectively, in these circumstances, based on the fact that the properties are subject to existing tenancies but are not restricted to use as social housing let at sub-market rents, and that any units that become vacant may be sold with vacant possession) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Bond Trustee and a Valuer;

MV-ST Charged Properties means the Charged Properties accepted as such in accordance with the provisions of the Bond Trust Deed;

New Additional Properties has the meaning given to it in Condition 6.1 (*Addition of New Charged Properties*);

New Property Approval Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 6 (*Form of New Property Approval Certificate*) to the Bond Trust Deed;

New Substitute Properties has the meaning given to it in Condition 6.2 (*Substitution of Charged Properties*);

Obligor has the meaning given to it in the Security Trust Deed and, in the case of the 2053 Bond Beneficiaries, means the Issuer;

Original Charging Subsidiary means East Thames Limited, a registered society incorporated under the Co-operative and Community Benefit Societies Act 2014 with registration number 7444;

Permitted Reorganisation means any amalgamation, merger, consolidation or transfer of engagements of the whole of the Issuer's or any Charging Subsidiary's property (including, for the avoidance of doubt, any statutory procedure as provided for under the Co-operative and Community Benefit Societies Act 2014) made between the Issuer or such Charging Subsidiary, as the case may be, (**Party A**) and any other entity (**Party B**) provided that (a) any new amalgamated entity to be created as a result thereof will be a Registered Provider of Social Housing at the time when such Permitted Reorganisation becomes effective; (b) following any such amalgamation, merger, consolidation or transfer of engagements in respect of which the property of Party A (including, for the avoidance of doubt, any liabilities) shall become vested in such Party B or new amalgamated entity, Party B or such new amalgamated entity, as the case may be, will thereafter be responsible for all the liabilities of Party A pursuant to the Co-operative and Community Benefit Societies Act 2014 (or otherwise); and (c) a certificate executed by two authorised signatories of Party A or Party B confirming the above is provided to the Bond Trustee;

Potential Event of Default means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the forming of an opinion and/or the fulfilment of any similar condition, would constitute an Event of Default;

Property Release/Reallocation Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 8 (*Form of Property Release/Reallocation Certificate*) to the Bond Trust Deed;

Property Security has the meaning given to it in Condition 4 (*Security*);

Registered Provider of Social Housing means a person listed in the register of providers of social housing established under Chapter 3 of Part 2 of the Housing and Regeneration Act or any replacement or successor legislation thereto or a person having a status which, in the opinion of the Issuer and the Bond Trustee, is substantially equivalent under any replacement or successor legislation;

Regulator of Social Housing means the regulation committee of the Homes and Communities Agency constituted pursuant to the Housing and Regeneration Act, as amended by the Localism Act 2011, or any similar future authority or authorities carrying on substantially the same regulatory and/or supervisory functions;

Relevant Date means, in respect of any payment, the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Bond Trustee on or before the due date, it means the date on which, the full amount of the money

having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 14 (*Notices*);

Relevant Jurisdiction means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds and Coupons;

Representative means the Bond Trustee in its capacity as Representative for the 2053 Bond Beneficiaries pursuant to the Security Trust Deed;

RICS means the Royal Institution of Chartered Surveyors;

Right to Buy means the right of a tenant of a property:

- (a) to buy that property from the Issuer or a Charging Subsidiary under section 180 of the Housing and Regeneration Act or under Part V of the Housing Act 1985 (or any similar right replacing those rights) or under any contract conferring such a right and including, without limitation, such rights preserved notwithstanding any previous transfers of that property to the Issuer from any local authority;
- (b) to acquire an interest in that property from the Issuer or a Charging Subsidiary by means of a shared-ownership lease where the terms of any such lease comply with the regulatory requirements of the Regulator of Social Housing or have been approved by the Issuer or the relevant Charging Subsidiary, as the case may be; or
- (c) to buy or acquire an interest in that property from the Issuer or a Charging Subsidiary under any voluntary scheme approved by the Issuer or the relevant Charging Subsidiary, as the case may be;

Rules means the rules of the Issuer, as amended from time to time;

Secured Parties means the Bond Trustee (for itself and on behalf of the Bondholders and the Couponholders), the Principal Paying Agent, the other Paying Agents and the Account Bank;

Security has the meaning given to it in Condition 4 (*Security*);

Security Agreement means (a) the Security Agreement dated 28th February, 2018 between the Issuer and the Security Trustee pursuant to which the Issuer provides security in respect of its obligations under the Bonds, the Coupons and the other Transaction Documents, (b) the Security Agreement dated 28th February, 2018 between the Original Charging Subsidiary and the Security Trustee pursuant to which the Original Charging Subsidiary provides security in respect of the Issuer's obligations under the Bonds, the Coupons and the other Transaction Documents and (c) any additional agreement entered into between the Issuer or a Charging Subsidiary and the Security Trustee substantially in the form set out in the Security Trust Deed pursuant to which the Issuer or such Charging Subsidiary, as the case may be, provides security in respect of the Issuer's obligations under the Bonds, the Coupons and the other Transaction Documents;

Security Assets has the meaning given to it in Condition 4 (*Security*);

Security Documents means the Security Trust Deed and each Security Agreement;

Shared Ownership Property means any property acquired by the Issuer or any Charging Subsidiary then being occupied on shared ownership terms or in respect of which the Issuer or the relevant Charging Subsidiary, as the case may be, grants a lease on shared ownership terms so that

the Issuer or the relevant Charging Subsidiary holds, or is intending to hold upon disposal on shared ownership terms, less than 100 per cent. of the beneficial (or heritable) interest in that property and the purchaser of the balance of that beneficial (or heritable) interest has the right to acquire a further portion of the Issuer's or the relevant Charging Subsidiary's retained beneficial (or heritable) interest;

Shared Ownership Sale means the disposal of the whole or any interest in a unit of residential accommodation by the Issuer or any Charging Subsidiary (or of the retained interest of the Issuer or any Charging Subsidiary in any unit of residential accommodation) which, immediately before the disposal, was comprised in a Shared Ownership Property;

Social HomeBuy has the meaning given to that term in the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006;

Statutory Disposal means a Shared Ownership Sale, the exercise of a Right to Buy or a Social HomeBuy disposal;

Statutory Disposal Certificate means a certificate, signed by two Authorised Signatories of the Issuer and, in circumstances where a Charging Subsidiary is withdrawing one or more Charged Properties from the Security Assets pursuant to a Statutory Disposal, the relevant Charging Subsidiary, substantially in the form set out in Schedule 9 (*Form of Statutory Disposal Certificate*) to the Bond Trust Deed;

Subsidiary has the meaning given to that term in section 271 of the Housing and Regeneration Act and, in relation to the Issuer, means an entity of which a person has direct and indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar rights of ownership and **control** for this purpose means the powers to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise;

Substitute Property Certificate means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 7 (*Form of Substitute Property Certificate*) to the Bond Trust Deed;

Transaction Documents means the Bond Trust Deed, the Security Trust Deed, each Security Agreement, the Agency Agreement and the Account Agreement;

Transaction Party means any person who is a party to a Transaction Document;

Value means, at any time and in relation to the Charged Properties, the value of those properties as shown in the then latest Full Valuation or Desk Top Valuation on the basis of EUV-SH or, as the case may be, MV-ST (provided that if any Charged Property or part thereof is sold pursuant to a Right to Buy, the Value of the relevant Charged Property shall, for the purposes of this definition and with effect from the date of the relevant sale or release, be zero (if the entire relevant Charged Property has been sold) or (if only part of the Issuer's or the relevant Charging Subsidiary's interest in the relevant Charged Property has been sold) shall be the proportion of the value of the Charged Property which has not been sold pursuant to the relevant Right to Buy); and

Valuer means Savills Advisory Services Limited or such other reputable firm of surveyors which is a member of the RICS as may be appointed by the Issuer or the Security Trustee from time to time.

2. FORM, DENOMINATION AND TITLE

The Bonds are in bearer form, serially numbered, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Coupons and Talons attached on issue. No Bonds will be issued with a denomination above £199,000.

Title to the Bonds and to the Coupons will pass by delivery. The Issuer, any Paying Agent and the Bond Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bond or Coupon as the absolute owner for all purposes (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond or Coupon or any notice of previous loss or theft of the Bond or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

3. STATUS

The Bonds and the Coupons are direct obligations of the Issuer, secured in the manner set out in Condition 4 (*Security*), and rank *pari passu* without any preference or priority among themselves.

4. SECURITY

4.1 Security

(a) The Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions, the Bond Trust Deed and the Security Documents) pursuant to each Security Agreement in favour of the Security Trustee for the benefit of itself and the 2053 Bond Beneficiaries as follows:

- (i) by way of a first legal mortgage over the Charged Properties together with all buildings and Fixtures thereon, the proceeds of sale of all or any part thereof and (so far as the same are capable of being mortgaged) the benefit of any covenants for title given or entered into by any predecessor in title of the Issuer or any Charging Subsidiary and any moneys paid or payable in respect of such covenants;
- (ii) by way of first fixed charge over:
 - (A) all fixed plant and machinery now or in the future owned by the Issuer or any Charging Subsidiary and its interest in any fixed plant or machinery in its possession, in each case which form part of the Charged Property;
 - (B) all benefits in respect of the Insurances and all claims and returns of premiums in respect of the Charged Property;
 - (C) the benefit of all present and future licences, consents and authorisations (statutory or otherwise) held in connection with the Issuer's or any Charging Subsidiary's business so far as it relates to the Security Assets or the use of any of the Security Assets specified in paragraph (i) and subparagraph (A) above and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and
 - (D) if and in so far as the legal mortgage set forth in paragraph (i) above or the assignments referred to in paragraph (iii) shall for any reason be ineffective as legal mortgages or assignments, the assets referred to in those clauses; and
- (iii) by an assignment by way of security of the Issuer's and the Charging Subsidiaries' rights, title and interest arising under:
 - (A) the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors in respect thereof and all security held by the Issuer or any Charging Subsidiary in respect of the obligations of the tenants, lessees, licensees or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or any Charging Subsidiary or which may become due and

owing to the Issuer or any Charging Subsidiary at any time in the future in connection therewith); and

- (B) all agreements, now or from time to time entered into or to be entered into for the sale, letting or other disposal or realisation of, or in connection with the management, ownership, refurbishment, development, repair, improvement or servicing of, the whole or any part of the Security Assets (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or any Charging Subsidiary or which may become due and owing to the Issuer or any Charging Subsidiary at any time in the future in connection therewith),

provided always that, unless and until an Event of Default (as defined in the Security Trust Deed) has occurred and is outstanding (but subject to the terms of the Finance Documents (as defined in the Security Trust Deed)), the Issuer and each Charging Subsidiary shall be entitled to exercise all its rights and claims under or in connection with the agreements and covenants referred to in paragraphs (A) and (B)) above, and provided further that the Security Trustee shall not give any notice of assignment contained in this paragraph (iii) to any person (other than the landlord of the property in respect of which the Issuer or any Charging Subsidiary is a tenant) unless and until a Default (as defined in the Security Trust Deed) has occurred and is outstanding.

The security created pursuant to the Security Documents referred to above, and/or any deed or document supplemental thereto, which has been allocated for the benefit of the 2053 Bond Beneficiaries, is referred to herein as the **Property Security**.

In the case of an Additional Charging Subsidiary which is a company limited by guarantee, the relevant Security Agreement(s) will also contain a floating charge granted by such Additional Charging Subsidiary over the whole of its undertaking and assets, which may be crystallised by the Security Trustee, prior to the appointment of an administrator to such Additional Charging Subsidiary, if an Enforcement Event occurs and is continuing unremedied or unwaived.

- (b) The Issuer's obligations in respect of the Bonds are also secured (subject as provided in these Conditions and the Bond Trust Deed) pursuant to the Bond Trust Deed in favour of the Bond Trustee for the benefit of itself and the 2053 Bond Beneficiaries as follows:
 - (i) by a charge by way of first fixed charge over all moneys from time to time standing to the credit of the Charged Account and all debts represented thereby;
 - (ii) by an assignment by way of security of the Issuer's rights, title and interest arising under the Agency Agreement and the Account Agreement, in each case to the extent they relate to the Bonds; and
 - (iii) by a charge by way of first fixed charge over all sums held from time to time by the Paying Agents for the payment of principal, premium or interest in respect of the Bonds,

provided always that, unless and until an Event of Default has occurred and is continuing (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all its rights and claims under or in connection with the agreements referred to in paragraph (ii) above.

- (c) The property charged and assigned pursuant to both the Security Documents and the Bond Trust Deed referred to above (and, in the case of the Security Documents, allocated for the benefit of the 2053 Bond Beneficiaries), together with any other property or assets held by and/or assigned to the Security Trustee (and allocated for the benefit of the 2053 Bond Beneficiaries) or the Bond Trustee, and/or any deed or document supplemental thereto, is referred to herein as the **Security Assets** and

the security created thereby (including, for the avoidance of doubt, the Property Security) is referred to herein as the **Security**.

4.2 Post-enforcement

Following the enforcement of the Property Security, the net proceeds of enforcement of the Property Security shall be applied in the following order of priority:

- (a) first, in or towards payment of (i) all costs, charges, fees, expenses, losses, demands, claims, judgments and liabilities (and all interest, taxes and duties thereon as provided in the relevant Security Documents) incurred by or on behalf of the Security Trustee and any Appointee in connection with carrying out its duties and exercising its powers and discretions under the relevant Security Documents and the remuneration of the Security Trustee and every Receiver under the relevant Security Documents in respect of acting in relation to the Security Assets which relate exclusively to the Property Security, (ii) all amounts due to the Security Trustee from the 2053 Bond Beneficiaries pursuant to Clause 5.4 of the Security Trust Deed (if any) and (iii) the 2053 Bond Beneficiaries' proportion of all amounts payable pursuant to Clause 7 of the Security Trust Deed but which remain unpaid;
- (b) second, towards payment to the Bond Trustee, in its capacity as Representative for application as set out below;
- (c) third, by allocating the balance among the Beneficiaries whose Relevant Liabilities (as defined in the Security Trust Deed) have not been fully discharged *pro rata* to their unpaid liabilities;
- (d) fourth, to the extent not already covered, in payment of all outstanding Security Trustee expenses; and
- (e) fifth, in payment of the surplus (if any) to the Issuer, the Charging Subsidiaries or any other person entitled thereto.

Following the enforcement of the Security, all monies standing to the credit of the Charged Account and the net proceeds of enforcement of the Security (in respect of the Property Security, following application as set out above) shall be applied in the following order of priority:

- (i) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Bond Trustee, any Appointee or any receiver in preparing and executing the trusts under the Bond Trust Deed (including the costs of realising the Security and the Bond Trustee's, any such Appointee's and any such receiver's remuneration);
- (ii) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement and the Account Bank under the Account Agreement on a *pro rata* and *pari passu* basis;
- (iii) third, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;
- (iv) fourth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal and premium due and payable in respect of the Bonds; and
- (v) fifth, in payment of the surplus (if any) to the Issuer or any other person entitled thereto.

5. COVENANTS

5.1 General Covenant

The Issuer covenants to comply with, and to procure that each Charging Subsidiary complies with, its various undertakings set out in the Bond Trust Deed and the Security Documents including, but not limited to, undertakings as to the maintenance of the Charged Properties.

5.2 Negative Pledge and Disposals

The Issuer covenants, and each Charging Subsidiary has covenanted or will covenant (as the case may be) in the Bond Trust Deed, in each case for so long as any of the Bonds remain outstanding, save as expressly permitted by the Bond Trust Deed and/or the Security Documents, not to create or permit to subsist, over any of the Security Assets, any mortgage or charge or any other security interest ranking in priority to, or *pari passu* with, the Security, excluding, for this purpose any security interest created by operation of law.

The Issuer also covenants, and each Charging Subsidiary has covenanted or will covenant (as the case may be) in the Bond Trust Deed, that it shall not, save as expressly permitted by the Bond Trust Deed and/or the Security Documents, sell, transfer, grant or lease or otherwise dispose of all or any part of the Security Assets without the prior written consent of the Bond Trustee or the Security Trustee, as applicable, or as permitted under these Conditions, the Bond Trust Deed and/or the Security Documents.

5.3 Asset Cover Covenant

The Issuer covenants, for so long as any of the Bonds remain outstanding, that it shall at all times ensure that the sum of:

- (a) the Minimum Value of the Charged Properties; and
- (b) the Charged Cash,

will not be less than the aggregate principal amount of the Bonds outstanding.

5.4 Valuations

The Issuer covenants, for so long as any of the Bonds remain outstanding, that:

- (a) it shall deliver a Full Valuation to the Bond Trustee at least once in every period of five calendar years (beginning in 2023) and, unless the Bond Trustee agrees otherwise, such Full Valuation must be delivered in the period between 31st March and the date falling 60 days after 31st March in each year that such Full Valuation is required to be delivered; and
- (b) it shall deliver to the Bond Trustee a Desk Top Valuation in the period between 31st March and the date falling 120 days thereafter in each year (beginning in 2019) other than a year in respect of which a Full Valuation is required to be delivered pursuant to paragraph (a) above.

Each Valuation shall set out in reasonable detail the Value of the Charged Properties as at a date no more than 90 days prior to the date of delivery of the Valuation.

The Original Charging Subsidiary has covenanted, and each Additional Charging Subsidiary will be required to covenant, (pursuant to the Bond Trust Deed) to provide all reasonable assistance to the Issuer for the preparation and delivery to the Bond Trustee of such Full Valuations and Desk Top Valuations.

5.5 Information Covenant

For so long as any of the Bonds remain outstanding, the Issuer shall:

- (a) send to the Bond Trustee not later than 180 days after the end of each Financial Year:
 - (i) a copy of its own and its consolidated audited financial statements for such Financial Year;
 - (ii) a copy of the audited financial statements of each Charging Subsidiary for such Financial Year (both its own and, where applicable, on a consolidated basis); and
 - (iii) a Compliance Certificate,

and, upon request by any Bondholder to the Issuer, make copies of such documents available to the Bondholders at the Issuer's registered office during normal business hours; and

- (b) at the request of Bondholders holding not less than 33 per cent. in principal amount of the Bonds for the time being outstanding, convene a meeting of the Bondholders to discuss the financial position of the Issuer and each Charging Subsidiary, provided, however, that the Issuer shall not be required to convene any such meeting pursuant to this Condition 5.5(b) more than once in any calendar year. Upon the request of Bondholders to convene any such meeting, as aforesaid, the Issuer shall notify all Bondholders of the date (which such date shall be no more than 21 days following such request), time and place of the meeting in accordance with Condition 14 (*Notices*). The Issuer shall act in good faith in addressing any questions regarding the financial position of it and of each Charging Subsidiary raised at any such meeting, provided, however, that the Issuer shall not be obliged to disclose any information which it, in its absolute discretion, considers to be of a confidential nature. For the avoidance of doubt, the provisions of this Condition 5.5(b) are in addition to the meetings provisions set out in Condition 16 (*Meetings of Bondholders, Modification, Waiver, Authorisation and Determination*).

6. ADDITION, SUBSTITUTION, RELEASE AND/OR REALLOCATION OF CHARGED PROPERTIES AND CHARGED CASH

6.1 Addition of New Charged Properties

The Issuer may (i) charge, and procure that any Charging Subsidiary charges, additional properties pursuant to the Security Documents and/or (ii) allocate, and procure that any Charging Subsidiary allocates, such additional properties as Charged Properties (the **New Additional Properties**) for the benefit of the 2053 Bond Beneficiaries (and the Bond Trustee, in its capacity as Representative, shall consent (without requiring the consent or sanction of the Bondholders or any Secured Party) to such charging and/or allocation and execute an amended Apportionment Certificate to reflect the same) subject to:

- (a) the delivery by the Issuer or the relevant Charging Subsidiary to the Security Trustee of the condition precedent documents specified in Schedule 3 to the Security Trust Deed in a form satisfactory to the Security Trustee in respect of the charging of such New Additional Properties; and
- (b) the delivery by the Issuer to the Bond Trustee of:
 - (i) a completed New Property Approval Certificate certifying that, *inter alia*, the New Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing; and

- (ii) a Full Valuation in relation to the New Additional Properties prepared by the Valuer dated no earlier than three months prior to the date on which the New Additional Properties are to be/were charged.

6.2 Substitution of Charged Properties

The Issuer or any Charging Subsidiary may substitute any one or more of the Charged Properties (the **Substitute Properties**) with other properties (the **New Substitute Properties**) (and the Bond Trustee, in its capacity as Representative, shall consent (without requiring the consent or sanction of the Bondholders or any Secured Party) to such substitution and execute an amended Apportionment Certificate to reflect the same) subject to:

- (a) the delivery by the Issuer or the relevant Charging Subsidiary to the Security Trustee of the condition precedent documents specified in Schedule 3 to the Security Trust Deed in a form satisfactory to the Security Trustee in respect of the charging of such New Substitute Properties; and
- (b) the delivery by the Issuer to the Bond Trustee of:
 - (i) a completed Substitute Property Certificate certifying, *inter alia*, that (x) the New Substitute Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing, (y) the Issuer is (as at the date of the Substitute Property Certificate) in compliance with the Asset Cover Test and that, immediately following the substitution, the Issuer will be in compliance with the Asset Cover Test and (z) no Event of Default or Potential Event of Default has occurred and is continuing; and
 - (ii) a Full Valuation in relation to the New Substitute Properties and the Substitute Properties prepared by the Valuer dated no earlier than three months prior to the date on which the New Substitute Properties are to be/were charged.

6.3 Release and/or Reallocation of Charged Properties

The Issuer or any Charging Subsidiary may withdraw or reallocate any one or more of the Charged Properties from the Security (and the Bond Trustee, in its capacity as Representative, shall consent (without requiring the consent or sanction of the Bondholders or any Secured Party) to such withdrawal or reallocation and execute an amended Apportionment Certificate to reflect the same), provided that the Issuer delivers to the Bond Trustee a completed Property Release/Reallocation Certificate, certifying that (a) the Issuer is (as at the date of the Property Release/Reallocation Certificate) in compliance with the Asset Cover Test and that, immediately following such release, the Issuer will be in compliance with the Asset Cover Test and (b) no Event of Default or Potential Event of Default has occurred and is continuing.

6.4 Statutory Disposals

The Issuer or any Charging Subsidiary shall have the right to withdraw Charged Property from the Security pursuant to any Statutory Disposal without the need for the consent of the Security Trustee or the Bond Trustee (in its capacity as Representative), provided however, that the Issuer and, in circumstances where a Charging Subsidiary is withdrawing one or more Charged Properties from the Security Assets pursuant to a Statutory Disposal, the relevant Charging Subsidiary shall deliver to the Bond Trustee, as soon as reasonably practicable after the Issuer or the relevant Charging Subsidiary has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate, certifying that the relevant withdrawal relates to a Statutory Disposal.

Without prejudice to the aforementioned right to withdraw Charged Property from the Security pursuant to any Statutory Disposal, the Issuer covenants that, if following such withdrawal the Issuer will no longer be in compliance with the Asset Cover Test, as soon as practicable thereafter (and, in any event, prior to the expiry of the applicable grace period in Condition 12.1(c) (*Events of Default*)), it shall (or shall procure that a Charging Subsidiary shall) charge and/or allocate additional properties as Charged Properties pursuant to Condition 6.1 (*Addition of New Charged Properties*) and/or it shall deposit money into the Charged Account pursuant to Condition 6.5 (*Charged Cash*) in an aggregate amount sufficient to ensure that the Issuer will be in compliance with the Asset Cover Test.

