

## Leek Finance Number Seventeen PLC

(Incorporated in England and Wales under Registered Number 05659973)

**£87,000,000 CLASS A1a MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**U.S.\$235,000,000 CLASS A1b MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**£270,000,000 CLASS A2a MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**U.S.\$462,000,000 CLASS A2b MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**€365,000,000 CLASS A2c MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**€105,600,000 CLASS Mc MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**£22,000,000 CLASS Ba MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**€39,500,000 CLASS Bc MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**  
**€48,000,000 CLASS Cc MORTGAGE BACKED FLOATING RATE NOTES DUE 2037**

Notes	Initial Principal Amount	Initial Interest Rate	Maturity Date	Issue Price to Investors
Class A1a	£87,000,000	3 Month Sterling LIBOR + 0.04%	2037	100%
Class A1b	U.S.\$235,000,000	3 Month Dollar LIBOR + 0.04%	2037	100%
Class A2a	£270,000,000	3 Month Sterling LIBOR + 0.14%	2037	100%
Class A2b	U.S.\$462,000,000	3 Month Dollar LIBOR + 0.14%	2037	100%
Class A2c	€365,000,000	3 Month EURIBOR + 0.14%	2037	100%
Class Mc	€105,600,000	3 Month EURIBOR + 0.23%	2037	100%
Class Ba	£22,000,000	3 Month Sterling LIBOR + 0.46%	2037	100%
Class Bc	€39,500,000	3 Month EURIBOR + 0.46%	2037	100%
Class Cc	€48,000,000	3 Month EURIBOR + 0.86%	2037	100%

**FOR A DISCUSSION OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES, SEE FURTHER THE SECTION ENTITLED "RISK FACTORS" COMMENCING ON PAGE 22. PARTICULAR ATTENTION IS DRAWN TO THE ISSUES THAT ARE SUMMARISED IN THAT SECTION.**

The £379,000,000, U.S.\$697,000,000 and €558,100,000 Mortgage Backed Floating Rate Notes of Leek Finance Number Seventeen PLC (the **Issuer**) will comprise £87,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2037 (the **A1a Notes**), U.S.\$235,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2037 (the **A1b Notes** and together with the A1a Notes, the **A1 Notes**), £270,000,000 Class A2a Mortgage Backed Floating Rate Notes due 2037 (the **A2a Notes**), U.S.\$462,000,000 Class A2b Mortgage Backed Floating Rate Notes due 2037 (the **A2b Notes**), €365,000,000 Class A2c Mortgage Backed Floating Rate Notes due 2037 (the **A2c Notes**, and together with the A2a Notes and the A2b Notes, the **A2 Notes**, and the A2 Notes together with the A1 Notes, the **A Notes**), €105,600,000 Class Mc Mortgage Backed Floating Rate Notes due 2037 (the **Mc Notes** and the **M Notes**), £22,000,000 Class Ba Mortgage Backed Floating Rate Notes due 2037 (the **Ba Notes**), €39,500,000 Class Bc Mortgage Backed Floating Rate Notes due 2037 (the **Bc Notes**, and together with the Ba Notes, the **B Notes**), and €48,000,000 Class Cc Mortgage Backed Floating Rate Notes due 2037 (the **Cc Notes** and the **C Notes** and, the C Notes together with the **A Notes**, the **M Notes** and the **B Notes**, the **Notes**, and the holders thereof, the **Noteholders**). Each class of Notes, including, for the avoidance of doubt, the A1a Notes, the A1b Notes, the A2a Notes, the A2b Notes, the A2c Notes, the Mc Notes, the Ba Notes, the Bc Notes and the Cc Notes, is referred to as a **Class**. The A1a Notes, the A2a Notes and the Ba Notes are collectively referred to as the **Sterling Notes**. The A1b Notes and the A2b Notes are collectively referred to as the **Dollar Notes**. The A2c Notes, the Mc Notes, the Bc Notes and the Cc Notes are collectively referred to as the **Euro Notes**.

### Arrangers

**JPMorgan**

**The Royal Bank of Scotland**

### A Notes Managers

**JPMorgan**

**The Royal Bank of Scotland**

**ABN AMRO**

**Barclays Capital**

**Drescher Kleinwort Wasserstein**

**HSBC**

**M Notes Managers, B Notes Managers, C Notes Managers**

**JPMorgan**

**The Royal Bank of Scotland**

**FINANCIAL SERVICES AUTHORITY  
UK LISTING Authority**

Document Approved

Date: 6 April 2006

Signed: 1 [Signature]

2 [Signature]

The date of this Offering Circular is 6 April 2006

Application has been made for the Notes to be admitted to the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (FSMA) (the **UK Listing Authority** or the **UKLA**)) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market. The London Stock Exchange's Gilt-Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EC (the **Investment Services Directive**). This offering document (the **Offering Circular**) comprises a prospectus with regard to the Issuer and the Notes for the purposes of directive 2003/71/EC (the **Prospectus Directive**) and has been approved by the UK Listing Authority in accordance with the prospectus rules made by the UKLA under Part VI of FSMA (the **Prospectus Rules**).

Interest is payable on the Notes on 21 September 2006 and thereafter quarterly in arrear on the 21st day in each of December, March, June and September in each year (subject to adjustment for that date not being a Business Day) in accordance with the terms and conditions (the **Conditions**, and each, a **Condition**) of the Notes (each an **Interest Payment Date**). Interest is payable on each Interest Payment Date:

(i) on the Dollar Notes:

at an annual rate of the London Interbank Offered Rate (**LIBOR**) for deposits in U.S. dollars (**Dollar LIBOR**) for three months (**3 Month Dollar LIBOR**) or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of five month and six month Dollar LIBOR plus 0.04 per cent. per annum in the case of the A1b Notes and 0.14 per cent. per annum in the case of the A2b Notes until the Interest Payment Date falling in June 2011 and thereafter at an annual rate of 3 Month Dollar LIBOR plus 0.08 per cent. per annum in the case of the A1b Notes and 0.28 per cent. per annum in the case of the A2b Notes;

(ii) on the Sterling Notes:

at an annual rate of LIBOR for three month Sterling deposits (**3 Month Sterling LIBOR**) or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of five month and six month LIBOR plus 0.04 per cent. per annum in the case of the A1a Notes, 0.14 per cent. per annum in the case of the A2a Notes, and 0.46 per cent. per annum in the case of the Ba Notes and, in each case, until the Interest Payment Date falling in June 2011 and thereafter at an annual rate of 3 Month Sterling LIBOR plus 0.08 per cent. per annum in the case of the A1a Notes, 0.28 per cent. per annum in the case of the A2a Notes, and 0.92 per cent. per annum in the case of the Ba Notes; and

(iii) on the Euro Notes:

at an annual rate of the Eurozone Interbank Offered Rate (**EURIBOR**) for three month Euro deposits (**3 Month EURIBOR**) or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of five month and six month EURIBOR plus 0.14 per cent. per annum in the case of the A2c Notes, 0.23 per cent. per annum in the case of the Mc Notes, 0.46 per cent. per annum in the case of the Bc Notes and 0.86 per cent. per annum in the case of the Cc Notes and, in each case, until the Interest Payment Date falling in June 2011 and thereafter at an annual rate of 3 Month EURIBOR plus 0.28 per cent. per annum in the case of the A2c Notes, 0.46 per cent. per annum in the case of the Mc Notes, 0.92 per cent. per annum in the case of the Bc Notes and 1.72 per cent. per annum in the case of the Cc Notes.

Each period from (and including) an Interest Payment Date (or, in the case of the first such period, the Closing Date (as defined below)) to (but excluding) the next (or first) Interest Payment Date is an **Interest Period**. The rate of interest payable from time to time in respect of the Sterling Notes will be determined on each Interest Payment Date, or, in the case of the first Interest Period, the Closing Date (each a **Sterling Interest Determination Date**). The rate of interest payable from time to time in respect of the Dollar Notes will be determined two London Business Days (as defined in Condition 1) prior to the relevant Interest Payment Date, or, in the case of the first Interest Period, two London Business Days prior to the Closing Date (each a **Dollar Interest Determination Date**). The rate of interest payable from time to time in respect of the Euro Notes will be determined two TARGET Settlement Days (as defined in Condition 1) prior to each Interest Payment Date, or, in the case of the first Interest Period, two TARGET Settlement Days prior to the Closing Date (each a **Euro Interest Determination Date**, and together with each Sterling Interest Determination Date and each Dollar Interest Determination Date, an **Interest Determination Date**).

The Notes will be secured by the same security. The A Notes will rank in priority to the M Notes, the B Notes and the C Notes in point of payment and security, the M Notes will rank in priority to the B Notes and the C Notes in point of payment and security and the B Notes will rank in priority to the C Notes in point of payment and security as set out in "*Terms and Conditions of the Notes – Status, Ranking and Security*" below. The A1a Notes and the A1b Notes will rank *pro rata* and *pari passu* between themselves; the A2a Notes, the A2b Notes and the A2c Notes will rank *pro rata* and *pari passu* between themselves; the Mc Notes will rank *pro rata* and *pari passu* between themselves; the Ba Notes and the Bc Notes will rank *pro rata* and *pari passu* between themselves and the Cc Notes will rank *pro rata* and *pari passu* between themselves. Prior to redemption of the Notes on the Interest Payment Date falling in December 2037, the Notes will be subject to mandatory and/or optional redemption in certain circumstances. The Issuer may not purchase the Notes in the market. However, Leek Finance Holdings Number Seventeen Limited may purchase all (but not some only) of the outstanding Notes pursuant to the Post-Enforcement Call Option (see further the section below entitled "*Summary Information – Redemption and Purchase*" and Condition 6).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or under applicable United States state securities laws. In addition, the Issuer has not been and will not be registered under the Investment Company Act of 1940, as amended (the **Investment Company Act**) by reason of the exemption contained in Section 3(c)(7) thereof. Accordingly, the Notes are being offered solely (a) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**) and (b) within the United States in transactions in accordance with Rule 144A under the Securities Act (**Rule 144A**) to persons that are both **qualified institutional buyers (QIBs)** as defined in Rule 144A and **qualified purchasers** within the meaning of Section 2(a)(51)(A) of the Investment Company Act (qualified purchasers). The Notes may not be offered in a transaction that causes the Issuer to be required to register under the Investment Company Act. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on an exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Notice to Investors*" for certain restrictions on resales.

The Dollar Notes will initially be represented by either a fully registered Regulation S Global Note and/or a Rule 144A Global Note. Each Class of Sterling Notes and Euro Notes will initially be represented by a fully registered Regulation S Global Note. See "*Terms and Conditions of the Notes*" and "*Description of the Notes in Global Form*" herein.

The Notes will be obligations solely of the Issuer and the Notes will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of, and will not be guaranteed by, J.P. Morgan Securities Ltd. (**JPMorgan** and a **Co-Arranger**), The Royal Bank of Scotland plc (**RBS** and a **Co-Arranger** and together with JPMorgan, the **Co-Arrangers**), ABN AMRO Bank N.V., Barclays Bank PLC, Dresdner Bank AG London Branch and HSBC Bank plc (together with the Co-Arrangers, the **Managers**), JPMorgan Chase Bank, N.A. (the **Cross Currency Swap Counterparty**), Meerbrook Finance Number One Limited (**Meerbrook 1**), Mortgage Agency Services Number Six Limited (**MAS6**), Kensington Mortgage Company Limited (**Kensington**), Platform Funding Limited (**PFL**), Leek Finance Number Four Limited (**Leek 4**), Leek Finance Number Five Limited (**Leek 5**), Leek Finance Number Seven PLC (**Leek 7**), Western Mortgage Services Limited (**WMS**), Britannia Building Society, in any capacity (**Britannia**) or any subsidiary or affiliate of Britannia (a **Britannia Group Company**), National Westminster Bank Plc acting through its branch at Derby Street, Leek, Staffordshire (**NatWest**), any Correspondent Lender (as defined below) or Capita Trust Company Limited (the **Trustee**).

As a condition to the issue of the Notes, the A Notes are to be rated AAA by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. (**S&P**), Aaa by Moody's Investors Service, Inc. (**Moody's**) and AAA by Fitch Ratings Ltd (**Fitch**) and, together with S&P and Moody's, the **Rating Agencies**; the M Notes are each to be rated AA by S&P, Aa3 by Moody's and AA- by Fitch; the B Notes are each to be rated A by S&P, A2 by Moody's and A- by Fitch; and the C Notes are each to be rated BBB+ by S&P, Baa2 by Moody's and BBB- by Fitch.

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

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than those contained in this Offering Circular and, if given or made,

such information or representation must not be relied upon as having been authorised by the Issuer, Britannia (in any capacity), a Britannia Group Company, the Trustee, JPMorgan or RBS (in any capacity, including that of Arranger) or the other Managers or any of their respective agents or affiliates. Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or in the other information contained herein since the date hereof. The information contained in this Offering Circular was obtained from the Issuer and other sources, but no assurance can be given by the Arrangers or any of the other Managers as to the accuracy or completeness of such information. None of the Trustee, Britannia (in any capacity), any Britannia Group Company, the Arrangers nor any other Manager makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Trustee, the Arrangers, the other Managers or any of them to subscribe for or purchase any of the Notes.

#### **Selling Restrictions**

The Notes may not be offered or sold directly or indirectly, and neither this document nor any other offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this document see further the section entitled "*Notice to Investors*".

**THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE SEC) OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED ANY JUDGMENT OR COMMENT OR OPINION UPON THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, AND UNDER CIRCUMSTANCES THAT WILL NOT REQUIRE THE ISSUER TO REGISTER UNDER THE INVESTMENT COMPANY ACT. ACCORDINGLY, THE NOTES ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFERS AND EACH INITIAL AND SUBSEQUENT PURCHASER OF A NOTE WILL BE DEEMED, BY ITS ACCEPTANCE OF SUCH NOTE, TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER THEREOF AS SET FORTH THEREIN AND AS DESCRIBED IN THIS OFFERING CIRCULAR AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE OR OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. PROSPECTIVE PURCHASERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME. SEE FURTHER THE SECTION ENTITLED "*NOTICE TO INVESTORS*".

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of Notes in reliance upon Regulation S outside the United States to non-U.S. persons and within the United States in transactions made in accordance with Rule 144A to persons who are both (i) QIBs and (ii) qualified purchasers. All prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See further the section entitled "*Notice to Investors*". All transactions must be for a principal amount of Notes of not less than U.S.\$100,000, £100,000 or €100,000 as the case may be, in principal amount of Notes.



THE ISSUER HAS NOT BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT BY REASON OF THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(C)(7) THEREOF. EACH INITIAL PURCHASER OF AN INTEREST IN THE NOTES AND EACH SUBSEQUENT TRANSFEREE OF AN INTEREST THEREIN (OTHER THAN A TRANSFEREE THAT (A) IS NOT A U.S. PERSON OR (B) ACQUIRES AN INTEREST IN A NOTE AFTER THE END OF THE DISTRIBUTION COMPLIANCE PERIOD IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S) WILL BE DEEMED TO REPRESENT AND AGREE THAT IT IS A QUALIFIED PURCHASER AND WILL BE DEEMED TO MAKE THE REPRESENTATIONS SET FORTH IN NOTICE TO INVESTORS HEREIN. NO TRANSFER OF NOTES WHICH WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT WILL BE PERMITTED.

No beneficial interest in a Rule 144A Global Note may be transferred to a person that takes delivery in the form of a beneficial interest in a Regulation S Global Note unless the transfer is in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification substantially in the form set out in the Trust Deed and, if the transfer occurs prior to the expiration of the Distribution Compliance Period, the person that takes delivery in the form of a beneficial interest in a Regulation S Global Note must be a non-U.S. person. No beneficial interest in a Regulation S Global Note may be transferred to a person that takes delivery in the form of a beneficial interest in a Rule 144A Global Note unless the transfer is to a person that is both a QIB and a Qualified Purchaser in a transaction in accordance with Rule 144A and the transferor provides the Registrar with a written certification substantially in the form set out in the Trust Deed. See further the section entitled "*Notice to Investors*".

To permit compliance with Rule 144A in connection with sales of Notes, upon the request of a holder of Notes or of a beneficial owner of an interest therein, the Issuer will furnish to such holder or beneficial owner or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act, if at the time of such request, the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**).

No action has been or will be taken by the Issuer, the Arrangers or any other Manager, other than the approval of this document as a prospectus in accordance with the rules made under Part VI of FSMA, an application to admit the Notes to the Official List of the UK Listing Authority and an application for admission to trading on the London Stock Exchange, that would permit a public offering of the Notes or the distribution of this document in any country or jurisdiction where action for that purpose is required. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Arrangers to inform themselves about, and to observe, such restrictions. For a description of certain further restrictions on offers and sales of Notes and distributions of this Offering Circular, see further the section entitled "*Subscription and Sale*" below.

This Offering Circular has been prepared solely for use in connection with the offering of the Notes. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Notes. Distribution of this Offering Circular in the United States to any person other than the offeree and those persons, if any, retained to advise the offeree with respect to this offering is unauthorised and any disclosure of any of its contents without the prior written consent of the Issuer is prohibited.

#### **United States ERISA Considerations**

The A Notes, M Notes and B Notes may be purchased and held by Benefit Plan Investors, subject to certain restrictions. By accepting and holding an A Note, M Note or B Note, certain assurances will be deemed to have been given. The C Notes are not designed to be, and may not be, acquired or held by Benefit Plan Investors subject to certain U.S. benefits laws. Each purchaser of C Notes will be deemed to represent and agree that it is not and will not be a Benefit Plan Investor subject to certain U.S. benefit laws, and will be deemed to have given certain other assurances.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

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

### Enforcement of civil liabilities

The Issuer is a company organised under the laws of England and Wales. All of the directors and executive officers of the Issuer named in this Offering Circular are resident outside of the United States and substantially all of the assets of the Issuer are located outside of the United States. It may not be possible, therefore, for holders of Notes (i) to effect service of process upon certain of the directors and officers of the Issuer or (ii) to enforce against any of them in the courts of a foreign jurisdiction judgments of courts of the United States predicated upon the civil liability of such persons under the United States securities laws. There is also doubt as to the direct enforceability in England against any of these persons, in original action, or in action for the enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

### Forward-looking statements

Certain statements contained in this Offering Circular, including any targets, forecasts, projections, descriptions or statements regarding possible future results of operations, any statement preceded by, followed by or that includes the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates" or similar expressions, and other statements that are not historical facts, are or may constitute "forward-looking statements" (as such term is defined in the U.S. Private Securities Litigation Reform Act of 1995). Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. See further in particular the section entitled "*Risk Factors*". All written and oral forward-looking statements attributable to the Issuer or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph.

Prospective purchasers of the Notes are cautioned not to put undue reliance on such forward-looking statements. The Issuer will not undertake any obligation to publish any revisions to these forward-looking statements to reflect events or circumstances occurring after the date hereof.

### Stabilisation

In connection with the issue of the Notes, JPMorgan (the **Stabilising Manager**) (or persons acting on behalf of the Stabilising Manager) may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes 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 Notes and 60 days after the date of the allotment of the Notes.

### Definitions

In this Offering Circular all references to **Pounds, Sterling** and **£** are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the **United Kingdom**). References in this Offering Circular to **Dollars** and **U.S.\$** are references to the lawful currency of the United States of America. References to **Euro** and **€** are references to the currency introduced at the commencement of the third stage of the European Economic and Monetary Union on 1 January 1999 pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

The Index of Defined Terms at the back of this document specifies where a capitalised word or phrase used in this document is defined.

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## TRANSACTION SUMMARY

*The following information is a brief overview of certain key features of the Notes and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular.*

<b>Class of Notes</b>	<b>Initial Principal Balance</b>	<b>% of Total</b>
Class A1a .....	£87,000,000	7.45%
Class A1b .....	U.S.\$235,000,000	11.55%*
Class A1 Notes as a percentage of total Notes .....		19.00%
Class A2a .....	£270,000,000	23.11%
Class A2b .....	U.S.\$462,000,000	22.72%*
Class A2c .....	€365,000,000	21.77%*
Class A2 Notes as a percentage of total Notes .....		67.60%
Class A Notes as a percentage of total Notes .....		86.60%
Class Mc .....	€105,600,000	6.30%*
Class M Notes as percentage of total Notes .....		6.30%
Class Ba .....	£22,000,000	1.88%
Class Bc .....	€39,500,000	2.36%*
Class B Notes as percentage of total Notes .....		4.24%
Class Cc .....	€48,000,000	2.86%*
Class C Notes as percentage of total Notes .....		2.86%
Total .....		100%
Initial Required Amount .....	£23,367,070.33	2.00%**
Maximum Required Amount .....	£27,689,978.35	2.37%**

\* Sterling equivalent.

\*\* % of initial Sterling Principal Amount Outstanding (as defined in Condition 1) on all of the Notes.

