



SAXON WEALD CAPITAL PLC

(Incorporated in England and Wales with limited liability under the Companies Act 2006, registered number 08050531)

£225,000,000 5.375 per cent. Secured Bonds due 2042

Issue Price: 98.377 per cent.

The £225,000,000 5.375 per cent. Secured Bonds due 2042 (the “**Bonds**”) are issued by Saxon Weald Capital plc (the “**Issuer**”).

Application has been made to the UK Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for the 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 the 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**”).

An investment in the Bonds involves certain risks. For a discussion of these risks see “Risk Factors”.

Subject as set out below, the net proceeds from the issue of the Bonds, will be advanced by the Issuer to Saxon Weald Homes Limited (the “**Borrower**”) pursuant to a loan agreement between the Borrower and the Issuer to be dated on or around the Issue Date (the “**Loan Agreement**”) to be applied in accordance with the Borrower’s charitable objects. The Original Commitment (as defined in the Loan Agreement) may be drawn prior to the initial Instalment Redemption Date (as defined below) in one or more drawings, each in a principal amount up to an amount which corresponds to the sum of (i) the Minimum Value of the Initial Properties (as defined below) and (ii) the Minimum Value of any additional Properties (as defined below) which have been charged in favour of the Security Trustee (the “**Additional Properties**”) less the principal amount of all previous drawings in respect of the Original Commitment. For so long as insufficient security has been granted by the Borrower in favour of the Security Trustee to permit the drawing of the Original Commitment in full or the Borrower has not otherwise drawn any part of the Original Commitment, the amount of the Original Commitment that remains undrawn shall be retained in an account charged in favour of the Bond Trustee (the “**Initial Cash Security Account**”) of the Issuer in accordance with the terms of the Account Agreement (and may be invested in Permitted Investments (as defined below)) (the “**Retained Proceeds**”). For the avoidance of doubt, in the event that the Borrower has not drawn any part of the Original Commitment on the Issue Date, the Retained Proceeds at that date shall be the entire amount of the Original Commitment. Any Retained Proceeds shall be advanced to the Borrower at a later date pursuant to the Loan Agreement to the extent that Properties of a corresponding value have been charged in favour of the Issuer.

Interest on the Bonds is payable semi-annually in arrear in equal instalments on 6 June and 6 December in each year at the rate of 5.375 per cent. per annum, commencing on 6 December 2012, as described in Condition 7 (*Interest*). Payments of principal of, and interest on, the Bonds will be made without withholding or deduction on account of United Kingdom taxes unless such withholding or deduction is required by law. In the event that any such withholding or deduction is so required, the Issuer may opt to gross up payments due to the Bondholders in respect thereof as described in Condition 10 (*Taxation*).

The Bonds may be redeemed at any time prior to the initial Instalment Redemption Date (as defined below) upon the prepayment by the Borrower of the loan (the “**Loan**”) in accordance with the terms of the Loan Agreement at the higher of their principal amount and the price at which the gross redemption yield on the Bonds would be equal to the sum of: (i) the yield on the relevant outstanding United Kingdom government benchmark gilt having the nearest maturity date to that of the Bonds and (ii) 0.20 per cent., together with accrued interest (or, in respect of a prepayment of the Loan following an event of default thereunder, at their principal amount, together with accrued interest). The Bonds will also be redeemed in full at their principal amount, plus accrued interest, in the event of a mandatory prepayment of the Loan following the Borrower ceasing to be a Registered Provider of Social Housing (other than if the Borrower regains its status as a Registered Provider of Social Housing within 180 days of such cessation), the Loan becoming repayable as a result of a Borrower Default (as defined in the Loan Agreement) or any withholding or deduction on account of United Kingdom taxes being required and the Issuer not opting to pay (or having so opted to pay notifying the Bond Trustee (as defined below) of its intention to cease to pay) additional amounts in respect of such withholding or deduction.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount in five equal instalments on the interest payment dates falling on 6 June, 2012, 6 December, 2012, 6 June, 2013, 6 December, 2013, 6 June, 2014, 6 December, 2014, 6 June, 2015, 6 December, 2015, 6 June, 2016, 6 December, 2016, 6 June, 2017, 6 December, 2017, 6 June, 2018, 6 December, 2018, 6 June, 2019, 6 December, 2019, 6 June, 2020, 6 December, 2020, 6 June, 2021, 6 December, 2021, 6 June, 2022, 6 December, 2022, 6 June, 2023, 6 December, 2023, 6 June, 2024, 6 December, 2024, 6 June, 2025, 6 December, 2025, 6 June, 2026, 6 December, 2026, 6 June, 2027, 6 December, 2027, 6 June, 2028, 6 December, 2028, 6 June, 2029, 6 December, 2029, 6 June, 2030, 6 December, 2030, 6 June, 2031, 6 December, 2031, 6 June, 2032, 6 December, 2032, 6 June, 2033, 6 December, 2033, 6 June, 2034, 6 December, 2034, 6 June, 2035, 6 December, 2035, 6 June, 2036, 6 December, 2036, 6 June, 2037, 6 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This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC.

The Issuer accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Borrower accepts responsibility for the information contained in the section “*Description of the Borrower*” and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in the section “*Description of the Borrower*” is in accordance with the facts and does not omit anything likely to affect the import of such information. The Borrower also accepts responsibility for the information contained in this Prospectus relating to the security created pursuant to the Legal Mortgages (as defined below) 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.

Baker Tilly Corporate Finance LLP (the “Reporting Accountant”) accepts responsibility for its report contained in the section “Financial Information of the Borrower” and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such reports are in accordance with the facts and do not omit anything likely to affect the import thereof.

Savills Advisory Services Limited (“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. With the exception of the Valuation Report, the Valuer does not accept any liability in relation to the information contained in this Prospectus or any other information provided by any other party in connection with the issue of the Bonds.

Save for the Issuer, the Borrower, the Reporting Accountant (in respect of their Accountants’ Report only) and the Valuer (in respect of the Valuation Report only), no other person has independently verified any information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Lloyds TSB Bank plc (the “Sole Arranger and Joint Bookrunner”) or The Royal Bank of Scotland plc (“RBS”, and together with the Sole Arranger and Joint Bookrunner, the “Joint Bookrunners”), the Bond Trustee or the Security Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds. None of the Joint Bookrunners, the Security Trustee, nor the Bond Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the issue of the Bonds.

No person is or has been authorised by the Issuer, the Joint Bookrunners, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Bonds or other such information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Joint Bookrunners, the Bond Trustee or the Security Trustee.

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.

The distribution of this Prospectus and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Bonds and on the distribution of this Prospectus and other offering material relating to the Bonds, see “*Subscription and Sale*”.

In particular, the Bonds have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bonds in bearer form 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 (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. The Bonds may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

NEITHER THIS PROSPECTUS NOR THE BONDS HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF BONDS OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

To the fullest extent permitted by law, none of the Bond Trustee nor the Joint Bookrunners accepts any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by it or on its behalf in connection with the Issuer, the Borrower or the issue and offering of the Bonds. Each of the Bond Trustee and the Joint Bookrunners accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

Neither this Prospectus nor any other information supplied in connection with 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 Joint Bookrunners or the Bond Trustee that any recipient of this Prospectus or any other information supplied in connection with 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 Borrower. Neither this Prospectus nor any other information supplied in connection with the Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Joint Bookrunners or the Bond Trustee to any person to subscribe for or to purchase the Bonds.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any 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 Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Joint Bookrunners and the Bond Trustee do not represent that this Prospectus may be lawfully distributed, or that any Bonds may be lawfully offered or sold, 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 any Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States and the United Kingdom (see “*Subscription and Sale*”).

IN CONNECTION WITH THE ISSUE OF THE BONDS, LLOYDS TSB BANK PLC AND THE ROYAL BANK OF SCOTLAND PLC AS STABILISING MANAGERS (THE “*STABILISING MANAGERS*”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGERS) 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, THERE IS NO ASSURANCE THAT THE STABILISING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGERS) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE 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 MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGERS) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

All references in this Prospectus to “*Sterling*” and “*£*” refer to pounds sterling, the lawful currency for the time being of the United Kingdom.

CONTENTS

	<i>Page</i>
OVERVIEW.....	1
STRUCTURE DIAGRAM OF TRANSACTION	11
RISK FACTORS	12
FORM OF THE BONDS AND SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM	23
TERMS AND CONDITIONS OF THE BONDS.....	25
USE OF PROCEEDS.....	40
DESCRIPTION OF THE LOAN AGREEMENT	41
THE PROPERTIES.....	50
DESCRIPTION OF THE LEGAL MORTGAGES AND THE SECURITY TRUST DEED .	51
DESCRIPTION OF THE ACCOUNT AGREEMENT AND THE CUSTODY AGREEMENT.....	55
DESCRIPTION OF THE ISSUER	58
DESCRIPTION OF THE BORROWER.....	59
FINANCIAL STATEMENTS OF THE BORROWER	63
VALUATION REPORT	92
TAXATION	191
SUBSCRIPTION AND SALE.....	193
GENERAL INFORMATION	194

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 Prospectus.

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

Words and expressions defined in “*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*”, “*Terms and Conditions of the Bonds*” and “*Description of the Loan Agreement*” shall have the same meanings in this overview.

Issuer:	Saxon Weald Capital plc
Description of the Bonds:	£225,000,000 5.375 per cent. Secured Bonds due 2042 (the “ Bonds ”) to be issued by the Issuer on 6 June, 2012 (the “ Issue Date ”).
Use of Proceeds:	<p>The net proceeds of the issue of the Bonds (after deduction of expenses payable by the Issuer) will be applied by the Issuer to provide finance for the Borrower.</p> <p>Subject as described in “<i>Initial Cash Security Account</i>” below, the Issuer will lend such proceeds to the Borrower pursuant to the Loan Agreement to be applied in accordance with the Borrower’s charitable objects.</p> <p>The Issuer may from time to time invest the funds held in the Initial Cash Security Account and the Disposal Proceeds Account in Permitted Investments (as defined below) until such time as such funds are on-lent, or returned, to the Borrower pursuant to the Loan Agreement.</p>
Issue Price:	98.377 per cent.
Form of Bonds:	The Bonds will be issued in bearer form as described in “ <i>Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form</i> ”.
Interest:	The Bonds will bear interest on their aggregate principal amount at a fixed rate of 5.375 per cent. per annum payable semi-annually in arrear in equal instalments on 6 June and 6 December of each year, from (and including) the Issue Date to (but excluding) 6 June, 2042 (the “ Maturity Date ”), subject to adjustment in accordance with Condition 8.5 (<i>Payment Day</i>) (each, an “ Interest Payment Date ”).
Instalment Redemption:	Unless previously redeemed or purchased and cancelled in accordance with Condition 9 (<i>Redemption and Purchase</i>), the Bonds will be redeemed in five equal instalments on the interest payment dates falling on 6 June, 2032, 6 December, 2034, 6 June, 2037, 6 December, 2039 and 6 June, 2042 (each an “ Instalment Redemption Date ”).
Early Redemption:	Subject as described in “ <i>Mandatory Early Redemption</i> ” below, the Bonds may be redeemed at any time prior to the initial Instalment Redemption Date upon the optional prepayment by the Borrower of the loan (the “ Loan ”) in whole or in part or the Loan otherwise becoming repayable in whole or in part in accordance with the terms of the Loan Agreement at the higher of their principal amount and the price at which the gross redemption yield on the Bonds would be equal 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) 0.20 per cent., together with accrued interest.
Early Redemption for Tax Reasons:	The Issuer shall redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued, if, as a result of any actual change in tax law, the Issuer determines that it would be

required to make a withholding or deduction on account of tax in respect of payments to be made by it in respect of the Bonds and the Issuer does not opt to pay additional amounts pursuant to Condition 10.2 (*No obligation to pay additional amounts*) or, having so opted, notifies the Bond Trustee and the Bondholders of its intention to cease paying such additional amounts.

Mandatory Early Redemption:

The Bonds shall be redeemed in full at their principal amount, plus accrued interest, upon the mandatory prepayment of the Loan following the Borrower ceasing to be a Registered Provider of Social Housing (other than if the Borrower regains its status as a Registered Provider of Social Housing within 180 days of such cessation).

In addition, if the Loan becomes repayable as a result of a Borrower Default the Bonds shall be redeemed in full at their principal amount, plus accrued interest.

A “**Borrower Default**” includes non-payment, breach of other obligations, cross-acceleration, winding-up, cessation of business, insolvency, unlawfulness and breach of certain asset cover ratios, in each case as set out in the Loan Agreement and described further in “*Description of the Loan Agreement*”.

Investor Put Option:

Within 30 days of the Issuer becoming aware of a failure by the Borrower to comply with the Interest Cover Test (as defined below), the Issuer shall convene a meeting of Bondholders to consider, by Extraordinary Resolution and in accordance with Condition 17 (*Meetings of Bondholders, Modification and Waiver*), whether or not to approve the investor put option described in Condition 9.7 (the “**Investor Put Option**”). If the Bondholders approve the Extraordinary Resolution, then any Bondholder may, within 30 days of such approval, give an irrevocable notice to the Issuer of such Bondholder’s decision to require the Issuer to redeem some or all of the Bonds owned by such Bondholder on the day falling 45 days after the date on which the Extraordinary Resolution was so approved (the “**Put Option Date**”). On the Put Option Date, the Issuer shall redeem all of the Bonds in respect of which the relevant Bondholders have exercised the Investor Put Option at their aggregate principal amount, together with any interest accrued up to (but excluding) the Put Option Date.

Purchase:

The Borrower and any other member of the Saxon Weald Group (other than the Issuer) may at any time purchase Bonds in the open market or otherwise at any price. Any Bonds so purchased may be surrendered to the Issuer for cancellation in consideration for an amount equal to the principal amount of the Bonds being surrendered being deemed to be prepaid under the Loan Agreement or, to the extent that no Loan is then outstanding, an amount of the Undrawn Commitment equal to the Outstanding Balance of the Bonds surrendered being deemed to be cancelled.

Events of Default:

Following an Event of Default, the Bond Trustee may, and if so requested by the holders of at least one-fourth in principal amount of the Bonds then outstanding shall (subject to it being secured and/or indemnified 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), give notice to the Issuer and the Bonds shall become immediately due and repayable.

The Events of Default include, *inter alia*, non-payment of any principal and interest due in respect of the Bonds, failure of the

Issuer to perform or observe any of its other obligations under the Conditions, the Bond Trust Deed and the Bond Security Deed, 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).

Upon the Bonds becoming repayable prior to the Maturity Date (other than as a result of a prepayment or termination of the Loan Agreement), the Borrower is required to prepay the Loan in full together with accrued interest and commitment fee to and including the date of redemption. The Borrower is also required to pay to the Issuer, within three Business Days of demand, the Issuer's reasonable costs, expenses and liabilities throughout the life of the Bonds.

Issuer Security:

The Issuer's obligations in respect of the Bonds are secured pursuant to the Bond Security Deed in favour of the Bond Trustee for the benefit of itself and the Bondholders and the other Secured Parties by the following (the "**Issuer Security**"):

- (a) an assignment by way of security of the Issuer's rights, title and interest arising under the Loan Agreement, the Legal Mortgages, the Security Trust Deed, the Agency Agreement, the Account Agreement and the Custody Agreement;
- (b) charge by way of first fixed charge over all moneys and/or securities from time to time standing to the credit of the Transaction Account, the Disposal Proceeds Account, the Initial Cash Security Account and the Custody Account and all debts represented thereby; and
- (c) by a charge by way of first fixed charge over all amounts repayable by the Principal Paying Agent to the Issuer pursuant to the terms of the Agency Agreement out of sums held by the Principal Paying Agent for the payment of principal or interest in respect of the Bonds.

Initial Cash Security Account:

For so long as insufficient security has been granted by the Borrower in favour of the Issuer to permit the drawing of the Original Commitment in full or the Borrower has not otherwise drawn any part of the Original Commitment, the amount of the Original Commitment that remains undrawn shall be retained in an account charged in favour of the Bond Trustee (the "**Initial Cash Security Account**") of the Issuer (and may be invested in Permitted Investments) in accordance with the terms of the Account Agreement and the Custody Agreement (the "**Retained Proceeds**"). For the avoidance of doubt, in the event that the Borrower has not drawn any part of the Original Commitment on the Issue Date, the Retained Proceeds at that date shall be the entire amount of the Original Commitment. Any Retained Proceeds shall be advanced to the Borrower at a later date pursuant to the Loan Agreement to the extent that Properties of a corresponding value have been charged in favour of the Issuer.

Funds standing to the credit of the Initial Cash Security Account may: (a) be held on deposit, in which case it shall accrue interest at a rate to be agreed from time to time between the Issuer and the Account Bank pursuant to the Account Agreement; or (b) be invested in Permitted Investments in accordance with the Custody Agreement. See “*Permitted Investments*” below.

Pursuant to the Loan Agreement, the Borrower shall pay to the Issuer a commitment fee in respect of the Undrawn Commitment on each Loan Payment Date in an amount equal to (a) the aggregate of the interest payable by the Issuer under the Bonds on the following Interest Payment Date less (b) the interest received from the Borrower under the Loan Agreement on such Loan Payment Date and the interest otherwise received by the Issuer in respect of the Retained Proceeds during that Loan Interest Period (including, but not limited to, any income received in respect of any Permitted Investments in which any Retained Proceeds are, for the time being, invested).

See “*Description of the Loan Agreement*” below.

Disposal Proceeds Account:

Pursuant to the Loan Agreement, the Borrower is required to procure that the specified asset cover ratio and interest cover ratio is maintained (see “*Description of the Loan Agreement*” below). In the event that the value of any Charged Property is insufficient to maintain the relevant asset cover ratio and/or interest cover ratio, the Borrower may deposit moneys into the Disposal Proceeds Account. Such moneys will be charged in favour of the Bond Trustee pursuant to the terms of the Bond Security Deed.

Funds standing to the credit of the Disposal Proceeds Account may: (a) be held on deposit, in which case it shall accrue interest at a rate to be agreed from time to time between the Issuer and the Account Bank pursuant to the Account Agreement; or (b) be invested in Permitted Investments in accordance with the Custody Agreement. See “*Permitted Investments*” below.

Moneys standing to the credit of the Disposal Proceeds Account may also be withdrawn in accordance with the Loan Agreement: (a) to be applied in the acquisition of Property to be charged in favour of the Security Trustee for the benefit of the Issuer or (b) to the extent that the relevant asset cover ratio and/or interest cover ratio would not be breached immediately after such withdrawal.

Permitted Investments:

Permitted Investments shall consist of (a) triple-A rated off-shore money market funds, (b) direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are guaranteed by the United Kingdom, (c) demand and time deposits in, certificates of deposit of and bankers’ acceptances issued by any depository institution or trust company with a maturity of no more than 360 days subject to, *inter alia*, such debt obligation having a long term debt credit rating of not less than “AA” from Standard & Poor’s Rating Services (“**S&P**”) and “Aa2” from Moody’s Investor Service Limited (“**Moody’s**”) or a short term debt or issuer (as applicable) credit rating of not less than “A 1” from S&P and “P 1” from Moody’s (or, in each case, any other equivalent rating given by a credit rating agency registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the “**CRA Regulation**”) (an “**Equivalent Rating**”)), (d) securities bearing interest or sold at a discount to the face amount thereof issued by any corporation having a long term credit rating of not less than “AA” from S&P and “Aa2” from Moody’s (or an Equivalent Rating), and (e) commercial paper

or other short-term obligations which, *inter alia*, have a short term credit rating of not less than “A 1” from S&P and “P 1” from Moody’s (or an Equivalent Rating),

provided that, in the case of (b) to (e) above, such investment shall be an investment which is an obligation of the United Kingdom or a company incorporated in the United Kingdom, and in all cases, such investment shall be an investment (i) the maturity of which is no later than 6 June, 2042 and (ii) which is denominated in Sterling.

In the event that any Permitted Investments are sold to fund a drawing by the Borrower pursuant to the Loan Agreement and such sale results in a loss realised by the Issuer, such drawing to be made by the Issuer to the Borrower pursuant to the Loan Agreement shall be advanced at a discount in an amount equal to the Actual Advance Amount (as defined in the Loan Agreement).

In the event that any Permitted Investments are sold to fund an advance to the Borrower pursuant to the Loan Agreement and such sale results in a gain realised by the Issuer (such gain, the “**Permitted Investment Profit**”), the Issuer shall advance monies to the Borrower at the principal amount requested and shall make a gift aid payment to a charitable member of the Saxon Weald Group which is connected with the Borrower for the purposes of section 939G of the Corporation Tax Act 2010 (a “**Charitable Group Member**”) in an amount equal to the Permitted Investment Profit.

Immediately prior to the end of each accounting period, to the extent that the Issuer would otherwise be required to recognise a profit for tax purposes in respect of its Permitted Investments as a result of the movement in the fair value recognised in its accounts of such Permitted Investments for that accounting period, the Issuer shall sell Permitted Investments in an aggregate amount equal to the Accounting Profit (as defined in the Loan Agreement) and shall, in the same accounting period, make a gift aid payment to any Charitable Group Member in an amount equal to the Accounting Profit.

See “*Description of the Loan Agreement – Facility*”.

Account Agreement and
Custody Agreement:

The Issuer has appointed The Bank of New York Mellon, London Branch as its Account Bank and The Bank of New York Mellon, London Branch as Custodian pursuant to the Account Agreement and the Custody Agreement, respectively, in relation to the issue of the Bonds.

Pursuant to the Account Agreement, the Account Bank shall maintain three accounts for the Issuer in respect of the Bonds: the Transaction Account, the Initial Cash Security Account; and the Disposal Proceeds Account. Pursuant to the Account Agreement and the Bond Security Deed, the Issuer has entered into certain covenants in respect of the monies which may be credited to and debited from each Account.

Pursuant to the Custody Agreement, the Custodian shall, subject to receipt of such documents as it may require, open the Custody Account (consisting of the Disposal Proceeds Custody Sub-Account, the Initial Cash Security Custody Sub-Account, the Disposal Proceeds Cash Sub-Account and the Initial Cash Security Cash Sub-Account). The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Permitted Investments or as set out therein.

See “*Description of the Account Agreement and the Custody Agreement*” below.

Underlying Security:

The Borrower has created the following security, pursuant to the Legal Mortgages and the Security Trust Deed, in favour of the Security Trustee for the benefit of the Security Trustee and, *inter alios*, the Issuer in respect of the obligations of the Borrower under the Loan Agreement:

- (a) first fixed legal mortgages over all of the Borrower’s right, title and interest from time to time in the Mortgaged Property (as defined in the Legal Mortgages); and
- (b) first fixed charges over, *inter alia*, all plant and machinery of the Borrower which form part of the Mortgaged Property and the benefit of the Insurances (as defined in the Legal Mortgages) and all present and future licences, consents and authorisations in respect thereof,

and has covenanted that it will, following an Enforcement Event (as defined in the Security Trust Deed) which has occurred and is continuing unremedied or unwaived and has not been remedied within any applicable grace period, assign to the Security Trustee for the benefit of itself and the Issuer in respect of its obligations under the Loan Agreement, all of its rights, title and interest in and to certain agreements and covenants held by the Borrower as more particularly described in the Legal Mortgages, together, the “**Underlying Security**“, **provided that** it shall be entitled to exercise all its rights and claims under or in connection therewith until a Borrower Default has occurred and is outstanding.

The Issuer has secured its rights, title and interest in respect of the Underlying Security in favour of the Bond Trustee pursuant to the Bond Security Deed.

See “*Description of the Legal Mortgages and the Security Trust Deed*” below.

Addition, substitution and release of Charged Properties:

Pursuant to the Security Trust Deed, on or prior to creating a Legal Mortgage in respect of any Property in favour of the Security Trustee, the Borrower must, in respect of such security, provide the conditions precedent documents specified in the Security Trust Deed. In addition, pursuant to the Loan Agreement, the Borrower must provide a completed Additional Property Certificate confirming that, *inter alia*, the proposed Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing, Valuation Reports in respect of each Additional Property and a Certificate of Title in respect of each Additional Property charged.

At the request and expense of the Borrower, the Security Trustee shall (subject to receiving an amended Designated Properties Schedule from the Borrower and the Issuer in accordance with the Security Trust Deed) release from the Security (or reallocate, if applicable) such of the Properties forming part of the Issuer’s Designated Security and substitute such of the Properties as may be selected by the Borrower, **provided that** the Borrower satisfies the conditions precedent specified in the Loan Agreement in relation to the Substitute Properties. Such conditions precedent include, *inter alia*, a completed Substitute Property Certificate certifying, *inter alia*, that the relevant Substitute Property is a residential property of a type and nature that is usually owned by Registered Providers of Social Housing and that, immediately following such release (or reallocation, if applicable), the Asset Cover Test will not be breached

as a result of the substitution of the relevant Charged Properties, Valuation Reports in respect of each Substitute Property and a Certificate of Title in respect of each Substitute Property.

At the request and expense of the Borrower, the Security Trustee shall release (subject to receiving an amended Designated Properties Schedule from the Borrower and the Issuer in accordance with the Security Trust Deed) from the Security (or reallocate, if applicable) such Charged Properties as may be selected by the Borrower **provided that** the Borrower delivers to the Issuer and the Security Trustee a completed Property Release Certificate, certifying that, immediately following such release (and reallocation, if applicable), the Asset Cover Test will not be breached as a result of the release (or reallocation, if applicable) of such part of the security.

Notwithstanding the above, where any disposal is a Statutory Disposal the Borrower shall have the right to withdraw such Property from the Issuer's Designated Security. In such circumstances the Borrower is obliged to deliver, as soon as reasonably practicable after it has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate to the Issuer and the Security Trustee confirming that the relevant withdrawal relates to a Statutory Disposal and, if the Statutory Disposal would result in a breach of the Asset Cover Test, confirming that it shall procure that additional Properties are charged pursuant to the Security Trust Deed and/or moneys are deposited into the Disposal Proceeds Account, in accordance with the Loan Agreement, such that any breach of the Asset Cover Test will be cured.

Enforcement of the Underlying Security and the Issuer Security:

Following a Borrower Default, the Issuer may declare the Underlying Security immediately enforceable and/or declare the Loan immediately repayable. Pursuant to the Security Trust Deed, the Security Trustee shall only be required to take action to enforce or protect the security in respect of the Loan Agreement if so instructed by the Issuer (and then only if it has been indemnified and/or secured to its satisfaction).

The Issuer has assigned its rights under, *inter alia*, the Legal Mortgages and the Security Trust Deed to the Bond Trustee, and, pursuant to Condition 6.3 (*Loan Agreement, Legal Mortgages and Security Trust Deed Consents Covenant*), has covenanted not to take any action or direct the Security Trustee to take any action pursuant thereto except with the prior consent of the Bond Trustee. The Bond Trustee may, but is not obliged to, seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

In enforcing the Issuer Security (including the Issuer's rights, title and interests in the Legal Mortgages and the Security Trust Deed insofar as they relate to the Bonds) the Bond Trustee may act in its discretion. It is, however, required to take action, pursuant to Condition 12.2 (*Enforcement*), where so directed by the requisite majority of the Bondholders **provided, however, that** it is secured and/or indemnified to its satisfaction.

See "*Description of the Legal Mortgages and the Security Trust Deed*" below.

Priorities of Payments:

Prior to the enforcement of the Issuer Security, the Issuer shall apply all monies standing to the credit of the Transaction Account on each Interest Payment Date and such other dates on which a payment is due in respect of the Bonds in the following order of priority (the "**Pre-enforcement Priority of Payment**"):

- (a) first, in payment of any taxes due and owing by the Issuer to any taxing authority (insofar as they relate to the Bonds);
- (b) second, in payment of any unpaid fees, costs, charges, expenses and liabilities incurred by the Bond Trustee (including remuneration payable to it and any Appointee) in carrying out its functions under the Bond Trust Deed or the Bond Security Deed;
- (c) third, in payment of any unpaid fees and expenses of the Issuer owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement and the Custodian under the Custody Agreement on a *pro rata* and *pari passu* basis;
- (d) fourth, in payment of any other unpaid fees, expenses and liabilities of the Issuer (in so far as they relate to the Bonds) on a *pro rata* and *pari passu* basis;
- (e) fifth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;
- (f) sixth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds;
- (g) seventh, in payment to the Borrower of any amount due and payable under the terms of the Loan Agreement;
- (h) eighth, in payment of any Permitted Investment Profit or Accounting Profit, as the case may be; and
- (i) to any charitable member of Saxon Weald Group.

Following the enforcement of the Issuer Security, all monies standing to the credit of the Transaction Account, the Disposal Proceeds Account and the Initial Cash Security Account and the net proceeds of enforcement of the Issuer Security shall be applied in the following order of priority (the “**Post-enforcement Priority of Payment**”):

- (a) first, in payment of any unpaid 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 or the Bond Security Deed (including the costs of realising any Issuer Security and the Bond Trustee’s and such receiver’s remuneration);
- (b) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement and the Custodian under the Custody Agreement on a *pro rata* and *pari passu* basis;
- (c) 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;
- (d) fourth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds;
- (e) fifth, in payment of any other unpaid fees and expenses of the Issuer (insofar as they relate to the Bonds) on a *pro rata* and *pari passu* basis;
- (f) sixth, in payment to the Borrower of any amount due and payable under the terms of the Loan Agreement; and

- (g) seventh, in payment of any Permitted Investment Profit or Accounting Profit, as the case may be, to any charitable member of the Saxon Weald Group.

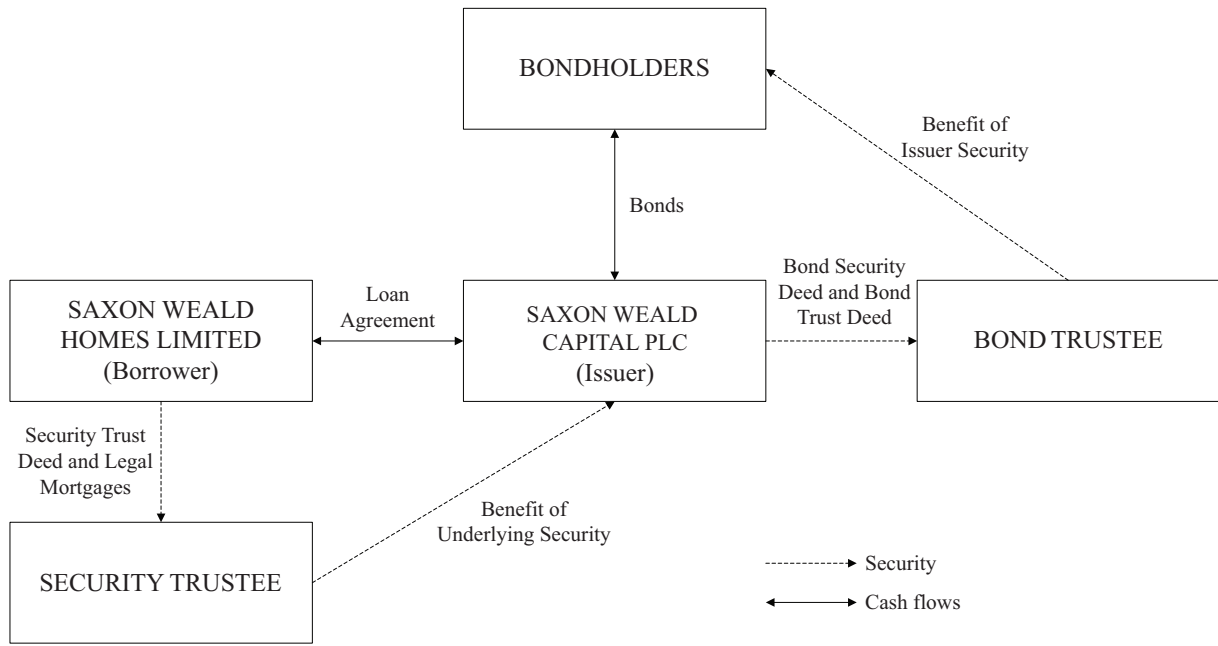
Status of the Bonds:	The Bonds, Receipts and Coupons will constitute direct, secured, unsubordinated obligations of the Issuer and will rank <i>pari passu</i> among themselves.
Covenants:	<p>Pursuant to Condition 6 (<i>Covenants</i>), the Issuer has covenanted not to engage in any activity or do anything other than carry out the business of a company which has as its purpose raising finance and on lending such finance for the benefit of the Borrower or perform any act incidental to or necessary in connection with the aforesaid, without the consent of the Bond Trustee.</p> <p>The Issuer has also covenanted to deliver to the Bond Trustee and, upon request by a Bondholder to the Issuer, to make available to any of the Bondholders, a copy of the Compliance Certificate received from the Borrower pursuant to the terms of the Loan Agreement and a copy of the consolidated annual reports of the Borrower following publication of the same. In addition to the rights of Bondholders to convene a meeting pursuant to Condition 17 (<i>Meetings of Bondholders, Modification and Waiver</i>), at the request of the requisite majority of the Bondholders, the Issuer shall hold a meeting of the Bondholders to discuss the financial position of the Issuer and the Saxon Weald Group, provided that the Issuer shall not be required to hold any such meeting more than once in any calendar year.</p> <p>In addition, the Issuer has covenanted that, for so long as any of the Bonds remain outstanding, it shall not consent to any waiver, amendment or modification of, or take any action or direct the Security Trustee to take any action pursuant to, the Loan Agreement, the Legal Mortgages or the Security Trust Deed except with the prior consent of the Bond Trustee. The Bond Trustee may seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.</p>
Taxation:	All payments in respect of the Bonds will be made without withholding or deduction for or on account of any taxes unless a tax deduction is required by law. In the event that any such withholding or deduction is required, the Issuer may at its option but will not be obliged to pay to Bondholders such additional amounts as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction will equal the amounts of principal and interest which would have been received in respect of the Bonds in the absence of such withholding or deduction. In the event that the Issuer does not opt to pay, or opts to pay and thereafter notifies the Bond Trustee and the Bondholders of its intention to cease paying, such additional amounts, the Bonds shall be redeemed at their principal amount, together with any accrued interest, in accordance with Condition 9.3 (<i>Early Redemption for Tax Reasons</i>).
Meetings of Bondholders:	The Terms and Conditions of the Bonds and the Bond Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. These are set out under " <i>Risk Factors</i> " below and include factors which may affect the Issuer's and/

or the Borrower's ability to fulfil their obligations under the Bonds and the Loan Agreement, respectively, factors which are material for the purpose of assessing the market risks associated with the Bonds, risks relating to the security for the Bonds and risks relating to the market generally.

See "*Risk Factors*" below.

Rating:	The Bonds have been assigned a rating of "Aa3 (negative outlook)" by Moody's. As of the date of this Prospectus, Moody's is established in the European Union and is registered under the CRA Regulation.
Listing and admission to trading:	Application has been made to the UK Financial Services Authority for 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 the Bonds to be admitted to trading on the London Stock Exchange's regulated market.
Sole Arranger and Joint Bookrunner:	Lloyds TSB Bank plc
Joint Bookrunner:	The Royal Bank of Scotland plc
Principal Paying Agent:	The Bank of New York Mellon
Account Bank:	The Bank of New York Mellon, London Branch
Custodian:	The Bank of New York Mellon, London Branch
Bond Trustee:	Prudential Trustee Company Limited
Borrower:	Saxon Weald Homes Limited
Security Trustee:	Prudential Trustee Company Limited
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Bonds in the United States and the United Kingdom, see " <i>Subscription and Sale</i> ".
Governing Law:	The Bonds and any non-contractual obligations arising out of or in connection with them are governed by English law.

STRUCTURE DIAGRAM OF TRANSACTION



RISK FACTORS

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

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur 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 Prospectus and reach their own views prior to making any investment decision. If any of the following risks actually materialise, the Issuer's business, financial condition and 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

Special Purpose Vehicle Issuer: The Issuer is a special purpose finance entity with no business operations other than the incurrence of financial indebtedness, including the issuance of the Bonds. As such the Issuer is entirely dependent upon receipt of funds received from the Borrower in order to fulfil its obligations under the Bonds.

Credit Risk: The Issuer, and therefore payments by the Issuer in respect of the Bonds, will be subject to the credit risk of the Borrower. The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making, of payments due from the Borrower in respect of the Loan Agreement.

Effect of Losses on Loan on Interest Payments and Repayments on the Bonds: There can be no assurance that the levels or timeliness of payments of collections received in respect of the Loan will be adequate to ensure fulfilment of the Issuer's obligations in respect of the Bonds on each Interest Payment Date or any Instalment Redemption Date (including the Maturity Date). In addition, a default under the Loan Agreement could ultimately result in the enforcement of the Underlying Security. The proceeds of any such enforcement may be insufficient to cover the full amount due from the Borrower resulting in a shortfall in funds available to repay the Bonds.

Recently Enacted US legislation May Impose a 30% Withholding Tax on the Issuer and on Payments to Noteholders in Respect of the Notes

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("FATCA") generally impose a new reporting regime on non-U.S. financial institutions with respect to certain payments to certain other non-U.S. financial institutions that do not enter into and comply with an agreement with the U.S. Internal Revenue Service (the "IRS") to provide certain information about the holders of its debt or equity. If a participating non-U.S. financial institution makes a payment to an accountholder that has not provided information requested to enable the institution to comply with its FATCA reporting obligations, or if the recipient of the payment is a non-participating non-U.S. financial institution (that is not otherwise exempt), the payor will be required to withhold 30% on all or a portion of the payment. The withholding tax on payments to a non-participating non-U.S. financial institution generally will apply whether the financial institution is receiving payments for its own account or on behalf of another person.

Guidance issued by the IRS indicates an intention to promulgate regulations that, beginning in 2017, would treat, for example, a portion of payments of interest, principal and disposition proceeds on debt or equity issued by a participating non-U.S. financial institution as being subject to this withholding tax based on the percentage of the financial institution's total assets that are U.S. assets. For these purposes, the term "financial institution" includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests.

It is not yet clear if the Issuer will be a non-U.S. financial institution for the purposes of FATCA and no assurance can be provided as to whether the Issuer will enter into such an agreement with the IRS. However, as the Bonds will be issued prior to 1 January 2013 they should generally be exempt from these

rules provided that they are classified as debt for U.S. federal income tax purposes. This exemption can be lost if the Bonds are materially amended post 1 January 2013.

Financial institutions in jurisdictions that have enacted legislation to collect and share information regarding accountholders of financial institutions with the United States will generally be able to receive payments free of withholding under FATCA. The UK, the United States, France, Germany, Italy and Spain have announced their intention to enter into intergovernmental, reciprocal information gathering and sharing agreements of this kind. It is not yet clear whether legislation implementing these agreements will be enacted in any jurisdiction nor is it entirely clear how any such legislation will impact the treatment of the Bonds under FATCA.

Bondholders will not be entitled to receive additional amounts or otherwise be compensated by the Issuer with respect to taxes withheld pursuant to FATCA.

This description of the FATCA rules is based on proposed regulations and preliminary guidance. Further guidance is anticipated prior to the effective date of these rules, which may significantly modify these rules as they apply to the Issuer and to Bondholders. Bondholders should consult their own advisors about the application of FATCA to the Bonds, in particular if they may be classified as financial institutions under these rules.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-European Union countries to the exchange of information relating to such payments.

A number of non-European Union countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Factors which may affect the Borrower’s ability to fulfil its obligations under the Loan Agreement

Rental Income and Housing Benefit: The business plan of the Borrower depends on achieving a regular stream of rental income from tenants. Rent arrears recovery is given a high priority by the Borrower and arrears have decreased from 3.4 per cent. in 2005/06 to 2.4 per cent. in 2011/12. All rents increased by an average of 6 per cent. in April 2012, which will put pressure on household budgets. This will be especially true of people in work as incomes are only rising by 2.5 per cent. on average in the economy. 60 per cent. of the Borrower’s tenants are in receipt of partial or full housing benefit. Historically, increases in rents have been met by increased housing benefit payments – reducing the risk of rent arrears.

If there is a reduction or termination by the Government of housing benefit then this may accordingly have an adverse impact on the payment of rent (including a reduction in real terms due to a decrease in indexation – see “*Rental Growth Risk*” below), as the tenants would have to pay a higher proportion of the rent themselves. Payments of housing benefit by local authorities may also be delayed as a result of, among other things, the need to establish a new claimant’s entitlement thereto.

The receipt of rental payments by the Borrower, as landlord, may be delayed by the failure of the claimant to regularly pay rent which is due in addition to the housing benefit and/or, in circumstances where the housing benefit is not paid direct to the landlord, because of failure by the tenant to pass on the housing benefit payments to the landlord.

The Welfare Reform Act was granted royal assent on 8th March, 2012. It presents risks to the income of all registered providers of social housing including:

- reduction in housing benefit for deemed under-occupiers;
- a cap of £500 a week (£26,000 a year) on total benefits payable to a family under Universal Credit; and
- payment of the housing benefit of working age tenants directly to individuals and not to landlords.

Tenants of working age could have their housing benefit reduced by 14 per cent if they are deemed to have one spare room and by 25 per cent if they are deemed to have two or more spare rooms. These tenants will be expected to move to smaller homes or to make up any shortfall in rent caused by such reduction in housing benefit themselves. Those that choose not to move or are unable to find alternative housing may get into rent arrears. This provision is due to come into force in April 2013. It potentially affects approximately 275 tenants of the Borrower.

Also from April 2013, there will be a national, maximum cap on the benefits payable to individual households. This will be £500 per week for couples and single parent families and £350 for single people. This will impact on households with large numbers of children because child benefit is included. This is likely to be a problem mainly in London and other expensive areas of the country where rents and thus housing benefit payments are higher. There could be an adverse effect though for relatively small numbers of the Borrower's tenants and this could increase rent arrears marginally.

Universal Credit is a new welfare benefit which combines a number of major social benefits. It is scheduled to be gradually phased in for new applicants from October 2013. It combines several means tested benefits, tax credits and housing benefit into a single means tested benefit which will usually be paid direct to tenants on a monthly basis. This will be administered by a new IT system using real-time tax information to automatically update claimants' entitlements.

Many tenants on housing benefit currently have benefit payments made direct to the landlord. The risk in the proposed new arrangements is that some tenants who will receive direct payment of benefit under the new arrangements will not prioritise payments of rent to the Borrower, thus increasing arrears. Any problems associated with the introduction of the new IT system to administer benefit payments could also contribute to this.

There are two proposed categories of tenant where the Housing Credit element of Universal Credit (which will replace Housing Benefit) will continue to be paid direct to registered providers: pension age tenants (assumed to be those of 65 and over) and 'vulnerable groups' (so far not clearly defined).

There is a risk that the loss of direct payments could lead to an increase in rent arrears. However, a large proportion (44 per cent) of the Borrower's tenant heads of households are over 65. The Borrower also has a further category of households it would consider vulnerable (around 4 per cent of tenants).

In addition, it is proposed that where a tenant falls into arrears above a certain level (which may be based on the time for which arrears have been outstanding or the amount of arrears), landlords like the Borrower can require that direct payments can be made to them.

The measures to be implemented under the Welfare Reform Act therefore increases the risk that rental income received from tenants receiving Universal Credit will be reduced because of increased arrears.

Rental Growth Risk

In January 2011, the Government announced that the current rent regime which applies to properties let at social rent would continue until 31st March, 2015. This regime allows rents to rise by RPI plus ½ per cent, plus or minus £2 a week until target rent is reached. This gives considerable security to the Borrower's rental income stream – at least for the next three years. In addition, it is permissible to move towards rents that are higher than target rents by 5 per cent for general needs housing and by 10 per cent for supported housing (i.e. retirement and extra care housing). If the Borrower were able to use all these tolerances, then there could be £980,000 generated in rental income for 3648 general needs homes and £544,000 extra for 1,475 extra care and retirement housing (these latter stock numbers relate to 31 March 2011).

In April 2011, the Government implemented plans to increase welfare benefits, including housing benefit, annually in line with the Consumer Prices Index ("CPI") and not Retail Price Index ("RPI"). Over the

last five years RPI has been 0.3 per cent higher than CPI. Over many years this could have the effect of taking the Borrower's rents beyond the level that housing benefit would support.

If, after 2015, a lower annual rent rise formula for social rent is introduced, this could reduce the Borrower's future income receipts.

The Localism Act introduces new tenancies that allow Registered Providers of Social Housing to charge intermediate rents up to a maximum of 80 per cent of the market rent level. This new rent and tenancy combination is known as Affordable Rent. The Affordable Rent tenure is only available to Registered Providers of Social Housing who have entered into a Framework Agreement with the Homes and Communities Agency ("HCA") and can only be used on newly developed stock and on new lettings of a proportion of existing stock. The Borrower has signed a Framework Agreement with the HCA to build 341 homes as part of the 2011 – 2015 Affordable Homes Programme at a cost of £49.7 million. 296 of the 341 new homes in the Borrower's HCA programme to March 2015 will be let at Affordable Rent. In addition, 20 per cent of relets between January 2012 and March 2015 will be let at Affordable Rent, a total of 241 relets.

There is a risk that those tenants on Affordable Rent may find it harder to pay their rent and that this may have a corresponding effect on the ability of the Borrower to meet its payment obligations under the Loan Agreement on a timely basis.

A typical 3 bed property let at a "social rent" (the rental basis that applies to properties funded under previous capital grant regimes) generates rental income for the Borrower of £110 per week compared with £160 for an affordable rent, with the result that there is a greater chance of rent arrears with Affordable Rent tenancies.

If, after the next general election (which will occur on or before May 2015), a government of a different political complexion was elected, it is possible that it could require affordable rents to be reduced to social rent levels – probably over time. This would reduce the Borrower's income and put some pressure on its business plan.

Other income: The Borrower receives income from local authorities to fund housing support to older people in retirement and extra care schemes. This is called 'Supporting People Income' and 'accommodation based support'. Local authorities have had notice that their income from Government will be cut by 27 per cent over the period 2011-2015. They have all had to review their expenditure. As a result of those reviews, councils providing Supporting People Income to the Borrower have indicated that this is likely to fall.

The risk to the Borrower would be the possibility of having to run support services at a reduced surplus or even a loss, thus having a negative effect on budget and business plan. Alternatively, the Borrower may not renew contracts when they end, with staff having to be made redundant or transfer to new suppliers.

Total Supporting People income in 2011/12 is £880,000. The Borrower has only budgeted for £665,000 for 2012/13 in anticipation of cuts. Additionally, efficiency savings have been made. Nonetheless, were Supporting People Income to continue to fall, the Borrower may be forced to suffer a loss, find ways of recharging residents or exit the service.

Sales Risk/Housing Market Downturn Risk: The Borrower has 4 kinds of property sales at present:

- shared ownership (general needs homes and for older people over 60)
- shared equity (extra care flats)
- preserved right to buy (statutory right to purchase enjoyed by former tenants of Horsham Council)
- right to acquire (statutory right to purchase enjoyed by all other tenants not in specially built or adapted dwellings).

The Borrower has built 65 shared ownership homes. These are properties where the tenant purchases an initial percentage share in the property and has the future right to purchase additional percentage shares and eventually to become the outright owner. The registered provider retains the freehold of the property and charges a rent based on the balance of its retained interest. There are a further 26 homes which are projected to be completed as part of the 2011-2015 Affordable Homes Programme. At present no shared ownership properties are charged as part of the Borrower's security.

The risks relate to the costs of delays to the initial sale and/or that the sale price in the scheme appraisal is not achieved. In 2010/11, shared ownership homes were sold on average after 44 weeks at 102 per cent of

the projected price. In 2011/12, the average time to sell was 6 weeks at 100 per cent of the projected price. This performance cannot be guaranteed in the future. A decline in the sales price or timescale achieved would lead to loss of income. This could happen if there is a further housing market downturn.

At the date of this Prospectus, 27 per cent of extra care flats have been sold on a shared equity basis. A purchaser buys 75 per cent. of the equity. The remaining 25 per cent is retained by the Borrower and rent is not charged. Since 2000, 126 flats have been built as shared equity. In 2010/11, shared equity flats have taken an average time of 32 weeks to sell and have sold at 103 per cent of values in scheme appraisals. In 2011/12, the average time to sell was 4 weeks at 105 per cent. of the assumed price. There are 19 further shared equity flats which are projected to be completed as part of the 2011-2015 Affordable Homes Programme. If sales performance were to decline in future, income would be reduced.

It is likely in future extra care developments that more flats will be sold. This is because there is high demand (all 30 flats in the Borrower's recently completed scheme in Basingstoke were reserved on one day as soon as they were offered for sale). Under the current funding regime, surpluses from outright sales are required to make a greater contribution than previously towards the funding of a scheme. The Borrower is considering making outright sales of some new extra care flats in future so as to increase income for this purpose.

There are now typically only one or two tenants each year exercising their preserved statutory Right to Buy. The Government has announced an increase to existing Right to Buy discounts for qualifying council tenants and those housing association tenants with the preserved Right to Buy to £75,000. The Borrower still has 1,950 tenants with preserved Right to Buy. There is a risk that increasing the purchase discount to £75,000 could encourage more tenants to buy. Preserved Right to Buy receipts go partly to the Borrower and partly to Horsham District Council in a way that protects the Borrower's income stream but does not reflect the market value of the home. The net capital payment would not permit the developing or purchasing of an alternative home.

The Government has not so far proposed similar measures for new tenants of the housing association sector. This cannot be ruled out though would be likely to require legislation. Under any such proposals, it is possible that the Borrower might be expected to replace any home sold at a discount, but without extra income to do so.

The statutory right to acquire possessed by housing association tenants has never been popular with the Borrower's tenants as the discount available (currently of £13,500 in Horsham) has not been attractive.

In April 2012, recent figures from the Nationwide House Price Index show that there has been little change in the generally weaker buyer demand for the UK housing market with a typical UK property price decreasing by a seasonally adjusted 0.1 per cent. month on month for March 2012. The smoother 3 month on 3 month rate of change has decreased from 0.3 per cent in December 2011 to -0.5 per cent in March 2012. The overall trend does not indicate any significant improvement in housing market conditions. On an annual basis, house prices are 0.9 per cent lower than for the same period last year. The figures seem to indicate that the property market remains fragile.

Development Risk: Residential property investment is subject to varying degrees of market, development and operational risk. Market risks which may impact upon both the rental market and the development of residential properties include the risk of changes to Government regulation, including, but not limited to, regulation relating to planning, taxation, landlords and tenants and welfare benefits. Furthermore, the maintenance of existing properties, development of existing sites and acquisition of additional sites may be subject to the availability of finance facilities and the costs of facilities, interest rates and inflation may also have an effect.

Among other things, these market risks may impact upon the expenses incurred by the Borrower associated with existing residential properties, rental income produced by these properties, the value of its existing investments, its ability to develop land that it has acquired, its ability to sell shared ownership properties and its ability to acquire additional sites. This could, in turn, impact upon the Borrower's cash flow.

Operational Risks: Operational risks may result from major IT systems failure or breaches in IT systems security and the consequences of theft, fraud, health and safety and environmental issues, natural disaster and acts of terrorism. These events could result in financial loss to the Borrower and hence the Issuer.

The Borrower has prepared business continuity plans in order to mitigate against this, including plans to establish a temporary office in a remote location. Such an event could lead to reductions in income and increased expenditure.

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.

Regulatory Risk: The Housing and Regeneration Act 2008 received Royal Assent on 22nd July, 2008 and its provisions are now largely in force.

Pursuant to the Act, on 1st December, 2008 the TSA was established with powers to regulate social housing providers. The TSA in March 2010 published “The regulatory framework for social housing in England from April 2010”, setting out its six standards applying to registered providers from 1st April, 2010. The standards cover tenant involvement and empowerment; quality of accommodation; allocations, rent and tenure; neighbourhood management; value for money; and governance and financial viability. Registered providers are expected to comply with the standards, although the TSA has stated that its approach is that providers should have greater freedoms to enable them to innovate in the best interests of their tenants. Registered providers are expected to establish their own framework to ensure they are accountable to their tenants and governing bodies.