6.5 Charged Cash

The Issuer may, at any time, deposit money into the Charged Account to ensure compliance with the Asset Cover Test. The Issuer may only withdraw Charged Cash from the Charged Account if:

- (a) it is, at the relevant time, in compliance with the Asset Cover Test and no Event of Default or Potential Event of Default has occurred and is continuing; and
- (b) either:
 - (i) such Charged Cash is to be applied by the Issuer in the acquisition of a property which is to be charged pursuant to the Security Documents and allocated for the benefit of the 2053 Bond Beneficiaries and, immediately following the acquisition, charging and allocation of such property, the Issuer will be in compliance with the Asset Cover Test; or
 - (ii) such Charged Cash is to be used for any other purpose permitted by its Rules and, immediately following the withdrawal, the Issuer will be in compliance with the Asset Cover Test.

For these purposes, the Bond Trustee may call for and shall be at liberty to accept a certificate signed by any two Authorised Signatories of the Issuer (including, for the avoidance of doubt, a Compliance Certificate), as sufficient evidence that (a) the Issuer is, at the relevant time, in compliance with the Asset Cover Test and that no Event of Default or Potential Event of Default has occurred and is continuing and/or (b) the requirements of (i) or (ii) above, as the case may be, are met.

7. INTEREST

7.1 Interest Rate and Interest Payment Dates

The Bonds bear interest from (and including) 28th February, 2018 at the rate of 3.125 per cent. per annum, payable semi-annually in arrear in equal instalments on 28th February and 28th August in each year (each an **Interest Payment Date**), commencing on 28th August, 2018.

7.2 Interest Accrual

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

7.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full half year, it shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date

from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date multiplied by 2, and multiplying this by the rate of interest specified in Condition 7.1 above and the relevant principal amount of the Bonds.

8. PAYMENTS AND EXCHANGES OF TALONS

8.1 Payments in respect of Bonds

Payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

8.2 Method of Payment

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

8.3 Missing Unmatured Coupons

Each Bond should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 11 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due but not thereafter.

8.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*).

8.5 Payment only on a Presentation Date

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 7 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 11 (*Prescription*)):

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

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

8.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8.7 Initial Paying Agents

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

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

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

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

8.8 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*); and
- (b) any specific redemption price referred to in Condition 9 (*Redemption and Purchase*) which may be payable by the Issuer under or in respect of the Bonds.

Any reference in these Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (*Taxation*).

9. REDEMPTION AND PURCHASE

9.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their principal amount on 28th February, 2053 (the **Maturity Date**).

9.2 Redemption for Taxation Reasons

If the Issuer satisfies the Bond Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of the Relevant Jurisdiction, which change or amendment becomes effective after 28th February, 2018, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 10 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time at their principal amount together with interest accrued to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 9.2, the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders and the Couponholders.

9.3 Early Redemption at the Option of the Issuer

The Issuer may, at any time, having given:

- (a) not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 14 (*Notices*); and
- (b) notice to the Bond Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Bonds or, subject as provided in Condition 9.4 below, some only (provided, however, that in respect of a redemption in part, such redemption shall be in respect of not less than £5,000,000 in aggregate principal amount of Bonds).

Subject as follows, redemption of the Bonds pursuant to this Condition shall be made at the higher of the following:

- (i) par; and
- (ii) the amount (as calculated by a financial adviser nominated by the Issuer and approved by the Bond Trustee (the **Nominated Financial Adviser**) and reported in writing to the Issuer and

the Bond Trustee) which is equal to the principal amount of the Bonds to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their original maturity) on the Determination Date would be equal to the sum of (i) the Gross Redemption Yield at 3:00 pm (London time) on the Determination Date of the Benchmark Gilt and (ii) 0.30 per cent.,

together with any interest accrued up to (but excluding) the date of redemption. Notwithstanding the foregoing, where the date fixed for any such redemption falls on or after the date falling three months prior to the Maturity Date, redemption of the Bonds pursuant to this Condition shall be made at their principal amount, together with any interest accrued up to (but excluding) the date of redemption.

For the purposes of this Condition:

Benchmark Gilt means 3¾% Treasury Gilt 2052 or such other conventional (i.e. not index-linked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Bond Trustee with such advice) to be the most appropriate benchmark conventional UK Government Gilt;

Determination Date means two Business Days prior to the dispatch of the notice referred to in (a) above; and

Gross Redemption Yield means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time).

9.4 Provisions relating to Partial Redemption

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected, in such place as the Bond Trustee may approve and in such manner as the Bond Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.

9.5 Purchases

The Issuer or any of its Subsidiaries (including, without limitation, any Charging Subsidiary) may at any time purchase Bonds (provided that all unmatured Coupons appertaining to the Bonds are purchased with the Bonds) in any manner and at any price. Any Bonds purchased by the Issuer or any of its Subsidiaries may be held or resold or may be surrendered for cancellation.

9.6 Cancellations

All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation will forthwith be cancelled, together with all relative unmatured Coupons attached to the Bonds or surrendered with the Bonds, and accordingly may not be held, reissued or resold.

9.7 Notices Final

Upon the expiry of any notice as is referred to in Condition 9.2 or 9.3 above the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such Condition.

10. TAXATION

All payments in respect of the Bonds or Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Bond or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 8.5 (*Payment only on a Presentation Date*)).

11. PRESCRIPTION

Bonds and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal or premium) and five years (in the case of interest) from the Relevant Date in respect of the Bonds or, as the case may be, the Coupons, subject to the provisions of Condition 8 (*Payments and Exchanges of Talons*). There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 8 (*Payments and Exchanges of Talons*).

12. EVENTS OF DEFAULT AND ENFORCEMENT

12.1 Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being secured and/or indemnified and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (d) and (k) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give notice to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Bond Trust Deed, if any of the following events (**Events of Default**) shall occur:

- (a) default is made in the payment of any principal, premium or interest due in respect of the Bonds or any of them and the default continues for a period of seven days in the case of principal or premium or 14 days in the case of interest; or

- (b) the Issuer or any Charging Subsidiary fails to perform or observe any of its other obligations under these Conditions (other than in respect of Condition 5.3 (*Asset Cover Covenant*)), the Bond Trust Deed or the Security Documents or if any representation given by the Issuer or any Charging Subsidiary to the Bond Trustee in the Bond Trust Deed or the Security Trustee in the Security Documents is found to be untrue or incorrect as at the time it was given and (except in any case where, in the opinion of the Bond Trustee, the failure or inaccuracy is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure or inaccuracy continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) the Issuer fails to perform or observe its obligations under Condition 5.3 (*Asset Cover Covenant*) and (except in any case where, in the opinion of the Bond Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (d)
 - (i) any other present or future indebtedness of the Issuer or any Charging Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
 - (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or
 - (iii) the Issuer or any Charging Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in (i), (ii) or (iii) above have occurred equals or exceeds £10,000,000 or its equivalent in other currencies (as reasonably determined by the Bond Trustee); or

- (e) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Charging Subsidiary save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (f) the Issuer or any Charging Subsidiary ceases or threatens to cease to carry on the whole or, in the opinion of the Bond Trustee, a substantial part of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (g) the Issuer or any Charging Subsidiary stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (h)
 - (i) proceedings are initiated against the Issuer or any Charging Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Charging Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer or

any Charging Subsidiary or an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Issuer or any Charging Subsidiary, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer or any Charging Subsidiary; and

- (ii) in any such case (other than the appointment of an administrator (if applicable)) is not discharged within 14 days,

save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or

- (i) the Issuer or any Charging Subsidiary (or any of their respective board members or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium); or
- (j) the Issuer or any Charging Subsidiary (or any of their respective board members or shareholders) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (k) it is or will become unlawful for the Issuer or any Charging Subsidiary to perform or comply with its obligations under or in respect of the Bonds, the Bond Trust Deed or the Security Documents.

12.2 Enforcement

The Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer or any Charging Subsidiary as it may think fit to enforce the provisions of the Bond Trust Deed, the Bonds, the Coupons and/or any of the other Transaction Documents or otherwise or (in its capacity as Representative) to direct the Security Trustee to take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer or any Charging Subsidiary as it may think fit to enforce the provisions of the Security Trust Deed, but it shall not be bound to take any such proceedings or any other steps or action in relation to the Bond Trust Deed, the Bonds, the Coupons or any of the other Transaction Documents or otherwise or to direct the Security Trustee, as aforesaid, unless (a) it has been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least 25 per cent. in principal amount of the Bonds then outstanding and (b) it has been secured and/or indemnified and/or prefunded to its satisfaction.

The Bond Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Bondholder, Couponholder or Secured Party (other than the Bond Trustee) shall be entitled (i) to take any steps or action against the Issuer or any Charging Subsidiary to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds, the Coupons or any of the other Transaction Documents; (ii) to take any steps or action against the Issuer or any Charging Subsidiary (or direct the Security Trustee to take any steps or action against the Issuer or any Charging Subsidiary) to enforce the performance of the provisions of the Security Trust Deed; or (iii) to take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or any Charging Subsidiary, in each case unless the Bond Trustee, having become bound so to take any such steps, actions or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

13. REPLACEMENT OF BONDS AND COUPONS

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

14. NOTICES

All notices to the Bondholders will be valid if published in a leading English language daily newspaper published in London. It is expected that publication will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Bond Trustee, publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Bond Trustee may approve.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

15. SUBSTITUTION

The Bond Trust Deed contains provisions permitting the Bond Trustee, without the consent of the Bondholders or the Couponholders or any Secured Party, to agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons and the Bond Trust Deed of another company, registered society or other entity subject to:

- (a) the Bond Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and
- (b) certain other conditions set out in the Bond Trust Deed being complied with.

For the avoidance of doubt, these provisions do not apply to a Permitted Reorganisation, in respect of which the consent of the Bond Trustee shall not be required.

Any such substitution shall be notified to the Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

16. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

16.1 Meetings of Bondholders

The Bond Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Coupons or any of the provisions of the Transaction Documents. Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than ten per cent. in principal amount of the Bonds for the time being remaining outstanding (other than in respect of a meeting requested by Bondholders to discuss the financial position of the Issuer and the Charging Subsidiaries, which shall be requested in accordance with, and shall be subject to, Condition 5.5(b) (*Information Covenant*)). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes any matter defined in the Bond Trust Deed as a Basic Terms Modification, including, *inter alia*, modifying the date of maturity of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds or the Coupons, the quorum shall be one or more persons holding or representing in aggregate not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing in aggregate not less than 25 per cent. in principal amount of the Bonds for the time being outstanding. In addition, the Bond Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Bond Trustee) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders shall be binding on all the Bondholders, whether or not (in the case of Extraordinary Resolutions passed at any meeting) they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

16.2 Modification, Waiver, Authorisation and Determination

The Bond Trustee may agree, without the consent of the Bondholders, Couponholders or any Secured Party, to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Bond Trust Deed or any other Transaction Document, or determine, without any such consent as aforesaid, that any Potential Event of Default or Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Bond Trustee, proven. For the avoidance of doubt, no modification shall be made to Condition 4.2 (*Security - Post-enforcement*) without the consent of each Secured Party.

16.3 Bond Trustee to have regard to interests of Bondholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the general interests of the Bondholders as a

class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer, any Charging Subsidiary, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to the extent already provided for in Condition 10 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 10 (*Taxation*) pursuant to the Bond Trust Deed.

16.4 Notification to the Bondholders

Any such modification, waiver, authorisation and/or determination shall be binding on the Bondholders, the Couponholders and the Secured Parties and (unless the Bond Trustee agrees otherwise) shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

17. INDEMNIFICATION AND PROTECTION OF THE BOND TRUSTEE AND THE SECURITY TRUSTEE AND THE BOND TRUSTEE AND THE SECURITY TRUSTEE CONTRACTING WITH THE ISSUER AND THE CHARGING SUBSIDIARIES

The Bond Trust Deed and the Security Trust Deed contain provisions for the indemnification of the Bond Trustee and the Security Trustee, respectively, and for their relief from responsibility and liability towards the Issuer, the Charging Subsidiaries, the Bondholders, the Couponholders and the Secured Parties, including (i) provisions relieving them from taking action unless secured and/or indemnified and/or prefunded to their satisfaction and (ii) provisions limiting or excluding their liability in certain circumstances. The Bond Trustee and the Security Trustee are each exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Security Assets, from any obligation to insure all or any part of the Security Assets (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), or to procure the same to be insured.

The Bond Trust Deed and the Security Trust Deed also contain provisions pursuant to which the Bond Trustee and the Security Trustee, respectively, are entitled, *inter alia*, (a) to enter into or be interested in any contract or financial or other transaction or arrangement with the Issuer, any Charging Subsidiary or any other Transaction Party or any person or body corporate associated with the Issuer, any Charging Subsidiary or any Transaction Party, (b) to accept or hold the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to the Issuer, any Charging Subsidiary or any Transaction Party or any such person or body corporate so associated or any other office of profit under the Issuer, any Charging Subsidiary or any Transaction Party or any such person or body corporate so associated 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.

Neither the Bond Trustee nor the Security Trustee shall be bound to take any step or action in connection with the Bond Trust Deed or the Bonds or the Security Trustee, as applicable, or obligations arising pursuant thereto or pursuant to the other Transaction Documents, where it is not satisfied that it is indemnified and/or secured and/or prefunded against all its liabilities and costs incurred in connection with such step or action and may demand, prior to taking any such step or action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so as to indemnify it.

Neither the Bond Trustee nor the Security Trustee shall have any responsibility for the validity, sufficiency or enforceability of the Security. Neither the Bond Trustee nor the Security Trustee shall be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

18. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders or Couponholders to create and issue further bonds ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon), secured on the same assets and so that the same shall be consolidated and form a single series with the Bonds. Any further bonds which are to form a single series with the Bonds shall be constituted by a deed supplemental to the Bond Trust Deed.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing Law

The Bond Trust Deed, the Security Documents, the Bonds and the Coupons, and any non-contractual obligations or matters arising from or in connection with them, shall be governed by, and construed in accordance with, English law.

20.2 Submission to Jurisdiction

The Issuer and the Original Charging Subsidiary have irrevocably agreed (and each Additional Charging Subsidiary will be required to irrevocably agree), in the Bond Trust Deed and the Security Trust Deed, for the benefit of the Bond Trustee and the Security Trustee (as applicable), the Bondholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds or the Coupons and accordingly have submitted (or will submit, as applicable) to the exclusive jurisdiction of the English courts.

FORM OF THE BONDS AND SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Form of the Bonds

Form, Exchange and Payments

The Bonds will be in bearer new global note (NGN) form. The 2028 Bonds and the 2053 Bonds will each be initially issued in the form of a temporary global bond (the **2028 Temporary Global Bond** and the **2053 Temporary Global Bond**, respectively, and, together, the **Temporary Global Bonds**). The Temporary Global Bonds will be delivered on or prior to the issue date of the Bonds to a common safekeeper for Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**).

The Bonds are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Bonds are intended to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Bondholders should note that the European Central Bank has applied a temporary extension of Eurosystem eligibility to Sterling denominated securities. However, should this extension cease at any time during the life of the Bonds, the Bonds will not be in a form which can be recognised as eligible collateral.

Whilst the 2028 Bonds or the 2053 Bonds are represented by their respective Temporary Global Bond, payments of principal, premium, interest (if any) and any other amount payable in respect of such Bonds due prior to the Exchange Date (as defined below) will be made only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the respective Temporary Global Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after each Temporary Global Bond is issued, interests in each of the 2028 Temporary Global Bond and the 2053 Temporary Global Bond will be exchangeable (free of charge) upon a request as described therein for interests recorded in the records of Euroclear or Clearstream, Luxembourg, as the case may be, in a permanent global bond (the **2028 Permanent Global Bond** and the **2053 Permanent Global Bond**, respectively, and, together, the **Permanent Global Bonds** and, together with the Temporary Global Bonds, the **Global Bonds**), against certification of beneficial ownership as described above unless such certification has already been given. The holder of the Temporary Global Bonds will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the relevant Temporary Global Bond for an interest in the relevant Permanent Global Bond is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on the Permanent Global Bonds will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

On each occasion of a payment in respect of a Global Bond the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

The Permanent Global Bonds will be exchangeable (free of charge), in whole but not in part, for definitive Bonds with interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 12.1 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or

have in fact done so and no alternative clearing system satisfactory to the Bond Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the relevant Permanent Global Bond in definitive form. The Issuer will promptly give notice to Bondholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event as described in (i) and (ii) above, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Bond) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Legend concerning United States persons

The following legend will appear on all Bonds (apart from the Temporary Global Bonds) and on all interest coupons relating to the Bonds:

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

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

Summary of Provisions relating to the Bonds while in Global Form

Notices

For so long as all of the Bonds of each Series are represented by one or both of the relevant Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders (which includes, for this purpose, any annual financial statements or Compliance Certificate required to be made available pursuant to a request by any of the Bondholders pursuant to Condition 5.5 (*Information Covenant*)) may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 14 (*Notices*). Any such notice shall be deemed to have been given to the holders of the Bonds of such Series on the second day after the day on which such notice was delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Accountholders

For so long as any of the Bonds of each Series is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (the **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such principal amount of such Bonds, for which purpose the bearer of the relevant Global Bond shall be treated as the holder of such principal amount of such Bonds in accordance with and subject to the terms of the relevant Global Bond and the expressions **Bondholder** and **holder of Bonds** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular principal amount of Bonds as aforesaid, the Bond Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does

so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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

Prescription

Claims against the Issuer in respect of principal, premium and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal or premium) and 5 years (in the case of interest) from the Relevant Date.

Cancellation

Cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

Partial Call Option

For so long as all of the Bonds of each Series are represented by one or both of the relevant Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no drawing of Bonds will be required under Condition 9.4 (*Provisions relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 9.3 (*Early Redemption at the Option of the Issuer*) in respect of less than the aggregate principal amount of the Bonds outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Bond(s) are to be subject to such option.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds (after deduction of expenses payable by the Issuer) shall be applied in furtherance of the Issuer's objects as permitted by its Rules including, without limitation, on-lending to its Subsidiaries and the repayment of any existing indebtedness of the Issuer and the Original Charging Subsidiary.

DESCRIPTION OF LONDON & QUADRANT HOUSING TRUST

Incorporation

London & Quadrant Housing Trust (the **Issuer**) was incorporated on 31st March, 2008 following an amalgamation of existing group members. The Issuer is an exempt charity registered in England with limited liability under the Co-operative and Community Benefit Societies Act 2014 (with registered number 30441R) and is registered with the Regulator of Social Housing as a Registered Provider of Social Housing (with registered number L4517).

The registered address of the Issuer is One Kings Hall Mews, Lewisham, London SE13 5JQ. The telephone number of its registered address is 0300 456 9998.

Principal Activities

The Issuer's principal activity is the management and development of homes at affordable rents for people who are unable to afford to rent or buy in the open market or for the relief of aged, disabled or chronically sick people.

The Issuer, through its subsidiaries, offers a diverse range of housing products and services to support its business objectives including the development and sale of properties at outright open market value and properties developed and managed for the private rented sector.

The Group

The Issuer has operated since 1963 and the Group is a leading, and one of the largest, Registered Provider of Social Housing groups in the United Kingdom.

The **Group** consists of the Issuer, as parent and principal operating entity, its direct subsidiaries and, in the case of its direct subsidiaries (including the Original Charging Subsidiary (as to which see "*Description of the Original Charging Subsidiary*")), their subsidiaries or joint venture interests. The Issuer's main subsidiaries are:

- L&Q New Homes Limited (**NHL**), a property development and market sale company. NHL is a private company with limited liability (with registered number 4828168). NHL has 550 million issued and fully paid shares all of which are held by the Issuer;
- L&Q PRS Co Limited (**PRS**), a private rented sector company. PRS is a private company with limited liability (with registered number 9293606). PRS has 57.6 million issued and fully paid shares all of which are held by the Issuer;
- Quadrant Construction Services Limited (**QCS**), a vehicle set up to procure construction and development services for group members. QCS is a private company with limited liability (with registered number 4810293). QCS has 1 issued fully paid share which is held by the Issuer;
- Quadrant Housing Finance Limited (**QHF**), a special purpose vehicle set up in 1997 to issue bonds in the debt capital markets, the proceeds of which were on-lent to the Issuer. QHF is a registered society registered under the Co-operative and Community Benefit Societies Act 2014 (with registered number 28645R);
- the Original Charging Subsidiary, a Registered Provider of Social Housing that became a direct subsidiary of the Issuer on 6th December, 2016 for nil consideration. The Original Charging Subsidiary is an exempt charity registered in England as a registered society with limited liability under the Co-operative and Community Benefit Societies Act 2014 (with registered number 7444)

and is registered with the Regulator of Social Housing as a Registered Provider of Social Housing (with registered number 4835). The Original Charging Subsidiary has 8 issued and fully paid shares of which 1 share is held by the Issuer;

- L&Q Living Limited (**LQL**) (formerly known as East Living Limited), which specialises in care services and changed its registration as a direct subsidiary of the Original Charging Subsidiary to become a direct subsidiary of the Issuer on 3rd April, 2017 for nil consideration. LQL is a registered society registered under the Co-operative and Community Benefit Societies Act 2014 (with registered number 27902R). LQL has 6 issued and fully paid shares of which 1 is held by the Issuer;
- Gallagher Estates Holdings Limited (formerly known as Gallagher Estates No. 1 Limited), a strategic land business acquired by the Issuer on 2nd February, 2017. Gallagher Estates Holdings Limited is a private company with limited liability (with registered number 02873445). Gallagher Estates Holdings Limited has 23,750 issued and fully paid £1 ordinary shares and 3,960 issued and fully paid £1 class A shares all of which are held by the Issuer;
- Wixams First Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. Wixams First Limited is a private company with limited liability (with registered number 04404542). Wixams First Limited has 8,334 issued and fully paid £1 ordinary shares all of which are held by the Issuer;
- West Longstanton Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. West Longstanton Limited is a private company with limited liability (with registered number 04735640). West Longstanton Limited has 2 issued and fully paid £1 ordinary shares both of which are held by the Issuer;
- Gallagher Longstanton Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. Gallagher Longstanton Limited is a private company with limited liability (with registered number 03538959). Gallagher Longstanton Limited has 2 issued and fully paid £1 ordinary shares both of which are held by the Issuer;
- Redlawn Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. Redlawn Limited is a private company with limited liability (with registered number 06028601). Redlawn Limited has 2 issued and fully paid £1 ordinary shares both of which are held by the Issuer;
- Gallagher Waterbeach Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. Gallagher Waterbeach Limited is a private company with limited liability (with registered number 03860738). Gallagher Waterbeach Limited has 2 issued and fully paid £1 ordinary shares both of which are held by the Issuer;
- Gallagher Estates NR Limited (previously Gardenvale Properties Limited), a strategic land business acquired by the Issuer on 2nd February, 2017. Gallagher Estates NR Limited is a private company with limited liability (with registered number 05654493). Gallagher Estates NR Limited has 2 issued and fully paid £1 ordinary shares both of which are held by the Issuer;
- Drayton Stratford Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. Drayton Stratford Limited is a private company with limited liability (with registered number 09091228). Drayton Stratford Limited has 2 issued and fully paid £1 ordinary shares both of which are held by the Issuer;
- Gallagher Estates Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. Gallagher Estates Limited is a private company with limited liability (with registered number 03035968). Gallagher Estates Limited has 134,494 issued and fully paid £1 ordinary shares all of which are indirectly held by the Issuer; and

- GW 305 Limited, a strategic land business acquired by the Issuer on 2nd February, 2017. GW 305 Limited is a private company with limited liability (with registered number 04699709). GW 305 Limited has issued and fully paid 316,000 £0.10 A ordinary shares which are held by the Issuer and 1,260,764 £0.10 ordinary shares which are indirectly held by the Issuer.