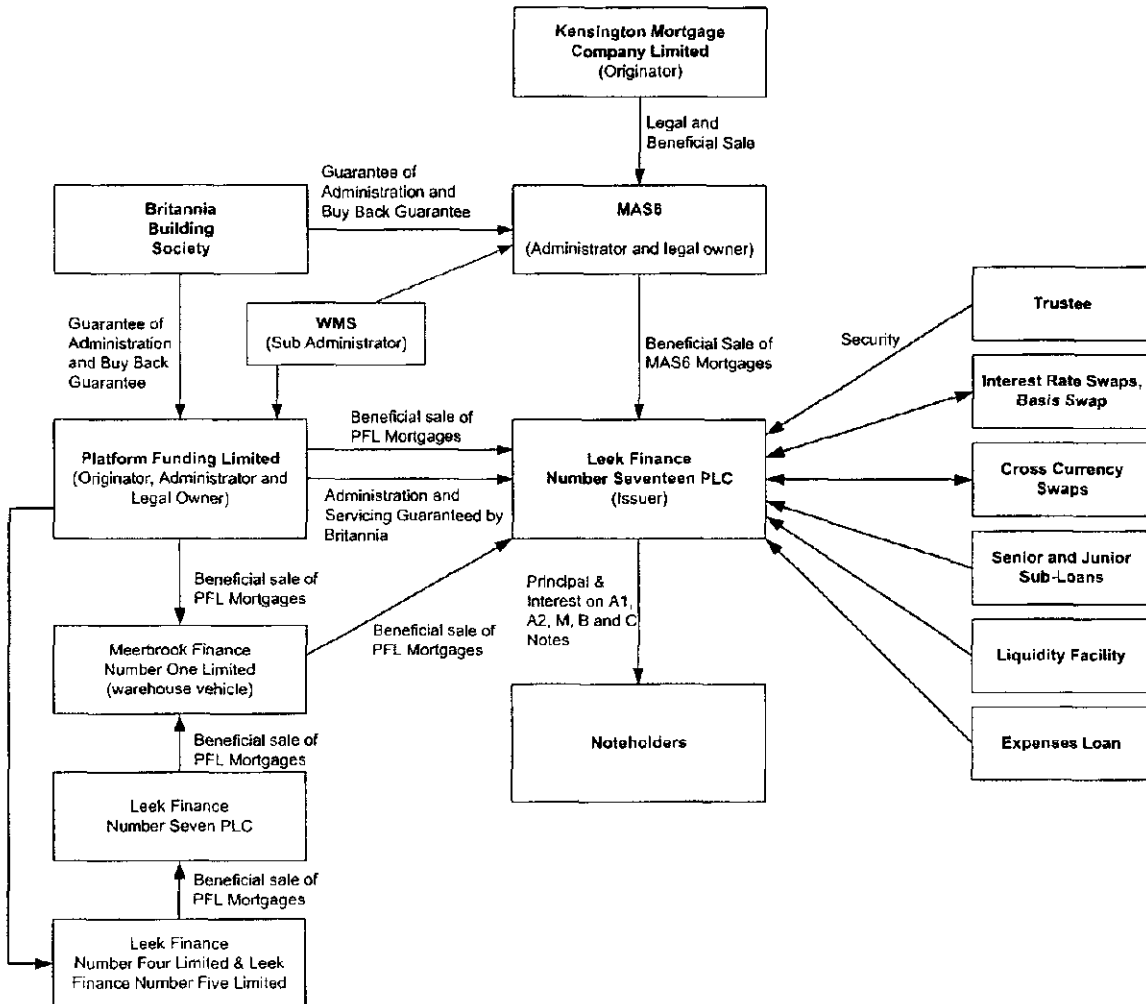
	<b>A1a Notes</b>	<b>A1b Notes</b>	
Anticipated Long Term Ratings	AAA/Aaa/AAA or equivalent	AAA/Aaa/AAA or equivalent	
Rating Agencies	S&P Moody's Fitch	S&P Moody's Fitch	
Credit Enhancement	Subordination of the M Notes, B Notes and C Notes, Required Amount and Income Surplus	Subordination of the M Notes, B Notes and C Notes, Required Amount and Income Surplus	
Interest Rate	0.04% per annum (or 0.08% per annum after June 2011) above 3 Month Sterling LIBOR rate of relevant Interest Period	0.04% per annum (or 0.08% per annum after June 2011) above 3 Month Dollar LIBOR rate of relevant Interest Period	
Interest Accrual Method	Actual/365/366	Actual/360	
Interest Payment Dates	The 21 <sup>st</sup> day of September, December, March and June of each year	The 21 <sup>st</sup> day of September, December, March and June of each year	
First Interest Payment Date	21 September 2006	21 September 2006	
Step-up Date	June 2011	June 2011	
Maturity Date	Interest Payment Date falling in December 2037	Interest Payment Date falling in December 2037	
Clearance/Settlement	Euroclear/Clearstream, Luxembourg	DTC/Euroclear/Clearstream, Luxembourg	
Denomination	£100,000	U.S.\$100,000	
	<b>A2a Notes</b>	<b>A2b Notes</b>	<b>A2c Notes</b>
Anticipated Long Term Ratings	AAA/Aaa/AAA or equivalent	AAA/Aaa/AAA or equivalent	AAA/Aaa/AAA or equivalent
Rating Agencies	S&P Moody's Fitch	S&P Moody's Fitch	S&P Moody's Fitch
Credit Enhancement	Subordination of the M Notes, B Notes and C Notes, Required Amount and Income Surplus	Subordination of the M Notes, B Notes and C Notes, Required Amount and Income Surplus	Subordination of the M Notes, B Notes and C Notes, Required Amount and Income Surplus
Interest Rate	0.14% per annum (or 0.28% per annum after June 2011) above 3 Month Sterling LIBOR rate of relevant Interest Period	0.14% per annum (or 0.28% per annum after June 2011) above 3 Month Dollar LIBOR rate of relevant Interest Period	0.14% per annum (or 0.28% per annum after June 2011) above 3 Month EURIBOR rate of relevant Interest Period
Interest Accrual Method	Actual/365/366	Actual/360	Actual/360
Interest Payment Dates	The 21 <sup>st</sup> day of September, December, March and June of each year	The 21 <sup>st</sup> day of September, December, March and June of each year	The 21 <sup>st</sup> day of September, December, March and June of each year
First Interest Payment Date	21 September 2006	21 September 2006	21 September 2006
Step-up Date	June 2011	June 2011	June 2011
Maturity Date	Interest Payment Date falling in December 2037	Interest Payment Date falling in December 2037	Interest Payment Date falling in December 2037
Clearance/Settlement	Euroclear/Clearstream, Luxembourg	DTC/Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg
Denomination	£100,000	U.S.\$100,000	€100,000

		<b>Mc Notes</b>
Anticipated Long Term Ratings . . .		AA/Aa3/AA- or equivalent
Rating Agencies . . . . .		S&P Moody's Fitch
Credit Enhancement . . . . .		Subordination of the B Notes and C Notes, Required Amount and Income Surplus
Interest Rate . . . . .		0.23% per annum (or 0.46% per annum after June 2011) above 3 Month EURIBOR rate of relevant Interest Period
Interest Accrual Method . . . . .		Actual/360
Interest Payment Dates . . . . .		The 21st day of September, December, March and June of each year
First Interest Payment Date . . . .		21 September 2006
Step-up Date . . . . .		June 2011
Maturity Date . . . . .		Interest Payment Date falling in December 2037
Clearance/Settlement . . . . .		Euroclear/Clearstream Luxembourg
Denomination . . . . .		€100,000
		<b>Ba Notes</b>
Anticipated Long Term Ratings . . .	A/A2/A- or equivalent	
Rating Agencies . . . . .	S&P Moody's Fitch	
Credit Enhancement . . . . .	Subordination of the C Notes, Required Amount and Income Surplus	
Interest Rate . . . . .	0.46% per annum (or 0.92% per annum after June 2011) above 3 Month Sterling LIBOR rate of relevant Interest Period	
Interest Accrual Method . . . . .	Actual/365/366	
Interest Payment Dates . . . . .	The 21st day of September, December, March and June of each year	
First Interest Payment Date . . . .	21 September 2006	
Step-up Date . . . . .	June 2011	
Maturity Date . . . . .	Interest Payment Date falling in December 2037	
Clearance/Settlement . . . . .	Euroclear/Clearstream, Luxembourg	
Denomination . . . . .	£100,000	
		<b>Bc Notes</b>
Anticipated Long Term Ratings . . .	A/A2/A- or equivalent	
Rating Agencies . . . . .	S&P Moody's Fitch	
Credit Enhancement . . . . .	Subordination of the C Notes, Required Amount and Income Surplus	
Interest Rate . . . . .	0.46% per annum (or 0.92% per annum after June 2011) above 3 Month EURIBOR rate of relevant Interest Period	
Interest Accrual Method . . . . .	Actual/360	
Interest Payment Dates . . . . .	The 21st day of September, December, March and June of each year	
First Interest Payment Date . . . .	21 September 2006	
Step-up Date . . . . .	June 2011	
Maturity Date . . . . .	Interest Payment Date falling in December 2037	
Clearance/Settlement . . . . .	Euroclear/Clearstream, Luxembourg	
Denomination . . . . .	€100,000	

Anticipated Long Term Ratings . .	<b>Cc Notes</b>
Rating Agencies . . . . .	BBB-/Baa2/BBB- or equivalent
Credit Enhancement . . . . .	S&P Moody's Fitch
Interest Rate . . . . .	Required Amount and Income Surplus 0.86% per annum (or 1.72% per annum after June 2011) above 3 Month EURIBOR rate of relevant Interest Period
Interest Accrual Method . . . . .	Actual/360
Interest Payment Dates . . . . .	The 21st day of September, December, March and June of each year
First Interest Payment Date . . . .	21 September 2006
Step-up Date . . . . .	June 2011
Maturity Date . . . . .	Interest Payment Date falling in December 2037
Clearance/Settlement . . . . .	Euroclear/Clearstream, Luxembourg
Denomination . . . . .	€100,000

## STRUCTURE DIAGRAM

*This structure diagram is an indicative summary of the principal features of the transaction. The structure diagram must be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in this document.*





## SUMMARY INFORMATION

*The information set out below is a summary of the principal features of the issue of the Notes. This summary should be read in conjunction with, and is qualified in its entirety by references to, the detailed information presented elsewhere in this Offering Circular.*

### The Issuer

The Issuer has been established to acquire a portfolio of residential mortgage loans made to borrowers in England and Wales, Scotland and Northern Ireland. The Mortgage Pool (as defined below) will consist of:

- (i) mortgage loans originated by Platform Funding Limited (**PFL**) where the legal and beneficial title to such mortgage loans is held by PFL;
- (ii) mortgage loans originated by PFL or originated by Advance Homeloans Limited, Equfund (RTB) Limited, Flagship Homeloans Limited, Genesis Home Loans PLC and Grosvenor Home Loans Limited (the **Correspondent Lenders**) and subsequently purchased by PFL where the beneficial title was originally sold by PFL to two warehouse vehicles, Leek Finance Number Four Limited (**Leek 4**) and Leek Finance Number Five Limited (**Leek 5**) pursuant to an origination and sale agreement dated 30 March 2001 (the **Leek 4 Origination and Sale Agreement**) and an origination and sale agreement dated 18 September 2001, as amended and restated on 4 April 2002 (the **Leek 5 Origination and Sale Agreement**) with such beneficial title then being sold by each of Leek 4 and Leek 5 to a securitisation vehicle (Leek Finance Number Seven PLC (**Leek 7**)) pursuant to two mortgage sale agreements dated 17 April 2002 (the **Leek 4 Mortgage Sale Agreement** and the **Leek 5 Mortgage Sale Agreement** respectively) (the **Leek 7 Mortgages**). A redemption notice in respect of the mortgage backed floating rate notes issued by Leek 7 was given on 16 February 2006 and the notes were redeemed on 21 March 2006. In order to fund such redemption, beneficial title to the Leek 7 Mortgages was sold to Meerbrook Finance Number One Limited (**Meerbrook 1**) pursuant to a mortgage sale agreement dated 13 February 2006 (the **Leek 7 Mortgage Sale Agreement**) with such sale being completed on 21 March 2006;
- (iii) mortgage loans originated by PFL where the beneficial title was sold by PFL to Meerbrook 1 (the **Meerbrook 1 Mortgages**) pursuant to an origination and sale agreement dated 11 July 2003, as amended and restated on 16 December 2003, 20 September 2004 and 19 December 2005 (the **Meerbrook 1 Origination and Sale Agreement**); and
- (iv) mortgage loans originated by Kensington Mortgage Company Limited (**Kensington**). The legal and beneficial title to such mortgage loans was sold to Mortgage Agency Services Number Six Limited (**MAS6**) under a mortgage sale agreement dated 21 November 2005 (the **Kensington Mortgage Sale Agreement**).

On the Closing Date, the Issuer will acquire (subject to, in relation to the Scottish Mortgages, the Scottish Declarations of Trust (each as hereinafter defined) being executed), beneficial title to (a) the mortgages referred to above owned by PFL pursuant to a mortgage sale agreement entered into with PFL, Britannia and the Trustee (the **PFL Mortgage Sale Agreement**); (b) the mortgages referred to above owned by Meerbrook 1 pursuant to a mortgage sale agreement entered into with Meerbrook 1, PFL, Britannia and the Trustee (the **Meerbrook 1 Mortgage Sale Agreement**) and (c) the mortgages referred to above owned by MAS6 pursuant to a mortgage sale agreement entered into with MAS6, Britannia and the Trustee (the **MAS6 Mortgage Sale Agreement** and together with the PFL Mortgage Sale Agreement and the Meerbrook 1 Mortgage Sale Agreement, the **Mortgage Sale Agreements**). The mortgages to be sold to the Issuer pursuant to the PFL Mortgage Sale Agreement and the Meerbrook 1 Mortgage Sale Agreement (together the **PFL Mortgages**) and the mortgages to be sold to the Issuer pursuant to the MAS6 Mortgage Sale Agreement (the **MAS6 Mortgages**) are collectively referred to in this Offering Circular as the **Mortgages**.

### Administration and Servicing

PFL (in respect of the PFL Mortgages) and MAS6 (in respect of the MAS6 Mortgages) will be appointed, under the terms of a mortgage administration agreement between the Issuer, PFL, Britannia, MAS6 and the Trustee dated on or about the Closing Date (the **Administration Agreement**), each as agent for the Issuer and the Trustee to, *inter alia*, administer the Mortgages on behalf of the Issuer and the Trustee (in such capacity, PFL will be appointed, as the administrator of the PFL Mortgages, the **Principal**

**Administrator** and MAS6 will be appointed as the administrator of the MAS6 Mortgages, the **MAS6 Administrator** and together they will be referred to as the **Administrators**). PFL will also be appointed under the Administration Agreement to provide cash management services on behalf of the Issuer and the Trustee (in such capacity, the **Cash Manager**). In payment for the provision of services pursuant to the Administration Agreement, PFL as Principal Administrator and Cash Manager and MAS6 as MAS6 Administrator will receive a fee payable quarterly in arrear and calculated by reference to the outstanding principal balance of the Mortgages administered by them. The obligations of each of PFL as Principal Administrator, MAS6 as MAS6 Administrator and PFL as Cash Manager under the Administration Agreement will be guaranteed by Britannia. The Administration Agreement will provide that the Administrators may delegate all or any of their obligations as administrators of the Mortgages administered by them and, in the case of PFL, as Cash Manager, subject to and in accordance with the terms thereof. Each of the Administrators will delegate certain of its obligations to Western Mortgage Services Limited (**WMS** and the **Sub-Administrator**) pursuant to the terms of a sub-administration agreement between Platform Home Loans Limited, the Administrators and WMS dated on or about the Closing Date (the **Sub-Administration Agreement**). WMS may act in the name of Platform Home Loans Limited (**PHL**) pursuant to the Sub-Administration Agreement. The appointment of PFL as Principal Administrator and MAS6 as MAS6 Administrator may, in each case, be terminated by the Issuer (with the prior written consent of the Trustee) or the Trustee on the happening of certain events of default or insolvency on the part of PFL or MAS6, as applicable or by the Issuer (with the prior written consent of the Trustee) with twelve months' written notice in the absence of any such events. The Administration Agreement will provide that if the appointment of either of the Administrators thereunder is terminated, a substitute administrator with experience of administering mortgages of residential property in the United Kingdom whose appointment does not adversely affect the then current ratings of the Notes will be appointed by the Issuer and the Trustee on substantially the same terms as those contained in the Administration Agreement. If the substitute administrator is not a directly or indirectly wholly owned subsidiary of Britannia, the guarantee by Britannia of the obligations of the Administrator will terminate.

#### **The Trustee**

The Trustee will be appointed pursuant to a trust deed to be entered into on or about the Closing Date between the Issuer and the Trustee (the **Trust Deed**) to represent the interests of the holders of the Notes. The Trust Deed will provide that any retirement or removal of a trustee shall not become effective unless there is a suitable trustee in office after such removal or retirement. In the event of the sole trustee giving notice of its intention to retire, the Issuer shall use its reasonable endeavours to procure that a suitable new trustee is appointed. If the Issuer has not appointed a new trustee prior to the expiry of the notice period given by the trustee, the trustee shall be entitled to nominate a suitable replacement. The Trustee will hold the security granted by the Issuer under the Deed of Charge for the benefit of the Secured Creditors. See further "*Summary Information – Security for the Notes*" below.

#### **Paying Agency Agreement**

On or about the Closing Date, the Issuer, the Trustee, HSBC Bank plc (in its capacity as **Principal Paying Agent, Agent Bank and Transfer Agent**) and HSBC Bank USA, National Association (in its capacity as **U.S. Paying Agent, Transfer Agent and Registrar**) will enter into an agreement (the **Paying Agency Agreement**). Pursuant to the Paying Agency Agreement, the Registrar agrees to provide its services in relation, *inter alia*, to the delivery and authentication of the Notes in global and definitive forms, the cancellation of the Notes and the annotation of the Notes when they are exchanged from global note form to definitive note form. The Principal Paying Agent will also agree to remit payments due under the Notes. The Agent Bank will, *inter alia*, agree to determine and publish the rate of interest applicable to each Class of Notes. The Paying Agency Agreement provides that the Issuer may (with the prior written approval of the Trustee) revoke its appointment of any of the Principal Paying Agent, the Agent Bank, the Transfer Agents, the U.S. Paying Agent or the Registrar (together the **Agents**) by not less than 30 days' notice to such Agent (provided that in the case of the Principal Paying Agent such revocation shall not take effect until a successor has been duly appointed in accordance with the provisions of the Paying Agency Agreement and notice of such appointment has been given to the Noteholders. In addition, the appointment of an Agent shall automatically terminate upon the occurrence of certain events of insolvency or if the Agent becomes incapable of acting. The Issuer may (with the prior written approval of the Trustee) appoint successor Agents in accordance with the terms of the Paying Agency Agreement.

## Master Framework Agreement

On or about the Closing Date, the Issuer and the Trustee will enter into the Master Framework Agreement. The agreement contains, *inter alia*, a master definitions schedule, common terms, representations and warranties, covenants and other provisions which are incorporated into all or some of the documents relating to the transaction and further described therein.

## Senior Subordinated Loan and Junior Subordinated Loan

On or prior to the Closing Date, Britannia (in such capacity, the **Senior Subordinated Loan Provider**) will grant a senior Sterling subordinated loan to the Issuer (the **Senior Subordinated Loan**) pursuant to an agreement (the **Senior Subordinated Loan Agreement**) between the Issuer, the Senior Subordinated Loan Provider, PFL (in its capacity as Cash Manager) and the Trustee.

On or prior to the Closing Date, Britannia (in such capacity, the **Junior Subordinated Loan Provider**) will grant a junior Sterling subordinated loan to the Issuer (the **Junior Subordinated Loan**) pursuant to an agreement (the **Junior Subordinated Loan Agreement**) between the Issuer, the Junior Subordinated Loan Provider, PFL (in its capacity as Cash Manager) and the Trustee.

On the Closing Date, the Issuer will draw under the Senior Subordinated Loan and the Junior Subordinated Loan an amount (the **Sub Loan Drawing**) equal to 2.00 per cent. of the aggregate Sterling Principal Amount Outstanding (as defined in the Conditions) of the Notes on the Closing Date (the **Initial Required Amount**). The Issuer will use the Initial Required Amount to fund the cash reserve (as part of the Required Amount) which will be utilised on each Interest Payment Date in the manner described under "*Credit Structure – Required Amount*" below. Upon Britannia receiving appropriate regulatory approval, principal on the Senior Subordinated Loan and the Junior Subordinated Loan will be repayable in accordance with the Pre-Enforcement Interest Priority of Payments.

## Required Amount

The cash reserve constituted by the Required Amount will be funded initially by the Sub Loan Drawing under the Senior Subordinated Loan Agreement and the Junior Subordinated Loan Agreement in an amount equal to the Initial Required Amount and will, thereafter, be funded on each Interest Payment Date up to an amount equal to 2.37 per cent. of the aggregate initial Sterling Principal Amount Outstanding of the Notes on the Closing Date (the **Maximum Required Amount**) to the extent that funds are available to the Issuer after payments of higher ranking priority in the Pre-Enforcement Interest Priority of Payments have been met, as further described in the section entitled "*Credit Structure – Required Amount*" below.

## Liquidity Facility

A 364-day committed liquidity facility (the **Liquidity Facility**) having a maximum aggregate principal amount at the Closing Date of £35,050,606 will be available to cover items (v), (vii), (viii) and (ix) of the Pre-Enforcement Interest Priority of Payments. The Liquidity Facility is expected to be provided pursuant to an agreement (the **Liquidity Facility Agreement**) between the Issuer, JPMorgan Chase Bank, N.A., the Trustee and PFL (in its capacity as Cash Manager) on or about the Closing Date (see further the section entitled "*Credit Structure – Liquidity Facility*"). Payments of interest and principal payable under the Liquidity Facility Agreement will rank in priority to repayments of amounts due under the Notes (see further the section entitled "*Credit Structure – Pre-Enforcement Interest Priority of Payments*").

## Expenses Loan

On or about the Closing Date, RBS, in its capacity as expenses loan provider (the **Expenses Loan Provider**) will grant a Sterling loan facility to the Issuer up to a maximum of £5,000,000 (the **Expenses Loan**) to fund certain of its transaction expenses pursuant to an agreement (the **Expenses Loan Agreement**) between the Issuer, the Expenses Loan Provider and the Trustee. On or about the Closing Date, the Issuer will draw down amounts under the Expenses Loan to fund the expenses incurred by it on and prior to the Closing Date (the **Initial Expenses Amount**). Such drawings will be paid (1) into the Britannia GIC Account or (2) as otherwise directed by the Issuer to pay certain fees on the Closing Date. Any fees payable by the Issuer in Dollars or Euros will be paid by the Issuer on the Closing Date having converted sufficient of the Expenses Loan drawing at the foreign exchange rate agreed on or about the date of this Offering Circular. Any amounts drawn under the Expenses Loan will be repaid in accordance

with the Expenses Loan Agreement on each Interest Payment Date, subject to the availability of funds in accordance with the Pre-Enforcement Interest Priority of Payments (see further the section entitled "Credit Structure – Pre-Enforcement Interest Priority of Payments").

### Hedging

The Provisional Pool consists of:

- (a) 41.86 per cent. of the Mortgages which are LIBOR-linked mortgages where the applicable rate of interest for each mortgage loan (**the Mortgage Rate**) is (currently or after a specific period) calculated by reference to LIBOR plus a fixed margin or margins expressed as a percentage over LIBOR (**the LIBOR-Linked Mortgages**), including:
  - (i) 8.97 per cent. of the Mortgages where the Mortgage Rate is discounted for a specific period and reverts to the full Mortgage Rate, with the latest date of reversion being November 2008 (**the LIBOR Discount Mortgages**) and which includes 1.49 per cent. of the Mortgages where the MAS6 LIBOR Mortgage Rate (as defined below) is discounted for a specific period and reverts to the full MAS6 LIBOR Mortgage Rate, with the latest date of reversion being September 2006 (**the MAS6 LIBOR Discount Mortgages**);
  - (ii) 29.74 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Mortgage Rate, with the latest date of reversion being February 2009 (**the Fixed Reverting to LIBOR Mortgages**) and which includes 9.61 per cent. of the Mortgages which have a fixed rate of interest for a specific period that reverts to a Mortgage Rate calculated as LIBOR plus (aa) a margin which is currently 1% (**MAS6 VR**) plus (bb) a further margin, with the latest date of reversion being November 2008 (**the Fixed Reverting to MAS6 VR LIBOR Mortgages**);
  - (iii) 3.15 per cent. of the Mortgages which are linked to LIBOR for the life of the mortgage (**the LIBOR Mortgages**) and which includes 0.02 per cent. of the Mortgages which have a rate of interest equal to LIBOR plus (aa) MAS6 VR plus (bb) a further margin (**the MAS6 LIBOR Mortgage Rate** and the **MAS6 VR LIBOR Mortgages**).

The Mortgage Rate payable under the LIBOR-Linked Mortgages (except the MAS6 Mortgages) is calculated as a specified margin, in excess of LIBOR quoted by the British Bankers Association for three-month Sterling deposits (subject to rounding) on or about the 1st day of March, June, September and December of each year (**Mortgage LIBOR**).