The current standards replaced a significant proportion of the previous regulatory framework which applied to registered providers (then called registered social landlords in England and regulated by the Housing Corporation).

The Localism Act 2010 abolished the TSA as an independent entity. Its regulatory function has been transferred to a separate committee of the HCA with effect from 1st April, 2012. The regulatory framework for social housing in England from April 2012 was published by the TSA in March 2012. It sets out the details of how the new regulatory regime will work. The core regulatory standards will continue but there are significant changes from the previous regime. In relation to consumer matters, the regulator will henceforth only have a backstop role. This will be limited to setting the service delivery standards and acting only where it considers there will be a risk of serious detriment (or harm) to tenants.

The regulator’s principal role will be the financial regulation of housing associations (private registered providers). The emphasis will be on Boards being responsible and accountable for meeting their organisations’ and regulator’s standards. The regulator will retain its focus on the proper governance and financial viability of associations. The regulator will have an expanded role in assessing value for money.

At any time of regulatory change, there is a possibility that some relevant risks facing associations will not be identified as quickly as before.

The risk to investors is that the Borrower has more flexibility to manage its business in the way that suits it best – whether for example by raising income or reducing costs – than under the previous regime.

Capital Resources & Treasury Risk: The Borrower will rely upon financing through this issue to mitigate liquidity risk and augment its capital resources. The Borrower may use lines of credit from major banks and building societies in the future. However, the Borrower could find itself unable to access sources of financing if bank or building societies are unable to provide new facilities or if the cost of accessing the public or private debt markets becomes prohibitive.

Pensions Risk: The Borrower participates in the local government pension scheme (“**LGPS**”) administered by West Sussex County Council.

The LGPS is a multi-employer final salary or defined benefit scheme. It is possible to identify the share of underlying assets and liabilities attributable to the Borrower. As at 31st March, 2011, the FRS17 value of the assets held in the LGPS West Sussex scheme attributable to the Borrower amounted to £12.872 million. As at that date, the corresponding pension liabilities amounted to £13.116 million. The scheme is open to new entrants and there are no plans to close it. The pension contributions payable by the Borrower to the LGPS during the accounting period ended 31st March, 2012 were 16.6 per cent of pensionable salary. This is projected to cost the Borrower £538,400 in 2011/12. Pension schemes routinely move between surplus and deficit depending on economic factors and the success of investment strategies. The main risk to the Borrower is in potentially having to pay up front its share of the West Sussex scheme deficit, should a large deficit occur.

Permitted Reorganisation Risk: The loan agreement permits the Borrower to undertake Permitted Reorganisation. In such circumstances the resulting entity’s credit risk may change. The Borrower currently has no plans for such reorganisation.

Litigation Risk: To date, claims made against the Borrower have not had a material impact on the revenue or business of the Borrower, although there can be no assurance that Saxon Weald will not, in the future, be subject to a claim which may have a material impact upon its revenue or business.

Furthermore, Saxon Weald has the benefit of insurance for, among others, employer's liability, public liability and professional indemnity at a level which the management of Saxon Weald considers to be prudent for the type of business in which Saxon Weald is engaged.

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

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

Interest rate risks: 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 the Loan becoming repayable as a result of a Borrower Default (which includes, *inter alia*, failure by the Borrower to make payments of interest under the Loan Agreement) or an Event of Default (as defined in Condition 12 (*Events of Default and Enforcement*)) or pursuant to Condition 9.3 (*Early Redemption for Tax Reasons*), 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 Terms and Conditions of the Bonds and the Bond Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Bonds and the Bond Trust Deed also provide that the Bond Trustee may, without the consent of Bondholders (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 Bonds or any Transaction Document (to which it is a party) or (ii) determine without the consent of the Bondholders that any Event of Default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under the Bonds in place of the Issuer, in the circumstances described in the Terms and Conditions, provided, in each case, that the Bond Trustee is of the opinion that to do so would not be materially prejudicial to the interest of Bondholders.

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 structure of the issue of the Bonds is based on English law, regulatory and administrative practice in effect as at the date of this Prospectus, and has due regard to the expected tax treatment of the Issuer under United Kingdom tax law and the published practice of HM Revenue & Customs ("HMRC") in force or applied in the United Kingdom as at the date of this Prospectus. 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 HMRC as applied in the United Kingdom after the date of this Prospectus.

European Monetary Union: It is possible that, prior to the repayment in full of the Bonds, the United Kingdom may become a participating member state in the European Economic and Monetary Union and that the Euro will become the lawful currency of the United Kingdom. The introduction of the Euro

could be accompanied by a volatile interest rate environment which could adversely affect holders of the Bonds. It cannot be said with certainty what effect the adoption of the Euro by the United Kingdom (if it occurs) will have on the holders of the Bonds.

Potential conflicts of interest: Each of the Transaction Parties (other than the Issuer) and their affiliates in the course of each of their respective businesses may provide services to other Transaction 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 Transaction Parties and their affiliates or between such Transaction Parties and their affiliates and such third parties. Each of the Transaction Parties (other than the Issuer) 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 Transaction Party.

Taxation: Under the Terms and Conditions of the Bonds (see Condition 10 (*Taxation*) below), the Issuer may, but will not be obliged to, gross up payments in respect of the Bonds if any deduction or withholding on account of tax is imposed. In the event that any deduction or withholding on account of tax is imposed and the Issuer does not opt to gross up payments in respect of the Bonds (or, if having previously opted to gross up notifies the Bond Trustee and the Bondholders of its intention to cease grossing up payments in respect of the Bonds), the Bonds will be redeemed in accordance with Condition 9.3 (*Early Redemption for Tax Reasons*). 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. In addition, any amounts in respect of accrued interest which fall due on any such redemption of the Bonds (and, where the redemption follows the next following Interest Payment Date, such Interest Payment Date) shall be paid subject to the required withholding or deduction and the Issuer shall not be obliged to pay any additional amounts in respect thereof. The Bondholders will therefore bear the risk of any such withholding or deduction in respect of the period from the previous Interest Payment Date to the date of redemption.

The Loan Agreement requires that if any withholding or deduction is required by law to be made by the Borrower thereunder, the amount of the payment due from the Borrower shall be increased to an amount which (after making the tax deduction) leaves an amount equal to the payment which would have been due if no tax deduction had been required.

For a description of the current United Kingdom law and practice relating to withholding tax treatment of the Bonds, see below in "*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 (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

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

Legal investment considerations may restrict certain investments: The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) 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 Bonds under any applicable risk-based capital or similar rules.

Risks Relating to the Security of the Bonds

Considerations relating to the Issuer Security and the Underlying Security: The Bonds will be secured by the Issuer Security granted in favour of the Bond Trustee for the benefit of itself, the Bondholders and the other Secured Parties. Such Issuer Security will include security over the interest of the Issuer in the Loan Agreement, the Security Trust Deed and the Legal Mortgages. The Underlying Security created pursuant to the Security Trust Deed and the Legal Mortgages includes first legal mortgages, first fixed

charges and assignments over the property and rights set out in the relevant Legal Mortgage given by the Borrower in favour of the Security Trustee for the benefit of the Security Trustee and, *inter alios*, the Issuer.

The validity of any security given by the Borrower in connection with additions and substitutions of Charged Properties may depend on the solvency of the Borrower 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 Borrower 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 may be significant and this could also affect the ability of the Borrower to meet its payment obligations under the Loan Agreement.

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 Borrower’s ability to sell, lease or refinance the Charged Property. Any environmental liability imposed on the Borrower could also affect the ability of the Borrower to meet its payment obligations under the Loan Agreement

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 result in a shortfall in funds available to service the Borrower’s payment obligations under the Loan Agreement.

Investment of Retained Proceeds in Permitted Investments: For so long as any part of the net proceeds of the issue of the Bonds remains undrawn pursuant to the Loan Agreement, the Issuer may invest such amounts in Permitted Investments in accordance with the Custody Agreement. Although Permitted Investments are limited to highly rated securities which satisfy certain specified criteria, the Issuer may be required to liquidate such Permitted Investments (a) prior to the enforcement of the Issuer Security, to fund advances to the Borrower pursuant to the Loan Agreement or to fund redemptions of the Bonds in accordance with the Conditions or (b) following the enforcement of the Issuer Security, to make payments in accordance with the Post-enforcement Priority of Payment, in either case at a time when the disposal proceeds of such Permitted Investments is less than the price paid by the Issuer upon the acquisition thereof. Prior to the enforcement of the Issuer Security, any losses realised by the Issuer in respect of a sale of Permitted Investments is passed on to the Borrower pursuant to the terms of the Loan Agreement as a result of (i) the Issuer’s obligation to fund a principal amount of an advance being such that it may be satisfied by funding such advance at a discount in proportion to any such losses and (ii) the Borrower’s obligation to make further payments to the Issuer in respect of any prepayment of the loan in full to enable the Issuer to fund any shortfall on a redemption of the Bonds. However, following the enforcement of the Issuer Security, any losses in respect of the Permitted Investments will reduce the amounts available to the Issuer in the Initial Cash Security Account to satisfy its payment obligations in respect of the Bonds. In addition, the Charged Disposal Proceeds may also be invested in Permitted Investments. For the purpose of calculating the Borrower’s compliance with the Asset Cover Test, the value of such Permitted Investments will be the purchase price thereof and the Borrower shall not be required to monitor the market value of such Permitted Investments. Consequently, the value attributed to the Permitted Investments for this purpose may be more than the realisable value from time to time.

In the event that the enforcement of the Issuer Security takes place prior to the Initial Properties and the Additional Properties being charged, with an aggregate Minimum Value equal to the principal amount of the Bonds, and/or at a time when the Permitted Investments have been acquired with the Disposal Proceeds, the value of the proceeds of enforcement of the Underlying Security may be insufficient to enable the Issuer to pay its obligations under the Bonds in full.

The Issuer’s ability to meet its obligations under the Bonds after enforcement under the Loan: Following default by the Borrower, the Security Trustee may enforce the Underlying Security and appoint a Receiver pursuant to its powers under the Security Trust Deed.

The Issuer's ability to continue to pay principal and interest on the Bonds following default by the Borrower under the Loan is dependent upon the ability of the Issuer to receive from the Security Trustee pursuant to the collection of rental income or a disposal of the Underlying Security, sufficient funds to make such payment.

Fixed charges may take effect under English law as floating charges: Pursuant to the Bond Security Deed, the Issuer has purported to grant fixed charges over, amongst other things, all rights and benefits under the Transaction Account, the Disposal Proceeds Account and the Initial Cash Security Account. 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 (other than assignment of security) may take effect under English law as floating charges only 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 (save where an administrator has been appointed) be able to commence insolvency or winding-up proceedings against the Issuer 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 Borrower 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 mis-management 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. Pursuant to the Security Trust Deed, the Issuer and the Borrower, respectively, are required to indemnify the Security Trustee against all liabilities and expenses suffered or incurred by it. The Borrower is required to indemnify the Issuer and the Security Trustee on demand against any loss or liability incurred in connection with the Loan Agreement. The obligation to indemnify the Security Trustee may mean that there is a shortfall in funds available to pay all amounts due and owing under the Bonds and/or the Loan Agreement.

Assignment of rents: The assignment of rents derived from the Charged Properties will, without notice being given to the tenants of the Charged Properties, take effect as an equitable assignment but will nevertheless be binding on any liquidator or other creditor of the Borrower subject to certain equities. The failure to give notice to the tenants means that tenants will discharge those payment obligations under their tenancy agreements by making payments direct to the Borrower until such time as notice is given to the tenants of the assignment of such rents.

In the event that a receiver is appointed in respect of the Borrower, a notice will be sent to the tenants of the Borrower instructing them to make rental payments to the receiver. However, there can be no guarantee that the tenants will receive the notice, or that they will act on the notice, even though they are legally required to do so. If the tenants continue to make payments to the Borrower, rather than to the receiver, the income received by the Bond Trustee for application in accordance with the Bond Security Deed may be adversely affected, which in turn may adversely affect the repayment of the Bonds. However, given the 28 working day moratorium procedure referred to below, it may be unlikely that such action will take place.

Moratorium: The Borrower believes that it is unlikely that any formal enforcement proceedings would be utilised given the powers of the HCA to intervene in the affairs of non-profit registered providers of social housing in England that fall into financial or managerial difficulties. In order to protect the interest of tenants and to preserve the housing stock of a housing association 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 HCA 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 Issuer's ability to enforce its security over the Charged Properties, 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 HCA in respect of certain secured assets. This, in turn, could affect the Bond Trustee's ability to enforce its security against the Issuer under the Bond Security Deed.

Risks Relating to the Market Generally

Potential Limited Liquidity: The Bonds may not have an established trading 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 Saxon Weald Group, as well as other factors such as the time remaining to the maturity of the Bonds. Investors may not be able to sell the Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Bonds.

Global economic disruption: In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds, concerns over the liquidity of major banks and building societies and the consequent effects on the general economy and the housing market. The Issuer cannot predict when these circumstances will change and, if and when they do, whether conditions of general market illiquidity for the Bonds and instruments similar to the Bonds will return in the future.

Credit ratings may not reflect all risks: It is expected that the Bonds will be rated "Aa3 (negative outlook)" by Moody's. This rating may not reflect the potential impact of all risks related to the Issuer, 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. In particular, on 15th February, 2012, Moody's took action in respect of selected European sub-sovereign issuers (including amending the outlook from stable to negative for all Moody's rated Registered Providers of Social Housing) on the view that Registered Providers of Social Housing are linked to the national government through financial, operational and economic factors. The relevant ratings (including the baseline credit assessment) of the Issuer remain unchanged. As with any rated entity, the rating of the Issuer (and, accordingly, the rating of the Bonds) may be susceptible to further adjustments (whether upward or downward) and in particular any adjustments which may be made as a result of a rating agency's methodology as applied to the Issuer.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7th June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation. As of the date of this Prospectus, Moody's is established in the European Union and is registered under the CRA Regulation.

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 initially issued in the form of a temporary global bond (a “**Temporary Global Bond**”) which will be delivered on or prior to the issue date of the Bonds to a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”).

Whilst the Bonds are represented by the Temporary Global Bond, payments of principal, interest (if any) and any other amount payable in respect of the 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 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 the Temporary Global Bond is issued, interests in the 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 “**Permanent Global Bond**”) and, together with the Temporary Global Bond, the “**Global Bonds**”), against certification of beneficial ownership as described above unless such certification has already been given. The holder of the Temporary Global Bond 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 Temporary Global Bond for an interest in the Permanent Global Bond is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on the Permanent Global Bond 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 Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bonds with principal receipts, 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 (*Events of Default and Enforcement*)) has occurred and is continuing, or (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 successor 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 Permanent Global Bond in definitive form. The Issuer will promptly give notice to Bondholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, 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 of the Bonds and on all principal receipts and 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.”

Summary of Provisions relating to the Bonds while in Global Form

Notices

For so long as all of the Bonds are represented by one or both of the 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 Compliance Certificate or annual reports required to be made available pursuant to a request by any of the Bondholders pursuant to Condition 6.2 (*Information Covenants*)) 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 15 (*Notices*). Any such notice shall be deemed to have been given to the holders of the Bonds on the day on which such notice was delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to be given by any Bondholder may be given to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Accountholders

For so long as any of the Bonds is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, 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.

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. 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.

Prescription

Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 11 (*Prescription*)).

Instalment Redemption and Cancellation

Reduction of the principal amount outstanding of any Global Bond following its redemption in one or more instalments, and cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its final redemption or purchase, will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

Exercise of Put Option

In order to exercise the option contained in Condition 9.7 (*Investor Put Option*) the bearer of the Permanent Global Bond must, within the period specified in the Conditions for the deposit of the relevant Bond and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Bonds in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

TERMS AND CONDITIONS OF THE BONDS

The following are the Terms and Conditions of the Bonds which will be endorsed on each Bond in definitive form (if issued).

The £225,000,000 5.375 per cent. Secured Bonds due 2042 (the “**Bonds**”) of Saxon Weald Capital plc (the “**Issuer**”) are constituted by a Bond Trust Deed (such Bond Trust Deed as modified and/or supplemented and/or restated from time to time, the “**Bond Trust Deed**”) and a Bond Security Deed (such Bond Security Deed as modified and/or supplemented and/or restated from time to time, the “**Bond Security Deed**”) dated 6 June, 2012 made between the Issuer and Prudential Trustee Company Limited (as trustee pursuant to the Bond Trust Deed, the “**Bond Trustee**”, which expression shall include all persons for the time being appointed trustee or trustees of the Bond Trust Deed) 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) and the holders of principal receipts appertaining to the Bonds (the “**Receiptholders**” and “**Receipts**” respectively).

The Bonds have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 6 June, 2012 and made between the Issuer, the Bond Trustee, The Bank of New York Mellon 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 Bond Security Deed, the Agency Agreement, the Loan Agreement, the Legal Mortgages and the Security Trust Deed are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the date of the issue of the Bonds at Laurence Pountney Hill, London EC2R 0HH and at the specified office of each of the Paying Agents. The Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Bond Trust Deed, the Bond Security Deed and the Agency Agreement. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Bond Trust Deed, which includes the form of the Bonds, and the Bond Security Deed.

1. DEFINITIONS

Words and expressions defined in the Bond Trust Deed, the Bond Security 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:

“**Account Agreement**” means the Account Agreement dated 6 June, 2012 and made 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 The Bank of New York Mellon, London Branch as account bank pursuant to the Account Agreement or any successor account bank appointed thereunder;

“**Accounting Profit**” has the meaning given to it in the Loan Agreement;

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

“**Bondholder Specific Withholding**” means any withholding or deduction of Taxes which is required in respect of any payment in respect of any Bond, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Bond, Receipt or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond, Receipt or Coupon; or
- (b) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) 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 Payment Day (as defined in Condition 8.5 (*Payment Day*)).

“**Bond Secured Creditors**” means the Bond Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in the Bond Security Deed, the Bondholders, the Paying Agents, the Custodian and the Account Bank;

“**Borrower**” means Saxon Weald Homes Limited, as borrower under the Loan Agreement;

“**Borrower Default**” has the meaning given to it in the Loan Agreement;

“**Cancelled Retained Proceeds**” has the meaning given to it in the Loan Agreement;

“**Charged Disposal Proceeds**” means, at any time, the aggregate of all amounts (whether representing proceeds of disposal or other moneys) standing to the credit of the Disposal Proceeds Account and, to the extent invested in Permitted Investments in accordance with the Custody Agreement, such Permitted Investments and any income received by the Issuer in respect of such Permitted Investments, **provided however that**, for the purpose of determining the Borrower’s compliance with the Asset Cover Test (as defined in the Loan Agreement), the value to be attributed to such Permitted Investments shall be the purchase price thereof;

“**Compliance Certificate**” has the meaning given to it in the Loan Agreement;

“**Custodian**” means The Bank of New York Mellon, London Branch as custodian pursuant to the Custody Agreement or any successor custodian appointed thereunder;

“**Custody Account**” means the account of the Issuer set up with the Custodian in respect of the Permitted Investments in accordance with the Custody Agreement;

“**Custody Agreement**” means the Custody Agreement dated 6 June, 2012 and made between the Issuer, the Bond Trustee and the Custodian, as amended and/or supplemented and/or restated from time to time;

“**Disposal Proceeds Account**” means the account of the Issuer set up with the Account Bank in respect of the Charged Disposal Proceeds in accordance with the Account Agreement;

“**Initial Cash Security Account**” means the account of the Issuer set up with the Account Bank in respect of the Retained Proceeds in accordance with the Account Agreement;

“**Instalment Redemption Date**” has the meaning given to it in Condition 9.1 (*Instalment Redemption*);

“**Investor Put Amount**” has the meaning given to it in Condition 9.7 (*Investor Put Option*);

“**Investor Put Option**” has the meaning given to it in Condition 9.7 (*Investor Put Option*);

“**Issue Date**” means 6 June, 2012;

“**Issuer Charged Property**” has the meaning given to it in Condition 4 (*Security*);

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

“**Legal Mortgages**” means the Legal Mortgage dated 6 June, 2012 and made between the Borrower and the Security Trustee pursuant to which the Borrower provides security in respect of its obligations under the Loan Agreement and any additional legal mortgage entered into between the Borrower and the Security Trustee substantially in the form set out in the Security Trust Deed pursuant to which the Borrower provides security in respect of its obligations under the Loan Agreement;

“**Liabilities**” means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including legal fees and any Taxes and penalties incurred by that person;

“**Loan**” means the loan made by the Issuer to the Borrower pursuant to the terms of the Loan Agreement;

“**Loan Agreement**” means the Loan Agreement dated on or about the date of issue of the Bonds between the Issuer, the Borrower and the Security Trustee;

“**Loan Payment Day**” means a day on which principal or interest in respect of the Loan is due and payable by the Borrower to the Issuer in accordance with the terms of the Loan Agreement;

“**Maturity Date**” means the final Instalment Redemption Date;

“**Permitted Investments**” has the meaning given to it in the Loan Agreement;

“**Permitted Investment Profit**” means, in respect of any sale of Permitted Investments, the amount by which the sale price of such Permitted Investments exceeds the original purchase price of such Permitted Investments (if any);

“**Permitted Reorganisation**” has the meaning given to it in the Loan Agreement;

“**Put Option Date**” has the meaning given to it in Condition 9.7 (*Investor Put Option*);

“**Registered Provider of Social Housing**” has the meaning given to it in the Loan Agreement;

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received 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 15 (*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, Receipts or Coupons.

“**Retained Proceeds**” means, at any time, an amount of the net issue proceeds of the Bonds which have not been advanced to the Borrower pursuant to the Loan Agreement at such time (if any);

“**Saxon Weald Group**” means the Borrower and any other present or future, direct or indirect, subsidiaries of the Borrower (which includes, for the avoidance of doubt, any entity with which the Borrower may merge or be consolidated with at any time including as a result of a Permitted Reorganisation);

“**Secured Amounts**” means the aggregate of all monies and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Bond Secured Creditors under the Bonds or the Transaction Documents;

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

“**Security Trust Deed**” means the Security Trust Deed dated 6 June, 2012 between, *inter alios*, the Borrower and the Security Trustee (as amended from time to time);

“**Security Trustee**” means Prudential Trustee Company Limited as security trustee under the Security Trust Deed for, *inter alios*, the Issuer, and which expression shall include all persons for the time being security trustee or security trustees appointed under the Security Trust Deed;

“**Taxes**” has the meaning given to it in Condition 10.1 (*Payments without withholding*);

“**Transaction Account**” means the account of the Issuer set up with the Account Bank in respect of the Bonds in accordance with the Account Agreement;

“**Transaction Documents**” means the Loan Agreement, the Bond Trust Deed, the Bond Security Deed, the Security Trust Deed, each Legal Mortgage, the Agency Agreement, the Account Agreement and the Custody Agreement;

“**Transaction Parties**” means any person who is party to a Transaction Document; and

“**UK Government Gilt**” means Sterling denominated gilts or stock issued by or on behalf of Her Majesty’s Treasury.

2. FORM, DENOMINATION AND TITLE

- (a) The Bonds are in bearer form, serially numbered, in the denomination of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Receipts, Coupons and Talons attached on issue. No Bonds will be issued with a denomination above £199,000.
- (b) Title to the Bonds, Receipts and Coupons will pass by delivery. The Issuer, any Paying Agent and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bond, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

3. STATUS

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

4. SECURITY

The Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions and the Bond Security Deed) pursuant to the Bond Security Deed in favour of the Bond Trustee for the benefit of the Bond Trustee and the Bondholders and the other Secured Parties as follows:

- (a) by an assignment by way of security of the Issuer's rights, title and interest arising under the Loan Agreement, the Security Trust Deed, the Legal Mortgages, the Agency Agreement, the Custody Agreement and the Account Agreement;
- (b) by a charge by way of first fixed charge over all moneys and/or securities from time to time standing to the credit of the Transaction Account, the Disposal Proceeds Account, the Initial Cash Security Account and the Custody Account and all debts represented thereby; and
- (c) by a charge by way of first fixed charge over all amounts repayable by the Principal Paying Agent to the Issuer pursuant to the terms of the Agency Agreement out of sums held by the Principal Paying Agent for the payment of principal or interest in respect of the Bonds.

The property charged and assigned pursuant to the Bond Security Deed listed in (a) to (c) above, together with any other property or assets held by and/or assigned to the Bond Trustee and/or any deed or document supplemental thereto, is referred to herein as the "**Issuer Charged Property**" and the security created thereby, the "**Issuer Security**".

The Issuer Security shall become enforceable:

- (i) upon the delivery of an Acceleration Notice; or
- (ii) if any person who is entitled to do so presents an application for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court.

5. ORDER OF PAYMENTS

5.1 Pre-enforcement

Prior to the enforcement of the Issuer Security, the Issuer shall apply the monies standing to the credit of the Transaction Account on each Interest Payment Date and such other dates on which a payment is due in respect of the Bonds in the following order of priority (the "**Pre-enforcement Priority of Payment**"):

- (a) first, in payment of any taxes due and owing by the Issuer to any taxing authority (insofar as they relate to the Bonds);
- (b) second, in payment of any unpaid fees, costs, charges, expenses and liabilities incurred by the Bond Trustee (including remuneration payable to it and any Appointee) in carrying out its functions under the Bond Trust Deed or the Bond Security Deed;
- (c) third, in payment of any unpaid fees and expenses of the Issuer owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement and the Custodian under the Custody Agreement on a *pro rata* and *pari passu* basis;

- (d) fourth, in payment of any other unpaid fees, expenses and liabilities of the Issuer (in so far as they relate to the Bonds) on a *pro rata* and *pari passu* basis;
- (e) fifth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;
- (f) sixth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds;
- (g) seventh, in payment to the Borrower of any amount due and payable under the terms of the Loan Agreement; and
- (h) eighth, in payment of any Permitted Investment Profit or Accounting Profit as the case may be, to any charitable member of the Saxon Weald Group.

5.2 Post-enforcement

Following the enforcement of the Issuer Security, all monies standing to the credit of the Transaction Account, the Disposal Proceeds Account, the Initial Cash Security Account and the Custody Account and the net proceeds of enforcement of the Issuer Security shall be applied in the following order of priority (the “**Post-enforcement Priority of Payment**”):

- (a) 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 or the Bond Security Deed (including the costs of realising any Issuer Security and the Bond Trustee’s and such receiver’s remuneration);
- (b) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement and the Custodian under the Custody Agreement on a *pro rata* and *pari passu* basis;
- (c) 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;
- (d) fourth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds;
- (e) fifth, in payment of any other unpaid fees and expenses of the Issuer (in each case insofar as they relate to the Bonds) on a *pro rata* and *pari passu* basis;
- (f) sixth, in payment to the Borrower of any amount due and payable under the terms of the Loan Agreement; and
- (g) seventh, in payment of any Permitted Investment Profit or Accounting Profit as the case may be, to any charitable member of the Saxon Weald Group.

6. COVENANTS

6.1 General Covenants

In addition to the covenants of the Issuer set out in the Bond Trust Deed and the Bond Security Deed, for so long as any of the Bonds remains outstanding, the Issuer covenants that it will not without the consent in writing of the Bond Trustee engage in any activity, or do anything other than:

- (a) carry out the business of a company which has as its purpose raising finance and on lending such finance for the benefit of the Borrower (including, without limitation, as envisaged by the Transaction Documents); and
- (b) perform any act incidental to or necessary in connection with (a) above.

The Issuer also covenants, for so long as any of the Bonds remain outstanding, not to create or permit to subsist, over any of the Issuer Security, any mortgage or charge or any other security interest ranking in priority to, or *pari passu* with, the Issuer Security.

6.2 Information Covenants

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

- (a) send to the Bond Trustee and, upon request by any Bondholder to the Issuer, make available to such Bondholder at the Issuer’s registered office during normal business hours, a copy of

the Compliance Certificate promptly upon receipt of the same from the Borrower pursuant to the terms of the Loan Agreement;

- (b) send to the Bond Trustee and, upon request by any Bondholder to the Issuer, make available to such Bondholder at the Issuer's registered office during normal business hours, a copy of the consolidated annual reports of the Borrower (if any) promptly upon publication of the same by the Borrower; and
- (c) 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 the Saxon Weald Group, **provided, however, that** the Issuer shall not be required to convene any such meeting pursuant to this Condition 6.2(c) 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 15 (*Notices*). The Issuer shall act in good faith in addressing any questions regarding the financial position of itself or any other member of the Saxon Weald Group 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 6.2(c) are in addition to the meetings provisions set out in Condition 17 (*Meetings of Bondholders, Modification and Waiver*).

6.3 Loan Agreement, Legal Mortgages and Security Trust Deed Consents Covenant

For so long as any of the Bonds remains outstanding, the Issuer covenants that it shall not consent to any waiver, amendment or modification of, or take any action or direct the Security Trustee to take any action pursuant to, the Loan Agreement, the Legal Mortgages or the Security Trust Deed except with the prior consent of the Bond Trustee. The Bond Trustee may seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

7. INTEREST

7.1 Interest Rate and Interest Payment Dates

The Bonds bear interest on their aggregate principal amount from (and including) 6 June, 2012 at the rate of 5.375 per cent. per annum, payable semi-annually in arrear in equal instalments on 6 December and 6 June in each year (each, an "**Interest Payment Date**").

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 Security 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 (*Interest Rate and Interest Payment Dates*) and the relevant principal amount of the Bonds.

8. PAYMENTS

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 on an Interest Payment Date will be made against presentation and surrender (or in the case of part payment only, endorsement) of the relevant Receipt or 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, or, at the option of the payee, by a cheque in Sterling drawn on, a bank in London.

8.3 Missing Unmatured Receipts or Coupons

Each Bond should be presented for payment together with all relative unmatured Receipts or Coupons (which expression shall, for the avoidance of doubt, include Receipts or Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Receipt or Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Receipt or 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 Receipt or Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 11 (*Prescription*)) in respect of the relevant Bond (whether or not the Receipt or Coupon would otherwise have become void pursuant to Condition 11 (*Prescription*)) or, if later, five years after the date on which the Receipt or 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 thereto in the place of payment.

8.5 Payment Day

If the date for payment of any amount in respect of any Bond, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, “**Payment Day**” means any day which (subject to Condition 11 (*Prescription*)):

- (a) is, or falls after, the relevant due date;
- (b) is, or falls at least one Business Day after, the corresponding Loan Payment Day;
- (c) is a Business Day in the place of the specified office of the Paying Agent at which the Bond, Receipt or Coupon is presented for payment; and
- (d) in the case of payment by a credit or transfer to a Sterling account in London as referred to above, 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 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;
- (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; and
- (c) the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 15 (*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, Receiptholders 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.

8.7 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 in Instalments

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed in five equal instalments (each, an “**Instalment**”) of twenty per cent. of their original principal amount on the interest payment dates falling on 6 June, 2032, 6 December, 2034, 6 June, 2037, 6 December, 2039 and 6 June, 2042 (each an “**Instalment Redemption Date**”), subject as provided in Condition 8 (*Payments*).

In the event that the Bonds have been partially redeemed prior to the initial Instalment Redemption Date, each Instalment shall be reduced on a *pro rata* basis to reflect the proportion of the original principal amount of the Bonds which has been so redeemed.

9.2 Early Redemption

Subject to Condition 9.4 (*Mandatory Early Redemption*) below, if in accordance with the Loan Agreement, the Borrower elects to prepay the Loan in whole or in part prior to the repayment dates specified in the Loan Agreement or the Loan otherwise becomes prepayable in whole or in part prior to the repayment dates specified in the Loan Agreement (other than as a result of the Bonds becoming due and repayable), then the Issuer shall redeem the Bonds in whole or, in respect of a prepayment in part, in an aggregate principal amount equal to the nominal amount of the Loan to be repaid on the date which is two Business Days after that on which payment is made by the Borrower under the Loan Agreement (the “**Loan Prepayment Date**”). In accordance with the Loan Agreement, the Borrower may not elect to prepay the Loan at any time after the date falling four Business Days prior to the initial Instalment Redemption Date.

Redemption of the Bonds pursuant to this Condition 9.2 shall be made at the higher of the following:

- (a) par; and
- (b) 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 Nominal 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) 0.20 per cent.,

together with any interest accrued up to (but excluding) the Loan Prepayment Date.

For the purposes of this Condition:

“**Benchmark Gilt**” means the 4.250 per cent. Treasury Stock due March 2036 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 three Business Days prior to the Loan Prepayment Date; 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 8 June, 1998 and updated on 15 January, 2002 and 16 March, 2005) (as amended or supplemented from time to time).

9.3 Early Redemption for Tax Reasons

If as a result of any actual change in tax law, the Issuer certifies to the Bond Trustee, that it would, on the next following Interest Payment Date, be required to make a withholding or deduction in respect of payments to be made on such Interest Payment Date (other than in respect of a Bondholder Specific Withholding) and the Issuer does not opt to pay additional amounts pursuant to Condition 10 (*Taxation*) or, having so opted, notifies the Bond Trustee and the Bondholders, in accordance with Condition 15 (*Notices*) of its intention to cease paying such additional amounts, the Issuer shall redeem the Bonds in whole, but not in part, at their principal amount, plus accrued interest to (but excluding) the date of redemption, as soon as reasonably practicable prior to the next following Interest Payment Date or, if it is not reasonably practicable for the Issuer to redeem the Bonds prior to the next following Interest Payment Date, within three Business Days thereafter. For the avoidance of doubt, any amounts in respect of accrued interest which fall due on any such redemption of the Bonds (and, where the redemption follows the next following Interest Payment Date, such Interest Payment Date) shall be paid subject to the required withholding or deduction and the Issuer shall not be obliged to pay any additional amounts in respect thereof.

9.4 Mandatory Early Redemption

If the Loan becomes repayable:

- (a) as a result of a Borrower Default; or
- (b) following the Borrower ceasing to be a Registered Provider of Social Housing (other than if the Borrower regains its status as a Registered Provider of Social Housing within 180 days of such cessation),

then the Issuer shall redeem the Bonds in full at their principal amount, plus accrued interest to (but excluding) the date on which the Loan is repaid (the “**Loan Repayment Date**”), on the date which is two Business Days after the Loan Repayment Date.

9.5 Notice of Early Redemption

Notice of any early redemption in accordance with Condition 9.2 (*Early Redemption*), Condition 9.3 (*Early Redemption for Tax Reasons*) or Condition 9.4 (*Mandatory Early Redemption*) above shall be given by the Issuer to the Bond Trustee, the Paying Agents and the Bondholders, in accordance with Condition 15 (*Notices*), as promptly as practicable.

9.6 Partial Redemption

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected by drawing lots in such place as the Bond Trustee may approve and in such manner and at such time as the Bond Trustee may deem appropriate, subject to compliance with applicable law and the rules of each listing authority or stock exchange (if any) by which the Bonds have been admitted to listing and/or trading. Notice of any such selection will be given by the Issuer to the Bondholders as promptly as practicable. Each notice referred to in Condition 9.2 will specify the date fixed for redemption, the early redemption amount 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.

9.7 Investor Put Option:

- (a) Within 30 days of the Issuer becoming aware of any failure of the Borrower to comply with the Interest Cover Test the Issuer shall convene a meeting of Bondholders to consider, by Extraordinary Resolution and in accordance with Condition 17 (*Meetings of Bondholders, Modification and Waiver*), whether or not to approve the investor put option described in paragraph (b) below (the “**Investor Put Option**”).
- (b) If the Bondholders approve the Extraordinary Resolution in accordance with paragraph (a) above, then any Bondholder may, within 30 days of such approval, give an irrevocable notice to the Issuer of such Bondholder’s decision to require the Issuer to redeem some or all of the Bonds owned by such Bondholder on the day falling 45 days after the date on which the Extraordinary Resolution was so approved (the “**Put Option Date**”), together with any interest accrued up to (but excluding) the Put Option Date.
- (c) On the Put Option Date, the Issuer shall redeem, in whole (but not in part), all of the Bonds in respect of which the relevant Bondholders have exercised the Investor Put Option, at their aggregate principal amount together with any interest accrued up to (but excluding) the Put Option Date (the aggregate amount of principal and interest in respect of such redemption, the “**Investor Put Amount**”).

9.8 Calculations

Each calculation, by or on behalf of the Issuer, for the purposes of this Condition 9 shall, in the absence of manifest error, be final and binding on all persons. If the Issuer does not at any time for any reason calculate amounts referred to in this Condition 9, such amounts may be calculated by the Bond Trustee, or an agent appointed (at the expense of the Issuer) by the Bond Trustee for this purpose, (without any liability accruing to the Bond Trustee as a result) based on information supplied to it by the Issuer and each such calculation shall be deemed to have been made by the Issuer.

9.9 Purchase of Bonds by the Borrower or members of the Saxon Weald Group

The Borrower and any other member of the Saxon Weald Group (other than the Issuer) may at any time purchase Bonds in the open market or otherwise at any price. Following any such purchase, the Borrower or such member of the Saxon Weald Group, as the case may be, may (but is not obliged to) surrender the Bonds to the Issuer for cancellation. An amount equal to the principal amount of the Bonds being surrendered shall be deemed to be prepaid under the Loan Agreement (but, for the avoidance of doubt, without triggering a redemption under Condition 9.2 (*Early Redemption*)) or, to the extent that no Loan is then outstanding, an amount of the Undrawn Commitment equal to the Outstanding Balance of the Bonds surrendered shall be deemed to be cancelled for the purposes of the Loan Agreement and an amount of Retained Proceeds equal to the Cancelled Retained Proceeds shall be paid by the Issuer to the Borrower or such member of the Saxon Weald Group, as the case may be.

9.10 Purchase of Bonds by the Issuer

The Issuer may not at any time purchase Bonds.

9.11 Cancellation of purchased or redeemed Bonds

All Bonds redeemed by the Issuer pursuant to Conditions 9.2 (*Early Redemption*), Condition 9.3 (*Early Redemption for Tax Reasons*) or Condition 9.4 (*Mandatory Early Redemption*) or surrendered to the Issuer for cancellation pursuant to Condition 9.9 (*Purchase of Bonds by the Borrower or members of the Saxon Weald Group*) shall be cancelled and may not be reissued or resold.

10. TAXATION

10.1 Payments without withholding

All payments of principal and interest in respect of the Bonds, Receipts and 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 such withholding or deduction

is required by law in which case the relevant payment will be made subject to such withholding or deduction.

10.2 No obligation to pay additional amounts

Subject as follows, neither the Issuer, the Bond Trustee nor any Paying Agent shall be obliged to pay any additional amounts to the Bondholders, Receiptholders or Couponholders as a result of any withholding or deduction made in accordance with Condition 10.1 (*Payments without withholding*).

Notwithstanding the foregoing, in the event that the Issuer would, on the next Interest Payment Date, be required to make a withholding or deduction in respect of tax (other than in respect of a Bondholder Specific Withholding), the Issuer may, **provided that** it has given notice to the Bond Trustee and the Bondholders, in accordance with Condition 15 (*Notices*), of its intention to do so prior to such Interest Payment Date, pay to Bondholders such additional amounts as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction will equal the amounts of principal and interest which would have been received in respect of the Bonds in the absence of such withholding or deduction. If at any time the Issuer intends to cease paying such additional amounts, it may do so by giving notice to the Bondholders and the Bond Trustee of its intention to do so with effect from the next Interest Payment Date.

11. PRESCRIPTION

The Bonds, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8 (*Payments*) or any Talon which would be void pursuant to Condition 8 (*Payments*).

For the purposes of this Condition:

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received 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 15 (*Notices*).

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 one-fourth 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 to its satisfaction), (but in the case of the happening of any of the events described in paragraphs 12.1(b) and (i) 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 in writing to the Issuer (an “**Acceleration Notice**”) that the Bonds are, and the Bonds shall thereupon immediately become, due and repayable at their principal amount together with accrued interest as provided in the Bond Trust Deed if any of the following events (each, an “**Event of Default**”) shall occur:

- (a) if default is made in the payment of any principal 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 and fourteen days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under, or in respect of, the Bonds, the Bond Trust Deed or the or the Bond Security Deed or if any representation given by the Issuer to the Bond Trustee in the Bond Trust Deed or the Bond Security Deed is found to be untrue, incorrect or misleading 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) (A) any other present or future indebtedness of the Issuer 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 (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer 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 this paragraph (c) have occurred equals or exceeds £10,000,000 or its equivalent in other currencies (as determined by the Bond Trustee); or
- (d) if any order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer save for the purposes of reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution; or
- (e) if the Issuer 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 reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution; or
- (f) if the Issuer stops or threatens to stop payment of, or is unable to, or admits 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
- (g) if (A) proceedings are initiated against the Issuer 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, liquidator, manager, administrator or other similar official, or an administrative or other receiver, liquidator, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or substantially all of the Issuer's undertaking or assets, or an encumbrancer takes possession of all or substantially all of the Issuer's undertaking or assets, 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 Issuer's undertaking or assets and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (h) if the Issuer 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
- (i) 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); or
- (j) if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds, the Bond Trust Deed, the Bond Security Deed or the Loan Agreement.

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 as it may think fit to enforce the provisions of the Bond Trust Deed, the Bond Security Deed, the Bonds, the Receipts, the Coupons and/or any of the other Transaction Documents or otherwise, but it shall not be bound to take any such proceedings or other steps or action in relation to the Bond Trust Deed, the Bond Security Deed, the Bonds, the Receipts, the Coupons or any of the other Transaction Documents or otherwise unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fourth in principal amount of the Bonds then outstanding and (ii) it shall have been secured and/or indemnified to its satisfaction.

No Bondholder, Receiptholder, Couponholder or any Secured Party (other than the Bond Trustee) shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any

of the provisions of the Bond Trust Deed, the Bond Security Deed, the Bonds, the Receipts, the Coupons or any of the other Transaction Documents or (ii) take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, 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, RECEIPTS, COUPONS AND TALONS

Should any Bond, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (subject to all applicable laws and the requirements of the UK Listing Authority or the London Stock Exchange) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bond to which it appertains) a further Talon, subject to the provisions of Condition 11 (*Prescription*).

15. NOTICES

All notices regarding the Bonds will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other 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, a notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe.

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together with the relative Bond or Bonds, with the Principal Paying Agent.

Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of the Bonds in accordance with this Condition 15 (*Notices*).

16. SUBSTITUTION

The Bond Trust Deed contains provisions permitting the Bond Trustee to, subject to any required amendment of the Bond Trust Deed, without the consent of the Bondholders, Receiptholders or the Couponholders or any Secured Party, 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 Issuer Transaction Documents and any other Secured Amounts of any other person 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 and the Bond Security Deed being complied with.

Any such substitution shall be notified to the Bondholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

17. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

17.1 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 Receiptholders, the Coupons or any of the provisions of the Bond

Trust Deed or the Bond Security Deed. 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 Saxon Weald Group, which shall be requested in accordance with, and shall be subject to, Condition 6.2(c) (*Information Covenants*)). 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 the modification of certain provisions of the Bonds, the Receipts or the Coupons, the Bond Trust Deed or the Bond Security Deed (namely modifying the date of payment of any instalment of principal 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, the Receipt or altering the currency of payment of the Bonds or the Coupons, each a “**Reserved Matter**”), 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. 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 Receiptholders and Couponholders.

17.2 Modification, Waiver, Authorisation and Determination

The Bond Trustee may agree, without the consent of the Bondholders, Receiptholders, 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 the provisions of the Bonds, the Bond Trust Deed, the Bond Security Deed, any Legal Mortgage or any other Transaction Document, or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Bond Trustee, 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. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders, the Receiptholders, the Couponholders and the Secured Parties and (unless the Bond Trustee otherwise agrees) shall be notified to the Bondholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

17.3 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: (i) 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, Receiptholders 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, Receiptholders 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, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders,

Receiptholders or Couponholders and (ii) shall not be required to have regard to the interests of any other Secured Parties.

18. INDEMNIFICATION OF THE BOND TRUSTEE AND BOND TRUSTEE CONTRACTING WITH THE ISSUER

The Bond Trust Deed and the Bond Security Deed contain provisions for the indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking action unless secured and/or indemnified to its satisfaction. The Bond Trustee is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Issuer Charged Property, from any obligation to insure all or any part of the Issuer Charged Property (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 also contains provisions pursuant to which the Bond Trustee is entitled, *inter alia*, (a) to enter into or be interested in any contract or financial or other transaction or arrangement with the Issuer or any other Transaction Party or any person or body corporate associated with the Issuer or any Transaction Party and (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 or any Transaction Party or any such person or body corporate so associated or any other office of profit under the Issuer or any Transaction Party or any such person or body corporate so associated.

The Bond Trustee shall not be bound to take any step or action in connection with the Bond Trust Deed, the Bond Security Deed or the Bonds or obligations arising pursuant thereto or pursuant to the other Transaction Documents, where it is not satisfied that it is indemnified and/or secured 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.

The Bond Trustee shall have no responsibility for the validity, sufficiency or enforceability of the Issuer Security. The Bond Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents, neither shall the Bond Trustee be responsible for monitoring the compliance by the Borrower or any of the other parties to the Legal Mortgages and the Security Trust Deed of their obligations under the Legal Mortgages, the Security Trust Deed or any other document.

19. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Bondholders, the Receiptholders or the Couponholders to create and issue further bonds, in order to fund one or more further drawdowns under the Loan Agreement, having terms and conditions (and backed by the same assets) the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds so created and issued shall be constituted by a trust deed supplemental to the Bond Trust Deed.

20. 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.

21. GOVERNING LAW

The Bond Trust Deed, the Bond Security Deed, the Loan Agreement, the Security Trust Deed, the Agency Agreement, the Account Agreement, the Bonds, the Receipts and the Coupons and any non-contractual obligations or matters arising from or in connection with them are governed by English law.

USE OF PROCEEDS

Subject as set out below, the net proceeds from the issue of the Bonds (after deduction of expenses payable by the Issuer) will be advanced by the Issuer to the Borrower pursuant to the Loan Agreement to be applied in the achievement of the Borrower's charitable objects (including, for the avoidance of doubt, the repayment of any existing indebtedness of the Borrower and any other amounts due and payable thereunder).

For so long as insufficient security has been granted by the Borrower in favour of the Issuer to permit the drawing of the Original Commitment in full, the Retained Proceeds shall be retained in the Initial Cash Security Account in accordance with the terms of the Account Agreement and the Custody Agreement (and may be invested in Permitted Investments). For the avoidance of doubt, in the event that the Borrower has not drawn any part of the Original Commitment on the Issue Date, the Retained Proceeds at that date shall be the entire amount of the Original Commitment. Any Retained Proceeds shall be advanced to the Borrower at a later date pursuant to the Loan Agreement to the extent that Properties of a corresponding value have been charged in favour of the Issuer. In addition, in the event that any losses are made in respect of any Retained Proceeds which have been invested in Permitted Investments, each drawing to be made by the Issuer to the Borrower pursuant to the Loan Agreement shall be advanced at a discount in an amount equal to the Actual Advance Amount (as defined in the Loan Agreement).

DESCRIPTION OF THE LOAN AGREEMENT

The following description of the Loan Agreement consists of a summary of certain provisions of the Loan Agreement and is qualified by reference to the detailed provisions thereof. The Loan Agreement is not, however, incorporated by reference into, and therefore does not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Loan Agreement.

Facility

Subject to the provisions of the loan agreement (the “**Loan Agreement**”) dated on or around the Issue Date between the Issuer, the Borrower and the Security Trustee, the Issuer shall commit to make a loan to the Borrower in the principal amount of £225,000,000 (the “**Original Commitment**” and, together with any further commitments, the “**Commitment**”). The “**Loan**” is the principal amount of the Commitment that has been advanced to the Borrower or the outstanding balance thereof.

The Original Commitment may be drawn in one or more drawings at any time prior to the date falling four Business Days prior to the initial Instalment Redemption Date, and the maximum principal amount of each drawing shall be an amount which corresponds to the Minimum Value of the Initial Properties and any Additional Properties which have, on or before the date of such drawing, been charged in favour of the Security Trustee, for the benefit of the Security Trustee and the Issuer, less such amount of the Original Commitment which has previously been drawn. Any amount of the Original Commitment which has not been drawn prior to the date falling four Business Days prior to the initial Instalment Redemption Date shall be cancelled and will no longer be capable of drawing.

The initial drawing of the Original Commitment shall be advanced at a discount in an amount equal to the principal amount of such drawing multiplied by the Issue Price of the Bonds (and, for the avoidance of doubt, the difference between the principal amount of such drawing and the actual advance amount thereof shall be ignored in determining the amount of the Loan and, *inter alia*, the calculation of interest, principal and premium payments payable in respect thereon). The Original Commitment may not be drawn until the Borrower has satisfied the conditions set out in the Loan Agreement in connection with the Initial Properties in respect of the first drawing and in respect of any subsequent drawings of amounts of the Original Commitment which exceed the Minimum Value of the Initial Properties. In addition, each of the Issuer and the Borrower have acknowledged that any drawing of the Original Commitment shall be subject to the Security Trustee confirming that the relevant amount of Properties as may be required to satisfy the Asset Cover Test (based solely on the relevant Valuation Report provided to it, which the Security Trustee shall be entitled to rely upon without further enquiry or investigation in respect thereof) have been charged in favour of the Security Trustee, for the benefit of the Issuer, to its satisfaction.

The Borrower has acknowledged that the Issuer may invest all or any part of the Retained Proceeds in Permitted Investments in accordance with the Custody Agreement and that, as a result of (i) any losses made by the Issuer in respect of such Permitted Investments and/or (ii) any issue or sale of Bonds by the Issuer made at a discount to the principal amount of such Bonds, the amount of Retained Proceeds held by the Issuer, at the time of any drawdown request, may be less than the Undrawn Commitment which is to be funded from such Retained Proceeds. In such circumstances, each drawing to be funded from the Retained Proceeds shall be advanced at a discount in an amount equal to the Actual Advance Amount.

For this purpose, “**Actual Advance Amount**” means, in respect of each drawing funded from Retained Proceeds, the principal amount of such drawing multiplied by the result of dividing (i) the amount of Retained Proceeds held by the Issuer at the time of the drawdown request (for the avoidance of doubt, excluding any Permitted Investment Profit) by (ii) the Undrawn Commitment which is to be funded from such Retained Proceeds.

For the avoidance of doubt:

- (a) the Borrower shall not be required to monitor the market value of any such Permitted Investments;
- (b) any difference between the principal amount of a drawing and the relevant Actual Advance Amount shall be ignored in determining the amount of the Loan and, *inter alia*, the calculation of interest, principal and premium payments payable in respect thereon; and
- (c) any income received by the Issuer in respect of such Permitted Investments shall not be credited to the Initial Cash Security Account but shall instead be credited to the Transaction Account in accordance with the Account Agreement.

The Issuer and the Borrower have agreed that:

- (a) where the Issuer is required to sell any Permitted Investments to fund a drawing under the Loan Agreement and such sale results in a Permitted Investment Profit, the Issuer shall make a gift aid payment to a Charitable Group Member in an amount equal to the Permitted Investment Profit and, for the avoidance of doubt, such drawing shall be advanced at the principal amount requested; and
- (b) immediately prior to the end of each accounting period, to the extent that the Issuer would otherwise be required to recognise a profit for tax purposes in respect of its Permitted Investments as a result of the movement in the fair value recognised in its accounts of such Permitted Investments for that accounting period, the Issuer shall sell Permitted Investments in an aggregate amount equal to the Accounting Profit and shall, in the same accounting period, make a gift aid payment to a Charitable Group Member in an amount equal to the Accounting Profit.