Profits from each subsidiary can be, and are expected to be, passed on to the Issuer as "gift aid" taxable surpluses pursuant to Chapter 2 of Part 6 of the Corporation Tax Act 2010.

For the year ended 31st March, 2017, the Group had £756 million in turnover, £365 million in operating surpluses, an operating margin of 48 per cent., fixed asset housing properties with a book value of £8,671 million, £2,345 million of revenue reserves, £1,886 million of revaluation reserves and owned and managed 90,571 total housing units. These are geographically focused in London and the south east of England and approximately 85 per cent. are within the London boroughs.

Business Objectives and Principles

The Issuer's mission is to combine social purpose and commercial drive to create homes and neighbourhoods that it can be proud of and its vision is to make sure that everyone should have a quality home that they can afford. The Issuer's activities are, as a charitable entity where all income and surpluses are invested in support of its objects, focussed on meeting its key strategic objectives. The Issuer's key strategic objectives are set out below:

- Customer experience – implement a service culture which delivers value, convenience and reliability for minimum customer effort.
- Operations – continuously innovate and adapt to create efficient, quality and responsive operations which deliver maximum value for customers.
- Financial health and growth – deliver sustainable growth and be recognised as a leading, large scale provider of quality residential homes and regeneration.
- Organisation and culture – invest in customers and staff to realise their full potential.

Board of the Issuer and board of the Group

The board members of the Issuer (the **Board**) (all of whom, other than David Montague and Waqar Ahmed, are non-executive) and their principal activities outside the Issuer are as follows:

Name	Committee Membership	Principal activities outside the Issuer
Aubrey Adams OBE, FCA, FRICS (<i>Chairman</i>)	Governance & Remuneration Committee Development Committee	Chairman of Wigmore Hall Board Member of the Original Charging Subsidiary Chair of Gallagher Estates Limited Non-Executive Director of Tritax Big Box REIT plc
David Montague CBE, FCCA, FRICS (<i>Chief Executive</i>)	None	Board Member of the National Housing Federation Director of QHF
Simon Rubinsohn	Development Committee (<i>Chair</i>)	Chief Economist for the Royal Institution of Chartered Surveyors

Name	Committee Membership	Principal activities outside the Issuer
Trevor Moross FRICS	Governance & Remuneration Committee (<i>Chair</i>) Development Committee	Joint Managing Director of Dorrington PLC Governor of The Dolphin Square Foundation Trustee of Salusbury World
Samantha Hyde	Development Committee	Director of Square the Circle Limited
Anne Elizabeth Bassis	Governance & Remuneration Committee Customer Experience Committee (<i>Chair</i>)	Director General and COO of Department for Environment Food and Rural Affairs
Michael More	Audit & Risk Committee (<i>Chair</i>) Customer Experience Committee	Chair of Cambridge University Hospitals NHS Foundation Trust
Tracey Fletcher-Ray	Audit & Risk Committee	Consultant
Tina Tietjen OBE	None	Chair of the Original Charging Subsidiary Independent Chair of the Billing Code of Practice for Energy UK
Larissa Joy	Governance & Remuneration Committee	Board Member of the Original Charging Subsidiary Independent Non-Executive Director of Saxton Bampfylde Chairman of The Foundling Museum

Name	Committee Membership	Principal activities outside the Issuer
Waqar Ahmed FCCA	None	Member of the National Housing Federation Finance Policy Group Director of QCS Director of QHF Director of NHL Director of PRS Director of Gallagher Estates Limited Director of Gallagher Estates Holdings Limited Director of Wixams First Limited Director of West Longstanton Limited Director of Gallagher Longstanton Limited Director of Redlawn Limited Director of Gallagher Waterbeach Limited Director of Gallagher Estates NR Limited Director of Drayton Stratford Limited

The Board is also the board in respect of the Group.

The business address of each of the above board members is One Kings Hall Mews, Lewisham, London SE13 5JQ.

Subject as follows, there are no potential conflicts of interest between any duties to the Issuer of the board members of the Issuer and their private interests and/or duties. Aubrey Adams, Tina Tietjen OBE and Larissa Joy are also board members of the Original Charging Subsidiary. The Rules provide that board members are deemed not to have a conflict of interest for the purposes of voting or quorum at a meeting of the Board of the Issuer where they are a board member of another Group member.

Corporate Governance

The Issuer follows best practice with regard to corporate governance and will, where appropriate, use all reasonable endeavours to comply with the National Housing Federation's Code of Governance 2015.

The focus of the Board is on strategy for the Group, though it also has responsibility for overseeing performance of the Group. Specific responsibilities have been delegated to Group committees, which have their own approved terms of reference and report back to the Board at each Board meeting. The major committees supporting the Board and governance arrangements are:

- *Governance and Remuneration Committee*: responsible for advising the Board on governance, remuneration, and Board or committee appointments.

- *Audit and Risk Committee*: responsible for overseeing internal audit, external audit, the effectiveness of internal controls, monitoring and challenging management on identification and mitigation of risk, and reviewing the financial statements and financial performance.
- *Development Committee*: responsible for reviewing major development and investment schemes.
- *Customer Experience Committee*: focuses on service improvement and customer insight and monitors the delivery of the HCA's Consumer Standards.

Day-to-day performance management of the Group is delegated to the Executive Group. The Executive Group comprises the following:

Name	Title	Principal activities outside the Issuer
David Montague CBE, FCCA, FRICS	Chief Executive	Board Member of the National Housing Federation Director of QHF
Waqar Ahmed FCCA	Group Director, Finance	Member of the National Housing Federation Finance Policy Group Director of QCS Director of QHF Director of NHL Director of PRS Director of Gallagher Estates Limited Director of Gallagher Estates Holdings Limited Director of Wixams First Limited Director of West Longstanton Limited Director of Gallagher Longstanton Limited Director of Redlawn Limited Director of Gallagher Waterbeach Limited Director of Gallagher Estates NR Limited Director of Drayton Stratford Limited
Mike Donaldson	Group Director, Strategy and Operations	None
Diane Hart	Group Director, Neighbourhoods	Director of PRS
Andy Brown	Chief Operating Officer	None
Tom Nicholls	Group Director, Human	Director of Gallagher Estates Limited

Name	Title	Principal activities outside the Issuer
	Resources	Director of Gallagher Estates Holdings Limited Director of Wixams First Limited Director of Gallagher Longstanton Limited Director of Redlawn Limited Director of Gallagher Estates NR Limited

Share Capital and Major Shareholders

As at 31st March, 2017, the entire issued share capital of the Issuer comprises 9 shares of £1.00 each, all of which are fully paid up. Each share carries voting rights but no rights to dividends, distributions on winding up or rights of redemption.

Governance and Viability Rating

On 25th January, 2017, the Regulator of Social Housing issued an interim regulatory judgement which concluded that the Issuer met both the viability and governance standards and graded the Issuer as "G1" for governance and "V1" for viability. This is a routine process of regulation which assesses an organisation's performance as outlined in the Regulator of Social Housing's Governance and Financial Viability standard. The "G1" rating means that the Issuer meets the requirements on governance set out in the Governance and Financial Viability standard. The "V1" rating means that the Issuer meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively. The Regulator of Social Housing is currently in the process of carrying out a periodic "In Depth Assessment" of the Issuer to assess its compliance with the economic standards and expects to be able to determine its regulatory judgement in or around April 2018.

Credit Rating

The Group has an unsecured issuer credit rating of "A3" from Moody's and "A+" from S&P.

Each of Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Recent Developments

There have been no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

Alternative Performance Measures

The Issuer believes that certain financial measures that are not recognised by UK GAAP, including FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (the **Accounting Standards**), but are derived from the information provided in the Issuer's financial statements, provide additional useful information regarding its ongoing operating and financial performance, as well as the Issuer's ability to meet its obligations under the Bonds.

These measures are not recognised measures under the Accounting Standards, do not have standardised meanings prescribed by the Accounting Standards and should not be considered in isolation or construed to be alternatives to measures pursuant to the Accounting Standards including revenues, net income (loss) and

comprehensive income (loss) for the period determined in accordance with the Accounting Standards. The Issuer's method of calculating these measures may differ from the method used by other entities. Accordingly, certain of the financial performance measures presented in this Offering Circular may not be comparable to similarly titled measures used by other entities or in other jurisdictions. Consequently, these measures should not be considered substitutes for the information contained in the financial statements referred to in "*Documents Incorporated by Reference*" below and should be read in conjunction therewith.

In particular, the Issuer uses the financial measures (as defined below) set out in the table below to evaluate the business performance of the Group. All references to the "financial statements" in the table below are to the Issuer's audited consolidated annual financial statements, which include the report of the board, strategic report, independent auditor's report and annual accounts, for the relevant financial years.

Metric	Definition	Reconciliation	Additional Information
<i>Operating Margin on Social Housing Lettings</i>	Operating surplus on social housing lettings divided by turnover from social housing lettings.	"Operating surplus on social housing lettings" is taken from Note 3a to each of the Financial Statements. "Turnover on social housing lettings" is taken from Note 3a to each of the Financial Statements.	Operating margin is a measure of profitability. This ratio indicates the efficiency of the Group's financial performance on its social housing lettings by showing how much of each £1 of revenues is left after operating costs are considered.
<i>Operating Margin</i>	Operating surplus divided by turnover.	"Operating surplus" is taken from the Statement of Comprehensive Income in the 2017 Financial Statements. "Turnover" is taken from the Statement of Comprehensive Income in the 2017 Financial Statements.	Operating margin is a measure of profitability. This ratio indicates the efficiency of the Group's financial performance by showing how much of each £1 of revenues is left after both operating costs and cost of sales are considered.

Metric	Definition	Reconciliation	Additional Information
<i>EBITDA MRI</i>	Operating surplus, deducting amortised government grant, adding back depreciation on housing properties, adding back or deducting impairment of housing properties, deducting capitalised major repairs and adding back actuarial gain or deducting actuarial loss in pension schemes.	<p>"Operating surplus" is taken from the Statement of Comprehensive Income in each of the Financial Statements.</p> <p>"Amortised government grant" in relation to social housing lettings is taken from Note 3b to each of the Financial Statements.</p> <p>"Depreciation of housing properties" in relation to social housing lettings is taken from Note 3b to each of the Financial Statements.</p> <p>"Impairment of housing properties" in relation to social housing lettings is taken from Note 3b to each of the Financial Statements.</p> <p>"Capitalised major repairs" is taken from the table entitled "Housing properties – Group" in Note 12 to each of the Financial Statements. See the relevant figure for "Additions" under the column entitled "Properties held for lettings – Social housing lettings".</p> <p>"Actuarial loss on pension schemes" is taken from the Statement of Comprehensive Income in each of the Financial Statements.</p>	This indicates the cash operating performance of the Group, representing earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs.
<i>Net Cash Interest Paid</i>	Interest paid deducting interest received.	<p>"Interest paid" is taken from the Consolidated Statement of Cash Flows in the 2017 Financial Statements.</p> <p>"Interest received" is taken from the Consolidated Statement of Cash Flows in the 2017 Financial Statements.</p>	This indicates the net cash interest paid by the Group on its debt obligations and adjusts net interest payable (see below) by interest capitalised into work in progress.

Metric	Definition	Reconciliation	Additional Information
<i>Net Interest Payable</i>	Interest payable and similar charges deducting interest receivable and similar income.	"Interest payable and similar charges" is taken from the Statement of Comprehensive Income in each of the Financial Statements. "Interest receivable and similar income" is taken from the Statement of Comprehensive Income in each of the Financial Statements.	
<i>EBITDA MRI / Net Cash Interest Paid</i>	EBITDA MRI divided by Net Cash Interest Paid.	"EBITDA MRI" (see above). "Net cash Interest Paid" (see above).	This is a risk indicator that measures the ability of the Group to cover its cash interest expenses from its cash operating performance.
<i>Net Debt</i>	Amounts falling due within one year adding amounts falling due after more than one year deducting cash and cash equivalents.	"Amounts falling due within one year" is taken from Note 18 to each of the Financial Statements and is shown as debenture loans plus bank loans and overdrafts. "Amounts falling due after more than one year" is taken from Note 19 to each of the Financial Statements and is shown as total loans measured at amortised cost. "Cash and cash equivalents" is taken from the Statement of Financial Position in each of the Financial Statements.	
<i>Net Debt / Turnover</i>	Net Debt divided by Turnover.	"Net Debt" (see above). "Turnover" (see above, applied in relation to each of the Financial Statements.).	This is a risk indicator that measures the balances between debt and turnover.
<i>Leverage</i>	Net Debt divided by total assets less current liabilities.	"Net Debt" (see above). "Total assets less current liabilities" is taken from the Statement of Financial Position in each of the Financial Statements.	This indicates the book loan to value of the Group's assets and is a measure of financial indebtedness.
<i>Turnover Growth</i>	(a) Turnover in respect of a financial year less Turnover in respect of the immediately preceding financial year, divided by (b) turnover in respect of the immediately preceding financial year.	"Turnover" (see above). "Turnover" for the financial year ended 2014 is taken from the Income and Expenditure Accounts in the Issuer's financial statements for the financial year ended 2014.	This indicates the growth in turnover in any financial year against the previous financial year.

Metric	Definition	Reconciliation	Additional Information
<i>EBITDA MRI / Net Interest Payable</i>	EBITDA MRI divided by Net Interest Payable.	"EBITDA MRI" (see above). "Net Interest Payable" (see above).	This is a risk indicator that measures the ability of the Group to cover its interest payable from its cash operating performance.
<i>Operating Margin on all Lettings</i>	Operating surplus on social housing lettings and non-social housing lettings divided by turnover of social housing lettings and non-social housing lettings.	"Operating surplus on social housing lettings" (see above). "Operating surplus on non-social housing lettings" is taken from Note 3a to each of the Financial Statements. "Turnover on social housing lettings" (see above). "Turnover on non-social housing lettings" is taken from Note 3a to each of the Financial Statements.	Operating margin is a measure of profitability. This ratio indicates the efficiency of the Group's financial performance on its entire lettings business by showing how much of each £1 of revenues is left after operating costs are considered.
<i>Margin on Sales</i>	Turnover from shared ownership first tranche sales, open market sales and land sales deducting cost of sales from shared ownership first tranche sales, open market sales and land sales divided by turnover from shared ownership first tranche sales, open market sales and land sales.	"Turnover from shared ownership first tranche sales" is taken from turnover in respect of first tranche low-cost home ownership sales in Note 3a to the 2017 Financial Statements. "Turnover from open market sales" is taken from Note 3a to the 2017 Financial Statements. "Turnover from land sales" is taken from Note 3a to the 2017 Financial Statements. "Cost of sales for shared ownership first tranche sales" is taken from Note 3a to the 2017 Financial Statements. "Cost of sales for open market sales" is taken from Note 3a to the 2017 Financial Statements. "Cost of sales for land sales" is taken from Note 3a to the 2017 Financial Statements.	This indicates margin performance on sales activities and would be considered against the Group's minimum expected returns.
<i>Operating Costs per Unit under Management</i>	Operating costs divided by total housing stock.	"Operating costs" is taken from the Statement of Comprehensive Income in each of the Financial Statements. "Total housing stock" is taken from Note 4 in each of the Financial Statements.	This is an efficiency and value for money ratio that indicates operating costs per unit under management.

Metric	Definition	Reconciliation	Additional Information
<i>Management Costs per Social Housing Unit</i>	Management costs for social housing lettings divided by total social housing units managed.	"Management costs for social housing lettings" is taken from expenditure on letting activities (management) in Note 3b of each of the Financial Statements. "Total social housing units managed" is taken from Note 4 of each of the Financial Statements	This is an efficiency and value for money ratio that indicates management costs per social housing unit under management.
<i>Balance Sheet Growth</i>	(a) Total assets less current liabilities in respect of a financial year less total assets less current liabilities in respect of the immediately preceding financial year, divided by (b) total assets less current liabilities in respect of the immediately preceding financial year.	"Total assets less current liabilities" (see above). "Total assets less current liabilities" for the financial year ended 2014 is taken from the Balance Sheets in the Issuer's financial statements for the financial year ended 2014	This indicates the growth in the balance sheet in any financial year against the previous financial year.
<i>Net Debt per Unit in Management</i>	Net Debt divided by total units managed.	"Net Debt" (see above). "Total units managed" is taken from Note 4 of each of the Financial Statements.	This is a risk indicator that shows the level of indebtedness per the book value per unit.

DESCRIPTION OF THE ORIGINAL CHARGING SUBSIDIARY

Pursuant to the Security Documents, East Thames Limited (the **Original Charging Subsidiary**) will grant security over, *inter alia*, certain of its housing stock in favour of the Security Trustee which will be allocated the benefit of each of 2028 Bond Beneficiaries and the 2053 Bond Beneficiaries. Except to the extent of such security (and subject as described in "*Proposed Transfer of Engagements*" below), the Bondholders will have no recourse to the Original Charging Subsidiary and, to the extent that the realised value of such security is insufficient to meet the obligations of the Issuer under the Bonds, the Bondholders will have no residual claim against the Original Charging Subsidiary for any outstanding amounts.

Incorporation

The Original Charging Subsidiary was incorporated on 4th November, 2016 following an amalgamation between East Thames Group Limited and East Homes Limited pursuant to the Co-operative and Community Benefit Societies Act 2014 (the **East Thames Amalgamation**). The Original Charging Subsidiary is an exempt charity registered in England as a registered society with limited liability under the Co-operative and Community Benefit Societies Act 2014 (with registered number 7444) and is registered with the Regulator of Social Housing as a Registered Provider of Social Housing (with registered number 4835).

Prior to the East Thames Amalgamation, East Homes Limited was a subsidiary of East Thames Group Limited.

East Homes Limited was incorporated on 1st July, 1979, was an exempt charity registered in England as a registered society with limited liability under the Co-operative and Community Benefit Societies Act 2014 (with registered number 22557R) and was registered with the Regulator of Social Housing as a Registered Provider of Social Housing (with registered number LH2833).

East Thames Group Limited was originally incorporated as a company limited by guarantee in England and Wales (with registered number 04091100), was a registered charity (with registered number 1084952) and was registered with the Regulator of Social Housing (with registered number LH4309). On 17th March, 2016 (in anticipation of the East Thames Amalgamation), East Thames Group Limited converted into a registered society under the Co-operative and Community Benefit Societies Act 2014 (with registered number 7298) and became an exempt charity.

The Original Charging Subsidiary has 8 issued and fully paid shares of which 1 share is held by the Issuer.

Background and History

The East Thames group as a whole traces its history back to July 1979 with the establishment of East Homes Limited, then known as East London Housing Association Limited (**ELHA**). ELHA was formed on the merger of three associations which came together to take advantage of the development opportunities in East London and Essex, particularly following the establishment of the London Docklands Development Corporation. During the 1990s subsidiaries of ELHA were established to provide shared ownership, care and support and foyer accommodation. Following a governance review in 2000 a new group parent was established (which became known as East Thames Group Limited).

Principal Activities

The Original Charging Subsidiary is a leading Registered Provider of Social Housing focusing on providing services in East London and Essex. Its main activities are:

- providing circa 15,000 homes in its core areas of Newham, Tower Hamlets, Waltham Forest, Redbridge, Barking and Dagenham, Havering and Essex. These include general needs, shared ownership, care and supported housing and foyer accommodation; and

- developing a wide range of affordable housing options in high quality developments, including low-cost rented homes and schemes to help local people on moderate incomes become first-time buyers.

Proposed Transfer of Engagements

The Issuer and the Original Charging Subsidiary intend to enter into a transfer of engagements, in accordance with section 110 of the Co-operative and Community Benefit Societies Act 2014, pursuant to which the Original Charging Subsidiary will transfer all its assets and liabilities to the Issuer. Subject to receipt of all required consents, the expected effective date of such transfer of engagements is 31st March, 2018. For the purpose of the Bonds, it is intended that the transfer of engagements will be structured as a Permitted Reorganisation. Consent of the Bondholders will not therefore be required.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (a) the Issuer's audited consolidated annual financial statements, which include the report of the board, strategic report, independent auditor's report and annual accounts, for the financial year ended 31st March, 2017 (the **2017 Financial Statements**);
- (b) the Issuer's audited consolidated annual financial statements, which include the report of the board, operating and financial review, independent auditor's report and annual accounts, for the financial year ended 31st March, 2016 (the **2016 Financial Statements** and, together with the 2017 Financial Statements, the **Financial Statements**); and
- (c) the Issuer's unaudited consolidated trading update for the nine months ended 31st December, 2017 (the **Q3 2018 Trading Update**),

which have previously been published and have been filed with the Financial Conduct Authority and shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in the Financial Statements or the Q3 2018 Trading Update shall be modified or superseded for the purposes of this Offering Circular to the extent that a statement contained herein modifies or superseded such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, expect as so modified or superseded, constitute part of this Offering Circular.

The Q3 2018 Trading Update has been properly prepared in accordance with the accounting principles applicable to Registered Providers of Social Housing with respect to the financial years ended 31st March, 2017 and 31st March, 2016 (the **RPSH Principles**). The RPSH Principles of accounting are consistent with the accounting policies of the Issuer.

Copies of the Financial Statements and the Q3 2018 Trading Update of the Issuer can be obtained from the registered office of the Issuer, from the specified office of the Principal Paying Agent for the time being in London and on the Issuer's website (at <http://www.lqgroup.org.uk/about/finance-performance-and-governance/financial-statements/> and <https://www.lqgroup.org.uk/about/finance-performance-and-governance/investor-information/>, respectively).

Any documents themselves incorporated by reference in the Financial Statements and the Q3 2018 Trading Update shall not form part of this Offering Circular.

VALUATION REPORT

The valuation report set out below (the **Valuation Report**) was prepared by Savills Advisory Services Limited, Registered Chartered Surveyors, of 33 Margaret Street, London W1G 0JD (the **Valuer**) and relates to the properties which will be charged in favour of the Security Trustee, and allocated for the benefit of each of the 2028 Bond Beneficiaries and the 2053 Bond Beneficiaries, on the Closing Date. It is included in this Offering Circular, in the form and context in which it is included, at the Issuer's request and with the consent of the Valuer and the Valuer has authorised the contents of this section.

The Valuer does not have a material interest in the Issuer or the Original Charging Subsidiary.

Summary of valuations in respect of the 2028 Bonds

A summary of the values of the properties set out in the Valuation Report which are to be allocated for the benefit of the 2028 Bond Beneficiaries is set out below:

	EUV-SH / MV-ST as appropriate*				Total
	Units	Valued on EUV- SH basis	Units	Valued on MV- ST basis	
	No.	£	No.	£	
Issuer	281	£33,158,050	1,043	£229,977,564	£263,135,614
Original Charging Subsidiary	0	£0	247	£61,728,718	£61,728,718
Total	281	£33,158,050	1,290	£291,706,282	£324,864,332

Summary of valuations in respect of the 2053 Bonds

A summary of the values of the properties set out in the Valuation Report which are to be allocated for the benefit of the 2053 Bond Beneficiaries is set out below:

	EUV-SH / MV-ST as appropriate**				Total
	Units	Valued on EUV- SH basis	Units	Valued on MV- ST basis	
	No.	£	No.	£	
Issuer	282	£31,145,040	1,409	£292,473,354	£323,618,394
Original Charging Subsidiary	0	£0	0	£0	£0
Total	282	£31,145,040	1,409	£292,473,354	£323,618,394

* A further 118 units which will be charged in favour of the Security Trustee, and allocated for the benefit of the 2028 Bond Beneficiaries, have been given a nil value.