The Mortgage Rate payable under the MAS6 Mortgages is calculated as a specified margin plus MAS6 VR, in excess of LIBOR quoted by the British Bankers Association for three-month Sterling deposits (subject to rounding) on or about the last London Business Day prior to the first day of March, June, September and December of each year (**MAS6 Mortgage LIBOR**).

- (b) 58.14 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate (**the Base Rate Mortgage Rate**) that is based on the Bank of England's base rate (**the Base Rate** and the **Base Rate Mortgages**) plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate, including:
  - (i) 9.20 per cent. of the Mortgages where the Base Rate Mortgage Rate is discounted for a specific period and reverts to the full Base Rate Mortgage Rate, with the latest date of reversion being November 2010 (**the Base Rate Tracker Discount Mortgages**);
  - (ii) 44.59 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Base Rate Mortgage Rate, with the latest date of reversion being October 2010 (**the Fixed Reverting to Base Rate Tracker Mortgages**); and
  - (iii) 4.35 per cent. of the Mortgages which are linked to Base Rate for the life of the mortgage (**the Base Rate Tracker Mortgages**).

### Interest Rate Hedging

In order to hedge the interest rate risks associated with the fixed rate portions of the Fixed Reverting to LIBOR Mortgages and the Fixed Reverting to Base Rate Tracker Mortgages (excluding the Fixed Reverting to MAS6 VR LIBOR Mortgages), short-dated interest rate swap transactions entered into (i) by RBS (in such capacity, the **PFL Interest Rate Swap Counterparty**) and Britannia (on behalf of PFL) and

(ii) by the PFL Interest Rate Swap Counterparty and Meerbrook 1 (together the **PFL Interest Rate Swap Transactions**), will be novated to the Issuer on the Closing Date. The PFL Interest Rate Swap Transactions are based on fixed notional amounts and reflect the periods for which the interest rates payable on the relevant mortgages are fixed. Under these transactions, the PFL Interest Rate Swap Counterparty will swap interest amounts received from the relevant mortgages into a floating rate equal to Mortgage LIBOR.

In order to hedge the interest rate risk associated with the fixed rate portions of the Fixed Reverting to MAS6 VR LIBOR Mortgages, short-dated interest rate swap transactions (the **MAS6 Swap Transactions** and together with the PFL Interest Rate Swap Transactions, the **Interest Rate Swap Transactions**) entered into by RBS (in such capacity the **MAS6 Interest Rate Swap Counterparty** and together with the PFL Interest Rate Swap Counterparty, the **Interest Rate Swap Counterparties**) and Britannia (on behalf of MAS6) will be novated to the Issuer on the Closing Date. Under the MAS6 Swap Transactions, the MAS6 Swap Counterparty will swap fixed interest amounts received from the Fixed Reverting to MAS6 VR LIBOR Mortgages into a floating rate equal to MAS6 Mortgage LIBOR.

### ***Basis Swap***

In order to hedge the interest rate risk arising by virtue of the difference between Mortgage LIBOR and 3 Month Sterling LIBOR (as defined in the Conditions), the Issuer will on the Closing Date enter into an interest rate basis swap transaction (the **PFL Basis Swap Transaction**) with a suitably rated swap counterparty, which is expected to be JPMorgan Chase Bank, N.A. (in such capacity, the **Basis Swap Counterparty**). Under the PFL Basis Swap Transaction, the Issuer and the Basis Swap Counterparty will make payments to each other based on the aggregate principal balance of: (i) all the LIBOR-Linked Mortgages (except the MAS6 Mortgages); and (ii) all of the Fixed Reverting to Base Rate Tracker Mortgages (so long as they are still fixed rate), in the Mortgage Pool (the **PFL Basis Swap Mortgages**) at the end of the calendar month which is prior to the month immediately prior to the commencement of each Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months or, in the case of the first Interest Period, the aggregate principal balances of the PFL Basis Swap Mortgages at the close of business on 28 March 2006.

In order to hedge the interest rate risk arising by virtue of the difference between MAS6 Mortgage LIBOR and 3 Month Sterling LIBOR, the Issuer will on the Closing Date enter into an interest rate basis swap transaction (the **MAS6 Basis Swap Transaction**, and together with the PFL Basis Swap Transaction, the **Basis Swap Transactions**) with the Basis Swap Counterparty. Under the MAS6 Basis Swap Transaction, the Issuer and the Basis Swap Counterparty will make payments to each other based on the aggregate principal balance of all the LIBOR-Linked Mortgages which are MAS6 Mortgages in the Mortgage Pool (the **MAS6 Basis Swap Mortgages**) at the end of the calendar month which is prior to the month immediately prior to the commencement of each Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months or, in the case of the first Interest Period, the aggregate principal balances of the MAS6 Basis Swap Mortgages at the close of business on 28 March 2006.

### ***Currency Hedging***

The purchase price payable under the Mortgage Sale Agreements will be payable in Sterling. The Issuer will receive Dollars for the Dollar Notes and Euros for the Euro Notes which will have to be exchanged into Sterling by the Cross Currency Swap Counterparty (defined below) at a fixed rate of exchange in order to pay the purchase price due under the Mortgage Sale Agreements, to fund any related Retentions (as defined in the Conditions) and to purchase Further Advances (as defined in the Conditions). The Cross Currency Swap Counterparty will exchange amounts received from the Noteholders denominated in Dollars into Sterling at the Dollar Swap Rate (as defined in the Conditions) and will exchange amounts received from the Noteholders denominated in Euros into Sterling at the Euro Swap Rate (as defined in the Conditions).

Amounts payable under the Mortgages are denominated in Sterling while amounts payable under the Dollar Notes are payable in Dollars and amounts payable under the Euro Notes are payable in Euros. Further, the interest rate payable under the Dollar Notes is calculated by reference to Dollar LIBOR and amounts payable under the Euro Notes are calculated by reference to EURIBOR.

In order to hedge (i) the currency risk and interest rate risk arising by virtue of the foreign exchange risk between Sterling and Dollars, and (ii) the interest rate risk between 3 Month Sterling LIBOR and 3 Month

Dollar LIBOR, and (iii) the currency risk and interest rate risk arising by virtue of the foreign exchange risk between Sterling and Euro, and (iv) the interest rate risk between 3 Month Sterling LIBOR and 3 Month EURIBOR, the Issuer will, on or about the Closing Date enter into cross currency interest rate swap transactions with a suitably rated swap counterparty, which is expected to be JPMorgan Chase Bank, N.A. (in such capacity, the **Cross Currency Swap Counterparty**).

On or about the Closing Date, the Issuer will enter into (i) the Class A1b Dollar Swap Transaction and the Class A2b Dollar Swap Transaction each with the Cross Currency Swap Counterparty in respect of the Dollar Notes (the **Dollar Swap Transactions**) and (ii) the Class A2c Euro Swap Transaction, the Class Mc Euro Swap Transaction, the Class Bc Euro Swap Transaction and the Class Cc Euro Swap Transaction each with the Cross Currency Swap Counterparty in respect of the Euro Notes (together, the **Euro Swap Transactions** and together with the Dollar Swap Transactions, the **Cross Currency Swap Agreements**).

The effect of the Dollar Swap Transactions is expected to be that the Issuer will make payments to the Cross Currency Swap Counterparty in Sterling based on 3 Month Sterling LIBOR and the Cross Currency Swap Counterparty will make payments to the Issuer in Dollars based on 3 Month Dollar LIBOR. Principal payments in Sterling equal to the amounts available to be applied in repayment of the Dollar Notes will be made by the Issuer to the Cross Currency Swap Counterparty and be converted into Dollars at the Dollar Swap Rate on each Interest Payment Date. The effect of the Euro Swap Transactions is expected to be that the Issuer will make payments to the Cross Currency Swap Counterparty in Sterling based on 3 Month Sterling LIBOR and the Cross Currency Swap Counterparty will make payments to the Issuer in Euros based on 3 Month EURIBOR. Principal payments in Sterling equal to the amounts available to be applied in repayment of the Euro Notes will be made by the Issuer to the Cross Currency Swap Counterparty and be converted into Euro at the Euro Swap Rate.

The Issuer will not be required to gross-up for any withholding tax on payments made under the Cross Currency Swap Agreements or the Basis Swap Transactions or the Interest Rate Swap Transactions.

The Interest Rate Swap Transactions, the Basis Swap Transactions and the Cross Currency Swap Agreements are together referred to in this document as the **Swap Agreements** and individually referred to as a **Swap Agreement**. The Interest Rate Swap Counterparty, the Basis Swap Counterparty and the Cross Currency Swap Counterparty are together the **Swap Counterparties** and each a **Swap Counterparty**.

#### ***Downgrade of Swap Counterparty***

If, at any time, the rating of a Swap Counterparty's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below A1 by Moody's or A+ by Fitch (in the case of the Cross Currency Swap Agreements) or A by Fitch (in the case of the Interest Rate Swap Transactions and the Basis Swap Transactions) or the rating of a Swap Counterparty's short term, unsecured, unsubordinated and unguaranteed debt obligations falls below F1 by Fitch, P-1 by Moody's or A-1+ by S&P (in the case of the Cross Currency Swap Agreements) or A-1 by S&P (in the case of the Interest Rate Swap Transactions and the Basis Swap Transactions and collectively, the **Minimum Ratings**), then the Swap Counterparty will be required to take certain remedial measures as set out in the relevant Swap Agreement but which may include:

- (a) obtaining a guarantee or other support of its obligations under the relevant Swap Agreement from a third party with the Minimum Ratings in an acceptable form and substance to the Rating Agencies;
- (b) transferring all of its obligations under the Swap Agreement to a replacement third party with the Minimum Ratings (or, with prior written confirmation of the Rating Agencies that such action will not result in a reduction or withdrawal of the rating of the Notes, to a party with a lesser rating);
- (c) obtaining written confirmation from the Rating Agencies that the then current ratings of the Notes will not be downgraded as a result of the downgrade of the long or short term debt ratings of the Swap Counterparty; or
- (d) providing collateral in support of its obligations under the Swap Agreements.

If, at any time, the rating of a Swap Counterparty falls below a further rating level specified in the relevant Swap Agreement, the remedial measures available to the Swap Counterparty may be more limited.

In the event that the Cross Currency Swap Counterparty posts collateral in respect of its obligations under the Cross Currency Swap Agreements, that collateral will be credited to a separate swap collateral

account. Amounts standing to the credit of such account will be applied solely in returning collateral directly to, or in satisfaction of amounts owing by or to the Cross Currency Swap Counterparty in accordance with the Cross Currency Swap Agreements and the credit support annex entered into in connection with the Cross Currency Swap Agreement.

In the event that the Basis Swap Counterparty posts collateral in respect of its obligations under the Basis Swap Transactions, that collateral will be credited to a separate swap collateral account. Amounts standing to the credit of such account will be applied solely in returning collateral directly to, or in satisfaction of amounts owing by or to the Basis Swap Counterparty in accordance with the terms of the Basis Swap Transactions and the credit support annex entered into in connection with the Basis Swap Transactions.

## **Guaranteed Investment Contracts**

### ***Britannia GIC Agreement***

In accordance with the Administration Agreement, PFL (in its capacity as Cash Manager), on behalf of the Issuer, will deposit any cash amounts up to the Britannia GIC Limit (as defined below) which it receives from the Collection Account, the Initial Expenses Amount net of certain fees and expenses, the Initial Required Amount, the Required Amounts and any payments received under the Swap Agreements and the Liquidity Facility Agreement into an account of the Issuer maintained at Britannia (the **Britannia GIC Account**) which is the subject of an agreement between, *inter alios*, the Issuer, the Trustee and Britannia dated on or about the Closing Date (the **Britannia GIC Agreement**). The maximum cash amount which may from time to time be deposited by the Issuer in the Britannia GIC Account (the **Britannia GIC Limit**) will be:

- (a) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are rated F1+ in the case of Fitch, P-1 in the case of Moody's and A-1+ in the case of S&P (the **GIC Minimum Rating**) an unlimited amount;
- (b) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are rated lower than the GIC Minimum Rating but are rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's, P-1; and (iii) in the case of S&P, A-1, an amount equal to the aggregate of (A) 20 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes; and (B) the maximum amount of any guarantee (in a form acceptable to the Trustee of the obligations of Britannia in respect of the Britannia GIC Account provided by an entity whose short term and unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating; or
- (c) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are not rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's P-1; and (iii) in the case of S&P, A-1, the maximum amount of any guarantee (in a form acceptable to the Trustee) of the obligations of Britannia in respect of the Britannia GIC Account provided by an entity whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating (as to which see further "*Summary Information – GIC Guarantee*" below) or if no such guarantee is in force, zero.

### ***GIC Guarantee***

Pursuant to an agreement dated on or about the Closing Date (the **GIC Guarantee**) between, *inter alios*, the Issuer, Britannia, RBS (the **GIC Guarantor**) and the Trustee, the GIC Guarantor will guarantee the performance of Britannia's payment obligations under the Britannia GIC Agreement up to a limit of £5,000,000 (the **Britannia GIC Guarantee Limit**) until the earlier of (i) the Notes being redeemed in full and (ii) the Interest Payment Date falling in June 2011 and, thereafter zero. Notwithstanding this, the GIC Guarantee will only remain in place to the extent that there are Notes outstanding. If the GIC Guarantor ceases to be rated the GIC Minimum Rating it will be obliged to transfer, or to obtain a guarantee of, its obligations under the GIC Guarantee or take such further action as is needed in order to maintain the then current ratings of the Notes.

### ***RBS GIC Agreement***

If cash amounts received by the Issuer exceed the Britannia GIC Limit, PFL (in its capacity as Cash Manager) will be obliged, pursuant to the Administration Agreement, to deposit the amount of any such

surplus which it receives in an account of the Issuer maintained at RBS (the **RBS GIC Account**, and together with the Britannia GIC Account, the **GIC Accounts**, and the GIC Account in which such cash amounts are deposited, the **Relevant GIC Account**) pursuant to the terms of an agreement entered into between, *inter alios*, the Issuer, the Trustee and RBS dated on or about the Closing Date (the **RBS GIC Agreement** and together with the Britannia GIC Agreement, the **GIC Agreements**) or (if RBS is not at such time or ceases to be rated at least the GIC Minimum Rating) a similar account with another entity rated at least the GIC Minimum Rating.

## **The Notes**

The £87,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2037, the U.S.\$235,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2037, the £270,000,000 Class A2a Mortgage Backed Floating Rate Notes due 2037, the U.S.\$462,000,000 Class A2b Mortgage Backed Floating Rate Notes due 2037, the €365,000,000 Class A2c Mortgage Backed Floating Rate Notes due 2037, the €105,600,000 Class Mc Mortgage Backed Floating Rate Notes due 2037, the £22,000,000 Class Ba Mortgage Backed Floating Rate Notes due 2037, the €39,500,000 Class Bc Mortgage Backed Floating Rate Notes due 2037, and the €48,000,000 Class Cc Mortgage Backed Floating Rate Notes due 2037 will be issued subject to the provisions of, and have the benefit of, the Trust Deed and will share in the same security. The Notes will rank in point of security and as to payment of principal and interest as described further in "*Credit Structure – Subordination*" and "*Terms and Conditions of the Notes – Status, Ranking and Security*" below. Interest will be payable on the Notes in arrear as described in Condition 5 ("*Interest*").

## **Redemption and Purchase**

### **(a) Optional Early Redemption of Notes**

The Issuer may, at its option, redeem all (but not some only) of the Notes in full on any Interest Payment Date (i) falling on or after the Step-Up Date or (ii) on which the aggregate Sterling Principal Amount Outstanding of the Notes is equal to or less than 10 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes on the Closing Date. (See further Condition 6(d), ("*Redemption, Purchase and Cancellation – Optional Redemption of the Notes*").) For the avoidance of doubt, the Issuer is not obliged to redeem the Notes under Condition 6(d) and there can be no guarantee that it will do so.

### **(b) Optional Redemption for Tax Reasons**

The Issuer is entitled to redeem on any Interest Payment Date the Principal Amount Outstanding together with accrued interest of all (but not some only) of the Notes then outstanding if: (i) there is any withholding tax imposed in relation to payments to be made on the Notes or under any of the Swap Agreements; (ii) the Issuer is no longer entitled to relief for tax purposes on payments under any of the Swap Agreements and would as a result be subject to an increased liability to taxation for any accounting period; or (iii) following a change in tax law or the application or official interpretation thereof, the amounts payable to the Issuer in respect of the interest from Borrowers under the Mortgages cease to be receivable in full, subject to the provisions set out in Condition 6(e), ("*Redemption, Purchase and Cancellation – Optional Redemption of the Notes for Tax Reasons*").

### **(c) Mandatory Redemption in Part**

Prior to enforcement of the security for the Notes, the Notes will be subject to mandatory redemption in part on each Interest Payment Date in accordance with Condition 6(b), ("*Redemption, Purchase and Cancellation – Mandatory Redemption in Part*"). The Classes of Notes will be redeemed sequentially in descending order of seniority commencing with the A1 Notes in accordance with Condition 6(b), in each case *pro rata* within each Class of Notes, and *pro rata* and *pari passu* with respect to: (i) the A1a Notes and the A1b Notes; (ii) the A2a Notes, the A2b Notes and the A2c Notes; (iii) the Mc Notes; (iv) the Ba Notes and the Bc Notes and (v) the Cc Notes; and as further described in "*Credit Structure – Pre-Enforcement Principal Payments*".

### **(d) Final Redemption**

Unless previously redeemed and cancelled in full or purchased following exercise of the Post-Enforcement Call Option and cancelled in full, the Notes will mature on the Interest Payment Date falling in December 2037 (the **Maturity Date**).



**(e) Purchases of Notes**

The Issuer shall not be entitled to purchase any Notes in the market. However, pursuant to the Post-Enforcement Call Option (see further sub-paragraph (f) immediately below), Leek Finance Holdings Number Seventeen Limited (**Holdings**) may purchase all (but not some only) of the outstanding Notes in the circumstances described below.

**(f) Purchase of the Notes pursuant to Post-Enforcement Call Option in favour of Holdings**

The Trustee will, on the Closing Date, grant to Holdings an option (the **Post-Enforcement Call Option**) pursuant to a deed (the **Post-Enforcement Call Option Deed**) to purchase all (but not some only) of the Notes then outstanding (plus accrued interest thereon) for a consideration of one penny per Sterling Note, one U.S. cent per Dollar Note and one euro cent per Euro Note outstanding on the date, following any enforcement of the security for the Notes, on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the Notes and after the application of any such proceeds to the Notes, to pay any further amounts due in respect of the Notes. The Noteholders are bound by the terms of the Post-Enforcement Call Option granted to Holdings pursuant to the terms and conditions of the Trust Deed and by the Conditions. The Trustee will be authorised pursuant to the Trust Deed to enter into the Post-Enforcement Call Option Deed on behalf of the Noteholders.

**Withholding Tax**

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding taxes and the Issuer will not be obliged to pay additional amounts or to gross-up in relation thereto. The applicability of any United Kingdom withholding taxes is discussed under "*Taxation*" below.

**Security for the Notes**

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Trustee (the **Deed of Charge**) on or about the Closing Date, the Notes will be secured by, *inter alia*:

- (i) a first fixed charge over the Issuer's right, title, interest and benefit in the Mortgages, other than the Scottish Mortgages (as defined below), and certain collateral security;
  - (ii) an assignment in security of the Issuer's interest in the PFL Mortgages secured by way of standard security over residential properties located in Scotland (the **Scottish Mortgages**) (comprising the Issuer's beneficial interest under trusts over the Scottish Mortgages, the Loans secured thereby and certain collateral security relative to those PFL Mortgages declared by PFL in favour of the Issuer pursuant to the PFL Mortgage Sale Agreement and declared by PFL, with the consent of Meerbrook 1, pursuant to the Meerbrook 1 Mortgage Sale Agreement (the **Scottish Declarations of Trust**));
  - (iii) an assignment by way of security of the Issuer's interest in certain insurance contracts so far as they relate to the Mortgages (in so far as such interests are capable of assignment);
  - (iv) an assignment by way of security of the benefit of the Issuer's right, title, benefit and interest, present and future in the Transaction Documents other than the Notes and the Trust Documents (each as defined in the Conditions);
  - (v) a first fixed charge over the Issuer's interest in the GIC Accounts and any other bank account of the Issuer from time to time and the debts represented thereby (which, in either case, may take effect as a floating charge and so rank behind the claims of any preferential creditors of the Issuer); and
  - (vi) a floating charge over all the present and future assets and undertaking of the Issuer not subject to the fixed charges or assignments by way of security as described above but extending over all the assets and undertaking of the Issuer situated in, or otherwise governed by, the laws of Scotland,
- (the **Security**, being further described in "*Terms and Conditions of the Notes – Status, Ranking and Security*" below).

## RISK FACTORS

*The following is a summary of certain aspects of the issue of the Notes about which prospective Noteholders should be aware. The summary is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision.*

### Credit Structure

#### *Liabilities under the Notes*

The Notes will be obligations and responsibilities of the Issuer only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, Britannia, Meerbrook 1, MAS6, Kensington, PFL, WMS, Leek 7, Leek 4, Leek 5 or any other Britannia Group Company, NatWest, the Correspondent Lenders, JPMorgan and RBS in any capacity (including that of Arranger), any other Manager, any Swap Counterparty, the Paying Agents, the Agent Bank, the Liquidity Facility Provider or the Trustee (together, the **Excluded Parties**). No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Excluded Parties.

#### *Limited Resources*

The ability of the Issuer to meet its obligations under the Notes will be dependent on funds being received under, *inter alia*, the Mortgages, the Swap Agreements (excluding, prior to the enforcement of the Security, any amounts paid as collateral in connection with the Swap Agreements), the interest paid under the GIC Accounts, proceeds received by the Issuer or by PFL on its behalf under certain insurance contracts in respect of the Mortgages and the availability of the Liquidity Facility and the Required Amount.

In the event that the Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under each class of the Notes pursuant to the Deed of Charge, to pay in full all amounts of principal and interest and any other amounts whatsoever due in respect of the Notes, then the assets of the Issuer may be insufficient to meet claims in respect of any such unpaid amounts. Enforcement of the Security is the only remedy available for the purpose of recovering amounts owed in respect of the Notes.