Subject to the conditions precedent set out in Clause 4.2 (*Conditions to the Making of Further Commitments*) of the Loan Agreement, the Issuer may make further commitments to the Borrower, each in an amount to be agreed between the Issuer, the Borrower and the Security Trustee, following the issuance of further bonds pursuant to Condition 19 (*Further Issues*).

Purpose

The proceeds of the Loan may only be used by the Borrower in accordance with the Borrower's charitable objects, as permitted by its Rules.

Interest

Rate of Interest

Following its advance, the Loan will carry interest from (and including) 6 June, 2012 at the rate of 5.375 per cent. per annum, payable in arrear by equal half yearly instalments on each Loan Payment Date (being four Business Days prior to each Interest Payment Date).

Interest Periods

Notwithstanding the fact that interest is payable on each Loan Payment Date, interest will accrue on the Loan from (and including) an Interest Payment Date (or, in the case of the first interest period of the Loan, 6 June, 2012) to (but excluding) the immediately following Interest Payment Date (each, a Loan Interest Period).

Commitment Fee

The Borrower shall pay to the Issuer a commitment fee in respect of the Undrawn Commitment on each Loan Payment Date in an amount equal to the aggregate of the interest payable by the Issuer under the Bonds on the following Interest Payment Date less (a) the interest received from the Borrower under the Loan Agreement on such Loan Payment Date and (b) any interest otherwise received by the Issuer in respect of the Retained Proceeds in the relevant Loan Interest Period (including, but not limited to, any income received by the Issuer in respect of any Permitted Investments in which any Retained Proceeds are, for the time being, invested). The commitment fee shall accrue on a daily basis.

Repayment, Purchase and Prepayment

Repayment

The Borrower must repay the Loan in five equal instalments, four Business Days prior to each Instalment Redemption Date (each a "**Loan Redemption Date**"). Each instalment shall be equal to twenty percent of the aggregate principal amount of the Loan which remains outstanding on the fourth Business Day prior to the initial Instalment Redemption Date.

Bond Purchase Option

The Borrower or any other member of the Saxon Weald Group (other than the Issuer) may at any time purchase Bonds on the London Stock Exchange, by tender (available to all Bondholders alike) or by private treaty at any price. Following any such purchase, the Borrower or the relevant member of the Saxon Weald Group, as the case may be, may (but is not obliged to) surrender the Bonds to the Issuer to be cancelled. An amount of the outstanding balance of the Loan equal to the outstanding balance of the Bonds surrendered shall be deemed to be prepaid (or, to the extent that no Loan is then outstanding, then

an amount of the Undrawn Commitment equal to the outstanding balance of the Bonds surrendered shall be deemed to be cancelled for the purposes of the Loan Agreement and a corresponding portion of the Retained Proceeds shall be paid by the Issuer to the Borrower or the relevant member of the Saxon Weald Group, as the case may be).

The Borrower has acknowledged that the terms of the Bond Security Deed provide that any Bonds which are for the time being held by or on behalf of, *inter alios*, the Borrower or any member of the Saxon Weald Group as beneficial owner shall be deemed not to remain outstanding for the purpose of, *inter alia*, the right to attend and vote at any meeting of the Bondholders.

Optional Prepayment

Pursuant to the Loan Agreement, the Borrower may, at any time before the date falling four Business Days prior to the initial Instalment Redemption Date, by giving not less than 45 nor more than 60 days' notice in writing to the Issuer and the Security Trustee, prepay the whole or (as the case may be) any part of the outstanding balance of the Loan, together with any interest accrued up to and including the date of prepayment and the relevant Prepayment Premium (being, for so long as any Bonds are outstanding, an amount equal to the excess of the amount notified to the Borrower by the Issuer as being the price determined under the Bond Security Deed for the redemption of a corresponding principal amount of the Bonds over par).

Mandatory Prepayment – Redemption of Bonds

If the Bonds become redeemable prior to the Maturity Date, other than as a result of a prepayment or termination of the Loan Agreement or a breach of the Interest Cover Test, the Borrower shall prepay, at least one Business Day prior to the relevant date of redemption of the Bonds, the outstanding balance of the Loan, together with accrued interest and accrued commitment fee thereon up to and including the date of redemption.

If the Interest Cover Test is breached and the Bondholders approve and exercise the Investor Put Option in accordance with Condition 9.7 (*Investor Put Option*) the Borrower shall, at least one Business Day prior to the Put Option Date, repay the Loan in an aggregate amount equal to the Investor Put Amount.

Mandatory Prepayment – Cancellation of Status

Pursuant to the Loan Agreement, the Borrower shall promptly notify the Issuer and the Security Trustee if it ceases to be a Registered Provider of Social Housing. Within 180 days of such cessation, the Borrower shall prepay the whole of the outstanding balance of the Loan, together with any interest and commitment fee accrued up to and including the date of prepayment, **provided, however, that** if the Borrower regains its status as a Registered Provider of Social Housing within such period of 180 days, the Borrower shall no longer be required to prepay the Loan in accordance with the Loan Agreement.

A “**Registered Provider of Social Housing**” is defined for the purpose of the Loan Agreement as meaning a person listed in the register of providers of social housing established under Chapter 3 of Part 2 of the Housing and Regeneration Act 2008 (as amended from time to time) or any substantially equivalent status under any replacement or successor legislation thereto.

Redemption of Bonds – Further Payment in Respect of Retained Proceeds Par Amount

In the event that the Borrower elects to, or is otherwise required to, prepay the whole of the outstanding balance of the Loan and the Issuer is required to notify the Borrower of the price determined under the Conditions for the redemption of a corresponding principal amount of the Bonds, then the Issuer shall be entitled to also take account of the redemption of such principal amount of the Bonds that shall correspond to the Retained Proceeds Par Amount (being an amount equal to the Retained Proceeds including, where any Retained Proceeds are invested in Permitted Investments, the purchase price of the relevant Permitted Investments and ignoring, for these purposes, any increase or decrease in such Retained Proceeds as a result of gains or losses in respect of such Permitted Investments), and the redemption price notified to the Borrower shall be increased accordingly.

Warranties and Covenants

The Borrower will make various warranties and covenants pursuant to the Loan Agreement. These warranties and covenants include, *inter alia*, the following:

Information Covenants

The Borrower must supply to the Issuer and the Security Trustee not later than 180 days after the end of each relevant financial year (i) copies of the consolidated audited financial statements of the Borrower for such financial year; and (ii) a certificate setting out, among other things, calculations in respect of the asset cover ratio substantially in the form set out in the Loan Agreement (the “**Compliance Certificate**”) signed by two Authorised Signatories of the Borrower.

Negative Pledge

The Borrower shall not create or allow to exist any Security Interest on any of its assets which are Charged Assets, except as set out in the Loan Agreement which includes the Security Interests created pursuant to, *inter alia*, the Security Trust Deed and the Legal Mortgages and any Security Interests created with the prior written consent of the Issuer or by operation of law.

Charged Properties

The Borrower shall obtain any authorisation or licence required in order to enable the Security Trustee pursuant to the powers of enforcement conferred on it by the Security Documents to sell vacant Charged Properties and maintain insurances on and in relation to its Charged Properties.

Covenants

The Borrower shall (unless the Security Trustee otherwise agrees in writing) comply with any covenants or restrictive covenants relating to a Charged Property which are binding on it.

Asset Cover Ratio

Pursuant to the Loan Agreement, the Borrower shall procure that at all times the sum of:

- (a) the Minimum Value of the Properties forming part of the Issuer’s Designated Security;
- (b) the Retained Proceeds Par Amount; and
- (c) the Charged Disposal Proceeds,

will not be less than the aggregate amount of the Outstanding Commitment, **provided however, that** from and including the Final Charging Date, the Retained Proceeds Par Amount shall be deemed to be zero for the purpose of determining the Borrower’s compliance with the Asset Cover Test.

Interpretation

For these purposes:

“**Additional Properties**” means any Properties (other than the Initial Properties) which have been charged in favour of the Security Trustee, for the benefit of the Security Trustee and the Issuer, for the purpose of providing underlying security for the Bonds;

“**Designated Security**” means the assets, rights and property mortgaged or charged or assigned pursuant to any Security Document, the proceeds of which are allocated in the reduction of all monies, liabilities and obligations owing by the Borrower to the Issuer under the Loan Agreement;

“**EUV-SH**” means the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm’s-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- i) the property will continue to be let by a body pursuant to delivery of a service for the existing use;
- ii) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor’s ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body’s requirements;
- iii) 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
- iv) any subsequent sale would be subject to all of the above assumptions;

“**Final Charging Date**” means six months after the issue date;

“**Initial Properties**” means the Properties which as at the Closing Date will have been charged in favour of the Security Trustee, for the benefit of the Security Trustee and the Issuer, and are set out in Schedule 9 (*Initial Properties in Respect of the Original Commitment*) to the Loan Agreement;

“**Minimum Value**” means:

$$\frac{A}{105} + \frac{B}{115} \times 100$$

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.

The Properties forming part of the Issuer’s Designated Security shall each 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 any such Property and the Valuer has confirmed that it has reviewed a Certificate of Title in respect of such Property certifying that it may be disposed of by the Borrower on an unfettered basis (meaning subject only to any existing tenancies disclosed in the Certificate 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);

“**MV-ST**” means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion;

“**Outstanding Commitment**” means the aggregate principal amount of the Bonds;

“**Property**” means all estates or interests of the Borrower in any freehold, heritable or leasehold property situated in England and Wales now or in future belonging to it and all buildings, fixtures, fittings (other than tenants fixtures and fittings) and fixed plant and machinery from time to time thereon (and “**Properties**” shall be construed accordingly);

“**Retained Proceeds Par Amount**” means an amount equal to the Retained Proceeds at the time of calculation and, for this purpose, where any Retained Proceeds are at that time invested in Permitted Investments, the amount of such Retained Proceeds shall be taken as the purchase price of the relevant Permitted Investments ignoring any gains or losses in respect of those Permitted Investments since the date of purchase; and

“**Value**” means, at any time and in relation to the Charged Properties, the value of those properties as shown in the then latest Valuation Report 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 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).

Interest Cover Test

Pursuant to the Loan Agreement the Borrower shall procure that, for so long as the Bonds remain outstanding:

From 1 April 2013 up to (but excluding) 1 April 2016:

- (i) the annual Operating Surplus for each financial year of the Borrower, determined by reference to the Borrower’s most recent audited financial statements divided by the Net Interest Payable in relation to the same financial year (expressed as a percentage) shall not be less than 105 per cent.

From 1 April 2016:

- (ii) the annual Operating Surplus for each financial year of the Borrower, determined by reference to the Borrower’s most recent audited financial statements divided by the Net Interest Payable in relation to the same financial year (expressed as a percentage) shall not be less than 90 per cent.; and
- (iii) the aggregate of the Operating Surpluses of the Borrower, determined by reference to the Borrower’s audited financial statements for each period of three successive financial years, divided

by the aggregate of the Net Interest Payable for each of those three successive financial years (expressed as a percentage) shall not be less than 105 per cent,

together, the “**Interest Cover Test**”. The Borrower shall notify the Issuer immediately in the event of any breach of the Interest Cover Test.

For the purposes of the Interest Cover Test:

- (a) **Net Interest Payable** means, in relation to any financial year and to the Borrower, as determined from the audited annual financial statements of the Borrower, the aggregate amounts shown as interest payable (but not counting as interest paid or payable either capitalised or deferred interest) after deducting any interest receivable and other investment income and adding other finance payments payable by the Borrower as shown in the audited financial statements of the Borrower for that financial year; and
- (b) **Operating Surplus** means, in relation to the Borrower, the operating surplus as shown in the audited financial statements including gift aid receipts and adding back for the avoidance of doubt any depreciation and impairment.

Substitution and Release of Charged Properties and Statutory Disposals

Substitution

At the request and expense of the Borrower, the Security Trustee shall (subject to receiving an amended Designated Properties Schedule from the Borrower and the Issuer in accordance with the Security Trust Deed) release from the Security (or reallocate, if applicable) such of the Properties forming part of the Issuer’s Designated Security and substitute such of the Properties (each, a “**Substitute Property**”) as may be selected by the Borrower, **provided that** the Borrower satisfies the conditions precedent specified in the Loan Agreement in relation to the Substitute Properties. Such conditions precedent include, *inter alia*, a completed Substitute Property Certificate certifying, *inter alia*, that the relevant Substitute Property is a residential property of a type and nature that is usually owned by Registered Providers of Social Housing and that, immediately following such release (or reallocation, if applicable), the Asset Cover Test and the Interest Cover Test will not be breached as a result of the substitution of the relevant Charged Properties, Valuation Reports in respect of each Substitute Property and a Certificate of Title in respect of such Substitute Property.

Additional Properties

Pursuant to the Security Trust Deed (see “*Additional Security*” below), on or prior to creating a Legal Mortgage in respect of any Property for the benefit of the Issuer, the Borrower must, in respect of such security, provide the conditions precedent documents specified in the Security Trust Deed. In addition, pursuant to the Loan Agreement, the Borrower must provide a completed Additional Property Certificate confirming that, *inter alia*, the proposed Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing, Valuation Reports in respect of each Additional Property and a Certificate of Title in respect of each Additional Property charged.

Disposal Proceeds

Pending the acquisition of any proposed Substitute Property by the Borrower, the Borrower may deposit the proceeds of disposal of the relevant Charged Properties which are released from charge under the Security Trust Deed into the Disposal Proceeds Account of the Borrower for the purpose of maintaining the Asset Cover Test and the Interest Cover Test (for the avoidance of doubt, the Borrower shall not be required to monitor the market value of any Permitted Investments). The Charged Disposal Proceeds may be withdrawn from the Disposal Proceeds Account (a) to be applied by the Borrower (provided, for the avoidance of doubt, that the Borrower continues, at such time, to be a Registered Provider of Social Housing) in the acquisition of a Substitute Property or (b) to the extent that such withdrawal would not cause a breach of the Asset Cover Test or the Interest Cover Test.

Notwithstanding the above, the Borrower may, at any time, deposit, or arrange for the deposit of, any other money into the Disposal Proceeds Account for the purposes of satisfying the Asset Cover Test or the Interest Cover Test. The Borrower has acknowledged that the money standing to the credit of the Disposal Proceeds Account shall be charged in favour of the Bond Trustee pursuant to the terms of the Bond Security Deed.

The Borrower has also acknowledged that the Issuer may invest all or any part of the Charged Disposal Proceeds in Permitted Investments in accordance with the Custody Agreement and that, as a result of any gains or losses made by the Issuer in respect of such Permitted Investments and any income received thereon (which shall, for the avoidance of doubt, be credited to the Disposal Proceeds Account), the amount of such Charged Disposal Proceeds may be greater or less than the amount deposited in the Disposal Proceeds Account by the Borrower. The Borrower has acknowledged that it shall not have any recourse to the Issuer in respect of any losses realised by the Issuer in respect of the Charged Disposal Proceeds as a result of investment in any Permitted Investments.

Following the redemption in full of the Bonds, the Issuer shall return any amount standing to the credit of the Disposal Proceeds Account to the Borrower, to the extent that such balance has not otherwise been applied in accordance with the terms of the Bond Security Deed.

Release and reallocation

At the request and expense of the Borrower, the Security Trustee shall release (subject to receiving an amended Designated Properties Schedule from the Borrower and the Issuer in accordance with the Security Trust Deed) from the Security (or reallocate, if applicable) such of the Charged Properties as may be selected by the Borrower **provided that** the Borrower delivers to the Issuer and the Security Trustee a completed Property Release Certificate, certifying that, immediately following such release (or reallocation, if applicable), the Interest Cover Test and the Asset Cover Test will not be breached as a result of the release (or reallocation, if applicable) of such part of the security.

Statutory Disposals

The Borrower shall have the right to withdraw Property from the Issuer's Designated Security pursuant to any Statutory Disposal and the Borrower shall deliver to the Issuer and the Security Trustee, as soon as reasonably practicable after it has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate, certifying that the relevant withdrawal relates to a Statutory Disposal, and that immediately following such release, the Interest Cover Test and the Asset Cover Test will not be breached as a result of the release.

Valuations

Full Valuations

The Borrower shall deliver a Valuation Report to the Issuer and the Security Trustee within 60 days of 6 June, 2017 and thereafter within 60 days of each consecutive fifth anniversary of such date in accordance with the Loan Agreement.

Desk Top Valuations

The Borrower shall deliver to the Issuer and the Security Trustee a Desk Top Valuation (being a valuation prepared by a Valuer on a "desk-top" basis) in the period between 31 March and the date falling 120 days thereafter in each year other than a year in respect of which a Valuation Report is required to be delivered under the Loan Agreement.

Loan Events of Default and Enforcement

Borrower Default

Each of the following (set out in more detail in the Loan Agreement) is a "**Borrower Default**":

- (a) ***Non-payment***: The Borrower does not pay on the due date any amount payable by it under the Finance Documents in the manner required under the Finance Documents, unless the non-payment continues for a period of not more than seven days in the case of principal and not more than 14 days in the case of interest.
- (b) ***Breach of other obligations***: The Borrower fails to perform or observe any of its obligations under the Finance Documents (other than as referred to in (a) above and (j) below) and (except in any case where, in the opinion of the Security 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 30 days next following the service by the Security Trustee on the Borrower of notice requiring the same to be remedied.
- (c) ***Other non-payment***: (A) Any other present or future indebtedness of the Borrower for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any

actual default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Borrower 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 in (A), (B) or (C) above in this paragraph (c) have occurred equals or exceeds £10,000,000 or its equivalent in other currencies (as reasonably determined by the Security Trustee) (and provided further, for the avoidance of doubt, that the amounts mentioned in this paragraph (c) shall exclude the amount of any Public Sector Subsidy except for any Public Sector Subsidy which is or becomes due and payable to the relevant grant making body or organisation).

- (d) **Enforcement Event:** An Enforcement Event occurs under a Relevant Document.
- (e) **Winding-up:** Any order is made by any competent court or resolution passed for the winding-up or dissolution of the Borrower save for the purposes of a Permitted Reorganisation or a reorganisation on terms previously approved in writing by the Security Trustee.
- (f) **Cessation of Business:** The Borrower ceases or threatens to cease to carry on the whole or as determined by the Security Trustee, a substantial part of its business, save for the purposes of a Permitted Reorganisation or a reorganisation on terms previously approved in writing by the Security Trustee.
- (g) **Failure or inability to pay debts:** The Borrower stops or threatens to stop payment of, or is unable to, or admits 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.
- (h) **Insolvency:** Any of the insolvency related events occurs or proceedings are taken as referred to in the Loan Agreement (which exclude any Permitted Reorganisation or reorganisation on terms previously approved in writing by the Security Trustee).
- (i) **Unlawfulness:** It is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents.
- (j) **Breach of Asset Cover Test:** The Borrower fails to perform its obligation to maintain the Asset Cover Ratio or to provide a Valuation Report or Desk Top Valuation in accordance with the Loan Agreement and (except in any case where, in the opinion of the Security 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 Security Trustee on the Borrower of notice requiring the same to be remedied.

For these purposes “**Permitted Reorganisation**” means: any amalgamation, merger, consolidation or transfer of engagements (whether entering into or acceptance thereof) of the whole of the Borrower’s property **provided that:** (i) any such transferee is a Registered Provider of Social Housing or any new amalgamated entity to be created as a result thereof will be a Registered Provider of Social Housing; (ii) 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 Party B or a new amalgamated entity, Party B or such new amalgamated entity will thereafter be responsible for all the liabilities of Party A; and (iii) a legal opinion confirming the above is provided to the Security Trustee.

Obligation to Notify the Issuer and the Security Trustee

The Borrower shall notify the Issuer and the Security Trustee of any Borrower Default (and the steps, if any, being taken to remedy it) or potential Borrower Default promptly upon becoming aware of the same. The Issuer shall also notify the Security Trustee of any Borrower Default or potential Borrower Default promptly upon becoming aware of the same (unless the Issuer is aware that a notification has already been provided by the Borrower) including, but not limited to, the non-payment by the Borrower of any amounts owing to the Issuer under the Loan Agreement on the due date for payment thereof.

Borrower Default Notice

Following the occurrence of a Borrower Default (but in the case of the happening of any of the events described in paragraph (b) (*Breach of other obligations*) above, only if the Security Trustee shall have

certified in writing to the Borrower that such event is, in its opinion, materially prejudicial to the interests of the Issuer), the Issuer may declare by notice to the Borrower either:

- (a) that the security for the Loan has become, whereupon the security for the Loan shall become, immediately enforceable (and the Issuer shall notify the Security Trustee of the same in accordance with the Security Trust Deed); and/or
- (b) (irrespective of whether a notice to the effect set out in (a) shall have already been given) that the Loan has become due and repayable, whereupon that Loan shall become immediately due and repayable at the outstanding balance thereof together with accrued interest, premium (if any) and any other amounts and the security therefor shall become immediately enforceable.

Enforcement

If the security constituted under any security documents creating, evidencing or granting security (as principal or surety) for the obligations of the Borrower under the Loan Agreement (together with the Security Trust Deed, the “**Security Documents**”) for the benefit of the Security Trustee and the Issuer becomes enforceable as a result of the service of a notice pursuant to the Loan Agreement, then the Security Trustee or any Receiver (where appropriate) shall hold the monies arising from any sale, calling in, collection or conversion under, or otherwise arising from the exercise of, the powers of conversion contained in the Security Documents after the security has become enforceable upon trust to apply the same:

- (a) first, in payment or retention of all costs, charges, expenses and liabilities incurred in or about the exercise of such powers or otherwise in accordance with the Security Documents and payments made by the Security Trustee, any Appointee or any Receiver in accordance with the Security Documents and of all remuneration payable to the Security Trustee, any Appointee or any Receiver in accordance with the Security Documents with interest thereon as provided in the Security Documents;
- (b) second, in or towards payment to the Issuer of all interest then due and remaining unpaid on the Loan and all commitment fees then due and remaining unpaid;
- (c) third, in or towards payment to the Issuer of all principal and premium (if any) then due and remaining unpaid in respect of the Loan; and
- (d) fourth, in or towards payment to the Issuer of all other amounts then due and remaining unpaid under the Loan Agreement.

Taxes

The Borrower must make all payments to be made by it to the Issuer under, *inter alia*, the Loan Agreement, the Legal Mortgages and the Security Trust Deed, without any deduction or withholding for or on account of tax, unless a deduction or withholding is required by law.

If a deduction or withholding from any such payment is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making such deduction or withholding) leaves an amount equal to the payment which would have been due if no deduction or withholding had been required.

If, as a result of any actual or proposed change in tax law, the Issuer determines (in its reasonable commercial judgement) that it would on the next following Interest Payment Date be required to make a withholding or deduction in respect of payments to be made by the Issuer to the Bondholders pursuant to the Conditions, the Borrower may (but, for the avoidance of doubt, shall not be obliged to), in its sole discretion, pay to the Issuer such additional amounts as will enable the Issuer (after such withholding or deduction) to pay to the Bondholders the amounts of principal and interest which they would have received in respect of the Bonds in the absence of such withholding or deduction. The Borrower shall continue to pay such additional amounts to the Issuer unless and until the Borrower delivers to the Issuer a notice stating that it shall cease to make such additional payments with effect from the next following Interest Payment Date.

Governing Law

The Loan Agreement and any non-contractual obligations or matters arising from or connected with it are governed by English law.

THE PROPERTIES

The properties consist of approximately 5,824 units (out of which approximately 453 are subject to long leases and therefore have nil value) of which approximately 4,550 were acquired by the Borrower pursuant to a large scale voluntary transfer of council properties sold by Horsham District Council (“**the Council**”) on 11 December 2000 (“**the LSVT**”). Pursuant to the sale agreement of the same date with the Council, two warranties were granted by the Council. These warranties were given by the Council to the Borrower and a collateral warranty was issued separately to The Royal Bank of Scotland plc as security trustee for the lenders to the Borrower at the time of the LSVT (“**the Funder**”). The warranty given to the Borrower is still subsisting and capable of enforcement and the collateral warranty given to the Funder is capable of assignment to any refinancier subject to the existing funder assigning the benefit of the warranty to the Security Trustee for itself and on behalf of any beneficiaries and notice of such assignment being served the Council.

The two warranties warranted (amongst other matters) to each recipient that:

- (a) the Council were the beneficial and legal owner of the council properties and the Council had conveyed the title with full title guarantee so that the Borrower had good and marketable title.
- (b) all necessary easements and access for the use and enjoyment of the property were in existence as of right.
- (c) that the property was free from any encumbrance including mortgages, debentures, charges, rent charges, loan or other encumbrances securing the repayment of monies or other obligations.
- (d) the current use of the property was in accordance with valid planning permissions free from any unusual or materially onerous conditions and unlimited in time under the Town and Country Planning Act 1990.
- (e) that the Council had been in all material respects in full compliance with any applicable environmental laws and there were no environmental claims at the time of the LSVT or any known contaminated land amongst the council properties.

No material disclosures were made against these warranties.

The material terms relevant to any claim under the two warranties are set out below:

Collateral Warranty to the Funder

- (a) The term of the warranty is for 30 years from 11 December 2000.
- (b) The Council have a cap on liability in respect of all warranties except for the warranty confirming that the Council had sufficient vires to enter into the collateral warranty where there is no cap. In respect of any claim against the environmental warranty there is a cap of £100,000,000. However, if both a vires claim and an environmental claim were made at the same time, the environmental cap may be reduced in certain circumstances to £65,000,000.

Warranty in favour of the Borrower

- (a) The term is for 15 years from 11 December 2000.
- (b) The Borrower is only entitled to claim an agreed amount set out in the sale agreement (known as the allocated price) increased by the percentage increase in the Retail Price Index since the date of the Transfer and the date of any claim, except in the case of any breach of the environmental warranty where any claim is capped at £35,000,000 provided that the Borrower is responsible for payment of the first £15,000 of such claim. There is no financial limit on any claim arising from breach of the vires warranty.

The disclosures against the warranties are not material.

179 new properties have been built on the LSVT land, and 34 of the properties are refurbished council properties, but the warranties are unaffected by such works. Approximately 693 further properties have been built on non-LSVT land.

All remaining Mortgaged Properties are the subject of certificates of title or duty of care letters issued by Trowers and Hamlins LLP which do not disclose any material matters.

164 of the properties are subject to shared ownership leases (102 of which are leases to the elderly where no rent is received by the Borrower on the retained portion).

DESCRIPTION OF THE LEGAL MORTGAGES AND THE SECURITY TRUST DEED

The Issuer's obligations in respect of the Bonds are secured pursuant to the Bond Security Deed in favour of the Bond Trustee for the benefit of the Bond Trustee and the Bondholders and the other Secured Parties by the Issuer Security, which includes an assignment by way of security of the Issuer's rights, title and interest arising under the Legal Mortgages and the Security Trust Deed.

The following description of the Legal Mortgages and the Security Trust Deed consists of a summary of certain provisions of the Legal Mortgages and the Security Trust Deed and is qualified by reference to the detailed provisions thereof. The Legal Mortgages and the Security Trust Deed are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Legal Mortgages and/or the Security Trust Deed.

LEGAL MORTGAGES

The Borrower has, in relation to the Initial Properties, entered into a Legal Mortgage dated 6 June, 2012, and shall, in relation to any additional properties to be charged as underlying security for the Bonds, enter into further Legal Mortgages substantially in the form set out in the Security Trust Deed.

Fixed Legal Mortgage and Charge

Pursuant to the Legal Mortgages, the Borrower, as security for the payment of all Secured Obligations, has charged, or will charge, in favour of the Security Trustee for the benefit of itself and, *inter alios*, the Issuer:

- (a) by way of a first fixed legal mortgage all the property specified therein together with all buildings and Fixtures, erections and structures thereon or in the course of construction 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 Borrower and any moneys paid or payable in respect of such covenants; and
- (b) by way of first fixed charge:
 - (i) all plant and machinery now or in the future owned by the Borrower and its interest in any plant and machinery in its possession which form part of or are operated by the Borrower on the Mortgaged Property;
 - (ii) all benefits in respect of the Insurances and all claims and returns of premiums in respect thereof;
 - (iii) the benefit of all present and future licences, consents and authorisations (statutory or otherwise) held in connection with the Mortgaged Properties and the use of any of the Security Assets specified in (a) and (b)(i) above and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and
 - (iv) if and in so far as the legal mortgage set forth in (a) above or the assignments set forth in the section entitled "*Assignment*" below shall for any reason be ineffective as legal mortgages or assignments, the assets referred to therein.

Assignment

Pursuant to the Legal Mortgages, the Borrower has covenanted or will covenant, as security for payment of the Secured Obligations, that on the request of the Security Trustee it shall, following an Enforcement Event which has occurred and is continuing unremedied or unwaived and is not remedied within any applicable grace period, with full title guarantee assign to the Security Trustee for the benefit of the Security Trustee and, *inter alios*, the Issuer all of its rights, title and interest in and to:

- (a) the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors and all security held by the Borrower from time to time, whether present or future, 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 Borrower or which may become due and owing to the Borrower at any time in the future in connection therewith);

- (b) all agreements now or from time to time entered into or to be entered into to enable the charging of the Security Assets and for the sale, letting or other disposal or realisation 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 Borrower or which may become due and owing to the Borrower at any time in the future in connection therewith);
- (c) all agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future so as to enable the Borrower to perfect its rights under this Deed or any such agreement, contract, deed, licence, undertaking, guarantee, covenant, warranty, representation or other documents) now or hereafter entered into by or given to the Borrower in respect of the Mortgaged Properties and all claims, remedies, awards or judgements paid or payable to the Borrower (including, without limitation, all liquidated and ascertained damages payable to the Borrower under the above) in each case relating to the Mortgaged Properties;
- (d) all licences held now or in the future in connection with the relevant Mortgaged Property and also the right to recover and receive all compensation which may at any time become payable to the Borrower in relation to the relevant Mortgaged Property;
- (e) all rights and claims to which the Borrower is now or may hereafter become entitled in relation to any development, construction project, redevelopment, refurbishment, repair or improvement of or on the relevant Mortgaged Property;
- (f) all guarantees, warranties, bonds and representations given or made now or hereafter by, and any rights or remedies against, all or any of the designers, builders, contractors, surveyors, valuers, professional advisers, sub-contractors, manufacturers, suppliers and installers of any Fixtures in respect of the relevant Mortgaged Property; and
- (g) all rental income and disposal proceeds in each case relating to the relevant Mortgaged Property which has not been assigned as set forth in (a), (b) or (c) above and the right to make demand for and receive the same.

Representations, Warranties and Undertakings

The Borrower makes various representations in respect of the Mortgaged Property including as to ownership, planning permission, covenants and security interests. In addition, the Borrower undertakes to, *inter alia*, repair, insure, pay or procure the payment of taxes in respect of and comply with all leases in respect of, the Mortgaged Property.

Enforcement of Security

Each Legal Mortgage provides, or will provide, that at any time after an Enforcement Event has occurred and is continuing and has not been remedied within any applicable grace period, the security created by or pursuant to such Legal Mortgage will be immediately enforceable and the Security Trustee may enforce all or any part of such security.

The Legal Mortgages further entitle the Security Trustee and, *inter alios*, the Issuer to be indemnified out of the Security Assets in respect of, *inter alia*, all liabilities and expenses properly incurred by them in the execution or purported execution of any of the powers, authorities or discretions vested in them pursuant to the Legal Mortgages.

Any moneys received by the Security Trustee pursuant to the enforcement of the Legal Charges shall be applied by the Security Trustee in the following order of priority:

- (a) first, in or towards payment of all Relevant Trustee Costs;
- (b) second, in or towards satisfaction of all monies, liabilities and obligations whatsoever (present or future, actual or contingent) payable, owing, due or incurred by the Borrower to the Issuer (other than Relevant Trustee Costs) in accordance with the Loan Agreement;
- (c) third, to the extent not recovered under (a) above, in or towards payment of all Trustee Costs; and
- (d) fourth, the balance, if any, to the Borrower.

Governing Law

The Legal Mortgages and any non-contractual obligations arising out of or in connection with them are, or will be, governed by English law.

SECURITY TRUST DEED

The benefit of the security created by the Borrower pursuant to the Legal Mortgages shall be held by the Security Trustee on trust for the benefit of itself and, *inter alios*, the Issuer on the terms of the Security Trust Deed.

The Security

Apportionment of Security Assets

The Security Trust Deed provides that the Borrower and, in the case of the Loan Agreement, the Issuer shall schedule and agree the allocation of properties which shall comprise the Issuer's Designated Security in respect of the Loan Agreement. All properties which are not part of the Issuer's Designated Security shall form the Undesignated Security.

Additional Security

Pursuant to the Loan Agreement, on or prior to the Borrower creating a Legal Mortgage in respect of any Property for the benefit of the Issuer, the Borrower must deliver to the Security Trustee the documentation relating thereto as set out therein. Such documents must be in the form and substance satisfactory to the Security Trustee and the Issuer.

Release and Reallocation of Security

Pursuant to the terms of the Security Trust Deed, the Borrower and the Issuer may agree to amend the Issuer's Designated Security by either removing Designated Security or by designating any Undesignated Security as the Issuer's Designated Security by, *inter alia*, delivering an amended Designated Properties Schedule signed by the Borrower and the Issuer to the Security Trustee.

At any time prior to the Security Trustee taking any steps to enforce the Undesignated Security, upon receiving instructions from the Borrower, the Security Trustee shall release the benefit of any encumbrance, rights or obligations held by it over the Undesignated Security as security for all or any of the Secured Obligations **provided that** the Borrower shall have paid to the Security Trustee, or provided for to the satisfaction of the Security Trustee, all Trustee Costs (as defined in the Security Trust Deed) which relate to that Undesignated Security.

Any such release or reallocation will be subject to the requirements (if any) set out in the Loan Agreement (see "*Description of the Loan Agreement*" above).

Application of Proceeds

Upon the enforcement of, *inter alia*, all rights vested in the Security Trustee by virtue of, or pursuant to, its holding the interests conferred on it by the Security Documents, and after satisfying claims which at law rank in priority to sums owing under or in respect of any of the Relevant Documents, the Security Trustee shall apply all Proceeds and all money derived therefrom:

- (a) in respect of Designated Security in the following order:
 - (i) first, in or towards payment of all Relevant Trustee Costs;
 - (ii) second, in or towards satisfaction of all monies, liabilities and obligations whatsoever (present or future, actual or contingent) payable, owing, due or incurred by the Borrower to the Issuer (other than Relevant Trustee Costs) in accordance with the Relevant Documents in respect of the Relevant liabilities;
 - (iii) third, to the extent not recovered under (a) above, in or towards payment of all Trustee Costs; and
 - (iv) fourth, the balance, if any, to the Borrower.
- (b) in respect of Undesignated Security in the following order:
 - (i) first, to the extent not recovered under paragraphs (i), (ii) or (iii)(a) above, in or towards payment of all Trustee Costs (as defined in the Security Trust Deed); and
 - (ii) second, to the Borrower.

Enforcement of Security

Pursuant to the Security Trust Deed, the Security Trustee shall only be required to take action to enforce or protect the security in respect of the Loan Agreement if so instructed by the Issuer (and then only if it has been indemnified and/or secured to its satisfaction).

In respect of instructions given by the Issuer, the Issuer has assigned its rights under, *inter alia*, the Security Trust Deed and the Legal Mortgages to the Bond Trustee and, pursuant to Condition 6.3 (*Loan Agreement, Legal Mortgages and Security Trust Deed Consents Covenant*), has covenanted not to take any action or direct the Security Trustee to take any action pursuant thereto except with the prior consent of the Bond Trustee. The Bond Trustee may, but is not obliged to, seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

In enforcing the Issuer Security (including the Issuer's rights, title and interests in the Security Trust Deed and the Legal Mortgages insofar as they relate to the Bonds) the Bond Trustee may act in its discretion. It is, however, required to take action, pursuant to Condition 12.2 (*Enforcement*), where so directed by the requisite majority of the Bondholders **provided, however, that** it is secured and/or indemnified to its satisfaction.

Governing Law

The Security Trust Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

DESCRIPTION OF THE ACCOUNT AGREEMENT AND THE CUSTODY AGREEMENT

The Issuer has appointed The Bank of New York Mellon, London Branch as Account Bank and Custodian pursuant to the Account Agreement and the Custody Agreement, respectively, in relation to the issue of the Bonds.

The following description of the Account Agreement and the Custody Agreement consists of a summary of certain provisions of the Account Agreement and the Custody Agreement and is qualified by reference to the detailed provisions thereof. The Account Agreement and the Custody Agreement are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Account Agreement and the Custody Agreement.

ACCOUNT AGREEMENT

Accounts

The Account Bank shall maintain three accounts for the Issuer in respect of the Bonds: the Transaction Account, the Initial Cash Security Account and the Disposal Proceeds Account.

Initial Deposits

Pursuant to the Account Agreement, the Issuer shall on the issue date of the Bonds:

- (a) credit the Initial Cash Security Account with the Retained Proceeds; and
- (b) credit the Transaction Account with the net issue proceeds of the Bonds less the Retained Proceeds to the extent that such amount is not paid directly to the Borrower pursuant to, and in accordance with, the Loan Agreement.

The Issuer shall, upon receipt, credit to the Disposal Proceeds Account all amounts received from the Borrower pursuant to the Loan Agreement as a result of the disposal of any Properties.

Future Deposits and Withdrawals

The Issuer has covenanted, pursuant to the Bond Security Deed that:

- (a) prior to the enforcement of the Issuer Security, payments from the Initial Cash Security Account shall only be made to fund:
 - (i) the Original Commitment (as defined in the Loan Agreement) pursuant to, and in accordance with the terms of, the Loan Agreement;
 - (ii) payment to the Borrower or a member of the Saxon Weald Group in respect of any Bonds surrendered for cancellation in accordance with the Loan Agreement;
 - (iii) the purchase of Permitted Investments pursuant to the Custody Agreement; or
 - (iv) redemptions of the Bonds in accordance with the Conditions;
- (b) prior to the enforcement of the Issuer Security, payments from the Disposal Proceeds Account shall only be made to the Borrower pursuant to, and in accordance with the terms of, the Loan Agreement or to purchase Permitted Investments pursuant to the Custody Agreement; and
- (c) no payments from the Transaction Account will be made other than in accordance with the Conditions and the Issuer has undertaken to procure that amounts are paid into and out of the Transaction Account only in accordance with the Conditions, the Account Agreement and the Agency Agreement.

The Account Bank is under no obligation to monitor compliance with the above covenants.

Interest

Any monies standing to the credit of the Transaction Account, the Initial Cash Security Account and/or the Disposal Proceeds Account will earn interest at the rate(s) agreed from time to time between the Account Bank and the Issuer.

Pursuant to the Account Agreement, interest accrued on the Transaction Account and the Initial Cash Security Account shall be credited to the Transaction Account and interest accrued on the Disposal Proceeds Account shall be credited to the Disposal Proceeds Account.

Change of Account Bank

The appointment of the Account Bank may, with the prior written approval of the Bond Trustee, be terminated upon 45 days' written notice (subject to the appointment of a replacement Account Bank) or forthwith at any time the Account Bank is adjudged bankrupt or insolvent. The appointment of the Account Bank may also be terminated in the event that the short-term senior, unsecured and unguaranteed indebtedness rating of the Account Bank as assigned by Moody's falls below "P 1" or is withdrawn and there are amounts standing to the credit of the Initial Cash Security Account or the Disposal Proceeds Account (subject to the appointment of a replacement Account Bank).

The Account Bank may resign its appointment upon giving at least 60 days' written notice (subject to the appointment of a replacement Account Bank).

Pursuant to the Account Agreement, the appointment of any replacement Account Bank shall be subject to the prior written approval of the Bond Trustee, be on substantially the same terms as the Account Agreement and be subject to the condition that it must have a short-term senior, unsecured and unguaranteed indebtedness rating from Moody's of no less than "P 1".

CUSTODY AGREEMENT

Custody Account

Pursuant to the Custody Agreement, the Custodian shall, subject to receipt of such documents as it may require, open, in the name of the Issuer, the Disposal Proceeds Custody Sub-Account and the Initial Cash Security Custody Sub-Account (the "**Custody Sub-Accounts**") and the Disposal Proceeds Cash Sub-Account and the Initial Cash Security Cash Sub-Account (the "**Cash Sub-Accounts**" and, together with the Custody Sub-Accounts, the "**Custody Account**").

Payments and Delivery

The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Permitted Investments or as provided below.

Pursuant to the Custody Agreement, unless otherwise instructed pursuant to Instructions to make a payment out of the proceeds of any Distributions in respect of Permitted Investments held by the Issuer in the settlement of an acquisition of other Permitted Investments on or prior to the date of receipt of such Permitted Investments (subject as provided below), the Issuer has authorised and instructed the Custodian, forthwith upon receipt:

- (a) to transfer all Distributions credited to the Disposal Proceeds Cash Sub-Account to the Disposal Proceeds Account;
- (b) to transfer all Distributions (including any amount representing Permitted Investment Profit (if any)) credited to the Initial Cash Security Cash Sub-Account (other than Distributions which represent redemption and/or sale proceeds less any Permitted Investment Profit (if any)) to the Transaction Account; and
- (c) to transfer all Distributions credited to the Initial Cash Security Cash Sub-Account (other than those to be credited to the Transaction Account pursuant to (b) above) to the Initial Cash Security Account,

subject, in each case, to any deductions in respect of any taxes or levies required by any revenue or governmental authority.

The Issuer has agreed that it shall not instruct the Custodian pursuant to Instructions to make a payment out of the proceeds of any Distributions standing to the credit of the Initial Cash Security Cash Sub-Account other than Distributions which represent redemption and/or sale proceeds (but excluding any amount representing Permitted Investment Profit (if any)) and that such amounts shall forthwith upon receipt be transferred to the Transaction Account in accordance with (b) above.

Interest

Notwithstanding the above, any monies standing to the credit of the Disposal Proceeds Cash Sub-Account and the Initial Cash Security Cash Sub-Account will earn interest at the rate(s) agreed between the Issuer and the Account Bank pursuant to the Account Agreement in respect of the Disposal Proceeds Account and the Initial Cash Security Account respectively.

Change of Custodian

The appointment of the Custodian may, with the prior written approval of the Bond Trustee, be terminated upon 45 days' written notice (subject to the appointment of a replacement Custodian) or forthwith at any time the Custodian is adjudged bankrupt or insolvent. The appointment of the Custodian may also be terminated in the event that the short-term senior, unsecured and unguaranteed indebtedness rating of the Custodian as assigned by Moody's falls below "P 1" or is withdrawn and there are Permitted Investments standing to the credit of the Custody Account (subject to the appointment of a replacement Custodian).

The Custodian may resign its appointment upon giving at least 60 days' written notice (subject to the appointment of a replacement Custodian).

Pursuant to the Custody Agreement, the appointment of any replacement Custodian shall be subject to the prior written approval of the Bond Trustee, be on substantially the same terms as the Custody Agreement and be subject to the condition that it must have a short-term senior, unsecured and unguaranteed indebtedness rating from Moody's of no less than "P 1".

DESCRIPTION OF THE ISSUER

Incorporation and Status

Saxon Weald Capital plc (the **Issuer**) is a public limited company incorporated in England and Wales with registered number 08050531 on 30 April 2012 under the Companies Act 2006.

The registered address of the Issuer is Saxon Weald House, 38-42 Worthing Road, Horsham RH12 1DT. The telephone number of its registered address is 01403 226000. The Issuer has no subsidiaries.

Principal Activities of the Issuer

The Issuer is a wholly owned subsidiary of the Borrower.

The Issuer is a special purpose vehicle established for the purpose of issuing the Bonds (and incurring other indebtedness (including other secured indebtedness but subject to the covenant set out in Condition 6.1 (*General Covenants*) and lending the proceeds thereof to the Borrower to be applied in the achievement of the Borrower's objects. The Issuer owns no housing stock. It is not a housing association or registered provider. It does not have to comply with TSA guidance on internal controls assurance.

Directors

The directors of the Issuer and their other principal activities are:

Name	Other Principal Activities
David Standfast	Chief Executive: Saxon Weald Homes Limited
Norman Hill	Finance and Assets Director: Saxon Weald Homes Limited
David Avery	Non-Executive Director and Consultant, currently retained by a technology start-up company in Phoenix, USA to which he is also an investor. Chair of the Board: Saxon Weald Homes Limited
Stephanie White	Governor and Chair of Finance Committee at Farlington School. Chair of the Finance Committee: Saxon Weald Homes Limited

The business address of each of the directors is Saxon Weald House, 38-42 Worthing Road, Horsham RH12 1DT.

The Secretary of the Issuer is Norman Hill whose business address is at Saxon Weald House, 38-42 Worthing Road, Horsham RH12 1DT.

There are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or duties. However, each of the directors of the Issuer are Board members or employees of the Borrower.

Share Capital and Major Shareholders

The entire issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, all of which are paid up to 25 pence.

The Borrower holds all of the shares of the Issuer.

Operations

Since the date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Prospectus.

DESCRIPTION OF THE BORROWER

Incorporation and Status

Saxon Weald Homes Limited (the **Borrower**) was incorporated on 24 September 1999 and is a private company limited by guarantee registered in England with registered number 3847737 and is a registered charity (with registered number 1114158), regulated by the Charities Commission and the Tenant Services Authority (with registered number L4299).

The registered office of the Borrower is Saxon Weald House, 38-42 Worthing Road, Horsham RH12 1DT. The telephone number of its principal office is 01403 226000.

Background and History

The Borrower is a private non-profit registered provider of social housing. It owns 5,898 homes, 5,450 of which are owned freehold (including 152 shared ownership and leasehold dwellings for ordinary people) and 448 which are subject to long leases following right to buy or right to acquire disposals. Its only subsidiary is the Issuer.

The Borrower was first registered as a housing association, Saxon Weald Homes Limited, in 1999 and was formed as a vehicle to receive transfer of Horsham District Council's housing stock, following a successful tenant ballot in 2000.

It is now a mature housing association working in Sussex and Hampshire, employing 170 people, and is committed to providing excellent customer service. 4,917 homes are in Horsham District and 981 spread across 13 other districts as a result of purchase and development. 27% of the stock is specialist homes for older people.

Principal Activities of the Borrower

The Borrower's defined corporate strategy is to improve quality of life for its customers and neighbourhoods.

Its main activities are:

- owning and/or managing and/or financing properties in its core areas of Sussex and Hampshire.
- developing a choice of high quality affordable homes to rent and buy for a wide spectrum of people.
- a particular emphasis on development and management of extra care housing for frail older people and encouraging their independence through having their own tenancy and housing support.

There is a huge demand for the Borrower's rented homes. The numbers of people presenting to councils in Sussex and Hampshire as being in need of housing has grown and the building of new homes has failed to keep up with this growing demand.

The only kind of dwelling the Borrower has found difficult to let has been bedsit flats in older retirement (sheltered) schemes. In order to address this problem, the Borrower has had a programme of demolishing old, unpopular retirement schemes and replacing them with new schemes containing flats with 1 or 2 bedrooms.

As a result of modernising the housing stock as well as improving the efficiency of processes, void rent loss in extra care and retirement housing has declined from 6.31 per cent in 2006/07 to 2.37 per cent in 2011/12.

The Borrower and its Board and employees act in accordance with its values:

- Achieving excellence.
- Acting with integrity.
- Treating people with respect.
- Equality and acting fairly.
- Valuing customers.

The Borrower works to achieve its strategic objectives:

- To become and be acknowledged as an excellent organisation with excellent customer service.
- To grow in Sussex and Hampshire to a target size of 10,000 homes.
- To establish and maintain a vibrant workforce, creating a dynamic, challenging but fun place to work.
- To develop our role as a leader in older people's housing.
- To remain independent and financially strong.

Any surpluses generated by the Borrower are reinvested towards the attainment of these objectives.

Every year, the Board agrees corporate objectives. These are implemented in the form of departmental objectives and staff personal objectives.

Board

The Board members of the Borrower (all of whom, other than David Standfast and Norman Hill, are non-executive) and their principal activities outside the Borrower, where these are significant with respect to the Borrower, are as follows:

Name	Principal Activities outside Borrower
David Avery <i>Chair</i>	Non-Executive Director and Consultant, currently retained by a technology start-up company in Phoenix, USA to which he is also an investor.
Brian Donnelly* <i>Vice Chair</i>	Pulborough and Coldwaltham Ward Horsham District Councillor. Former Chairman and Cabinet Member Horsham District Council.
Norman Hill	Finance and Assets Director: Saxon Weald Homes Limited.
Martin Loates	North Horsham Parish Councillor. Tenant Member.
Phyllis Rutherford*	Retired. Former Horsham District Councillor.
Susan Sjuve	Head of Risk at National Australia Group. Non- Executive Director at Surrey Primary Care Trust.
David Standfast	Chief Executive: Saxon Weald Homes Limited.
Simon Turpitt	Chairman of Sussex Community NHS Trust. Starfish Appeal Board Member.
Richard Venables Kyrke	Partner at Thomas Eggar Solicitors. Trustee and Board Director at Avert Charity, Horsham. Governor and Chair of Finance Committee at Seaford College.
Anthony Walshe	Retired. Tenant Member.
Stephanie White	Former Chief Financial Officer at Air Partner Plc. Governor and Chair of Finance Committee at Farlington School.
Vanessa Williams	Member of the Forest School Parent-Teacher Association. Tenant Member.

*Horsham District Council nominee. Stands down in September 2012.

The business address of each of the above Board members is Saxon Weald House, 38-42 Worthing Road, Horsham RH12 1DT.

There are no actual or potential conflicts of interest between any duties to the Borrower of the Board members of the Borrower and their private interests and/or duties.

There is one vacancy for an independent non-executive Member as one Member has just unexpectedly died.

Corporate Governance

The role of the Board is to provide strategic leadership for the Borrower within a framework of prudent and effective controls which enable risk to be assessed and managed. Whilst the Board has overall responsibility for the affairs of the Borrower, day to day operational responsibility is delegated to the Chief Executive and Executive Team. There are, however, certain matters for which the Board reserves its powers. The Board sets the Borrower's strategic aims; ensures that the necessary financial and human resources are in place for the Borrower to meet its objectives; reviews management performance; sets the Borrower's values, policies and objectives and ensures that its obligations to its customers and stakeholders are understood and met.

The Board is supported by the following Committees:

- (a) Audit & Risk Committee – This is responsible for monitoring the integrity of the financial statements of the Borrower; overseeing the performance of the internal and external audit functions and dealing with risk management. It is also responsible for fraud and whistle blowing procedures. The Committee conducts an annual review of the adequacy and effectiveness of internal control systems.
- (b) Finance Committee – This is responsible for monitoring, supervising and advising the Borrower on its key finance, funding and investment activities. The Committee provides assurance to the Board that the Borrower has sufficient funding facilities to deliver its strategy and its contractual obligations over the short, medium and long term.
- (c) Governance and Remuneration Committee – This is responsible for overseeing the remuneration of the Board and senior staff and for ensuring that good governance is defined and followed.
- (d) New Business Committee – This approves the detail of the development programme and projects – subject to the overall policy and financial control of the Board.
- (e) Complaints Review Panel – This determines appeals from residents who have made complaints to the association but not been satisfied by Management's response.

Saxon Weald has adopted and complies with the National Housing Federation's code of governance "Excellence in governance" and "Excellence in standards of conduct: Code for members".

The Executive Team comprises the following:

Name	Role
David Standfast	Chief Executive
Norman Hill	Finance and Assets Director
Steven Dennis	Business Improvement Director
Mark Crosby	Business Development Director
Kath Hicks	Older People's Services Director

The business address of each of the above Executive Team members is Saxon Weald House, 38-42 Worthing Road, Horsham RH12 1DT.