** A further 25 units which will be charged in favour of the Security Trustee, and allocated for the benefit of the 2053 Bond Beneficiaries, have been given a nil value.

London & Quadrant Housing Trust

Valuation of Housing Stock relating to the issue of:

£250,000,000 2.625 per cent. Secured Bonds due 2028; and

£250,000,000 3.125 per cent. Secured Bonds due 2053.

As at 26 February 2018

FILE Ref: LSH405626

26 February 2018



PRIVATE & CONFIDENTIAL

To: Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH

in its capacity as security trustee acting as trustee for and on behalf of itself and the Beneficiaries as defined in the Security Trust Deed dated 6th December 2016 between inter alios, Prudential Trustee Company Limited as security trustee (the "Security Trustee"), London & Quadrant Housing Trust and East Thames Limited (as the same may be amended, novated, supplemented, varied or restated from time to time) (the "Security Trust Deed").

Catherine Smith MRICS
E: casmith@savills.com
DL: +44 (0) 207 7409 9938

33 Margaret Street
London
W1G 0JD
savills.com

and: Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH
(as "Bond Trustee")

and: Banco Santander, S.A.
Ciudad Grupo Santander
Avenida de Cantabria s/n
Edificio Encinar, planta baja
28660 Boadilla del Monte
Madrid
(as a "Joint Bookrunner")

and: Lloyds Bank plc
10 Gresham Street
London EC2V 7AE
(as a "Joint Bookrunner")

and: The Royal Bank of Scotland plc (trading as NatWest Markets)
250 Bishopsgate
London EC2M 4AA
(as a "Joint Bookrunner")

and: London & Quadrant Housing Trust
One Kings Hall Mews
Lewisham
London SE13 5JQ
(as "Issuer")

and: East Thames Limited
29-35 West Ham Lane
London E15 4PH
(as "Original Charging Subsidiary")



VALUATION OF HOUSING STOCK OF LONDON & QUADRANT HOUSING TRUST (THE "ISSUER") AND EAST THAMES LIMITED (THE "ORIGINAL CHARGING SUBSIDIARY") RELATING TO THE ISSUE OF £250,000,000 2.625 PER CENT. SECURED BONDS DUE 2028 (THE "2028 BONDS") AND £250,000,000 3.125 PER CENT. SECURED BONDS DUE 2053 (THE "2028 BONDS" AND, TOGETHER WITH THE 2053 BONDS, THE "BONDS") TO BE ISSUED BY THE ISSUER PURSUANT TO A BOND TRUST DEED TO BE DATED ON OR AROUND 28 FEBRUARY 2018 BETWEEN THE ISSUER, THE ORIGINAL CHARGING SUBSIDIARY AND PRUDENTIAL TRUSTEE COMPANY LIMITED (THE "BOND TRUSTEE") AS TRUSTEE FOR ITSELF AND THE HOLDERS OF THE BONDS.

In accordance with the instructions contained in the email from the Issuer to us dated **13 October 2017** as confirmed in our letter to the Issuer dated **27 November 2017** we have inspected the properties and made such enquiries as are sufficient to provide you with our opinion of value on the bases stated below.

We draw your attention to our accompanying Report together with the General Assumptions and Conditions upon which our Valuation has been prepared, details of which are provided at the rear of our Report.

We trust that our Report meets your requirements, however should you have any queries, please do not hesitate to contact us.

Yours faithfully

A handwritten signature in blue ink that reads "C. Smith".

For and on behalf of Savills Advisory Services Limited
Catherine Smith BSc (Hons) MRICS
RICS Registered Valuer
Associate Director

Contents

1.	Instructions and Terms of Reference	6
1.1.	Instructions & Terms of Reference	7
1.2.	Basis of Valuation MV-STT - Unencumbered Stock	7
1.3.	Basis of Valuation EUV-SH - Encumbered Stock	8
1.4.	Definition of Basis of Valuations	8
1.5.	General Assumptions and Conditions.....	8
1.6.	Valuation Date	8
1.7.	Purpose of Valuation.....	9
1.8.	Conflicts of Interest	9
1.9.	Valuer Details and Inspection	9
1.10.	Extent of Due Diligence Enquiries and Information Sources.....	9
1.11.	RICS Compliance	10
2.	Executive Summary Of Valuation	11
2.1.	Valuation of All Property	12
3.	The Properties	13
3.1.	The Properties	14
3.2.	Environmental Considerations	19
3.3.	Town Planning	20
3.4.	Title and Tenure.....	20
3.5.	Rental Income.....	21
4.	Market Commentary	22
4.1.	General Market Commentary.....	23
5.	Valuation Approach	31
5.1.	Existing Use Value For Social Housing - Valuation Approach	32
5.2.	Market Value Subject to Tenancies (MV-STT) - Valuation Approach	35
5.3.	Shared Ownership - Valuation Approach.....	36
5.4.	Valuation Considerations	36
6.	Valuations	37
6.1.	Valuations	38
6.2.	Summary of Freehold and Leasehold Properties.....	39
6.3.	Lotting and Value Disaggregation.....	40
7.	Suitability, Liability & Confidentiality	41
7.1.	Suitability as Loan Security.....	42
7.2.	Verification	42
	Appendix 1	43
	Executive Summary of Valuation	43
	Appendix 2	46
	Map of Properties	46
	Appendix 3	47
	Schedule of Properties	47
	Appendix 4	48
	Sample Photographs	48
	Appendix 5	49



General Assumptions

	49
1. Basis of Valuation - definitions	50
2. General assumptions and conditions applicable to all valuations	52

1. Instructions and Terms of Reference

1.1. Instructions & Terms of Reference

This Report is required in connection with the proposed issue by the Issuer of the Bonds.

Further to instructions received from the Issuer and the Original Charging Subsidiary and the Savills Advisory Services Limited Terms Of Business Letter dated 27 November 2017 which confirmed our instructions we now have pleasure in reporting the following valuations and advice.

The schedule of properties which are the subject of this valuation (the "Properties") with apportioned values is attached at **Appendix 3** and relates to 3,405 units in total.

In completing this exercise, we have:

- a) agreed a full set of property schedule data with the Issuer and the Original Charging Subsidiary;
- b) discussed details as to our approach and methodology; and
- c) completed our own inspections, research and analysis.

The above has enabled us to arrive at the valuation assumptions that have enabled us to carry out our valuations and final reported figures herein.

For the avoidance of doubt, we confirm that it would not be appropriate or possible to compare this valuation with any values appearing in the Issuer's or the Original Charging Subsidiary's annual accounts. This Report has been prepared in accordance with the RICS Red Book (as defined herein). The valuations are prepared on this basis so that we can determine the value recoverable if the charges over the Properties were enforced as at the Effective Date (as defined herein). We understand that the values given in the accounts of the Issuer and the Original Charging Subsidiary are prepared on an historic cost basis, which considers how much the properties have cost and will continue to cost the Issuer and the Original Charging Subsidiary. This is an entirely different basis of valuation from that used for loan security purposes. Moreover, the figure in the Issuer's and the Original Charging Subsidiary's latest published annual accounts represents a valuation based on the going concern of the whole stock, in contrast with the valuation for the Bonds which only represents the value to a funder in possession of a portion of the stock. As such different assumptions would be applied. Consequently, in addition to being impractical, any comparison would not be an accurate comparison.

Our valuations have been carried out on the basis of the General Assumptions and Standard Conditions set out in **Appendix 5**.

1.2. Basis of Valuation MV-STT - Unencumbered Stock

In relation to Properties which may be disposed of by a mortgagee in possession on an unfettered basis (meaning subject to tenancies but otherwise vacant possession and not subject to any security interest option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use):-

The Market Value of such properties for loan security purposes firstly reflecting the fact or (where not the case) making an assumption as to the fact that the properties are subject to existing tenancies that grant security of tenure to the occupational tenant. Our valuation will refer to this basis of value as "MV-STT" or "market value, subject to tenancies"; and
The Existing Use Value – Social Housing ("EUV-SH") of such properties for loan security purposes.

1.3. Basis of Valuation EUV-SH - Encumbered Stock

In relation to Properties other than those specified in paragraph 1.2 above:

The Existing Use Value for Social Housing (“EUV-SH”) of such properties for loan security purposes.

1.4. Definition of Basis of Valuations

Existing Use Value for Social Housing is defined by the Royal Institution of Chartered Surveyors (“RICS”) at UKVS1.12 as:-

“Existing use value for social housing (EUV-SH) is an opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:

- a) a willing seller*
- b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the property marketing of the interest for the agreement of the price in terms and for the completion of the sale*
- c) that the state of the market, level of values and other circumstances were on any earlier assumed data of exchange of contracts, the same as on the date of valuation*
- d) that no account is taken of any additional bid by a prospective purchaser with a special interest*
- e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion*
- f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use*
- g) that at the valuation date any regulatory body in applying its criteria for approval would not unreasonably fetter the vendor’s ability to dispose of a property to organisations intending to manage their housing stock in accordance with that regulatory body’s requirements*
- h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and*
- i) that any subsequent sale would be subject to all the same assumptions above”*

Market Value is defined by the Royal Institution of Chartered Surveyors at VPS4 1.2 as:-

“The estimated amount for which an asset or liability should exchange on the valuation date 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.”

1.5. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Standard Conditions set out in **Appendix 5** of this Report.

1.6. Valuation Date

Our opinions of value are as at the date of this Report (the “Effective Date”). The importance of the valuation date must be stressed as property values can change over a relatively short period of time.

1.7. Purpose of Valuation

We understand that our valuation is required for loan security purposes in connection with the proposed issue by the Issuer of the Bonds.

This Report is issued for the benefit of the addressees and for the inclusion in the offering circular (the "Offering Circular") for the Bonds to be issued by the Issuer and may only be used in connection with the transaction referred to in this Report and for the purposes of the Offering Circular.

We hereby give consent to the publication of this Report within the Offering Circular and accept responsibility for the information contained in this Report. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information given in this Report is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.8. Conflicts of Interest

We are independent valuers and are not aware of any conflict of interest, either with the Properties, the Issuer or the Original Charging Subsidiary, preventing us from providing you with an independent valuation of the Properties in accordance with the RICS Red Book. We will value the Properties as External Valuers, as defined in the Red Book.

1.9. Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by **Catherine Smith MRICS**. The valuations have also been reviewed by **Andy Smith MRICS and Andrew Garratt MRICS**.

We have visited all of the Properties between **26 November 2017 and 5 December 2017**. A representative sample of the properties were also internally inspected.

All those above with MRICS or FRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VPS 3.7, we confirm that the aforementioned individuals have sufficient current local and national knowledge of the particular market and the skills and understanding to undertake the valuation competently.

1.10. Extent of Due Diligence Enquiries and Information Sources

The extent of the due diligence enquiries we have undertaken and the sources of the information we have relied upon for the purpose of our valuation are stated in the relevant sections of our Report below.

We have reviewed the final form certificates of title prepared by Devonshires Solicitors LLP (the "Certificates of Title") to be dated on or about the date of this Report and can confirm that our valuations fully reflect the disclosures contained therein.



1.11. RICS Compliance

This Report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards January 2014 (the "RICS Red Book") published in November 2013 and effective from 6 January 2014, in particular, where relevant, in accordance with the requirements of Valuation Professional Standards VPS3: Valuation Reports, UKVS1: Valuations for financial statements, UKVS1.12: Valuations for Registered Social Landlords, UKVS3: Valuations for Residential Property, UKVS3.11 Affordable Rent and Market Rent, UK Appendix 1: Accounting concepts and terms used in FRS 15 and SSAP 19 and UK Appendix 13: Valuation of registered social housing providers' stock for secured lending purposes.

This Report also complies with the International Valuation Standards where applicable.

2. Executive Summary Of Valuation

2.1. Valuation of All Property

Based on the schedule of Properties provided by the Issuer and the Original Charging Subsidiary and upon assumptions detailed in this Report, our opinions of value on the bases indicated as at the date of this Report are as follows:

Our opinion of value, in aggregate, of the total 3,405 dwellings as mentioned at 1.2 and 1.3 above, on the basis of:

- **Issuer: 2,452 units valued on Market Value – Subject to Tenancies (MV-STT) basis, is £522,450,918 (Five hundred and twenty two million, four hundred and fifty thousand, nine hundred and eighteen pounds).**
- **Issuer: 563 units valued on Existing Use for Social Housing basis, is £64,303,090 (Sixty four million, three hundred and three thousand and ninety pounds).**
- **Original Charging Subsidiary: 247 units valued on Market Value – Subject to Tenancies (MV-STT) basis is £61,728,718 (sixty one million, seven hundred and twenty eight thousand, seven hundred and eighteen pounds).**

There are 143 properties which have been ascribed a nil value.

Our opinion of value, in aggregate, of the 1,571 dwellings to be allocated for the benefit of holders of the 2028 Bonds as mentioned at 1.2 and 1.3 above, on the basis of:

- **Issuer: 1,043 units valued on Market Value – Subject to Tenancies (MV-STT) basis, is £229,977,564 (Two hundred and twenty nine million, nine hundred and seventy seven thousand, five hundred and sixty four pounds).**
- **Issuer: 281 units valued on Existing Use for Social Housing basis, is £33,158,050 (Thirty three million, one hundred and fifty eight thousand and fifty pounds).**
- **Original Charging Subsidiary: 247 units valued on Market Value – Subject to Tenancies (MV-STT) basis is £61,728,718 (Sixty one million, seven hundred and twenty eight thousand, seven hundred and eighteen pounds).**

Our opinion of value, in aggregate, of the 1,691 dwellings to be allocated for the benefit of holders of the 2053 Bonds as mentioned at 1.2 and 1.3 above, on the basis of:

- **Issuer: 1,409 units valued on Market Value – Subject to Tenancies (MV-STT) basis, is £292,473,354 (Two hundred and ninety two million, four hundred and seventy three thousand, three hundred and fifty four pounds).**
- **Issuer: 282 units valued on Existing Use for Social Housing basis, is £31,145,040 (Thirty one million, one hundred and forty five thousand and forty pounds).**

There are 118 properties allocated to the 2028 Bonds and a further 25 properties allocated to the 2053 Bonds which have been ascribed a nil value.

A detailed breakdown of the categories of property concerned and their respective values is given at **Section 5** below.

A full stock schedule with apportioned values is included at **Appendix 3**.

3. The Properties

3.1. The Properties

Table 1: Valuation Groups

Stock Type	No of Units	Distribution
L&Q		
General Needs – Social Rent	2,708	80%
General Needs – Affordable Rent	167	5%
Supported	140	4%
Nil Value	77	2%
<i>Subtotal</i>	<i>3,092</i>	<i>91%</i>
East Thames		
General Needs – Social Rent	221	6%
General Needs – Affordable Rent	3	0%
Rent to But	12	0%
Supported	11	0%
Nil Value	66	2%
<i>Subtotal</i>	<i>313</i>	<i>9%</i>
Total	3,405	100%

A total of 3,262 properties are included within the exercise, a further 143 are to be included at nil value. The following tables and analysis relate to the properties to be charged to the Bonds only.

3.1.1. Location and Description

The Properties are situated across 45 Local Authority areas. Following an assessment of the geographical spread of the portfolio and after discussions with the Issuer and the Original Charging Subsidiary, we have split the stock in to valuation categories. Within these categories we have modelled the stock by location, type, tenure and legal title. There are 257 batches of properties in total. Each batch has been valued separately.

Table 2 sets out the number of units situated in each Local Authority area.

Table 2: Stock Location by Local Authority

Local Authority	Total No' of Units	Local Authority	Total No' of Units
Barking and Dagenham	105	Lewisham	454
Basildon	12	Medway	131
Basingstoke and Deane	25	Merton	44
Bexley	35	Mole Valley	13
Brent	156	Newham	122
Brentwood	11	Redbridge	267
Camden	8	Reigate and Banstead	11
Castle Point	12	Richmond upon Thames	5
Croydon	266	Runnymede	5
Elmbridge	13	Slough	54
Enfield	107	South Bucks	186
Epping Forest	1	Southend-on-Sea	87
Greenwich	82	Southwark	25
Guildford	11	Surrey Heath	7
Hackney	58	Sutton	15
Hammersmith and Fulham	6	Waltham Forest	93
Haringey	185	Wandsworth	4
Havering	67	Westminster	67
Hounslow	181	Windsor and Maidenhead	16
Islington	4	Woking	5
Kensington and Chelsea	29	Wycombe	14
Kingston upon Thames	91	Tower Hamlets	47
Lambeth	125	Total	3,262

Source: the Issuer and the Original Charging Subsidiary

The stock is a mixture of houses, bungalows and flats. The houses date from 1900 to the mid 2000's. There are some newer built houses in most of the areas across the portfolio spread. The flats date from the 1950's to the 2000's.

The stock is located in good residential locations, some of very high value in London. However, a small proportion of the stock is situated in secondary, inner city locations. Locations vary, but most stock is within good proximity of reasonable transport links and amenities.

Table 3: Breakdown of the stock by Town /Settlement area

Locality	All Stock	% Spread	Locality	All Stock	% Spread
Addlestone	5	0.2%	Lambeth	8	0.2%
Aldershot	6	0.2%	Leatherhead	3	0.1%
Balham	4	0.1%	Lee	14	0.4%
Barking	48	1.5%	Leigh-On-Sea	17	0.5%
Basildon	12	0.4%	Lewisham	122	3.7%
Basingstoke	12	0.4%	Leyton	14	0.4%
Beckton	4	0.1%	Leytonstone	31	1.0%
Becton	1	0.0%	London	138	4.2%
Bellingham	12	0.4%	Loughton	1	0.0%
Belvedere	15	0.5%	Lower Clapton	2	0.1%
Bermondsey	1	0.0%	Lower Edmonton	16	0.5%
Bounds Green	8	0.2%	Lower Green	2	0.1%
Brent	40	1.2%	Manor Park	20	0.6%
Brentwood	11	0.3%	Merton	9	0.3%
Brockley	44	1.3%	Mitcham	34	1.0%
Bromley	3	0.1%	Neasden	5	0.2%
Camberley	7	0.2%	New Cross	4	0.1%
Camberwell	1	0.0%	New Malden	1	0.0%
Camden	3	0.1%	Newbury Park	10	0.3%
Canning Town	4	0.1%	Newham	9	0.3%
Carshalton	15	0.5%	Peckham	9	0.3%
Catford	142	4.4%	Pimlico	43	1.3%
Chadwell Heath	48	1.5%	Plaistow	19	0.6%
Charlton	2	0.1%	Plumstead	2	0.1%
Chatham	62	1.9%	Purley	15	0.5%
Chattenden	24	0.7%	Redhill	6	0.2%
Chessington	41	1.3%	Rochester	45	1.4%
Chigwell	1	0.0%	Romford	76	2.3%
Clapton Park	3	0.1%	Sheerwater	3	0.1%
Cobham	3	0.1%	Shepherds Bush	4	0.1%
Cricklewood	40	1.2%	Shoeburyness	14	0.4%
Crofton Park	1	0.0%	Silvertown	2	0.1%
Crouch End	27	0.8%	Slough	93	2.9%
Croydon	203	6.2%	South Benfleet	12	0.4%
Dagenham	58	1.8%	South Croydon	1	0.0%
Denham	63	1.9%	South Norwood	2	0.1%
Deptford	24	0.7%	South Tottenham	1	0.0%
Dollis Hill	2	0.1%	Southend-On-Sea	28	0.9%



Locality	All Stock	% Spread	Locality	All Stock	% Spread
Dorking	10	0.3%	Southgate	19	0.6%
Downley	1	0.0%	Southwark	2	0.1%
East Ham	21	0.6%	Stockwell	8	0.2%
Edmonton	28	0.9%	Stoke Newington	7	0.2%
Eltham	1	0.0%	Stokenchurch	1	0.0%
Enfield	25	0.8%	Stonebridge	2	0.1%
Erith	20	0.6%	Stratford	22	0.7%
Esher	1	0.0%	Streatham	1	0.0%
Farnham	1	0.0%	Streatham Hill	8	0.2%
Feltham	181	5.5%	Sudbury	1	0.0%
Forest Gate	18	0.6%	Surbiton	3	0.1%
Forest Hill	31	1.0%	Sydenham	19	0.6%
Fulham	2	0.1%	Tadley	13	0.4%
Gants Hill	1	0.0%	Tadworth	1	0.0%
Gomshall	4	0.1%	Taplow	37	1.1%
Greenwich	9	0.3%	Thornton Heath	21	0.6%
Grove Park	1	0.0%	Tottenham	31	1.0%
Hackney	29	0.9%	Tower Hamlets	47	1.4%
Hainault	2	0.1%	Tulse Hill	33	1.0%
Hampton	5	0.2%	Upper Edmonton	14	0.4%
Haringey	14	0.4%	Waltham Cross	3	0.1%
Harlesden	1	0.0%	Walthamstow	41	1.3%
Hersham	4	0.1%	Walton-On-Thames	2	0.1%
High Wycombe	12	0.4%	Walworth	11	0.3%
Hither Green	2	0.1%	Wembley	59	1.8%
Horley	4	0.1%	Westcliff-On-Sea	28	0.9%
Hornchurch	8	0.2%	Westminster	24	0.7%
Hornsey	84	2.6%	Weybridge	1	0.0%
Ilford	162	5.0%	Willesden	2	0.1%
Iver	35	1.1%	Wimbledon	1	0.0%
Iver Heath	12	0.4%	Woking	2	0.1%
Kennington	47	1.4%	Woodford Bridge	3	0.1%
Kensal Rise	3	0.1%	Woodford Green	25	0.8%
Kensington and Chelsea	24	0.7%	Woodgreen	1	0.0%
Kidbrooke	8	0.2%	Woolwich	61	1.9%
Kingston Upon Thames	46	1.4%	Wraysbury	16	0.5%
Total				3,262	100%

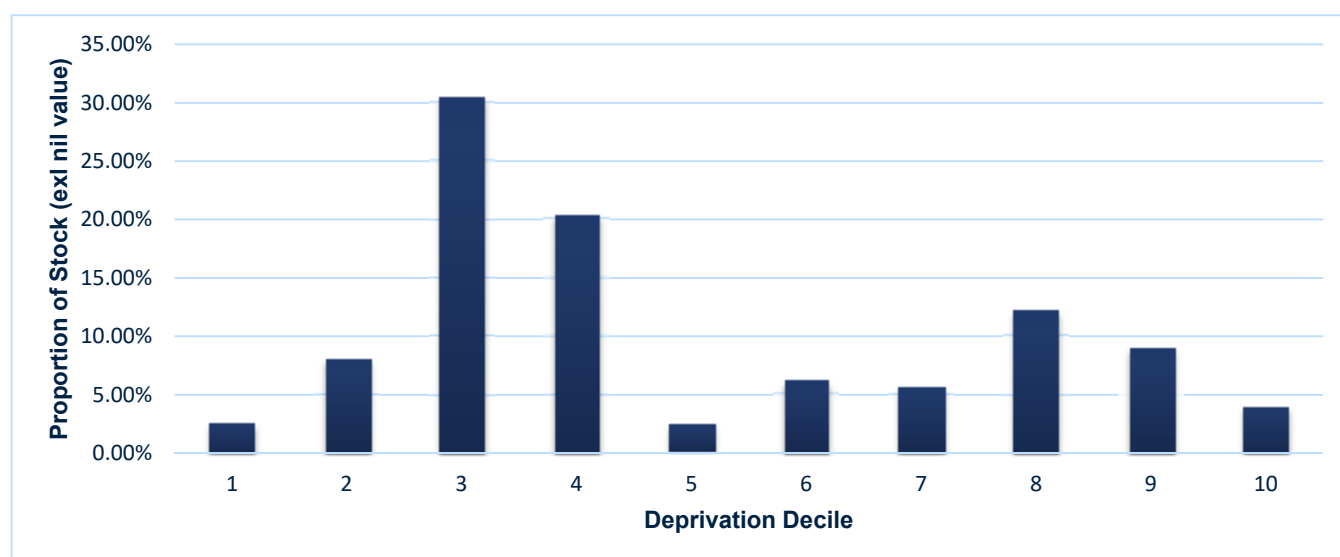
The spread of the stock is shown by the map at **Appendix 2**.