#### *Income and Principal Shortfalls*

If there is insufficient Applied Income, Liquidity Drawing Amount and Applied Principal (each as defined in Condition 1) available to the Issuer to meet its obligations on any Interest Payment Date, then one or more of the following consequences may ensue:

- (i) the Issuer's interest and other net income may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the A Notes and/or the M Notes and/or the B Notes and/or the C Notes; and/or
- (ii) no principal payments will be made to the holders of the A2 Notes (the **A2 Noteholders**) unless and until all payments due on that Interest Payment Date to the holders of the A1 Notes (the **A1 Noteholders**) have been paid in full, and to be applied between the A1a Notes and the A1b Notes on a *pro rata* and *pari passu* basis; and/or
- (iii) no principal payments will be made to the holders of the M Notes (the **M Noteholders**) unless and until all payments due on that Interest Payment Date to the holders of the A2 Notes (the **A2 Noteholders**) and together with the A1 Noteholders, the **A Noteholders** have been paid in full, and to be applied between the A2a Notes, the A2b Notes and the A2c Notes on a *pro rata* and *pari passu* basis; and/or
- (iv) no principal payments will be made to the holders of the B Notes (the **B Noteholders**) unless and until all payments due on that Interest Payment Date to the M Noteholders have been paid in full, and to be applied between the Mc Notes, on a *pro rata* and *pari passu* basis; and/or
- (v) no principal payments will be made to the holders of the C Notes (the **C Noteholders**) unless and until all payments due on that Interest Payment Date to the B Noteholders have been paid in full, and to be applied between the Ba Notes and the Bc Notes, on a *pro rata* and *pari passu* basis.

### *Limited Secondary Market for Mortgages*

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default (as defined in the Conditions) in relation to the Notes while any of the Mortgages are still outstanding, may depend upon whether the Mortgages can be realised to obtain an amount sufficient to redeem the Notes. There is not, at present, an active and liquid secondary market for mortgage loans of this type in the United Kingdom. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for the life of the Notes. To date, no underwriter has indicated that they intend to establish a secondary market in the Notes. In addition, Notes sold in the United States may be subject to restrictions on transferability. See further the section entitled "*Notice to Investors*" below. The Issuer, and following the occurrence of an Event of Default, the Trustee, may not, therefore, be able to sell the Mortgages on appropriate terms should they be required to do so.

### *Interest Rate, Basis and Currency Risk on the Notes*

In order to address the interest rate risks associated with the fixed rate portions of the Fixed Reverting to Base Rate Tracker Mortgages, the Fixed Reverting to LIBOR Mortgages and the Fixed Reverting to MAS6 VR LIBOR Mortgages, the Interest Rate Swap Transactions will be novated to the Issuer on the Closing Date.

3 Month Sterling LIBOR is not calculated on the same dates as Mortgage LIBOR and MAS6 LIBOR. In order to address the interest rate risk arising by virtue of the difference between 3 Month Sterling LIBOR and Mortgage LIBOR or 3 Month Sterling LIBOR and MAS6 LIBOR, the Issuer will enter into the Basis Swap Transactions on the Closing Date. Basis risk associated with the floating rate portions of the Base Rate Mortgages, however, will not be hedged.

Finally, while the Issuer will receive amounts from the Mortgages in Sterling, payments due under the Dollar Notes will be due in Dollars (with interest due thereunder calculated by reference to 3 Month Dollar LIBOR) and payments due under the Euro Notes will be due in Euros (with interest due thereunder calculated by reference to 3 Month EURIBOR). In order to address the currency and interest rate risks associated with payments due under the Dollar Notes and the Euro Notes, the Issuer will also enter into the Cross Currency Swap Agreements with the Cross Currency Swap Counterparty on the Closing Date.

There can be no assurance that the Swap Agreements will adequately address all hedging risks. A failure by the Issuer to make timely payments of amounts due under any Swap Agreement will constitute a default thereunder and entitle the Swap Counterparty to terminate the relevant Swap Agreement as described below. To the extent that the Swap Counterparty is not obliged to provide, or otherwise defaults in its obligations to provide, the Issuer with an amount equal to the full amount due under the relevant Swap Agreement the Issuer may have insufficient funds to make payments due on the Notes.

Each Swap Agreement will provide that, upon the occurrence of certain events, the Swap Agreement may terminate and a termination payment by either the Issuer or the relevant Swap Counterparty may be payable. Any termination payment due from the Issuer under the Interest Rate Swap Transactions or the Basis Swap Transactions (except where such termination arises as a result of a default by a Swap Counterparty) will rank *pari passu* with payments due to the A Noteholders and ahead of payments owing to the M Noteholders, the B Noteholders and the C Noteholders. Payments of such amounts to a Swap Counterparty together with those due to the Cross Currency Swap Counterparty (as described below) may reduce funds that would otherwise be available to make payments on the Notes. Any termination payment due from the Issuer under the Cross Currency Swap Agreements in respect of a Class of Notes (except where such termination arises as a result of the default by the Cross Currency Swap Counterparty) will rank *pari passu* with payments due to the Noteholders in respect of that Class of Notes.

The Issuer will have available to it, *inter alia*, amounts paid to it by Borrowers under the Mortgages (together with the amount of any termination payment, if any, due to it under a Swap Agreement) to acquire a replacement swap or (together with the amount of any payment made to it by a Swap Counterparty) to make a termination payment under a Swap Agreement. No assurance can be given, however, that the Issuer will thereafter have sufficient funds available to it to make subsequent payments in respect of the Notes.

No assurance can be given as to the ability of the Issuer to enter into a replacement swap, or if one is entered into, as to the credit rating of the replacement swap counterparty.

### *Market Disruption*

The Rate of Interest in respect of each Class of Notes for each Interest Period will be the aggregate of the Relevant Margin and an underlying rate as follows: in the case of the Sterling notes, 3 Month Sterling LIBOR, in the case of the Dollar Notes, 3 Month Dollar LIBOR and in the case of the Euro Notes, 3 Month EURIBOR, in each case determined in accordance with Condition 5(c). Conditions 5(c)(ii), 5(c)(iv) and 5(c)(vi) contain provisions for the calculation of such underlying rates based on rates given by various market information sources, and Conditions 5(c)(iii), 5(c)(v) and 5(c)(vii) contain alternative methods of calculating the underlying rate should those market information sources be unavailable. The market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

### *Risks Associated with Rising Mortgage Interest Rates*

The interest rate payable under certain of the Mortgages is calculated by reference to Mortgage LIBOR, MAS6 Mortgage LIBOR or the Base Rate, which may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under a Mortgage as a result of an increase in Mortgage LIBOR, MAS6 Mortgage LIBOR or the Base Rate (as applicable).

### *Yield and Prepayment Considerations*

The yield to maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payments of principal on the Mortgages and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgages.

Prepayments on the Mortgages may result from refinancings, voluntary sales of properties by Borrowers, as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds from buildings insurance and pension policies. In addition, purchases of Mortgages required to be made under the Mortgage Sale Agreements following a breach of warranty will have the same effect as a prepayment of such Mortgages.

The rate of prepayment of the Mortgages cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, no assurance can be given as to the level of prepayments that the Mortgage Pool will experience. See further the section entitled "*Weighted Average Lives of the Notes*" below.

### *Conflict between Classes of Noteholders*

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the A Noteholders, the M Noteholders, the B Noteholders, and the C Noteholders, respectively, as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of: (i) the A Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the A Noteholders and the interests of the M Noteholders, the B Noteholders, the C Noteholders and/or any other persons entitled to the benefit of the Security; or (ii) (where there are no A Notes outstanding) the M Noteholders if, in the Trustee's opinion there is or may be a conflict between the interests of the M Noteholders, the B Noteholders, the C Noteholders and/or any other persons entitled to the benefit of the Security; or (iii) (where there are no A Notes and M Notes outstanding) the B Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the B Noteholders, the C Noteholders and/or any other persons entitled to the benefit of the Security; or (iv) (where there are no A Notes, M Notes and B Notes outstanding) the C Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the C Noteholders and/or any other persons entitled to the benefit of the Security.

The A Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any specific Class of Noteholders within the A Notes. The M Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any specific Class of Noteholders within the M Notes. The B Noteholders will rank *pari passu* between themselves and the

Trustee will not have regard to the interests of any specific Class of Noteholders within the B Notes. The C Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any specific Class of Noteholders within the C Notes.

At any particular time, having regard to the specific circumstances then applicable, the Trustee may, in its absolute discretion (and without prejudice to the preceding paragraph), if it believes it to be just and equitable to do so, convene a meeting or meetings of a specific Class or Classes of Noteholders.

#### *Certain material interests*

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Britannia and its affiliates in the ordinary course of business. In addition to acting as Arranger and Manager, RBS will also act as the Interest Rate Swap Counterparty under the Interest Rate Swap Transactions, Expenses Loan Provider under the Expenses Loan Agreement, GIC Provider under the RBS GIC Agreement and GIC Guarantor under the GIC Guarantee. Other parties to the transaction may also perform multiple roles, including Britannia, who will act as guarantor of the obligations of the Administrators under the Administration Agreement and of the obligations of the Relevant Purchasers under the Put Option, will maintain the Britannia GIC Account and will act as Senior Subordinated Loan Provider and Junior Subordinated Loan Provider.

The Master Framework Agreement provides that nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction:

- (a) having previously engaged or in the future engaging in transactions with other parties to the transaction;
- (b) having multiple roles in this transaction; and/or
- (c) carrying out other transactions for third parties.

#### **The Mortgages**

##### *Borrowers*

The portfolio of the Mortgages from time to time (the **Mortgage Pool**) may include loans made to (i) Borrowers who may previously have been subject to a County Court Judgment, Northern Irish Small Claims Court, County Court or High Court Judgment or a Scottish Court decree for payment, an Individual Voluntary Arrangement (an **IVA**) or a Bankruptcy Order (a **BO**), (ii) Borrowers in Scotland who have been sequestered, (iii) Borrowers who are self-employed, (iv) Borrowers considered by bank and building society lenders to be non-conforming borrowers and (v) Borrowers who are not owner occupiers. These loans have been underwritten generally in accordance with underwriting standards described in "*The Mortgage Pool – Lending Guidelines*". These underwriting standards consider, among other things, a mortgagor's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property.

However, loans made to non-conforming borrowers may experience higher rates of delinquency, enforcement and bankruptcy than have historically been experienced by loans made to typical "A" rated borrowers. In addition, there can be no assurance that loans with higher loan-to-value ratios will not experience higher rates of delinquency, enforcement and bankruptcy than loans with lower loan-to-value ratios.

##### *Warranties*

Neither the Issuer, the Trustee nor any of the Managers has undertaken or will undertake any investigations, searches or other due diligence in respect of the Mortgages, and each will rely instead on, *inter alia*, (i) the benefit of the warranties given by PFL to the Issuer under the PFL Mortgage Sale Agreement, (ii) the benefit of warranties given by PFL to each of Leek 4 and Leek 5 pursuant to the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, that were assigned

to Leek 7 pursuant to each of the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, that were further assigned to Meerbrook 1 pursuant to the Leek 7 Mortgage Sale Agreement and that will be assigned to the Issuer pursuant to the Meerbrook 1 Mortgage Sale Agreement, (iii) the benefit of warranties given by PFL to Meerbrook 1 pursuant to the Meerbrook 1 Origination and Sale Agreement and that will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement, and (iv) the benefit of the warranties given by MAS6 to the Issuer under the MAS6 Mortgage Sale Agreement. The sole remedy (save as described below) of each of the Issuer and the Trustee in respect of an unremedied breach of warranty (see further the section entitled "*The Mortgage Pool – Warranties and Breach of Warranties*") shall be the requirement (subject to certain provisions as to materiality, at the discretion of the Trustee), that PFL or MAS6 (in respect of the PFL Mortgages or the MAS6 Mortgages, as applicable) or any other subsidiary, from time to time, of Britannia as Britannia may elect as the purchaser of the Mortgages (a **Relevant Purchaser**) purchases any Mortgage which is the subject of the relevant unremedied breach. The obligation of a Relevant Purchaser to purchase certain Mortgages following a breach of warranty is guaranteed by Britannia under the PFL Mortgage Sale Agreement and the MAS6 Mortgage Sale Agreement and which guarantee, in so far as it relates to the Meerbrook 1 Mortgages and the Leek 7 Mortgages, will be assigned to the Issuer pursuant to the Meerbrook 1 Mortgage Sale Agreement.

The representations and warranties given by PFL in relation to the Leek 7 Mortgages were given at the date of transfer of each Leek 7 Mortgage to Leek 4 and Leek 5 pursuant to the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement respectively. The benefit of these representations and warranties was then assigned to Leek 7 pursuant to the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement respectively and further assigned to Meerbrook 1 pursuant to the Leek 7 Mortgage Sale Agreement. Additionally, the representations and warranties given by PFL in relation to the Meerbrook 1 Mortgages were given at the date of transfer of each Meerbrook 1 Mortgage to Meerbrook 1 pursuant to the Meerbrook 1 Origination and Sale Agreement. Such warranties given by PFL will not be repeated by PFL, Meerbrook 1, Leek 4, Leek 5 or Leek 7 on the Closing Date but the benefit of such warranties will be assigned to the Issuer pursuant to the Meerbrook 1 Mortgage Sale Agreement. Meerbrook 1 will warrant to the Issuer pursuant to the Meerbrook 1 Mortgage Sale Agreement that immediately prior to the transfer of the Leek 7 Mortgages and the Meerbrook 1 Mortgages it is the sole beneficial owner of the Leek 7 Mortgages and the Meerbrook 1 Mortgages sold by it to the Issuer free from any encumbrance or security interest. No further warranties will be given by PFL, Meerbrook 1, Leek 4, Leek 5 or Leek 7 to the Issuer and the Trustee and no assurance can be given that as a result of any change in circumstance or law since the date the warranties were given by PFL, the warranties given pursuant to the Leek 4 Origination and Sale Agreement, the Leek 5 Origination and Sale Agreement and the Meerbrook 1 Origination and Sale Agreement would still be true if the same were given on the Closing Date.

For the avoidance of doubt, the warranties in relation to the MAS6 Mortgages have not been given by Kensington and, accordingly, the Trustee shall have no recourse to Kensington if they are breached.

#### *Enforcement*

Costs and delays could be encountered in connection with enforcement of the Mortgages and recovery of the Loans with corresponding delays in the receipt of related proceeds by the Issuer. For further detail in relation to the enforcement process and related risks applicable to English, Scottish and Northern Irish Mortgages, see further the sections entitled "*The Mortgage Pool – Enforcement Procedures – English Loans*", "*The Mortgage Pool – Enforcement Procedures – Scottish Loans*" and "*The Mortgage Pool – Enforcement Procedures – Northern Irish Loans*" below.

#### *Administration of the Mortgages*

Pursuant to the Administration Agreement, each of PFL (in respect of the PFL Mortgages) and MAS6 (in respect of the MAS6 Mortgages) has the right to sub-delegate certain of its obligations as an Administrator. Each of PFL and MAS6 will on the Closing Date sub-delegate certain of its respective obligations as Principal Administrator or MAS6 Administrator in respect of the PFL Mortgages or the MAS6 Mortgages (as applicable) to the Sub-Administrator. Notwithstanding any sub-delegation of the whole or any part of the Principal Administrator's and the MAS6 Administrator's duties under the Administration Agreement, neither of the Principal Administrator nor the MAS6 Administrator will be released from its obligations thereunder. The obligations of PFL and MAS6 as Administrators will be guaranteed by Britannia pursuant to the Administration Agreement. If the appointment of the Administrators

is terminated (which would result in the termination of any appointment of the Sub-Administrator), the Issuer and the Trustee have undertaken to appoint a substitute administrator with experience of administering mortgages of residential property in the United Kingdom, provided that such appointment is on substantially the same terms as those set out in the Administration Agreement and the current rating of the Notes is not adversely affected thereby. No assurance can be given that upon termination of the appointment of the Administrators the Issuer and the Trustee will be able to appoint a suitable substitute administrator.

#### *Collectability of Amounts Due under the Mortgages*

The collectability of amounts due under the Mortgages is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors (including factors which may not affect real estate values) may have an impact on the ability of Borrowers to repay the Mortgages. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgages.

In addition, the ability of the Issuer to dispose of a property, in the event of enforcement against a Borrower, at a price sufficient to repay the amounts outstanding under the relevant Mortgages will depend upon the availability of buyers for that property.

#### *Risks of Losses Associated with Declining Property Values*

The security for the Notes consists of, *inter alia*, the Issuer's interest in the Mortgages. The value of the security may be affected by, among other things, a decline in property values. No assurance can be given that values of the properties have remained or will remain at the level at which they were at on the dates of origination of the related Mortgages.

If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the security created by the Mortgages being significantly reduced and, ultimately, may result in losses to the Noteholders if that security is required to be enforced.

#### *Risk of Losses Associated with Interest Only Loans*

Approximately 55.11 per cent. of the mortgages in the Provisional Pool (or 66.02 per cent. by value) constitute **Interest Only Loans**. Interest Only Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Loan, the Borrower will be required to make a "bullet" repayment that will represent the entirety of the principal amount outstanding thereof. The ability of such a Borrower to repay an Interest Only Loan at maturity may often depend on such Borrower's ability to refinance the Property or obtain funds from another source such as pension policies, personal equity plans or endowment policies. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at the time.

Although a low interest rate environment may facilitate the refinancing of an Interest Only Loan, the receipt and reinvestment by the holders of the Notes of the proceeds in such an environment may produce a lower return than that previously received in respect of the related Loan. Conversely, a high interest rate environment may make it more difficult for the Borrower to accomplish a refinancing and may result in delinquencies or defaults. None of MAS6, PFL or the Trustee will be obligated to provide funds to refinance any Loan, including Interest Only Loans. (See further "*Characteristics of the Provisional Pool*" below.)

#### *Risk Associated with Non-Owner Occupied Properties*

Approximately 29.40 per cent. of the mortgages in the Provisional Pool (or 30.94 per cent. by value) constitute Investment Home Loan Mortgages. As the Mortgages are secured over buy to let properties which are required to be let by the relevant Borrowers, the security for the Notes will also from time to time be affected by the condition of the private residential rental market in England and Wales, Scotland and Northern Ireland, and in particular, the condition of the private rental market within the various

regional areas in England and Wales, Scotland and Northern Ireland, where the relevant Properties are located. The condition of the rental market will influence both the ability of Borrowers to find tenants and the amount of rental income which may be achieved by the relevant Borrower in any letting.

It is a requirement that each Borrower uses best endeavours to ensure that the Property or Properties relating to that Borrower and comprised in the Mortgage Pool are let to suitable tenants on the open market. However, there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Mortgage is acquired by the Issuer or that each property will be tenanted throughout the life of the Mortgage, that the rental income achievable from the tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Mortgage during the life of the Mortgage, that the tenancies will be on market terms, that a tenant will always be able to pay their rent, and that a Borrower will always respect the terms of such tenancy relating to the maintenance of the relevant Property. However, the obligations of a Borrower to make payments under a Mortgage is without regard to whether the relevant Property is let and without regard to the amount of rent received from the relevant tenant.

Upon enforcement of a Mortgage in respect of a property, which is the subject of an existing tenancy, PFL or MAS6 (in their capacities as Administrators) may not be able to obtain vacant possession of that property until the end of the tenancy. If the relevant Administrator enforces while the tenancy is continuing and sells the Property as an investment property with one or more sitting tenants, it may affect the amount which may be realised in the sale. However, because the term of most tenancies is for up to a maximum of twelve months, a tenanted property will often be vacated sooner than an owner-occupied property. Additionally, enforcement procedures in relation to such Mortgages may, amongst other things, include the ability to appoint (except in relation to Scottish Mortgages) a receiver of rent, in which case such a receiver has a right to collect any rents payable in respect of such property, or (in relation to Scottish Mortgages) to collect any such rents directly in the name of PFL.

#### *Geographic Concentration of Mortgaged Properties*

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. There are concentrations of properties within certain regional areas which may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations. See further the section entitled "*The Mortgage Pool – Characteristics of the Mortgage Pool*" below.

#### **Certain Legal Considerations**

##### *Effect of Equitable Assignment*

The transfer of the beneficial title, with a right to call for the legal title, to the Leek 7 Mortgages was obtained by Leek 4 and Leek 5 pursuant to the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, respectively. Leek 4 and Leek 5 then transferred the beneficial title, with a right to call for the legal title, to the Leek 7 Mortgages to Leek 7 pursuant to the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, respectively. Leek 7 then transferred the beneficial title, with a right to call for the legal title, to the Leek 7 Mortgages to Meerbrook 1 pursuant to the Leek 7 Mortgage Sale Agreement.

The transfer of the beneficial title, with a right to call for the legal title, to the Meerbrook 1 Mortgages was obtained by Meerbrook 1 pursuant to the Meerbrook 1 Origination and Sale Agreement.

Pursuant to the PFL Mortgage Sale Agreement, the Meerbrook 1 Mortgage Sale Agreement and the MAS6 Mortgage Sale Agreement, PFL, Meerbrook 1 and MAS6 respectively will transfer the beneficial title, with a right to call for the legal title, to the Mortgages to the Issuer on or about the Closing Date. Legal title in the Mortgages as of the Closing Date will continue to be vested in PFL and MAS6, as applicable, (on trust for the Issuer).

The consequence of the assignment or transfer of the Mortgages (other than the Scottish Mortgages, as to which see below) taking effect in equity only is that the rights of the Issuer and the Trustee may be, or may become, subject to equities, as well as to the interests, of third parties who perfect a legal interest prior to the Issuer or the Trustee acquiring and perfecting a legal interest (such as, in the case of Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without



notice of the Issuer's or Trustee's interest or, in the case of Mortgages over registered land, a third party acquiring a legal interest by registration prior to the registration of the Issuer's or the Trustee's interests). Furthermore, the Issuer's and the Trustee's interests will be subject to equitable interests of third parties which may rank in priority to their interests in accordance with the normal rules governing the priority of equitable interests in the case of both registered and unregistered land. The legal effect of declaring the Scottish Declarations of Trust in respect of the Scottish Mortgages and their collateral security in favour of the Issuer and the assignation in security of the Issuer's rights therein in favour of the Trustee are substantially the same as those set out in this paragraph in relation to the equitable rights of the Issuer and the Trustee under English law.

The risk of such equities and other interests leading to third party claims obtaining priority over the interests of the Issuer or the Trustee in the Mortgages, the collateral security therefor and the Insurance Contracts is likely to be limited to circumstances arising from a breach by any of PFL, Meerbrook 1, MAS6 or the Issuer of its or their contractual or other obligations or fraud or mistake on the part of any of PFL, Meerbrook 1, MAS6 or the Issuer or of its or their respective officers, employees or agents.

Furthermore, until the Issuer or the Trustee has obtained legal title to the Mortgages, PFL or MAS6, as applicable, must be joined as a party to any legal proceedings which the Issuer and the Trustee may wish to take against any Borrower to enforce their rights under the relevant Mortgage. In this respect, each of PFL and MAS6 will, pursuant to the Mortgage Sale Agreements, undertake for the benefit of the Issuer and the Trustee that it will join in any legal proceedings brought by the Issuer or the Trustee against any person relating to a Mortgage and its related rights agreed to be sold to the Issuer pursuant to the Mortgage Sale Agreements. Such undertaking will be secured by powers of attorney granted by PFL and MAS6 in favour of the Issuer and the Trustee enabling the Issuer and the Trustee to take proceedings in the name of PFL and MAS6 (as applicable).

With respect to the Insurance Contracts, each of PFL, Meerbrook 1 and MAS6 will assign the benefit of such contracts to the Issuer. Such assignments will take effect in equity only as the Issuer will not be made a co-insured. However, notice of the assignments over the benefit of each of the relevant Insurance Contracts will be given within a reasonable period of the Closing Date to the relevant insurance company.