There are no potential conflicts of interest between any duties to the Borrower of the Executive Team of the Borrower and their private interests and/or duties.

External views of the Borrower

The Borrower has always been rated in the highest financial category by the Tenant Services Authority. The latest (March 2012) Annual Viability Assessment states that 'The association meets the governance and viability standard of the Regulatory Framework in relation to financial viability'.

Governance has always been rated as satisfactory by the same agencies. On 21 March 2012, the annual meeting between the TSA and the Borrower's Executive Team and Chairman identified no issues of concern or which needed further investigation.

The Audit Commission's 2008 assessment of the Borrower was that it provided good (2 star) services with excellent prospects for improvement. (This is just one category less than the maximum available). Since that time, services have indeed improved – evidenced by the Borrower's KPIs.

Quality Housing Services is an independent company whose function is to assess the quality of customer services of housing associations. It first assessed the Borrower in 2010. Its findings were that the Borrower achieved the enhanced standard of customer service. This result was confirmed by a separate assessment in 2011. The 2012 assessment was announced on 22 March and the Borrower's scores have improved again.

In 2011, the Borrower was assessed by Investors in People (IIP) as achieving their gold (highest) standard for the way in which employees are managed and how employees feel about the company. Only 3 per cent of companies assessed by IIP achieve this standard.

Shares Capital and Major Shareholders

The Borrower is a company limited by guarantee and does not have a share capital.

Corporate Rating

Moody's Investors Services rated the Borrower as Aa3 (negative outlook) in May 2012.

Recent Developments

There have been no recent events to the Borrower that are relevant to the evaluation of the Borrower's solvency.

FINANCIAL STATEMENTS OF THE BORROWER

The historical financial information, including the accountants' report, for the financial years ended 31st March, 2010 and 31st March, 2011 for the Borrower are set out below.

Baker Tilly Corporate Finance LLP (the "**Reporting Accountant**") have given and have not withdrawn their consent to the inclusion in this Prospectus of their Accountants' Report on the financial information of the Borrower, as set out below, in the form and context in which it appears and has authorised the contents of those parts of this Prospectus which comprise its report for the purpose of Rule 5.5.4R(2)(f) of the Prospectus Rules.

SECTION A
ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION



25 Farringdon Street
London EC4A 4AB
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The Directors
Saxon Weald Capital plc
Saxon Weald House
38-42 Worthing Road
Horsham
West Sussex
RH12 1DT

31 May 2012

Dear Sirs

SAXON WEALD HOMES LIMITED (“the Borrower”)

We report on the financial information set out in Section B on page 67. This financial information has been prepared for inclusion in the prospectus dated 31 May 2012 (“Prospectus”) of Saxon Weald Capital plc on the basis of the accounting policies set out in note 1 of Section B.

This report is required by paragraph 11.1 of Annex IX of Appendix 3.1.1 of the Prospectus Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Issuer are responsible for preparing the financial information on the basis of preparation set out in note 1 to the Historical Financial Information and in accordance with UK GAAP.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial

information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Borrower as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 and has been prepared in a form that is consistent with the accounting policies adopted in the Borrower's next annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex IX of Appendix 3.1.1 of the Prospectus Rules and paragraph 1.2 of Annex X of Appendix 3.1.1 of the Prospectus Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street London EC4A 4AB.

SECTION B: HISTORICAL FINANCIAL INFORMATION

Saxon Weald Homes Limited (“the Borrower”) has restated its financial information for the two years ended 31 March 2011, previously published in its annual reports, to comply with the Statement of Recommended Practice “Accounting for Registered Social Housing Providers” 2010 (“SORP 2010”) which became effective for accounting periods on or after 1 April 2012 and which will be complied with for the Borrower’s annual financial statements for the year ended 31 March 2012.

The Historical Financial Information for the two years ended 31 March 2011 is presented in this Section B and has been prepared in accordance with the basis of preparation as set out in note 1.

Income and Expenditure Account

for the two years ended 31 March 2011

	Note	2011	2010
		£000	£000
Turnover	2	30,088	26,815
Cost of sales	2	(4,021)	(1,704)
Operating costs - ongoing activities	2	(17,149)	(14,572)
Operating costs - exceptional credit relating to pension costs	16	<u>1,699</u>	<u>-</u>
Operating surplus	2	10,617	10,539
Surplus on sale of fixed assets	6	120	449
Interest receivable		12	4
Interest payable and similar charges	7	(6,215)	(6,149)
		<u> </u>	<u> </u>
Surplus on ordinary activities before taxation	8	4,534	4,843
Taxation on surplus on ordinary activities	9	-	-
		<u> </u>	<u> </u>
Surplus on ordinary activities after taxation	18	<u><u>4,534</u></u>	<u><u>4,843</u></u>

All amounts relate to continuing activities.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account

Statement of Total Recognised Surpluses and Deficits

for the two years ended 31 March 2011

	Note	2011	2010
		£000	£000
Surplus for the year		4,534	4,843
Actuarial gain/(loss) recognised in respect of pension scheme	16	3,092	(3,345)
Total recognised surplus		<u>7,626</u>	<u>1,498</u>

Balance Sheet

as at 31 March 2011 and 31 March 2010

	Note	31 March 2011		31 March 2010	
		£000	£000	£000	£000
Tangible fixed assets					
Housing properties					
Depreciated cost	10		207,460		185,008
Social housing grant			<u>(52,731)</u>		<u>(39,711)</u>
			154,729		145,297
Other fixed assets	11		<u>2,091</u>		<u>2,155</u>
			156,820		147,452
Current assets					
Properties held for Sale		4,331		4,850	
Debtors	12	2,022		2,583	
Cash at bank and in hand		<u>4,859</u>		<u>6,762</u>	
		11,212		14,195	
Creditors: amounts falling due within one year	13	<u>(7,761)</u>		<u>(10,905)</u>	
Net current assets			3,451		3,290
Total assets less current liabilities			<u>160,271</u>		<u>150,742</u>
Creditors: amounts due after more than one year					
Housing loans	14		114,637		107,141
Recycled grants	15		<u>66</u>		<u>662</u>
			114,703		107,803
Pension Liability	16		244		5,241
Capital and reserves					
Designated reserves	17		2,176		3,228
Revenue reserves	18		<u>43,148</u>		<u>34,470</u>
			45,324		37,698
			<u>160,271</u>		<u>150,742</u>

Cash Flow Statement

for the two years ended 31 March 2011

	Note	2011 £000	2010 £000
Net cash inflow from operating activities	19(a)	12,859	12,803
Returns on investments and servicing of finance			
Interest received		12	4
Interest paid		(6,308)	(5,792)
Net cash (outflow) from returns on investments and servicing of finance		(6,296)	(5,788)
 Capital expenditure			
Acquisition and construction of housing properties		(25,110)	(27,248)
Social Housing Grant and other grants and donations received		8,585	12,137
Sales of properties *		1,157	1,418
Proceeds from sale of properties repaid to Horsham District Council		(454)	(556)
Purchase of other tangible fixed assets		(140)	(167)
		(15,962)	(14,416)
 Net cash (outflow) before management of liquid resources and financing		(9,399)	(7,401)
Management of liquid resources			
Increase in cash in transit	19(c)	9	65
Financing			
Loans received		7,500	12,247
Loan repayments		(4)	-
Net cash inflow from financing	19(c)	7,496	12,247
(Decrease)/increase in cash	19(c)	(1,894)	4,911

* Includes £454,000 (2010: £556,000) which is payable to Horsham District Council.

Notes to the Historical Financial Information

for the two years ended 31 March 2011

1. Principal accounting policies

Basis of accounting

Establishment

Saxon Weald Homes Limited (the "Borrower") is established under the Companies Act 2006 as a company limited by guarantee. The address of the registered office is Saxon Weald House, 38-42 Worthing Road, Horsham, West Sussex, RH12 1DT

The Borrower provides social housing in East and West Sussex and Hampshire.

The historical financial information is presented in pounds sterling and is rounded to the nearest thousand.

The historical financial information has been prepared under the historical cost convention and in accordance with applicable Accounting Standards, the Statement of Recommended Practice "Accounting by Registered Social Housing Providers" published in 2010 and the Accounting Requirements for Registered Social Landlords General Determination 2006. A summary of the principal accounting policies is set out below.

Turnover

Turnover represents rental income, service charges and proceeds from first tranche shared ownership sales.

Proceeds on sale are recognised on practical completion, all other income is recognised as receivable on delivery of the services provided.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Housing properties

Housing properties are stated at cost. Where properties have been acquired through the acquisition of a business or transfer of engagements, the cost represents the fair value of the properties as at the date of acquisition.

In accordance with FRS 15 and the Statement Of Recommended Practice "Accounting for Registered Social Housing Providers" 2010, major components of all properties are depreciated on a straight line basis over their useful economic lives, which are estimated to be:

		Years from date of acquisition or practical completion
Structure	flats and houses	100
	studio flats	50
	garages	30
Pitched roof		60
Flat roof		25
Windows		30
Kitchens		20
Bathrooms		30
Heating systems		40
Boilers		15
Lifts		30
Complete re-wire		40
Communication systems		20
Commercial kitchens		20

Notes to the Historical Financial Information

for the two years ended 31 March 2011

Housing properties (continued)

Leasehold properties are depreciated over the lesser of the above lives or the remaining length of the lease.

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting and are stated at cost.

Impairment reviews are carried out on an annual basis and any assets impaired in value are written down as required.

Mixed Tenure Development

Where a mixed tenure development is evaluated as a single scheme but has more than one element, each of the elements is expected to demonstrate it achieves the policy internal rate of return required by the Borrower. In the event that the value of an individual element in the scheme falls below the costs less attributable grant, then any overall surplus is reduced by the shortfall on those elements.

Major repairs and refurbishments

Major repairs and refurbishments to housing properties are capitalised where major components are replaced or to the extent of improvements to the property which lead to either enhanced rent potential, reduced costs or an extension in the useful economic life of the property in excess of the previously assessed standard of performance when the assets were first acquired, constructed or last replaced. In other cases, major repairs are charged to the income and expenditure account as incurred.

Properties developed for sale

Completed properties and properties under construction for sale, either as first tranche Low Cost Home Ownership (LCHO) sales or outright sale, are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales prices after allowing for all further costs of completion and disposal.

Until sold these properties are held as current assets.

Notes to the Historical Financial Information

for the two years ended 31 March 2011

Other fixed assets

Depreciation is charged on other fixed assets to write off the cost less estimated residual values at the rates shown below:

- Freehold office building
- 50 years straight line
- Freehold office fixture and fittings
- 25 years straight line
- Office furniture and equipment
- seven years straight line
- IT equipment
- four years straight line

Right to acquire (RTA) sales

A creditor is created when a property is purchased from the Borrower under the RTA scheme. The proceeds of the sale plus the discount that is repaid to the Borrower from the Homes and Communities Agency (HCA) make up the creditor. The creditor will be utilised in the future for building new homes.

Value added tax

All expenditure is stated gross of irrecoverable value added tax.

Supporting People income and expenditure

Supporting People income is recognised on the basis of contracted hours worked. Expenditure relating to Supporting People activities is recorded as incurred.

Service charges

Service charges on rented properties are recognised in the financial statements when the weekly rent debit is raised. Service charges on shared ownership properties are credited monthly. The amount recognised in the financial statements is adjusted to reflect either additional amounts to be collected or amounts to be repaid based on the costs incurred in the year.

Notes to the Historical Financial Information

for the two years ended 31 March 2011

Deferred taxation

No provision has been made for deferred tax, as the company has obtained charitable status and will not pay corporation tax in the future to the extent that surpluses and gains are applied for charitable purposes.

Pension costs

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities as measured on an actuarial basis using the projected unit method is recognised in the company's balance sheet as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the company are charged to the income and expenditure account or the statement of total recognised surpluses and deficits in accordance with FRS17 'Retirement Benefits'.

Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Repair costs

Repair costs are recognised on completion of the associated work by the relevant contractor. No provision is made for repairs notified to the company, but not undertaken.

Social Housing Grants

Social Housing Grants, receivable from the HCA and from local authorities, relating to capital expenditure reduce the capital costs of housing properties. Social housing grant is accounted for as it becomes receivable. Grant receivable in excess of related expenditure is treated as deferred income.

Any social housing grant in respect of revenue expenditure is credited to the income and expenditure account in the same period to which the expenditure relates.

Social housing grant relating to properties sold is credited to the recycled capital grant fund.

Notes to the Historical Financial Information

for the two years ended 31 March 2011

LCHO and staircasing

Under LCHO arrangements, the Borrower disposes of a long lease on low-cost home ownership properties to persons who occupy them at a share equal to between 25% and 75% of value, (the "first tranche"). The occupier has the right to purchase further proportions at the then current valuation up to 100% ("staircasing").

Under Leasehold Housing for Older Persons ("LHOP") arrangements, the Borrower disposes of a long lease on leasehold housing for older people properties to persons who occupy them a share equal to 75% of value. The occupier has no right to purchase the remaining 25% share.

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Borrower, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within the operating results as a cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the income and expenditure account after operating results as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sale account in arriving at the surplus or deficit.

Social Housing Grant in respect of LCHO properties is allocated against the fixed asset element of the cost of LCHO and LHOP properties and is treated as a deduction from fixed assets.

The fixed asset element of low cost home ownership properties is included in housing properties at cost less provisions needed for impairment.

Notes to the Historical Financial Information

for the two years ended 31 March 2011

2 Turnover, operating costs and operating surplus

	2011			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£000	£000	£000	£000
Social Housing Lettings				
- General needs, retirement and shared ownership housing (note 3)	25,853	-	(17,098)	8,755
Other Social Housing Activities				
- Shared ownership first tranche sales	4,102	(4,021)	-	81
- Other social housing activities	83	-	-	83
- Exceptional credit relating to pension past service cost	-	-	1,699	1,699
Non social housing activities	50	-	(51)	(1)
	<u>30,088</u>	<u>(4,021)</u>	<u>(15,450)</u>	<u>10,617</u>

	2010			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£000	£000	£000	£000
Social Housing Lettings				
- General needs, retirement and shared ownership housing (note 3)	24,767	-	(14,520)	10,247
Other Social Housing Activities				
- Shared ownership first tranche sales	1,940	(1,704)	-	236
- Other social housing activities	56	-	-	56
Non social housing activities	52	-	(52)	-
	<u>26,815</u>	<u>(1,704)</u>	<u>(14,572)</u>	<u>10,539</u>

Notes to the Historical Financial Information

for the two years ended 31 March 2011

3 Income and expenditure from social housing lettings

	General needs	Retirement housing	Shared ownership	2011 Total
Income	£000	£000	£000	£000
charges	18,078	4,796	97	22,971
Service income	231	1,790	38	2,059
Charges for support services	-	823	-	823
Net Rental Income	18,309	7,409	135	25,853
Expenditure				
Management	(2,520)	(1,282)	-	(3,802)
Estate costs	(917)	(746)	-	(1,663)
Services	(231)	(2,490)	(22)	(2,743)
Responsive maintenance	(2,173)	(520)	-	(2,693)
Major repairs	(1,276)	(171)	-	(1,447)
Planned and cyclical maintenance	(728)	(248)	-	(976)
Bad debts	(38)	(15)	(1)	(54)
Depreciation of housing properties	(1,938)	(784)	(16)	(2,738)
Other costs	(982)	-	-	(982)
Operating costs on social housing lettings	(10,803)	(6,256)	(39)	(17,098)
Operating surplus on social housing lettings	7,506	1,153	96	8,755
Voids - rent lost through dwellings being vacant	(95)	(330)	-	(425)
	General needs	Retirement housing	Shared ownership	2010 Total
Income	£000	£000	£000	£000
Rents receivable net of identifiable service charges	17,796	4,327	84	22,207
Service income	221	1,517	17	1,755
Charges for support services	-	805	-	805
Net Rental Income	18,017	6,649	101	24,767
Expenditure				
Management	(2,227)	(1,051)	-	(3,278)
Estate costs	(779)	(402)	-	(1,181)
Services	(221)	(2,424)	(31)	(2,676)
Responsive maintenance	(2,018)	(624)	-	(2,642)
Major repairs	(628)	(173)	-	(801)
Planned and cyclical maintenance	(782)	(75)	-	(857)
Bad debts	(27)	(10)	(1)	(38)
Depreciation of housing properties	(1,717)	(633)	(14)	(2,364)
Other costs	(683)	-	-	(683)
Operating costs on social housing lettings	(9,082)	(5,392)	(46)	(14,520)
Operating surplus on social housing lettings	8,935	1,257	55	10,247
Voids - rent lost through dwellings being vacant	(118)	(284)	(3)	(405)

Notes to the Historical Financial Information

for the two years ended 31 March 2011

4 Directors' emoluments

The Directors are defined as the Board members, the Chief Executive, the Finance and Assets Director and any member of the Executive Team.

No pension contributions or benefits in kind were paid to the Board members of the Company other than the Chief Executive and the Finance and Assets Director.

The Chief Executive is an ordinary member of the West Sussex County Council Pension Scheme and no enhanced or special terms apply. The Company does not make any further contributions to an individual pension arrangement for the Chief Executive.

	2011	2010
	£000	£000
Total emoluments paid to the Directors (including pension contributions and benefits in kind)	<u>522</u>	<u>531</u>
Emoluments of the highest paid Director (excluding pension contributions and including benefits in kind):		
Chief Executive	<u>138</u>	<u>136</u>
Total expenses reimbursed to the Directors not chargeable to United Kingdom income tax	<u>3</u>	<u>2</u>

Notes to the Historical Financial Information

for the two years ended 31 March 2011

5 Employee information

The average number of employees (including the Chief Executive) during the year was:

	2011	2010
Actual	Number	Number
Office staff	99	95
Scheme based staff	52	50
Maintenance Team	22	17
	<u>173</u>	<u>162</u>
Full time equivalents		
Office staff	93	88
Scheme based staff	42	40
Maintenance Team	27	21
	<u>162</u>	<u>149</u>

Staff costs (for the above persons)

	2011	2010
	£000	£000
Wages and salaries	4,752	4,449
Social security costs	398	386
Pension costs (see note 16)	691	339
	<u>5,841</u>	<u>5,174</u>
Pension past service costs *	<u>(1,699)</u>	<u>51</u>
	<u>4,142</u>	<u>5,225</u>

* Following the Chancellor's budget statement on 22 June 2010 the actuary has based their calculations on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as an exceptional credit in the income and expenditure account.

6 Sale of Fixed Assets

	2011	2010
		£000
Proceeds of sales	1,168	1,446
Cost of sales	(964)	(707)
Transfer to recycled grant (see note 15)	(84)	(290)
	<u>120</u>	<u>449</u>
Surplus on sales of assets	<u>120</u>	<u>449</u>

Notes to the Historical Financial Information

for the two years ended 31 March 2011

7 Interest payable and similar charges	2011	2010
	£000	£000
On bank loans, overdrafts and other loans:		
Interest on housing loans	5,481	4,790
Bank charges and arrangement fees	706	1,200
Pension fund interest cost	801	620
Pension fund expected return on assets	(773)	(461)
	<u>6,215</u>	<u>6,149</u>
	2011	2010
	£000	£000
8 Surplus on ordinary activities before taxation		
Is stated after charging:		
Depreciation	2,958	2,557
Operating lease rentals (including VAT)	118	124
Auditors' remuneration (including VAT):		
- in their capacity as auditors	26	30
- other services	7	-
Salaries directly attributable to development projects capitalised	348	402
Impairment of land held for development	140	-
	<u>140</u>	<u>-</u>
	2011	2010
	£000	£000
9 Taxation on surplus on ordinary activities		
	2011	2010
	£000	£000
Factors affecting charge for the period		
Surplus on ordinary activities before taxation	<u>4,843</u>	<u>4,843</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	1,270	1,356
Effects of:		
Charitable exemption	(1,270)	(1,356)
Current tax charge for the period	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Borrower has obtained charitable status and will, therefore, will not have to pay tax on its charitable activities. Any profits resulting from non charitable activities will be liable for corporation tax.

Notes to the Historical Financial Information

for the two years ended 31 March 2011

10 Tangible fixed assets - housing properties

	Completed properties available		Properties under construction		Total
	Rented	Shared ownership	Rented	Shared ownership	
Cost	£000	£000	£000	£000	£000
At 1 April 2009	149,719	2,587	15,635	1,678	169,619
Schemes completed	15,984	1,590	(15,984)	(1,590)	-
Additions	2,623	18	23,636	1,260	27,537
Disposals*	(139)	(113)	-	-	(252)
At 31 March 2010	168,187	4,082	23,287	1,348	196,904
Social housing grant					
At 1 April 2009	23,616	627	5,501	547	30,291
Schemes completed	6,141	1,041	(6,141)	(1,041)	-
Received during year	-	-	7,618	1,802	9,420
At 31 March 2010	29,757	1,668	6,978	1,308	39,711
Depreciation and impairment					
At 1 April 2009	9,523	28	-	-	9,551
Charge for the year	2,338	14	-	-	2,352
Disposals	(7)	-	-	-	(7)
At 31 March 2010	11,854	42	-	-	11,896
Net book value					
At 31 March 2010	126,576	2,372	16,309	40	145,297

Notes to the Historical Financial Information

for the two years ended 31 March 2011

10 Tangible fixed assets - housing properties (continued)

	Completed properties available for letting		Properties under construction		Total £000
	Rented £000	Shared ownership £000	Rented £000	Shared ownership £000	
Cost					
At 1 April 2010	168,187	4,082	23,287	1,348	196,904
Schemes completed	21,069	1,070	(21,069)	(1,070)	-
Additions	2,868	13	23,152	1,028	27,061
Write back of surplus on first tranche sales	(1,018)	-	-	-	(1,018)
Disposals*	(433)	(72)	-	-	(505)
Transfer to current assets	(220)	-	-	-	(220)
At 31 March 2011	190,453	5,093	25,370	1,306	222,222
At 1 April 2010	29,757	1,668	6,978	1,308	39,711
Schemes completed	6,257	1,391	(6,257)	(1,391)	-
Received during year	-	-	12,530	490	13,020
At 31 March 2011	36,014	3,059	13,251	407	52,731
Depreciation and impairment					
At 1 April 2010	11,854	42	-	-	11,896
Charge for the year	2,716	16	-	-	2,732
Impairment	-	-	140	-	140
Disposals	(6)	-	-	-	(6)
At 31 March 2011	14,564	58	140	-	14,762
Net book value					
At 31 March 2011	139,875	1,976	11,979	899	154,729

	2011 £000	2010 £000
Freehold properties	149,429	139,858
Long leasehold properties	5,300	5,439
	<u>154,729</u>	<u>145,297</u>

All housing properties are for social housing use

* Disposals relate to Right to Buy, Right to Acquire and Shared ownership staircasing sales

Additions included in completed rented properties re refurbishment works

	Ashby Court 2011 £000	2010 £000
Balance b/fwd	3,656	3,323
Works capitalised in year	118	333
Balance c/fwd	<u>3,774</u>	<u>3,656</u>

Notes to the Historical Financial Information

for the two years ended 31 March 2011

	Freehold	Office	IT	Total
	office	equipment	equipment	
	£000	£000	£000	£000
11 Other fixed assets				
Cost				
At 1 April 2009	2,354	290	1,099	3,743
Additions	-	-	182	182
Disposals	-	-	(24)	(24)
At 31 March 2010	<u>2,354</u>	<u>290</u>	<u>1,257</u>	<u>3,901</u>
Depreciation				
At 1 April 2009	510	262	792	1,564
Charge for the year	71	9	125	205
Disposals	-	-	(23)	(23)
At 31 March 2010	<u>581</u>	<u>271</u>	<u>894</u>	<u>1,746</u>
Net book value				
At 31 March 2010	<u>1,773</u>	<u>19</u>	<u>363</u>	<u>2,155</u>
Cost				
At 1 April 2010	2,354	290	1,257	3,901
Additions	-	2	160	162
Disposals	-	-	(39)	(39)
At 31 March 2011	<u>2,354</u>	<u>292</u>	<u>1,378</u>	<u>4,024</u>
Depreciation				
At 1 April 2010	581	271	894	1,746
Charge for the year	71	9	146	226
Disposals	-	-	(39)	(39)
At 31 March 2011	<u>652</u>	<u>280</u>	<u>1,001</u>	<u>1,933</u>
Net book value				
At 31 March 2011	<u>1,702</u>	<u>12</u>	<u>377</u>	<u>2,091</u>
12 Debtors			2011	2010
			£000	£000
Amounts receivable within one year:				
Rents and service charge arrears			610	694
Less provision for bad debts			(171)	(201)
			<u>439</u>	<u>493</u>
Other debtors			1,129	1,678
Prepayments			454	412
			<u>2,022</u>	<u>2,583</u>

Notes to the Historical Financial Information

for the two years ended 31 March 2011

13 Creditors: amounts falling due within one year:	2011 £000	2010 £000
Housing loan interest	606	698
Contractors for certified work	3,922	3,765
Other taxes and social security costs	136	137
SHG received in advance	811	3,954
Rent charged in advance	241	287
Rent paid in advance	304	267
Trade creditors	264	753
Other creditors and accruals	1,052	590
Due to Horsham District Council re. RTB sales receipts	425	454
	7,761	10,905

14 Housing loans

Housing loans from lending institutions are secured by specific charges on the Borrower's housing properties. £75m is fixed for varying periods, the longest being until March 2036. The interest rates charged vary from 1.97% to 6.87%. The loans are syndicated to the following four lending institutions:

Syndicated loan	2011 £000	2010 £000
The Royal Bank of Scotland	36,333	36,333
Lloyds TSB	41,333	41,333
Newcastle Building Society	26,334	26,334
Santander	10,000	2,500
	114,000	106,500
Orchardbrook	637	641
	114,637	107,141
Housing loans repayable by instalments:	2011 £000	2010 £000
In five years or more	114,637	107,141
Between two and five years	-	-
Between one and two years	-	-
Less than one year	-	-
	114,637	107,141

15 Recycled Grants

	Disposals Proceeds Fund 2011 £000	Disposals Proceeds Fund 2010 £000
At 1 April	662	372
Funds released from sales	84	290
Interest added to fund	-	-
Grant recycled into new schemes	(680)	-
At 31 March	66	662
Due within one year	-	-
Due in more than one year	66	662

Notes to the Historical Financial Information

for the two years ended 31 March 2011

16 Pension costs

The Borrower participates in the West Sussex County Council Pension Scheme, a funded defined benefit pension scheme. A full actuarial valuation was carried out as at 31 March 2010 and updated to 31 March 2011 by a qualified independent actuary at bid value.

Reconciliation of defined benefit obligation	2011	2010
	£000	£000
Opening defined benefit obligation	15,619	8,769
Current service cost	655	339
Interest cost	801	620
Contributions by members	211	222
Actuarial (gains)/losses	(2,134)	5,784
Past service credit*	(1,699)	51
Losses on curtailments	36	-
Estimated benefits paid	(373)	(166)
	<u>13,116</u>	<u>15,619</u>

* Following the Chancellor's budget statement on 22 June 2010 the actuary has based their calculations on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as an exceptional credit in the income and expenditure account.

Reconciliation of fair value of employer assets	2011	2010
	£000	£000
Opening fair value of employer assets	10,378	6,941
Expected return on assets	773	461
Contributions by members	211	222
Contributions by the employer	925	481
Actuarial gains	958	2,439
Benefits paid	(373)	(166)
	<u>12,872</u>	<u>10,378</u>

Reconciliation to balance sheet	2011	2010
	£000	£000
Fair value of employers assets	12,872	10,378
Present value of funded liabilities	(13,116)	(15,619)
Net liability	<u>(244)</u>	<u>(5,241)</u>
Amounts in the balance sheet		
Liabilities	244	5,241
Net liability	<u>(244)</u>	<u>(5,241)</u>

Notes to the Historical Financial Information

for the two years ended 31 March 2011

16 Pension costs (continued)

	2011	2010
Recognition in the income and expenditure	£000	£000
Current service cost	655	339
Interest cost	801	620
Expected return on employer assets	(773)	(461)
Past service cost *	(1,699)	51
Losses on curtailments and settlements	36	-
	<u>(980)</u>	<u>549</u>

* Following the Chancellor's budget statement on 22 June 2010 the actuary has based their calculations on future pension increases being linked to the Consumer Prices Index(CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as an exceptional credit in the income and expenditure account.

	2011	2010
Amounts recognised in statement of surpluses and deficits (SRSD)	£000	£000
Actuarial gains/(losses)	<u>3,092</u>	<u>(3,345)</u>
Cumulative amount of losses recognised in the statement of surpluses and deficits	<u>(844)</u>	<u>(3,936)</u>

	2011	2010
Composition of plan assets	£000	£000
Equities	9,912	7,887
Bonds	1,802	1,557
Property	901	623
Cash	257	311
	<u>12,872</u>	<u>10,378</u>

Actual return on plan assets	<u>891</u>	<u>2,902</u>
-------------------------------------	------------	--------------

	2011	2010	2009	2008	2007
Amounts for the current and previous accounting periods	£000	£000	£000	£000	£000
Fair Value of employer assets	12,872	10,378	6,941	8,268	7,279
Present value of defined benefit obligation (Deficit)	(13,116)	(15,619)	(8,769)	(8,654)	(8,174)
Experience (losses)/gains on assets	958	2,439	(2,375)	201	(132)
Experience (losses)/gains on liabilities	509	-	(19)	(1,553)	1

Notes to the Historical Financial Information

for the two years ended 31 March 2011

16 Pension costs (continued)

	2011 % p.a.	2010 % p.a.
Principal actuarial assumptions used at the balance sheet date		
Financial Assumptions		
Inflation/pension increase rate*	2.8%	3.8%
Salary increase rate	5.1%	5.3%
Expected return on assets	6.9%	7.2%
Discount rate	5.5%	5.5%

* Following the Chancellor's budget statement on 22 June 2010 the actuary has based their calculations on future pension increases being linked to the Consumer Prices Index(CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as an exceptional credit in the income and expenditure account.

Breakdown of the expected return on assets by category

Equities	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%

Mortality

	Males	Females
The average future life expectancies at age 65 are		
Current Pensioners	22.7 years	24.2 years
Future Pensioners	24.3 years	26.4 years

Future pensioners are assumed to be currently 45 years old

Historic Mortality

	Prospective Pensioners	Pensioners
31 March 2011	year of birth, medium cohort and 1% p.a.	year of birth, medium cohort and 1% p.a.
31 March 2010	calendar year 2033	calendar year 2017
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2033	calendar year 2017
31 March 2007	calendar year 2017	calendar year 2009
31 March 2006	calendar year 2017	calendar year 2009

Commutation

An allowance is included for 50% of future retirements to elect to take additional tax free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Analysis of projected amount to be charged to operating profit for the year to 31 March 2012

	2012 £000
Projected current service cost	584
Interest on obligation	728
Expected return on plan assets	(894)
	418

The actuary estimates the employer's contributions for the year to 31 March 2012 will be approximately £515,000

Notes to the Historical Financial Information

for the two years ended 31 March 2011

17 Designated reserve

	Proceeds from sales	RTB Discounts	Subsidence Fund	Total
	£000	£000	£000	£000
At 1 April 2009	1,547	208	1,131	2,886
Transfer from revenue reserves *	307	-	35	342
At 31 March 2010	1,854	208	1,166	3,228
At 1 April 2010	1,854	208	1,166	3,228
Transfer to revenue reserves *	-	-	(1,166)	(1,166)
Transfer from revenue reserves	97	17	-	114
At 31 March 2011	1,951	225	-	2,176

* In March 2011 the buildings insurance was extended to cover major outbreaks of subsidence, therefore the designated reserve for subsidence repairs is no longer needed. The cumulative balance of £1,166,000 has been transferred to revenue reserves.

18 Revenue Reserves

	2011 £000	2010 £000
At the beginning of the year	34,470	33,314
Surplus for the year	4,534	4,843
Transfer from/(to) designated reserves	1,052	(342)
Actuarial surplus/(deficit) on pension scheme liability	3,092	(3,345)
At the end of the year	43,148	34,470

Notes to the Historical Financial Information

for the two years ended 31 March 2011

19 Notes on the cash flow statement	2011 £000	2010 £000	
(a) Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus	10,617	10,539	
Depreciation and impairment	3,058	2,569	
Decrease/(increase) in debtors	1,174	(66)	
Decrease/(increase) in properties held for sale	738	(1,658)	
(Decrease)/increase in creditors	(3,746)	1,419	
Restriction of surplus on first tranche sales	1,018	-	
Net cash inflow from operating activities	12,859	12,803	
(b) Reconciliation of net cash flow to movement in net debt			
(Decrease)/ increase in cash in the year	(1,894)	4,911	
(Decrease) in liquid resources	(9)	(65)	
Increase in debt funding	(7,496)	(12,247)	
Changes in net debt resulting from cashflows	(9,399)	(7,401)	
Net debt at beginning of year	(100,379)	(92,978)	
Net debt at end of year	(109,778)	(100,379)	
(c) Analysis of changes in net debt			
	As at 1 April 2010 £000	Cashflow £000	At 31 March 2011 £000
Cash at bank and in hand	6,542	(1,894)	4,648
Liquid resources	220	(9)	211
Debt due after one year	(107,141)	(7,496)	(114,637)
	(100,379)	(9,399)	(109,778)
	At 1 April 2009 £000	Cashflow £000	At 31 March 2010 £000
Cash at bank and in hand	1,631	4,911	6,542
Liquid resources	285	(65)	220
Debt due after one year	(94,894)	(12,247)	(107,141)
	(92,978)	(7,401)	(100,379)

Notes to the Historical Financial Information

for the two years ended 31 March 2011

20 Capital commitments	2011 £000	2010 £000
Capital expenditure that has been contracted for but has not been provided for in these financial statements		
To be spent within 1 year	19,424	34,571
To be spent within 2 years	1,442	11,025
	20,866	45,596
Capital expenditure that has been authorised by the Board but has not been contracted for		
	7,340	17,136
	28,206	62,732
The Borrower expects to finance the above commitments by:		
Social housing grant receivable	13,730	21,098
Property sales	7,927	12,874
Loans to be received	6,549	28,760
	28,206	62,732
 21 Commitments under operating leases	 2011 £000	 2010 £000
As at 31 March 2011, the Borrower had commitments under non-cancellable operating leases not relating to land and buildings as set out below:		
Operating leases which expire:		
Between one and five years	183	191
Less than one year	105	22
	288	213
 22 Homes and bed spaces	 2011 Number	 2010 Number
Under development at end of year:		
Rented Homes	263	321
Shared Ownership	66	91
Intermediate rent	-	12
	329	424
Under management at end of year:		
General needs housing	3,648	3,644
Retirement and supported housing	1,475	1,402
	5,123	5,046
Shared ownership and leasehold for older people	112	77
Leasehold flats	453	450
	5,688	5,573

Notes to the Historical Financial Information

for the two years ended 31 March 2011

23 Legislative provisions

The Borrower is incorporated under the Companies Act 2006 and is a Registered Social Housing Provider registered with the Tenant Services Authority under the Housing Act 1996.

24 Social housing grant

As at 31 March 2011, the Borrower had received £52,731,000 (2010: £39,711,000) of social housing grant of which £52,731,000 has been capitalised.

25 Share capital

The Borrower is limited by guarantee and does not have a share capital. The liability of each member is limited to £1, being the amount guaranteed.

26 Related Parties

One member of the Board is a Councillor of Horsham District Council.

Four members of the Board are tenants of the Borrower. Their tenancies are subject to the same terms and conditions as all other tenants.

27 Post Balance Sheet Events

On 30 April 2012, the Borrower formed a new wholly owned subsidiary, Saxon Weald Capital plc (the "Issuer").

On 6 June 2012, the Issuer will issue £225,000,000, 5.375 per cent Secured Bonds due 2042 (the "Bonds"). Further details on the Bonds is given in this Prospectus.

Pursuant to the issue of the Bonds, the Borrower has entered into a loan agreement with the Issuer whereby the Issuer has committed to provide a loan in the principal amount of £225,000,000, details of which are contained in this Prospectus.

Saxon Weald

Valuation of Housing Stock for Issue of Secured Bonds

As at 31 March 2012



**Savills Advisory Services Ltd
37-39 Perrymount Road
Haywards Heath
West Sussex RH16 3BN**

CONTENTS

1	INTRODUCTION	1
2	EXECUTIVE SUMMARY	4
3	VALUATION BACKGROUND	4
4	OVERVIEW	5
5	SUITABILITY AS SECURITY	6

APPENDIX 1

1	INTRODUCTION	1
2	STOCK NUMBERS	2
3	RENT LEVELS	3
4	TENANT INCOMES, CURRENT LOCAL RP RENTS AND “AFFORDABILITY”	4
5	RENT RESTRUCTURING AND TARGET RENTS	6
6	RENTAL GROWTH	6
7	COMPREHENSIVE SPENDING REVIEW – “AFFORDABLE” RENTS & LOCAL HOUSING ALLOWANCE	7
8	VOIDS AND BAD DEBTS	7
9	VOID RATE / RATE OF RE-LETTING	8
10	RIGHT-TO-BUY – RATES OF SALE AND FUTURE PREDICTIONS	9
11	RIGHT-TO-BUY – CAPITAL VALUES	12
12	RIGHT-TO-BUY – DISCOUNTS	13
13	RIGHT-TO-BUY – LEGAL AND ADMINISTRATIVE COSTS	13
14	OTHER INCOME	13
15	REPAIR, MAINTENANCE AND IMPROVEMENT COSTS	14
16	ADMINISTRATION, MANAGEMENT AND SERVICE PROVISION COSTS	15
17	BUILDING AND MAINTENANCE COST INFLATION	15
18	MANAGEMENT COST INFLATION	16
19	INFLATION	16
20	DISCOUNT RATE	16
21	THE LOCAL PROPERTY MARKET	17
22	HOUSE PRICE GROWTH	18
23	NEW-BUILD DEVELOPMENT AND ACQUISITIONS	20

- APPENDIX 2 SUMMARY SCHEDULE OF VALUATION ASSUMPTIONS**
- APPENDIX 3 CASH FLOW VALUATION AND ASSUMPTIONS**
- APPENDIX 4 HOUSING STOCK BY TYPE, SIZE AND LOCATION**
- APPENDIX 5 SAMPLE PHOTOGRAPHS**
- APPENDIX 6 LAND REGISTRY – HORSHAM DISTRICT HOUSE PRICE MOVEMENTS**
- APPENDIX 7 ADDRESS LIST**
- APPENDIX 8 GENERAL VALUATION ASSUMPTIONS AND DEFINITIONS**

2 May 2012

File Ref: HSH248121



PRIVATE AND CONFIDENTIAL

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As security trustee (the "Security Trustee") as defined in a security trust deed ("the Security Trust Deed") to be entered into between Prudential Trustee Company Limited (1) Saxon Weald Homes Limited (2) and Saxon Weald Capital plc for itself and the Beneficiaries (as defined in the Security Trust Deed) as the same may be amended, novated, varied, supplemented or restated from time to time.

Dear Sirs

REPORTING COMPANY: SAVILLS ADVISORY SERVICES LIMITED
VALUATION OF SAXON WEALD HOMES LTD HOUSING STOCK

1 INTRODUCTION

- 1.1 Further to instructions received from Saxon Weald (SW) in February 2012 to value the portfolio in order to assess its level of security, we now have pleasure in reporting to the above addressees.
- 1.2 In completing this exercise, we have: a) agreed a full set of property schedule data with Saxon Weald; b) discussed details as to our approach and methodology; and c) completed our own inspections, research and analysis.
- 1.3 The above has enabled us to arrive at the valuation assumptions which have enabled us to carry out our valuations and final reported figures herein.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

Savills Advisory Services Limited. Chartered Surveyors. Regulated by RICS. A subsidiary of Savills plc. Registered in England No. 6215875.
Registered office: 20 Grosvenor Hill, London W1K 3HQ



1.4 Basis of Valuation

In accordance with our instructions, we provide our opinion of the **Existing Use Value – Social Housing ('EUV-SH')** of the properties for Loan Security ("Basis 1") purposes.

Existing Use Value - Social Housing is defined by the Royal Institution of Chartered Surveyors ("RICS") as:-

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

- i) the property will continue to be let by a body pursuant to delivery of a service for the existing use;*
- ii) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;*
- iii) 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*
- iv) any subsequent sale would be subject to all of the above Assumptions."*

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

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

1.5 General Assumptions and Conditions

All our valuations have been carried out on the basis of Savills' General Assumptions set out in **Appendix 9** of this report.

1.6 Date of Valuation

Our opinions of value are as at **31 March 2012**, using property schedule data supplied to us. The importance of the date of valuation must be stressed as property values can change over a relatively short period of time.

1.7 Purpose of Valuation

This Valuation is required in connection with the issue by the Issuer of the New Notes.

This report is issued for the benefit of the addressees in relation to the New Notes issued by the Issuer and may only be used in connection with the transaction referred to in this report.

We hereby 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 not aware of any conflict of interest in respect of the properties which are the subject of this report (the “Properties”) or SW or the Issuer preventing us from providing you with an independent valuation of the Properties in accordance with the RICS Red Book.

1.9 Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by J N Tillier FRICS who is experienced in the valuation of this type of property in this location. The valuation has also been reviewed by M Sale BSc (Hons) MRICS. A representative sample of the Properties was inspected externally and internally by an employee of Savills between 9th and 13th March 2012.

1.10 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. In particular we have based our valuation on the findings of the stock condition survey validation carried out by Savills Commercial Ltd in 2010, as up-dated to 2012/13. We have relied upon information provided by Saxon Weald Homes and various other sources, all of which we have assumed to be substantially correct.

1.11 RICS Compliance

This report has been prepared in accordance with the Royal Institution of Chartered Surveyors’ (“RICS”) Valuation – Professional Standards, 8th edition (the “RICS Red Book”), effective from 30 March 2012 in particular where relevant in accordance with the requirements of Valuations Standards VS6: Valuation Reports, UKVS1: Valuations for financial statements, UKVS1.13: 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

2.1 The Portfolio can be summarised as follows:

No	Parameter	Description
1	Location	Properties located in West Sussex, East Sussex and Hampshire
2	Description	Predominantly 20th century built houses and flats
3	Age	Mainly 1950-1970, but some new-build
4	Stock	2,509 houses/bungalows and 2,713 flats + shared ownership
5	Construction	Predominantly traditional construction
6	Letting Type	General Needs and Sheltered Rented and Shared Ownership
7	Tenancy Type	2,556 Transfer Assured and 2,666 New Assured Tenancies
8	Other Property	Garages, Ground Rents and miscellaneous income
9	Rental	Average current rent £96.54 per week (52-week) (2012/13)
10	Market Rent	Average estimated market rent £158 per week

2.2 For stock schedule see **Appendix 7**.

2.3 Valuation

Existing Use Value – Social Housing of the freehold or long leasehold interest in the housing stock assuming vacant units as they occur are re-let - **£267,611,000 (Two hundred and sixty-seven million, six hundred and eleven thousand pounds)**.

The assumptions we have adopted in our valuations of the housing stock are described at **Appendix 1** and summarised at **Appendix 2**. Our valuation cash flow is at **Appendix 3**. We stress that these opinions of value should be read in conjunction with the remainder of this report and its appendices which sets out in full the reasoning behind our valuations.

The existing use value as at 31 March 2012 of £267,611,000 differs from the carrying value in the Company's latest published accounts of £207,460,000. The difference arises principally due to the amount in the Company's accounts being stated at cost in accordance with the Company's accounting policies.

3 VALUATION BACKGROUND

3.1 The Housing Acts 1985 and 1988 gave consent to local authorities, in certain circumstances, to dispose of land held for housing purposes with the Secretary of State's consent. "Voluntary transfers" are principally governed by Sections 32 and 43 of the Housing Act 1985.

3.2 Our loan security valuations are based on the underlying assumption that a mortgagee-in-possession would wish to sell the housing stock in a single transaction to an alternative approved landlord for the maximum price that such a landlord would be prepared to bid competitively whilst remaining within the codes established by the various regulatory bodies. This does not necessarily mean that a disposing mortgagee-in-possession would be permitted to sell for this price should he be able to recover outstanding debts and transaction costs without maximising disposal price. Under a transfer

of engagements the disposal will take place at a price which will discharge outstanding debt and cover transaction costs.

- 3.3 In the event that any obligations owing in respect of the Notes are not fulfilled, the Security Trustee, as mortgagee-in-possession, would wish to take steps to rectify the situation as quickly as possible. As valuers, we have to examine what alternatives would be open to a mortgagee-in-possession in such circumstances.
- 3.4 Funders may use this report for the purposes of measuring asset cover, but as already stated, our valuation represents the maximum price for which the stock could be sold by a mortgagee-in-possession to an alternative approved landlord in a single transaction. If outstanding loan debt and transaction costs could be discharged at a lower figure then this does not necessarily mean that the mortgagee would be allowed to sell the stock at a higher price by the regulatory authorities.
- 3.5 Of equal importance, this report is intended for assessing the strength of cash flows and any potential risks, as assistance to SW in business planning, and as a guide to the measures that may be taken by them should difficulties arise.
- 3.6 The accepted method of valuing voluntary transfer properties involves using discounted cash flow valuation techniques. The traditional open market approaches to valuing residential tenanted portfolios are not appropriate. This is because purchasers are prevented from selling the stock to anyone other than a purchaser approved by the Communities and Local Government Department under the Housing Act 1985 and 1988. This is to ensure that the housing stock remains in the ownership of a suitable body, whose principal concern is to provide social housing, and who will re-let property when it falls vacant. In such cases, the Market Value ("MV") of the stock is effectively equivalent to its Existing Use Value - Social Housing ("EUV-SH") because the "market" is limited to certain types of purchaser. The definitions of MV and EUV-SH are contained in our General Assumptions at **Appendix 8**.

4. OVERVIEW

- 4.1 Saxon Weald (SW) was established in late 2000 when it acquired by transfer the housing stock and related assets of Horsham District Council under Sections 32 and 43 of the Housing Act 1985. It acquired in 2006 the housing stock of Rosebrook Housing Association comprising approximately 250 properties in and around Southampton, 272 properties acquired in 2008 from Riverside Housing Association and a further 26 properties acquired from Twynham Housing Association.
- 4.2 The housing stock originally required significant investment to bring it up to, and to maintain it at, present-day standards and meet the Decent Homes criteria and the aspirations of the tenants. SW has invested significant sums to achieve this and the anticipated spend per unit over the next 30 years, in current terms, is around £55,500. None the less, most of the estates and property concentrations and locations are attractive, popular with the tenants and the properties generally well looked after by them. The company's stock has a wide geographical spread and encompasses many very attractive and desirable village and rural town locations throughout Sussex and into Hampshire, with recent stock acquisitions focussing in particular along the South Coast.
- 4.3 Current rent levels are in line with other Registered Providers operating in the same areas, at an average of £103.65 per week (net, 52 weeks, 2012/13). The average target rent across the stock is £97.72 (net, 52 weeks, 2012/13).
- 4.4 If it were necessary to increase income, a mortgagee-in-possession would have a number of options. Firstly, the market for ex-local authority dwellings on some estates has been good in recent years and therefore when properties become void a selective programme of sales of these houses and flats could be effected in the more popular areas and this would improve cash flow.

- 4.5 In view of the level of demand in the locality we consider there is scope to increase the rents to the maximum (+ 5%) target rents. We believe it would also be possible to increase rents to a level outside the target rent regime without compromising affordability.
- 4.6 As is usual we have included Right-to-Buy receipts in full in the valuation on the assumption that any Right-to-Buy Sharing Agreement will only be between SW and Horsham District Council and they will thus be available in full to a mortgagee-in-possession.

5 SUITABILITY AS SECURITY

Funders' Responsibility

- 5.1 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, bond or mortgage. However, it is a matter for a funder 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.

Suitability as Security

- 5.2 We are of the opinion that the properties do form adequate security for the Notes. We would stress however that it is up to the addressees to assess the level of borrowing which the properties support and to assess the risk not directly associated with the property itself.

Property Specific Risks

- 5.3 In **Appendix 1** to this report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.

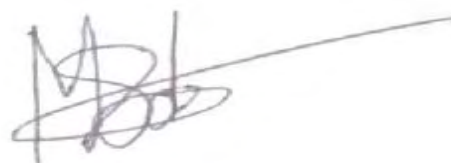
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We trust that this report is acceptable for your purposes. Should you have any queries, please do not hesitate to contact us.

Yours faithfully



**James Tillier FRICS**  
**Director**  
**For and on behalf of**  
**Savills Advisory Services Limited**



**M Sale MRICS**  
**Associate Director**  
**For and on behalf of**  
**Savills Advisory Services Limited**



**Appendix 1**  
Assumptions Commentary

## SAXON WEALD STOCK VALUATION

31 MARCH 2012

### COMMENTARY ON VALUATION ASSUMPTIONS

#### 1 INTRODUCTION

- 1.1 Saxon Weald (SW) was established in late 2000 when it acquired by transfer the housing stock and related assets of Horsham District Council under Sections 32 and 43 of the Housing Act 1985.
- 1.2 Saxon Weald acquired in 2006 the housing stock of Rosebrook Housing Association comprising approximately 250 properties in and around Southampton, 272 properties acquired in 2008 from Riverside Housing Association and a further 26 properties acquired from Twynham Housing Association.
- 1.3 The assumptions upon which we have based our valuation are set out in the **valuation cash flow at Appendix 3**. There are two kinds of assumption:
- i. those based on information concerning the stock provided by Saxon Weald and their advisers and consultants.
  - ii. those based on external economic factors, such as the inflation rate and discount rate.
- 1.4 In this section we explain how we have dealt with each element of the valuation, the research we have undertaken, the assumptions we have made and the logic behind them. We have relied on the accuracy of information supplied by Saxon Weald, their advisers and consultants when deriving our valuation assumptions.
- 1.5 Our valuation is current, using stock numbers as at the date of valuation, Year 1 in the report and model is 2012/13.
- 1.6 Saxon Weald has provided us with current data on the following:
- Stock schedule
  - Rent levels (all rents shown are based on a 52-week year)
  - Re-let / void rates
  - Management, supervision and administrative costs
  - Repair, maintenance and improvement costs
  - Levels of voids, arrears and bad debts
  - Right to Buy statistics
  - Other income

## 2 STOCK NUMBERS

2.1 The following stock numbers have been adopted in our valuation:-

|                | <u>Houses/<br/>Bungalows</u> | <u>Flats</u> | <u>Total</u> |
|----------------|------------------------------|--------------|--------------|
| General Needs  | 2,245                        | 1,536        | 3,781        |
| Sheltered/OAP  | 264                          | 1,177        | 1,441        |
| <b>Totals:</b> | <b>2,509</b>                 | <b>2,713</b> | <b>5,222</b> |

Source: SW

2.2 Houses/bungalows are approximately 48% of the stock, as set out in the table below:-

|                         | <u>Numbers</u> | <u>% of Stock</u> |
|-------------------------|----------------|-------------------|
| Bedsit flats            | 293            | 5.6%              |
| 1-Bed flats             | 1,403          | 26.9%             |
| 2-Bed flats             | 1,000          | 19.1%             |
| 3-Bed flats             | 16             | 0.3%              |
| Bedsit houses/bungalows | 9              | 0.2%              |
| 1-Bed houses/bungalows  | 303            | 5.8%              |
| 2-Bed houses/bungalows  | 572            | 11.0%             |
| 3-Bed houses/bungalows  | 1,574          | 30.1%             |
| 4-Bed houses/bungalows  | 51             | 1.0%              |
| 4+-Bed houses/bungalows | 1              | 0.0%              |
|                         | <b>5,222</b>   | <b>100%</b>       |

Source: SW

2.3 The above tables exclude 120 void sheltered properties pending demolition and 56 sold and income-producing shared ownership properties, plus 122 "Retirement Shared Equity" properties and 5 fully staircased for which no rental income is received.