A selection of photographs is at **Appendix 4**.

Our inspections highlighted some clusters of apparent social deprivation, and some in areas with no deprivation. Our analysis of this using multiple deprivation indices provided by the Ministry of Housing, Communities and Local Government suggests that whilst there are pockets of poverty and affluence within the stock, the majority of the units (circa 59%) are within the second to fourth decile for deprivation and a strong proportion (circa 20%) sit within the high eighth and ninth deciles – this demonstrates a good spread of affluence across the stock.

The deprivation score is based upon a number of variables such as income, employment, education level, health and disability and crime.

Chart 1: Stock Distribution by Multiple Deprivation Decile



3.1.2. Property Types

The properties can be summarised by type and bedroom number as follows:

Table 4: Portfolio Mix

Property Type	Bedrooms							Total
	0	1	2	3	4	5	6	
House	0	1	454	750	175	15	8	1,403
Bungalow	0	26	5	1	0	0	0	32
Flat/Maisonette	14	826	889	87	10	1	0	1,827
Total	14	853	1,348	838	185	16	8	3,262

Source: The Issuer and the Original Charging Subsidiary

Please refer to **Appendix 3** for a full breakdown of all of the units, types and the number of units within the value groups, together with summary rental income data. **Appendix 3** includes a full list of the Properties.

3.1.3. Condition

As instructed, we have not carried out a structural survey. However, we would comment, without liability, that during the course of our inspections for valuation purposes, we observed that the Properties appear to be generally in a satisfactory condition.

Apart from any matters specifically referred to in this Report, we have assumed that the Properties are free from structural faults, or other defects and are in a good and lettable condition internally. The Report is prepared on this assumption.

3.1.4. Services

No detailed inspections or tests have been carried out by us on any of the services or items of equipment, therefore no warranty can be given with regard to their purpose. We have valued the Properties on the assumption that all services are in full working order and comply with all statutory requirements and standards.

3.2. Environmental Considerations

3.2.1. Contamination

We have valued the portfolio on the assumption that the Properties have not suffered any land contamination in the past, nor are they likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at any Property, or on any neighbouring land, then we may wish to review our valuation advice.

3.2.2. Ground Conditions

We have assumed there to be no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building constructed thereon.

3.2.3. Flooding

We are not aware of any flooding affecting the Properties and assume there is no history of flooding risk.

3.2.4. Radon Gas

Due to the geographical spread of the stock we are unable to confirm whether the Properties are in a Radon Affected Area. Radon Protection Measures may be necessary for new properties or extensions to existing ones as described in publication BR211 by the Building Research Establishment.

3.2.5. Invasive Vegetation

Under the Wildlife and Countryside Act 1981 it is an offence to 'plant or otherwise cause Japanese Knotweed to grow in the wild', however the plant still remains prevalent in some areas. It is only possible to establish the presence of invasive vegetation such as Japanese Knotweed by a specific survey by suitably qualified specialist. From our limited inspection we have no reason to suggest that such a survey is required in this instance, but should a survey subsequently find that our assumption in this respect is incorrect then we should be advised so that we may reconsider the implications for our valuation.

3.3. Town Planning

The "Property Documents" means the Certificates of Title and copies of standard tenancy agreements and various planning agreements in respect of the Properties valued in this Report.

We have not made specific planning enquiries for each site. We have therefore assumed for the purposes of this Report, save as set out in the Property Documents that there are no planning conditions that would adversely affect the valuation.

3.4. Title and Tenure

3.4.1. Title

Our valuation reflects our opinion of value in aggregate of the freehold or long-leasehold interests (in each case) of the Properties owned by the Issuer and the Original Charging Subsidiary and identified by the subject of this Report and scheduled at **Appendix 3**.

In respect of each Property which we have valued on the basis on MV-STT we confirm that we have reviewed the Certificates of Title and confirm that each such Property can be disposed of on an unfettered basis (i.e. subject only to existing tenancies disclosed in the Certificates of Title but not subject to any security interest, option or other encumbrance or to any restriction preventing or restricting its sale to or use by any person for residential use).

3.4.2. Tenancies

We have been supplied with copies of the Issuer and the Original Charging Subsidiary's standard tenancy agreements, all of which are in a standard format.

3.5. Rental Income

The gross rental income currently produced by the Properties, before deductions, is shown in the following table broken down by tenure.

Table 5: Gross Rental Income (correct as at date of this report)

Tenure Type	Gross Rent £ pa
General Needs – Social Rent	£19,043,468
General Needs – Affordable Rent	£1,285,576
Rent to Buy	£115,122
Supported	£907,993
Total	£21,352,159

Source: The Issuer and the Original Charging Subsidiary

Average net rent levels, on a 52 week year basis, are shown below, as derived from the property schedule sent to us by the Issuer and the Original Charging Subsidiary:

Table 6: Rental Analysis 17/18 £ per week net

Property Type	No of Units	Average Net Rent	Savills Convergence Rent	Savills Convergence Rent Afford. Ratio %	Market Rent	Average LHA
House	1,403	£139.95	£149.82	26%	£270.70	£267.34
Bungalow	32	£122.30	£132.30	30%	£218.79	£160.99
Flat/Maisonette	1,827	£115.13	£123.13	29%	£189.40	£212.27
Totals/Average	3,262	£125.88	£134.70	27%	£224.22	£235.45

Source: The Issuer and the Original Charging Subsidiary & Savills. Excludes Nil Value and Shared Ownership Units

4. Market Commentary

4.1. General Market Commentary

4.1.1. General Summary

After steady house price growth in 2015/16, Savills' most recent house price forecasts show broadly static house prices in 2017, picking up again from 2018. The forecast for the next 5 years is shown in the table below.

Table 7: Nominal House Price Forecasts – Mainstream Markets

Region	2018	2019	2020	2021	2022	5-year compound growth
UK	1.0%	2.5%	5.0%	2.5%	2.5%	14.2%
London	-2.0%	0.0%	5.0%	2.0%	2.0%	7.1%
South East	0.5%	2.5%	4.0%	2.0%	2.0%	11.5%
South West	1.0%	3.0%	4.5%	2.5%	2.5%	14.2%
East of England	0.5%	2.5%	4.0%	2.0%	2.0%	11.5%
East Midlands	1.0%	3.0%	5.0%	2.5%	2.5%	14.8%
West Midlands	1.0%	3.0%	5.0%	2.5%	2.5%	14.8%
North East	1.5%	3.5%	5.5%	3.0%	3.0%	17.6%
North West	1.5%	3.5%	6.0%	3.0%	3.0%	18.1%
Yorkshire & Humber	1.5%	3.5%	5.5%	3.0%	3.0%	17.6%

Source: Savills Research

4.1.2. Residential Market Commentary

Savills latest research into the residential market allows us to understand the conditions of the market at present and the likely future outlook. The UK Housing Market Update, released in November 2017 considers the impacts of political uncertainty and weak economic indicators upon market confidence and prices, and The Global Financial Crisis – 10 Years On paper, published in late July, not only discusses the lingering impacts of the credit crunch on the market but also these current uncertainties. The UK Residential Development Land – Market in Minutes released in October 2017 considers the diversification of house builders into new territories to mitigate against regional fluctuations in prices and demand, facilitated by rising completions whilst the Residential Property Focus 2017, published in Q3 2017, reviews the emerging build to rent market, how pricing is key to success in the UK's prime market, and provides comment on the latest UK Government Housing White Paper.

4.1.3. Overview

- Economic and political uncertainty has contributed to a slowing within price growth and will likely continue to suppress prices in coming years.
- Buyers have become more cautious as a result of this uncertainty and market confidence has weakened.
- Mortgage interest rates in the UK are likely to rise over the next 5 years, and is likely to put a squeeze on the amount people can borrow, although dramatic increases in the cost of borrowing are unlikely.
- Growth in London is likely to be more constrained than the rest of the country, having experienced much greater house price growth for the majority of the past decade, with previous cycles suggesting that house price growth in the north of the country will exceed that in the south.

- We are not building enough homes of the right type in the right places to meet demand, however there seems to be increased political desire to address this with higher levels of house building, supported by the Housing White Paper.
- Build to rent housing has the ability to increase the supply of good quality, well managed rental stock.
- Prime markets predicted to experience 2 years of subdued growth, realistic pricing is currently the key to success.
- Five-year house price forecasts are positive, at 14% growth for UK mainstream markets.

4.1.4. The True Value of UK Housing

The total value of the UK's housing stock is now £6.79 trillion; it has risen by £1.5 trillion in the past three years and is now 3.65 times the size of its economy. These numbers primarily reflect house price growth that has been driven by a combination of low interest rates and a strengthening economy. The £1.5 trillion increase has been heavily influenced by the powerhouses of London and the South East, which together have accounted for over one third of the growth. In the year to the end of March 2017, the total spend on house purchases was £312 billion, down £30 billion on 10 years ago, reflecting the persistent reduction in transaction levels since the global financial crisis.

Looking forward there is a series of factors that are likely to contribute to a slowing within price growth. Economic and political uncertainty has recently contributed to a noticeable slowdown in rates of house price growth, and in the coming years prices across the mainstream UK housing market will likely be suppressed by this uncertainty. As the implications of the decision to leave the EU become clearer, economic uncertainty is likely to feed into weaker consumer sentiment and tighter household finances. We expect price growth to slow across the country for the next two years or so. After this period of buyer caution created by economic and political uncertainty, we do expect the market to pick up. Rising interest rates will, however, place a squeeze of affordability for mortgaged buyers, especially in the areas of the country that have seen some of the biggest house price increases.

This is beginning to play out, despite annual growth of 2.5% in October 2017, up from 2.0% in September 2017 according to Nationwide, monthly growth remained at 0.2% for the second month in a row, half of the average level seen over the last four years. We anticipate growth will slow further over the coming year as uncertainty continues to weigh on the market and house price indices remain volatile, subduing buyer confidence in the mainstream UK housing market. The September 2017 RICS Residential Market Survey supports this view, reporting a very marginal positive national price balance, despite negative readings in London and the South East, and a fall in both buyer enquiries and sales suggesting some downward pressure on prices in the coming months.

The growth in the value of the UK's housing stock has not been significantly driven by rising levels of debt as lower volumes of house purchases are funded with debt now compared to before the credit crunch. The amount of spending on house purchases funded by debt has fallen significantly since the global financial crisis, down by £47 billion compared with 10 years ago. Debt now accounts for 43% of house purchase funding only, with cash and accumulated equity now being the dominant source of funding. This is largely reflective of the mortgage regulation measures that were introduced, as a result of the credit crunch, with the aim of preventing another debt-driven housing market boom. These regulatory changes coupled with increased lender caution means that outstanding levels of mortgage debt have risen by just 10% (£120 billion) over the past five years. By contrast, the level of privately held housing equity has risen by 49% in the same period. Despite this, combined with a fall in the number of mortgaged owner occupiers, the average outstanding mortgage across England and Wales has in fact risen by £18,500 over the past five years.

In London, the average outstanding mortgage has grown at a much higher rate. It has risen by some 29%, or £60,000 in cash terms, over this period, meaning that it now stands at over £240,000. Of course, for those getting onto or trading up the housing ladder, the figure is higher. This has caused buyers in the capital to stretch themselves further, essentially by borrowing more



relative to their income. The Council of Mortgage Lenders suggests that the average homebuyer in London borrowed 3.4 times their income in 2011 and by 2016 this stood at 4.0 times income. The level of housing equity in the capital has risen by 71% in the past five years, meaning that those who need a mortgage are now bumping up against the limits of mortgage regulation. Interest rates are, however, only expected to rise gradually in coming years which is likely to act as a drag on house price growth in the future, rather than anything more serious.

The amount of housing wealth held by homeowners who have completely paid off their mortgage has risen very significantly, as those who got onto the housing ladder in the second half of the 20th century live longer. It is now over £2,39 trillion, twice that of the equity held by owner occupiers who have a mortgage. This means those over the age of 65 now hold an estimated 43% of all owner occupiers' housing equity, a figure over £1.5 trillion. Similarly, private landlords have seen the amount of equity they hold increase from £693 billion five years ago to around £1.2 trillion in 2016. They have both increased the amount of stock they own and have benefited from price growth to build a substantial pool of property wealth. By contrast, homeowners under the age of 35 hold less than £200 billion of net housing wealth, as the generational divide in housing has widened.

The main beneficiaries of low interest rates have been 35-49 year old homeowners who have over £500 billion of mortgage debt, even though they have been moving less often. While that debt has been relatively cheap to service, increasingly they have extended their home rather than traded up. This reflects the cost of buying a property with an extra bedroom and the availability of mortgage debt to do so. Analysis of asking prices from *OnTheMarket* shows that the cost of moving from a two-bedroom to a three-bedroom property averages £77,000 across the local authorities of England and Wales. Across the boroughs of inner London it stands at £220,000 and in outer London at £138,000. All of these numbers increase when looking at a move from a three to a four-bedroom property. This cost has also resulted in an increase in the number of people moving into the commuter zone in search of greater value for money. It is a trend we expect to gather pace as interest rates increase from their current benign levels.

This trend is one of the reasons we expect a change in the pattern of house price growth once the uncertainty around Brexit starts to clear. The value of housing stock in five of London's most expensive boroughs fell by £9.6 billion in 2016, with the highest amount of price growth in the capital pushed out to the suburban borough of Barnet. Over the course of the past 12 months, the slowdown in annual rates of price growth in London has been dramatic; from 7.1% to -0.6% according to Nationwide, with further modest price falls over the next 12 months a distinct possibility. Mortgage regulation has been doing what it was intended to do in slowing the market and is likely to continue to act as a drag on the capital's house price growth over the next five years, especially as interest rates creep up. More notably, in 2016 the total growth in the value of housing in the South East was higher than in London for the first time since 2004. Increasingly the gains made in London's housing market are being exported into the commuter zone; Slough showed the highest percentage price growth anywhere in the country, as needs-based buyers and investors turned their attention to more affordable locations within striking distance of London. As the uncertainty of Brexit subsides and modest price growth returns, we expect it to be weighted to London's hinterland, before rippling more widely across the rest of the UK. As it spreads to the Midlands and the North, we expect to see it gain the strongest foothold in more affluent markets first. This has already been seen to an extent. The value of housing stock in York, for instance, has increased by £3.9 billion to £20 billion in the past five years, while the value of housing stock in Solihull rose by £2.6 billion in 2016 alone. By contrast, the value of housing stock in Hartlepool fell by £76 million last year.

Even if Government policy slows its growth, we expect the generational divide in housing wealth to become further entrenched. This means increased demand for private rented accommodation, despite measures to make residential investment less attractive. Demand for rental properties remains high as more people across increasingly wide social spectrum are renting for longer, making investment in this sector attractive despite a number of impactful policy changes. The mortgaged buy to let landlord will be squeezed by more stamp duty, a greater exposure to capital gains tax, less income tax relief and greater mortgage

regulation. But existing mortgage regulation for those looking to buy their own home is likely to keep deposits high and continue to restrict access to homeownership. The tightening of mortgage regulations coupled with economic uncertainty will likely mean that future generations will struggle to accumulate housing wealth. For aspiring first-time buyers and second steppers, that points to continued reliance on the bank of Mum and Dad and schemes such as Help to Buy. The amount of equity put down by first-time buyers exceeded £10 billion in the year to the end of March 2017, an 85% increase on 10 years ago, however much of that, some £4.2 billion in England alone, was provided by the Bank of Mum and Dad or Help to Buy. We also expect to see more downsizing among older homeowners who are looking to unlock and pass on some of their housing wealth to younger generations. Ultimately, this indicates that, even if we don't see the same substantial increases in the value of the UK's housing stock, there are still opportunities for cash rich buyers, the build to rent sector that is now beginning to build up a head of steam and developers able to tap into the grey pound.

4.1.5. Rental Market

Annual rental growth remained at 1.6% in September 2017 according to the ONS and small monthly falls in London of 0.1% have been recorded, the first year since 2010 to see any rent falls in the capital. The East Midlands continues to show the strongest annual growth of 2.9%, followed by the South East at 2.5%. The outlook for rents is somewhat more stable than for house prices over the next five years as rental values are more closely linked with incomes than with measures that drive house price growth such as interest rates and mortgage availability. Rental growth will continue to slow in the near term due to tightening affordability and the effects of Brexit; greater uncertainty, higher inflation and a weak pound all impact how much households can spend on rents. However, this also means that barriers to home ownership remain high and as such renting will remain the tenure of choice for younger households.

The announcement of a 3% stamp duty surcharge on additional homes in 2016 led to a huge increase in transactions from buy-to-let investors before the 21 March 2016 deadline. As a result there was a large increase in properties marketed for rent in the second half of 2016 and early 2017 which has helped to keep rental value growth low – asking rents grew just 1.9% in the year to June 2017, and fell by 3.2% in London. Since June, the London market seems to have accommodated this new supply and rental values have stabilised. With the government removing tax relief on buy-to-let mortgage payments, we expect to see new rental supply slow down over the next few years – unless built to rent developers can step in to fill the gap.

Historically, rents have grown largely in line with wages, however recent wage growth in the UK has been stagnant as Brexit-wary employers try to limit their costs. This is forecast to change with rising levels of employment and incomes set to head back to real growth by 2019. Rental demand in London remains strong and will continue to do so, however increased choice has meant that tenants are more focused upon finding value and good quality units. Over 2016/17, prime rents across London fell by 5.4%, the most pronounced falls being in the highest value, core prime central London locations, which have experienced a decrease of 9.5% in rents since the credit crunch. The strong demand from young, affluent households currently seen is expected to continue due to the aforementioned barriers to home ownership. The strength of rental demand from other tenant groups will be more variable, and as such landlords will need to be realistic and flexible in their price expectations while offering stock of the best quality to ensure the property meets prospective tenants' requirements. We expect to see an uptick in the number of renters moving out to the commuter zone, and within these areas the preference will likely be for prime family housing in the suburbs and key commuter towns.

However in London affordability is already stretched and we see no pressure for rents to rise in excess of wage growth. High office housing costs make regional cities look increasingly attractive; Bristol, Birmingham and Manchester in particular. As a result, we have forecast lower rental value growth for cities such as Sheffield and Nottingham. Withdrawal of mortgage interest tax relief will also push investors from London to these higher-yielding regional locations. Increased rental supply in such locations will dampen potential rental growth. Lower rental growth is also expected in cities with fewer jobs in knowledge-intensive sectors and economies that rely more on the public sector as the Government continues with budget cuts, and so slower income growth in the public sector in cities such as Sheffield and Nottingham for example.

Below are the five year rental forecasts for the mainstream market as published by Savills research in November 2017:

Table 8: Mainstream Rental Forecasts

Mainstream Rental Forecasts - Five Year Forecast Values						
	2018	2019	2020	2021	2022	5-year
UK	2.5%	2.5%	3.0%	3.5%	3.5%	15.5%
Mainstream London	3.0%	3.0%	3.5%	3.5%	3.0%	17.0%

Source: Savills Research

4.1.6. Local Market Conditions

We have had detailed discussions about the current market conditions with a number of local estate agents operating within the location of the Properties. Most agents have experienced continually strong demand across the area from a mix of owner occupiers and buy to let landlords.

Local pricing will continue to be sensitive to particular streets and internal condition of units, however values throughout the locations all have significant growth. HM Land Registry house price growth in the South East is shown in **Table 9** below.

Table 9: Sales Volume and Average Property Price – South East

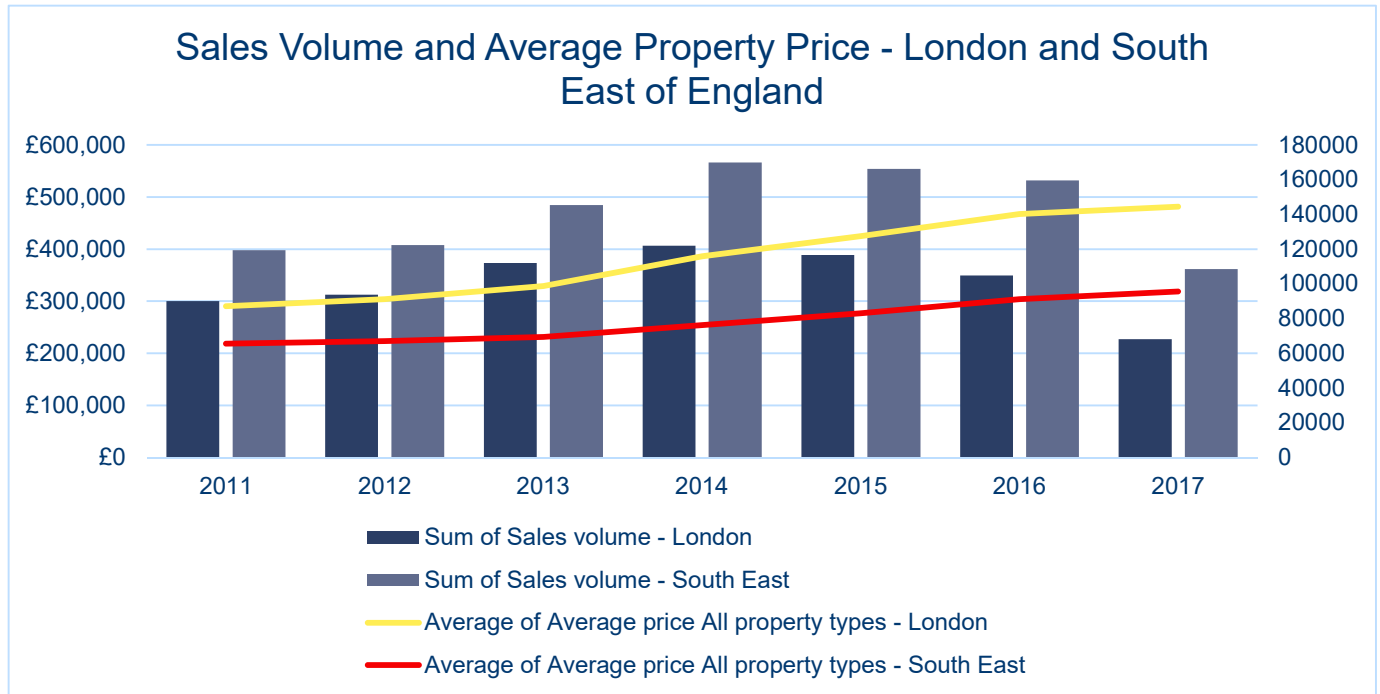
Year	Sales Volume	Annual Change	Average Price	Annual Change
2012	122,349	2%	£223,733	2%
2013	145,317	19%	£231,373	3%
2014	169,830	17%	£254,201	10%
2015	166,244	-2%	£276,942	9%
2016	159,382	-4%	£303,771	10%
2017	135,363*	-15%	£317,384**	4%

Source: HM Land Registry

*pro rated to full year

** to September 2017

Chart 2: Sales Volume and Average Property Price – London and South East2 (011 – 2017)



Source: HM Land Registry

In our discussions with local estate agents, most have experienced strong demand across the area from a range of purchaser types. Owner occupiers continue to be particularly interested in Victorian terraced houses. Likewise local buy to let investors active in the area and small developers looking for refurbishment opportunities reinforce this demand and often compete with young families for good houses. The lack of supply for this property type has had a strong influence on prices which has seen significant growth.