#### *Redemption of Scottish Mortgages*

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that standard security and interest.

#### *Loans Regulated by the Consumer Credit Act 1974*

Some of the Loans may be regulated by the Consumer Credit Act 1974 (the **CCA**) and insofar as the Loan finances the supply of insurance under arrangements with the supplier, the Loan will be partly regulated by the CCA and may give rise to liability under section 75 of the CCA. The CCA, among other things, sets requirements for the format and content of loan documentation and for the procedures to be taken by the lender when originating a regulated loan. For further details of these requirements, see "*Regulation of the UK Residential Mortgage Market – Loans Regulated by the Consumer Credit Act 1974*" below.

If the origination or documentation of a loan which is regulated by the CCA does not comply with the requirements of the CCA, the relevant loan may be unenforceable against the borrower or may require a court order before the lender can enforce its rights against the borrower. In the latter circumstances, the court has the power, if it appears just to do so, to amend the loan agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, PFL warranted that all regulated loans comply with the requirements of the Consumer Credit Act. The benefit of this warranty was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement. Additionally, under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and

Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Leek 7 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

Under the Meerbrook 1 Origination and Sale Agreement, PFL warranted that all regulated loans comply with the requirements of the Consumer Credit Act. The benefit of this warranty will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement. Additionally, under the Meerbrook 1 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Meerbrook 1 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, PFL will warrant that all regulated loans comply with the requirements of the Consumer Credit Act and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS6 Mortgage Sale Agreement, MAS6 will warrant that no Loan is a consumer credit agreement or constitutes any agreement regulated or partly regulated by the Consumer Credit Act and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS6 under the MAS6 Mortgage Sale Agreement.

As a consequence, where a court or other competent authority determines that a Mortgage is unenforceable as a result of a breach of the Consumer Credit Act or there has been an alleged breach of the Consumer Credit Act which is the subject of a complaint by a Borrower, a consumer body or a competent regulatory body and such breach is likely to make that Mortgage unenforceable, the Issuer will have the benefit of the relevant warranties and guarantees assigned, or provided directly, to it.

#### *Future Reforms to the Consumer Credit Act*

The Consumer Credit Bill 2005 was introduced in the House of Commons on 18 May 2005. A similar bill, the Consumer Credit Bill 2004, had previously been introduced but had lapsed with the dissolution of Parliament on 11 April 2005 prior to the 2005 general election. The Consumer Credit Bill 2005 went through its report stage in the House of Lords on 18 January 2006. Royal Assent for the Consumer Credit Bill 2005 is expected in the spring of 2006, although the resulting amendments to the CCA would come into force on such days as the Secretary of State for Trade and Industry may appoint. The Consumer Credit Bill 2005, if enacted, will effect significant amendments to the CCA, including:

- (i) the removal of the financial limit from the CCA in respect of credit for non-business lending;
- (ii) the exemption from the CCA regime of high net worth debtors who meet certain criteria and who choose to exercise a voluntary opt out and the exemption of credit for more than £25,000 where such credit is entered into by the debtor predominantly for the purposes of a business carried on, or intended to be carried on, by him;
- (iii) the extension of the Financial Ombudsman Service to consumer credit licence holders, allowing consumers to challenge agreements without court proceedings;
- (iv) further criteria (applicable with some retroactive effect) to determine whether the relationship between debtors and creditors is unfair, which will include unfair practices and terms, and not just extortionate rates;
- (v) the strengthening of the powers of the Office of Fair Trading (OFT) and the introduction of a Consumer Credit Appeals Tribunal to hear appeals from determinations of the OFT relating to licensing matters;
- (vi) the extension of the courts' discretion to allow enforcement of consumer credit agreements notwithstanding a breach of the requirements of the CCA to certain requirements whose breach now results in the relevant consumer credit agreement being mandatorily unenforceable, in order to allow courts to make a judgment that is proportionate to the detriment caused to the consumer;
- (vii) the requirement on lenders to provide annual statements and an arrears notice with an OFT information sheet on what to do about arrears together with restrictions on the rights of lenders to make default charges, charge default interest and to enforce agreements unless they have complied with such requirements;

- (viii) the prohibition of charging compound interest on default sums; and
- (ix) new provisions relating to the licensing of consumer credit businesses.

The amendments in the Consumer Credit Bill (if enacted and subsequently brought into force): (a) would make all Loans subject to some form of regulation (unless an exemption applies); (b) may increase the possibility of a challenge to agreements on the basis of "unfairness" (with some retrospective application to existing agreements); (c) would set out proportionality principles for courts in their enforcement of consumer credit agreements; and (d) may result in more restrictions being placed upon the activities of consumer credit licence holders.

The Consumer Credit Bill 2005 was approved by the House of Commons on 14 July 2005 and introduced into the House of Lords on 19 July 2005. However, it is unlikely that, even if it is enacted during 2006, the amendments set out in the Consumer Credit Act 2006 will come into force immediately.

#### *Unfair Terms in Consumer Contracts Regulations 1994 and 1999*

All or almost all of the Loans are subject to either (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 or to the Unfair Terms in Consumer Contracts Regulations 1999 (together the **Regulations**) the provisions of which are further described under "*Regulation of the UK Residential Mortgage Market – Unfair Terms in Consumer Contracts Regulations 1994 and 1999*" below. The Regulations provide that (a) a borrower may challenge a term in an agreement on the basis that it is "an unfair term" within the Regulations and any term in such an agreement which is found to be unfair will not be binding on the borrower and (b) the OFT, the Financial Services Authority (FSA) and any "qualifying body" (as defined in the Regulations) may seek to enjoin (or in Scotland, interdict) a business against relying on unfair terms, although the rest of the agreement will remain valid if it is capable of continuing in existence without the unfair term.

The Regulations may affect terms of loan agreements which are deemed to be ancillary terms, which may include the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the loan agreement and other terms the application of which are in the lender's discretion.

In February 2000, the OFT issued a guidance note (the **Guidance Note**) on what the OFT considers to be "fair" or "unfair" within the Regulations for interest variation terms. The Guidance Note accepts the principle of a term linking an interest rate to an external rate which is outside the lender's control. It provides that, generally, the OFT and Consumers' Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the LIBOR Linked Mortgages are made on terms that provide for the mortgage rate to be either at a fixed margin above LIBOR, a fixed rate for a specific period reverting to LIBOR, or at a discount to LIBOR for a specific period reverting to LIBOR, and explain when and how the tracking will take effect. It should be noted that the OFT Guidance Note is not legally binding.

The Guidance Note was withdrawn from the OFT website around two years ago. Prior to regulation by the FSA of Regulated Mortgages, the FSA agreed with the OFT to take responsibility for the enforcement of the Regulations in mortgage agreements.

In May 2005, the FSA issued a non-binding statement of good practice on fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. The statement is addressed to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope, including regulated mortgage contracts. The statement provides, amongst other things, the FSA's views on the factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked-in borrowers (i.e. where, in order to withdraw from the contract, the borrower is required to give advance notice or to pay a cost or to give up a benefit). Whilst the FSA provides that in general any information about interest rates, variations and notification of any changes should be clear, fair and not misleading, the statement in particular specifies a variety of factors that should be considered in respect of variation clauses applied to contracts with locked-in borrowers. These factors include whether there is some connection between interest rates which apply to locked-in borrowers and those which apply to non-locked in borrowers; whether valid reasons for the change are stated clearly and unambiguously in the contract; and whether the borrower must be given advance notice of the change. Additionally, the FSA states that firms may consider drafting contracts so as to permit variation to be made only when any lock-in clause has not been exercised.

In August 2002, the Law Commission and the Scottish Law Commission issued a joint consultation on proposals (amongst other things) to consolidate the Unfair Contract Terms Act 1977 and the Regulations

into a single piece of legislation written in plain language. A final report (together with a draft bill) was issued on 24 February 2005, which proposes significant amendments to the regulation of unfair terms in consumer contracts and small business contracts. The recommendations of the Commissions are described more fully under "*Regulation of the UK Residential Mortgage Market – Unfair Terms in Consumer Contracts Regulations 1994 and 1999*" below.

No assurance can be given that changes to the Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have an adverse effect on the Loans, Britannia, PFL, MAS6, WMS, or the Issuer and their respective businesses and operations.

#### *Distance Marketing of Financial Services*

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (the **DMD**) has been implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the **DM Regulations**) and amendments to MCOB. In essence the DMD requires that in respect of distance contracts, consumers have the right to receive certain information prior to entering into the contract and, for some financial services, a right to cancel.

For the purposes of the DM Regulations, a distance contract means any contract concerning one or more financial services concluded between a supplier and a consumer under an organised distance sales or service-provision scheme run by the supplier or by an intermediary, who, for the purposes of that contract, makes exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded". A similar definition is adopted in MCOB.

The DM Regulations and (in respect of suppliers of regulated services in relation to mortgages regulated under the FSMA) MCOB require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service; contractual terms and conditions; and whether or not there is a right of cancellation. In general, consumers who enter into distance contracts have a right to cancel contracts for financial services during a set period after commencement of the contract. However, cancellation rights will not apply, amongst other circumstances, in the case of contracts for financial services where (i) the price of the service depends on fluctuations in the financial market outside the supplier's control (such as interest rate changes); (ii) the supplier provides credit to a consumer and the consumer's obligation to repay is secured by a legal mortgage on land or (in Scotland) a Standard Security; or (iii) it is a restricted-use credit agreement (within the meaning of the CCA) to finance the purchase of land or an existing building, or an agreement for a bridging loan in connection with the purchase of land or an existing building. The disapplication of cancellation rights will not take place (in the case of the DM Regulations) where pre-contract information has not been provided, and cancellation rights will remain in effect until it is so provided. Compliance with the DM Regulations may be secured by way of injunction (or interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and any breach of the DM Regulations may render the supplier or intermediaries (and possibly their respective officers) liable to a fine; failure to comply with the MCOB rules could result in, amongst other things, disciplinary action by the FSA and possible claims under section 150 of FSMA for breach of FSA rules.

Any term in a distance contract will be void and unenforceable if, and to the extent that, it is inconsistent with the application of a provision of the DM Regulations.

#### *Electronic Commerce Directive*

With effect from (for the most part) 21 August 2002, the E-Commerce Directive (the **ECD**) has been effected in the United Kingdom by a number of statutory instruments and implementing rules including, but not limited to, the Electronic Commerce (EC Directive) Regulations 2002 (which apply to non-FSA regulated entities), the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002, as amended (which apply to FSA regulated entities) and the creation of the Electronic Commerce Directive sourcebook (**ECO**) in the FSA Handbook.

In essence the ECD aims to free up cross-border "information society services" by requiring Member States to apply the principle of "country of origin" regulation to services provided using electronic means. "Information society services" are defined as "any service normally provided for remuneration, at a distance by means of electronic equipment for the processing (including digital compression) and

storage of data, and at the individual request of a recipient of a service" and will therefore include (but are not limited to) web-based online information such as the online enquiry form completed by potential borrowers and used by PHL in making a decision in principal to lend on behalf of PFL. Under the principle of "country of origin", a firm providing cross-border "information society services" must comply with the applicable rules in the country from which it is providing the services and the country into which it is providing the services cannot impose additional restrictions. As such, in providing "information society services" (whether in the UK or in another EEA state), PFL and MAS6 will be required to comply with applicable rules in the United Kingdom (including, but not limited to, the United Kingdom financial promotions regime).

The ECD also requires Member States to impose disclosure and other rules on firms offering "information society services" before any contract is entered into. The information to be disclosed includes, but is not limited to, contact details and background information in respect of the service provider, a variety of information which is required to be provided in a clear and unambiguous manner and disclosure of information to the recipient on how to conclude contractual arrangements.

Failure to comply with the ECO rules could result in, amongst other things, disciplinary action by the FSA and possible claims under section 150 of FSMA for breach of FSA rules. Under the Electronic Commerce (EC Directive) Regulations 2002 the information disclosure requirements are enforceable, at the suit of any recipient of a service, by an action against the service provider for damages for breach of statutory duty. In addition, where a person has entered into a contract to which the Electronic Commerce (EC Directive) Regulations 2002 apply and the service provider has not made available means of allowing him to identify and correct input errors prior to concluding the contract, the recipient will be entitled to rescind the contract unless a court having jurisdiction in respect of the particular contract orders otherwise on the application of the service provider. The Electronic Commerce (EC Directive) Regulations 2002 also enable an application to be made for a court order to stop an infringement of the information disclosure requirements which harms the collective interests of consumers.

#### *Change of Law*

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English law, tax, regulatory and administrative practice in effect as at the date of this Offering Circular, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to English law, tax, accounting, regulatory or administrative practice in the UK after the date of this Offering Circular.

#### *Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000*

Since 31 October 2004, a number of activities relating to Regulated Mortgages (as defined in "Regulation of the UK Residential Mortgage Market" below) have become "regulated activities" under Section 19 of the Financial Services and Markets Act 2000 and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the **Order**) and these activities now require authorisation from the FSA. These activities are: (a) entering into a Regulated Mortgage as lender; (b) administering a Regulated Mortgage (administering in this context means notifying borrowers of changes in payments and/or collecting payments due); (c) advising on Regulated Mortgages; (d) arranging Regulated Mortgages; and (e) agreeing to do any of the foregoing.

Each of Britannia, MAS6, PFL and WMS have applied for authorisation for the applicable activities listed above which it undertakes and in each case the FSA has granted the necessary authorisation. The view has been taken that the Issuer does not require to be authorised since its activities are such that they either do not fall within the regulated activities as defined in the Order or they benefit from a specific exemption in respect of those activities.

Authorisation by the FSA subjects each of Britannia, MAS6, PFL and WMS to the full regulatory regime imposed by FSMA and the FSA. In particular, Britannia, MAS6, PFL and WMS are required to have in place full systems and controls, to ensure that those carrying out controlled functions are authorised by the FSA, to maintain prescribed prudential ratios. Each of their activities and Regulated Mortgages will be subject to the Financial Ombudsman Scheme. In addition, the regulated activities relating to Regulated Mortgages are subject to mortgage conduct of business rules set out in the FSA Handbook (**MCOB**) (as described in further detail "Regulation of the UK Residential Mortgage Market – Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000", below).

Failure to comply with the provisions of MCOB does not render any loan unenforceable. However, breach of the rules in MCOB is actionable by a borrower who suffers loss as a result of the contravention. A breach could therefore give rise to a claim by a borrower to set off sums due under a Loan. However, Regulated Mortgages will be unenforceable if they are advised upon, arranged or entered into by a company which is not authorised. As discussed above, each of Britannia, MAS6, PFL and WMS has been granted authorisation by the FSA. Regulated Mortgages will also be unenforceable if they are originated as a result of financial promotion in relation to which there has been a contravention of Section 21(1) of the FSMA.

Under the Meerbrook 1 Origination and Sale Agreement, PFL warranted that from and including 31 October 2004 it had been, and continued to be authorised by and held appropriate permissions from the FSA to conduct all regulated mortgage activities in respect of regulated mortgage contracts and that it had complied with the provisions of MCOB in respect of each Meerbrook 1 Mortgage. The benefit of this warranty will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement. Additionally, under the Meerbrook 1 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Meerbrook 1 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, in respect of any Mortgage Loan entered into after 31 October 2004, PFL will warrant that it is authorised by and had permission from the FSA to enter into regulated mortgage contracts as a lender, and in relation to each Mortgage Loan, that it is authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage Loan, and that it has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS6 Mortgage Sale Agreement, in respect of any Mortgage Loan entered into after 31 October 2004, MAS6 will warrant that Kensington was authorised by and had permission from the FSA to enter into regulated mortgage contracts as a lender, and in relation to each Mortgage Loan, that Kensington was authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage Loan, and that Kensington has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS6 under the MAS6 Mortgage Sale Agreement.

As the Leek 7 Mortgages were originated prior to 31 October 2004, no similar warranties were made by PFL in respect of the Leek 7 Mortgages.

As a consequence, should a court or other competent authority determine that a Mortgage is unenforceable as a result of a lack of authorisation, or where there has been an alleged breach of the provisions of the MCOB which is the subject of a complaint by a Borrower and such breach is likely to result in a judgment allowing a Borrower to set off sums due under a Loan, the Issuer will have the benefit of the relevant warranties and guarantees provided and assigned to it.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. No assurance can be given that the FSA will not change its rules or take a particular regulatory approach which may adversely affect the particular sector of Britannia, MAS6, PFL or WMS in the mortgage market or specifically of Britannia, MAS6, PFL or WMS. Any such development may have a material adverse effect on the Issuer and/or the Administrators and/or the Sub-Administrator and their respective businesses and operations.

#### *Insolvency related issues*

The Insolvency Act 2000 (the **IA 2000**) contains certain provisions (which came into effect on 1 January 2003) which allow "small companies", as part of the company voluntary arrangement procedure, to seek court protection from their creditors for a period of 28 days, with the option for creditors to extend this protection for a further two months (although the Secretary of State for Trade and Industry may, by Regulation, extend the duration of each period).

The IA 2000 defines "small company" by reference to certain tests contained in section 247(3) of the Companies Act 1985, relating to a company's balance sheet total, turnover and average number of employees. The position as to whether or not a company is a "small company" may change from

financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company". Accordingly, the Issuer may, at any given time, come within the ambit of the "small companies" provisions, such that it may (subject to the exemptions referred to below) be eligible to seek court protection from its creditors, in advance of a company voluntary arrangement.

However, pursuant to regulations made by the Secretary of State for Trade and Industry, which came into effect at the same time as the small companies provisions of the IA 2000, companies which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment, are (amongst other categories of exempted company) excluded from being eligible for the moratorium. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is ineligible to seek the benefit of the small companies protection in any event. As with the small companies "eligibility qualifications", the qualification criteria for exemption as a capital market arrangement may be modified by the Secretary of State from time to time.

Accordingly, the small companies provisions may only serve to limit the Trustee's ability to enforce the Security to the extent that, first, the Issuer falls within the small companies eligibility criteria at the relevant time; secondly, the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time); in those circumstances, the enforcement of any security by the Trustee may, for a period, be prohibited by the imposition of the small companies moratorium.

By an order made by the Under-Secretary of State for Small Business and Enterprise made on 8 August 2003, the provisions of the Enterprise Act 2002 (the **Enterprise Act**) amending certain corporate insolvency provisions of the Insolvency Act 1986 came into force on 15 September 2003. As a result of the amendments made by the Enterprise Act, unless a floating charge was created prior to 15 September 2003, or falls within one of the exceptions contained in the Enterprise Act, the holder of a "qualifying floating charge" will be prohibited from appointing an administrative receiver to a company and consequently, the ability to prevent the appointment of an administrator to such company will be lost.

The floating charge to be granted by the Issuer pursuant to the terms of the Deed of Charge will be a "qualifying floating charge" for the purpose of the Enterprise Act, and will be entered into on or about the Closing Date and therefore after 15 September 2003. As such, unless excepted, the Trustee will be prevented from appointing an administrative receiver in respect of the Issuer. However, the qualifying floating charge granted by the Issuer will fall within the "capital market arrangement" exception to the prohibition on appointment of an administrative receiver and accordingly the Trustee will still be able to appoint an administrative receiver pursuant to the terms of the Deed of Charge.

#### *European Monetary Union*

It is possible that prior to the maturity of the Sterling Notes, the United Kingdom may become a participating Member State in Economic and Monetary Union and the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Sterling Notes may become payable in euros; (ii) applicable provisions of law may allow the Issuer to redenominate the Sterling Notes into euros and take additional measures in respect of the Sterling Notes; and/or (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on the Sterling Notes or changes in the way those rates are calculated, quoted and published or displayed. If the Sterling Notes are outstanding at a time when the euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Sterling Notes in accordance with the then market practice of payment of such debts. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Sterling Notes.

#### *Withholding Tax under the Notes*

In the event that withholding taxes are imposed by or in any jurisdiction in respect of payments to Noteholders of any amounts due under the Notes, the Issuer will not be obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition

of such withholding taxes. The Issuer will, in such event, have the option (but not the obligation) of redeeming all outstanding Notes in full or taking such other action as is reasonable to mitigate the tax (see Condition 6(e), ("*Redemption, Purchase and Cancellation – Optional Redemption of the Notes for Tax Reasons*") and the section entitled "*Taxation*").

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, 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 in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal 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 in one of those territories. See further the section entitled "*Taxation – United Kingdom Taxation*" below.

#### **Introduction of International Financial Reporting Standards**

The UK corporation tax position of the Issuer depends to a significant extent on the accounting treatment applicable to it. The Issuer has been advised that, for a special purpose securitisation company such as the Issuer, if the taxable profits of such a company are computed on the basis of UK generally accepted accounting practice as applicable up to 31 December 2004 (**old UK GAAP**) this should have the result that the company's tax position will be broadly neutral, with the amount of the taxable profits being based on a small accounting profit.

For accounting periods beginning on or after 1 January 2005, the accounts of United Kingdom companies with listed debt (such as the Issuer) are required to comply with International Financial Reporting Standards (**IFRS**) or with new UK Financial Reporting Standards (**new UK FRS**) which are based on IFRS. (In the following, unless otherwise stated, references to IFRS include references to new UK FRS.) It is not clear whether the tax position of special purpose companies such as the Issuer will be the same under IFRS as it would have been under old UK GAAP. HM Revenue and Customs have indicated that, as a policy matter, they do not wish the tax neutrality of securitisation special purposes companies in general to be disrupted as a result of the transition to IFRS and that they are willing to work with the industry to identify appropriate means of preventing such disruption.

It has been accepted by all sides in consultation that it is most likely to require a step-by-step approach, possibly over a period of years, in order to formulate appropriate tax measures to take account of the new accounting regime. As a first step, the Finance Act 2005 contains legislation which allows securitisation companies to prepare tax computations on the basis of old UK GAAP as applicable up to 31 December 2004 for all accounting periods beginning on or after 1 January 2005 and ending before 1 January 2007 and in addition, confers extensive and detailed powers on the Treasury to make regulations setting out a permanent scheme of taxation for securitisation companies. The Budget 2006 delivered on 22 March 2006 confirmed that the interim regime would be extended for a further year to cover all accounting periods ending before 1 January 2008.

In order for a company to qualify as a securitisation company, it is necessary for the company to satisfy a number of tests as at the closing of any relevant securitisation and the results of applying those tests therefore cannot be finally determined until closing. However, the definition of "securitisation company" is designed to include companies such as the Issuer.

If the Issuer qualifies as a securitisation company, this should allow the Issuer to avoid any impact of IFRS on its tax computations for any accounting period ending before 1 January 2008 (which means that the interim regime should apply to the Issuer up to and including its accounting period ending



31 December 2007). Further, provided that HM Revenue and Customs adhere to the policy objectives that they have indicated to date in this area and which they have reinforced in the Finance Act 2005, it is expected that secondary legislation will be enacted ensuring that the taxation treatment of companies such as the Issuer does not change as a result of the introduction of IFRS so as to give rise to any incremental unfunded tax liabilities. If, however, such expectations are not met and the tax position of the Issuer is adversely affected by the introduction of IFRS, this could ultimately cause a reduction in the payments the Noteholders receive on the Notes.