2.4 A detailed schedule of all residential property addresses as at 31 March 2012 is held at our office.

2.5 Included within the total stock of 5,222 properties are 31 Cornish PRC houses situated on developments at Mannings Heath and Billingshurst. The houses are 2 and 3-bedroom, with 5 let on new assured tenancies. 4 are sheltered and none has been repaired to fully mortgageable standards.

- 2.6 We set out in **Appendix 4** a schedule of stock numbers by type and location, split between general needs and sheltered properties.
- 2.7 We set out below a table showing details of historic stock numbers both pre- and post-transfer:-

| <u>Stock at Start<br/>of Year</u> | <u>General Needs</u> |              |              | <u>Sheltered/OAP/Warden</u> |              |              | <u>Total</u> |
|-----------------------------------|----------------------|--------------|--------------|-----------------------------|--------------|--------------|--------------|
|                                   | <u>Houses</u>        | <u>Flats</u> | <u>Total</u> | <u>Houses</u>               | <u>Flats</u> | <u>Total</u> |              |
| <b>1.4.91</b>                     | 2,886                | 1,583        | 4,469        | 547                         | 619          | 1,166        | <b>5,635</b> |
| <b>1.4.92</b>                     | 2,843                | 1,556        | 4,399        | 547                         | 619          | 1,166        | <b>5,565</b> |
| <b>1.4.93</b>                     | 2,759                | 1,544        | 4,303        | 547                         | 619          | 1,166        | <b>5,469</b> |
| <b>1.4.94</b>                     | 2,605                | 1,526        | 4,131        | 547                         | 619          | 1,166        | <b>5,297</b> |
| <b>1.4.95</b>                     | 2,493                | 1,516        | 4,009        | 547                         | 619          | 1,166        | <b>5,175</b> |
| <b>1.4.96</b>                     | 2,441                | 1,505        | 3,946        | 547                         | 619          | 1,166        | <b>5,112</b> |
| <b>1.4.97</b>                     | 2,381                | 1,489        | 3,870        | 547                         | 619          | 1,166        | <b>5,036</b> |
| <b>1.4.98</b>                     | 2,290                | 1,474        | 3,764        | 547                         | 619          | 1,166        | <b>4,930</b> |
| <b>1.4.99</b>                     | 2,196                | 1,463        | 3,659        | 547                         | 619          | 1,166        | <b>4,825</b> |
| <b>1.4.00</b>                     | 2,103                | 1,438        | 3,541        | 547                         | 619          | 1,166        | <b>4,707</b> |
| <b>1.4.01</b>                     | 2,056                | 1,414        | 3,470        | 502                         | 627          | 1,129        | <b>4,599</b> |
| <b>1.4.02</b>                     | 2,284                | 1,401        | 3,685        | 105                         | 757          | 862          | <b>4,547</b> |
| <b>1.4.03</b>                     | 2,210                | 1,375        | 3,585        | 261                         | 599          | 860          | <b>4,445</b> |
| <b>1.4.04</b>                     | 2,188                | 1,369        | 3,557        | 268                         | 596          | 864          | <b>4,421</b> |
| <b>1.4.05</b>                     | 2,189                | 1,358        | 3,547        | 264                         | 624          | 888          | <b>4,435</b> |
| <b>1.4.06</b>                     | 2,193                | 1,372        | 3,565        | 264                         | 598          | 862          | <b>4,427</b> |
| <b>1.4.07</b>                     | 2,188                | 1,389        | 3,577        | 270                         | 792          | 1,062        | <b>4,639</b> |
| <b>1.4.08</b>                     | 2,195                | 1,417        | 3,612        | 263                         | 801          | 1,064        | <b>4,676</b> |
| <b>1.4.09</b>                     | 2,200                | 1,511        | 3,711        | 291                         | 998          | 1,289        | <b>5,000</b> |
| <b>1.4.10</b>                     | 2,202                | 1,518        | 3,720        | 293                         | 1,033        | 1,326        | <b>5,046</b> |
| <b>1.4.11</b>                     | 2,200                | 1,528        | 3,728        | 265                         | 1,120        | 1,385        | <b>5,113</b> |

Source: SW

- 2.8 We include at **Appendix 5** a selection of photographs of typical SW stock in various locations.

### 3 RENT LEVELS

- 3.1 We set out below combined average rental levels in respect of transfer assured and new assured tenancies for 2011/12 and effective from 1 April 2012:-

|                   | Stock Numbers<br>Transfer<br>Assured | New<br>Assured | 2011/12<br>Assured<br>Rent pw | 2012/13<br>Assured<br>Rent pw | 2012/13<br>Target<br>Rent pw |
|-------------------|--------------------------------------|----------------|-------------------------------|-------------------------------|------------------------------|
| Houses/Bungalows  | 1,645                                | 600            | £103.67                       | £110.29                       | £112.79                      |
| Flats/Maisonettes | 549                                  | 987            | £84.00                        | £88.27                        | £88.29                       |
| Sheltered/OAP     | 362                                  | 1,079          | £79.90                        | £83.92                        | £84.28                       |
| <b>Total:</b>     | <b>2,556</b>                         | <b>2,666</b>   |                               |                               |                              |

Average assured rent per week 2011/12 = £91.32

Average assured rent per week 2012/13 = £96.54

Average target rent per week 2012/13 = £97.72

Source: SW

3.2 All rents are based on a 52-week year and exclude service charges.

3.3 The above table include 26 former Riverside Group units leased to the Society of St James.

#### 4 TENANT INCOMES, CURRENT LOCAL RP RENTS AND “AFFORDABILITY”

4.1 In some parts of the country the target rent will be the maximum rent which we will adopt in our valuations of both transfer assured and new assured tenancies, particularly where there are significant demand issues and an over-supply of housing for rent, including a weak market-rented sector. None of these adverse factors applies to the Saxon Weald stock or the West Sussex/ Hampshire area in general, and we therefore assume for the purpose of the funding valuations that a mortgagee-in-possession, or in an insolvency situation, could increase rents to an “affordable” level over a certain period of time. In the case of the SW stock, our “affordable” rent is close to the current average weekly target rent and therefore from the lender’s point of view the target rent is the “affordable” rent. We have therefore assumed that a mortgagee-in-possession will increase rents to target levels as rapidly as possible.

4.2 We have obtained National Housing Federation CORE data for Horsham, Adur, Arun, Chichester, Crawley and Mid-Sussex Local Authority areas for the year October 2010 to September 2011. Weighting it to the SW stock profile, we estimate that the net weekly income of tenant households not in receipt of Housing Benefit was in the region of **£464** per week for houses and **£363** per week for flats. Averaged across both property types, the figure is **£412** per week. The average net assured tenancy rent as at 1 April 2012 is £96.48, equating to an affordability ratio of 23.4%. The 2012/13 average target rent of £97.65 gives an affordability ratio of **23.7%**.

4.3 We have calculated our “affordable” rent to be around **£97.50** per week, an affordability ratio also of **23.7%**.



4.4 The “Guide to Local Rents” published by The Tenant Services Authority, December 2011, indicates that, in overall terms, the average net rent for RP lettings in the Horsham area as at March 2011 was £92.24, equivalent to **£102.85** as at April 2012, allowing for a 5.1% rent reduction to April 2011 and a 6.1% increase to April 2012. On the same basis, the April 2012 target rent is around **£103.65**.

| RP                 | No. of Units | Average Net Rent excluding Services | Average Target Rent |
|--------------------|--------------|-------------------------------------|---------------------|
| Downland           | 156          | £92.14                              | £88.29              |
| Hyde               | 293          | £94.21                              | £94.74              |
| London & Quadrant  | 439          | £94.68                              | £93.55              |
| Moat Homes         | 56           | £87.57                              | £87.57              |
| Places for People  | 4            | £89.95                              | £85.67              |
| Raglan             | 98           | £105.82                             | £102.74             |
| Sanctuary          | 59           | £88.68                              | £84.61              |
| <b>Saxon Weald</b> | <b>3,570</b> | <b>£91.56</b>                       | <b>£92.91</b>       |
| Southern Housing   | 308          | £92.04                              | £92.78              |
|                    | <b>4,983</b> | <b>£92.24</b>                       | <b>£92.95</b>       |

Source: TSA - Guide to Local Rents - December 2011

4.5 On average, SW rents are below those of the other RPs operating in the area, and are also at affordable levels. The TSA data also shows that SW has comparatively little competition in terms of numbers of social housing units available to rent in the area. This factor is likely to be of relevance in the event of funder in possession seeking to increase current rent levels. The Company’s rents are also well below market rental levels as follows:-

| Market Rents 2012                 | per week    |
|-----------------------------------|-------------|
| General Needs Houses / Bungalows  | £188        |
| General Needs Flats / Maisonettes | £141        |
| Sheltered Properties              | £129        |
| <b>Average Market Rent</b>        | <b>£158</b> |

Source: Savills

4.6 As a further measure of affordability, we have also considered the levels of income growth for various categories of worker over the past ten years. The new Annual Survey of Hours and Earnings (ASHE) has replaced the New Earnings Survey (NES), the following table summarising earnings in the period 2000 - 2010 in real terms (i.e. RPI excluded):-

|                       | All average change | Male average change | Female average change | Full Time average change | Part Time average change |
|-----------------------|--------------------|---------------------|-----------------------|--------------------------|--------------------------|
| <b>United Kingdom</b> | 0.57%              | 0.33%               | 1.10%                 | 0.82%                    | 1.38%                    |
| <b>England</b>        | 0.63%              | 0.42%               | 1.11%                 | 0.88%                    | 1.52%                    |
| <b>London</b>         | 0.99%              | 0.59%               | 2.24%                 | 0.97%                    | 1.39%                    |
| <b>South-East</b>     | <b>0.39%</b>       | <b>0.57%</b>        | <b>0.57%</b>          | <b>0.96%</b>             | <b>1.12%</b>             |
| <b>West Midlands</b>  | 0.41%              | 0.16%               | 1.13%                 | 0.65%                    | 1.89%                    |
| <b>South-West</b>     | 0.62%              | 0.32%               | 1.18%                 | 0.78%                    | 2.20%                    |

Source: Annual Survey of Hours and Earnings (ASHE) Summary 2000 to 2010 - Real Rate (RPI excluded)

- 4.7 The trend to lower real growth wage inflation is relevant to the ultimate limit on rental growth. Although we have adopted a long-term growth rate of RPI plus 0.5%, it will be seen that this is currently above the growth in earnings in the South-East Region at 0.39% for all employees (all women and all men).

## 5 RENT RESTRUCTURING AND TARGET RENTS

- 5.1 We have obtained from SW details of current target rents from the Company's Rent Plan which sets out real rent increases for each year in percentage terms for both transfer assured and new assured tenancies.
- 5.2 Weighted to, and averaged across, SW's stock, real rent increases and decreases are required in order to converge with target rents, although following convergence all rents increase at a **real rate of 0.5% per annum**.
- 5.3 The Housing Corporation (now TSA) guidance for the rent restructuring process requires RP increases to be limited to RPI plus 0.5% from 2002/03 onwards, plus £2 per week in any year. Target rent levels have been adopted in this valuation.

## 6 RENTAL GROWTH

- 6.1 The ODPM (now CLG) guidance on rent restructuring sets a maximum rate of increase in average rents of RPI plus 0.5%. This is the rate of increase that will be applied to all rents once target levels have been reached.
- 6.2 For the purpose of this valuation we have assumed that although a mortgagee-in-possession or its successors-in-title would not be bound by the target rent restrictions and would be able to converge rents rapidly to target levels, the rates of increase from SW's Rent Plan are sufficient to achieve short-term convergence, and have therefore been adopted in our cash flows.
- 6.3 We set out in the table below a comparison between assured, target and market rents for 2012/13 to highlight in particular the level of assured rents in comparison with market rent levels:-

| <u>Type</u>          | <u>2012/13 Assured Rent p.w.</u> | <u>2012/13 Average Target p.w.</u> | <u>Current Market Rent p.w.</u> | <u>Market Rent above Assured Rent</u> |
|----------------------|----------------------------------|------------------------------------|---------------------------------|---------------------------------------|
| General Needs Houses | £110.29                          | £112.79                            | £188                            | 70%                                   |
| General Needs Flats  | £88.27                           | £88.29                             | £141                            | 60%                                   |
| Sheltered Properties | £83.92                           | £84.28                             | £129                            | 54%                                   |
| Weighted averages    | £96.54                           | £97.72                             | £158                            | 64%                                   |

Source: SW/Savills

## 7 COMPREHENSIVE SPENDING REVIEW – “AFFORDABLE” RENTS & LOCAL HOUSING ALLOWANCE

- 7.1 The Government’s Comprehensive Spending Review (“CSR”) published in October 2010 announced that “We will ensure that, in future, social housing is more flexible. The terms for existing social tenants and their rent levels will remain unchanged, new tenants will be offered intermediate rents at around 80% of the market rent.”
- 7.2 Further details were given in the Government’s November 2010 Consultation “Local Decisions: a fairer future for social housing” and in the “2011-2015 Affordable Homes Programme – Framework” document published in February 2011.
- 7.3 In summary, Registered Providers who have reached an agreement for the supply of new homes with the HCA (for the period 2011- 2015) will be able to charge up to 80% of market rent on new supply and on an agreed proportion of their re-lets. Providers will be free to decide on the most appropriate length of tenancy but a tenancy will have to be for a minimum of two years.
- 7.4 **Our valuations do not reflect the potential for properties to be let at new “Affordable” rent levels. 39 properties let at “Affordable” rents as at 31 March 2012 have been included in our valuations at social rent levels.**

## 8 VOIDS AND BAD DEBTS

- 8.1 We set out below details of rent loss through voids and bad debts on all tenancies for the last eleven years:-

| <u>Year</u>             | <u>Gross Rent</u><br><u>Debit</u> | <u>VOIDS</u>  |             | <u>BAD DEBTS</u> |             |
|-------------------------|-----------------------------------|---------------|-------------|------------------|-------------|
|                         |                                   | <u>Amount</u> | <u>%</u>    | <u>Amount</u>    | <u>%</u>    |
| 2001/02                 | £15,322,794                       | £168,888      | 1.10%       | £117,105         | 0.76%       |
| 2002/03                 | £15,703,607                       | £197,553      | 1.26%       | £55,723          | 0.35%       |
| 2003/04                 | £15,929,187                       | £221,933      | 1.39%       | £114,301         | 0.72%       |
| 2004/05                 | £16,485,607                       | £151,345      | 0.92%       | £10,653          | 0.06%       |
| 2005/06                 | £17,135,301                       | £200,469      | 1.17%       | £26,288          | 0.15%       |
| 2006/07                 | £17,857,623                       | £297,357      | 1.67%       | £46,049          | 0.26%       |
| 2007/08                 | £19,052,664                       | £330,449      | 1.73%       | £83,790          | 0.44%       |
| 2008/09                 | £19,973,763                       | £212,544      | 1.06%       | £25,377          | 0.13%       |
| 2009/10                 | £21,957,191                       | £287,526      | 1.31%       | £37,345          | 0.17%       |
| 2010/11                 | £22,639,227                       | £266,551      | 1.18%       | £54,145          | 0.24%       |
| 2011/12<br>(projection) | £24,062,211                       | £246,187      | 1.02%       | £100,000         | 0.42%       |
|                         | Average                           |               | 1.26%       |                  | 0.34%       |
|                         | <b>Adopt</b>                      |               | <b>1.5%</b> |                  | <b>0.5%</b> |

Source: SW

- 8.2 Despite decants and sheltered accommodation re-modelling, the rate of rent loss through **voids** has been reasonably consistent over the years. In the light of the latest data and the expectation that the rate will reduce we have adopted a provision in our cash flows of **1.5%**.
- 8.3 The rate of rent loss through **bad debts** continues to fluctuate, although the figure projected for 2011/12 is a provision and the high figure in 2007/08 included the write-off of former tenant arrears. We have adopted the rate of **0.5%** as being cautiously above the long-term average.
- 8.4 We understand that the current Business Plan assumes combined voids and bad debts at 2%.

## 9 VOID RATE / RATE OF RE-LETTING

- 9.1 The rate of re-letting is important since it determines turnover of existing tenancies to new assured tenancies (which are not RTB eligible), thereby reducing the RTB eligible stock.
- 9.2 SW has provided us with re-let data over the last nine years split as between transfer assured and new assured tenancies as well as between general needs houses/bungalows, general needs flats/maisonettes and sheltered/OAP properties. We have analysed re-let rates for each of the above categories.
- 9.3 In summary, the rates adopted are as follows:-

### Transfer Assured

|                                        |   |             |
|----------------------------------------|---|-------------|
| <b>General Needs Houses/Bungalows</b>  | - | <b>2%</b>   |
| <b>General Needs Flats/Maisonettes</b> | - | <b>4%</b>   |
| <b>Sheltered/OAP Properties</b>        | - | <b>8.5%</b> |

**New Assured**

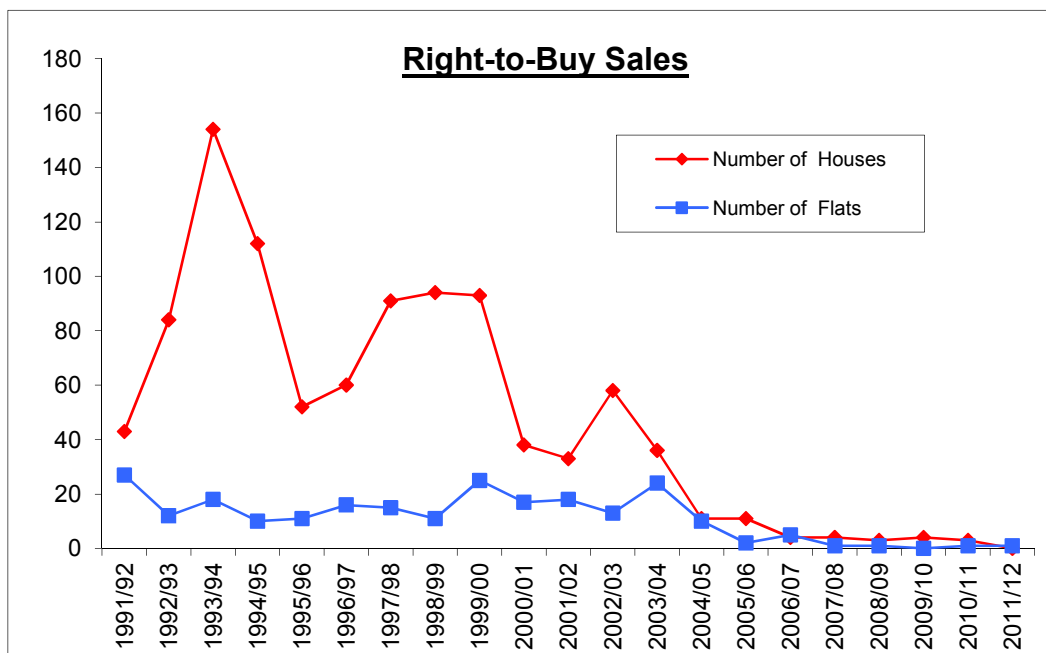
|                                        |   |            |
|----------------------------------------|---|------------|
| <b>General Needs Houses/Bungalows</b>  | - | <b>10%</b> |
| <b>General Needs Flats/Maisonettes</b> | - | <b>13%</b> |
| <b>Sheltered/OAP Properties</b>        | - | <b>17%</b> |

**10 RIGHT-TO-BUY – RATES OF SALE AND FUTURE PREDICTIONS**

10.1 SW has provided us with full details of Right-to-Buy sales since 1991/92. As can be seen, sale numbers have been tailing off over this period, especially in the last eight to ten years and during 2011/12 only 1 flat was sold, as shown in the table and graph below:-

| <u>Year</u>              | <u>Total Stock</u> | <u>Houses/Bungalows</u>       |                    |               | <u>Flats/Maisonettes</u>      |                    |               | <u>% Sold</u> |
|--------------------------|--------------------|-------------------------------|--------------------|---------------|-------------------------------|--------------------|---------------|---------------|
|                          |                    | <u>Stock at Start of Year</u> | <u>Number Sold</u> | <u>% Sold</u> | <u>Stock at Start of Year</u> | <u>Number Sold</u> | <u>% Sold</u> |               |
| 1991/92                  | 4,469              | 2,886                         | 43                 | 1.49%         | 1,583                         | 27                 | 1.71%         | 1.57%         |
| 1992/93                  | 4,399              | 2,843                         | 84                 | 2.95%         | 1,556                         | 12                 | 0.77%         | 2.18%         |
| 1993/94                  | 4,303              | 2,759                         | 154                | 5.58%         | 1,544                         | 18                 | 1.17%         | 4.00%         |
| 1994/95                  | 4,131              | 2,605                         | 112                | 4.30%         | 1,526                         | 10                 | 0.66%         | 2.95%         |
| 1995/96                  | 4,009              | 2,493                         | 52                 | 2.09%         | 1,516                         | 11                 | 0.73%         | 1.57%         |
| 1996/97                  | 3,946              | 2,441                         | 60                 | 2.46%         | 1,505                         | 16                 | 1.06%         | 1.93%         |
| 1997/98                  | 3,870              | 2,381                         | 91                 | 3.82%         | 1,489                         | 15                 | 1.01%         | 2.74%         |
| 1998/99                  | 3,764              | 2,290                         | 94                 | 4.10%         | 1,474                         | 11                 | 0.75%         | 2.79%         |
| 1999/00                  | 3,659              | 2,196                         | 93                 | 4.23%         | 1,463                         | 25                 | 1.71%         | 3.22%         |
| 2000/01                  | 3,518              | 2,088                         | 38                 | 1.82%         | 1,430                         | 17                 | 1.19%         | 1.56%         |
| 2001/02                  | 3,365              | 2,025                         | 33                 | 1.63%         | 1,340                         | 18                 | 1.34%         | 1.52%         |
| 2002/03                  | 3,482              | 2,224                         | 58                 | 2.61%         | 1,258                         | 13                 | 1.03%         | 2.04%         |
| 2003/04                  | 3,243              | 2,117                         | 36                 | 1.70%         | 1,126                         | 24                 | 2.13%         | 1.85%         |
| 2004/05                  | 2,974              | 2,016                         | 11                 | 0.55%         | 958                           | 10                 | 1.04%         | 0.71%         |
| 2005/06                  | 2,858              | 1,983                         | 11                 | 0.55%         | 875                           | 2                  | 0.23%         | 0.45%         |
| 2006/07                  | 2,710              | 1,924                         | 4                  | 0.21%         | 786                           | 5                  | 0.64%         | 0.33%         |
| 2007/08                  | 2,614              | 1,877                         | 4                  | 0.21%         | 737                           | 1                  | 0.14%         | 0.19%         |
| 2008/09                  | 2,614              | 1,878                         | 3                  | 0.16%         | 736                           | 1                  | 0.14%         | 0.15%         |
| 2009/10                  | 2,459              | 1,797                         | 4                  | 0.22%         | 662                           | 0                  | 0.00%         | 0.16%         |
| 2010/11                  | 2,370              | 1,747                         | 3                  | 0.17%         | 623                           | 1                  | 0.16%         | 0.17%         |
| 2011/12                  | 2,267              | 1,681                         | 0                  | 0.00%         | 586                           | 1                  | 0.17%         | 0.04%         |
| <b>Average sale rate</b> |                    |                               |                    | <b>1.95%</b>  |                               |                    | <b>0.85%</b>  | <b>1.53%</b>  |

Source: SW



- 10.2 Application and sale rates have fallen in recent years to a level where meaningful analysis and forecasting based on application rates, completion rates, discount rates and other data is impossible. This is amplified by the continuing state of the property market and mortgage availability.
- 10.3 We have, none the less, made an assessment of projections for sales over the next ten years, with a total of eight house sales and nine flat sales anticipated. We show a small recovery in sales in Year 3 in anticipation of a general improvement in the property market and the availability of mortgages, although affordability will remain a constraint.
- 10.4 The rates of sale of houses and flats have fallen dramatically in recent years for many RPs, particularly in the southern half of the country, partly as a result of significant increases in house prices and the impact of the maximum discount limits. The current uncertain state of the property market and constraints on mortgage availability will also further curtail tenants' aspirations and ability to purchase.
- 10.5 Changes to the Preserved Right-to-Buy (increase in max discount to £75,000) come into force from 2 April 2012
- 10.6 The extent to which the take up of RTB will be affected will vary depending on levels of value, local market conditions, capacity for sales (i.e. eligible stock) remaining in an LSVT etc. Obviously a significant factor which militates against an increase in take-up is the lack of available credit/mortgages to this group at the present time.
- 10.7 We do not propose to revise our current view about short-term RTB sales in view of the current market as we believe this to be prudent from a lender's point of view. In future valuation exercises we will look at each valuation individually in the light of the application trend, local circumstances and RTB history to assess both future rates of sale and likely levels of discount and the impact on cash flow.

10.8 We set out below a table showing the relationship between applications and completions since 1991/92 which illustrates both the trend of reducing number of applications:-

| Year    | Number of Applications |     |       |     |            |            | Number of Completions |     |       |     |            | Percentage of Completions (Houses & Flats) |
|---------|------------------------|-----|-------|-----|------------|------------|-----------------------|-----|-------|-----|------------|--------------------------------------------|
|         | Houses                 |     | Flats |     | Total      | Av.        | Houses                |     | Flats |     | Total      |                                            |
|         | pa                     | pw  | pa    | pw  | pa         | pw         | pa                    | pw  | pa    | pw  | pa         |                                            |
| 1991/92 | 146                    | 2.8 | 37    | 0.7 | <b>183</b> | <b>3.5</b> | 43                    | 0.8 | 27    | 0.5 | <b>70</b>  | 38.3%                                      |
| 1992/93 | 176                    | 3.4 | 32    | 0.6 | <b>208</b> | <b>4.0</b> | 84                    | 1.6 | 12    | 0.2 | <b>96</b>  | 46.2%                                      |
| 1993/94 | 210                    | 4.0 | 37    | 0.7 | <b>247</b> | <b>4.8</b> | 154                   | 3.0 | 18    | 0.3 | <b>172</b> | 69.6%                                      |
| 1994/95 | 104                    | 2.0 | 15    | 0.3 | <b>119</b> | <b>2.3</b> | 112                   | 2.2 | 10    | 0.2 | <b>122</b> | 102.5%                                     |
| 1995/96 | 79                     | 1.5 | 25    | 0.5 | <b>104</b> | <b>2.0</b> | 52                    | 1.0 | 11    | 0.2 | <b>63</b>  | 60.6%                                      |
| 1996/97 | 122                    | 2.3 | 23    | 0.4 | <b>145</b> | <b>2.8</b> | 60                    | 1.2 | 16    | 0.3 | <b>76</b>  | 52.4%                                      |
| 1997/98 | 134                    | 2.6 | 25    | 0.5 | <b>159</b> | <b>3.1</b> | 91                    | 1.8 | 15    | 0.3 | <b>106</b> | 66.7%                                      |
| 1998/99 | 147                    | 2.8 | 37    | 0.7 | <b>184</b> | <b>3.5</b> | 94                    | 1.8 | 11    | 0.2 | <b>105</b> | 57.1%                                      |
| 1999/00 | 165                    | 3.2 | 42    | 0.8 | <b>207</b> | <b>4.0</b> | 93                    | 1.8 | 25    | 0.5 | <b>118</b> | 57.0%                                      |
| 2000/01 | 101                    | 1.9 | 27    | 0.5 | <b>128</b> | <b>2.5</b> | 32                    | 0.6 | 13    | 0.3 | <b>45</b>  | 35.2%                                      |
| 2001/02 | 78                     | 1.5 | 22    | 0.4 | <b>100</b> | <b>1.9</b> | 33                    | 0.6 | 18    | 0.3 | <b>51</b>  | 51.0%                                      |
| 2002/03 | 132                    | 2.5 | 56    | 1.1 | <b>188</b> | <b>3.6</b> | 58                    | 1.1 | 13    | 0.3 | <b>71</b>  | 37.8%                                      |
| 2003/04 | 67                     | 1.3 | 32    | 0.6 | <b>99</b>  | <b>1.9</b> | 36                    | 0.7 | 24    | 0.5 | <b>60</b>  | 60.6%                                      |
| 2004/05 | 53                     | 1.0 | 23    | 0.4 | <b>76</b>  | <b>1.5</b> | 11                    | 0.2 | 10    | 0.2 | <b>21</b>  | 27.6%                                      |
| 2005/06 | 28                     | 0.5 | 17    | 0.3 | <b>45</b>  | <b>0.9</b> | 11                    | 0.2 | 2     | 0.0 | <b>13</b>  | 28.9%                                      |
| 2006/07 | 21                     | 0.4 | 12    | 0.2 | <b>33</b>  | <b>0.6</b> | 4                     | 0.1 | 5     | 0.1 | <b>9</b>   | 27.3%                                      |
| 2007/08 | 16                     | 0.3 | 9     | 0.2 | <b>25</b>  | <b>0.5</b> | 4                     | 0.1 | 1     | 0.0 | <b>5</b>   | 20.0%                                      |
| 2008/09 | 6                      | 0.1 | 5     | 0.1 | <b>11</b>  | <b>0.2</b> | 3                     | 0.1 | 1     | 0.0 | <b>4</b>   | 36.4%                                      |
| 2009/10 | 13                     | 0.3 | 6     | 0.1 | <b>19</b>  | <b>0.4</b> | 4                     | 0.1 | 0     | 0.0 | <b>4</b>   | 21.1%                                      |
| 2010/11 | 2                      | 0.0 | 5     | 0.1 | <b>7</b>   | <b>0.1</b> | 3                     | 0.1 | 1     | 0.0 | <b>4</b>   | 57.1%                                      |
| 2011/12 | 1                      | 0.0 | 4     | 0.1 | <b>5</b>   | <b>0.1</b> | 0                     | 0.0 | 1     | 0.0 | <b>1</b>   | 20.0%                                      |

Source: SW

10.9 The following additional factors will influence future RTB applications and sales:-

- The most desirable properties will have been sold,
- The majority of tenants able to RTB will have purchased.
- New tenants to Saxon Weald will be on assured tenancies and therefore RTB-eligible stock will decline.
- Capped and stable rent levels and increases under the Rent Influencing Regime.

10.10 Predictions of the level of Right-to-Buy sales likely to be achieved by SW in the future are shown in the table forming part of the discounted cash flow assumptions sheets in **Appendix 3**.

10.11 Section 16 of The Housing Act 1996 introduced a new Right-to-Acquire for certain tenants of Registered Providers and currently a similar Right-to-Acquire is now conferred on certain tenants of RPs pursuant to Section 180 of the Housing and Regeneration Act 2008.

10.12 For properties which transferred after 1st April 1997, existing secure tenants not only have their preserved statutory Right-to-Buy under the 1985 Housing Act but will also have the Right-to-Acquire their dwellings at a fixed discount of, in this case, £16,000. New assured tenants, that is those who become new tenants of SW after transfer, also have this new Right-to-Acquire.



- 10.13 As far as estimating take up of Right-to-Acquire is concerned we feel it is very unlikely, for the same reasons as put forward for a low level of Right-to-Buy sales, that any significant number of sales will take place. Furthermore, no new assured tenants will be able to exercise the Right-to-Acquire until two years have expired, the minimum qualifying period.
- 10.14 On balance, we believe that Right-to-Acquire is no more attractive than Right-to-Buy. In conclusion, we believe that sales under the Right-to-Acquire are likely to be minimal. Our valuation does not reflect any.

## 11 RIGHT-TO-BUY – CAPITAL VALUES

- 11.1 We set out below up-dated information on RTB sales and discounts given to purchasing tenants:-

| Year                                 | Houses           |                   |            | Flats           |                   |            | Number of Sales |
|--------------------------------------|------------------|-------------------|------------|-----------------|-------------------|------------|-----------------|
|                                      | Number of Houses | Average Valuation | Discount % | Number of Flats | Average Valuation | Discount % |                 |
| 1991/92                              | 43               | £66,796           | 48%        | 27              | £54,398           | 60%        | 70              |
| 1992/93                              | 84               | £62,293           | 48%        | 12              | £51,000           | 62%        | 96              |
| 1993/94                              | 154              | £55,693           | 50%        | 18              | £42,567           | 59%        | 172             |
| 1994/95                              | 112              | £54,072           | 49%        | 10              | £41,100           | 67%        | 122             |
| 1995/96                              | 52               | £55,202           | 50%        | 11              | £42,909           | 59%        | 63              |
| 1996/97                              | 60               | £55,975           | 49%        | 16              | £40,719           | 62%        | 76              |
| 1997/98                              | 91               | £63,701           | 49%        | 15              | £42,300           | 59%        | 106             |
| 1998/99                              | 94               | £72,364           | 50%        | 11              | £48,773           | 65%        | 105             |
| 1999/00                              | 93               | £76,919           | 46%        | 25              | £52,340           | 59%        | 118             |
| 2000/01                              | 38               | £89,600           | 40%        | 17              | £56,375           | 52%        | 55              |
| 2001/02                              | 33               | £100,272          | 36%        | 18              | £66,333           | 53%        | 51              |
| 2002/03                              | 58               | £124,595          | 30%        | 13              | £79,368           | 46%        | 71              |
| 2003/04                              | 36               | £141,011          | 26%        | 24              | £100,939          | 35%        | 60              |
| 2004/05                              | 11               | £166,350          | 23%        | 10              | £109,909          | 35%        | 21              |
| 2005/06                              | 11               | £165,727          | 17%        | 2               | £106,500          | 36%        | 13              |
| 2006/07                              | 4                | £188,000          | 20%        | 5               | £117,000          | 32%        | 9               |
| 2007/08                              | 4                | £200,000          | 15%        | 1               | £130,500          | 20%        | 5               |
| 2008/09                              | 3                | £228,333          | 17%        | 1               | £136,000          | 28%        | 4               |
| 2009/10                              | 4                | £182,750          | 21%        | 0               |                   |            | 4               |
| 2010/11                              | 3                | £191,667          | 20%        | 1               | £128,000          | 30%        | 4               |
| 2011/12                              | 0                |                   |            | 1               | £125,000          | 30%        | 1               |
| <b>Average Discount Last 5 Years</b> |                  |                   | <b>18%</b> |                 |                   | <b>27%</b> |                 |

Source: SW

- 11.2 As the number of Right-to-Buy sales has become so small, analysing current vacant possession values from the above data is unreliable as the few properties sold are unlikely to be representative of the whole stock. We therefore consider it appropriate to adopt within our cash flows the vacant possession value for houses, flats and sheltered properties based upon our own research.

- 11.3 As previously discussed, whilst the unimproved PRC houses may be theoretically unmortgageable, a few have been sold over the years and there has therefore clearly been some demand either from tenants or subsequently from investors who acquire them for market-letting. The values we have adopted for these PRC properties take these factors into account as well as the average cost of repairs to fully mortgageable standards.

## 12 RIGHT-TO-BUY - DISCOUNTS

- 12.1 Although based on our own average weighted vacant possession values, average discounts of 21% for general needs houses and 34% for general needs flats would have applied under the previous discount limit of £38,000, this has now increased to **£75,000**, although still subject to the overall maximums of 60% of house values and 70% of flat values.

- 12.2 As indicated in **Section 10** above, although we have taken into account the new discount limit in our cash flows, we have not attempted to estimate the impact on application and sale rates in the future pending hard evidence from actual experience over the coming year and beyond.

## 13 RIGHT-TO-BUY – LEGAL AND ADMINISTRATIVE COSTS

- 13.1 The cost of administration in connection with Right-to-Buy sales has been included in the overall figure for general management and administration of the Company.

## 14 OTHER INCOME

- 14.1 The Company has the benefit of additional income from various other sources as follows:

### Garages

- 14.2 The Company's stock of garages totals **1,181** of which 128 are deemed unlettable. Gross income for 2011/12 was **£565,400**, which equates to a weekly rent of **£10.00** on a 52-week year basis.

- 14.3 We understand that garage rents increase by **6.1%** as from 1 April 2012 and we have thereafter assumed annual increases of **RPI plus 0.5%**.

- 14.4 SW has confirmed that the void rate for garages is currently running at around **10%**.

- 14.5 Maintenance and repair costs for garages are included in the Stock Condition Survey costings incorporated within this valuation.

### Ground Rents

- 14.6 Income from ground rents rising from **459** sold leasehold properties amounts to **£5,230** per annum.

### Service Charges and Recoveries

- 14.7 Recovery of the cost of the provision of central heating and hot water to sheltered schemes and the cost of wardens and warden services is separated out from rents charged to sheltered tenants and recovered separately, together with Supporting People Grant.

- 14.8 Any service costs not recovered from service charges have been included in management costs and we have therefore regarded service costs and service charges as **financially neutral** in our cash flows.
- 14.9 We have, however, included in our cash flows for recoveries from leaseholders amounting to **£60,000** per annum.

#### **Shared Ownership**

- 14.10 Including units at nil rents, we understand that SW has a total of 157 shared ownership / shared equity properties of which **56** are income-producing and let at an overall average weekly rent for 2011/12 of **£38.11**.
- 14.11 We have assumed that future rent increases will be at **RPI plus 0.5% per annum**.
- 14.12 We understand that the average share retained by SW is around **46%**.
- 14.13 Properties currently unsold or fully staircased have been excluded from our valuation.

#### **Miscellaneous Income**

- 14.14 We have included the sum of **£70,750** in respect of miscellaneous income from wayleaves, the Handy-Van service, guest room rental, etc.

### **15 REPAIR, MAINTENANCE AND IMPROVEMENT COSTS**

- 15.1 We have adopted the projected expenditure figures from the Savills 2010 validation of SW's in-house stock condition survey, subject to changes to stock numbers and for the effects of inflation.
- 15.2 Full schedules of repair and maintenance expenditure adopted in our valuations are set out within our cash flow spreadsheets in **Appendix 3**, the figures including fees, preliminaries and contingencies (where appropriate).
- 15.3 The costs **exclude VAT** with the exception of **responsive/void repairs, cyclical maintenance and disabled adaptations**. On these items **VAT is included**, where relevant. VAT is otherwise automatically added in by our cash flow model.
- 15.4 The cost of **repairs administration** is included within the adopted repair and maintenance figures.
- 15.5 Allowance in our cash flows for **responsive and void repairs** amounts to an average of **£529** per unit per annum, including VAT.
- 15.6 Expenditure on **major repairs** for 2012/13 has been included at a total of **£3,560,301**, equivalent to **£682** per unit. Expenditure over 35 years is **£182,756,504**, equivalent to approximately **£1,000** per unit per annum.
- 15.7 An allowance for **contingencies** has been included at an average of **£150,739** per annum.
- 15.8 Allowance for **disabled adaptations** is an average of **£105,063** per annum, including VAT.
- 15.9 **Exceptional Extensive** works, which include for repairs and renovations to the PRC properties amounts to **£4,546,454** over 35 years, equating to an average of **£129,899** per annum.

15.10 **Cyclical maintenance** is included at an average throughout the cash flow of **£239** per unit per annum, including VAT.

15.11 The table below summarises Year 1 repair and maintenance expenditure:-

| <u>5,222 Units</u>    | <u>2012/13</u>    |                      |
|-----------------------|-------------------|----------------------|
|                       | <u>Total Cost</u> | <u>Cost per Unit</u> |
| Major/Programmed      | £3,560,301        | £682                 |
| Contingencies         | £102,780          | £20                  |
| Disabled Adaptations  | £105,063          | £20                  |
| Exceptional Extensive | £221,262          | £42                  |
| Responsive            | £2,764,410        | £529                 |
| Cyclical              | £1,250,544        | £239                 |
| <b>Total:</b>         | <b>£8,004,359</b> | <b>£1,533</b>        |

Source: SW/Savills

## 16 ADMINISTRATION, MANAGEMENT AND SERVICE PROVISION COSTS

16.1 We have included in our cash flows net expenditure per unit for management and administration across the whole stock of **£675** per unit which we have split 50/50 as between fixed and variable. This cost is based on SW's Business Plan and reflects our opinion of the likely cost to a mortgagee-in-possession or subsequently-acquiring RP of managing a stock of this size and nature.

16.2 The cost of repairs administration is included within the above figure.

16.3 As described in **Section 14** above, the element of service costs not recovered by service charges and Supporting People Grant is included in the above management costs. Otherwise, costs and recoveries are treated as **financially neutral**.

## 17 BUILDING AND MAINTENANCE COST INFLATION

17.1 The BCIS Tender Price data – which we use to predict changes in major works costs – currently predicts further falls in tender prices during 2012 with no growth ahead of inflation until 2014. We have considered it prudent to assume inflation-only growth for major works both in the short and long term. Analysis of long-term tender price growth shows that rates are at or around inflation. Our long-term assumption of 0% real growth per annum remains unchanged.

17.2 The BMI Maintenance Cost forecasts are showing annual nominal growth of between 2.3% and 3.4% over the next two to three years, i.e. at or below inflation. However, we consider it prudent to assume growth at around inflation rates for the next two years. In the long term maintenance costs tend to run ahead of inflation probably because the work is more labour intensive and therefore more closely linked to wage inflation. Our long-term assumption remains at 0.5% real per annum.

| Year    | Major Works pa | Maintenance pa |
|---------|----------------|----------------|
| 2012/13 | 0.00%          | 0.00%          |
| 2013/14 | 0.00%          | 0.00%          |
| 2014/15 | 0.00%          | 0.50%          |
| 2015/16 | 0.00%          | 0.50%          |

Source: Savills/BCIS/BMI

## 18 MANAGEMENT COST INFLATION

- 18.1 We have allowed in our valuation model for management cost inflation, over RPI, at a long-term rate of **0.5%** per annum real, since labour is the largest part of management cost and wage rates have traditionally run ahead of inflation.

## 19 INFLATION

- 19.1 Many of our assumptions are derived from the rate of inflation. These include house price and rental growth and building and maintenance cost inflation. It is essential for us to adopt a long-term underlying rate of inflation which will be acceptable to alternative landlords and their advisers.
- 19.2 For 2012/13, we have adopted 5.6%, based on the September 2011 RPI rate used by the majority of RPs in the sector. In 2013/14 we have assumed 3%, falling back slightly to 2.5% in 2014/15, before reverting to 3% in 2015/16 and 2016/17. From 2017/18 onwards, we have assumed that inflation will continue at 2.5% which we have maintained as our long-term rate. This long-term rate is in line with predictions being made by economic forecasters in the City.

## 20 DISCOUNT RATE

- 20.1 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.
- 20.2 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 cash flow 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.

- 20.3 Currently the yield on 30-year Gilts is around 3.1%. This is, in effect, the risk-free discount rate. Yields on Housing Association long-dated, rated and unrated bonds are typically around 4.5% - 5% (Source: Social Housing, January 2012). The latest public rated issue from Notting Hill HG (August 2011) achieved a 1.2% “spread” above the gilt (cost of funds: 5.28%) with the Peabody Trust achieving a spread of 1% in March 2011.
- 20.4 New Business Plans are being run at nominal interest rates of around 6.5% to 8.5% including margin and fees. The level of margin and fees allowed for is around 1.5%-2.5% on top of an assumed nominal interest rate of around 5%-6%. The supply of long-term (25 or 30 year) funding had diminished and is only available from a handful of lenders. Shorter term funding (5–7 years), and funding with in-built options to re-price margins at a future date, are becoming more commonplace introducing a new level of re-financing risk to business plans.
- 20.5 Although interest rates generally, and short term rates in particular, are lower than we have seen for some time, the increase in lenders margins and other charges has resulted in overall long-term funding costs being similar to those which have pertained over the past few years. At the current time we do not propose to alter the general range of the discount rates we are adopting. However they will be kept under close review.
- 20.6 Over the past three years our view has been that for good quality, generally non-problematical stock, a discount rate of 5% to 5.5% real is appropriate (over a long-term inflation rate of 2.5%). The margin for risk implicit in this, over and above the cost of funds, is about 1% to 2%. A greater margin for risk will be appropriate in some cases. We would expect to value more moderate stock at rates around 6.0% to 6.5% real. On the other hand exceptional stock could be valued at rates below 5% real.
- 20.7 We have adopted a discount rate of **5.5%** real.

## 21 THE LOCAL PROPERTY MARKET

- 21.1 We have interrogated the latest data and analyses produced by the Land Registry which show that between Q4 2010 and Q4 2011, prices of semi-detached houses in the private sector increased by 1.9%, terraced houses decreased by 2.4% and flats/maisonettes decreased by 6.9%. Thus general stability in a slow and tough market due to continuing economic difficulties, job losses and reduction in mortgage lending.
- 21.2 The Outer South-East region has seen a increase in house prices over the past twelve months according to the Nationwide Building Society, although Halifax reports zero change.
- 21.3 Local agents report a busy housing market, but that prices have remained static over the past year. If there is any upward movement, it tends to be driven by the primary housing markets and is unlikely to filter down to the lower end of the housing market. Agents are anticipating much the same in price trends over the coming twelve months.
- 21.4 The rental market remains buoyant.
- 21.5 Following our research, we have assessed weighted average open market vacant possession values for houses and bungalows at the following levels:-

|                                       |                 |
|---------------------------------------|-----------------|
| <b>General Needs Houses/Bungalows</b> | <b>£183,500</b> |
| <b>General Needs Flats</b>            | <b>£112,500</b> |
| <b>Sheltered Properties</b>           | <b>£101,000</b> |
| <b>PRC Houses</b>                     | <b>£81,000</b>  |

21.6 We set out at **Appendix 6** a table and graphs showing the volume of sale transactions and price levels in the Horsham District Council area from Land Registry statistics.

## 22 HOUSE PRICE GROWTH

22.1 Nationwide Building Society review of house price movements in December 2011:

- *House prices increased by 0.6% in February and by 0.9% in 2011 as a whole*
- *Price of a typical home is now £162,712*
- *London sees strongest growth in the quarter and also over the year*

Commenting on the figures, Robert Gardner Nationwide's Chief Economist, said:

*"The price of a typical UK home edged up by 0.6% in February, taking the year on year rate of house price growth up to 0.9% from 0.6% in January. "Evidence that house prices picked up a little in February follows a series of data releases suggesting that economic conditions may not be quite as weak as feared after the UK economy contracted in the final quarter of 2011. Surveys of activity in the manufacturing and service sectors point to a rebound in January, while consumer confidence and retail spending were both stronger than expected during the month.*

*"Measures of activity in the housing market have also picked up, with the number of housing transactions rising by 23% y/y in January and the number of UK mortgage approvals – a leading indicator of sales – up 36%.*

*"However, it remains to be seen whether this trend will be sustained. Given the still challenging economic backdrop this increase in housing market activity may be the result of a temporary rise in first time buyers entering the market to take advantage of the stamp duty holiday before it expires in March. If so, this may continue to support activity and prices in the near term before cooling over summer."*

22.2 Halifax House Price Index

22.2.1 Regional summary – South-East

|                     |          |
|---------------------|----------|
| Average price is    | £227,540 |
| Quarterly change is | +2.2%    |
| Annual change is    | +0.0%    |

Commenting across the UK, Martin Ellis, housing economist, said:

*"House prices in the three months to February were 1.1% lower than in the previous three months. There was a 0.5% decline in prices in February, largely offsetting January's 0.6% rise."Overall, prices nationally are at broadly the same level as last spring. This stability in prices is explained by the fact that market conditions have changed very little over this period with demand supported by low interest rates and supply remaining tight.*

*"Falling inflation should relieve some of the pressure on household finances over the coming months. Many of the economic statistics released in recent weeks have also been encouraging, suggesting that the UK may avoid slipping back into recession. These developments are positive for the housing market outlook. Significant uncertainties, however, persist and the prospects for house prices during 2012 will, to a large extent, depend on events in the Eurozone and the potential knock-on effects on the UK."*

### 22.3 Land Registry

The December data from Land Registry's flagship House Price Index shows an annual price decrease of 1.3 per cent which takes the average property value in England and Wales to £160,384. There is no monthly change from November to December.

The only region in England and Wales to experience an increase in its average property value over the last twelve months is London with a movement of 2.8 per cent. The North-West experienced the greatest monthly rise with a movement of 1.5 per cent. The North-East experienced the greatest annual price fall with a decrease of 7.1 per cent and the most significant monthly price fall with a decrease of 1.9 per cent.

The most up-to-date figures available show that, during October 2011, the number of completed house sales in England and Wales decreased by 6 per cent to 55,309 compared to 58,634 in October 2010. The number of properties sold in England and Wales for over £1 million in October 2011 decreased by 10 per cent to 525 from 582 in October 2010.

| Region                     | Monthly change (since November 2011) | Annual change (since December 2010) | Average price (December 2011) |
|----------------------------|--------------------------------------|-------------------------------------|-------------------------------|
| North-West                 | 1.5%                                 | -3.4%                               | £113,204                      |
| Wales                      | 0.9%                                 | -3.0%                               | £117,447                      |
| London                     | 0.8%                                 | 2.8%                                | £345,298                      |
| East                       | 0.8%                                 | -0.2%                               | £172,899                      |
| East Midlands              | 0.4%                                 | -1.5%                               | £123,697                      |
| <b>England &amp; Wales</b> | <b>0.0%</b>                          | <b>-1.3%</b>                        | <b>£160,384</b>               |
| <b>South-East</b>          | <b>-0.2%</b>                         | <b>-0.2%</b>                        | <b>£206,522</b>               |
| Yorkshire & The Humber     | -0.6%                                | -3.2%                               | £119,096                      |
| South-West                 | -0.9%                                | -1.5%                               | £170,504                      |
| West Midlands              | -1.0%                                | -3.2%                               | £129,082                      |
| North-East                 | -1.9%                                | -7.1%                               | £99,464                       |

### 22.4 Hometrack: Report January 2012

January's survey shows a slow start to the year with an extension of the seasonal slowdown and weak consumer confidence. Both buyer registrations and sales have fallen and the underlying trend is one of tightening supply and weakening demand.

Concerns over the economic outlook and Eurozone crisis have resulted in an 11% drop in demand over 2011 H2 and a 23% decline in buyers registering with agents between August and January.

The supply of homes for sale has contracted by 7% over the last six months. Supply has not contracted to this extent since 2009.

Nationally, house prices have not posted a month on month increase since June 2010 (18 months). In January prices remain unchanged.



A small rise in London prices offsets falls in other regions. A trend that looks set to continue through 2012 as the Olympics firmly focus the eyes of the world on London, and overseas buyers, in the midst of global uncertainty, continue to consider London a safe haven.

On a regional basis southern England (excluding London) has seen the biggest decline in demand over the last six months, but this has been from a high base.

The average time on the market in the north and midlands stands at just under three months (11.9 weeks) - the same as twelve months ago. In southern England the time on the market is 9.1 weeks - the highest level for almost three years. In London the time on the market is 6.5 weeks, lower than the 6.9 weeks average at the start of 2011.

Given the pressure on household finances and the outlook for the wider economy, we expect only a modest improvement in levels of demand in the coming months. The net effect will be a continued negative balance between supply and demand pointing to further downward pressure on prices in the months ahead.

## **23 NEW-BUILD DEVELOPMENT AND ACQUISITIONS**

- 23.1 Our valuation excludes any new development properties or proposed acquisitions which are not yet let and income-producing. We also exclude potential development sites.