Having spoken to local agents and considered internet based research, we have established that the rental market in the area has continued to improve over the last 12 months. The rental market in Essex provides a cheaper alternative than many areas across London and the South East, which is key in the current climate of affordability issues. Based on our knowledge of the rental market, we understand that rental prices will vary considerably depending on the exact location of each units, as well as the internal quality and access to public transport.

4.1.7. Comparables

In order to provide market values and rental values we have used market sales and asking prices and achieved prices where available on properties in the immediate area to the subject units, including Rightmove, Rightmove plus and agents own websites and discussions with local agents where necessary.

Land registry information on recent completed sales for the immediate post code and where necessary those of the adjoining areas. Review of values for similar size and type of properties being marketed in the area of the actual location.

Where possible, discussion with agents and sales personnel on private sites has been completed. A comparison was made between the particular size, quality and condition of the property inspected and compared to known sales values and asking prices.

We undertake detailed research in to comparable sales and market lettings and details of these are kept on our files for audit purposes. We do not include comparables in our reports as some of this information is confidential and may be protected under the Data Protection Act.

All sale values were considered as open and not forced sales. To achieve values for resale research was undertaken using readily accessible sources that included:

- Determination of the area of similar properties related to market / social sector
- Land registry information on recent completed sales for the immediate post code and where necessary those of the adjoining areas
- Review of values for similar size and type of properties being marketed in the area of the actual location

A comparison between the particular size / quality / condition of the property viewed related to that of known sales values and those of what were being sought and a judgement made as to what could be considered as a fair actual value.

4.1.8. Vacant Possession Values

Table 10 below shows the average vacant possession values for the properties included within the valuation summarised by type and bedroom number:

Table 10: Vacant Possession Values

Type	Beds	No of Units	Average Indicative 100% VP	Aggregate Vacant Possession Value
Flat	0	14	£243,036	£3,402,500
	1	826	£248,254	£205,057,500
	2	889	£271,927	£241,743,500
	3	87	£389,282	£33,867,500
	4	10	£440,500	£4,405,000
	5	1	£495,000	£495,000
Flat Total		1,827	£348,000	£488,971,000
House	1	27	£301,148	£8,131,000
	2	459	£305,051	£140,018,250
	3	751	£337,274	£253,292,500
	4	175	£400,329	£70,057,500
	5	15	£511,667	£7,675,000
	6	8	£800,000	£6,400,000
House Total		1,435	£442,578	£485,574,250
Grand Total		3,262	£395,289	£974,545,250

Source: Savills

4.1.9. Market Rents

Table 11 below shows the average rental values for the properties included within the valuation summarised by type and bedroom number:

Table 11: Average Market Rents (pw)

Type	Beds	No of Units	Average Market Rent (pw)	Aggregate Market Rent (pa)
Flat	0	14	£202.58	£147,480
	1	826	£168.41	£7,233,480
	2	889	£194.23	£8,978,640
	3	87	£305.08	£1,380,180
	4	10	£434.77	£226,080
	5	1	£530.77	£27,600
Flat Total		1,827	305.97	£17,993,460
House	1	27	£210.26	£295,200
	2	459	£238.68	£5,696,880
	3	751	£267.34	£10,440,240
	4	175	£326.57	£2,971,800
	5	15	£469.15	£365,940
	6	8	£646.15	£268,800
House Total		1,435	359.69	20,038,860
Grand Total		3,262	£332.83	£38,032,320

5. Valuation Approach

5.1. Existing Use Value For Social Housing - Valuation Approach

5.1.1. Approach to EUV-SH

EUV-SH for loan security assumes the property will be disposed of by a mortgagee in possession to another registered provider of social housing (“RP”) who will continue the use of the properties for social housing. These organisations will calculate their bid according to their projected income and outgoings profile which they would estimate the properties would produce under their management. This basis assumes rents will remain affordable to those in low paid employment and that all vacant units will be relet on the same basis.

We consider that the appropriate method of valuation is to use a discounted cash flow (“DCF”). The DCF allows us to project rental income and expenditure over the term of the cash flow to arrive at an annual surplus or deficit, which is then discounted to a net present value. However it is also necessary to consider comparable transactional evidence where available.

5.1.2. Principal DCF Variables

The DCF assumptions are derived from information received from the RP and economic data. The table below sets out our principal assumptions. More detailed discussion on discount rate, adopted rent levels and rental growth is contained in the following sections.

Table 12: DCF Variables

DCF Variable	Amount	Year	Variable Unit	Source
Average current rent	125.88	Current	£ per week	The Issuer and the Original Charging Subsidiary
Maximum “convergence” rent	134.70	Current	£ per week	The Issuer and the Original Charging Subsidiary
Voids and bad debts	1.0% - 1.5%	All Years	% of Rent	The Issuer and the Original Charging Subsidiary/ Savills
Turnover	2% House 4% Flats	All Years	% pa	Savills
Management costs	(Ave 9% pa) £450 - £650	All Years	£ per unit pa	Savills
Cyclical & responsive maintenance costs	£300	All Years	£ per unit pa	Savills
Programmed maintenance costs	£700	All Years	Average £ per unit pa	Savills
Rental inflation	2.50%	Year 1	% Real	Savills
	2.25%	Year 2		
	2.00%	Long Term		
Maintenance cost inflation	0.50%	Year 1	% real pa	Savills
	0.75%	Year 2		
	1.00%	Long Term		

DCF Variable	Amount	Year	Variable Unit	Source
Programmed cost inflation	-0.50%	Year 1	% real pa	Savills
	-0.50%	Year 2		
	0.50%	Long Term		
Discount rate	4.25% - 5.25%	All Years	% real pa	Savills

5.1.3. Discount Rate

There is no hard-and-fast rule for determining the most appropriate rate to be adopted in a discounted cash flow. The discount rate is probably the most important variable in the model since it determines the net present value of future predicted income and expenditure flows for the property in question. Our role as valuers is to interpret the way in which potential purchasers of the stock would assess their bids. The market for this stock will be within the RP sector.

Effectively, the discount rate is representative of both the long-term cost of borrowing for an acquiring organisation and the risks implicit in the property portfolio concerned. The current level of long-term interest rates and the overall cost of funds must be reflected in our valuation. In addition to considering the cost of funds, we also need to make an allowance for the risk which attaches to our cashflow assumptions – some of which may be subject to a higher degree of risk than those generally made in the business plans. The margin for risk needs to be considered on a case-by-case basis, having regard to the nature of the stock.

Currently the yield on 30 year Gilts is around 1.80%. This is in effect the risk free discount rate. Yields on Housing Association long dated, rated and unrated bonds are typically around 2.90% to 3.25% (Source: Social Housing, December 2017).

Recent activity in the Bond market with public rated issues include the London & Quadrant Housing Trust Bonds structured in two £250m tranches with coupons of 2.75% (1.05% spread) and 2.25% (1% spread) respectively and, most recently, in October 2017 Notting Hill Housing Trust 3.25% (1.35% spread), Catalyst 3.25% (1.30 spread), WM Group 3.25% (1.37% spread) and Housing & Care 21 in November 2017 3.288 (1.38 spread).

Table 13: UK gilt yields at January 2018 were as follows:

Maturity	Current Yield	1 month ago
10 year	1.39	1.39
20 year	1.78	1.78
30 year	1.87	1.87

* Source: Savills Financial Consultants

The supply of traditional long term (25 or 30 year) funding has diminished and is only available from a handful of lenders. Shorter term traditional funding (5–7 years) and funding with in-built options to re-price margins at a future date are commonplace, introducing a new level of re-financing risk to business plans.



Notwithstanding this, new business plans are typically being run at nominal interest rates at 'all-in' long term cost of funds including margin of around 5%, reflecting the availability of long term finance from the capital markets but also future refinancing risk.

Given the sustained reduction in funding costs our view is that for good quality, generally non-problematical stock, a discount rate between 4.75% and 5.5% real is appropriate (over a long-term CPI inflation rate of 2%). A greater margin for risk will be appropriate in some cases. We would expect to value poorer stock at rates around 5.5% to 6.25% real. On the other hand, exceptional stock could be valued at rates around 4.25% to 4.75% real. We would stress our cashflows are run in perpetuity and not over 30 years.

We have adopted a discount rate of 4.75% real over an assumed CPI inflation rate of 2.0% for the subject Property. This is the rate applied over the cashflow run in perpetuity. We consider this reflects the type, age, condition and geographical spread of the stock.

For your information our valuation implies a real discount rate over a 30 year cashflow of 3.31% - 3.36%.

5.1.4. Sales Between Registered Providers – Transactional Evidence

Until recently evidence of sales between RPs was extremely limited – most transactions were simple transfers of engagements. However in recent years there has been a growing body of transactional evidence from competitive sales. The evidence confirms RPs have a consistent tendency to pay a higher sums for some social housing portfolios than would be suggested by traditional, purely cashflow driven, EUV-SH valuations. Savills has been heavily involved in this emerging market and has a database of transactions covering circa 22,000 units.

Although the body of evidence is relatively small compared to the total RP stock in the UK and the market is still immature, we are able to derive a view of the prices achieved for certain kinds of stock and lot sizes. Assuming a sensible lotting of units in smaller batches of circa 100 units, bids between 5% to 30% above traditional EUV-SH levels are common for more modern stock in reasonable proximity to amenities. In addition it can be seen that yields of between 4% and 10% are consistently achieved on such sales.

In contrast it is apparent that for lots exceeding around 300 properties the prices achieved appear to be in line with the traditional, cashflow approach to EUV-SH.

We have looked at the sales evidence, in particular regard sales within the last 3 years. The most relevant sales evidence is shown in the following table:

Table 14: RP Stock Sales Evidence

Portfolio Description	No. of Properties	Date of sale	Price per unit achieved	Net yield %
London	60	Q2 2015	£170,000	6.44%
London (flats)	20	Q3 2017	£97,900	6.25%

Source Savills

We have considered this evidence and have also consulted with colleagues active in the marketing of social housing portfolios.

5.2. Market Value Subject to Tenancies (MV-STT) - Valuation Approach

5.2.1. Valuation Methodology - MV-STT

We assess the MV-STT in two ways; firstly by applying a discount to Market Value with Vacant Possession (“MV-VP”) and secondly by applying a yield to rental income.

The valuation of properties and portfolios subject to Assured and Secure tenancies is carried out with direct reference to comparable evidence, gleaned from the sales of similar tenanted portfolios and individual units, and sold subject to Protected Tenancies and on Assured Shorthold Tenancies. There is an established body of evidence from portfolios traded on the open market to which we can refer.

Investors tend to base their bid on their ability to “trade out” individual units at Market Value assuming vacant possession over time. In locations where there is a limited market or where a property is difficult to trade, owing to style or market conditions, investors will base their bid on rental return compared to capital cost.

The discount to MV-VP ranges from 10% for prime property to 50% where market conditions are difficult. Typical rates are around a 20% to 30% discount to MV-VP for properties subject to AST tenancies.

The yield applied to net income varies from 5% or less for prime property, to 7% or more for poorer locations. This equates to a yield on gross income (after deductions for management, maintenance & voids) of between 7% to 10% and possibly higher for Sheltered accommodation.

5.2.2. Principal Assumptions – MV-STT

We have considered the above in arriving at our valuation. The yield and other principal assumptions adopted are set out below.

Table 16: MV-STT Assumptions

Variable	Variable	Year	Amount
Gross Annual Rental Income*	£	Current	38,032,320
Voids	% of Rent Debit p.a.	All years	2 – 3%
Management	% of Rent Debit p.a.	All years	9% - 12%
Maintenance	% of Rent Debit p.a.	All Years	11 – 12%
Net Yield Applied	%	All Years	4.44%

Source: Savills

*Note: market rent assumed

5.3. Shared Ownership - Valuation Approach

5.3.1. General

There are no shared ownership properties within the subject stock.

5.4. Valuation Considerations

5.4.1. Housing and Planning Act 2016

The Housing and Planning Act 2016 contained proposals to deregulate the housing sector which will give much greater freedom to housing providers to dispose of and manage their property assets. The deregulation provisions came into effect on 6 April 2017. As a result, s.133 of the Housing Act 1988, which requires consent to be obtained prior to disposal of transferred property, is no longer effective. Valuations of LSVT stock after April 2017 can be undertaken on a Market Value basis where lenders' requirements and legal title permit.

The deregulation provisions contained in the Act could potentially also affect the value of social housing assets where valuations are undertaken on the basis of Existing Use Value for Social Housing – a valuation basis which seeks to reflect the value of the properties if sold within the sector. At present it is too early to tell how and if values will be affected. Whether or not valuations on EUV-SH will change will depend on how housing providers respond to the changes and whether or not their behaviour, in relation to the management and disposal of their housing stock, alters. However if behaviour does change the impact on levels of EUV-SH is likely to be positive.

6. Valuations

6.1. Valuations

6.1.1. Valuation of Freehold and Leasehold Property that may be disposed at MV-STT (£)

Properties that may be disposed of by a mortgagee in possession at MV-STT, that is on an unfettered basis (meaning subject to existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use) as referred to in paragraph 1.2 above.

Our opinion of value, in aggregate, of the 1,290 dwellings as mentioned at 1.2 above to be allocated for the benefit of holders of the 2028 Bonds, on the basis of

- Market Value – Subject to Tenancies (MV-STT) is **£291,706,282 (Two hundred and ninety one million, seven hundred and six thousand, two hundred and eighty two pounds)**

Our opinion of value, in aggregate, of the 1,409 dwellings as mentioned at 1.2 above to be allocated for the benefit of holders the 2053 Bonds, on the basis of

- Market Value – Subject to Tenancies (MV-STT) is **£292,473,354 (Two hundred and ninety two million, four hundred and seventy three thousand, three hundred and fifty four pounds)**

6.1.2. Valuation of Freehold and Leasehold Property that may be disposed at EUV-SH (£)

Our opinion of value of the 281 dwellings as mentioned at 1.3 above to be allocated for the benefit of holders of the 2028 Bonds, on the basis of,

- Existing Use for Social Housing is **£33,158,050 (Thirty three million, one hundred and fifty eight thousand and fifty pounds)**

Our opinion of value of the 282 dwelling as mentioned at 1.3 above to be allocated for the benefit of holders of the 2053 Bonds, on the basis of,

- Existing Use for Social Housing is **£31,145,040 (Thirty one million, one hundred and forty five thousand and forty pounds)**

6.1.3. Summary Valuations

Table 17: Summary of valuations in respect of the properties to be allocated for the benefit of holders of the 2028 Bonds

Entity	No Units	Valued on EUV-SH basis	No Units	Valued on MV-STT basis	Total
Issuer	281	£33,158,050	1,043	£229,977,564	£263,135,614
Original Charging Subsidiary	-	-	247	£61,728,718	£61,728,718
Total	281	£33,158,050	1,290	£291,706,282	£324,864,332

Table 18: Summary of valuations in respect of the properties to be allocated for the benefit of holders of 2053 Bonds

Entity	No Units	Valued on EUV-SH basis	No Units	Valued on MV-STT basis	Total
Issuer	282	£31,145,040	1,409	£292,473,354	£323,618,394
Total	282	£31,145,040	1,409	£292,473,354	£323,618,394

6.2. Summary of Freehold and Leasehold Properties

Bonds	Entity	Ownership	No Units	Valued on EUV-SH basis	Valued on MV-STT basis	Total
2028	Issuer	Freehold	1,309	£31,127,895	£219,741,101	£250,868,996
		Leasehold	67	£2,030,155	£10,236,463	£12,266,618
	Original Charging Subsidiary	Freehold	313	-	£61,728,718	£61,728,718
Subtotal			1,689	£33,158,050	£291,706,282	£324,864,332
2053	Issuer	Freehold	1,670	£27,965,735	£289,672,054	£317,637,789
		Leasehold	46	£3,179,305	£2,801,300	£5,980,605
Subtotal			1,716	31,145,040	292,473,354	£323,618,394
Total			3,405	£64,303,090	£584,179,637	£648,482,727



6.3. Lotting and Value Disaggregation

We have valued the properties as a single lot. As a result we have not assessed individual valuations for each Property. We have, however, provided a disaggregation of the overall valuation figures by reference to the appropriate rent and these figures are shown on the property schedule at **Appendix 3**

The lender must be aware that the per unit figures shown in the schedule should not be regarded as individual valuations of the Properties. They are provided as indicative figures for administrative purposes only.

7. Suitability, Liability & Confidentiality

7.1. Suitability as Loan Security

7.1.1. Lender's Responsibility

It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture or mortgage. However, it is a matter for the lender to assess the risks involved and make its own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.

In this Report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.

We have made subjective adjustments during our valuation approach in arriving at our opinion and whilst we consider these to be both logical and appropriate they are not necessarily the same adjustments which would be made by a purchaser acquiring the Properties.

Where we have expressed any reservations about any Property we have reflected these in the valuation figure reported. However it may be that the purchasers in the market at the time the property is marketed might take a different view.

7.1.2. Suitability as Security

We have considered each of the principal risks associated with the Properties within the context of the wider property market and these risks are reflected in our valuation calculations and reported figures as appropriate.

Overall, we consider that the Properties provide good security for a loan secured upon it, which reflects the nature of the Properties, our reported opinions of value and the risks involved.

7.2. Verification

This Report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this Report.

We recommend that investors satisfy themselves on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purposes of our valuations. Our valuations should not be relied upon pending this verification process.

We hope the above is acceptable for your purposes, should you have any queries, please do not hesitate to contact us.

Yours faithfully



Catherine Smith BSc (Hons) MRICS
Associate Director
RICS Registered Valuer
For and on behalf of Savills Advisory Services Limited



Andy Smith IRRV MRICS
Director
RICS Registered Valuer
For and on behalf of Savills Advisory Services Limited

Appendix 1

Executive Summary of Valuation

Executive Summary

2028 Bonds

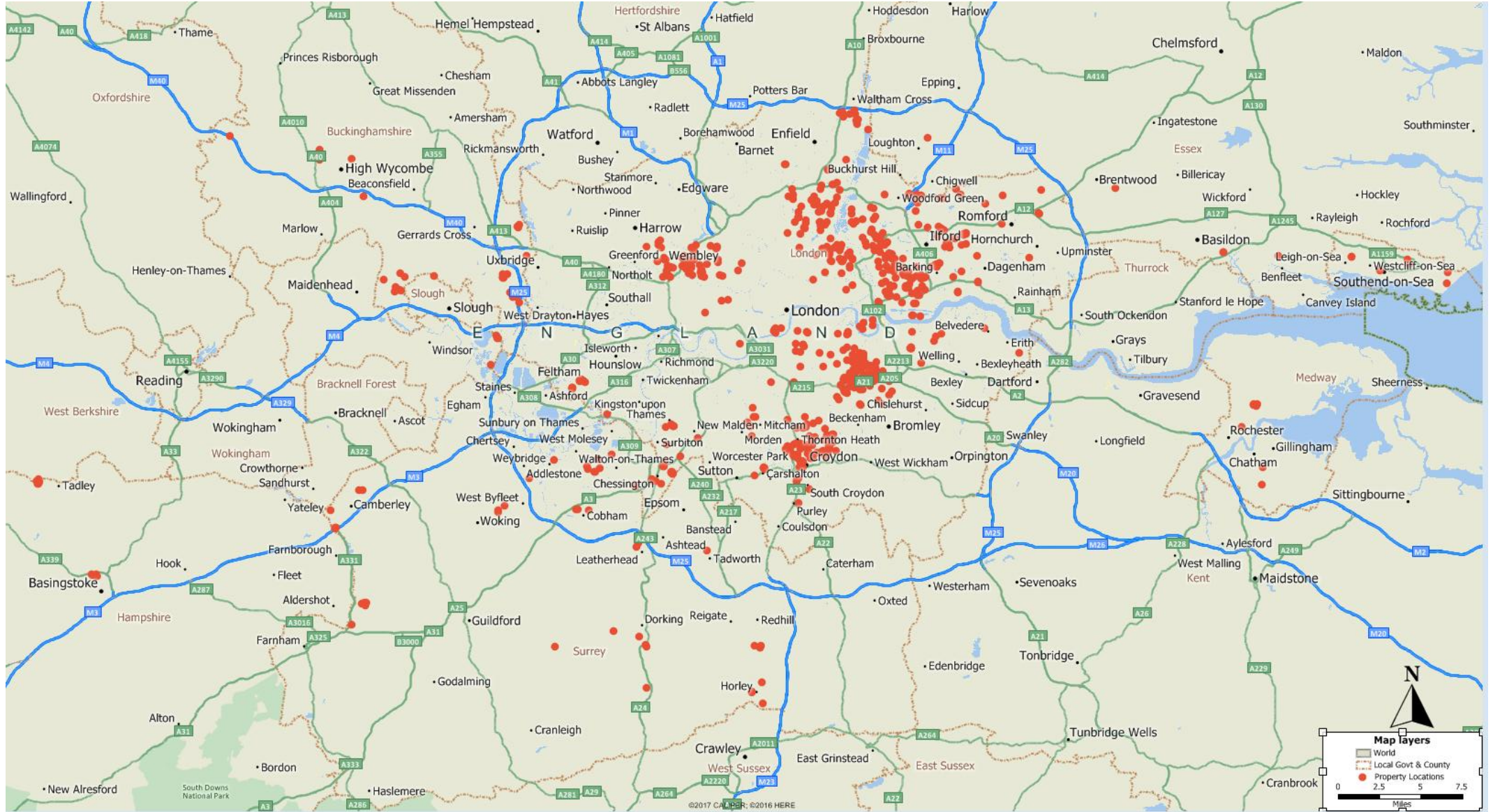
Value Group	Units	Total Rent £pw (52 weeks)	Vacant Possession Value	MV-STT	EUV-SH
Issuer					
General Needs – Social Rent	1,184	147,667	353,085,488	207,789,554	30,611,875
General Needs – Affordable Rent	71	9,624	18,910,630	12,120,910	1,524,585
Supported	69	8,147	16,660,500	10,067,100	1,021,590
Nil Value	52	-	-	-	-
<i>Subtotal</i>	<i>1,376</i>	<i>164,438</i>	<i>388,656,618</i>	<i>229,977,564</i>	<i>33,158,050</i>
Original Charging Subsidiary					
General Needs – Social Rent	221	28,172	71,111,500	55,338,218	-
General Needs – Affordable Rent	3	471	735,275	669,000	-
Rent to But	12	2,214	4,370,850	3,595,500	-
Supported	11	1,420	2,965,375	2,126,000	-
Nil Value	66	-	-	-	-
<i>Subtotal</i>	<i>313</i>	<i>32,277</i>	<i>79,183,000</i>	<i>61,728,718</i>	<i>-</i>
Grand Total	1,689	197,715	467,839,618	291,706,282	33,158,050