## **U.S. Legal Considerations**

### *Investment Company Act*

The Issuer has not registered with the United States Securities and Exchange Commission (the **SEC**) as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exemption for investment companies organised under the laws of a jurisdiction other than the United States or any state thereof (i) whose investors resident in the United States are solely "qualified purchasers" (**Qualified Purchasers**) within the meaning of Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the **Investment Company Act**) and (ii) which do not make a public offering of their securities in the United States. No opinion or no-action position has been requested of, or received from, the SEC.

To rely on Section 3(c)(7) of the Investment Company Act, the Issuer must have a "reasonable belief" that all purchasers of the Notes (including the initial purchasers and subsequent transferees) which are U.S. residents (within the meaning of the Investment Company Act) are Qualified Purchasers. Given that transfers of beneficial interests in the Rule 144A Notes will generally be effected only through DTC and its participants and indirect participants without delivery of written transferee certifications to the Issuer, the Issuer will establish the existence of such a reasonable belief by means of the deemed representations, warranties and agreements described under "*Notice to Investors*", the agreements of the Managers referred to under "*Notice to Investors*" and the procedures described under "*Notice to Investors*". Although the SEC has stated that it is possible for an issuer of securities to satisfy the reasonable belief standard referred to above by establishing procedures to provide a means by which such issuer can make a reasonable determination as to the status of its security holders as Qualified Purchasers, the SEC has not approved, and has stated that it will not approve, any particular set of procedures including the procedures described herein. Accordingly, there can be no assurance that the Issuer will have satisfied the reasonable belief standard referred to above.

If the Issuer determines (or is notified by a person acting on behalf of the Issuer) that any initial purchaser or subsequent transferee of the Notes was in breach, at the time given or deemed to be given, of any of the representations or agreements set out in "*Notices to Investors*" or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the Trustee acting on behalf of the Issuer, require the Issuer to register as an "investment company" under the Investment Company Act, such purchase or other transfer will be void *ab initio* and will not be honoured by the Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a holder of the Notes and the Issuer shall have the right to force the transfer of any such Notes.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but in violation of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a U.S. federal court to enjoin the violation; (ii) investors in the Issuer could sue the Issuer and recover any damages caused by the violation; and (iii) any contract to which the Issuer is party that is made in, or whose performance involves, a violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer would be materially and adversely affected.

### *ERISA Considerations*

The Issuer will proceed based on the position that the A Notes, M Notes and the B Notes should not constitute equity interests in the Issuer for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**). Therefore, no restrictions on ownership of the A Notes,

M Notes and the B Notes will be imposed to prevent the underlying assets of the Issuer from being treated as "plan assets" for purposes of ERISA. If the assets of the Issuer were deemed to be "plan assets", then, among other adverse results, certain transactions that the Issuer may have entered into, in the ordinary course of business, might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the **Code**) and might have to be rescinded.

Each purchaser or transferee of the A Notes, M Notes and the B Notes that is, or is acting on behalf of, an employee benefit plan that is subject to Title I of ERISA or Section 4975 of the Code or any state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code will be deemed to represent and warrant that its acquisition and holding of such Notes will not result in a non-exempt prohibited transaction under ERISA or the Code or a violation of such substantially similar state, local or foreign law.

The C Notes are not designed to be, and may not be, acquired or held by Benefit Plan Investors subject to certain U.S. benefits laws. Each purchaser of C Notes will be deemed to represent and agree that it is not and will not be a Benefit Plan Investor subject to certain U.S. benefit laws, and will be deemed to have given certain other assurances.

See further the section entitled "*Certain United States ERISA and Legal Investment Considerations*" for a more detailed discussion of certain ERISA-related considerations with respect to an investment in the Notes.

#### *Pre-issue Trades Settlement*

It is expected that delivery of Notes will be made against payment therefor on the Closing Date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Closing Date should consult their own adviser.

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

## CREDIT STRUCTURE

The Notes will not be obligations of the Excluded Parties. Only the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

As a condition to the issue of the Notes, the A Notes are to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch, the M Notes are to be rated AA by S&P, Aa3 by Moody's and AA- by Fitch, the B Notes are to be rated A by S&P, A2 by Moody's and A- by Fitch and the C Notes are to be rated BBB+ by S&P, Baa2 by Moody's and BBB- by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any of the Rating Agencies.

The structure of the credit arrangements may be summarised as follows:

### Application of Cash Receipts

PFL (in its capacity as Cash Manager) will be obliged to identify (a) all amounts of cash received by the Issuer in respect of the Mortgages and from other sources available to the Issuer (such as the Swap Agreements and the GIC Agreements) and (b) all amounts to be paid by the Issuer, in accordance with the Administration Agreement and the Conditions. Such amounts will be categorised, broadly, as principal receipts or income receipts, as soon as practicable. (See further the sections entitled "*Calculation of Applied Income*" and "*Calculation of Applied Principal*" below.)

Amounts identified by PFL as principal receipts will be available in certain circumstances to fund income shortfalls. Similarly, surplus income will be applied in certain circumstances to make good any losses of principal suffered upon enforcement of a Mortgage. (See further the sections entitled "*Application of Principal to Fund Liquidity Shortfalls*" and "*Application of Income to Fund Principal Shortfalls*" below.)

Subject to the ability of the Issuer to provide for funds to purchase anticipated Further Advances in respect of the Mortgages, the amount of principal available on each Calculation Date will be applied in mandatory partial redemption of the Notes (as described under "*Pre-Enforcement Principal Payments*" below) and the amount of income available will be applied in meeting the Issuer's expenses and interest payment obligations (as described under "*Pre-Enforcement Interest Priority of Payments*" below).

Pursuant to the Administration Agreement, PFL (in its capacity as Cash Manager) will provide the Issuer with certain cash administration, calculation, notification and payment services in relation to amounts payable under, *inter alia*, the Notes.

### Calculation of Applied Income

PFL (in its capacity as Cash Manager) will determine the amount of Applied Income on each Calculation Date. In order to calculate Applied Income:

- (i) *first*, Income Received will be calculated from the cash receipts received in respect of the Mortgages during the preceding Collection Period and from other sources which are determined to be of an income nature (including amounts retained as the Required Amount, amounts received under the GIC Agreements, and amounts received under the Swap Agreements (but excluding (i) amounts received under the Cross Currency Swap Agreements and (ii) amounts paid as collateral in respect of the Swap Agreements (and any income thereon))); then
- (ii) *second*, from the amount calculated in (i) above, there will be subtracted an amount equal to the lesser of Income Surplus (as defined in the Conditions but, broadly, being income receipts after payment of items (i) to (ix) (inclusive) in the Pre-Enforcement Interest Priority of Payments) and the Uncovered Shortfall (as defined in the Conditions but, broadly, being the cumulative amount of principal losses (including provisions for principal losses) less the cumulative Income Retained to cover such principal losses); then
- (iii) *third*, an amount will be added up to an amount equal to the Liquidity Shortfall (if any) (as described in "*Application of Principal to Fund Liquidity Shortfalls*" below), to the extent possible from amounts of Principal Received; and
- (iv) *fourth*, an amount will be added up to an amount equal to Principal Recoveries (if any) (as defined in the Conditions).

### Calculation of Applied Principal

PFL (in its capacity as Cash Manager) will determine the amount of Applied Principal on each Calculation Date. The following summary describes the steps required in order to calculate Applied Principal:

- (i) *first*, Loan Principal Received is calculated, (being, broadly, a calculation of the aggregate principal amounts received in respect of the Mortgages between the relevant Calculation Date and the immediately preceding Calculation Date as determined by PFL) to which is added, (i) the amount of Liquidity Shortfall (if any) and any Liquidity Shortfall for any Calculation Date (the **relevant Calculation Date**) before the preceding Calculation Date to the extent that (a) such Liquidity Shortfall was taken into account as reducing Principal Received on the relevant Calculation Date (the amount of the said reduction being X) and (b) compensating amounts of income (equal in aggregate to X) have not been treated as Principal Received on Calculation Dates subsequent to the relevant Calculation Date, (ii) the Non-Principal Amortisation Amount (and such amount will be treated as being deducted from Income Received), (iii) any Principal Received on a preceding Calculation Date that has not been otherwise paid out in the Pre-Enforcement Interest Priority of Payments (such as amounts of Retained Principal), and (iv) in the case of the first Calculation Date after the Closing Date only, an amount equal to the aggregate amount by which the gross proceeds of the Notes (having in part been exchanged into Sterling pursuant to the Cross Currency Swap Agreements) exceed the aggregate amount of the initial purchase prices paid by the Issuer to MAS6, Meerbrook 1 and PFL for the Mortgages; then,
- (ii) *second*, either (A) Income Surplus to be used for an Uncovered Shortfall is added; or (B) the amounts which are to be used for a Liquidity Shortfall in the current Interest Period in the determination of Applied Income and referred to below under "*Pre-Enforcement Interest Priority of Payments*" are subtracted; then,
- (iii) *third*, Principal Recoveries are subtracted; then,
- (iv) *fourth*, the Rounding Balance retained on the preceding Interest Payment Date (as described under "*Pre-Enforcement Principal Payments*" below, if any, is added.

(See further Condition 1 ("*Definitions*" – "*Applied Principal*").)

### Liquidity Facility

A 364-day committed liquidity facility (the **Liquidity Facility**) having, as at the Closing Date, a maximum aggregate principal amount of £35,050,606 (or such other amount as agreed by the Rating Agencies, such Rating Agencies having confirmed that such amount would not adversely affect the then current ratings of any Class of Notes) (the **Liquidity Facility Amount**) will be available to the Issuer to fund any amounts payable or to be paid under items (v), (vii), (viii) and (ix) of the Pre-Enforcement Interest Priority of Payments, and, for the avoidance of doubt, will not be available to meet any Senior Expenses (as defined in the Conditions) other than item (v) of the Pre-Enforcement Interest Priority of Payments. The Liquidity Facility is expected to be provided by JPMorgan Chase Bank, N.A. (the **Liquidity Facility Provider**).

The Available Drawing Amount (as defined in the Conditions), being the amount available to be drawn and re-drawn under the Liquidity Facility on each Interest Payment Date, will be calculated on each Calculation Date.

Commitments available to be drawn on the Liquidity Facility on any Interest Payment Date which remain undrawn will, under the terms of the Liquidity Facility Agreement, be cancelled so that the Liquidity Facility Amount is equal, after application of Available Redemption Funds on each Interest Payment Date, to 3 per cent. of the then Principal Amount Outstanding of the Notes provided always that the Liquidity Facility Amount may never be less than 1 per cent. of the Principal Amount Outstanding of the Notes on the Closing Date.

Drawings under the Liquidity Facility will be of a revolving nature repayable on the Interest Payment Date following the date of drawing. Amounts repaid may be redrawn. Interest on each drawing will accrue at a margin above LIBOR for the relevant period and will be payable with accrued interest (if any) on the Interest Payment Date following the date of such drawing. A commitment fee, calculated at a rate to be agreed on or before the Closing Date between the Liquidity Facility Provider and the Issuer, will be payable on the undrawn amount of the Liquidity Facility from time to time. See further the definition of Available Drawing Amount set out in the Conditions.

If, at any time, the Liquidity Facility Provider's short term unsecured, unsubordinated and unguaranteed credit rating falls below F1 by Fitch, P-1 by Moody's or A-1+ by S&P, then the Issuer may either (i) procure that a replacement facility is entered into with a bank whose obligations are so rated or rated such that the then current rating of the Notes is not adversely affected or (ii) draw down the whole of the undrawn portion (if any) of the Liquidity Facility. Any such drawing under the Liquidity Facility by the Issuer (a **Standby Drawing**) will be deposited by the Issuer into a deposit account (the **Standby Drawing Account**) with a bank whose short term unsecured, unsubordinated and unguaranteed credit rating is at least rated F1 by Fitch, P-1 by Moody's or A-1+ by S&P or such other rating as would maintain the then current ratings of the Notes. If the short term unsecured, unsubordinated and unguaranteed credit ratings of the Liquidity Facility Provider are restored to F1 by Fitch, P-1 by Moody's or A-1+ by S&P, any Standby Drawing will be repaid to the Liquidity Facility Provider. A Standby Drawing may be utilised by the Issuer in the same circumstances in which the Issuer would have been able to utilise the Liquidity Facility prior to such Standby Drawing being made.

If a Standby Drawing is made, the Issuer shall pay to the Liquidity Facility Provider all interest earned on the Standby Drawing Account and the Issuer shall pay commitment fees in respect of the Liquidity Facility as if the Standby Drawing had not been made except that the rate of commitment fees will be higher than the rate of commitment fees prior to a Standby Drawing being made. If the Standby Drawing is utilised for liquidity purposes, the Issuer shall pay the Liquidity Facility Provider interest on the utilised amount (as if such amount were a drawing under the Liquidity Facility) but shall cease to pay the commitment fees in relation to the utilised amount (as if such amount were a drawing under the Liquidity Facility) and shall continue to pay the commitment fee on the unutilised portion of the Standby Drawing. In the event that the Liquidity Facility Amount is reduced, a corresponding amount will be released from the Standby Drawing Account to the extent available.

All amounts drawn under the Liquidity Facility will rank in point of priority ahead of payments of interest on the Notes. Upon enforcement of the Security, all amounts drawn under the Liquidity Facility will rank in priority to all payments on the Notes.

The Issuer will be permitted to cancel all commitments under the Liquidity Facility on the condition that it receives written confirmation from the Rating Agencies stating that such cancellation would not adversely affect the then current ratings of any Class of Notes.

#### **Application of Principal to fund Liquidity Shortfalls**

If, on the last day of the calendar month which falls immediately prior to an Interest Payment Date (each such day, a **Calculation Date**), the amount of Income Received is insufficient to pay or provide for payment of the Relevant Expenses (as defined in the Conditions) (such shortfall, as more fully described in the definition thereof, being the **Liquidity Shortfall**) then, subject as more particularly set out in the Conditions, the amount of the Liquidity Shortfall will be deducted from Principal Received (as defined in the Conditions), to the extent that there are funds available and treated as if it were Income Received. However, the amount of Principal Received utilised in this manner will not be available, in certain circumstances, to pay interest on the M Notes, the B Notes and/or the C Notes where such interest has been excluded from the calculation of a Liquidity Shortfall (as further described in the section entitled "*Liquidity Support for Interest on the Subordinated Notes*" below and the definition of Liquidity Shortfall set out in the Conditions).

If an amount representing principal is treated as Applied Income on any Calculation Date, then on the succeeding Calculation Dates it will, to the extent that there is Income Received available, be treated as Principal Received and applied accordingly (and such amount will be treated as being deducted from Income Received and applied accordingly) until amounts in aggregate equalling the principal originally treated as Applied Income have been so applied.

#### **Liquidity Support for Interest on the Subordinated Notes**

In order to limit potential principal losses to Noteholders (arising, broadly, from principal losses on the Mortgages suffered following completion of enforcement procedures in respect of any Mortgages but net of any subsequent recoveries (defined in the Conditions as **Actual Principal Losses**)), interest payments on the M Notes and/or the B Notes and/or the C Notes may be excluded from the calculation of Liquidity Shortfall in certain circumstances (the extent of such exclusion determined, broadly, by reference to the aggregate amount of such Actual Principal Losses and Notional Provisions (as defined in the Conditions) which exist on any Calculation Date). Such exclusion is designed to reduce the

potential principal losses to Noteholders because such a reduction in the Relevant Expenses of the Issuer on each Interest Payment Date during which such exclusion applies should have the effect of permitting a greater amount of Income Received, in the form of Income Surplus (as defined in the Conditions), being treated as Applied Principal which, in turn, may be applied in redemption of principal on the Notes.

#### **Required Amount**

On the Closing Date, £23,367,070.33 will be drawn down by the Issuer under the Senior Subordinated Loan Agreement and the Junior Subordinated Loan Agreement, being approximately equal to 2.00 per cent. of the sum of the aggregate Sterling Principal Amount Outstanding of the Notes on the Closing Date (the **Initial Required Amount**) and such amount shall be deposited in the Britannia GIC Account. Thereafter, on each Interest Payment Date, an amount (if any) of Applied Income on such Interest Payment Date, after payment being made in full of items (i) to (ix) (inclusive) of the Pre-Enforcement Interest Priority of Payments, but not exceeding £27,689,978.35 (being approximately 2.37 per cent. of the sum of the aggregate Sterling Principal Amount Outstanding of the Notes on the Closing Date) or such other higher or lower amount agreed by the Issuer with the Rating Agencies (the **Maximum Required Amount**) will be deposited in the Relevant GIC Account (the **Required Amount**) and will form part of the calculation of Income Received (as defined in the Conditions) on the Calculation Date following the Interest Payment Date on which that amount was so deposited and will be paid in accordance with the Pre-Enforcement Interest Priority of Payments. On the first Calculation Date, the Initial Required Amount will form part of the calculation of Income Received.

#### **Application of Income to Fund Principal Shortfalls**

PFL (in its capacity as Cash Manager) will be obliged to record any Actual Principal Losses. The Administrators will be obliged to make, in respect of the Mortgages, such specific provisions as are consistent with those which would be made by a reasonably prudent mortgage lender underwriting mortgage loans to Borrowers of the type contemplated in the relevant Lending Guidelines on terms similar to those set out in the relevant Lending Guidelines (a **Prudent Mortgage Lender**) advancing loans to sub-prime borrowers. The current intention is that the Administrators will adopt the provisioning policies of Britannia and the Britannia Group Companies (together, the **Britannia Group**). An amount equal to the aggregate amount of such Actual Principal Losses and Notional Provisions (defined in the Conditions as a **Principal Shortfall**) which have not previously been recovered will, on each Calculation Date, be deducted from Income Received and will be added to Principal Received in the calculation of Applied Principal, to the extent that the Issuer has surplus income available. The Issuer will have surplus income available for this purpose as at any Calculation Date to the extent that the amount of Income Received exceeds the amount of the Relevant Expenses. Other than as described in this paragraph or in respect of the Required Amount (as further described in the section entitled "*Required Amount*" above), there is no intention to accumulate income surpluses in the Issuer.

To the extent that provision is made in excess of any principal losses following completion of enforcement procedures in respect of any Mortgage, a corresponding amount of principal will be applied as if it were income.

#### **Pre-Enforcement Interest Priority of Payments**

Prior to the delivery of an Enforcement Notice (as defined in the Conditions) by the Trustee, Applied Income will be applied on each Interest Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) after which the Liquidity Drawing Amount (if any) will be applied to items (v), (vii), (viii) and (ix) only (the **Pre-Enforcement Interest Priority of Payments**):

- (i) *first*, in or towards satisfaction of the fees, costs and expenses of the Trustee and any costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
- (ii) *second, pro rata and pari passu*, in or towards satisfaction of the fees payable to the Paying Agents and the Agent Bank and any costs, charges, liabilities (including in respect of indemnity payments payable to any of them) and expenses incurred by any of them under the provisions of the Paying Agency Agreement and/or the Deed of Charge and any VAT payable thereon;

- (iii) *third, pro rata and pari passu*, in or towards satisfaction of the administration fees (inclusive of any VAT) of each of the Administrators under the Administration Agreement (or any substitute administrator) up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.3 per cent. per annum to the average of the aggregate of the balance of the Loans administered by that Administrator on the last day of each calendar month commencing in the immediately preceding Collection Period, together with all and any costs and expenses paid or to be paid by the applicable Administrator or any substitute administrator during such Collection Period or to be incurred in the next succeeding Collection Period;
- (iv) *fourth*, in or towards payment of interest, principal and other amounts due under the Liquidity Facility Agreement;
- (v) *fifth*, in or towards payment, *pro rata* according to the respective amounts due:
  - (a) *pro rata and pari passu*, of:
    - (i) interest due on the A1a Notes;
    - (ii) interest due on the A2a Notes;
    - (iii) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class A1b Dollar Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below);
    - (iv) interest due on the A1b Notes (if any) after applying interest amounts received under the Class A1b Dollar Swap Transaction;
    - (v) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class A2b Dollar Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below);
    - (vi) interest due on the A2b Notes (if any) after applying interest amounts received under the Class A2b Dollar Swap Transaction;
    - (vii) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class A2c Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below);
    - (viii) interest due on the A2c Notes (if any) after applying interest amounts received under the Class A2c Euro Swap Transaction; and
  - (b) amounts due to a Swap Counterparty under an Interest Rate Swap Transaction or the Basis Swap Transactions including termination payments (except for such amounts as are payable under item (xiv) below);
- (vi) *sixth*, in or towards payment of or provision for sums due to unsecured third parties without such payment or provision causing breach by the Issuer of the Trust Deed, the Deed of Charge or the other Transaction Documents and for which payment has not been provided for elsewhere and to provide for any such amounts expected to become due and payable during the next following Collection Period;
- (vii) *seventh*, in or towards payment, *pro rata and pari passu*, of:
  - (a) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class Mc Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below); and
  - (b) interest due on the Mc Notes (if any) after applying interest amounts received under the Class Mc Euro Swap Transaction;

- (viii) *eighth*, in or towards payment, *pro rata* and *pari passu*, of:
  - (a) interest due on the Ba Notes;
  - (b) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class Bc Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below); and
  - (c) interest due on the Bc Notes (if any) after applying interest amounts received under the Class Bc Euro Swap Transaction;
- (ix) *ninth*, in or towards payment, *pro rata* and *pari passu*, of:
  - (a) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class Cc Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below); and
  - (b) interest due on the Cc Notes (if any) after applying interest amounts received under the Class Cc Euro Swap Transaction;
- (x) *tenth*, amounts to be credited to the Relevant GIC Account to re-establish the Required Amount until the balance reaches the Maximum Required Amount;
- (xi) *eleventh*, in or towards payment of interest on the Expenses Loan;
- (xii) *twelfth*, in or towards payment of principal on the Expenses Loan;
- (xiii) *thirteenth*, in or towards satisfaction of amounts payable in respect of the Senior Subordinated Loan;
- (xiv) *fourteenth*, *pro rata* and *pari passu*, amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such early termination results from a default by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event as a result of a ratings downgrade of the Swap Counterparty (other than amounts attributable to collateral (and income thereon)) to the extent not paid in item (v), (vii), (viii) or (ix) above;
- (xv) *fifteenth*, *pro rata* and *pari passu*, in or towards satisfaction of the balance of the fees, costs and expenses of the Administrators (or any substitute administrator) not paid under item (iii) above;
- (xvi) *sixteenth*, in or towards satisfaction of amounts payable in respect of the Junior Subordinated Loan;
- (xvii) *seventeenth*, in or towards retention, to the extent such amount has not been retained in full on a previous Interest Payment Date falling within each relevant accounting period of the Issuer, of an amount equal for each such relevant accounting period to the sum of the aggregate principal balances of the Loans at the beginning of the first Collection Period commencing on or after the first day of such relevant accounting period multiplied by (i) 0.01 per cent. in respect of the first £250,000,000, and (ii) 0.001 per cent. in respect of any additional amount in excess of £250,000,000;
- (xviii) *eighteenth*, to retain in the Britannia GIC Account an amount equal to, if the Expenses Loan Condition (as defined below) is true, the principal amount outstanding under the Expenses Loan Agreement or, if the Expenses Loan Condition is not true, nil; and
- (xix) *nineteenth*, *pro rata* and *pari passu* in or towards payment to MAS6, Meerbrook 1 and PFL in respect of all amounts accrued and due under or pursuant to the deferred consideration agreement between the Issuer, MAS6, Meerbrook 1 and PFL dated on or about the Closing Date (the **Deferred Consideration Agreement**).