\* \* \* \* \*



**Appendix 2**  
**Summary Schedule of**  
**Valuation Assumptions**



# SAXON WEALD

## Valuation for Issue of Secured Bonds

### EUV-SH (VOIDS RE-LET)

**£267,611,000**

#### Assumptions

Note: All rents calculated to 52-week basis

|    |                                             |                             |                                                                                                                       |
|----|---------------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 1  | Valuation Date                              |                             | 31.03.12                                                                                                              |
| 2  | Discount Rate                               |                             | 5.5%                                                                                                                  |
| 3  | RPI Inflation                               |                             | Year 1 = 5.6%, Year 2 = 3%, Year 3 = 2.5%, Years 4 & 5 = 3%, Year 6 onwards = 2.5%                                    |
| 4  | Unit Numbers                                |                             | 5,222 plus 157 shared ownership/equity. 120 voids pending demolition excluded.                                        |
| 5  | Assured Rents                               | Houses                      | £110.29                                                                                                               |
| 6  |                                             | Flats                       | £88.27 2012/13                                                                                                        |
| 7  |                                             | Sheltered                   | £83.92                                                                                                                |
| 8  | Average Rent - all stock                    |                             | £96.54                                                                                                                |
| 9  | Long-Term Rental Growth                     | RPI +                       | 0.50% after convergence                                                                                               |
| 11 | Re-let Rates - Transfer Assured             | Houses                      | 2%                                                                                                                    |
| 12 |                                             | Flats                       | 4%                                                                                                                    |
| 13 |                                             | Sheltered                   | 8.5%                                                                                                                  |
| 14 | Re-let Rates - New Assured                  | Houses                      | 10%                                                                                                                   |
| 15 |                                             | Flats                       | 13%                                                                                                                   |
| 16 |                                             | Sheltered                   | 17%                                                                                                                   |
| 17 | Market Rental Value (weighted)              | Houses                      | £188                                                                                                                  |
| 18 |                                             | Flats                       | £141                                                                                                                  |
| 19 |                                             | Sheltered                   | £129                                                                                                                  |
| 20 | Voids                                       |                             | 1.5% medium to long-term                                                                                              |
| 21 | Bad Debts                                   |                             | 0.5% medium to long-term                                                                                              |
| 22 | Right to Buy Discount                       |                             | Maximum discount £75,000                                                                                              |
| 23 | Year 1 RTB sales                            | Houses                      | 0                                                                                                                     |
| 24 |                                             | Flats                       | 1                                                                                                                     |
| 25 | Market Capital Values (weighted)            | Houses                      | £183,500                                                                                                              |
| 26 |                                             | Flats                       | £112,500                                                                                                              |
| 27 |                                             | Sheltered                   | £101,000                                                                                                              |
| 28 |                                             | PRC Houses                  | £81,000                                                                                                               |
| 29 | Capital Value Growth - Long-term real       |                             | 1%                                                                                                                    |
| 30 | Repairs & Maintenance                       |                             | Based on April 2010 Savills validation of Stock Condition Survey adjusted for changes to stock numbers and inflation. |
| 31 | Building Cost Inflation - major & cyclical  | RPI +                       | 0%                                                                                                                    |
| 32 | Building Cost Inflation - responsive & void | RPI +                       | Years 2 & 3 = 0%, Year 4 on = 0.5%.                                                                                   |
| 33 | Management Costs                            |                             | £675 50/50 fixed/variable. Includes repairs admin.                                                                    |
| 34 | Service Costs                               |                             | Neutral                                                                                                               |
| 35 | Real Growth in Costs - Long-Term            | RPI +                       | 0.50%                                                                                                                 |
| 36 | Service Income (incl. SPG)                  |                             | Neutral                                                                                                               |
| 37 | Other Income:                               |                             |                                                                                                                       |
| 38 |                                             | Shared Ownership            | 56 income-producing units at £39.79 pw (2012/13). Average 46% retained share.                                         |
| 39 |                                             | Ground rents                | £5,230                                                                                                                |
| 40 |                                             | Garages/Sites               | £565,400                                                                                                              |
| 41 |                                             | Leaseholder service charges | £60,000                                                                                                               |
| 42 |                                             | Miscellaneous               | £70,750                                                                                                               |
| 43 | Garage Void Rate                            |                             | 10%                                                                                                                   |

31.03.12



**Appendix 3**  
**Cash Flow Valuation and**  
**Assumptions**



## DISCOUNTED CASH FLOW MODEL

### VALUATION ASSUMPTIONS & SPREADSHEETS

## Saxon Weald

### STOCK VALUATION 2012

#### VALUATION BASIS:

Existing Use Value - Social Housing

**VOIDS RE-LET**

#### VALUATION:

**£267,611,098**

**ALL STOCK**

#### VALUATION DATE:

**31 March 2012**

File no:

**HSH244609**



## GENERAL INFORMATION

**RP: Saxon Weald**

**File No:** HSH244609      **Date:** 02/05/2012  
**Valuation Date:** 31 March 2012      **Valuer:** James Tillier

## GENERAL ASSUMPTIONS

**Rent Weeks p a:** 52  
**Year 0 (Weeks):** 0  
**Year 1 (Date):** 2012/13  
**VAT in Year:** 20.0%

**Discount Factor:**  
**(Real)** 5.50%  
**(Nominal)** 8.14%

i.e. Real Rate compounded by long-term inflation.

|                       | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Year 6 on</u> |
|-----------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| <b>Inflation/RPI:</b> | 5.60%         | 3.00%         | 2.50%         | 3.00%         | 3.00%         | 2.50%            |

| <b>Transfer Assured</b><br>Relet or Sold<br>(Valuation I or II) | House | Relet     | <b>New Assured</b><br>Relet or Sold | House | Relet |
|-----------------------------------------------------------------|-------|-----------|-------------------------------------|-------|-------|
|                                                                 | Flat  | Relet     |                                     | Flat  | Relet |
| Sheltered                                                       | Relet | Sheltered | Relet                               |       |       |
| PRC House                                                       | Relet | PRC House | Relet                               |       |       |
| PRC Flat                                                        | Relet | PRC Flat  | Relet                               |       |       |
| Other                                                           | Relet | Other     | Relet                               |       |       |

## Stock Numbers

|                | House            | Flat         | Sheltered    | <u>PRC</u><br>House | <u>PRC</u><br>Flat | Other    | Totals       |
|----------------|------------------|--------------|--------------|---------------------|--------------------|----------|--------------|
|                | Transfer Assured | 1,623        | 549          | 362                 | 22                 | 0        | 0            |
| New Assured    | 595              | 987          | 1,079        | 5                   | 0                  | 0        | 2,666        |
| Market Rent    | 0                | 0            | 0            | 0                   | 0                  | 0        | 0            |
| <b>Totals:</b> | <b>2,218</b>     | <b>1,536</b> | <b>1,441</b> | <b>27</b>           | <b>0</b>           | <b>0</b> | <b>5,222</b> |

|                  | <u>House</u> | <u>Flat</u> | <u>Other</u> | <u>Other</u> | <u>Other</u> | <u>Other</u> | Totals |
|------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------|
| Shared Ownership | 56           | 0           | 0            | 0            | 0            | 0            | 56     |

**Grand Total:** 5,278



## INCOME

### Transfer Assured (RTB) Rents p.w. Year 0

|           |         |
|-----------|---------|
| House     | £103.67 |
| Flat      | £84.00  |
| Sheltered | £79.90  |
| PRC House | £103.67 |
| PRC Flat  | £0.00   |
| Other     | £0.00   |

### New Assured Rents p.w. Year 0

|           |         |
|-----------|---------|
| House     | £103.67 |
| Flat      | £84.00  |
| Sheltered | £79.90  |
| PRC House | £103.67 |
| PRC Flat  | £0.00   |
| Other     | £0.00   |

### Improvements Rents p.w. Year 0

|           |       |
|-----------|-------|
| House     | £0.00 |
| Flat      | £0.00 |
| Sheltered | £0.00 |
| PRC House | £0.00 |
| PRC Flat  | £0.00 |
| Other     | £0.00 |

### Shared Ownership Rents p.w. Year 0

|           |        |
|-----------|--------|
| House     | £39.79 |
| Flat      | £0.00  |
| Sheltered | £0.00  |
| PRC House | £0.00  |
| PRC Flat  | £0.00  |
| Other     | £0.00  |

## Service Charges/Other Income

|                     | £ pa     | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 on |
|---------------------|----------|--------|--------|--------|--------|--------|-----------|
| Garages             | £565,400 | 0.50%  | 0.50%  | 0.50%  | 0.50%  | 0.50%  | 0.50%     |
| Ground Rents        | £5,230   | -5.60% | -3.00% | -2.50% | -3.00% | -3.00% | -2.50%    |
| L/holder Recoveries | £60,000  | -5.60% | 0.50%  | 0.50%  | 0.50%  | 0.50%  | 0.50%     |
| Miscellaneous       | £70,750  | -5.60% | 0.50%  | 0.50%  | 0.50%  | 0.50%  | 0.50%     |
| 0                   | £0       | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%     |
| 0                   | £0       | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%     |

## Grants, Dowries, etc.

|                         | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Supporting People Grant | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0      |
| Revenue Grants          | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0      |
| Other Grant             | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0      |
| Other Grant             | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0      |
| Other Grant             | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0     | £0      |



## Relet Rate (% p a)

### Transfer Assured Tenancies

|            | <u>House</u> | <u>Flat</u> | <u>Sheltered</u> | <u>PRC House</u> | <u>PRC Flat</u> | <u>Other</u> | <u>Weighted<br/>Average</u> |
|------------|--------------|-------------|------------------|------------------|-----------------|--------------|-----------------------------|
| Year 1     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.35%                       |
| Year 2     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.30%                       |
| Year 3     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.25%                       |
| Year 4     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.20%                       |
| Year 5     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.15%                       |
| Year 6     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.11%                       |
| Year 7     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.07%                       |
| Year 8     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 3.03%                       |
| Year 9     | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.99%                       |
| Year 10    | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.95%                       |
| Year 11    | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.91%                       |
| Year 12    | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.88%                       |
| Year 13    | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.85%                       |
| Year 14    | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.81%                       |
| Year 15    | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.78%                       |
| Year 16 on | 2.00%        | 4.00%       | 8.50%            | 2.00%            | 0.00%           | 0.00%        | 2.75%                       |

### New Assured Tenancies

|            | <u>House</u> | <u>Flat</u> | <u>Sheltered</u> | <u>PRC House</u> | <u>PRC Flat</u> | <u>Other</u> | <u>Weighted<br/>Average</u> |
|------------|--------------|-------------|------------------|------------------|-----------------|--------------|-----------------------------|
| Year 1     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.94%                      |
| Year 2     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.92%                      |
| Year 3     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.90%                      |
| Year 4     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.88%                      |
| Year 5     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.86%                      |
| Year 6     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.84%                      |
| Year 7     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.82%                      |
| Year 8     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.80%                      |
| Year 9     | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.78%                      |
| Year 10    | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.75%                      |
| Year 11    | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.73%                      |
| Year 12    | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.71%                      |
| Year 13    | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.69%                      |
| Year 14    | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.67%                      |
| Year 15    | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.66%                      |
| Year 16 on | 10.00%       | 13.00%      | 17.00%           | 10.00%           | 0.00%           | 0.00%        | 13.64%                      |





## Rate of Rent Increase (% p a real)

### Transfer Assured Tenancies

|            | <u>House</u> | <u>Flat</u> | <u>Sheltered</u> | <u>PRC House</u> | <u>PRC Flat</u> | <u>Other</u> |
|------------|--------------|-------------|------------------|------------------|-----------------|--------------|
| Year 1     | 0.79%        | -0.52%      | -0.57%           | 0.79%            | 0.00%           | 0.00%        |
| Year 2     | 2.31%        | 0.52%       | 0.93%            | 2.31%            | 0.00%           | 0.00%        |
| Year 3     | 0.96%        | 0.50%       | 0.50%            | 0.96%            | 0.00%           | 0.00%        |
| Year 4     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 5     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 6     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 7     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 8     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 9     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 10    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 11    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 12    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 13    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 14    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 15    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 16 on | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |

|           |                                       |
|-----------|---------------------------------------|
| House     | Rents equalised with assured rents in |
| Flat      | Rents equalised with assured rents in |
| Sheltered | Rents equalised with assured rents in |
| PRC House | Rents equalised with assured rents in |
| PRC Flat  | Rents equalised with assured rents in |
| Other     | Rents equalised with assured rents in |

|               |
|---------------|
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |

### New Assured Tenancies

|            | <u>House</u> | <u>Flat</u> | <u>Sheltered</u> | <u>PRC House</u> | <u>PRC Flat</u> | <u>Other</u> |
|------------|--------------|-------------|------------------|------------------|-----------------|--------------|
| Year 1     | 0.79%        | -0.52%      | -0.57%           | 0.79%            | 0.00%           | 0.00%        |
| Year 2     | 2.31%        | 0.52%       | 0.93%            | 2.31%            | 0.00%           | 0.00%        |
| Year 3     | 0.96%        | 0.50%       | 0.50%            | 0.96%            | 0.00%           | 0.00%        |
| Year 4     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 5     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 6     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 7     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 8     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 9     | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 10    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 11    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 12    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 13    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 14    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 15    | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |
| Year 16 on | 0.50%        | 0.50%       | 0.50%            | 0.50%            | 0.00%           | 0.00%        |

|           |                                           |
|-----------|-------------------------------------------|
| House     | Rents do not equalise during the cashflow |
| Flat      | Rents do not equalise during the cashflow |
| Sheltered | Rents do not equalise during the cashflow |
| PRC House | Rents do not equalise during the cashflow |
| PRC Flat  | Rents equalised with market rents in      |
| Other     | Rents equalised with market rents in      |

|               |
|---------------|
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |
| <b>Year 0</b> |



## Voids, Bad Debts and Arrears (% of gross rents)

|                  | <u>Transfer Assured</u> |                  |                |              | <u>New Assured</u> |                  |                |              |
|------------------|-------------------------|------------------|----------------|--------------|--------------------|------------------|----------------|--------------|
|                  | <u>Voids</u>            | <u>Bad Debts</u> | <u>Arrears</u> | <u>Total</u> | <u>Voids</u>       | <u>Bad Debts</u> | <u>Arrears</u> | <u>Total</u> |
| Year 1           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 2           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 3           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 4           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 5           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 6           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 7           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 8           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 9           | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 10          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 11          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 12          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 13          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 14          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 15          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 16          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 17          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 18          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 19          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 20          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 21          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 22          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 23          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 24          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 25          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 26          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 27          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 28          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 29          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 30          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 31          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 32          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 33          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 34          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Year 35          | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
|                  | <b>Year 1</b>           |                  |                |              | <b>Year 2 on</b>   |                  |                |              |
|                  | <u>Voids</u>            | <u>Bad Debts</u> | <u>Arrears</u> | <u>Total</u> | <u>Voids</u>       | <u>Bad Debts</u> | <u>Arrears</u> | <u>Total</u> |
| Transfer Tenants | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Assured Tenants  | 1.50%                   | 0.50%            | 0.00%          | 2.00%        | 1.50%              | 0.50%            | 0.00%          | 2.00%        |
| Shared Ownership | 0.00%                   | 0.00%            | 0.00%          | 0.00%        | 0.00%              | 0.00%            | 0.00%          | 0.00%        |
| Market Rents     | 0.00%                   | 0.00%            | 0.00%          | 0.00%        | 0.00%              | 0.00%            | 0.00%          | 0.00%        |
| Garages          | 10.00%                  |                  |                | 10.00%       | 10.00%             |                  |                | 10.00%       |





**RTB Summary**

**65 % of total sales completed during the first 5 years**  
**1 % of RTB stock sold over the first 20 years**

**Region: South-East**  
**Maximum discount: £75,000**

|                                   | House    | Flat     | Sheltered | PRC House | PRC Flat | Other |
|-----------------------------------|----------|----------|-----------|-----------|----------|-------|
| Year 1 Discount                   | 41.0%    | 67.0%    | N/A       | N/A       | N/A      | N/A   |
| Rate of Discount Increase pa      | 1.00%    | 1.00%    | N/A       | N/A       | N/A      | N/A   |
| Maximum Amount of Discount        | 60.00%   | 70.00%   | N/A       | N/A       | N/A      | N/A   |
| RTB Capital Value before discount | £183,500 | £112,500 | N/A       | N/A       | N/A      | N/A   |
| Legal/Admin Charges               | £0       |          |           |           |          |       |

**Right to Acquire Sales - Projections**

Legal/Admin Charges assumed to be fully recoverable.

| Year  | 1    | 2    | 3    | 4    | 5    | 6    | 7    | 8    | 9    | 10   | 11   | 12   | 13   | 14   | 15   | 16   | 17   | 18   | 19   | 20   |
|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| House | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Flat  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |



## Capital Values and Market Rents

### Rented

|           |                 |
|-----------|-----------------|
| House     | <b>£183,500</b> |
| Flat      | <b>£112,500</b> |
| Sheltered | <b>£101,000</b> |
| PRC House | <b>£81,000</b>  |
| PRC Flat  | <b>£0</b>       |
| Other     | <b>£0</b>       |

### Shared Ownership

|       |           |
|-------|-----------|
| House | <b>£0</b> |
| Flat  | <b>£0</b> |
| Other | <b>£0</b> |
| Other | <b>£0</b> |
| Other | <b>£0</b> |
| Other | <b>£0</b> |

## Real Growth of Capital Values (Rented and Shared Ownership)

### Rented

|           | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Year 6</u> | <u>Year 7</u> | <u>Year 8</u> | <u>Year 9 on</u> |
|-----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
| House     | -5.60%        | -2.00%        | 1.50%         | 2.00%         | 3.00%         | 1.00%         | 1.00%         | 1.00%         | 1.00%            |
| Flat      | -5.60%        | -2.00%        | 1.50%         | 2.00%         | 3.00%         | 1.00%         | 1.00%         | 1.00%         | 1.00%            |
| Sheltered | -5.60%        | -2.00%        | 1.50%         | 2.00%         | 3.00%         | 1.00%         | 1.00%         | 1.00%         | 1.00%            |
| PRC House | -5.60%        | -2.00%        | 1.50%         | 2.00%         | 3.00%         | 1.00%         | 1.00%         | 1.00%         | 1.00%            |
| PRC Flat  | -5.60%        | -2.00%        | 1.50%         | 2.00%         | 3.00%         | 1.00%         | 1.00%         | 1.00%         | 1.00%            |
| Other     | -5.60%        | -2.00%        | 1.50%         | 2.00%         | 3.00%         | 1.00%         | 1.00%         | 1.00%         | 1.00%            |

### Shared Ownership

|       | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Year 6</u> | <u>Year 7</u> | <u>Year 8</u> | <u>Year 9 on</u> |
|-------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
| House | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |
| Flat  | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |
| Other | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |
| Other | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |
| Other | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |
| Other | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |

## Market Rents

|           | <u>Opening Rents pw</u> | <u>Real Rental Growth pa</u> |               |               |               |               |               |               |                  |
|-----------|-------------------------|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
|           |                         | <u>Year 1</u>                | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Year 6</u> | <u>Year 7</u> | <u>Year 8 on</u> |
| House     | <b>£188</b>             | -5.60%                       | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%            |
| Flat      | <b>£141</b>             | -5.60%                       | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%            |
| Sheltered | <b>£129</b>             | -5.60%                       | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%            |
| PRC House | <b>£188</b>             | -5.60%                       | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%         | 0.50%            |
| PRC Flat  | <b>£0</b>               | 0.00%                        | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |
| Other     | <b>£0</b>               | 0.00%                        | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%            |

### Shared Ownership

|                                            | <u>House</u> | <u>Flat</u> | <u>Other</u> | <u>Other</u> | <u>Other</u> | <u>Other</u> |
|--------------------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Year 1 Real Rental Growth                  | 0.00%        | 0.00%       | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| Year 1 Staircasing as a % of Opening Stock | 0.00%        | 0.00%       | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| Year 1 Sales as a % of Opening Stock       | 0.00%        | 0.00%       | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| Average retained share (%)                 |              |             |              |              |              |              |



**Void Sales (pa)**

|                                            | <u>Year 0</u> | <u>Year 1</u>                                                  | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Year 6</u> | <u>Year 7</u> | <u>Year 8</u> | <u>Year 9</u> | <u>Year 10</u> |
|--------------------------------------------|---------------|----------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Void Sales Transfer Assured</b>         |               |                                                                |               |               |               |               |               |               |               |               |                |
| House                                      | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| Flat                                       | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| Sheltered                                  | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| PRC House                                  | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| PRC Flat                                   | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| Other                                      | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| <b>Void Sales New Assured</b>              |               |                                                                |               |               |               |               |               |               |               |               |                |
| House                                      | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| Flat                                       | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| Sheltered                                  | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| PRC House                                  | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| PRC Flat                                   | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| Other                                      | 0             | 0                                                              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0              |
| <b>Void Sale Discount Transfer Assured</b> |               |                                                                |               |               |               |               |               |               |               |               |                |
| House                                      | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| Flat                                       | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| Sheltered                                  | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| PRC House                                  | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| PRC Flat                                   | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| Other                                      | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| <b>Void Sale Discount New Assured</b>      |               |                                                                |               |               |               |               |               |               |               |               |                |
| House                                      | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| Flat                                       | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| Sheltered                                  | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| PRC House                                  | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| PRC Flat                                   | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |
| Other                                      | 0%            | Assumes all units of this type are re-let on assured tenancies |               |               |               |               |               |               |               |               |                |



**Repairs and Maintenance Expenditure (Base Assumptions)**

|                | <u>Repairs Admin.</u> | <u>Responsive/void Repairs</u> | <u>Planned / Major Repairs</u> | <u>Cyclical Repairs</u> | <u>Exceptional Extensive</u> | <u>Contingencies</u> | <u>Disabled Adaptations</u> | <u>TOTAL</u>        |
|----------------|-----------------------|--------------------------------|--------------------------------|-------------------------|------------------------------|----------------------|-----------------------------|---------------------|
|                | £0                    | £0                             | £0                             | £0                      | £0                           | £0                   | £0                          | £0                  |
| Year 0         | £0                    | £0                             | £0                             | £0                      | £0                           | £0                   | £0                          | £0                  |
| Year 1         | £0                    | £2,764,410                     | £3,560,301                     | £1,250,544              | £221,262                     | £102,780             | £105,063                    | £8,004,359          |
| Year 2         | £0                    | £2,764,410                     | £3,560,301                     | £1,250,544              | £221,262                     | £102,780             | £105,063                    | £8,004,359          |
| Year 3         | £0                    | £2,764,410                     | £3,560,301                     | £1,250,544              | £221,262                     | £102,780             | £105,063                    | £8,004,359          |
| Year 4         | £0                    | £2,764,410                     | £4,567,999                     | £1,250,544              | £79,427                      | £131,870             | £105,063                    | £8,899,314          |
| Year 5         | £0                    | £2,764,410                     | £4,567,999                     | £1,250,544              | £79,427                      | £131,870             | £105,063                    | £8,899,314          |
| Year 6         | £0                    | £2,764,410                     | £4,567,999                     | £1,250,544              | £79,427                      | £131,870             | £105,063                    | £8,899,314          |
| Year 7         | £0                    | £2,764,410                     | £4,567,999                     | £1,250,544              | £79,427                      | £131,870             | £105,063                    | £8,899,314          |
| Year 8         | £0                    | £2,764,410                     | £4,567,999                     | £1,250,544              | £79,427                      | £131,870             | £105,063                    | £8,899,314          |
| Year 9         | £0                    | £2,764,410                     | £5,361,994                     | £1,250,544              | £79,427                      | £154,792             | £105,063                    | £9,716,229          |
| Year 10        | £0                    | £2,764,410                     | £5,361,994                     | £1,250,544              | £79,427                      | £154,792             | £105,063                    | £9,716,229          |
| Year 11        | £0                    | £2,764,410                     | £5,361,994                     | £1,250,544              | £79,427                      | £154,792             | £105,063                    | £9,716,229          |
| Year 12        | £0                    | £2,764,410                     | £5,361,994                     | £1,250,544              | £79,427                      | £154,792             | £105,063                    | £9,716,229          |
| Year 13        | £0                    | £2,764,410                     | £5,361,994                     | £1,250,544              | £79,427                      | £154,792             | £105,063                    | £9,716,229          |
| Year 14        | £0                    | £2,764,410                     | £5,734,526                     | £1,250,544              | £70,350                      | £165,546             | £105,063                    | £10,090,439         |
| Year 15        | £0                    | £2,764,410                     | £5,734,526                     | £1,250,544              | £70,350                      | £165,546             | £105,063                    | £10,090,439         |
| Year 16        | £0                    | £2,764,410                     | £5,734,526                     | £1,250,544              | £70,350                      | £165,546             | £105,063                    | £10,090,439         |
| Year 17        | £0                    | £2,764,410                     | £5,734,526                     | £1,250,544              | £70,350                      | £165,546             | £105,063                    | £10,090,439         |
| Year 18        | £0                    | £2,764,410                     | £5,734,526                     | £1,250,544              | £70,350                      | £165,546             | £105,063                    | £10,090,439         |
| Year 19        | £0                    | £2,764,410                     | £5,735,712                     | £1,250,544              | £179,279                     | £165,580             | £105,063                    | £10,200,588         |
| Year 20        | £0                    | £2,764,410                     | £5,735,712                     | £1,250,544              | £179,279                     | £165,580             | £105,063                    | £10,200,588         |
| Year 21        | £0                    | £2,764,410                     | £5,735,712                     | £1,250,544              | £179,279                     | £165,580             | £105,063                    | £10,200,588         |
| Year 22        | £0                    | £2,764,410                     | £5,735,712                     | £1,250,544              | £179,279                     | £165,580             | £105,063                    | £10,200,588         |
| Year 23        | £0                    | £2,764,410                     | £5,735,712                     | £1,250,544              | £179,279                     | £165,580             | £105,063                    | £10,200,588         |
| Year 24        | £0                    | £2,764,410                     | £5,830,350                     | £1,250,544              | £179,279                     | £168,312             | £105,063                    | £10,297,957         |
| Year 25        | £0                    | £2,764,410                     | £5,830,350                     | £1,250,544              | £179,279                     | £168,312             | £105,063                    | £10,297,957         |
| Year 26        | £0                    | £2,764,410                     | £5,830,350                     | £1,250,544              | £179,279                     | £168,312             | £105,063                    | £10,297,957         |
| Year 27        | £0                    | £2,764,410                     | £5,830,350                     | £1,250,544              | £179,279                     | £168,312             | £105,063                    | £10,297,957         |
| Year 28        | £0                    | £2,764,410                     | £5,830,350                     | £1,250,544              | £179,279                     | £168,312             | £105,063                    | £10,297,957         |
| Year 29        | £0                    | £2,764,410                     | £5,131,814                     | £1,250,544              | £134,837                     | £148,146             | £105,063                    | £9,534,814          |
| Year 30        | £0                    | £2,764,410                     | £5,131,814                     | £1,250,544              | £134,837                     | £148,146             | £105,063                    | £9,534,814          |
| Year 31        | £0                    | £2,764,410                     | £5,131,814                     | £1,250,544              | £134,837                     | £148,146             | £105,063                    | £9,534,814          |
| Year 32        | £0                    | £2,764,410                     | £5,131,814                     | £1,250,544              | £134,837                     | £148,146             | £105,063                    | £9,534,814          |
| Year 33        | £0                    | £2,764,410                     | £5,131,814                     | £1,250,544              | £134,837                     | £148,146             | £105,063                    | £9,534,814          |
| Year 34        | £0                    | £2,764,410                     | £5,131,814                     | £1,250,544              | £134,837                     | £148,146             | £105,063                    | £9,534,814          |
| Year 35        | £0                    | £2,764,410                     | £5,131,814                     | £1,250,544              | £134,837                     | £148,146             | £105,063                    | £9,534,814          |
| <b>Totals:</b> | <b>£0</b>             | <b>£96,754,350</b>             | <b>£182,756,504</b>            | <b>£43,769,040</b>      | <b>£4,546,454</b>            | <b>£5,275,861</b>    | <b>£3,677,205</b>           | <b>£336,779,413</b> |

|              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|
| VAT Included | VAT Included | Excludes VAT | VAT Included | Excludes VAT | VAT Included |
|--------------|--------------|--------------|--------------|--------------|--------------|

All costs include professional fees, where appropriate



## Repairs and Maintenance Expenditure (Inflated Values)

|                | <u>Repairs Admn.</u> | <u>Responsive/void</u> | <u>Planned / Major</u> | <u>Cyclical Repairs</u> | <u>Exceptional</u> | <u>Contingencies</u> | <u>Disabled</u>   | <u>TOTAL</u>        |
|----------------|----------------------|------------------------|------------------------|-------------------------|--------------------|----------------------|-------------------|---------------------|
|                | £0                   | £0                     | £0                     | £0                      | £0                 | £0                   | £0                | £0                  |
| Year 0         |                      |                        |                        |                         |                    |                      |                   |                     |
| Year 1         | £0                   | £2,764,145             | £4,271,952             | £1,250,424              | £265,514           | £123,336             | £105,063          | £8,780,434          |
| Year 2         | £0                   | £2,846,797             | £4,399,690             | £1,287,814              | £273,479           | £127,036             | £108,215          | £9,043,030          |
| Year 3         | £0                   | £2,916,849             | £4,507,954             | £1,319,503              | £280,316           | £130,212             | £110,920          | £9,265,755          |
| Year 4         | £0                   | £3,016,625             | £5,952,824             | £1,358,047              | £103,645           | £172,078             | £114,248          | £10,717,467         |
| Year 5         | £0                   | £3,120,411             | £6,127,881             | £1,397,984              | £106,755           | £177,240             | £117,675          | £11,047,946         |
| Year 6         | £0                   | £3,212,790             | £6,278,668             | £1,432,383              | £109,423           | £181,671             | £120,617          | £11,335,553         |
| Year 7         | £0                   | £3,308,538             | £6,434,400             | £1,467,911              | £112,159           | £186,213             | £123,633          | £11,632,854         |
| Year 8         | £0                   | £3,407,140             | £6,593,994             | £1,504,320              | £114,963           | £190,869             | £126,723          | £11,938,009         |
| Year 9         | £0                   | £3,508,681             | £7,932,120             | £1,541,632              | £117,837           | £229,646             | £129,892          | £13,459,807         |
| Year 10        | £0                   | £3,613,247             | £8,128,861             | £1,579,869              | £120,783           | £235,387             | £133,139          | £13,811,287         |
| Year 11        | £0                   | £3,720,930             | £8,330,482             | £1,619,055              | £123,803           | £241,272             | £136,467          | £14,172,009         |
| Year 12        | £0                   | £3,832,558             | £8,538,744             | £1,659,531              | £126,898           | £247,304             | £139,879          | £14,544,914         |
| Year 13        | £0                   | £3,947,534             | £8,752,213             | £1,701,020              | £130,070           | £253,487             | £143,376          | £14,927,699         |
| Year 14        | £0                   | £4,065,960             | £9,594,293             | £1,743,545              | £118,085           | £277,875             | £146,960          | £15,946,719         |
| Year 15        | £0                   | £4,187,939             | £9,834,150             | £1,787,134              | £121,037           | £284,822             | £150,634          | £16,365,717         |
| Year 16        | £0                   | £4,313,577             | £10,080,004            | £1,831,812              | £124,063           | £291,942             | £154,400          | £16,795,799         |
| Year 17        | £0                   | £4,442,985             | £10,332,004            | £1,877,607              | £127,165           | £299,241             | £158,260          | £17,237,262         |
| Year 18        | £0                   | £4,576,274             | £10,590,304            | £1,924,547              | £130,344           | £306,722             | £162,217          | £17,690,409         |
| Year 19        | £0                   | £4,713,562             | £10,857,307            | £1,972,661              | £340,470           | £314,455             | £166,272          | £18,364,728         |
| Year 20        | £0                   | £4,854,969             | £11,128,739            | £2,021,978              | £348,982           | £322,317             | £170,429          | £18,847,414         |
| Year 21        | £0                   | £5,000,618             | £11,406,958            | £2,072,527              | £357,707           | £330,374             | £174,690          | £19,342,874         |
| Year 22        | £0                   | £5,150,637             | £11,692,132            | £2,124,340              | £366,649           | £338,634             | £179,057          | £19,851,449         |
| Year 23        | £0                   | £5,305,156             | £11,984,435            | £2,177,449              | £375,816           | £347,100             | £183,533          | £20,373,488         |
| Year 24        | £0                   | £5,464,311             | £12,486,729            | £2,231,885              | £385,211           | £361,647             | £188,122          | £21,117,905         |
| Year 25        | £0                   | £5,628,240             | £12,798,898            | £2,287,682              | £394,841           | £370,689             | £192,825          | £21,673,174         |
| Year 26        | £0                   | £5,797,087             | £13,118,870            | £2,344,874              | £404,712           | £379,956             | £197,645          | £22,243,145         |
| Year 27        | £0                   | £5,971,000             | £13,446,842            | £2,403,496              | £414,830           | £389,455             | £202,586          | £22,828,209         |
| Year 28        | £0                   | £6,150,130             | £13,783,013            | £2,463,584              | £425,201           | £399,191             | £207,651          | £23,428,769         |
| Year 29        | £0                   | £6,334,634             | £12,434,957            | £2,525,173              | £327,793           | £360,148             | £212,842          | £22,195,547         |
| Year 30        | £0                   | £6,524,673             | £12,745,831            | £2,588,302              | £335,988           | £369,152             | £218,163          | £22,782,109         |
| Year 31        | £0                   | £6,720,413             | £13,064,477            | £2,653,010              | £344,387           | £378,380             | £223,618          | £23,384,285         |
| Year 32        | £0                   | £6,922,025             | £13,391,089            | £2,719,335              | £352,997           | £387,840             | £229,208          | £24,002,494         |
| Year 33        | £0                   | £7,129,686             | £13,725,866            | £2,787,319              | £361,822           | £397,536             | £234,938          | £24,637,167         |
| Year 34        | £0                   | £7,343,577             | £14,069,013            | £2,857,002              | £370,867           | £407,474             | £240,812          | £25,288,744         |
| Year 35        | £0                   | £7,563,884             | £14,420,738            | £2,928,427              | £380,139           | £417,661             | £246,832          | £25,957,681         |
| <b>Totals:</b> | <b>£0</b>            | <b>£167,377,582</b>    | <b>£353,236,434</b>    | <b>£69,443,182</b>      | <b>£8,894,752</b>  | <b>£10,228,362</b>   | <b>£5,851,542</b> | <b>£615,031,854</b> |

- All inflated costs are inclusive of VAT
- All costs include professional fees, where appropriate





**Capital Expenditure (Base Assumptions)**

|                | <u>Catch-up Repairs</u> | <u>Improvements (1)</u> | <u>Improvements (2)</u> | <u>PRC Repairs</u> | <u>Other Capital Expenditure 1</u> | <u>Other Capital Expenditure 2</u> | <u>Other Capital Expenditure 3</u> | <u>Other Capital Expenditure 4</u> | <u>TOTAL</u> |
|----------------|-------------------------|-------------------------|-------------------------|--------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------|
|                | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 0         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 1         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 2         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 3         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 4         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 5         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 6         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 7         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 8         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 9         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 10        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 11        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 12        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 13        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 14        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 15        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 16        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 17        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 18        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 19        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 20        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 21        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 22        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 23        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 24        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 25        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 26        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 27        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 28        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 29        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 30        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 31        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 32        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 33        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 34        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 35        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| <b>Totals:</b> | <b>£0</b>               | <b>£0</b>               | <b>£0</b>               | <b>£0</b>          | <b>£0</b>                          | <b>£0</b>                          | <b>£0</b>                          | <b>£0</b>                          | <b>£0</b>    |

|   |                                                        |              |              |              |              |              |
|---|--------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| • | Excludes VAT                                           | Excludes VAT | Excludes VAT | Excludes VAT | Excludes VAT | Excludes VAT |
| • | All costs include professional fees, where appropriate |              |              |              |              |              |



**Capital Expenditure (Inflated Values)**

|                | <u>Catch-up Repairs</u> | <u>Improvements (1)</u> | <u>Improvements (2)</u> | <u>PRC Repairs</u> | <u>Other Capital Expenditure 1</u> | <u>Other Capital Expenditure 2</u> | <u>Other Capital Expenditure 3</u> | <u>Other Capital Expenditure 4</u> | <u>TOTAL</u> |
|----------------|-------------------------|-------------------------|-------------------------|--------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------|
|                | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 0         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 1         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 2         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 3         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 4         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 5         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 6         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 7         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 8         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 9         | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 10        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 11        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 12        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 13        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 14        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 15        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 16        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 17        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 18        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 19        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 20        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 21        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 22        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 23        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 24        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 25        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 26        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 27        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 28        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 29        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 30        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 31        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 32        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 33        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 34        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| Year 35        | £0                      | £0                      | £0                      | £0                 | £0                                 | £0                                 | £0                                 | £0                                 | £0           |
| <b>Totals:</b> | <b>£0</b>               | <b>£0</b>               | <b>£0</b>               | <b>£0</b>          | <b>£0</b>                          | <b>£0</b>                          | <b>£0</b>                          | <b>£0</b>                          | <b>£0</b>    |

- All inflated costs are inclusive of VAT
- All costs include professional fees, where appropriate



## Management Costs

### Unit Management Costs

|                         | Year 1    |      |
|-------------------------|-----------|------|
| <b>Transfer Assured</b> | House     | £338 |
|                         | Flat      | £338 |
|                         | Sheltered | £338 |
|                         | PRC House | £338 |
|                         | PRC Flat  | £0   |
|                         | Other     | £0   |
| <b>New Assured</b>      | House     | £338 |
|                         | Flat      | £338 |
|                         | Sheltered | £338 |
|                         | PRC House | £338 |
|                         | PRC Flat  | £0   |
|                         | Other     | £0   |
| <b>Shared Ownership</b> | House     | £0   |
|                         | Flat      | £0   |
|                         | Other     | £0   |
|                         | Other     | £0   |
|                         | Other     | £0   |
|                         | Other     | £0   |

### Real Cost Growth

|                         | Year 1    |        |
|-------------------------|-----------|--------|
| <b>Transfer Assured</b> | House     | -5.60% |
|                         | Flat      | -5.60% |
|                         | Sheltered | -5.60% |
|                         | PRC House | -5.60% |
|                         | PRC Flat  | 0.00%  |
|                         | Other     | 0.00%  |
| <b>New Assured</b>      | House     | -5.60% |
|                         | Flat      | -5.60% |
|                         | Sheltered | -5.60% |
|                         | PRC House | -5.60% |
|                         | PRC Flat  | 0.00%  |
|                         | Other     | 0.00%  |
| <b>Shared Ownership</b> | House     | 0.00%  |
|                         | Flat      | 0.00%  |
|                         | Other     | 0.00%  |
|                         | Other     | 0.00%  |
|                         | Other     | 0.00%  |
|                         | Other     | 0.00%  |

### Optional Central Management Costs

|                                 | Year 1   |            |
|---------------------------------|----------|------------|
| <b>Management Admin</b>         | Fixed    | £1,762,425 |
| <b>Management Admin</b>         | Fixed    | £0         |
| <b>Wardens</b>                  | Fixed    | £0         |
| <b>Site Maintenance/Gardens</b> | Variable | £0         |
| <b>Service Costs</b>            | Fixed    | £0         |
| <b>Other Service Costs</b>      | Variable | £0         |
| <b>Other</b>                    | Fixed    | £0         |
| <b>Other</b>                    | Fixed    | £0         |

### Real Growth of Central Management Costs

|                                 | Year 1      |        |
|---------------------------------|-------------|--------|
| <b>Management Admin</b>         | Total Costs | -5.60% |
| <b>Management Admin</b>         | Total Costs | 0.00%  |
| <b>Wardens</b>                  | Total Costs | 0.00%  |
| <b>Site Maintenance/Gardens</b> | Per Unit    | 0.00%  |
| <b>Service Costs</b>            | Total Costs | 0.00%  |
| <b>Other Service Costs</b>      | Per Unit    | 0.00%  |
| <b>Other</b>                    | Total Costs | 0.00%  |
| <b>Other</b>                    | Total Costs | 0.00%  |

## Real Rate Cost Increases (Repair and Maintenance)

|                | <u>Repair Cost</u><br>(Major, Catch-up<br>and Cyclical)<br>% | <u>Maintenance Cost</u><br>(Responsive)<br>% | <u>Other Repair Costs</u><br>% |
|----------------|--------------------------------------------------------------|----------------------------------------------|--------------------------------|
| Year 1         | -5.60%                                                       | -5.60%                                       | -5.60%                         |
| Year 2         | 0.00%                                                        | 0.00%                                        | 0.00%                          |
| Year 3         | 0.00%                                                        | 0.00%                                        | 0.00%                          |
| Year 4         | 0.00%                                                        | 0.50%                                        | 0.00%                          |
| Year 5         | 0.00%                                                        | 0.50%                                        | 0.00%                          |
| Year 6 onwards | 0.00%                                                        | 0.50%                                        | 0.00%                          |

Real rates of increase represent the weighted average rate of increase of all costs within each category



|                                        | Year 0       | Year 1              | Year 2              | Year 3              | Year 4              | Year 5              | Year 6              | Year 7              | Year 8              | Year 9              | Year 10             | Year 11             |
|----------------------------------------|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Saxon Weald</b>                     |              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>INCOME:</b>                         |              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>TRANSFER ASSURED (SECURE)</b>       |              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| House                                  | 1,623        | 1,591               | 1,559               | 1,526               | 1,493               | 1,462               | 1,432               | 1,403               | 1,374               | 1,347               | 1,319               | 1,319               |
| Gross income p.a.£                     | £ 0          | £ 9,215,332         | £ 9,636,597         | £ 9,761,465         | £ 9,891,013         | £ 9,977,094         | £ 10,067,328        | £ 10,158,303        | £ 10,250,024        | £ 10,342,494        | £ 10,435,717        | £ 10,435,717        |
| Flat                                   | 549          | 549                 | 505                 | 483                 | 461                 | 442                 | 423                 | 406                 | 389                 | 374                 | 358                 | 358                 |
| Gross income p.a.£                     | £ 0          | £ 2,467,160         | £ 2,449,468         | £ 2,417,140         | £ 2,391,540         | £ 2,368,445         | £ 2,307,495         | £ 2,278,787         | £ 2,250,314         | £ 2,222,072         | £ 2,194,055         | £ 2,194,055         |
| Sheltered                              | 362          | 362                 | 303                 | 277                 | 254                 | 232                 | 212                 | 194                 | 178                 | 163                 | 149                 | 149                 |
| Gross income p.a.£                     | £ 0          | £ 1,512,554         | £ 1,438,377         | £ 1,355,599         | £ 1,283,786         | £ 1,215,777         | £ 1,145,809         | £ 1,079,868         | £ 1,017,722         | £ 959,152           | £ 903,953           | £ 851,930           |
| PRC House                              | 22           | 22                  | 21                  | 21                  | 20                  | 20                  | 19                  | 19                  | 19                  | 19                  | 18                  | 18                  |
| Gross income p.a.£                     | £ 0          | £ 124,915           | £ 128,917           | £ 130,710           | £ 132,579           | £ 135,739           | £ 137,015           | £ 138,303           | £ 139,603           | £ 140,915           | £ 142,240           | £ 142,240           |
| PRC Flat                               | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0          | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Other                                  | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0          | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>NEW ASSURED (NON RTB)</b>           |              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| House                                  | 595          | 627                 | 659                 | 690                 | 721                 | 751                 | 780                 | 809                 | 837                 | 864                 | 891                 | 891                 |
| Gross income p.a.£                     | £ 0          | £ 3,505,596         | £ 3,885,837         | £ 4,217,080         | £ 4,564,155         | £ 4,925,963         | £ 5,277,496         | £ 5,641,349         | £ 6,017,977         | £ 6,407,777         | £ 6,811,161         | £ 7,228,551         |
| Flat                                   | 987          | 1,009               | 1,030               | 1,050               | 1,070               | 1,088               | 1,106               | 1,123               | 1,139               | 1,154               | 1,169               | 1,169               |
| Gross income p.a.£                     | £ 0          | £ 4,580,623         | £ 4,844,021         | £ 5,090,260         | £ 5,368,488         | £ 5,655,395         | £ 5,922,634         | £ 6,196,574         | £ 6,477,540         | £ 6,765,753         | £ 7,061,438         | £ 7,364,831         |
| Sheltered                              | 1,079        | 1,110               | 1,138               | 1,164               | 1,187               | 1,209               | 1,229               | 1,247               | 1,263               | 1,278               | 1,292               | 1,292               |
| Gross income p.a.£                     | £ 0          | £ 4,775,662         | £ 5,096,966         | £ 5,375,805         | £ 5,683,217         | £ 6,021,364         | £ 6,370,120         | £ 6,861,766         | £ 7,156,721         | £ 7,455,396         | £ 7,758,199         | £ 8,057,999         |
| PRC House                              | 5            | 5                   | 6                   | 6                   | 7                   | 7                   | 8                   | 8                   | 8                   | 8                   | 9                   | 9                   |
| Gross income p.a.£                     | £ 0          | £ 29,938            | £ 34,159            | £ 38,008            | £ 42,044            | £ 46,260            | £ 50,418            | £ 54,727            | £ 59,192            | £ 63,816            | £ 68,607            | £ 73,568            |
| PRC Flat                               | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0          | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Other                                  | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0          | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Shared Ownership Properties            | 56           | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  |
| Shared Own Gross Income p.a. £         | £ 0          | £ 115,868           | £ 119,924           | £ 123,522           | £ 127,845           | £ 132,319           | £ 136,289           | £ 140,378           | £ 144,589           | £ 148,927           | £ 153,394           | £ 157,996           |
| Forecast New Build Properties          | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Forecast New Build Gross Income        | £ 0          | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>SUB-TOTAL RENTAL INCOME</b>         | <b>£ 0</b>   | <b>£ 26,211,781</b> | <b>£ 27,388,318</b> | <b>£ 28,261,198</b> | <b>£ 29,227,274</b> | <b>£ 30,232,324</b> | <b>£ 31,126,999</b> | <b>£ 32,054,478</b> | <b>£ 33,009,590</b> | <b>£ 33,993,161</b> | <b>£ 35,006,037</b> | <b>£ 36,049,091</b> |
| <i>(excl. shared ownership)</i>        |              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>NO. OF UNITS (EXCL. S/O)</b>        | <b>5,222</b> | <b>5,222</b>        | <b>5,221</b>        | <b>5,221</b>        | <b>5,217</b>        | <b>5,213</b>        | <b>5,211</b>        | <b>5,209</b>        | <b>5,209</b>        | <b>5,207</b>        | <b>5,207</b>        | <b>5,205</b>        |
| <b>OTHER INCOME / GARAGES</b>          | £ 0          | £ 735,869           | £ 761,442           | £ 784,128           | £ 811,390           | £ 839,605           | £ 864,636           | £ 890,419           | £ 916,974           | £ 944,327           | £ 972,499           | £ 1,001,518         |
| <b>VOIDS, BAD DEBITS &amp; ARREARS</b> | £ 0          | £ 584,225           | £ 609,855           | £ 629,175           | £ 650,735           | £ 673,153           | £ 693,101           | £ 713,768           | £ 735,050           | £ 756,967           | £ 779,538           | £ 802,782           |
| <b>GRANT INCOME</b>                    | £ 0          | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>RTB / RTA / Sh Own SALES</b>        |              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Houses sold                            | 0            | 0                   | 0                   | 2                   | 2                   | 1                   | 1                   | 0                   | 1                   | 0                   | 1                   | 0                   |
| Flats and Others sold                  | 0            | 1                   | 0                   | 2                   | 2                   | 1                   | 1                   | 0                   | 1                   | 0                   | 1                   | 0                   |
| Sh Own Sales & S/casing                | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Net Income p.a.£                       | £ 0          | £ 37,500            | £ 0                 | £ 321,837           | £ 352,929           | £ 196,052           | £ 208,164           | £ 0                 | £ 233,674           | £ 0                 | £ 261,001           | £ 0                 |
| <b>VACANT UNIT SALES</b>               |              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Houses sold                            | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Flats sold                             | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Sheltered/Other sold                   | 0            | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Net income p.a.£                       | £ 0          | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>TOTAL INCOME</b>                    | <b>£ 0</b>   | <b>£ 26,516,794</b> | <b>£ 27,659,828</b> | <b>£ 28,861,509</b> | <b>£ 29,868,702</b> | <b>£ 30,727,148</b> | <b>£ 31,642,987</b> | <b>£ 32,371,506</b> | <b>£ 33,569,777</b> | <b>£ 34,329,446</b> | <b>£ 35,613,394</b> | <b>£ 36,405,823</b> |



Saxon Weald

INCOME:

**TRANSFER ASSURED (SECURE)**

|                                        | Year 12                | Year 13             | Year 14             | Year 15             | Year 16             | Year 17             | Year 18             | Year 19             | Year 20             | Year 21             | Year 22             | Year 23             |
|----------------------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| House                                  | 1,292                  | 1,267               | 1,241               | 1,216               | 1,192               | 1,168               | 1,145               | 1,122               | 1,100               | 1,078               | 1,056               | 1,035               |
| Gross income p.a.£                     | £ 10,533,813           | £ 10,632,831        | £ 10,732,780        | £ 10,833,668        | £ 10,935,504        | £ 11,038,298        | £ 11,142,058        | £ 11,246,793        | £ 11,352,513        | £ 11,459,227        | £ 11,566,943        | £ 11,675,673        |
| Flat                                   | 343                    | 330                 | 316                 | 304                 | 292                 | 280                 | 269                 | 258                 | 248                 | 238                 | 228                 | 219                 |
| Gross income p.a.£                     | £ 2,169,482            | £ 2,145,183         | £ 2,121,157         | £ 2,097,400         | £ 2,073,909         | £ 2,050,682         | £ 2,027,714         | £ 2,005,004         | £ 1,982,548         | £ 1,960,343         | £ 1,938,387         | £ 1,916,677         |
| Sheltered                              | 136                    | 125                 | 114                 | 104                 | 96                  | 87                  | 80                  | 73                  | 67                  | 61                  | 56                  | 51                  |
| Gross income p.a.£                     | £ 802,902              | £ 756,695           | £ 713,147           | £ 672,105           | £ 633,426           | £ 596,972           | £ 562,616           | £ 530,238           | £ 499,722           | £ 470,963           | £ 443,859           | £ 418,315           |
| PRC House                              | 18                     | 17                  | 17                  | 17                  | 16                  | 16                  | 16                  | 15                  | 15                  | 15                  | 14                  | 14                  |
| Gross income p.a.£                     | £ 5,330,755            | £ 144,927           | £ 146,289           | £ 147,664           | £ 149,052           | £ 150,453           | £ 151,868           | £ 153,295           | £ 154,736           | £ 156,191           | £ 157,659           | £ 159,141           |
| PRC Flat                               | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0                    | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Other                                  | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0                    | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>NEW ASSURED (NON RTB)</b>           |                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| House                                  | 918                    | 943                 | 969                 | 994                 | 1,018               | 1,042               | 1,065               | 1,088               | 1,110               | 1,132               | 1,154               | 1,175               |
| Gross income p.a.£                     | £ 7,660,384            | £ 8,107,192         | £ 8,569,444         | £ 9,047,622         | £ 9,542,224         | £ 10,053,763        | £ 10,582,764        | £ 11,129,774        | £ 11,695,351        | £ 12,280,073        | £ 12,884,535        | £ 13,509,351        |
| Flat                                   | 1,184                  | 1,197               | 1,211               | 1,223               | 1,235               | 1,247               | 1,258               | 1,269               | 1,279               | 1,289               | 1,299               | 1,308               |
| Gross income p.a.£                     | £ 7,676,171            | £ 7,995,838         | £ 8,324,095         | £ 8,661,210         | £ 9,007,459         | £ 9,363,128         | £ 9,728,510         | £ 10,103,907        | £ 10,489,630        | £ 10,886,000        | £ 11,293,346        | £ 11,712,008        |
| Sheltered                              | 1,305                  | 1,316               | 1,327               | 1,337               | 1,345               | 1,354               | 1,361               | 1,368               | 1,374               | 1,380               | 1,385               | 1,390               |
| Gross income p.a.£                     | £ 8,065,532            | £ 8,377,792         | £ 8,695,374         | £ 9,018,671         | £ 9,348,074         | £ 9,683,973         | £ 10,026,757        | £ 10,376,816        | £ 10,734,543        | £ 11,100,330        | £ 11,474,573        | £ 11,857,670        |
| PRC House                              | 9                      | 10                  | 10                  | 10                  | 11                  | 11                  | 11                  | 12                  | 12                  | 12                  | 13                  | 13                  |
| Gross income p.a.£                     | £ 4,367,783            | £ 84,024            | £ 89,530            | £ 95,229            | £ 101,128           | £ 107,232           | £ 113,549           | £ 120,084           | £ 126,844           | £ 133,837           | £ 141,070           | £ 148,549           |
| PRC Flat                               | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0                    | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Other                                  | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Gross income p.a.£                     | £ 0                    | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Shared Ownership Properties            | 56                     | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  | 56                  |
| Shared Own Gross Income p.a. £         | £ 7,103,484            | £ 167,618           | £ 172,647           | £ 177,826           | £ 183,161           | £ 188,656           | £ 194,316           | £ 200,145           | £ 206,149           | £ 212,334           | £ 218,704           | £ 225,265           |
| Forecast New Build Properties          | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Forecast New Build Gross Income        | £ 0                    | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>SUB-TOTAL RENTAL INCOME</b>         | <b>£ 1,620,834,505</b> | <b>£ 37,130,564</b> | <b>£ 38,244,481</b> | <b>£ 39,391,815</b> | <b>£ 41,790,777</b> | <b>£ 43,044,500</b> | <b>£ 44,335,835</b> | <b>£ 45,665,910</b> | <b>£ 47,035,888</b> | <b>£ 48,446,964</b> | <b>£ 49,900,373</b> | <b>£ 51,397,384</b> |
| (excl. shared ownership)               |                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>NO. OF UNITS (EXCL. S/O)</b>        | <b>5,205</b>           | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        | <b>5,205</b>        |
| <b>OTHER INCOME / GARAGES</b>          | £ 44,975,951           | £ 1,031,406         | £ 1,062,191         | £ 1,126,560         | £ 1,160,200         | £ 1,194,849         | £ 1,230,538         | £ 1,267,297         | £ 1,305,159         | £ 1,344,157         | £ 1,384,325         | £ 1,425,698         |
| <b>VOIDS, BAD DEBITS &amp; ARREARS</b> | £ 36,094,399           | £ 826,865           | £ 877,221           | £ 903,538           | £ 930,644           | £ 958,563           | £ 987,320           | £ 1,016,940         | £ 1,047,448         | £ 1,078,872         | £ 1,111,238         | £ 1,144,575         |
| <b>GRANT INCOME</b>                    | £ 0                    | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>RTB / RTA / Sh Own SALES</b>        |                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Houses sold                            | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Flats and Others sold                  | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Sh Own Sales & S/casing                | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Net Income p.a.£                       | £ 1,611,157            | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>VACANT UNIT SALES</b>               |                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Houses sold                            | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Flats sold                             | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Sheltered/Other sold                   | 0                      | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Net Income p.a.£                       | £ 0                    | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>TOTAL INCOME</b>                    | <b>£ 1,638,430,699</b> | <b>£ 37,497,841</b> | <b>£ 38,622,620</b> | <b>£ 39,781,141</b> | <b>£ 42,203,494</b> | <b>£ 43,469,442</b> | <b>£ 44,773,369</b> | <b>£ 46,116,413</b> | <b>£ 47,499,748</b> | <b>£ 48,924,584</b> | <b>£ 50,392,164</b> | <b>£ 51,903,772</b> |



|                                        | Year 24                | Year 25                | Year 26                | Year 27                | Year 28                | Year 29                | Year 30                | Year 31                | Year 32                | Year 33                | Year 34                | Year 35                | Perpetuity          |
|----------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------|
| <b>Saxon Weald</b>                     |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                     |
| <b>INCOME:</b>                         |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                     |
| <b>TRANSFER ASSURED (SECURE)</b>       |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                     |
| House                                  | 1,014                  | 994                    | 974                    | 955                    | 935                    | 917                    | 898                    | 880                    | 863                    | 846                    | 829                    | 812                    |                     |
| Gross income p.a.£                     | £ 11,785,424           | £ 11,896,207           | £ 12,008,031           | £ 12,120,907           | £ 12,234,843           | £ 12,349,851           | £ 12,465,939           | £ 12,583,119           | £ 12,701,401           | £ 12,820,794           | £ 12,941,309           | £ 13,062,958           |                     |
| Flat                                   | 210                    | 202                    | 194                    | 186                    | 179                    | 172                    | 165                    | 158                    | 152                    | 146                    | 140                    | 134                    |                     |
| Gross income p.a.£                     | £ 1,895,210            | £ 1,873,984            | £ 1,852,996            | £ 1,832,242            | £ 1,811,721            | £ 1,791,430            | £ 1,771,366            | £ 1,751,526            | £ 1,731,909            | £ 1,712,512            | £ 1,693,332            | £ 1,674,366            |                     |
| Sheltered                              | 47                     | 43                     | 39                     | 36                     | 33                     | 30                     | 28                     | 25                     | 23                     | 21                     | 19                     | 18                     |                     |
| Gross income p.a.£                     | £ 394,241              | £ 371,553              | £ 350,170              | £ 330,018              | £ 311,025              | £ 293,126              | £ 276,256              | £ 260,358              | £ 245,374              | £ 231,253              | £ 217,944              | £ 205,402              |                     |
| PRC House                              | 14                     | 14                     | 13                     | 13                     | 13                     | 12                     | 12                     | 12                     | 12                     | 12                     | 11                     | 11                     |                     |
| Gross income p.a.£                     | £ 160,637              | £ 162,147              | £ 163,671              | £ 165,209              | £ 166,762              | £ 168,330              | £ 169,912              | £ 171,509              | £ 173,122              | £ 174,749              | £ 176,392              | £ 178,050              |                     |
| PRC Flat                               | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Gross income p.a.£                     | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| Other                                  | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Gross income p.a.£                     | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| <b>NEW ASSURED (NON RTB)</b>           |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                     |
| House                                  | 1,196                  | 1,216                  | 1,236                  | 1,255                  | 1,275                  | 1,293                  | 1,312                  | 1,330                  | 1,347                  | 1,364                  | 1,381                  | 1,398                  |                     |
| Gross income p.a.£                     | £ 402,724,027          | £ 414,155,150          | £ 425,822,584          | £ 438,225,059          | £ 451,324,324          | £ 465,091,501          | £ 479,517,384          | £ 494,603,462          | £ 510,359,342          | £ 526,785,771          | £ 543,892,653          | £ 561,679,986          |                     |
| Flat                                   | 1,317                  | 1,325                  | 1,333                  | 1,341                  | 1,348                  | 1,355                  | 1,362                  | 1,369                  | 1,375                  | 1,381                  | 1,387                  | 1,393                  |                     |
| Gross income p.a.£                     | £ 358,397,531          | £ 368,584,688          | £ 379,839,437          | £ 392,166,963          | £ 405,661,661          | £ 420,333,933          | £ 436,199,198          | £ 453,288,885          | £ 470,603,434          | £ 489,160,302          | £ 508,971,956          | £ 529,147,880          |                     |
| Sheltered                              | 1,394                  | 1,398                  | 1,402                  | 1,405                  | 1,408                  | 1,411                  | 1,413                  | 1,416                  | 1,418                  | 1,420                  | 1,422                  | 1,423                  |                     |
| Gross income p.a.£                     | £ 363,731,455          | £ 370,652,040          | £ 378,652,040          | £ 387,212,040          | £ 396,338,040          | £ 406,026,040          | £ 416,278,040          | £ 427,094,040          | £ 438,472,040          | £ 450,414,040          | £ 462,922,040          | £ 475,496,040          |                     |
| PRC House                              | 13                     | 13                     | 14                     | 14                     | 14                     | 15                     | 15                     | 15                     | 15                     | 15                     | 16                     | 16                     |                     |
| Gross income p.a.£                     | £ 4,367,783            | £ 4,428,282            | £ 4,494,551            | £ 4,566,899            | £ 4,645,355            | £ 4,729,908            | £ 4,820,568            | £ 4,917,333            | £ 5,020,204            | £ 5,129,186            | £ 5,244,276            | £ 5,365,574            |                     |
| PRC Flat                               | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Gross income p.a.£                     | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| Other                                  | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Gross income p.a.£                     | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| Shared Ownership Properties            | 56                     | 56                     | 56                     | 56                     | 56                     | 56                     | 56                     | 56                     | 56                     | 56                     | 56                     | 56                     |                     |
| Shared Own Gross Income p.a. £         | £ 7,103,484            | £ 7,238,984            | £ 7,379,484            | £ 7,525,984            | £ 7,678,484            | £ 7,836,984            | £ 8,001,484            | £ 8,171,984            | £ 8,348,484            | £ 8,530,984            | £ 8,719,484            | £ 8,913,984            |                     |
| Forecast New Build Properties          | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Forecast New Build Gross Income        | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| <b>SUB-TOTAL RENTAL INCOME</b>         | <b>£ 1,620,834,505</b> | <b>£ 1,674,527,485</b> | <b>£ 1,730,163,310</b> | <b>£ 1,786,848,209</b> | <b>£ 1,844,583,655</b> | <b>£ 1,903,371,165</b> | <b>£ 1,963,212,300</b> | <b>£ 2,024,108,669</b> | <b>£ 2,086,061,929</b> | <b>£ 2,149,073,787</b> | <b>£ 2,212,146,000</b> | <b>£ 2,276,280,380</b> |                     |
| (excl. shared ownership)               |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                     |
| <b>NO. OF UNITS (EXCL. S/O)</b>        | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           | <b>5,205</b>           |                     |
| <b>OTHER INCOME / GARAGES</b>          | £ 44,975,951           | £ 1,512,204            | £ 1,557,414            | £ 1,603,979            | £ 1,651,942            | £ 1,701,343            | £ 1,752,226            | £ 1,804,636            | £ 1,858,618            | £ 1,914,220            | £ 1,971,490            | £ 2,030,477            |                     |
| <b>VOIDS, BAD DEBITS &amp; ARREARS</b> | £ 36,094,399           | £ 1,214,279            | £ 1,250,708            | £ 1,288,229            | £ 1,326,876            | £ 1,366,682            | £ 1,407,683            | £ 1,449,913            | £ 1,493,410            | £ 1,538,213            | £ 1,584,359            | £ 1,631,890            |                     |
| <b>GRANT INCOME</b>                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| <b>RTB / RTA / Sh Own SALES</b>        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                     |
| Houses sold                            | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Flats and Others sold                  | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Sh Own Sales & S/casing                | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Net Income p.a.£                       | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| <b>VACANT UNIT SALES</b>               |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                     |
| Houses sold                            | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Flats sold                             | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Sheltered/Other sold                   | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |                     |
| Net income p.a.£                       | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    | £ 0                    |                     |
| <b>TOTAL INCOME</b>                    | <b>£ 1,638,430,699</b> | <b>£ 53,460,729</b>    | <b>£ 55,064,394</b>    | <b>£ 58,417,497</b>    | <b>£ 60,169,865</b>    | <b>£ 61,974,804</b>    | <b>£ 63,833,891</b>    | <b>£ 65,748,751</b>    | <b>£ 67,721,056</b>    | <b>£ 69,752,531</b>    | <b>£ 71,844,950</b>    | <b>£ 74,000,142</b>    | <b>£ 75,850,145</b> |

|                            | Year 0     | Year 1              | Year 2              | Year 3              | Year 4              | Year 5              | Year 6              | Year 7              | Year 8              | Year 9              | Year 10             | Year 11             |
|----------------------------|------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Saxon Weald</b>         |            |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>EXPENDITURE:</b>        |            |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Management / Service costs | £ 0        | £ 3,524,681         | £ 3,647,870         | £ 3,756,587         | £ 3,886,578         | £ 4,021,452         | £ 4,141,302         | £ 4,265,132         | £ 4,392,664         | £ 4,524,011         | £ 4,659,284         | £ 4,798,602         |
| Repairs Admin.             | £ 0        | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Responsive/void Repairs    | £ 0        | £ 2,764,145         | £ 2,846,797         | £ 2,916,849         | £ 3,016,625         | £ 3,120,411         | £ 3,212,790         | £ 3,308,538         | £ 3,407,140         | £ 3,508,681         | £ 3,613,247         | £ 3,720,930         |
| Planned / Major Repairs    | £ 0        | £ 4,271,952         | £ 4,399,690         | £ 4,507,954         | £ 5,952,824         | £ 6,127,881         | £ 6,278,668         | £ 6,434,400         | £ 6,593,994         | £ 7,932,120         | £ 8,128,861         | £ 8,330,482         |
| Cyclical Repairs           | £ 0        | £ 1,260,424         | £ 1,287,814         | £ 1,319,503         | £ 1,358,047         | £ 1,397,984         | £ 1,432,383         | £ 1,467,911         | £ 1,504,320         | £ 1,541,632         | £ 1,579,869         | £ 1,619,055         |
| Other Costs                | £ 0        | £ 493,913           | £ 508,730           | £ 521,448           | £ 389,971           | £ 401,670           | £ 411,712           | £ 422,005           | £ 432,555           | £ 477,375           | £ 489,309           | £ 501,542           |
| Capital Expenditure        | £ 0        | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| Demolition Costs           | £ 0        | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 | £ 0                 |
| <b>TOTAL EXPENDITURE</b>   | <b>£ 0</b> | <b>£ 12,305,116</b> | <b>£ 12,690,901</b> | <b>£ 13,022,342</b> | <b>£ 14,604,045</b> | <b>£ 15,069,398</b> | <b>£ 15,476,855</b> | <b>£ 15,897,986</b> | <b>£ 16,330,673</b> | <b>£ 17,983,818</b> | <b>£ 18,470,571</b> | <b>£ 18,970,611</b> |
| <b>SURPLUS/(DEFICIT)</b>   | <b>£ 0</b> | <b>£ 14,211,678</b> | <b>£ 14,968,928</b> | <b>£ 15,839,167</b> | <b>£ 15,264,657</b> | <b>£ 15,657,750</b> | <b>£ 16,166,132</b> | <b>£ 16,473,520</b> | <b>£ 17,239,104</b> | <b>£ 16,345,629</b> | <b>£ 17,142,823</b> | <b>£ 17,435,212</b> |

| Valuation date                |            |                     |                     |                     |                     |                     |                     |                    |                    |                    |                    |                    |  |
|-------------------------------|------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| 31-Mar-12                     |            |                     |                     |                     |                     |                     |                     |                    |                    |                    |                    |                    |  |
| Vacant Units Let              |            |                     |                     |                     |                     |                     |                     |                    |                    |                    |                    |                    |  |
| Discount Rate (Nominal)       | 8.14%      |                     |                     |                     |                     |                     |                     |                    |                    |                    |                    |                    |  |
| Discount Factor               | 0.96164    |                     |                     |                     |                     |                     |                     |                    |                    |                    |                    |                    |  |
| <b>VALUATION (NET INCOME)</b> | <b>£ 0</b> | <b>£ 13,666,497</b> | <b>£ 13,311,476</b> | <b>£ 13,025,414</b> | <b>£ 11,608,335</b> | <b>£ 11,011,232</b> | <b>£ 10,513,234</b> | <b>£ 9,906,958</b> | <b>£ 9,587,210</b> | <b>£ 8,406,261</b> | <b>£ 8,152,809</b> | <b>£ 7,667,889</b> |  |

**WEIGHTED AVERAGE RENT** £ 0.00 £ 96.53 £ 100.88 £ 104.10 £ 107.74 £ 111.53 £ 114.87 £ 118.34 £ 121.87 £ 125.55 £ 129.29 £ 133.19

| WEIGHTED AVERAGE RENTS |                |        |        |        |        |        |        |        |        |        |        |        |  |
|------------------------|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| House                  | Rents per week | 110.29 | 116.15 | 120.12 | 124.32 | 128.70 | 132.56 | 136.57 | 140.63 | 144.89 | 149.20 | 153.71 |  |
| Flat                   |                | 88.24  | 91.37  | 94.05  | 97.35  | 100.79 | 103.81 | 106.96 | 110.13 | 113.47 | 116.84 | 120.38 |  |
| Sheltered              |                | 83.92  | 87.22  | 89.83  | 92.98  | 96.23  | 99.12  | 102.09 | 105.16 | 108.31 | 111.56 | 114.91 |  |
| PRC House              |                | 110.29 | 116.15 | 120.17 | 124.38 | 128.73 | 132.59 | 136.57 | 140.67 | 144.89 | 149.23 | 153.71 |  |
| PRC Flat               |                | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 |  |
| Other                  |                | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 |  |

| TRANSFER ASSURED (SECURE) |                |          |          |          |          |          |          |          |          |          |          |          |  |
|---------------------------|----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|
| House                     | Rents per week | £ 110.29 | £ 116.15 | £ 120.17 | £ 124.38 | £ 128.73 | £ 132.59 | £ 136.57 | £ 140.67 | £ 144.89 | £ 149.23 | £ 153.71 |  |
| Flat                      |                | £ 88.27  | £ 91.37  | £ 94.12  | £ 97.41  | £ 100.82 | £ 103.84 | £ 106.96 | £ 110.17 | £ 113.47 | £ 116.88 | £ 120.38 |  |
| Sheltered                 |                | £ 79.90  | £ 87.22  | £ 89.83  | £ 92.98  | £ 96.23  | £ 99.12  | £ 102.09 | £ 105.16 | £ 108.31 | £ 111.56 | £ 114.91 |  |
| PRC House                 |                | £ 103.67 | £ 116.15 | £ 120.17 | £ 124.38 | £ 128.73 | £ 132.59 | £ 136.57 | £ 140.67 | £ 144.89 | £ 149.23 | £ 153.71 |  |
| PRC Flat                  |                | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |  |
| Other                     |                | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |  |

| NEW ASSURED (NON RTB) |                |          |          |          |          |          |          |          |          |          |          |          |  |
|-----------------------|----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|
| House                 | Rents per week | £ 110.29 | £ 116.15 | £ 120.17 | £ 124.38 | £ 128.73 | £ 132.59 | £ 136.57 | £ 140.67 | £ 144.89 | £ 149.23 | £ 153.71 |  |
| Flat                  |                | £ 88.27  | £ 91.37  | £ 94.12  | £ 97.41  | £ 100.82 | £ 103.84 | £ 106.96 | £ 110.17 | £ 113.47 | £ 116.88 | £ 120.38 |  |
| Sheltered             |                | £ 83.92  | £ 87.22  | £ 89.83  | £ 92.98  | £ 96.23  | £ 99.12  | £ 102.09 | £ 105.16 | £ 108.31 | £ 111.56 | £ 114.91 |  |
| PRC House             |                | £ 110.29 | £ 116.15 | £ 120.17 | £ 124.38 | £ 128.73 | £ 132.59 | £ 136.57 | £ 140.67 | £ 144.89 | £ 149.23 | £ 153.71 |  |
| PRC Flat              |                | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |  |
| Other                 |                | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |  |

| MARKET RENTS |                |          |          |          |          |          |          |          |          |          |          |          |  |
|--------------|----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|
| House        | Rents per week | £ 188.00 | £ 194.58 | £ 200.42 | £ 207.43 | £ 214.69 | £ 221.13 | £ 227.77 | £ 234.60 | £ 241.64 | £ 248.89 | £ 256.35 |  |
| Flat         |                | £ 141.00 | £ 145.94 | £ 150.31 | £ 155.57 | £ 161.02 | £ 165.85 | £ 170.83 | £ 175.95 | £ 181.23 | £ 186.67 | £ 192.27 |  |
| Sheltered    |                | £ 129.00 | £ 133.52 | £ 137.52 | £ 142.33 | £ 147.32 | £ 151.73 | £ 156.29 | £ 160.98 | £ 165.80 | £ 170.78 | £ 175.90 |  |
| PRC House    |                | £ 188.00 | £ 194.58 | £ 200.42 | £ 207.43 | £ 214.69 | £ 221.13 | £ 227.77 | £ 234.60 | £ 241.64 | £ 248.89 | £ 256.35 |  |
| PRC Flat     |                | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |  |
| Other        |                | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |  |

**Discount rate** 8.14% 0.96164 0.88927 0.82235 0.76047 0.70324 0.65032 0.60139 0.55613 0.51428 0.47558 0.43979

**VALUATION (NET INCOME)** £ 267,611,098 13,666,497 13,311,476 13,025,414 11,608,335 11,011,232 10,513,234 9,906,958 9,587,210 8,406,261 8,152,809 7,667,889



|                                  | Year 12              | Year 13              | Year 14              | Year 15              | Year 16              | Year 17              | Year 18              | Year 19              | Year 20              | Year 21              | Year 22              | Year 23              |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Saxon Weald</b>               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>EXPENDITURE:</b>              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Management / Service costs       | £ 4,942,561          | £ 5,090,837          | £ 5,243,562          | £ 5,400,869          | £ 5,562,895          | £ 5,729,782          | £ 5,901,676          | £ 6,078,726          | £ 6,261,088          | £ 6,448,920          | £ 6,642,388          | £ 6,841,660          |
| Repairs Admin.                   | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  |
| Responsive/void Repairs          | £ 3,832,558          | £ 3,947,534          | £ 4,065,960          | £ 4,187,939          | £ 4,313,577          | £ 4,442,985          | £ 4,576,274          | £ 4,713,562          | £ 4,854,969          | £ 5,000,618          | £ 5,150,637          | £ 5,305,156          |
| Planned / Major Repairs          | £ 8,538,744          | £ 8,752,213          | £ 9,594,293          | £ 9,834,150          | £ 10,080,004         | £ 10,332,004         | £ 10,590,304         | £ 10,857,307         | £ 11,128,739         | £ 11,406,958         | £ 11,692,132         | £ 11,984,435         |
| Cyclical Repairs                 | £ 1,659,531          | £ 1,701,020          | £ 1,743,545          | £ 1,787,134          | £ 1,831,812          | £ 1,877,607          | £ 1,924,547          | £ 1,972,661          | £ 2,021,978          | £ 2,072,527          | £ 2,124,340          | £ 2,177,449          |
| Other Costs                      | £ 514,080            | £ 526,932            | £ 542,920            | £ 556,493            | £ 570,406            | £ 584,666            | £ 599,283            | £ 621,198            | £ 641,728            | £ 662,771            | £ 684,340            | £ 706,449            |
| Capital Expenditure              | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  |
| Demolition Costs                 | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  | £ 0                  |
| <b>TOTAL EXPENDITURE</b>         | <b>£ 19,487,474</b>  | <b>£ 20,018,537</b>  | <b>£ 21,190,281</b>  | <b>£ 21,766,586</b>  | <b>£ 22,358,695</b>  | <b>£ 22,967,044</b>  | <b>£ 23,592,084</b>  | <b>£ 24,443,454</b>  | <b>£ 25,108,502</b>  | <b>£ 25,791,794</b>  | <b>£ 26,493,837</b>  | <b>£ 27,215,148</b>  |
| <b>SURPLUS/(DEFICIT)</b>         | <b>£ 18,010,367</b>  | <b>£ 18,604,083</b>  | <b>£ 18,590,860</b>  | <b>£ 19,207,833</b>  | <b>£ 19,844,800</b>  | <b>£ 20,502,398</b>  | <b>£ 21,181,284</b>  | <b>£ 21,672,959</b>  | <b>£ 22,391,246</b>  | <b>£ 23,132,789</b>  | <b>£ 23,898,327</b>  | <b>£ 24,688,624</b>  |
| <b>Valuation date</b>            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Vacant Units Let</b>          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Discount Rate (Nominal)</b>   | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         |
| <b>Discount Factor</b>           | 0.40670              | 0.37609              | 0.34779              | 0.32162              | 0.29742              | 0.27504              | 0.25434              | 0.23520              | 0.21750              | 0.20113              | 0.18600              | 0.17200              |
| <b>VALUATION (NET INCOME)</b>    | <b>£ 7,324,784</b>   | <b>£ 6,996,876</b>   | <b>£ 6,465,753</b>   | <b>£ 6,177,627</b>   | <b>£ 5,902,197</b>   | <b>£ 5,638,912</b>   | <b>£ 5,387,243</b>   | <b>£ 5,097,488</b>   | <b>£ 4,870,123</b>   | <b>£ 4,652,789</b>   | <b>£ 4,445,049</b>   | <b>£ 4,246,485</b>   |
| <b>WEIGHTED AVERAGE RENT</b>     | <b>£ 137.19</b>      | <b>£ 141.30</b>      | <b>£ 145.54</b>      | <b>£ 149.91</b>      | <b>£ 154.40</b>      | <b>£ 159.04</b>      | <b>£ 163.81</b>      | <b>£ 168.72</b>      | <b>£ 173.78</b>      | <b>£ 179.00</b>      | <b>£ 184.37</b>      | <b>£ 189.90</b>      |
| <b>WEIGHTED AVERAGE RENTS</b>    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| House                            | 158.32               | 163.07               | 167.96               | 173.00               | 178.19               | 183.54               | 189.04               | 194.71               | 200.56               | 206.57               | 212.77               | 219.15               |
| Flat                             | 123.99               | 127.71               | 131.55               | 135.49               | 139.56               | 143.74               | 148.06               | 152.50               | 157.07               | 161.78               | 166.64               | 171.64               |
| Sheltered                        | 118.35               | 121.90               | 125.56               | 129.33               | 133.21               | 137.20               | 141.32               | 145.56               | 149.93               | 154.42               | 159.06               | 163.83               |
| PRC House                        | 158.32               | 163.07               | 167.96               | 173.00               | 178.19               | 183.54               | 189.04               | 194.71               | 200.56               | 206.57               | 212.77               | 219.15               |
| PRC Flat                         | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| Other                            | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| <b>TRANSFER ASSURED (SECURE)</b> |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| (SECURE)                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| House                            | £ 158.32             | £ 163.07             | £ 167.96             | £ 173.00             | £ 178.19             | £ 183.54             | £ 189.04             | £ 194.71             | £ 200.56             | £ 206.57             | £ 212.77             | £ 219.15             |
| Flat                             | £ 123.99             | £ 127.71             | £ 131.55             | £ 135.49             | £ 139.56             | £ 143.74             | £ 148.06             | £ 152.50             | £ 157.07             | £ 161.78             | £ 166.64             | £ 171.64             |
| Sheltered                        | £ 118.35             | £ 121.90             | £ 125.56             | £ 129.33             | £ 133.21             | £ 137.20             | £ 141.32             | £ 145.56             | £ 149.93             | £ 154.42             | £ 159.06             | £ 163.83             |
| PRC House                        | £ 158.32             | £ 163.07             | £ 167.96             | £ 173.00             | £ 178.19             | £ 183.54             | £ 189.04             | £ 194.71             | £ 200.56             | £ 206.57             | £ 212.77             | £ 219.15             |
| PRC Flat                         | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| Other                            | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| <b>NEW ASSURED (NON RTB)</b>     |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| (NON RTB)                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| House                            | £ 158.32             | £ 163.07             | £ 167.96             | £ 173.00             | £ 178.19             | £ 183.54             | £ 189.04             | £ 194.71             | £ 200.56             | £ 206.57             | £ 212.77             | £ 219.15             |
| Flat                             | £ 123.99             | £ 127.71             | £ 131.55             | £ 135.49             | £ 139.56             | £ 143.74             | £ 148.06             | £ 152.50             | £ 157.07             | £ 161.78             | £ 166.64             | £ 171.64             |
| Sheltered                        | £ 118.35             | £ 121.90             | £ 125.56             | £ 129.33             | £ 133.21             | £ 137.20             | £ 141.32             | £ 145.56             | £ 149.93             | £ 154.42             | £ 159.06             | £ 163.83             |
| PRC House                        | £ 158.32             | £ 163.07             | £ 167.96             | £ 173.00             | £ 178.19             | £ 183.54             | £ 189.04             | £ 194.71             | £ 200.56             | £ 206.57             | £ 212.77             | £ 219.15             |
| PRC Flat                         | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| Other                            | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| <b>MARKET RENTS</b>              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| House                            | £ 264.04             | £ 271.97             | £ 280.12             | £ 288.53             | £ 297.18             | £ 306.10             | £ 315.28             | £ 324.74             | £ 334.48             | £ 344.52             | £ 354.85             | £ 365.50             |
| Flat                             | £ 198.03             | £ 203.97             | £ 210.09             | £ 216.40             | £ 222.89             | £ 229.57             | £ 236.46             | £ 243.56             | £ 250.86             | £ 258.39             | £ 266.14             | £ 274.12             |
| Sheltered                        | £ 181.18             | £ 186.61             | £ 192.21             | £ 197.98             | £ 203.92             | £ 210.04             | £ 216.34             | £ 222.83             | £ 229.51             | £ 236.40             | £ 243.49             | £ 250.79             |
| PRC House                        | £ 264.04             | £ 271.97             | £ 280.12             | £ 288.53             | £ 297.18             | £ 306.10             | £ 315.28             | £ 324.74             | £ 334.48             | £ 344.52             | £ 354.85             | £ 365.50             |
| PRC Flat                         | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| Other                            | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               | £ 0.00               |
| <b>Discount rate</b>             | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         | <b>8.14%</b>         |
| <b>VALUATION (NET INCOME)</b>    | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> | <b>£ 267,611,098</b> |



| Saxon Weald                | Year 24      | Year 25      | Year 26      | Year 27      | Year 28      | Year 29      | Year 30      | Year 31      | Year 32      | Year 33      | Year 34      | Year 35      | Perpetuity   |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>EXPENDITURE:</b>        |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Management / Service costs | £ 7,046,910  | £ 7,258,317  | £ 7,476,066  | £ 7,700,348  | £ 7,931,359  | £ 8,169,299  | £ 8,414,378  | £ 8,666,810  | £ 8,926,814  | £ 9,194,619  | £ 9,470,457  | £ 9,754,571  | £ 9,998,435  |
| Repairs Admin.             | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |
| Responsive/void Repairs    | £ 5,464,311  | £ 5,628,240  | £ 5,797,087  | £ 5,971,000  | £ 6,150,130  | £ 6,334,634  | £ 6,524,673  | £ 6,720,413  | £ 6,922,025  | £ 7,129,686  | £ 7,343,577  | £ 7,563,884  | £ 7,790,800  |
| Planned / Major Repairs    | £ 12,486,729 | £ 12,798,898 | £ 13,118,870 | £ 13,446,842 | £ 13,783,013 | £ 14,124,957 | £ 14,474,831 | £ 14,830,477 | £ 15,192,089 | £ 15,558,766 | £ 15,925,513 | £ 16,292,328 | £ 16,659,207 |
| Cyclical Repairs           | £ 2,231,885  | £ 2,287,682  | £ 2,344,874  | £ 2,403,496  | £ 2,463,584  | £ 2,525,173  | £ 2,588,302  | £ 2,653,010  | £ 2,719,335  | £ 2,787,319  | £ 2,857,002  | £ 2,928,427  | £ 3,001,637  |
| Other Costs                | £ 934,980    | £ 958,355    | £ 982,314    | £ 1,006,871  | £ 1,032,043  | £ 1,057,883  | £ 1,084,303  | £ 1,110,815  | £ 1,137,420  | £ 1,164,120  | £ 1,190,915  | £ 1,217,805  | £ 1,244,790  |
| Capital Expenditure        | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |
| Demolition Costs           | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |

**TOTAL EXPENDITURE** £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931 £ 830,804,931

**SURPLUS/(DEFICIT)** £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769 £ 807,625,769

**31-Mar-12**

**8.14%**

**£ 267,611,098**

**WEIGHTED AVERAGE RENT**

| Valuation date          | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 | Year 31 | Year 32 | Year 33 | Year 34 | Year 35 | Perpetuity |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| Vacant Units Let        | 225.73  | 232.50  | 239.47  | 246.66  | 254.06  | 261.68  | 269.53  | 277.62  | 285.94  | 294.52  | 303.36  | 312.46  | 312.46     |
| Discount Rate (Nominal) | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%   | 8.14%      |
| Discount Factor         | 0.15906 | 0.14709 | 0.13602 | 0.12578 | 0.11632 | 0.10757 | 0.09947 | 0.09199 | 0.08506 | 0.07866 | 0.07274 | 0.06727 | 0.06221    |

**TRANSFEE ASSURED (SECURE)**

|           |          |          |          |          |          |          |          |          |          |          |          |          |          |
|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| House     | £ 225.73 | £ 232.50 | £ 239.47 | £ 246.66 | £ 254.06 | £ 261.68 | £ 269.53 | £ 277.62 | £ 285.94 | £ 294.52 | £ 303.36 | £ 312.46 | £ 312.46 |
| Flat      | £ 176.79 | £ 182.09 | £ 187.55 | £ 193.18 | £ 198.97 | £ 204.94 | £ 211.09 | £ 217.42 | £ 223.95 | £ 230.67 | £ 237.59 | £ 244.71 | £ 244.71 |
| Sheltered | £ 168.74 | £ 173.81 | £ 179.02 | £ 184.39 | £ 189.92 | £ 195.62 | £ 201.49 | £ 207.53 | £ 213.76 | £ 220.17 | £ 226.78 | £ 233.58 | £ 233.58 |
| PRC House | £ 225.73 | £ 232.50 | £ 239.47 | £ 246.66 | £ 254.06 | £ 261.68 | £ 269.53 | £ 277.62 | £ 285.94 | £ 294.52 | £ 303.36 | £ 312.46 | £ 312.46 |
| PRC Flat  | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |
| Other     | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |

**NEW ASSURED (NON RTB)**

|           |          |          |          |          |          |          |          |          |          |          |          |          |          |
|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| House     | £ 225.73 | £ 232.50 | £ 239.47 | £ 246.66 | £ 254.06 | £ 261.68 | £ 269.53 | £ 277.62 | £ 285.94 | £ 294.52 | £ 303.36 | £ 312.46 | £ 312.46 |
| Flat      | £ 176.79 | £ 182.09 | £ 187.55 | £ 193.18 | £ 198.97 | £ 204.94 | £ 211.09 | £ 217.42 | £ 223.95 | £ 230.67 | £ 237.59 | £ 244.71 | £ 244.71 |
| Sheltered | £ 168.74 | £ 173.81 | £ 179.02 | £ 184.39 | £ 189.92 | £ 195.62 | £ 201.49 | £ 207.53 | £ 213.76 | £ 220.17 | £ 226.78 | £ 233.58 | £ 233.58 |
| PRC House | £ 225.73 | £ 232.50 | £ 239.47 | £ 246.66 | £ 254.06 | £ 261.68 | £ 269.53 | £ 277.62 | £ 285.94 | £ 294.52 | £ 303.36 | £ 312.46 | £ 312.46 |
| PRC Flat  | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |
| Other     | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |

**MARKET RENTS**

|           |          |          |          |          |          |          |          |          |          |          |          |          |          |
|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| House     | £ 376.46 | £ 387.76 | £ 399.39 | £ 411.37 | £ 423.71 | £ 436.42 | £ 449.52 | £ 463.00 | £ 476.89 | £ 491.20 | £ 505.94 | £ 521.11 | £ 521.11 |
| Flat      | £ 282.35 | £ 290.82 | £ 299.54 | £ 308.53 | £ 317.79 | £ 327.32 | £ 337.14 | £ 347.25 | £ 357.67 | £ 368.40 | £ 379.45 | £ 390.84 | £ 390.84 |
| Sheltered | £ 258.32 | £ 266.07 | £ 274.05 | £ 282.27 | £ 290.74 | £ 299.46 | £ 308.45 | £ 317.70 | £ 327.23 | £ 337.05 | £ 347.16 | £ 357.57 | £ 357.57 |
| PRC House | £ 376.46 | £ 387.76 | £ 399.39 | £ 411.37 | £ 423.71 | £ 436.42 | £ 449.52 | £ 463.00 | £ 476.89 | £ 491.20 | £ 505.94 | £ 521.11 | £ 521.11 |
| PRC Flat  | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |
| Other     | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   | £ 0.00   |

**Discount rate** 8.14%

**VALUATION (NET INCOME)** £ 267,611,098

Page 6 of 9



**Saxon Weald**  
**VALUATION (NET INCOME)**

**PROJECTIONS**

**N.B. DOES NOT<sup>1</sup>**

|                   | Year 12    | Year 13    | Year 14    | Year 15    | Year 16    | Year 17    | Year 18    | Year 19    | Year 20    | Year 21    | Year 22   | Year 23   |
|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------|-----------|
| At end of year 0  | 0.40670    | 0.37609    | 0.34779    | 0.32162    | 0.29742    | 0.27504    | 0.25434    | 0.23520    | 0.21750    | 0.20113    | 0.18600   | 0.17200   |
|                   | 7,324,784  | 6,996,876  | 6,465,753  | 6,177,627  | 5,902,197  | 5,638,912  | 5,387,243  | 5,097,488  | 4,870,123  | 4,662,789  | 4,445,049 | 4,246,485 |
| At end of year 1  | 0.43979    | 0.40670    | 0.37609    | 0.34779    | 0.32162    | 0.29742    | 0.27504    | 0.25434    | 0.23520    | 0.21750    | 0.20113   | 0.18600   |
|                   | 7,920,838  | 7,566,247  | 6,991,903  | 6,680,331  | 6,382,488  | 6,097,778  | 5,825,630  | 5,512,296  | 5,266,429  | 5,031,409  | 4,806,764 | 4,592,043 |
| At end of year 2  | 0.47558    | 0.43979    | 0.40670    | 0.37609    | 0.34779    | 0.32162    | 0.29742    | 0.27504    | 0.25434    | 0.23520    | 0.21750   | 0.20113   |
|                   | 8,565,397  | 8,181,951  | 7,560,869  | 7,223,943  | 6,901,863  | 6,593,985  | 6,299,691  | 5,960,859  | 5,694,985  | 5,440,840  | 5,197,915 | 4,965,720 |
| At end of year 3  | 0.51428    | 0.47558    | 0.43979    | 0.40670    | 0.37609    | 0.34779    | 0.32162    | 0.29742    | 0.27504    | 0.25434    | 0.23520   | 0.21750   |
|                   | 9,262,406  | 8,847,757  | 8,176,135  | 7,811,791  | 7,463,502  | 7,130,570  | 6,812,328  | 6,445,924  | 6,158,414  | 5,883,589  | 5,620,895 | 5,369,805 |
| At end of year 4  | 0.55613    | 0.51428    | 0.47558    | 0.43979    | 0.40670    | 0.37609    | 0.34779    | 0.32162    | 0.29742    | 0.27504    | 0.25434   | 0.23520   |
|                   | 10,016,134 | 9,567,743  | 8,841,468  | 8,447,476  | 8,070,844  | 7,710,820  | 7,366,682  | 6,970,461  | 6,659,555  | 6,362,366  | 6,078,296 | 5,806,773 |
| At end of year 5  | 0.60139    | 0.55613    | 0.51428    | 0.47558    | 0.43979    | 0.40670    | 0.37609    | 0.34779    | 0.32162    | 0.29742    | 0.27504   | 0.25434   |
|                   | 10,831,197 | 10,346,318 | 9,560,943  | 9,134,889  | 8,727,609  | 8,338,288  | 7,966,145  | 7,537,682  | 7,201,477  | 6,880,103  | 6,572,917 | 6,279,300 |
| At end of year 6  | 0.65032    | 0.60139    | 0.55613    | 0.51428    | 0.47558    | 0.43979    | 0.40670    | 0.37609    | 0.34779    | 0.32162    | 0.29742   | 0.27504   |
|                   | 11,712,586 | 11,186,250 | 10,338,964 | 9,878,241  | 9,437,819  | 9,016,817  | 8,614,390  | 8,151,061  | 7,787,497  | 7,439,972  | 7,107,788 | 6,790,278 |
| At end of year 7  | 0.70324    | 0.65032    | 0.60139    | 0.55613    | 0.51428    | 0.47558    | 0.43979    | 0.40670    | 0.37609    | 0.34779    | 0.32162   | 0.29742   |
|                   | 12,665,697 | 12,098,694 | 11,180,298 | 10,682,082 | 10,205,821 | 9,750,560  | 9,315,386  | 8,814,354  | 8,421,204  | 8,045,399  | 7,686,184 | 7,342,836 |
| At end of year 8  | 0.76047    | 0.70324    | 0.65032    | 0.60139    | 0.55613    | 0.51428    | 0.47558    | 0.43979    | 0.40670    | 0.37609    | 0.34779   | 0.32162   |
|                   | 13,696,368 | 13,083,225 | 12,090,094 | 11,551,337 | 11,036,320 | 10,544,012 | 10,073,426 | 9,531,622  | 9,106,480  | 8,700,094  | 8,311,647 | 7,940,360 |
| At end of year 9  | 0.82235    | 0.76047    | 0.70324    | 0.65032    | 0.60139    | 0.55613    | 0.51428    | 0.47558    | 0.43979    | 0.40670    | 0.37609   | 0.34779   |
|                   | 14,810,910 | 14,147,872 | 13,073,926 | 12,491,327 | 11,934,400 | 11,402,031 | 10,893,151 | 10,307,257 | 9,847,520  | 9,408,064  | 8,988,008 | 8,586,506 |
| At end of year 10 | 0.88927    | 0.82235    | 0.76047    | 0.70324    | 0.65032    | 0.60139    | 0.55613    | 0.51428    | 0.47558    | 0.43979    | 0.40670   | 0.37609   |
|                   | 16,016,148 | 15,299,155 | 14,137,816 | 13,507,809 | 12,905,562 | 12,329,871 | 11,779,581 | 11,146,010 | 10,648,862 | 10,173,645 | 9,719,407 | 9,285,233 |

**ATTRIBUTABLE INCOMES FOR OPENING STOCK**

**TRANSFER ASSURED (SECURE)**

|                              |                 |              |              |              |              |              |              |              |              |              |              |              |
|------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| House                        | £ 580,363,803   | £ 13,295,759 | £ 14,105,471 | £ 14,528,635 | £ 14,984,494 | £ 15,413,429 | £ 15,875,832 | £ 16,352,107 | £ 16,842,670 | £ 17,347,950 | £ 17,868,388 | £ 18,404,440 |
| Flat                         | £ 152,176,647   | £ 3,481,763  | £ 3,693,802  | £ 3,804,617  | £ 3,918,755  | £ 4,036,318  | £ 4,157,407  | £ 4,282,129  | £ 4,410,593  | £ 4,542,911  | £ 4,679,198  | £ 4,819,574  |
| Sheltered                    | £ 97,241,003    | £ 2,227,878  | £ 2,363,556  | £ 2,434,463  | £ 2,507,497  | £ 2,582,722  | £ 2,660,203  | £ 2,740,009  | £ 2,822,210  | £ 2,906,876  | £ 2,994,082  | £ 3,083,905  |
| PRC House                    | £ 7,902,513     | £ 181,119    | £ 186,552    | £ 197,913    | £ 203,851    | £ 209,966    | £ 216,265    | £ 222,753    | £ 229,436    | £ 236,319    | £ 243,408    | £ 250,711    |
| PRC Flat                     | £ 0             | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |
| Other                        | £ 0             | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |
| <b>NEW ASSURED (NON RTB)</b> |                 |              |              |              |              |              |              |              |              |              |              |              |
| House                        | £ 213,727,046   | £ 4,898,438  | £ 5,196,752  | £ 5,352,655  | £ 5,513,235  | £ 5,678,632  | £ 5,848,991  | £ 6,024,460  | £ 6,205,194  | £ 6,391,350  | £ 6,583,090  | £ 6,780,583  |
| Flat                         | £ 277,784,810   | £ 6,363,889  | £ 6,751,450  | £ 6,993,994  | £ 7,162,613  | £ 7,377,492  | £ 7,598,816  | £ 7,826,781  | £ 8,061,584  | £ 8,303,432  | £ 8,552,535  | £ 8,809,111  |
| Sheltered                    | £ 289,842,658   | £ 6,640,555  | £ 7,044,964  | £ 7,256,313  | £ 7,474,003  | £ 7,698,223  | £ 7,929,170  | £ 8,167,045  | £ 8,412,056  | £ 8,664,418  | £ 8,924,350  | £ 9,192,081  |
| PRC House                    | £ 1,796,026     | £ 41,163     | £ 43,670     | £ 44,980     | £ 46,330     | £ 47,720     | £ 49,151     | £ 50,626     | £ 52,144     | £ 53,709     | £ 55,320     | £ 56,980     |
| PRC Flat                     | £ 0             | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |
| Other                        | £ 0             | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |
|                              | £ 1,620,834,505 |              |              |              |              |              |              |              |              |              |              |              |

**Saxon Weald**  
**VALUATION (NET INCOME)**

**N.B. DOES NOT<sup>1</sup>**

**PROJECTIONS**

|                   | Year 24   | Year 25   | Year 26   | Year 27   | Year 28   | Year 29   | Year 30   | Year 31   | Year 32   | Year 33   | Year 34   | Year 35   | Perpetuity |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| At end of year 0  | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757   | 0.09947   | 0.09199   | 0.08506   | 0.07866   | 0.07274   | 0.06727   | 0.06221    |
|                   | 4,023,525 | 3,843,861 | 3,672,134 | 3,507,998 | 3,351,123 | 3,400,154 | 3,246,490 | 3,099,715 | 2,959,525 | 2,825,627 | 2,697,740 | 2,575,599 | 44,344,969 |
| At end of year 1  | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757   | 0.09947   | 0.09199   | 0.08506   | 0.07866   | 0.07274   | 0.06727    |
|                   | 4,350,940 | 4,156,655 | 3,970,954 | 3,793,462 | 3,623,820 | 3,676,842 | 3,510,673 | 3,351,954 | 3,200,356 | 3,055,562 | 2,917,269 | 2,785,188 | 51,855,760 |
| At end of year 2  | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757   | 0.09947   | 0.09199   | 0.08506   | 0.07866   | 0.07274    |
|                   | 4,704,997 | 4,494,903 | 4,294,090 | 4,102,155 | 3,918,709 | 3,976,042 | 3,796,354 | 3,624,720 | 3,460,785 | 3,304,208 | 3,154,662 | 3,011,833 | 51,855,760 |
| At end of year 3  | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757   | 0.09947   | 0.09199   | 0.08506   | 0.07866    |
|                   | 5,087,867 | 4,860,676 | 4,643,522 | 4,435,968 | 4,237,594 | 4,299,596 | 4,105,282 | 3,919,681 | 3,742,407 | 3,573,088 | 3,411,372 | 3,256,921 | 56,075,522 |
| At end of year 4  | 0.21750   | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757   | 0.09947   | 0.09199   | 0.08506    |
|                   | 5,501,892 | 5,256,213 | 5,021,389 | 4,796,944 | 4,582,428 | 4,649,475 | 4,439,349 | 4,238,645 | 4,046,945 | 3,863,848 | 3,688,973 | 3,521,953 | 60,638,668 |
| At end of year 5  | 0.23520   | 0.21750   | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757   | 0.09947   | 0.09199    |
|                   | 5,949,608 | 5,683,938 | 5,430,004 | 5,187,296 | 4,955,323 | 5,027,826 | 4,800,601 | 4,583,565 | 4,376,265 | 4,178,269 | 3,989,163 | 3,808,552 | 65,573,139 |
| At end of year 6  | 0.25434   | 0.23520   | 0.21750   | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757   | 0.09947    |
|                   | 6,433,757 | 6,146,468 | 5,871,871 | 5,609,412 | 5,358,562 | 5,436,966 | 5,191,250 | 4,966,553 | 4,732,384 | 4,518,276 | 4,313,781 | 4,118,473 | 70,909,154 |
| At end of year 7  | 0.27504   | 0.25434   | 0.23520   | 0.21750   | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632   | 0.10757    |
|                   | 6,957,304 | 6,646,637 | 6,349,694 | 6,065,878 | 5,794,616 | 5,879,399 | 5,613,688 | 5,359,892 | 5,117,482 | 4,885,950 | 4,664,815 | 4,453,613 | 76,679,386 |
| At end of year 8  | 0.29742   | 0.27504   | 0.25434   | 0.23520   | 0.21750   | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578   | 0.11632    |
|                   | 7,523,455 | 7,187,507 | 6,866,400 | 6,559,489 | 6,266,152 | 6,357,835 | 6,070,502 | 5,796,053 | 5,533,917 | 5,283,545 | 5,044,414 | 4,816,026 | 82,919,171 |
| At end of year 9  | 0.32162   | 0.29742   | 0.27504   | 0.25434   | 0.23520   | 0.21750   | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602   | 0.12578    |
|                   | 8,135,676 | 7,772,390 | 7,425,154 | 7,093,267 | 6,776,061 | 6,875,204 | 6,564,489 | 6,267,707 | 5,984,239 | 5,713,493 | 5,454,904 | 5,207,930 | 89,666,719 |
| At end of year 10 | 0.34779   | 0.32162   | 0.29742   | 0.27504   | 0.25434   | 0.23520   | 0.21750   | 0.20113   | 0.18600   | 0.17200   | 0.15906   | 0.14709   | 0.13602    |
|                   | 8,797,717 | 8,404,869 | 8,029,376 | 7,670,482 | 7,327,462 | 7,434,673 | 7,098,674 | 6,777,742 | 6,471,207 | 6,178,429 | 5,898,796 | 5,631,725 | 96,963,348 |

**ATTRIBUTABLE INCOMES FOR OPENING STOCK**

**TRANSFER ASSURED (SECURE)**

|           |               |              |              |              |              |              |              |              |              |              |              |              |  |
|-----------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| House     | £ 580,363,803 | £ 18,956,573 | £ 20,111,029 | £ 20,714,359 | £ 21,335,790 | £ 21,975,864 | £ 22,635,140 | £ 23,314,194 | £ 24,013,620 | £ 24,734,028 | £ 25,476,049 | £ 26,240,331 |  |
| Flat      | £ 152,176,647 | £ 4,964,162  | £ 5,113,086  | £ 5,424,473  | £ 5,587,208  | £ 5,754,824  | £ 5,927,469  | £ 6,105,293  | £ 6,288,451  | £ 6,477,105  | £ 6,671,418  | £ 6,871,561  |  |
| Sheltered | £ 97,241,003  | £ 3,176,422  | £ 3,369,866  | £ 3,470,962  | £ 3,575,091  | £ 3,682,344  | £ 3,792,814  | £ 3,906,598  | £ 4,023,796  | £ 4,144,510  | £ 4,268,845  | £ 4,396,911  |  |
| PRC House | £ 7,902,513   | £ 258,232    | £ 273,958    | £ 282,177    | £ 290,642    | £ 299,362    | £ 308,342    | £ 317,593    | £ 327,121    | £ 336,934    | £ 347,042    | £ 357,453    |  |
| PRC Flat  | £ 0           | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |  |
| Other     | £ 0           | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |  |