Executive Summary

2053 Bonds

Value Group	Units	Total Rent £pw (52 weeks)	Vacant Possession Value	MV-STT	EUV-SH
Issuer					
General Needs – Social Rent	1,524	190,382	417,497,750	270,509,486	25,548,940
General Needs – Affordable Rent	96	14,628	23,954,894	18,320,118	1,300,725
Supported	71	7,894	14,600,350	3,643,750	4,295,375
Nil Value	25	109	-	-	-
Grand Total	1,716	213,013	456,052,995	292,473,354	31,145,040

Appendix 2 Map of Properties



Appendix 3
Schedule of Properties



Project Overview
Schedule of Properties

Version: 1.0

Year	2024	2025	2026	2027	2028	2029	2030	
Value	100	100	100	100	100	100	100	
...	
Total	700							700

Year	2024	2025	2026	2027	2028	2029	2030
1	AC000001	AC000002	AC000003	AC000004	AC000005	AC000006	AC000007
2	AC000008	AC000009	AC000010	AC000011	AC000012	AC000013	AC000014
3	AC000015	AC000016	AC000017	AC000018	AC000019	AC000020	AC000021
4	AC000022	AC000023	AC000024	AC000025	AC000026	AC000027	AC000028
5	AC000029	AC000030	AC000031	AC000032	AC000033	AC000034	AC000035
6	AC000036	AC000037	AC000038	AC000039	AC000040	AC000041	AC000042
7	AC000043	AC000044	AC000045	AC000046	AC000047	AC000048	AC000049
8	AC000050	AC000051	AC000052	AC000053	AC000054	AC000055	AC000056
9	AC000057	AC000058	AC000059	AC000060	AC000061	AC000062	AC000063
10	AC000064	AC000065	AC000066	AC000067	AC000068	AC000069	AC000070
11	AC000071	AC000072	AC000073	AC000074	AC000075	AC000076	AC000077
12	AC000078	AC000079	AC000080	AC000081	AC000082	AC000083	AC000084
13	AC000085	AC000086	AC000087	AC000088	AC000089	AC000090	AC000091
14	AC000092	AC000093	AC000094	AC000095	AC000096	AC000097	AC000098
15	AC000099	AC000100	AC000101	AC000102	AC000103	AC000104	AC000105
16	AC000106	AC000107	AC000108	AC000109	AC000110	AC000111	AC000112
17	AC000113	AC000114	AC000115	AC000116	AC000117	AC000118	AC000119
18	AC000120	AC000121	AC000122	AC000123	AC000124	AC000125	AC000126
19	AC000127	AC000128	AC000129	AC000130	AC000131	AC000132	AC000133
20	AC000134	AC000135	AC000136	AC000137	AC000138	AC000139	AC000140
21	AC000141	AC000142	AC000143	AC000144	AC000145	AC000146	AC000147
22	AC000148	AC000149	AC000150	AC000151	AC000152	AC000153	AC000154
23	AC000155	AC000156	AC000157	AC000158	AC000159	AC000160	AC000161
24	AC000162	AC000163	AC000164	AC000165	AC000166	AC000167	AC000168
25	AC000169	AC000170	AC000171	AC000172	AC000173	AC000174	AC000175
26	AC000176	AC000177	AC000178	AC000179	AC000180	AC000181	AC000182
27	AC000183	AC000184	AC000185	AC000186	AC000187	AC000188	AC000189
28	AC000190	AC000191	AC000192	AC000193	AC000194	AC000195	AC000196
29	AC000197	AC000198	AC000199	AC000200	AC000201	AC000202	AC000203
30	AC000204	AC000205	AC000206	AC000207	AC000208	AC000209	AC000210
31	AC000211	AC000212	AC000213	AC000214	AC000215	AC000216	AC000217
32	AC000218	AC000219	AC000220	AC000221	AC000222	AC000223	AC000224
33	AC000225	AC000226	AC000227	AC000228	AC000229	AC000230	AC000231
34	AC000232	AC000233	AC000234	AC000235	AC000236	AC000237	AC000238
35	AC000239	AC000240	AC000241	AC000242	AC000243	AC000244	AC000245
36	AC000246	AC000247	AC000248	AC000249	AC000250	AC000251	AC000252
37	AC000253	AC000254	AC000255	AC000256	AC000257	AC000258	AC000259
38	AC000260	AC000261	AC000262	AC000263	AC000264	AC000265	AC000266
39	AC000267	AC000268	AC000269	AC000270	AC000271	AC000272	AC000273
40	AC000274	AC000275	AC000276	AC000277	AC000278	AC000279	AC000280
41	AC000281	AC000282	AC000283	AC000284	AC000285	AC000286	AC000287
42	AC000288	AC000289	AC000290	AC000291	AC000292	AC000293	AC000294
43	AC000295	AC000296	AC000297	AC000298	AC000299	AC000300	AC000301
44	AC000302	AC000303	AC000304	AC000305	AC000306	AC000307	AC000308
45	AC000309	AC000310	AC000311	AC000312	AC000313	AC000314	AC000315
46	AC000316	AC000317	AC000318	AC000319	AC000320	AC000321	AC000322
47	AC000323	AC000324	AC000325	AC000326	AC000327	AC000328	AC000329
48	AC000330	AC000331	AC000332	AC000333	AC000334	AC000335	AC000336
49	AC000337	AC000338	AC000339	AC000340	AC000341	AC000342	AC000343
50	AC000344	AC000345	AC000346	AC000347	AC000348	AC000349	AC000350
51	AC000351	AC000352	AC000353	AC000354	AC000355	AC000356	AC000357
52	AC000358	AC000359	AC000360	AC000361	AC000362	AC000363	AC000364
53	AC000365	AC000366	AC000367	AC000368	AC000369	AC000370	AC000371
54	AC000372	AC000373	AC000374	AC000375	AC000376	AC000377	AC000378
55	AC000379	AC000380	AC000381	AC000382	AC000383	AC000384	AC000385
56	AC000386	AC000387	AC000388	AC000389	AC000390	AC000391	AC000392
57	AC000393	AC000394	AC000395	AC000396	AC000397	AC000398	AC000399
58	AC000400	AC000401	AC000402	AC000403	AC000404	AC000405	AC000406
59	AC000407	AC000408	AC000409	AC000410	AC000411	AC000412	AC000413
60	AC000414	AC000415	AC000416	AC000417	AC000418	AC000419	AC000420
61	AC000421	AC000422	AC000423	AC000424	AC000425	AC000426	AC000427
62	AC000428	AC000429	AC000430	AC000431	AC000432	AC000433	AC000434
63	AC000435	AC000436	AC000437	AC000438	AC000439	AC000440	AC000441
64	AC000442	AC000443	AC000444	AC000445	AC000446	AC000447	AC000448
65	AC000449	AC000450	AC000451	AC000452	AC000453	AC000454	AC000455
66	AC000456	AC000457	AC000458	AC000459	AC000460	AC000461	AC000462
67	AC000463	AC000464	AC000465	AC000466	AC000467	AC000468	AC000469
68	AC000470	AC000471	AC000472	AC000473	AC000474	AC000475	AC000476
69	AC000477	AC000478	AC000479	AC000480	AC000481	AC000482	AC000483
70	AC000484	AC000485	AC000486	AC000487	AC000488	AC000489	AC000490
71	AC000491	AC000492	AC000493	AC000494	AC000495	AC000496	AC000497
72	AC000498	AC000499	AC000500	AC000501	AC000502	AC000503	AC000504
73	AC000505	AC000506	AC000507	AC000508	AC000509	AC000510	AC000511
74	AC000512	AC000513	AC000514	AC000515	AC000516	AC000517	AC000518
75	AC000519	AC000520	AC000521	AC000522	AC000523	AC000524	AC000525
76	AC000526	AC000527	AC000528	AC000529	AC000530	AC000531	AC000532
77	AC000533	AC000534	AC000535	AC000536	AC000537	AC000538	AC000539
78	AC000540	AC000541	AC000542	AC000543	AC000544	AC000545	AC000546
79	AC000547	AC000548	AC000549	AC000550	AC000551	AC000552	AC000553
80	AC000554	AC000555	AC000556	AC000557	AC000558	AC000559	AC000560
81	AC000561	AC000562	AC000563	AC000564	AC000565	AC000566	AC000567
82	AC000568	AC000569	AC000570	AC000571	AC000572	AC000573	AC000574
83	AC000575	AC000576	AC000577	AC000578	AC000579	AC000580	AC000581
84	AC000582	AC000583	AC000584	AC000585	AC000586	AC000587	AC000588
85	AC000589	AC000590	AC000591	AC000592	AC000593	AC000594	AC000595
86	AC000596	AC000597	AC000598	AC000599	AC000600	AC000601	AC000602
87	AC000603	AC000604	AC000605	AC000606	AC000607	AC000608	AC000609
88	AC000610	AC000611	AC000612	AC000613	AC000614	AC000615	AC000616
89	AC000617	AC000618	AC000619	AC000620	AC000621	AC000622	AC000623
90	AC000624	AC000625	AC000626	AC000627	AC000628	AC000629	AC000630
91	AC000631	AC000632	AC000633	AC000634	AC000635	AC000636	AC000637
92	AC000638	AC000639	AC000640	AC000641	AC000642	AC000643	AC000644
93	AC000645	AC000646	AC000647	AC000648	AC000649	AC000650	AC000651
94	AC000652	AC000653	AC000654	AC000655	AC000656	AC000657	AC000658
95	AC000659	AC000660	AC000661	AC000662	AC000663	AC000664	AC000665
96	AC000666	AC000667	AC000668	AC000669	AC000670	AC000671	AC000672
97	AC000673	AC000674	AC000675	AC000676	AC000677	AC000678	AC000679
98	AC000680	AC000681	AC000682	AC000683	AC000684	AC000685	AC000686
99	AC000687	AC000688	AC000689	AC000690	AC000691	AC000692	AC000693
100	AC000694	AC000695	AC000696	AC000697	AC000698	AC000699	AC000700



Project Breakdown
Schedule of Properties

Version 2.0

Year	2024	2025	2026	2027	2028	2029	2030
Total	308	403.28	494.28	584.28	674.28	764.28	854.28

Year	2024	2025	2026	2027	2028	2029	2030
1	AC010001	AC010002	AC010003	AC010004	AC010005	AC010006	AC010007
2	AC010008	AC010009	AC010010	AC010011	AC010012	AC010013	AC010014
3	AC010015	AC010016	AC010017	AC010018	AC010019	AC010020	AC010021
4	AC010022	AC010023	AC010024	AC010025	AC010026	AC010027	AC010028
5	AC010029	AC010030	AC010031	AC010032	AC010033	AC010034	AC010035
6	AC010036	AC010037	AC010038	AC010039	AC010040	AC010041	AC010042
7	AC010043	AC010044	AC010045	AC010046	AC010047	AC010048	AC010049
8	AC010050	AC010051	AC010052	AC010053	AC010054	AC010055	AC010056
9	AC010057	AC010058	AC010059	AC010060	AC010061	AC010062	AC010063
10	AC010064	AC010065	AC010066	AC010067	AC010068	AC010069	AC010070
11	AC010071	AC010072	AC010073	AC010074	AC010075	AC010076	AC010077
12	AC010078	AC010079	AC010080	AC010081	AC010082	AC010083	AC010084
13	AC010085	AC010086	AC010087	AC010088	AC010089	AC010090	AC010091
14	AC010092	AC010093	AC010094	AC010095	AC010096	AC010097	AC010098
15	AC010099	AC010100	AC010101	AC010102	AC010103	AC010104	AC010105
16	AC010106	AC010107	AC010108	AC010109	AC010110	AC010111	AC010112
17	AC010113	AC010114	AC010115	AC010116	AC010117	AC010118	AC010119
18	AC010120	AC010121	AC010122	AC010123	AC010124	AC010125	AC010126
19	AC010127	AC010128	AC010129	AC010130	AC010131	AC010132	AC010133
20	AC010134	AC010135	AC010136	AC010137	AC010138	AC010139	AC010140
21	AC010141	AC010142	AC010143	AC010144	AC010145	AC010146	AC010147
22	AC010148	AC010149	AC010150	AC010151	AC010152	AC010153	AC010154
23	AC010155	AC010156	AC010157	AC010158	AC010159	AC010160	AC010161
24	AC010162	AC010163	AC010164	AC010165	AC010166	AC010167	AC010168
25	AC010169	AC010170	AC010171	AC010172	AC010173	AC010174	AC010175
26	AC010176	AC010177	AC010178	AC010179	AC010180	AC010181	AC010182
27	AC010183	AC010184	AC010185	AC010186	AC010187	AC010188	AC010189
28	AC010190	AC010191	AC010192	AC010193	AC010194	AC010195	AC010196
29	AC010197	AC010198	AC010199	AC010200	AC010201	AC010202	AC010203
30	AC010204	AC010205	AC010206	AC010207	AC010208	AC010209	AC010210
31	AC010211	AC010212	AC010213	AC010214	AC010215	AC010216	AC010217
32	AC010218	AC010219	AC010220	AC010221	AC010222	AC010223	AC010224
33	AC010225	AC010226	AC010227	AC010228	AC010229	AC010230	AC010231
34	AC010232	AC010233	AC010234	AC010235	AC010236	AC010237	AC010238
35	AC010239	AC010240	AC010241	AC010242	AC010243	AC010244	AC010245
36	AC010246	AC010247	AC010248	AC010249	AC010250	AC010251	AC010252
37	AC010253	AC010254	AC010255	AC010256	AC010257	AC010258	AC010259
38	AC010260	AC010261	AC010262	AC010263	AC010264	AC010265	AC010266
39	AC010267	AC010268	AC010269	AC010270	AC010271	AC010272	AC010273
40	AC010274	AC010275	AC010276	AC010277	AC010278	AC010279	AC010280
41	AC010281	AC010282	AC010283	AC010284	AC010285	AC010286	AC010287
42	AC010288	AC010289	AC010290	AC010291	AC010292	AC010293	AC010294
43	AC010295	AC010296	AC010297	AC010298	AC010299	AC010300	AC010301
44	AC010302	AC010303	AC010304	AC010305	AC010306	AC010307	AC010308
45	AC010309	AC010310	AC010311	AC010312	AC010313	AC010314	AC010315
46	AC010316	AC010317	AC010318	AC010319	AC010320	AC010321	AC010322
47	AC010323	AC010324	AC010325	AC010326	AC010327	AC010328	AC010329
48	AC010330	AC010331	AC010332	AC010333	AC010334	AC010335	AC010336
49	AC010337	AC010338	AC010339	AC010340	AC010341	AC010342	AC010343
50	AC010344	AC010345	AC010346	AC010347	AC010348	AC010349	AC010350
51	AC010351	AC010352	AC010353	AC010354	AC010355	AC010356	AC010357
52	AC010358	AC010359	AC010360	AC010361	AC010362	AC010363	AC010364
53	AC010365	AC010366	AC010367	AC010368	AC010369	AC010370	AC010371
54	AC010372	AC010373	AC010374	AC010375	AC010376	AC010377	AC010378
55	AC010379	AC010380	AC010381	AC010382	AC010383	AC010384	AC010385
56	AC010386	AC010387	AC010388	AC010389	AC010390	AC010391	AC010392
57	AC010393	AC010394	AC010395	AC010396	AC010397	AC010398	AC010399
58	AC010400	AC010401	AC010402	AC010403	AC010404	AC010405	AC010406
59	AC010407	AC010408	AC010409	AC010410	AC010411	AC010412	AC010413
60	AC010414	AC010415	AC010416	AC010417	AC010418	AC010419	AC010420
61	AC010421	AC010422	AC010423	AC010424	AC010425	AC010426	AC010427
62	AC010428	AC010429	AC010430	AC010431	AC010432	AC010433	AC010434
63	AC010435	AC010436	AC010437	AC010438	AC010439	AC010440	AC010441
64	AC010442	AC010443	AC010444	AC010445	AC010446	AC010447	AC010448
65	AC010449	AC010450	AC010451	AC010452	AC010453	AC010454	AC010455
66	AC010456	AC010457	AC010458	AC010459	AC010460	AC010461	AC010462
67	AC010463	AC010464	AC010465	AC010466	AC010467	AC010468	AC010469
68	AC010470	AC010471	AC010472	AC010473	AC010474	AC010475	AC010476
69	AC010477	AC010478	AC010479	AC010480	AC010481	AC010482	AC010483
70	AC010484	AC010485	AC010486	AC010487	AC010488	AC010489	AC010490
71	AC010491	AC010492	AC010493	AC010494	AC010495	AC010496	AC010497
72	AC010498	AC010499	AC010500	AC010501	AC010502	AC010503	AC010504
73	AC010505	AC010506	AC010507	AC010508	AC010509	AC010510	AC010511
74	AC010512	AC010513	AC010514	AC010515	AC010516	AC010517	AC010518
75	AC010519	AC010520	AC010521	AC010522	AC010523	AC010524	AC010525
76	AC010526	AC010527	AC010528	AC010529	AC010530	AC010531	AC010532
77	AC010533	AC010534	AC010535	AC010536	AC010537	AC010538	AC010539
78	AC010540	AC010541	AC010542	AC010543	AC010544	AC010545	AC010546
79	AC010547	AC010548	AC010549	AC010550	AC010551	AC010552	AC010553
80	AC010554	AC010555	AC010556	AC010557	AC010558	AC010559	AC010560
81	AC010561	AC010562	AC010563	AC010564	AC010565	AC010566	AC010567
82	AC010568	AC010569	AC010570	AC010571	AC010572	AC010573	AC010574
83	AC010575	AC010576	AC010577	AC010578	AC010579	AC010580	AC010581
84	AC010582	AC010583	AC010584	AC010585	AC010586	AC010587	AC010588
85	AC010589	AC010590	AC010591	AC010592	AC010593	AC010594	AC010595
86	AC010596	AC010597	AC010598	AC010599	AC010600	AC010601	AC010602
87	AC010603	AC010604	AC010605	AC010606	AC010607	AC010608	AC010609
88	AC010610	AC010611	AC010612	AC010613	AC010614	AC010615	AC010616
89	AC010617	AC010618	AC010619	AC010620	AC010621	AC010622	AC010623
90	AC010624	AC010625	AC010626	AC010627	AC010628	AC010629	AC010630
91	AC010631	AC010632	AC010633	AC010634	AC010635	AC010636	AC010637
92	AC010638	AC010639	AC010640	AC010641	AC010642	AC010643	AC010644
93	AC010645	AC010646	AC010647	AC010648	AC010649	AC010650	AC010651
94	AC010652	AC010653	AC010654	AC010655	AC010656	AC010657	AC010658
95	AC010659	AC010660	AC010661	AC010662	AC010663	AC010664	AC010665
96	AC010666	AC010667	AC010668	AC010669	AC010670	AC010671	AC010672
97	AC010673	AC010674	AC010675	AC010676	AC010677	AC010678	AC010679
98	AC010680	AC010681	AC010682	AC010683	AC010684	AC010685	AC010686
99	AC010687	AC010688	AC010689	AC010690	AC010691	AC010692	AC010693
100	AC010694	AC010695	AC010696	AC010697	AC010698	AC010699	AC010700

Project Overview
Schedule of Proposals

Year	Month	Proposals	Value (€)	Value (€)	Value (€)	Value (€)
2023	Jan	1	100	100	100	100
2023	Feb	2	200	200	200	200
2023	Mar	3	300	300	300	300
2023	Apr	4	400	400	400	400
2023	May	5	500	500	500	500
2023	Jun	6	600	600	600	600
2023	Jul	7	700	700	700	700
2023	Aug	8	800	800	800	800
2023	Sep	9	900	900	900	900
2023	Oct	10	1000	1000	1000	1000
2023	Nov	11	1100	1100	1100	1100
2023	Dec	12	1200	1200	1200	1200
2024	Jan	13	1300	1300	1300	1300
2024	Feb	14	1400	1400	1400	1400
2024	Mar	15	1500	1500	1500	1500
2024	Apr	16	1600	1600	1600	1600
2024	May	17	1700	1700	1700	1700
2024	Jun	18	1800	1800	1800	1800
2024	Jul	19	1900	1900	1900	1900
2024	Aug	20	2000	2000	2000	2000
2024	Sep	21	2100	2100	2100	2100
2024	Oct	22	2200	2200	2200	2200
2024	Nov	23	2300	2300	2300	2300
2024	Dec	24	2400	2400	2400	2400
2025	Jan	25	2500	2500	2500	2500
2025	Feb	26	2600	2600	2600	2600
2025	Mar	27	2700	2700	2700	2700
2025	Apr	28	2800	2800	2800	2800
2025	May	29	2900	2900	2900	2900
2025	Jun	30	3000	3000	3000	3000
2025	Jul	31	3100	3100	3100	3100
2025	Aug	32	3200	3200	3200	3200
2025	Sep	33	3300	3300	3300	3300
2025	Oct	34	3400	3400	3400	3400
2025	Nov	35	3500	3500	3500	3500
2025	Dec	36	3600	3600	3600	3600
2026	Jan	37	3700	3700	3700	3700
2026	Feb	38	3800	3800	3800	3800
2026	Mar	39	3900	3900	3900	3900
2026	Apr	40	4000	4000	4000	4000
2026	May	41	4100	4100	4100	4100
2026	Jun	42	4200	4200	4200	4200
2026	Jul	43	4300	4300	4300	4300
2026	Aug	44	4400	4400	4400	4400
2026	Sep	45	4500	4500	4500	4500
2026	Oct	46	4600	4600	4600	4600
2026	Nov	47	4700	4700	4700	4700
2026	Dec	48	4800	4800	4800	4800
2027	Jan	49	4900	4900	4900	4900
2027	Feb	50	5000	5000	5000	5000
2027	Mar	51	5100	5100	5100	5100
2027	Apr	52	5200	5200	5200	5200
2027	May	53	5300	5300	5300	5300
2027	Jun	54	5400	5400	5400	5400
2027	Jul	55	5500	5500	5500	5500
2027	Aug	56	5600	5600	5600	5600
2027	Sep	57	5700	5700	5700	5700
2027	Oct	58	5800	5800	5800	5800
2027	Nov	59	5900	5900	5900	5900
2027	Dec	60	6000	6000	6000	6000