Applied Income allocated and provided for in accordance with the Pre-Enforcement Interest Priority of Payments may be applied during each Interest Period by the Issuer to make payment of certain third party costs and expenses and amounts under the Interest Rate Swap Transactions that have fallen due.

The **Expenses Loan Condition** is true, if on the immediately preceding Calculation Date the aggregate principal balance of Loans which are greater than three months in arrear expressed as a percentage of the aggregate principal balance of the Loans exceeds 15 per cent.



### **Pre-Enforcement Principal Priority of Payments**

Prior to the delivery of an Enforcement Notice (as defined in the Conditions) by the Trustee, a certain amount of Applied Principal will be retained on each Interest Payment Date. The amount of such Applied Principal retained will consist of: (i) the Rounding Balance (as at the preceding Calculation Date) (as defined below); and (ii) amounts to fund the purchase of Further Advances, the aggregate of such amounts not to exceed the cumulative amount of 10 per cent. of the aggregate original outstanding balances of the Mortgages on the Closing Date, plus the amount of Retentions (the **Retained Principal**).

The remaining amount of Applied Principal after the application referred to in the paragraph above (the **Actual Redemption Funds**) will be applied in partial redemption of the Notes on any Calculation Date, to effect redemptions of the Notes on the next Interest Payment Date sequentially as follows (the **Pre-Enforcement Principal Priority of Payments**):

(i) *first, pro rata and pari passu:*

- (a) in redeeming the A1a Notes;
- (b) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class A1b Dollar Swap Transaction; and
- (c) in redeeming the A1b Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class A1b Dollar Swap Transaction),

until no A1 Notes remain outstanding;

(ii) *second, pro rata and pari passu:*

- (a) in redeeming the A2a Notes;
- (b) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class A2b Dollar Swap Transaction;
- (c) in redeeming the A2b Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class A2b Dollar Swap Transaction);
- (d) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class A2c Euro Swap Transaction; and
- (e) in redeeming the A2c Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class A2c Euro Swap Transaction),

until no A2 Notes remain outstanding;

(iii) *third, pro rata and pari passu:*

- (a) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class Mc Euro Swap Transaction; and
- (b) in redeeming the Mc Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class Mc Euro Swap Transaction),

until no M Notes remain outstanding;

(iv) *fourth, pro rata and pari passu ;*

- (a) in redeeming the Ba Notes;
- (b) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class Bc Euro Swap Transaction; and
- (c) in redeeming the Bc Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class Bc Euro Swap Transaction),

until no B Notes remain outstanding; and

(v) *fifth, pro rata and pari passu:*

- (a) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class Cc Euro Swap Transaction; and
- (b) in redeeming the Cc Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class Cc Euro Swap Transaction),

until no C Notes remain outstanding;

- (vi) *sixth, on the Interest Payment Date falling in December 2037 or such earlier date when all of the Notes, have been redeemed in full, in or towards repayment of all outstanding advances in respect of the Senior Subordinated Loan in respect of principal to the extent not previously repaid pursuant to the Pre-Enforcement Interest Priority of Payments; and*
- (vii) *seventh, on the Interest Payment Date falling in December 2037 or such earlier date when all of the Notes have been redeemed in full, in or towards repayment of all outstanding advances in respect of the Junior Subordinated Loan in respect of principal to the extent not previously repaid pursuant to the Pre-Enforcement Interest Priority of Payments.*

If on any Calculation Date (prior to an Enforcement Notice being given) the Issuer determines that, on the next Interest Payment Date, any Actual Redemption Funds are to be applied in redeeming two or more Classes of Notes that rank *pari passu* as to repayment of principal, the Issuer shall apply such Actual Redemption Funds to redeem each *pari passu* Class in the same proportion that the Principal Amount Outstanding of each such Class bore to the aggregate Sterling Principal Amount Outstanding as at the Closing Date of all of the *pari passu* Classes of Notes.

In the case of Sterling Notes, each Note will be redeemed in an amount equal to the applicable proportion of the Actual Redemption Funds divided by the number of Notes and rounded down to the nearest pound.

In the case of Dollar Notes, the Issuer shall pay to the Cross Currency Swap Counterparty the amount that is required to be paid to the Cross Currency Swap Counterparty under the Cross Currency Swap Agreements that will result in the Cross Currency Swap Counterparty paying to the Issuer the maximum amount which, when divided by the number of Dollar Notes, results in a whole number, and will redeem each Dollar Note by an amount equal to such number.

In the case of Euro Notes, the Issuer shall pay to the Cross Currency Swap Counterparty the amount that is required to be paid to the Cross Currency Swap Counterparty under the Cross Currency Swap Agreements that will result in the Cross Currency Swap Counterparty paying to the Issuer the maximum amount which, when divided by the number of Euro Notes, results in a whole number, and will redeem each Euro Note by an amount equal to such number.

To the extent that the Sterling amounts available are greater than the amounts actually used by the Issuer such excess Sterling amounts (the **Rounding Balance**) shall be retained and form part of Applied Principal on the next Calculation Date.

#### **Collection Accounts**

All payments made by, and received from, Borrowers and other parties under the Mortgages will be credited to one of four collection accounts of PFL or MAS6 held at National Westminster Bank Plc (**NatWest**) (together the **Collection Accounts**). PFL and MAS6 maintain further accounts at NatWest (the **Sundries Accounts**) through which various sundry payments on behalf of Borrowers under the Mortgages (including in respect of any purchase of Further Advances) are made.

On or about the Closing Date, PFL and MAS6 will each declare a trust over the relevant Collection Account and the relevant Sundries Account in favour of the Issuer and the Trustee, to the extent that moneys in the Sundries Accounts and Collection Accounts are applicable to the Mortgages (the **Declarations of Trust**).

All cleared amounts standing to the credit of the Collection Accounts at the end of each Business Day (applicable to the Mortgages) less an amount, up to a maximum of £50,000, to be retained at the discretion of PFL (in its capacity as Cash Manager) to prevent the Collection Accounts becoming overdrawn in the event any amounts credited to the Collection Accounts are subsequently withdrawn (for example if cheques are dishonoured or direct debits are refused) will be transferred on the next Business Day or as soon as practicable thereafter to the Britannia GIC Account for value on the following Business Day.

The Trustee will be a beneficiary under the Declarations of Trust (applicable to the Mortgages) and the Issuer's interest in the GIC Accounts will be secured in favour of the Trustee pursuant to the Deed of Charge.

#### **Guaranteed Investment Contracts**

The Issuer will deposit any cash amounts which it receives from the Collection Accounts, the Initial Expenses Amount, the Initial Required Amount, the Required Amount and any payments under the Swap Agreements and under the Liquidity Facility Agreement in the Britannia GIC Account (up to the Britannia GIC Limit). If paragraph (c) of the definition of the Britannia GIC Limit below applies, PFL (in its capacity as Cash Manager) on behalf of the Issuer will be obliged, pursuant to the terms of the Administration Agreement to deposit any cash amounts which it receives into the RBS GIC Account or if RBS is not at such time or ceases to be rated at least the GIC Minimum Rating (as defined below), a similar account with an entity rated or guaranteed by an entity rated at least the GIC Minimum Rating. If the GIC Guarantor ceases to be rated the GIC Minimum Rating, the obligations of the GIC Guarantor as guarantor of Britannia's obligations under the Britannia GIC Agreement pursuant to the GIC Guarantee shall be transferred to, or guaranteed by, an entity rated at least the GIC Minimum Rating or the GIC Guarantor will take such further actions as may be necessary to maintain the then current ratings of the Notes. If the GIC Guarantor is unable to transfer its interests, obtain a guarantee or take such further actions needed to maintain the then current ratings of the Notes, the Issuer may require the GIC Guarantor to deposit sufficient monies in a specified account sufficient to collateralise its obligations under the GIC Guarantee. The GIC Guarantee will only remain in place to the extent that there are Notes outstanding.

The maximum cash amount which may from time to time be deposited by the Issuer in the Britannia GIC Account (the **Britannia GIC Limit**) will be:

- (a) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, P-1 by Moody's and F1+ by Fitch or such other ratings as would maintain the current ratings of the Notes (the **GIC Minimum Rating**) an unlimited amount;
- (b) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are rated lower than the GIC Minimum Rating but are rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's, P-1; and (iii) in the case of S&P, A-1, an amount equal to the aggregate of (A) 20 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes; and (B) the maximum amount of any guarantee (in a form acceptable to the Trustee) of the obligations of Britannia in respect of the Britannia GIC Account provided by an entity whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating; and
- (c) for so long as the short term unsubordinated and unguaranteed debt obligations of Britannia are not rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's, P-1; and (iii) in the case of S&P, A-1, the maximum amount of any guarantee (in a form acceptable to the Trustee) of the obligations of Britannia in respect of the Britannia GIC Account provided by an entity whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating or if no such guarantee is in force, zero.

#### **Senior Subordinated Loan and Junior Subordinated Loan**

Pursuant to the Senior Subordinated Loan Agreement and the Junior Subordinated Loan Agreement each between Britannia, PFL (in its capacity as Cash Manager), the Trustee and the Issuer dated on or about the Closing Date, Britannia will make the Sub Loan Drawing which is an amount equal to 2.00 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes on the Closing Date to fund the Initial Required Amount.

#### **Expenses Loan**

Pursuant to a loan agreement between the Issuer, the Trustee and the Expenses Loan Provider (which is expected to be RBS) dated on or about the Closing Date (the **Expenses Loan Agreement**) the Expenses Loan Provider will make the Expenses Loan available to the Issuer, which the Issuer will use to fund the Initial Expenses Amount.

#### **Subordination**

The Notes will share the same security although, upon enforcement, the A Notes will rank in priority to the M Notes, the B Notes and the C Notes in point of security (with the A1a Notes, the A1b Notes the

A2a Notes, the A2b Notes and the A2c Notes ranking *pari passu inter se*, the Mc Notes ranking thereafter, *pari passu inter se*, the Ba Notes and the Bc Notes ranking thereafter, *pari passu inter se*, and the Cc Notes ranking, thereafter, *pari passu inter se*).

No interest will be paid to the M Noteholders unless and until all amounts of interest then due to the A Noteholders has been paid in full in accordance with the Pre-Enforcement Interest Priority of Payments. No interest will be paid to the B Noteholders unless and until all amounts of interest then due to the M Noteholders has been paid in full in accordance with the Pre-Enforcement Interest Priority of Payments. No interest will be paid to the C Noteholders unless and until all interest then due to the B Noteholders has been paid in full in accordance with the Pre-Enforcement Interest Priority of Payments.

In the event that, on any Calculation Date, there are insufficient available funds to make payment in full of interest amounts due and payable on the M Notes and/or the B Notes and/or the C Notes, then to that extent, such interest shall be deferred until the next Interest Payment Date on which there are sufficient funds available, as more fully set out in Condition 5(i) ("*Interest Accrual*").

The A2 Noteholders will not be entitled to receive any payment of amounts of principal unless and until all principal then due to the A1 Noteholders has been paid in full in accordance with the Pre-Enforcement Principal Priority of Payments. The M Noteholders will not be entitled to receive any payment of amounts of principal unless and until all principal then due to the A2 Noteholders has been paid in full in accordance with the Pre-Enforcement Principal Priority of Payments. The B Noteholders will not be entitled to receive any payment of principal unless and until all amounts of principal then due to the M Noteholders has been paid in full in accordance with the Pre-Enforcement Principal Priority of Payments. The C Noteholders will not be entitled to receive any payment of principal unless and until all amounts of principal then due to the B Noteholders has been paid in full in accordance with the Pre-Enforcement Principal Priority of Payments.

#### **Interest Rate Swap**

The Mortgages, as at the close of business on the Provisional Pool Cut-Off Date, consist of 41.86 per cent. of LIBOR-Linked Mortgages and 58.14 per cent. of Base Rate Mortgages.

On the Closing Date the Interest Rate Swap Transactions will be novated to the Issuer in order to hedge the interest rate risks associated with the fixed rate portions of the Fixed Reverting to LIBOR Mortgages and the Fixed Reverting to Base Rate Tracker Mortgages.

Under the Interest Rate Swap Transactions, the Issuer and the Interest Rate Swap Counterparty will make payments to each other based on (a) certain fixed rates as set out in the relevant swap confirmations and (b) Mortgage LIBOR, or MAS6 Mortgage LIBOR in respect of the MAS6 Mortgages, in each case applied on a notional amount as set out in the relevant confirmations. If (a) is greater than (b), the Issuer will pay the difference to the Interest Rate Swap Counterparty and if (b) is greater than (a), the Interest Rate Swap Counterparty will pay the difference to the Issuer on each Interest Payment Date of each year until the relevant termination date.

#### **Basis Swaps**

Because 3 Month Sterling LIBOR is calculated on different dates than Mortgage LIBOR or MAS6 Mortgage LIBOR the Issuer will enter into the Basis Swap Transactions with the Basis Swap Counterparty on the Closing Date in order to hedge the interest rate risk arising by virtue of the difference in 3 Month Sterling LIBOR and Mortgage LIBOR and by virtue of the difference in 3 Month Sterling LIBOR and MAS6 Mortgage LIBOR.

Under the PFL Basis Swap Transaction, the Issuer and the Basis Swap Counterparty will make payments to each other based on:

- (a) the amount calculated by applying 3 Month Sterling LIBOR for a particular Interest Period to the principal amount calculated as the amount equal to the aggregate principal balance of all of the PFL Basis Swap Mortgages at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months or, in the case of the first Interest Period, the aggregate principal balances of the PFL Basis Swap Mortgages as at close of business on 28 March 2006; and

- (b) the amount calculated by applying Mortgage LIBOR on the relevant Mortgages to the principal amount referred to in (a) above at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period. If (b) is greater than (a), the Issuer will pay the difference to the Basis Swap Counterparty and if (a) is greater than (b), the Basis Swap Counterparty will pay the difference to the Issuer, each on the Interest Payment Date on which the relevant Interest Period ends.

Under the MAS6 Basis Swap Transaction, the Issuer and the Basis Swap Counterparty will make payments to each other based on:

- (a) the amount calculated by applying 3 Month Sterling LIBOR for a particular Interest Period to the principal amount calculated as the amount equal to the aggregate principal balance of all of the LIBOR-Linked Mortgages which are MAS6 Mortgages at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months or, in the case of the first Interest Period, by applying 3 Month Sterling LIBOR for that Interest Period to the aggregate principal balances of the LIBOR-Linked Mortgages which are MAS6 Mortgages as at close of business on 28 March 2006; and
- (b) the amount calculated by applying MAS6 Mortgage LIBOR on the relevant Mortgages to the principal amount referred to in (a) above at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period. If (b) is greater than (a), the Issuer will pay the difference to the Basis Swap Counterparty and if (a) is greater than (b), the Basis Swap Counterparty will pay the difference to the Issuer, each on the Interest Payment Date on which the relevant Interest Period ends.

## **Cross Currency Swap**

### ***Sterling/Dollar***

In order to hedge the foreign exchange risk between Sterling and Dollars and the interest rate risk between 3 Month Sterling LIBOR and 3 Month Dollar LIBOR, the Issuer will, on or about the Closing Date, enter into the Cross Currency Swap Agreements with the Cross Currency Swap Counterparty. The effect of the Cross Currency Swap Agreements is expected to be that the Issuer will make payments to the Cross Currency Swap Counterparty in Sterling based on 3 Month Sterling LIBOR and the Cross Currency Swap Counterparty will make payments to the Issuer in Dollars based on 3 Month Dollar LIBOR.

On the Closing Date the Issuer will pay the proceeds of the Dollar Notes to the Cross Currency Swap Counterparty who will exchange the Dollars for Sterling at the Dollar Swap Rate under the Cross Currency Swap Agreements. On each Interest Payment Date, the Issuer will pay from Applied Principal, Sterling amounts to the Cross Currency Swap Counterparty. The Cross Currency Swap Counterparty will convert the Applied Principal denominated in Sterling into Dollars at the Dollar Swap Rate which will then be used to redeem the Dollar Notes. On each Interest Payment Date, the Issuer will pay from Applied Income, Sterling amounts based on 3 month Sterling LIBOR to the Cross Currency Counterparty. The Cross Currency Counterparty will convert such Applied Income into Dollars based on 3 Month Dollar LIBOR, which will then be used to make interest payments on the Dollar Notes.

With respect to the Dollar Notes, the Issuer shall pay to the Cross Currency Swap Counterparty the amount that is required to be paid to the Cross Currency Swap Counterparty under the Cross Currency Swap Agreements which will result in the Cross Currency Swap Counterparty paying to the Issuer the maximum amount which, when divided by the number of Dollar Notes, results in a whole number, and will redeem each Dollar Note by an amount equal to such number.

### ***Sterling/Euro***

In order to hedge the foreign exchange risk between Sterling and Euro and the interest rate risk between 3 Month Sterling LIBOR and 3 Month EURIBOR, the Issuer will, on or about the Closing Date enter into the Cross Currency Swap Agreements with the Cross Currency Swap Counterparty. The effect of the Cross Currency Swap Agreements is expected to be that the Issuer will make payments to the Cross Currency Swap Counterparty in Sterling based on 3 Month Sterling LIBOR and the Cross Currency Swap Counterparty will make payments to the Issuer in Euros based on 3 Month EURIBOR.

On the Closing Date the Issuer will pay the proceeds of the Euro Notes to the Cross Currency Swap Counterparty who will exchange the Euros for Sterling at the Euro Swap Rate under the Cross Currency Swap Agreements. On each Interest Payment Date, the Issuer will pay from Applied Principal Sterling amounts to the Cross Currency Swap Counterparty and the Cross Currency Swap Counterparty will convert the Applied Principal denominated in Sterling into Euros at the Euro Swap Rate which will then be used to redeem the Euro Notes. On each Interest Payment Date, the Issuer will pay from Applied Income, Sterling amounts based on 3 Month Sterling LIBOR to the Cross Currency Counterparty. The Cross Currency Counterparty will convert such Applied Income into Euros based on 3 Month EURIBOR which will then be used to make interest payments on the Euro Notes.

With respect to the Euro Notes the Issuer shall pay to the Cross Currency Swap Counterparty the amount that is required to be paid to the Cross Currency Swap Counterparty under the Cross Currency Swap Agreements that will result in the Cross Currency Swap Counterparty paying to the Issuer the maximum amount which, when divided by the number of Euro Notes, results in a whole number, and will redeem each Euro Note by an amount equal to such number.

#### **Common Terms for the Swap Agreements**

If the Issuer becomes obliged to withhold tax from any payment due by it under any Swap Agreements, such tax shall be withheld and paid over to the relevant authorities and the Issuer will not be obliged to gross up its payment to the Swap Counterparty. In the event of an imposition of any tax on any payment due by a Swap Counterparty to the Issuer under a Swap Agreement the Swap Counterparty will be obliged to gross up for the tax so withheld. However, if any such withholding or deduction is required, which cannot be avoided by both parties using reasonable endeavours to avoid such withholding or deduction, the Swap Counterparty may terminate the relevant Swap Agreement whereupon, in accordance with accepted market practice, the cost (if any) to the Issuer of entering into a replacement transaction, which would have the effect of preserving the economic equivalent of all future payments which would otherwise have been due, will be calculated and a settlement payment made. Any such payment by the Issuer (if applicable) will rank *pari passu* with the payments of interest on the A Notes and in priority to payments of interest on the other Classes of Notes.

#### **Further Advances**

The Issuer may, subject to satisfaction of various conditions agreed with the Rating Agencies and in accordance with the lending criteria, purchase discretionary Further Advances made by PFL or MAS6 (as applicable) to Borrowers secured on properties contained within the Mortgage Pool (the **Further Advances**, which definition shall exclude amounts debited to a Borrower's account in respect of third party expenses incurred in connection with its Mortgage). Any purchase of such Further Advances will be funded from Applied Principal except that prior to the first Calculation Date any purchase of such Further Advances will be funded from the amount by which the gross proceeds of the Notes exceed the aggregate purchase prices of the Mortgages as of the Closing Date such amount having been held, in the interim period, in the Britannia GIC Account.

#### **Converted Mortgages**

The Administrators on behalf of the Issuer may agree to a request by a Borrower to convert a Mortgage into a fixed rate Mortgage or otherwise change the basis on which interest is calculated in respect of such Mortgage (a **Converted Mortgage**) subject to certain conditions as further described in "*The Mortgage Pool – Conversion of Mortgages*" below.

## THE ISSUER

### Introduction

The Issuer was incorporated and registered in England and Wales under the Companies Acts 1985 and 1989 with limited liability as a public limited company on 21 December 2005 in the name of Sackbright PLC. The Issuer changed its name to Leek Finance Number Seventeen PLC on 13 January 2006. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, of which 49,999 are held by Leek Finance Holdings Number Seventeen Limited (**Holdings**) and one of which is held by Capita Trust Nominees No. 1 Limited (the **Share Trustee**) as nominee of Holdings under the terms of a share trust dated 3 March 2006 (the **Nominee Declaration of Trust**). The entire issued share capital of Holdings is held by the Share Trustee under the terms of a share trust deed dated 3 March 2006 (the **Share Declaration of Trust**) for the benefit of charitable purposes. The Issuer has no subsidiaries.

English company law combined with the holding structure of the Issuer, covenants made by the Issuer in the Transaction Documents and the role of the Trustee are together intended to prevent any abuse of control of the Issuer.

### Directors

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

<u>Name</u>	<u>Address</u>	<u>Principal Activity</u>
PCSL Services No. 1 Limited .....	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Supply of Director Services
Capita Trust Corporate Limited ....	Phoenix House 18 King William Street London EC4N 7HE	Corporate Director of Securitisation Issuance Companies
Adrian Walton Gower .....	Phoenix House 18 King William Street London EC4N 7HE	Director of Securitisation Issuance Companies and Trust Official with Capita Trust Company Limited

The Secretary of the Issuer is Clifford Chance Secretaries (CCA) Limited.

Adrian Gower and Capita Trust Corporate Limited also act as directors of special purpose vehicles other than the Issuer. Additionally, Adrian Gower is Head of Corporate Trusts at Capita Trust Company Limited.

The registered office of the Issuer is at 10 Upper Bank Street, London, E14 5JJ, telephone number 020 7006 1000.

The directors of PCSL Services No. 1 Limited and their respective business addresses and principal activities are:

<u>Name</u>	<u>Address</u>	<u>Principal Activity</u>
Gerald Gregory .....	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Board Director of Britannia
David Tweedy .....	Exchange Tower 2 Harbour Exchange London E14 9FR	Managing Director of Platform Home Loans Limited
Paul Mills .....	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Group Secretary of Britannia

<b>Name</b>	<b>Address</b>	<b>Principal Activity</b>
Robin Green .....	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Deputy Secretary of Britannia
Phillip Lee .....	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Finance Director of Britannia

The company secretary of PCSL Services No. 1 Limited is Robin Green.