**NEW ASSURED (NON RTB)**

|           |                 |             |             |              |              |              |              |              |              |              |              |              |  |
|-----------|-----------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| House     | £ 213,727,046   | £ 6,984,001 | £ 7,193,521 | £ 7,631,606  | £ 7,860,554  | £ 8,096,371  | £ 8,339,262  | £ 8,589,440  | £ 8,847,123  | £ 9,112,537  | £ 9,385,913  | £ 9,667,490  |  |
| Flat      | £ 277,784,810   | £ 9,073,384 | £ 9,345,586 | £ 9,914,732  | £ 10,212,174 | £ 10,518,539 | £ 10,834,095 | £ 11,159,118 | £ 11,493,892 | £ 11,838,708 | £ 12,193,870 | £ 12,559,686 |  |
| Sheltered | £ 289,842,658   | £ 9,467,843 | £ 9,751,878 | £ 10,345,768 | £ 10,656,141 | £ 10,975,825 | £ 11,305,100 | £ 11,644,253 | £ 11,993,580 | £ 12,353,388 | £ 12,723,989 | £ 13,105,709 |  |
| PRC House | £ 1,796,026     | £ 58,689    | £ 60,450    | £ 64,131     | £ 66,055     | £ 68,037     | £ 70,078     | £ 72,180     | £ 74,346     | £ 76,576     | £ 78,873     | £ 81,239     |  |
| PRC Flat  | £ 0             | £ 0         | £ 0         | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |  |
| Other     | £ 0             | £ 0         | £ 0         | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          | £ 0          |  |
|           | £ 1,620,834,505 |             |             |              |              |              |              |              |              |              |              |              |  |



**Appendix 4**  
**Housing Stock by Type,  
Size and Location**

# APPENDIX 4

## SAXON WEALD

### STOCK NUMBERS BY TYPE AND LOCATION (as at 31.03.12)

| VILLAGES/TOWNS    | GENERAL NEEDS    |            |              |           |          |           | SHELTERED/OAP/WARDEN |            |          |          |            |           | VILLAGE/TOWN TOTALS |            |            |            |          |              |
|-------------------|------------------|------------|--------------|-----------|----------|-----------|----------------------|------------|----------|----------|------------|-----------|---------------------|------------|------------|------------|----------|--------------|
|                   | Houses/Bungalows |            |              | Flats     |          |           | Houses/Bungalows     |            |          | Flats    |            |           |                     |            |            |            |          |              |
|                   | 1 Bed            | 2 Bed      | 3 Bed        | 4 Bed     | 4+Bed    |           | Bedsit               | 1 Bed      | 2 Bed    | 3 Bed    | 3 Bed      | Bedsit    | 1 Bed               | 2 Bed      | 3/4 Bed    |            |          |              |
| Amberley          | 5                | 5          | 13           |           |          |           |                      | 4          | 2        |          |            |           |                     |            |            | 29         |          |              |
| Ashington         |                  | 11         | 30           | 2         |          |           |                      | 7          |          |          |            |           |                     |            |            | 50         |          |              |
| Ashurst           |                  |            | 3            |           |          |           |                      |            |          |          |            |           |                     |            |            | 3          |          |              |
| Billingshurst     | 6                | 34         | 105          | 2         |          |           | 3                    | 53         | 33       |          |            |           | 28                  | 2          |            | 266        |          |              |
| Broadbridge Heath | 1                | 10         | 31           | 1         |          |           | 10                   | 46         |          |          | 12         | 1         |                     |            |            | 120        |          |              |
| Coldwaltham       | 7                | 3          | 16           |           |          |           |                      | 3          | 6        |          | 3          |           |                     |            |            | 38         |          |              |
| Colgate           |                  |            | 2            |           |          |           |                      |            |          |          |            |           |                     |            | 2          | 2          |          |              |
| Cowfold           | 4                | 16         | 13           | 1         |          |           |                      | 7          | 15       |          |            |           |                     |            |            | 56         |          |              |
| Durrington        |                  |            |              |           |          |           |                      |            |          |          |            |           | 24                  | 11         |            | 35         |          |              |
| East Grinstead    |                  |            |              |           |          |           |                      | 2          | 6        |          |            |           |                     |            |            | 8          |          |              |
| Faygate           | 4                | 2          | 6            |           |          |           |                      |            |          |          |            |           |                     |            |            | 12         |          |              |
| Felpham East      |                  |            |              |           |          |           | 7                    |            |          |          |            |           |                     |            |            | 7          |          |              |
| Henfield          | 7                | 41         | 60           |           |          |           | 4                    | 36         | 69       |          | 3          | 24        | 2                   |            | 1          | 300        |          |              |
| Horsham           | 10               | 121        | 665          | 31        |          |           |                      | 283        | 368      | 8        | 99         | 9         | 66                  | 176        | 37         | 1,875      |          |              |
| Itchingfield      |                  | 4          | 17           | 1         |          |           |                      | 3          |          |          |            |           |                     |            |            | 25         |          |              |
| Langney           |                  |            |              |           |          |           |                      |            |          |          |            |           | 17                  | 45         |            | 62         |          |              |
| Lower Beeding     | 7                | 7          | 12           |           |          |           |                      |            |          |          |            |           |                     |            |            | 26         |          |              |
| North Hailsham    |                  | 8          | 2            | 2         |          |           |                      |            |          |          |            |           |                     |            |            | 12         |          |              |
| Nuthurst          |                  | 12         | 13           |           |          |           | 3                    |            |          |          |            |           |                     |            |            | 28         |          |              |
| Partridge Green   |                  | 13         | 13           |           |          |           |                      |            | 3        |          |            |           |                     |            |            | 29         |          |              |
| Peacehaven        |                  | 1          |              |           |          |           |                      |            |          |          |            |           |                     | 18         | 12         | 31         |          |              |
| Pulborough        | 18               | 48         | 112          |           |          |           | 7                    | 46         | 25       |          |            |           | 9                   | 11         |            | 276        |          |              |
| Riverside         |                  | 3          | 5            |           |          |           | 26                   | 27         | 4        |          | 2          | 36        | 127                 | 19         |            | 249        |          |              |
| Rugwick           | 4                | 6          | 22           |           |          |           | 1                    | 6          | 4        |          |            |           |                     |            |            | 43         |          |              |
| Rusper            | 4                | 4          | 6            |           |          |           |                      | 3          |          |          |            |           |                     |            | 17         | 17         |          |              |
| Rusington East    |                  |            |              |           |          |           |                      |            |          |          |            |           | 31                  | 17         |            | 48         |          |              |
| Shermanbury       |                  |            | 3            |           |          |           | 4                    |            |          |          |            |           |                     |            |            | 7          |          |              |
| Shipley           |                  | 5          | 5            | 1         |          |           |                      |            |          |          |            |           |                     |            |            | 11         |          |              |
| Slinfold          |                  | 8          | 20           |           |          |           |                      | 32         | 17       |          | 6          | 6         | 12                  | 4          | 4          | 110        |          |              |
| Southampton       |                  | 9          | 4            |           |          |           | 11                   | 19         | 13       |          | 2          | 3         | 42                  | 196        | 31         | 333        |          |              |
| Southwater        | 3                | 35         | 47           | 2         | 1        |           |                      | 14         | 4        |          | 4          | 4         | 10                  | 14         |            | 138        |          |              |
| Steyning          | 9                | 28         | 58           | 1         |          |           | 7                    | 19         | 57       |          | 4          | 29        | 2                   | 2          | 25         | 241        |          |              |
| Storrington       |                  | 35         | 77           | 3         |          |           |                      | 51         | 60       |          | 2          | 16        | 2                   | 6          |            | 252        |          |              |
| Sullington        |                  | 24         | 76           | 1         |          |           | 4                    | 4          | 38       |          | 6          | 4         | 12                  | 8          | 1          | 178        |          |              |
| Thakeham          |                  |            | 2            |           |          |           |                      |            |          |          |            |           |                     |            |            | 2          |          |              |
| Uckfield North    |                  |            |              |           |          |           |                      |            |          |          |            |           |                     | 17         | 12         | 29         |          |              |
| Upper Beeding     |                  | 9          | 48           |           |          |           |                      |            | 9        |          | 11         | 1         |                     |            |            | 79         |          |              |
| Warnham           | 6                | 16         | 31           | 1         |          |           | 10                   | 27         |          |          |            |           | 8                   |            |            | 99         |          |              |
| Washington        |                  |            | 21           | 1         |          |           |                      |            | 2        |          |            |           |                     |            |            | 24         |          |              |
| West Chillington  |                  | 3          | 20           |           |          |           |                      | 4          |          |          |            |           | 1                   | 20         | 3          | 52         |          |              |
| West Grinstead    |                  | 4          | 5            | 1         |          |           |                      |            |          |          |            |           |                     |            |            | 10         |          |              |
| Westham           |                  | 4          | 2            |           |          |           |                      |            |          |          |            |           |                     |            |            | 6          |          |              |
| Wiston            |                  |            | 2            |           |          |           |                      |            |          |          |            |           |                     |            |            | 2          |          |              |
| Woodmancote       |                  |            | 2            |           |          |           |                      |            |          |          |            |           |                     |            |            | 2          |          |              |
| <b>Totals:</b>    | <b>95</b>        | <b>529</b> | <b>1,569</b> | <b>51</b> | <b>1</b> | <b>97</b> | <b>650</b>           | <b>781</b> | <b>8</b> | <b>9</b> | <b>208</b> | <b>45</b> | <b>3</b>            | <b>196</b> | <b>753</b> | <b>219</b> | <b>8</b> | <b>5,222</b> |

Source: SW



**Appendix 5**  
**Sample Photographs**





**1-24 John Howard Cottages, Roedean Road, Brighton**



**Flats 1-41 Downlands Court, Roundhay Avenue, Peacehaven**





**2 Beckett Way, Lewes**



**Flats 9-12 Huntington Court, Malling Street, Lewes**



**12a-16 Fabians Way, Henfield**



**44 Staples Barn, Henfield**





**28a-c Staples Barn, Henfield**



**91-93 Wantley Hill Estate, Henfield**



**5-7 Middlemead, Steyning**



**1-8 St Cuthman's Road, Steyning**



1-40 Dingemans Court, Shooting Field, Steyning





**29 Meadowside, Storrington**



**81-88 Ravenscroft, Storrington**



37-38 Spierbridge Road, Storrington



7-8 The Green, Storrington



**22-25 Rivermead, Pulborough**



**6-15 Carpenters Meadow, Pulborough**





**17-18 Rectory Close, Pulborough**



**10-12 Spinney North, Pulborough**



**14-24 Forge Way, Billingshurst**



**18-22 Frenches Mead, Billingshurst**



**31-33 Coombe Hill, Billingshurst**



**33-39 Arun Road, Billingshurst**





**18-22 College Road, Southwater**



**22-28 Andrews Road, Southwater**



**54-58 Blackbridge Lane, Horsham**



**7-13 Henderson Way, Horsham**



**Flats 1-8 Aylwin Court, Granary Way, Horsham**



**26-30 Longfield Road, Horsham**





31-33 Elm Grove, Horsham



61-69 Eversfield Road, Horsham



**Flats 1-12 Shermanbury Court, Blenheim Road, Horsham**



**Amundsen Road, Horsham**





**107-110 Cook Road, Horsham**



**55-61 Millthorpe Road, Horsham**



**Flats 2-12 Sleets Road, Broadbridge Heath**



**5-9 Sullington Mead, Broadbridge Heath**





**10-14 Foxfields Cottages, Southwater**



**39-49 Ash Road, Southwater**



**Flats 1-7 Lebern House, 70a Lower Northam Road, Southampton**



**Flats 1-20 Meadow Court, Palmer Road, Emsworth**





**David Lockhart Court, Westwood Road, Southampton**



**Flats 1-44 Alan Chun House, Moore Crescent, Netley, Southampton**



**Leggyfield Court, Redford Avenue, Horsham**



**New Street, Horsham**





**Abbotswood, Station Road, Rustington**



**Cranbrook, Pembury Road, Eastbourne**





**Norman Close, Hailsham**



**Skylark House, Green Meadows, Pulborough**



**Chamberlayne House, Robin Close, Netley**



**Appendix 6**  
Land Registry -  
Horsham District  
House Price Movements

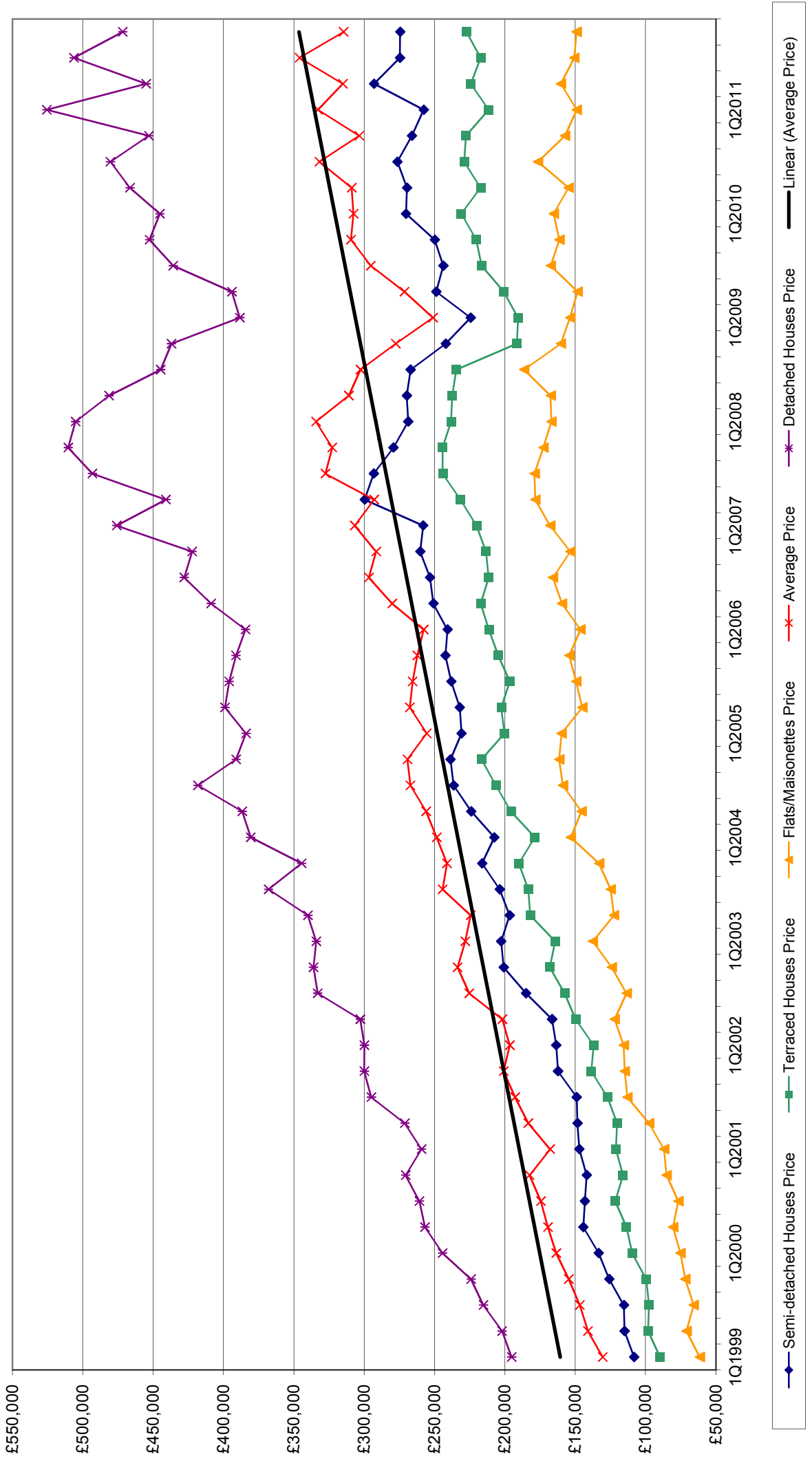
# Average Property Prices in Horsham District

Source: Land Registry

|        | Detached Houses |                 |                 | Semi-detached Houses |                |                 | Terraced Houses |                     |                | Flats/Maisonettes |                 |                     | Average        |                 | Total           |                     |
|--------|-----------------|-----------------|-----------------|----------------------|----------------|-----------------|-----------------|---------------------|----------------|-------------------|-----------------|---------------------|----------------|-----------------|-----------------|---------------------|
|        | Price           | Sold            | Price Index     | Price                | Sold           | Price Index     | Price           | Sold                | Price Index    | Price             | Sold            | Price Index         | Price          | Sold            |                 | Price Index         |
| 1Q1999 | £195,181        | 212             | 100.00          | £108,182             | 139            | 100.00          | £89,714         | 115                 | 100.00         | £61,482           | 86              | 100.00              | £130,471       | 552             | 100.00          |                     |
| 2Q1999 | £202,008        | 342             | 103.50          | £114,936             | 139            | 106.24          | £98,254         | 209                 | 109.52         | £70,914           | 119             | 115.34              | £140,960       | 809             | 108.04          |                     |
| 3Q1999 | £215,243        | 474             | 110.28          | £115,337             | 253            | 106.61          | £97,608         | 232                 | 108.80         | £65,816           | 162             | 107.05              | £146,755       | 1,121           | 112.48          |                     |
| 4Q1999 | £223,990        | 435             | 114.76          | £125,759             | 206            | 116.25          | £99,475         | 193                 | 110.88         | £71,789           | 165             | 116.76              | £154,540       | 999             | 118.45          |                     |
| 1Q2000 | £244,251        | 283             | 125.14          | £133,291             | 159            | 123.21          | £109,472        | 137                 | 122.02         | £75,234           | 121             | 122.37              | £163,453       | 700             | 125.28          |                     |
| 2Q2000 | £256,793        | 330             | 131.57          | £144,222             | 205            | 133.31          | £113,573        | 179                 | 126.59         | £80,474           | 154             | 130.89              | £169,389       | 868             | 129.83          |                     |
| 3Q2000 | £260,744        | 300             | 133.59          | £143,119             | 186            | 132.29          | £121,579        | 149                 | 135.52         | £76,687           | 125             | 124.73              | £174,401       | 760             | 133.67          |                     |
| 4Q2000 | £270,517        | 275             | 138.60          | £141,786             | 169            | 131.06          | £115,998        | 123                 | 129.30         | £85,078           | 94              | 138.38              | £182,480       | 661             | 139.86          |                     |
| 1Q2001 | £259,247        | 190             | 132.82          | £147,050             | 122            | 135.93          | £120,970        | 120                 | 134.84         | £86,867           | 114             | 141.29              | £167,795       | 546             | 128.61          |                     |
| 2Q2001 | £271,099        | 375             | 138.90          | £148,379             | 207            | 137.16          | £120,225        | 192                 | 134.01         | £97,539           | 158             | 158.65              | £183,338       | 932             | 140.52          |                     |
| 3Q2001 | £294,897        | 375             | 151.09          | £148,972             | 255            | 137.70          | £126,963        | 221                 | 141.52         | £112,903          | 158             | 183.64              | £192,737       | 1,009           | 147.72          |                     |
| 4Q2001 | £299,911        | 276             | 153.66          | £162,216             | 165            | 149.95          | £138,582        | 157                 | 154.47         | £114,850          | 130             | 186.80              | £200,864       | 728             | 153.95          |                     |
| 1Q2002 | £299,881        | 260             | 153.64          | £163,521             | 173            | 151.15          | £136,839        | 156                 | 152.53         | £115,525          | 147             | 187.90              | £196,450       | 736             | 150.57          |                     |
| 2Q2002 | £302,794        | 372             | 155.13          | £166,440             | 248            | 153.85          | £149,652        | 274                 | 166.81         | £122,007          | 182             | 198.44              | £201,790       | 1,076           | 154.66          |                     |
| 3Q2002 | £333,057        | 438             | 170.64          | £184,986             | 253            | 171.00          | £157,470        | 257                 | 175.52         | £113,480          | 175             | 184.57              | £225,298       | 1,123           | 172.68          |                     |
| 4Q2002 | £336,034        | 367             | 172.17          | £200,821             | 202            | 185.63          | £168,002        | 221                 | 187.26         | £124,023          | 150             | 201.72              | £233,641       | 940             | 179.07          |                     |
| 1Q2003 | £334,096        | 217             | 171.17          | £202,657             | 156            | 187.33          | £164,188        | 140                 | 183.01         | £137,518          | 111             | 223.67              | £228,148       | 624             | 174.86          |                     |
| 2Q2003 | £340,013        | 208             | 174.20          | £196,605             | 149            | 181.74          | £181,940        | 165                 | 202.80         | £122,439          | 127             | 199.15              | £224,325       | 649             | 171.93          |                     |
| 3Q2003 | £367,922        | 301             | 188.50          | £203,673             | 194            | 188.27          | £183,340        | 207                 | 204.36         | £124,796          | 140             | 202.98              | £244,275       | 842             | 187.23          |                     |
| 4Q2003 | £344,518        | 370             | 176.51          | £216,213             | 235            | 199.86          | £190,045        | 270                 | 211.83         | £133,049          | 172             | 216.40              | £241,145       | 1,047           | 184.83          |                     |
| 1Q2004 | £380,633        | 252             | 195.02          | £207,521             | 159            | 191.83          | £178,719        | 167                 | 199.21         | £153,150          | 159             | 249.10              | £248,456       | 737             | 190.43          |                     |
| 2Q2004 | £386,678        | 301             | 198.11          | £223,911             | 231            | 206.98          | £195,639        | 196                 | 218.07         | £145,539          | 182             | 236.72              | £255,986       | 910             | 196.20          |                     |
| 3Q2004 | £418,219        | 283             | 214.27          | £236,407             | 242            | 218.53          | £206,388        | 208                 | 230.05         | £158,757          | 209             | 258.22              | £267,171       | 942             | 204.77          |                     |
| 4Q2004 | £391,083        | 223             | 200.37          | £238,634             | 150            | 220.59          | £216,601        | 140                 | 241.44         | £161,381          | 141             | 262.48              | £269,244       | 654             | 206.36          |                     |
| 1Q2005 | £384,014        | 155             | 196.75          | £230,856             | 124            | 213.40          | £200,216        | 124                 | 231.17         | £159,706          | 104             | 259.76              | £255,591       | 507             | 195.90          |                     |
| 2Q2005 | £398,937        | 225             | 204.39          | £232,050             | 174            | 214.50          | £202,564        | 148                 | 225.79         | £144,963          | 112             | 235.78              | £267,607       | 659             | 205.11          |                     |
| 3Q2005 | £396,006        | 270             | 202.89          | £238,103             | 201            | 220.09          | £196,520        | 189                 | 219.05         | £149,309          | 143             | 242.85              | £265,596       | 803             | 203.57          |                     |
| 4Q2005 | £391,168        | 257             | 200.41          | £242,225             | 189            | 223.91          | £204,699        | 196                 | 228.17         | £154,162          | 167             | 250.74              | £262,270       | 809             | 201.02          |                     |
| 1Q2006 | £384,401        | 215             | 196.95          | £240,745             | 155            | 222.54          | £211,361        | 156                 | 235.59         | £146,291          | 156             | 237.94              | £257,706       | 682             | 197.52          |                     |
| 2Q2006 | £408,813        | 301             | 209.45          | £250,762             | 226            | 231.80          | £217,189        | 206                 | 242.09         | £159,452          | 159             | 259.35              | £280,066       | 892             | 214.66          |                     |
| 3Q2006 | £427,910        | 360             | 219.24          | £253,210             | 236            | 234.06          | £211,541        | 183                 | 235.79         | £165,858          | 164             | 269.77              | £296,626       | 943             | 227.35          |                     |
| 4Q2006 | £422,312        | 268             | 216.37          | £260,175             | 206            | 240.50          | £213,433        | 144                 | 237.90         | £153,455          | 126             | 249.59              | £291,459       | 744             | 223.39          |                     |
| 1Q2007 | £475,918        | 228             | 243.83          | £258,059             | 161            | 238.54          | £220,129        | 153                 | 245.37         | £167,805          | 126             | 272.93              | £306,707       | 668             | 235.08          |                     |
| 2Q2007 | £440,988        | 243             | 225.94          | £299,651             | 193            | 276.99          | £231,515        | 182                 | 258.06         | £178,397          | 228             | 290.16              | £292,911       | 846             | 224.50          |                     |
| 3Q2007 | £493,214        | 318             | 252.70          | £293,187             | 205            | 271.01          | £244,182        | 187                 | 272.18         | £178,929          | 202             | 291.03              | £327,578       | 912             | 251.07          |                     |
| 4Q2007 | £510,376        | 219             | 261.49          | £279,224             | 176            | 258.11          | £244,301        | 143                 | 272.31         | £172,633          | 148             | 280.79              | £322,741       | 686             | 247.37          |                     |
| 1Q2008 | £505,153        | 167             | 258.81          | £268,691             | 94             | 248.37          | £238,280        | 87                  | 265.60         | £166,978          | 84              | 271.59              | £334,199       | 432             | 256.15          |                     |
| 2Q2008 | £481,341        | 157             | 246.61          | £269,721             | 124            | 249.32          | £237,392        | 109                 | 264.61         | £167,467          | 95              | 272.38              | £310,930       | 485             | 238.31          |                     |
| 3Q2008 | £444,651        | 117             | 227.81          | £267,001             | 89             | 246.81          | £234,597        | 66                  | 261.49         | £186,331          | 77              | 303.07              | £302,631       | 349             | 231.95          |                     |
| 4Q2008 | £437,005        | 121             | 223.90          | £242,029             | 86             | 223.72          | £191,444        | 66                  | 213.39         | £160,242          | 90              | 260.63              | £277,546       | 363             | 212.73          |                     |
| 1Q2009 | £388,400        | 82              | 198.99          | £224,352             | 67             | 207.38          | £190,497        | 50                  | 212.34         | £153,685          | 66              | 249.97              | £251,126       | 265             | 192.48          |                     |
| 2Q2009 | £394,029        | 150             | 201.88          | £248,762             | 106            | 229.95          | £200,736        | 103                 | 223.75         | £148,302          | 71              | 241.21              | £271,345       | 430             | 207.97          |                     |
| 3Q2009 | £435,777        | 210             | 223.27          | £243,756             | 141            | 225.32          | £216,477        | 141                 | 241.30         | £167,425          | 87              | 272.32              | £295,288       | 579             | 226.32          |                     |
| 4Q2009 | £452,554        | 236             | 231.86          | £249,830             | 129            | 230.93          | £220,254        | 115                 | 245.51         | £161,244          | 107             | 262.26              | £309,392       | 587             | 237.13          |                     |
| 1Q2010 | £445,237        | 150             | 228.11          | £270,296             | 111            | 249.85          | £231,004        | 93                  | 257.49         | £165,295          | 66              | 268.85              | £307,574       | 420             | 235.74          |                     |
| 2Q2010 | £466,491        | 192             | 239.00          | £269,557             | 123            | 249.17          | £217,257        | 116                 | 242.17         | £154,731          | 96              | 251.67              | £308,876       | 527             | 236.74          |                     |
| 3Q2010 | £480,395        | 250             | 246.13          | £276,363             | 166            | 255.46          | £228,865        | 128                 | 255.11         | £176,497          | 95              | 287.07              | £331,826       | 639             | 254.33          |                     |
| 4Q2010 | £453,063        | 168             | 232.12          | £266,077             | 132            | 245.95          | £227,599        | 131                 | 253.69         | £157,206          | 70              | 255.69              | £303,506       | 501             | 232.62          |                     |
| 1Q2011 | £525,600        | 126             | 269.29          | £257,657             | 76             | 238.17          | £211,458        | 68                  | 235.70         | £148,909          | 56              | 242.20              | £332,901       | 326             | 255.15          |                     |
| 2Q2011 | £454,963        | 169             | 233.10          | £292,980             | 111            | 270.82          | £224,164        | 100                 | 249.87         | £160,187          | 78              | 260.54              | £315,110       | 458             | 241.52          |                     |
| 3Q2011 | £506,323        | 243             | 259.41          | £274,587             | 123            | 253.82          | £217,159        | 119                 | 242.06         | £150,619          | 76              | 244.98              | £345,989       | 561             | 265.18          |                     |
| 4Q2011 | £471,685        | 184             | 241.67          | £274,425             | 146            | 253.67          | £227,128        | 102                 | 253.17         | £149,050          | 85              | 242.43              | £314,685       | 517             | 241.19          |                     |
|        | <b>Average</b>  | <b>Price in</b> | <b>No. Sold</b> | <b>Year-on-Year</b>  | <b>Average</b> | <b>Price in</b> | <b>No. Sold</b> | <b>Year-on-Year</b> | <b>Average</b> | <b>Price in</b>   | <b>No. Sold</b> | <b>Year-on-Year</b> | <b>Average</b> | <b>Price in</b> | <b>No. Sold</b> | <b>Year-on-Year</b> |
|        |                 | <b>Year</b>     | <b>in Year</b>  | <b>Change</b>        |                | <b>Year</b>     | <b>in Year</b>  | <b>Change</b>       |                | <b>Year</b>       | <b>in Year</b>  | <b>Change</b>       |                | <b>Year</b>     | <b>in Year</b>  | <b>Change</b>       |
| 1999   | £211,843        | 1,463           |                 |                      | £116,825       | 737             |                 |                     | £97,057        | 749               |                 |                     | £68,108        | 532             |                 |                     |
| 2000   | £257,980        | 1,188           | 21.78%          |                      | £140,947       | 719             | 20.65%          |                     | £115,153       | 588               | 18.64%          |                     | £79,108        | 494             | 16.15%          |                     |
| 2001   | £283,126        | 1,216           | 9.75%           |                      | £151,413       | 749             | 7.43%           |                     | £126,690       | 690               | 10.02%          |                     | £103,720       | 560             | 31.11%          |                     |
| 2002   | £319,980        | 1,437           | 13.02%          |                      | £179,148       | 876             | 18.32%          |                     | £154,130       | 908               | 21.66%          |                     | £118,731       | 654             | 14.47%          |                     |
| 2003   | £348,027        | 1,096           | 8.77%           |                      | £206,037       | 734             | 15.01%          |                     | £181,931       | 782               | 18.04%          |                     | £129,400       | 550             | 8.99%           |                     |
| 2004   | £394,596        | 1,059           | 13.38%          |                      | £227,270       | 782             | 10.31%          |                     | £198,937       | 711               | 9.35%           |                     | £154,521       | 691             | 19.41%          |                     |
| 2005   | £393,313        | 907             | -0.33%          |                      | £236,398       | 688             | 4.02%           |                     | £201,019       | 657               | 1.05%           |                     | £151,980       | 526             | -1.64%          |                     |
| 2006   | £413,397        | 1,144           | 5.11%           |                      | £251,934       | 823             | 6.57%           |                     | £213,584       | 689               | 6.25%           |                     | £156,546       | 605             | 3.00%           |                     |
| 2007   | £480,440        | 1,008           | 16.22%          |                      | £283,846       | 735             | 12.67%          |                     | £235,207       | 665               | 10.12%          |                     | £175,442       | 704             | 12.07%          |                     |
| 2008   | £471,233        | 562             | -1.92%          |                      | £262,799       | 393             | -7.42%          |                     | £227,819       | 328               | -3.14%          |                     | £169,667       | 346             | -3.29%          |                     |
| 2009   | £426,651        | 678             | -9.46%          |                      | £243,788       | 443             | -7.23%          |                     | £210,399       | 409               | -7.65%          |                     | £158,585       | 331             | -6.53%          |                     |
| 2010   | £463,902        | 760             | 8.73%           |                      | £270,971       | 532             | 11.15%          |                     | £226,058       | 468               | 7.44%           |                     | £163,716       | 327             | 3.24%           |                     |
| 2011   | £488,838        | 722             | 5.38%           |                      | £276,191       | 456             | 1.93%           |                     | £220,577       | 389               | -2.42%          |                     | £152,372       | 295             | -6.93%          |                     |

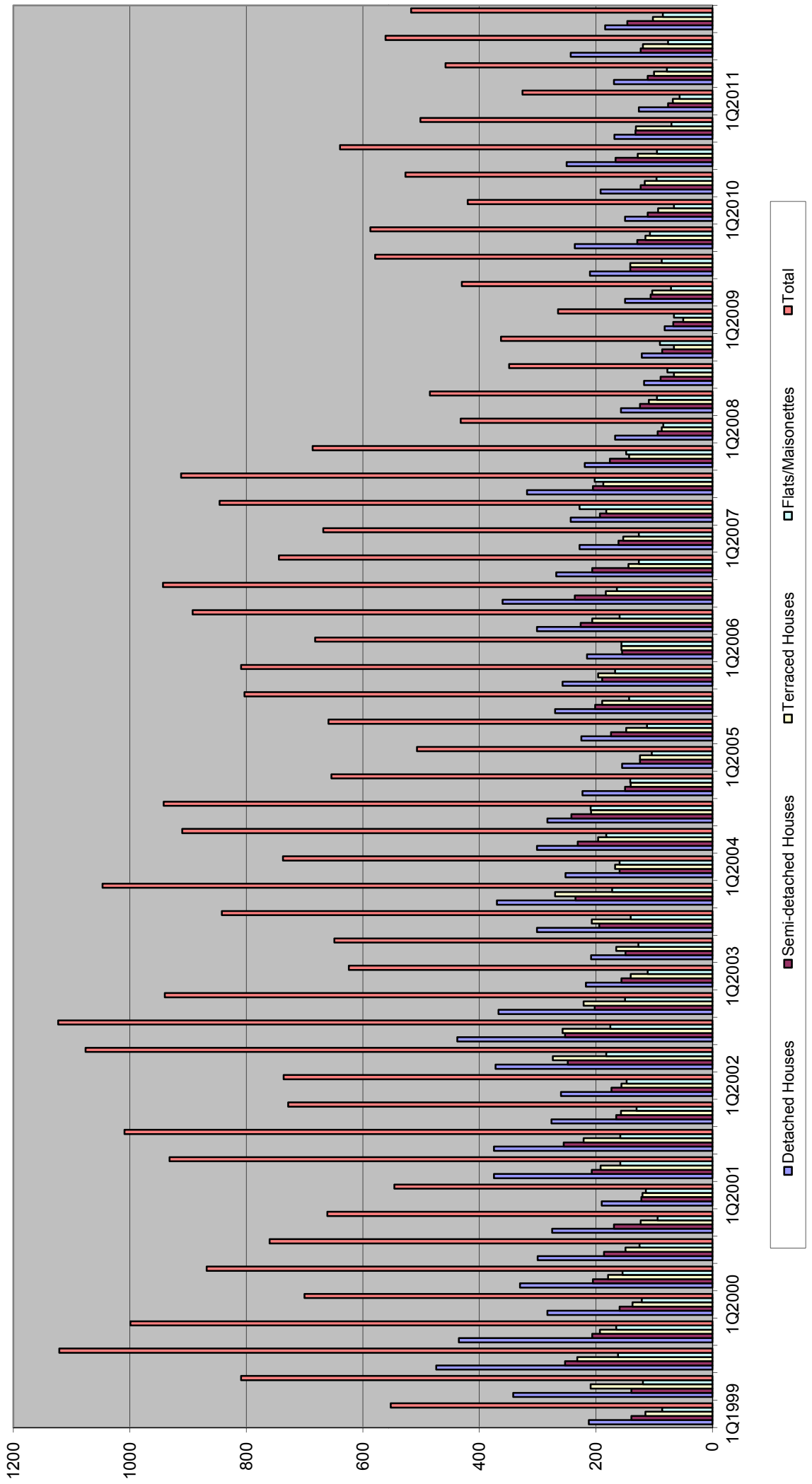
# Average Property Prices in Horsham District

Source: Land Registry



# Horsham District - Annual Property Sales

Source: Land Registry





**Appendix 7**  
Address List





## **SAXON WEALD**

### **STOCK VALUATION 2012**

**A detailed address list of the Company's housing stock as at 31 March 2012 is held at Savills' office at 37-39 Perrymount Road, Haywards Heath, West Sussex RH16 3BN and is also available electronically.**



**Appendix 8**  
**General Valuation**  
**Assumptions & Definitions**

## **GENERAL ASSUMPTIONS, NOTIFICATIONS, DEFINITIONS & BASES OF VALUATION**

### **1.0 General Assumptions & Notifications**

- 1.1 Unless it is made apparent by an express statement to the contrary in the report, we have made the following general assumptions and we will have been under no duty to have verified these:-
- 1.1.1 The information supplied to us and summarised in this report is substantially complete and correct.
- 1.1.2 The property is not subject to any unusual or onerous conditions or restrictions, encumbrances or outgoings and that good title can be shown free of any mortgages or charges.
- 1.1.3 The property and its value are unaffected by any matters which will be revealed by a local search (or their national equivalent) and replies to the usual enquiries, or by a statutory notice and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- 1.1.4 Planning consent and statutory approvals for the property and for its current use, including any extensions or alterations, have been obtained.
- 1.1.5 Any interpretations of the law we may have made are presumed to be correct although we would recommend that any such interpretations are checked by solicitors.
- 1.1.6 We have not carried out a structural survey nor tested the services. We have therefore assumed that both the parts that we have inspected and those that we were unable to inspect have no material defects which would cause us to alter our valuation.
- 1.1.7 In the construction or alteration of the property no use was made of any deleterious or potentially dangerous materials or techniques.
- 1.1.8 The property is connected to mains services which are available on normal terms and that the sewers, mains services and the roads giving access to the property have been adopted.
- 1.1.9 In the case of a new property, the construction of which has not been completed, the construction will be satisfactorily complete. Furthermore, for any newly constructed property, the builder is a registered member of the NHBC or equivalent and has registered the subject property in accordance with the scheme concerned.
- 1.1.10 Unless otherwise instructed any development value has been excluded from our valuation(s).
- 1.1.11 Our valuation does not include any value attributable to the existence of furnishings, removable fittings, free-standing furniture or sales incentives.

- 1.1.12 The property is not subject to land contamination, flooding risk, unstable ground conditions or any other environmental risks. We have not carried out any related tests nor made any other investigations relating to these environmental factors and we have not assessed the likelihood of their potential relevance. (We recommend these risks are investigated by suitable professionals prior to relying upon our valuations).
- 1.1.13 We have not made any allowance for Capital Gains Tax, VAT or other taxation liabilities that might arise upon a sale of the property.
- 1.1.14 It is for the lender to assess the risk involved and to make their own assessment and fix the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of capital and the interest rate.
- 1.1.15 The tenants are capable of meeting their obligations and that there are no arrears of rent or undisclosed breaches of covenant.
- 1.1.16 The highest bidder would account for increasing rents (where applicable) to the maximum possible amount and/or maximising their investment return (in financial terms).
- 1.1.17 In the case of a site or development property - there are no adverse site conditions, that it is not adversely affected by the Town and Country Planning (Assessment of Environment Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there are any other matters that would cause us to make any allowance for exceptional delay, site or construction costs in our valuation.
- 1.1.18 Where grants (from the private or public sector) have been given and/or pledged to purchase, build and/or refurbish the subject property, we have assumed that these grants append to title and/or would not have to be repaid by the purchaser.
- 1.1.19 Unless otherwise stated, we provide our valuations exclusive of purchase costs (e.g. legals, stamp duty, introductory fees etc).
- 1.1.20 Unless otherwise stated, we provide our opinions of value (for all valuation bases) on an individual property and/or aggregate property basis (i.e. with no discount for bulk sales).
- 1.1.21 Our opinions of value do not take into account any potential reduction in value or restrictions on disposal which may result from the service of a notice under the Leasehold Reform Housing and Urban Development Act 1993.
- 1.1.22 Our report is only provided for the purpose agreed with the instructing Client and will be for the sole use of that client. As such, it is confidential to the Client and their professional advisors.
- 1.1.23 Should you require a formal Building Reinstatement Cost Assessment for insurance purposes, prepared by a member of our Building Consultancy Department, based on a detailed inspection for such purposes, we would be pleased to make the necessary arrangements.
- 1.1.24 Where we have provided valuation projections, these are purely indicative as we are not able or permitted to state what values will be in the future. As such, these indications should not be formally relied upon.

- 1.1.25 The value of a property portfolio, sold as a single portfolio, may not be the same as the aggregate value of constituent parts. Where we have qualified our valuation basis with the words 'as a single portfolio', we have provided a value reflecting a sale of the property as a single portfolio. Where we have qualified using the words 'aggregate', we have provided the aggregate total of the property's constituent units/parts.
- 1.1.26 The value of a property subject to tenancies may not be the same as the value of a property with vacant possession.

## **2.0 Definitions**

### **2.1 Assumption**

A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by the member as part of the valuation process.

### **2.2 External Valuer**

A valuer who, together with any associates, has no material links with the client company or the subject of the assignment.

### **2.3 Independent Valuer**

A valuer who meets the specific requirements of independence, prescribed by law or regulation, for particular valuation tasks in certain States.

### **2.4 Likely Realisation Price Subject To Marketing Constraints And Forced Sales (formerly Estimated Restricted Realisation Price).**

- 2.4.1 If a property cannot be freely or adequately presented to the market, the price is likely to be adversely affected.
- 2.4.2 If such a constraint can be identified it is normally possible to assess its impact on value but the value reported would not, by definition, be Market Value (see Bases of Valuation).
- 2.4.3 In these instances, the price will reflect the vendor's particular circumstances and the figure reported will be an assessment of Worth (see below).
- 2.4.4 Examples of Marketing Constraints would be where the property is to some extent controlled by a third party and that party's co-operation in a sale can not be guaranteed or a sale which has to be completed without proper marketing.

### **2.5 Restricted Information**

- 2.5.1 Where a valuer is requested to undertake a valuation on the basis of restricted information the nature of the restriction must be agreed, and the possible valuation implications of the restriction confirmed in writing to the client, before the valuation is reported.
- 2.5.2 Examples of restricted information would include a "drive by" or "desktop" valuation.

## 2.6 **Special Assumption**

An assumption that either:

- a) Requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or
- b) Is one that a prospective purchaser (excluding a purchaser with special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.

## 2.7 **Valuation**

A member's opinion of the value of a specified interest or interests in a property, at the date of valuation, given in writing.

## 2.8 **Worth (Or Investment Value).**

The assessment of value of property to a particular investor, or class of investors, for identified investment objectives. In this context an investor includes an owner-occupier. Worth is not a Basis of Valuation.

## 3.0 **Bases of Valuation**

3.1 Our valuation is carried out in accordance with the current Royal Institution of Chartered Surveyors Appraisal and Valuation Manual ("Red Book") with effect from 1st May 2003 which states:-

### 3.1.1 **Existing Use Value for Social Housing (EUV -SH) means:-**

'Existing Use Value for Social Housing (EUV-SH) is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further Assumptions that:

- i) the property will continue to be let by a body pursuant to delivery of a service for the existing use;
- ii) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organizations intending to manage their housing stock in accordance with that regulatory body's requirements;
- iii) 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
- iv) any subsequent sale would be subject to all of the above Assumptions.'

### 3.1.2 **Market Value (MV) means:-**

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

***N.B.** An opinion of Market Value may be required assuming vacant possession and/or subject to existing tenancies. Within our reports we differentiate in this regard by using the terminology - Market Value (vacant possession) and/or Market Value (subject to tenancies).*

### 3.1.3 **Market Rent (MR) means:-**

The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.

### 3.1.4 **Existing Use Value (EUV) means:-**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

### 3.2 Where we have provided a **Reinstatement Cost Assessment**, the following standard conditions have applied:-

- (a) The estimate will be based solely on the inspection of the property (and/or layout plans) undertaken in connection with the preparation of open market valuations.
- (b) The estimate will not constitute a formal Building Reinstatement Cost Assessment, and must not be relied upon as such.
- (c) The estimate will be given as a guide for the construction of an identical building, constructed of modern materials.
- (d) The estimate will be given on a day one basis and, therefore, we recommend that appropriate allowance is made for any increase in building costs which may arise during the period of insurance or during any period of rebuilding and any period necessary for design and obtaining necessary consents prior to such rebuilding.
- (e) No allowance will be made for any additional costs that may have to be incurred during reconstruction to meet current requirements of Local Authorities, Building Inspectors, Statutory Undertakers, Mortgagees, Landlords and Freeholders nor for any matters of a consequential nature, e.g. fire prevention and thermal insulation.



- (f) No allowance will be made within our estimate for any costs involved in handling and/or dealing with dangerous or hazardous materials or situations remaining on or originating from the premises in the event of any incident.
- (g) The estimate will allow only for normal foundations and will exclude piling or other generally unusual or abnormal foundations.
- (h) No allowance will be made for the capital costs of reinstatement of external mains water, electricity, gas, telephone services, drains, sewers, pipes and other external works such as roads, paths and paved areas, walls, fences, gates and landscaping.
- (i) The estimate will include normal water, electricity and gas installations as appropriate.
- (j) The estimate will exclude furnishings, floor coverings, light fittings, furniture, wall coverings, false ceilings, all other occupiers fixtures and fittings, telephone installations and specialist service installations.
- (k) No allowance will be made for the incidence of Value Added Tax.
- (l) We will not undertake a structural survey and, in the absence of detailed drawings or specifications, assumptions will have to be made as to the construction of the buildings.
- (m) The estimate will be prepared on a full reinstatement basis, inclusive of professional fees, demolition costs, site clearance etc but will make no allowance for any loss of rent or rental void incurred unless stated otherwise.

### 3.3 Depreciated Replacement Cost (DRC)

- 3.3.1 DRC is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deteriorations and all relevant forms of obsolescence and optimisation.

JC/060105

## TAXATION

### United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current law and the practice of HMRC, which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Bonds. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds.

The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### UK Withholding Tax on the Bonds

The Bonds will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be “listed on a recognised stock exchange” for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and they are included in the Official List of the UK Listing Authority (within the meaning of Part 6 of the FSMA).

The London Stock Exchange is a recognised stock exchange, and accordingly the Bonds will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

In all cases falling outside the exemption described above, interest on the Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### Provision of Information

Bondholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Bondholder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Bonds which constitute “deeply discounted securities” for the purposes of section 430 of the Income Tax (Trading and Other Income) Act 2005 (although, in this regard, HMRC published guidance for the year 2012/2013 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (defined below).

### EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “EU Savings Directive”), each Member State is required to provide to the tax authorities of another Member State

details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-European Union countries to the exchange of information relating to such payments.

A number of non-European Union countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

#### **Other Rules Relating to United Kingdom Withholding Tax**

1. Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Bonds will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.
2. Where Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.
3. Where interest has been paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
4. The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or principal” which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation.
5. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 16 of the Bonds or otherwise and does not consider the tax consequences of any such substitution.

## SUBSCRIPTION AND SALE

The Joint Bookrunners have, in a subscription agreement (the “**Subscription Agreement**”) dated 31 May, 2012 jointly and severally agreed to subscribe or procure subscribers for the Bonds at the issue price of 98.377 per cent. of the principal amount of the Bonds, less a combined selling and underwriting commission. The Issuer shall also reimburse the Joint Bookrunners in respect of certain of its expenses. The Issuer has agreed separately a fee with the Sole Arranger and Joint Bookrunner. In addition, the Issuer has agreed to indemnify each of 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 of 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 represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Bonds (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering 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 of Bonds, an offer or sale of Bonds within the United States by any dealer (whether or 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 under the Securities Act.

### United Kingdom

Each of the Joint Bookrunners has 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 (*Restrictions on financial promotion*) of the FSMA received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any 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 Prospectus and will obtain any consent, approval or permission which is, to the best of its knowledge and belief, 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.

None of the Issuer, the Bond Trustee or 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.

## GENERAL INFORMATION

### Authorisation

The creation and issue of the Bonds has been approved by a resolution of the Board of Directors of the Issuer dated 30 April, 2012.

### Listing of Bonds

It is expected that the official listing will be granted on or about 6 June, 2012 subject only to the issue of the Temporary Global Bond. Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for such 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 £4,200. The Borrower shall pay to the Issuer, *inter alia*, an amount equal to such expenses in accordance with the Loan Agreement.

### Documents on display

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection during normal business hours from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the constitutional documents of the Issuer and the Borrower;
- (b) the audited financial statements of the Borrower in respect of the financial years ended 31st March, 2010 and 31st March, 2011, together with the audit reports prepared in connection therewith. The Borrower 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 Bond Security Deed, the Agency Agreement, the Account Agreement, the Custody Agreement, the Loan Agreement, the Security Trust Deed and the Legal Mortgages;
- (e) the Valuation Report;
- (f) a copy of this Prospectus; and
- (g) any future offering circulars, prospectuses and information memoranda relating to the Bonds and any other documents incorporated therein by reference.

### Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0783763096 and the Common Code is 078376309.

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.

### Characteristics of underlying assets

The Loan Agreement has characteristics that demonstrate capacity to produce funds to service the payments due and payable on the Bonds.

### Significant or Material Change

There has been no material adverse change in the financial position or prospects of the Issuer since its date of incorporation.

There has been no significant change in the financial or trading position of the Saxon Weald Group since 31st March, 2011 and there has been no material adverse change in the prospects of the Saxon Weald Group since 31st March, 2011.

**Litigation**

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation which may have or has in such period had a significant effect on financial position or profitability of the Issuer.

The Borrower is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Borrower is aware) in the 12 months preceding the date of this Prospectus which may have or has in such period had a significant effect on the financial position or profitability of the Borrower.

No member of the Saxon Weald Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Borrower is aware) in the 12 months preceding the date of this Prospectus which may have or has in such period had a significant effect on the financial position or profitability of the Borrower.

**Auditors**

The auditors of the Issuer are Baker Tilly Audit LLP, Chartered Accountants & Registered Auditors. As at the date of this Prospectus no financial statements have been prepared in respect of the Issuer. The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Borrower are Baker Tilly Audit LLP, Chartered Accountants & Registered Auditors. Baker Tilly Corporate Finance LLP (the “Reporting Accountants”) have provided an accountants’ report on the Borrower, in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended 31 March 2011 and 31 March 2010 as set out in pages 65 to 92. The auditors of the Borrower have no material interest in the Borrower.

**Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to the Bonds, the Issuer Security or the Underlying Security, other than as required pursuant to Condition 6.2 (*Information Covenants*).

**Joint Bookrunners transacting with the Issuer or the Borrower**

The Joint Bookrunners and each of their respective affiliates may in the future engage in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or the Borrower and their affiliates in the ordinary course of business.

**ISSUER**

**Saxon Weald Capital plc**  
Saxon Weald House  
38-42 Worthing Road  
Horsham  
West Sussex  
RH12 1DT

**BORROWER**

**Saxon Weald Homes Limited**  
Saxon Weald House  
38-42 Worthing Road  
Horsham  
West Sussex  
RH12 1DT

**BOND TRUSTEE AND SECURITY TRUSTEE**

**Prudential Trustee Company Limited**  
Laurence Pountney Hill  
London EC4R 0HH

**PRINCIPAL PAYING AGENT**

**The Bank of New York Mellon**  
One Canada Square  
London E14 5AL

**ACCOUNT BANK AND CUSTODIAN**

**The Bank of New York Mellon, London Branch**  
One Canada Square  
London E14 5AL

**SOLE ARRANGER AND JOINT BOOKRUNNER**

**Lloyds TSB Bank plc**  
10 Gresham Street  
London EC2V 7AE

**JOINT BOOKRUNNER**

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

**BORROWER'S FINANCIAL ADVISORS**

**TradeRisks Limited**  
21 Great Winchester Street  
London EC2N 2JA

**LEGAL ADVISERS**

*To the Issuer and the Borrower  
as to English law*

**Trowers & Hamlins**  
Sceptre Court  
40 Tower Hill  
London EC3N 4DX

*To the Sole Arranger and Joint Bookrunner, the  
Joint Bookrunner and the Bond Trustee and the  
Security Trustee as to English law*

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ



**PROPERTY ADVISERS**

**Savills Advisory Services Limited**

37-39 Perrymount Road  
Haywards Heath  
RH16 3BN

**AUDITORS**

*To the Issuer and the Borrower*

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The Pinnacle  
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**REPORTING ACCOUNTANTS**

**Baker Tilly Corporate Finance LLP**

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