Year	Month	Proposals	Value (€)	Value (€)	Value (€)	Value (€)
2023	Jan	1	100	100	100	100
2023	Feb	2	200	200	200	200
2023	Mar	3	300	300	300	300
2023	Apr	4	400	400	400	400
2023	May	5	500	500	500	500
2023	Jun	6	600	600	600	600
2023	Jul	7	700	700	700	700
2023	Aug	8	800	800	800	800
2023	Sep	9	900	900	900	900
2023	Oct	10	1000	1000	1000	1000
2023	Nov	11	1100	1100	1100	1100
2023	Dec	12	1200	1200	1200	1200
2024	Jan	13	1300	1300	1300	1300
2024	Feb	14	1400	1400	1400	1400
2024	Mar	15	1500	1500	1500	1500
2024	Apr	16	1600	1600	1600	1600
2024	May	17	1700	1700	1700	1700
2024	Jun	18	1800	1800	1800	1800
2024	Jul	19	1900	1900	1900	1900
2024	Aug	20	2000	2000	2000	2000
2024	Sep	21	2100	2100	2100	2100
2024	Oct	22	2200	2200	2200	2200
2024	Nov	23	2300	2300	2300	2300
2024	Dec	24	2400	2400	2400	2400
2025	Jan	25	2500	2500	2500	2500
2025	Feb	26	2600	2600	2600	2600
2025	Mar	27	2700	2700	2700	2700
2025	Apr	28	2800	2800	2800	2800
2025	May	29	2900	2900	2900	2900
2025	Jun	30	3000	3000	3000	3000
2025	Jul	31	3100	3100	3100	3100
2025	Aug	32	3200	3200	3200	3200
2025	Sep	33	3300	3300	3300	3300
2025	Oct	34	3400	3400	3400	3400
2025	Nov	35	3500	3500	3500	3500
2025	Dec	36	3600	3600	3600	3600
2026	Jan	37	3700	3700	3700	3700
2026	Feb	38	3800	3800	3800	3800
2026	Mar	39	3900	3900	3900	3900
2026	Apr	40	4000	4000	4000	4000
2026	May	41	4100	4100	4100	4100
2026	Jun	42	4200	4200	4200	4200
2026	Jul	43	4300	4300	4300	4300
2026	Aug	44	4400	4400	4400	4400
2026	Sep	45	4500	4500	4500	4500
2026	Oct	46	4600	4600	4600	4600
2026	Nov	47	4700	4700	4700	4700
2026	Dec	48	4800	4800	4800	4800
2027	Jan	49	4900	4900	4900	4900
2027	Feb	50	5000	5000	5000	5000
2027	Mar	51	5100	5100	5100	5100
2027	Apr	52	5200	5200	5200	5200
2027	May	53	5300	5300	5300	5300
2027	Jun	54	5400	5400	5400	5400
2027	Jul	55	5500	5500	5500	5500
2027	Aug	56	5600	5600	5600	5600
2027	Sep	57	5700	5700	5700	5700
2027	Oct	58	5800	5800	5800	5800
2027	Nov	59	5900	5900	5900	5900
2027	Dec	60	6000	6000	6000	6000



Project Overview
Schedule of Progress

Version **Date**

Year	Month	Total Budget (USD)	Actual Budget (USD)	Remaining Budget (USD)
2022	Jan	100,000	100,000	0
2022	Feb	100,000	100,000	0
2022	Mar	100,000	100,000	0
2022	Apr	100,000	100,000	0
2022	May	100,000	100,000	0
2022	Jun	100,000	100,000	0
2022	Jul	100,000	100,000	0
2022	Aug	100,000	100,000	0
2022	Sep	100,000	100,000	0
2022	Oct	100,000	100,000	0
2022	Nov	100,000	100,000	0
2022	Dec	100,000	100,000	0
2023	Jan	100,000	100,000	0
2023	Feb	100,000	100,000	0
2023	Mar	100,000	100,000	0
2023	Apr	100,000	100,000	0
2023	May	100,000	100,000	0
2023	Jun	100,000	100,000	0
2023	Jul	100,000	100,000	0
2023	Aug	100,000	100,000	0
2023	Sep	100,000	100,000	0
2023	Oct	100,000	100,000	0
2023	Nov	100,000	100,000	0
2023	Dec	100,000	100,000	0

ID	Item Name	Category	Location	Unit	Quantity	Unit Price	Total Price	Start Date	End Date	Status	Remarks
101	Excavation	Foundation	Site A	m ²	100	1000	100,000	2022-01-01	2022-01-31	Completed	
102	Foundation	Foundation	Site A	m ³	500	200	100,000	2022-01-01	2022-01-31	Completed	
103	Concrete	Structure	Site A	m ³	1000	100	100,000	2022-01-01	2022-01-31	Completed	
104	Rebar	Structure	Site A	kg	10000	10	100,000	2022-01-01	2022-01-31	Completed	
105	Formwork	Structure	Site A	m ²	1000	100	100,000	2022-01-01	2022-01-31	Completed	
106	Excavation	Foundation	Site B	m ²	100	1000	100,000	2022-02-01	2022-02-28	Completed	
107	Foundation	Foundation	Site B	m ³	500	200	100,000	2022-02-01	2022-02-28	Completed	
108	Concrete	Structure	Site B	m ³	1000	100	100,000	2022-02-01	2022-02-28	Completed	
109	Rebar	Structure	Site B	kg	10000	10	100,000	2022-02-01	2022-02-28	Completed	
110	Formwork	Structure	Site B	m ²	1000	100	100,000	2022-02-01	2022-02-28	Completed	
111	Excavation	Foundation	Site C	m ²	100	1000	100,000	2022-03-01	2022-03-31	Completed	
112	Foundation	Foundation	Site C	m ³	500	200	100,000	2022-03-01	2022-03-31	Completed	
113	Concrete	Structure	Site C	m ³	1000	100	100,000	2022-03-01	2022-03-31	Completed	
114	Rebar	Structure	Site C	kg	10000	10	100,000	2022-03-01	2022-03-31	Completed	
115	Formwork	Structure	Site C	m ²	1000	100	100,000	2022-03-01	2022-03-31	Completed	
116	Excavation	Foundation	Site D	m ²	100	1000	100,000	2022-04-01	2022-04-30	Completed	
117	Foundation	Foundation	Site D	m ³	500	200	100,000	2022-04-01	2022-04-30	Completed	
118	Concrete	Structure	Site D	m ³	1000	100	100,000	2022-04-01	2022-04-30	Completed	
119	Rebar	Structure	Site D	kg	10000	10	100,000	2022-04-01	2022-04-30	Completed	
120	Formwork	Structure	Site D	m ²	1000	100	100,000	2022-04-01	2022-04-30	Completed	
121	Excavation	Foundation	Site E	m ²	100	1000	100,000	2022-05-01	2022-05-31	Completed	
122	Foundation	Foundation	Site E	m ³	500	200	100,000	2022-05-01	2022-05-31	Completed	
123	Concrete	Structure	Site E	m ³	1000	100	100,000	2022-05-01	2022-05-31	Completed	
124	Rebar	Structure	Site E	kg	10000	10	100,000	2022-05-01	2022-05-31	Completed	
125	Formwork	Structure	Site E	m ²	1000	100	100,000	2022-05-01	2022-05-31	Completed	
126	Excavation	Foundation	Site F	m ²	100	1000	100,000	2022-06-01	2022-06-30	Completed	
127	Foundation	Foundation	Site F	m ³	500	200	100,000	2022-06-01	2022-06-30	Completed	
128	Concrete	Structure	Site F	m ³	1000	100	100,000	2022-06-01	2022-06-30	Completed	
129	Rebar	Structure	Site F	kg	10000	10	100,000	2022-06-01	2022-06-30	Completed	
130	Formwork	Structure	Site F	m ²	1000	100	100,000	2022-06-01	2022-06-30	Completed	
131	Excavation	Foundation	Site G	m ²	100	1000	100,000	2022-07-01	2022-07-31	Completed	
132	Foundation	Foundation	Site G	m ³	500	200	100,000	2022-07-01	2022-07-31	Completed	
133	Concrete	Structure	Site G	m ³	1000	100	100,000	2022-07-01	2022-07-31	Completed	
134	Rebar	Structure	Site G	kg	10000	10	100,000	2022-07-01	2022-07-31	Completed	
135	Formwork	Structure	Site G	m ²	1000	100	100,000	2022-07-01	2022-07-31	Completed	
136	Excavation	Foundation	Site H	m ²	100	1000	100,000	2022-08-01	2022-08-31	Completed	
137	Foundation	Foundation	Site H	m ³	500	200	100,000	2022-08-01	2022-08-31	Completed	
138	Concrete	Structure	Site H	m ³	1000	100	100,000	2022-08-01	2022-08-31	Completed	
139	Rebar	Structure	Site H	kg	10000	10	100,000	2022-08-01	2022-08-31	Completed	
140	Formwork	Structure	Site H	m ²	1000	100	100,000	2022-08-01	2022-08-31	Completed	
141	Excavation	Foundation	Site I	m ²	100	1000	100,000	2022-09-01	2022-09-30	Completed	
142	Foundation	Foundation	Site I	m ³	500	200	100,000	2022-09-01	2022-09-30	Completed	
143	Concrete	Structure	Site I	m ³	1000	100	100,000	2022-09-01	2022-09-30	Completed	
144	Rebar	Structure	Site I	kg	10000	10	100,000	2022-09-01	2022-09-30	Completed	
145	Formwork	Structure	Site I	m ²	1000	100	100,000	2022-09-01	2022-09-30	Completed	
146	Excavation	Foundation	Site J	m ²	100	1000	100,000	2022-10-01	2022-10-31	Completed	
147	Foundation	Foundation	Site J	m ³	500	200	100,000	2022-10-01	2022-10-31	Completed	
148	Concrete	Structure	Site J	m ³	1000	100	100,000	2022-10-01	2022-10-31	Completed	
149	Rebar	Structure	Site J	kg	10000	10	100,000	2022-10-01	2022-10-31	Completed	
150	Formwork	Structure	Site J	m ²	1000	100	100,000	2022-10-01	2022-10-31	Completed	
151	Excavation	Foundation	Site K	m ²	100	1000	100,000	2022-11-01	2022-11-30	Completed	
152	Foundation	Foundation	Site K	m ³	500	200	100,000	2022-11-01	2022-11-30	Completed	
153	Concrete	Structure	Site K	m ³	1000	100	100,000	2022-11-01	2022-11-30	Completed	
154	Rebar	Structure	Site K	kg	10000	10	100,000	2022-11-01	2022-11-30	Completed	
155	Formwork	Structure	Site K	m ²	1000	100	100,000	2022-11-01	2022-11-30	Completed	
156	Excavation	Foundation	Site L	m ²	100	1000	100,000	2022-12-01	2022-12-31	Completed	
157	Foundation	Foundation	Site L	m ³	500	200	100,000	2022-12-01	2022-12-31	Completed	
158	Concrete	Structure	Site L	m ³	1000	100	100,000	2022-12-01	2022-12-31	Completed	
159	Rebar	Structure	Site L	kg	10000	10	100,000	2022-12-01	2022-12-31	Completed	
160	Formwork	Structure	Site L	m ²	1000	100	100,000	2022-12-01	2022-12-31	Completed	
161	Excavation	Foundation	Site M	m ²	100	1000	100,000	2023-01-01	2023-01-31	Completed	
162	Foundation	Foundation	Site M	m ³	500	200	100,000	2023-01-01	2023-01-31	Completed	
163	Concrete	Structure	Site M	m ³	1000	100	100,000	2023-01-01	2023-01-31	Completed	
164	Rebar	Structure	Site M	kg	10000	10	100,000	2023-01-01	2023-01-31	Completed	
165	Formwork	Structure	Site M	m ²	1000	100	100,000	2023-01-01	2023-01-31	Completed	
166	Excavation	Foundation	Site N	m ²	100	1000	100,000	2023-02-01	2023-02-28	Completed	
167	Foundation	Foundation	Site N	m ³	500	200	100,000	2023-02-01	2023-02-28	Completed	
168	Concrete	Structure	Site N	m ³	1000	100	100,000	2023-02-01	2023-02-28	Completed	
169	Rebar	Structure	Site N	kg	10000	10	100,000	2023-02-01	2023-02-28	Completed	
170	Formwork	Structure	Site N	m ²	1000	100	100,000	2023-02-01	2023-02-28	Completed	
171	Excavation	Foundation	Site O	m ²	100	1000	100,000	2023-03-01	2023-03-31	Completed	
172	Foundation	Foundation	Site O	m ³	500	200	100,000	2023-03-01	2023-03-31	Completed	
173	Concrete	Structure	Site O	m ³	1000	100	100,000	2023-03-01	2023-03-31	Completed	
174	Rebar	Structure	Site O	kg	10000	10	100,000	2023-03-01	2023-03-31	Completed	
175	Formwork	Structure	Site O	m ²	1000	100	100,000	2023-03-01	2023-03-31	Completed	
176	Excavation	Foundation	Site P	m ²	100	1000	100,000	2023-04-01	2023-04-30	Completed	
177	Foundation	Foundation	Site P	m ³	500	200	100,000	2023-04-01	2023-04-30	Completed	
178	Concrete	Structure	Site P	m ³	1000	100	100,000	2023-04-01	2023-04-30	Completed	
179	Rebar	Structure	Site P	kg	10000	10	100,000	2023-04-01	2023-04-30	Completed	
180	Formwork	Structure	Site P	m ²	1000	100	100,000	2023-04-01	2023-04-30	Completed	
181	Excavation	Foundation	Site Q	m ²	100	1000	100,000	2023-05-01	2023-05-31	Completed	
182	Foundation	Foundation	Site Q	m ³	500	200	100,000	2023-05-01	2023-05-31	Completed	
183	Concrete	Structure	Site Q	m ³	1000	100	100,000	2023-05-01	2023-05-31	Completed	
184	Rebar	Structure	Site Q	kg	10000	10	100,000	2023-05-01	2023-05-31	Completed	
185	Formwork	Structure	Site Q	m ²	1000	100	100,000	2023-05-0			

Appendix 4
Sample Photographs



Adelaide Road, High Wycombe, 43



Capstan Square, Isle of Dogs



Chobham Road, Stratford



53 Adley St, Hackney



Antil Road, London



Asbaston Terrace, Ilford



Grantley Street, London



Meggison Way, South Benfleet



Tindall Mews, Hornchurch



Wallers Close, Romford



William Street, Leyton



Alsace Walk, Camberley, 12



Bangors Close, Iver, 1 & 2



Bangors Road North, Iver Heath, 33



Barnfield, Iver, 14 & 15



Bates Walk, Addlestone, 15



Bay Tree Court, Burnham, 6 & 7



Bishops Orchard, Farnham Royal, 8



Buffins, Taplow, 3



Clare Crescent, Leatherhead, 9



Coulson Way, Burnham, 57



Crown Meadow, Colnbrook, 39a



Dartmouth Green, Sheerwater, 2



Drift Way, Colnbrook, 23 & 24



Ellison Way, Tongham, 53



Fair Oak Way, Tadley, 4



Fairview Road, Ash, 62



Goodwyns Road, Dorking, 45



Lambourne Crescent, Sheerwater, 69



Long Grove, Tadley, 17 & 19



Moreland Avenue, Colnbrook, 2-8



Oakridge Road, Basingstoke, 19



Rathgar Close, Redhill, 68



Wood Road, Camberley, 37



11 Chessington Hall Gardens



129 Chantry Road



Bonner Hill Road



Norbury Road Russett court



25 Greenlands Road kt13



22 Bennett Close kt11



Vineyard Close 9-19



Bramley road 4



Vespan Road 17-19 w12



Ladbroke grove 129 W11

Appendix 5 General Assumptions

BASES OF VALUE & GENERAL ASSUMPTIONS AND CONDITIONS

1. Basis of Valuation - definitions

Depreciated Replacement Cost: The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Existing Use Value: The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

Existing Use Value For Social Housing: an opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:

- a) a willing seller
- b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale
- c) that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation
- d) that no account is taken of any additional bid by a prospective purchaser with a special interest
- e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion
- f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use
- g) that at the valuation date any regulatory body in applying its criteria for approval would not unreasonably fetter the vendor's ability to dispose of a property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements
- h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and
- i) that any subsequent sale would be subject to all the same assumptions above.

Fair Value: Valuations based on Fair Value will adopt one of two definitions – depending upon the purpose, namely:

The IVS 2013 definition: The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties, or

The IFRS 13 definition: The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.



Gross development value (GDV) - The aggregate Market Value of the proposed development assessed on the special assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date.

Investment value: Investment value is the value of an asset to the owner or prospective owner for individual investment or operational purposes.

Market Rent: The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value: The estimated amount for which an asset or liability should exchange on the valuation date 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.

2. General assumptions and conditions applicable to all valuations

Our Valuation has been carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That we have been supplied with all information likely to have an effect on the value of the Property, and that the information supplied to us and summarised in this Report is both complete and correct.
2. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
3. That the Property is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
4. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property and our Report do not constitute a building survey or any warranty as to the state of repair of the Property.
5. That the Property is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
6. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
7. That the Property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
8. That any lessee(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
9. In the case of a Property where we have been asked to value the site under the special assumption that the Property will be developed, there are no adverse site or soil conditions, that the Property is not adversely affected by the Town and Country Planning (Assessment of Environmental Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.
10. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.
11. Our Valuation will be exclusive of VAT (if applicable).



12. No allowance will be made for any expenses of realisation.
13. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
14. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
15. In the case of a Property where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.
16. No allowance will have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.
17. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

June 2016



TAXATION

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs' practice relating to certain aspects of United Kingdom taxation as of the date of this Offering Circular. References to "interest" refer to interest as that term is understood for United Kingdom tax purposes. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change at any time in the future, possibly with retrospective effect. Prospective Bondholders may be subject to tax in a jurisdiction other than the United Kingdom.

This is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Bonds. Prospective Bondholders should seek their own professional advice concerning the tax consequences of their particular situations.

A. Interest on the Bonds

1. *Payment of interest on the Bonds*

Payments of interest by the Issuer on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds carry a right to interest and the Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the Act). The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds carry a right to interest and the Bonds are and remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HM Revenue & Customs (HMRC) can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

2. *Further United Kingdom Income Tax Issues*

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

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest

received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

B. United Kingdom Corporation Tax Payers

3. In general, Bondholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their IFRS or UK GAAP accounting treatment.

C. Other United Kingdom Tax Payers

4. *Taxation of Chargeable Gains*

The Bonds will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

5. *Accrued Income Scheme*

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Bondholder is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

6. No United Kingdom stamp duty or SDRT is payable on the issue of the Bonds or on a transfer by delivery of the Bonds.

The Proposed Financial Transactions Tax (FTT)

On 14th February, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States of the European Union may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Subscription Agreement

The Joint Bookrunners have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 26th February, 2018, jointly and severally agreed with the Issuer to subscribe or procure subscribers for (i) the 2028 Bonds at the issue price of 98.724 per cent. of the principal amount of the 2028 Bonds and (ii) the 2053 Bonds at the issue price of 98.407 per cent. of the principal amount of the 2053 Bonds, less, in each case, a combined management and underwriting commission. The Issuer will also reimburse the Joint Bookrunners in respect of certain of their expenses, and has agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each of the Joint Bookrunners has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used above have the meanings given to them by Regulation S and the Securities Act.

United Kingdom

Each of the Joint Bookrunners has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Original Charging Subsidiary; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

General

Each of the Joint Bookrunners has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Offering Circular and will obtain any consent, approval or permission which is required by it for the purchase, offer, sale or delivery by it of Bonds under the laws and

regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Original Charging Subsidiary and the Bond Trustee shall have any responsibility therefor.

None of the Issuer, the Original Charging Subsidiary, the Bond Trustee and the Joint Bookrunners represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

MiFID II product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market of the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for the distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

GENERAL INFORMATION

Authorisation

The issue of the Bonds was duly authorised by a resolution of the Executive Group of the Issuer dated 24th January, 2018 acting under delegated authority from the Board of the Issuer under terms of reference approved by the Board on 5th December, 2013.

The charging of security by the Original Charging Subsidiary pursuant to the Security Documents and the entry by it into the other Transaction Documents to which it is a party was duly authorised by a resolution of the Board of the Original Charging Subsidiary dated 29th January, 2018.

Listing

It is expected that official listing of both the 2028 Bonds and the 2053 Bonds will be granted on or about 1st March, 2018 subject only to the issue of the relevant Temporary Global Bond. Application has been made to the UK Listing Authority for both the 2028 Bonds and the 2053 Bonds to be admitted to the Official List and to the London Stock Exchange for both the 2028 Bonds and the 2053 Bonds to be admitted to trading on the London Stock Exchange's regulated market.

The Issuer estimates that the total expenses related to the admission to trading will be £6,950.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection during usual business hours at the registered office of the Issuer and at the specified office of the Paying Agents:

- (a) the Rules of the Issuer;
- (b) the audited financial statements of the Issuer in respect of the financial years ended 31st March, 2016 and 31st March, 2017, in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited accounts on an annual basis;
- (c) the most recently published audited annual financial statements (if any) of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (d) the Bond Trust Deed, the Security Trust Deed, the Security Agreements, the Agency Agreement and the Account Agreement;
- (e) the Valuation Report;
- (f) this Offering Circular; and
- (g) any future offering circulars, prospectuses, information memoranda and supplements to this Offering Circular and any other documents incorporated herein or therein by reference.

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The ISIN and the Common Code for the 2028 Bonds are XS1778763133 and 177876313, respectively.

The ISIN and the Common Code for the 2053 Bonds are XS1778775491 and 177877549, respectively.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Material or Significant Change

There has been no material adverse change in the prospects of the Issuer and there has been no significant change in the financial or trading position of the Group, in each case, since 31st March, 2017.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuer are KPMG LLP, Chartered Accountants, of 15 Canada Square, London E14 5GL, who have audited the Issuer's statutory accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended on 31st March, 2016 and 31st March, 2017. The auditors of the Issuer have no material interest in the Issuer.

Certifications

The Bond Trust Deed provides that any certificate or report of the Auditors (as defined in the Bond Trust Deed) or any other person called for by, or provided to, the Bond Trustee (whether or not addressed to the Bond Trustee) in accordance with or for the purposes of the Bond Trust Deed may be relied upon by the Bond Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Bond Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to this issue of the Bonds, other than as required pursuant to *Condition 5.5 (Information Covenant)*.

Joint Bookrunners transacting with the Issuer or any Charging Subsidiary

Certain of the Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or any Charging Subsidiary and their respective affiliates in the ordinary course of business. Certain of the Joint Bookrunners and their affiliates may have positions, deal or make markets in the Bonds, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and/or any Charging Subsidiary and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by

entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds. Any such positions could adversely affect future trading prices of the Bonds. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Yield

Indication of the yield on the Bonds: 2.772 per cent. (semi-annual) in respect of the 2028 Bonds and 3.201 per cent. (semi-annual) in respect of the 2053 Bonds. The yield is calculated at the Closing Date in respect of each of the 2028 Bonds and the 2053 Bonds on the basis of the relevant Issue Price. It is not an indication of future yield.

THE ISSUER

London & Quadrant Housing Trust
One Kings Hall Mews
Lewisham
London SE13 5JQ

ORIGINAL CHARGING SUBSIDIARY

East Thames Limited
29-35 West Ham Lane
London E15 4PH

BOND TRUSTEE AND SECURITY TRUSTEE

Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH

PRINCIPAL PAYING AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ

ACCOUNT BANK

Barclays Bank PLC
1 Churchill Place
London E14 5HP

JOINT LEAD ARRANGERS AND JOINT BOOKRUNNERS

Banco Santander, S.A.
Ciudad Grupo Santander
Avenida de Cantabria s/n
Edificio Encinar, planta baja
28660 Boadilla del Monte
Madrid, Spain

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE

The Royal Bank of Scotland plc
(trading as NatWest Markets)
250 Bishopsgate
London EC2M 4AA

LEGAL ADVISERS

To the Issuer and the Original Charging Subsidiary as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

To the Joint Bookrunners, the Bond Trustee and the Security Trustee as to English law

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London EC1Y 4AG

AUDITORS

Auditors to the Issuer

KPMG LLP
15 Canada Square
London E14 5GL