The directors of Capita Trust Corporate Limited and their respective business addresses and principal activities are:

<b>Name</b>	<b>Address</b>	<b>Principal Activity</b>
Roger Colyer .....	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Beverley Douglas .....	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Adrian Gower .....	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Kenneth Graham .....	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Richard Phillips .....	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Jonathan Vickers .....	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Capita Trust Company Limited ....	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	Corporate Director

The company secretary of Capita Trust Corporate Limited is Capita Company Secretarial Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

#### **Activities**

The Issuer was established as a special purpose vehicle for the purposes of issuing asset backed securities. The Issuer has been established specifically to acquire the Mortgages pursuant to the Mortgage Sale Agreements, financed by the issue of the Notes. The activities of the Issuer will be



restricted by the Conditions and the Transaction Documents and will be limited to the issue of the Notes, the borrowing of the Senior Subordinated Loan, the Junior Subordinated Loan, the Liquidity Facility and the Expenses Loan, the ownership of the Mortgages and other assets referred to herein, the entry into the Swap Agreements, the exercise of related rights and powers, and other activities referred to herein incidental thereto. These activities will include the collection of payments of principal and interest in respect of Mortgages and the operation of arrears procedures. The Issuer has a licence under the Consumer Credit Act and is registered under the Data Protection Act 1998.

Substantially all of the above activities will be carried on by the Administrators, the Sub-Administrator, or any delegate of the Administrators as agent for the Issuer and the Trustee on an ongoing basis under the Administration Agreement, subject to the rights of the Issuer or the Trustee to revoke the agency upon the occurrence of certain events of default or insolvency or similar events in relation to the Administrators.

Since the date of incorporation of the Issuer, the Issuer has not traded, no profits or losses have been made or incurred, no dividends have been paid and no financial statements have been prepared.

## CAPITALISATION AND INDEBTEDNESS STATEMENT

The following table shows the capitalisation and indebtedness of the Issuer as at the date of this document, adjusted for the issue of the Notes and the drawings under the Senior Subordinated Loan, the Junior Subordinated Loan and the Expenses Loan:

<u>Share Capital</u>	<u>£</u>
<i>Authorised</i>	
50,000 Ordinary Shares of £1 each .....	50,000.00
<i>Issued</i>	
50,000 Ordinary Shares of £1 each, 2 of which are fully paid up and 49,998 of which are one quarter paid up .....	12,502.00
<b>Borrowings</b>	
<i>A1a Notes</i> .....	87,000,000
<i>A1b Notes*</i> .....	135,003,160
<i>A2a Notes</i> .....	270,000,000
<i>A2b Notes*</i> .....	265,410,467
<i>A2c Notes*</i> .....	254,368,500
<i>Mc Notes*</i> .....	73,592,640
<i>Ba Notes</i> .....	22,000,000
<i>Bc Notes*</i> .....	27,527,550
<i>Cc Notes*</i> .....	33,451,200
<i>Senior Subordinated Loan</i> .....	7,500,000
<i>Junior Subordinated Loan</i> .....	15,867,070
<i>Expenses Loan</i> .....	5,000,000

The borrowings disclosed above are secured, but not guaranteed, and the Issuer has no other borrowings, whether secured or unsecured or guaranteed or unguaranteed.

As at the date hereof, save as disclosed above, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

The current financial period of the Issuer will end on 31 December 2006.

\*Exchange rates are as follows: £1 = U.S.\$1.74070 and €1 = £0.69690.

## ACCOUNTANTS' REPORT

The following is the text of a report received by the Board of Directors of the Issuer from PricewaterhouseCoopers LLP, Chartered Accountants, the reporting accountants to the Issuer, prepared solely for the purposes of the issue of Notes:

The Directors  
Leek Finance Number Seventeen PLC  
10 Upper Bank Street  
London E14 5JJ

6 April 2006

Dear Sirs

### Leek Finance Number Seventeen PLC

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 6 April 2006 (the "Prospectus") of Leek Finance Number Seventeen PLC (the "Company") on the basis of the accounting policies set out below. This report is required by item 8.2 of Annex VII to Commission Regulation (EC) No 809/2004 (the "Prospectus Regulation") and is given for the purpose of complying with that rule and for no other purpose.

The Company was incorporated on 21 December 2005 as Sackbright PLC, and changed its name to Leek Finance Number Seventeen PLC with effect from 13 January 2006. The Company has not yet commenced to trade, has made up no financial statements for presentation to its members and has not declared or paid a dividend.

### Responsibility

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and as detailed below.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purpose of the Prospectus 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. 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 judgements made by those responsible for the preparation of the financial statements 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 which 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 dated 6 April 2006, a true and fair view of the state of affairs of the Company as at the date stated and of its results and cash flows for the period then ended in accordance with IFRS.*

## 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 the following information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to effect its import. This declaration is included in the Prospectus in accordance with item 1.2 of Annex VII of the Prospectus Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

## Financial information

The balance sheet of the Company at 6 April 2006 is as follows:

	Notes	£
<b>Current assets</b>		
Cash and cash equivalents		<u>12,502</u>
<b>Total assets</b>		<u>12,502</u>
<b>Represented by:</b>		
Share capital	2	<u>12,502</u>

## Notes to the financial information

### 1. Accounting policies

The balance sheet has been prepared in accordance with IFRS.

### 2. Share capital

The Company was incorporated with an authorised share capital of £50,000, comprising 50,000 Ordinary shares of £1 each, 2 of which, at the balance sheet date, are fully paid up and 49,998 are quarter paid up.

### 3. Immediate and ultimate parent company

The immediate parent undertaking is Leek Finance Holdings Number Seventeen Limited, a company incorporated in England and Wales. The ultimate parent undertaking is Capita Trust Nominees No. 1 Limited, a company incorporated in England and Wales.

### 4. Profit and loss account

The company has not traded in the period, has received no income or incurred expenditure and has not paid any dividends. Consequently, no profit and loss account has been prepared.

## BRITANNIA BUILDING SOCIETY

### History and Description of Britannia

Britannia was formed in 1856. It was incorporated under the Building Societies Act 1874 as the Leek and Moorlands Permanent Benefit Building Society. After a merger in 1966 with the Westbourne Park Building Society of London, Britannia changed its name to the Leek and Westbourne Park Building Society and, following a series of further amalgamations, adopted its present name in 1975. The address of the principal office of Britannia is Britannia House, Cheadle Road, Leek, Staffordshire ST13 5RG.

Britannia was, at 31 December 2005, the second largest United Kingdom building society in terms of total consolidated assets. As at such date, it had 284 branches. Its total consolidated assets at 31 December 2005 were approximately £32.4 billion, of which mortgage assets were approximately £21.1 billion.

In May 2005, Britannia announced it was to buy the Bristol & West savings business of approximately £4.5 billion of retail funding and branch network from Bank of Ireland for approximately £150 million. Following approval from the High Court and the Financial Services Authority, the purchase was concluded on 21 September 2005. Following completion of the Bristol & West acquisition, Britannia has three million members, assets in excess of £30 billion and 284 branches across the UK.

Britannia and its principal operating subsidiaries provide a wide range of financial, banking and assurance services. The principal subsidiary undertakings which are wholly owned, registered in England and operating in the United Kingdom are listed as follows:

Company	Activity
Britannia Development and Management Company Limited	Property Investment
Britannia Treasury Services Limited	Mortgage and Syndicated Lending

*Britannia Treasury Services has the following wholly owned subsidiary undertakings, registered in England, operating in the United Kingdom, trading in the businesses indicated:*

Mortgage Agency Services Number One Limited	Mortgage and Syndicated Lending
Mortgage Agency Services Number Two Limited	Mortgage Lending
Mortgage Agency Services Number Three Limited	Bank Account Custodian
Mortgage Agency Services Number Four Limited	Mortgage Lending
Mortgage Agency Services Number Five Limited	Mortgage Lending
Mortgage Agency Services Number Six Limited	Mortgage Lending
Western Mortgage Services Limited	Mortgage Book Administration
Platform Home Loans Limited	Mortgage Origination and Servicing
Platform Funding Limited	Mortgage Origination

*Britannia has the following wholly owned subsidiary undertakings, trading in the businesses indicated:*

*Registered in the Isle of Man and operating overseas:*

Britannia International Limited	Deposit Taking
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*Registered in Guernsey and operating overseas:*

Britsafe Insurance Services (Guernsey) Limited	Mortgage Insurance Company
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*Registered in Scotland and operating in the United Kingdom:*

Britannia Life Direct Limited	Direct Sales of Financial Services
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### Form, Status and Objects

Britannia is incorporated under the Building Societies Act 1986 (as amended) (the **Act**) for an unlimited duration. It operates in accordance with the Act, regulations and orders made thereunder and Britannia's registered Rules and Memorandum. Britannia is a building society within the meaning of the Act and is registered with the Central Office of the Registry of Friendly Societies in London, Register Number 322B. The affairs of Britannia are conducted and managed by a Board of Directors who are elected and who serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of Britannia and appoints and supervises executives who are responsible to the Board for the daily management of Britannia.

The principal purpose of Britannia as stated in Clause 2 of its Memorandum, is to raise, primarily by the subscriptions of the members of Britannia, a stock or fund for making to them advances secured on land for their residential use.

#### **PLATFORM FUNDING LIMITED**

PFL was incorporated and registered in England and Wales under the Companies Act 1985 on 26 September 1997 as a private limited company with company registration number 3456337. The registered office of PFL is Exchange Tower, 2 Harbour Exchange, London E14 9FR. PFL was established for the purpose of originating residential mortgage loans (including Buy-to-Let Loans) to borrowers in England, Wales, Scotland and Northern Ireland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems, being in each case people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital (**Non-Conforming Mortgages**).

#### **MEERBROOK FINANCE NUMBER ONE LIMITED**

Meerbrook 1 was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability under the name Privetbright Limited as a private limited company on 20 May 2002 with company registration number 04442594. Privetbright Limited changed its name on 14 August 2002 to Leek Finance Number Ten Limited and Leek Finance Number Ten Limited changed its name on 17 January 2003 to Leek Finance Number Eleven Limited. Leek Finance Number Eleven Limited changed its name on 13 May 2003 to Meerbrook Finance Number One Limited. The registered office of Meerbrook 1 is 10 Upper Bank Street, London E14 5JJ. Its principal activities are the purchase and warehousing of mortgage loans originated by PFL pursuant to an origination and sale agreement entered into with PFL.

#### **MORTGAGE AGENCY SERVICES NUMBER SIX LIMITED**

MAS6 was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 13 November 2003 with company registration number 4962868. The registered office of MAS6 is Newton House, Cheadle Road, Leek, Staffordshire ST13 5RG. Its principal activities relate to the purchase of a portfolio of mortgage loans originated by Kensington.

#### **KENSINGTON MORTGAGE COMPANY LIMITED**

Kensington was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1995 with company registration number 3049877. The registered office of Kensington is 1 Sheldon Square, London W2 6PU. Kensington is a special purpose company established solely for the purpose of advancing or acquiring residential mortgage loans to borrowers in England, Wales and Scotland.

#### **LEEK FINANCE NUMBER FOUR LIMITED**

Leek 4 was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability under the name Valleylock Limited on 15 September 1999 with company registration number 03841864. Valleylock Limited changed its name on 23 November 1999 to Leek Finance Number Four Limited.

#### **LEEK FINANCE NUMBER FIVE LIMITED**

Leek 5 was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability under the name Peacockbrook Limited on 21 May 2001 with company registration number 04220058. Peacockbrook Limited changed its name on 5 June 2001 to Leek Finance Number Five Limited.

#### **LEEK FINANCE NUMBER SEVEN PLC**

Leek 7 was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability under the name Toffeewood Limited on 20 September 2001 with company registration number 04290624. Toffeewood Limited changed its name on 1 November 2001 to Leek Finance Number Seven PLC.

### **PLATFORM HOME LOANS LIMITED**

PHL was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 12 January 1989 with company registration number 2334606. The registered office of PHL is Exchange Tower, 2 Harbour Exchange Square, London E14 9FR.

### **BRITANNIA TREASURY SERVICES LIMITED**

BTSL was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 7 July 1997 with company registration number 3416197. The registered office of BTSL is Newton House, Cheadle Road, Leek, Staffordshire ST13 5RG.

### **WESTERN MORTGAGE SERVICES LIMITED**

WMS was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1996 with company registration number 3191608. The registered office of WMS is the MoneyCentre, Drake Circus, Plymouth, Devon PL1 1QJ. Following the acquisition of Western Trust and Savings Limited (WTS) in July 1995 by Birmingham Midshires Building Society, WMS acquired from WTS its mortgage servicing infrastructure. WMS was acquired by Britannia on 27 January 1997 and the shares subsequently transferred to BTSL. WMS currently provides centralised residential mortgage processing and loan administration services to Britannia and a limited number of third party mortgage originators.

### **EQUFUND (RTB) LIMITED**

Eqfund (RTB) Limited was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 4 July 1990, with company registration number 2518230. The registered office of Eqfund (RTB) Limited is Hammond House, 1A North Road, West Kirby, Wirral, West Merseyside CH48 4DE. Its principal activities are the origination of residential mortgages and other monetary intermediation.

### **GENESIS HOME LOANS PLC**

Genesis Home Loans Plc was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a public limited company on 27 January 1999, with company registration number 3703033. The registered office of Genesis Home Loans Plc is 6 North Street, Oundle, Peterborough PE8 4AL. Its principal activities are the origination of residential mortgages and other monetary intermediation.

### **FLAGSHIP HOMELOANS LIMITED**

Flagship Homeloans Limited was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 30 May 2001, with company registration number 4225015. The registered office of Flagship Homeloans Limited is Fairfield House, Kingston Crescent, Portsmouth, Hampshire PO2 8AA. Its principal activities are the origination of residential mortgages and other monetary intermediation.

### **ADVANCE HOMELOANS LIMITED**

Advance Homeloans Limited was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 9 July 2001, with company registration number 4248732. Advance Homeloans Limited was dissolved on 7 February 2006. The registered office of Advance Homeloans Limited was Chester House, Lloyd Drive, Ellesmere Port, Cheshire CH65 9HQ. Its principal activities were the origination of residential mortgages and other monetary intermediation.

### **GROSVENOR HOME LOANS LIMITED**

Grosvenor Home Loans Limited was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 23 July 2001, with company registration number 4257508. The registered office of Grosvenor Home Loans Limited is 3rd Floor, Elizabeth House, 39 York Road, London SE1 7NQ. Its principal activities are the origination of residential mortgages and other monetary intermediation.

## **INTEREST RATE SWAP COUNTERPARTY, EXPENSES LOAN PROVIDER, GIC PROVIDER, GIC GUARANTOR**

### **The Royal Bank of Scotland Group plc**

The Royal Bank of Scotland Group plc (the **Group**) is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £56 billion at 31 December 2005. Headquartered in Edinburgh, the Group operates in the UK, the US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc (**RBS**) and National Westminster Bank Plc (**NatWest**). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The Group's operations are conducted principally through RBS and its subsidiaries (including NatWest) other than the general insurance business (primarily Direct Line Group).

The Group had total assets of £776.8 billion and shareholders' equity of £35.4 billion at 31 December 2005. The Group is strongly capitalised with a total capital ratio of 11.7 per cent. and tier 1 capital ratio of 7.6 per cent as at 31 December 2005.

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long-term senior unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aa1 by Moody's and AA+ by Fitch.

In its capacity as Interest Rate Swap Counterparty, Expenses Loan Provider, GIC Provider and GIC Guarantor, RBS will be acting through its branch at 135 Bishopsgate, London, EC2M 3UR.

The information contained herein with respect to RBS and the Group relates to and has been obtained from it. Delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of RBS or the Group since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.



## **BASIS SWAP COUNTERPARTY, CROSS CURRENCY SWAP COUNTERPARTY, LIQUIDITY FACILITY PROVIDER**

### **JPMorgan Chase Bank, National Association**

JPMorgan Chase Bank, National Association (**JPMCB**) is a wholly owned bank subsidiary of JPMorgan Chase & Co. (**JPMorgan Chase**), a Delaware corporation whose principal office is located in New York, New York. JPMCB is a commercial bank offering a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of 31 December 31 2005, JPMCB had total assets of \$1,014.0 billion, total net loans of \$390.9 billion, total deposits of \$552.6 billion, and total stockholder's equity of \$86.4 billion. These figures are extracted from JPMCB's unaudited Consolidated Reports of Condition and Income as at 31 December 2005, which are filed with the Federal Deposit Insurance Corporation.

Additional information, including the most recent Form 10-K for the year ended 31 December 2005, of JPMorgan Chase, the 2005 Annual Report of JPMorgan Chase and additional annual, quarterly and current reports filed or furnished with the Securities and Exchange Commission by JPMorgan Chase, as they become available, may be obtained without charge by each person to whom this Offering Circular is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The short-term, unsecured and unguaranteed debt obligations of JPMCB are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long-term unsecured and unguaranteed debt obligations of JPMCB are currently rated AA- by S&P, Aa2 by Moody's and A+ by Fitch.

The information contained in this section relates to and has been obtained from JPMCB. The delivery of the Offering Circular shall not create any implication that there has been no change in the affairs of JPMCB since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

## **USE OF PROCEEDS**

The gross proceeds of the issue of the Notes are expected to amount to £379,000,000, U.S.\$697,000,000 and €558,100,000 and will be used (after exchanging on the Closing Date the gross proceeds of the Dollar Notes for Sterling proceeds by reference to the Dollar Swap Rate and the gross proceeds of the Euro Notes for Sterling proceeds by reference to the Euro Swap Rate under the Cross Currency Swap Agreements) in financing the purchase of the Mortgages from PFL under the PFL Mortgage Sale Agreement, Meerbrook 1 under the Meerbrook 1 Mortgage Sale Agreement and MAS6 under the MAS6 Mortgage Sale Agreement and in purchasing any Retentions and Further Advances in respect of any of the Mortgages.

Amounts drawn under the Senior Subordinated Loan and the Junior Subordinated Loan will be applied towards funding the Initial Required Amount.

The amount drawn under the Expenses Loan will, to the extent necessary, be converted into Dollars and Euros (at the market rate agreed on or about the date hereof) and be applied towards payment of the fees and expenses related to the admission of the Notes to trading (estimated not to exceed £5,000,000).

## THE MORTGAGE POOL

*The Issuer confirms that the characteristics of the Mortgage Pool are as described in this section. On the Closing Date the assets backing the issue of the Notes, when taken together with the Swap Agreements, the Liquidity Facility Agreement to be entered into by the Issuer on the Closing Date and taking into account the terms and conditions of the Notes, are expected to have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes. However, regard should be had both to the characteristics of the Mortgage Pool and the other assets available to the Issuer and the risks to which they (and the Issuer and the Notes) may be exposed. Prospective Noteholders should consider the detailed information set out elsewhere in this document, including without limitation under "Risk Factors" and "Credit Structure" above.*

### The Mortgage Pool

The Mortgage Pool from time to time after the Closing Date will comprise:

- (a) loans advanced to the Borrowers upon the security of residential property situated in England and Wales, Scotland or Northern Ireland (each a **Borrower**) and on Closing Date will consist of the Mortgages acquired pursuant to the Mortgage Sale Agreements;
- (b) Converted Mortgages; and
- (c) any Further Advances purchased by the Issuer,

other than, in each such case, Mortgages which have been repaid or which have been purchased from the Issuer pursuant to the Mortgage Sale Agreements.

### Characteristics of the Mortgage Pool

The following tables set out information representative of the characteristics of the Mortgage Pool as at 31 December 2005 (the **Provisional Cut-Off Date**).

The balance of the Mortgages in the following tables is shown as at the Provisional Cut-Off Date (the pool of Mortgages as at the Provisional Cut-Off Date being the **Provisional Pool**). The properties over which the Mortgages are secured have not been revalued for the purpose of the issue of the Notes. The valuations of such properties as set out in the following tables relate to the date of the original initial mortgage loan valuation except to the extent that there have been Further Advances in which cases the most recent valuation is utilised. The characteristics of the Mortgage Pool as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of Mortgages prior to the Closing Date.

### Security

All of the Mortgages are secured by first ranking mortgages or (in Scotland) Standard Securities.

### Interest Rate Types

The Provisional Pool consists of:

- (a) 41.86 per cent. of the Mortgages which are LIBOR-linked mortgages where the applicable rate of interest for each mortgage (the **Mortgage Rate**) is (currently or after a specific period) calculated by reference to LIBOR plus a fixed margin or margins expressed as a percentage over LIBOR (the **LIBOR-Linked Mortgages**), including:
  - (i) 8.97 per cent. of the Mortgages where the Mortgage Rate is discounted for a specific period and reverts to the full Mortgage Rate, with the latest date of reversion being November 2008 (the **LIBOR Discount Mortgages**) and which includes 1.49 per cent. of the Mortgages where the MAS6 LIBOR Mortgage Rate (as defined below) is discounted for a specific period and reverts to the full MAS6 LIBOR Mortgage Rate, with the latest date of reversion being September 2006 (the **MAS6 LIBOR Discount Mortgages**);
  - (ii) 29.74 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Mortgage Rate, with the latest date of reversion being February 2009 (the **Fixed Reverting to LIBOR Mortgages**) and which includes 9.61 per cent. of the Mortgages which have a fixed rate of interest for a specific period that reverts to a Mortgage Rate calculated as LIBOR plus (aa) a margin which is currently 1 per cent. (**MAS6 VR**) plus (bb) a further margin, with the latest date of reversion being November 2008 (the **Fixed Reverting to MAS6 VR LIBOR Mortgages**);

- (iii) 3.15 per cent. of the Mortgages which are linked to LIBOR for the life of the mortgage (the **LIBOR Mortgages**) and which includes 0.02 per cent. of the Mortgages which have a rate of interest equal to LIBOR plus (aa) MAS6 VR plus (bb) a further margin (the **MAS6 LIBOR Mortgage Rate** and the **MAS6 VR LIBOR Mortgages**).

The Mortgage Rate payable under the LIBOR-Linked Mortgages (except the MAS6 Mortgages) is calculated as a specified margin, in excess of LIBOR quoted by the British Bankers Association for three-month Sterling deposits (subject to rounding) on or about the 1st day of March, June, September and December of each year (**Mortgage LIBOR**).

The Mortgage Rate payable under the MAS6 Mortgages is calculated as a specified margin plus MAS6 VR, in excess of LIBOR quoted by the British Bankers Association for three-month Sterling deposits (subject to rounding) on or about the last London Business Day prior to the first day of March, June, September and December of each year (**MAS6 Mortgage LIBOR**).

- (b) 58.14 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate (the **Base Rate Mortgage Rate**) that is based on the Bank of England's base rate (the **Base Rate** and the **Base Rate Mortgages**) plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate, including:
  - (i) 9.20 per cent. of the Mortgages where the Base Rate Mortgage Rate is discounted for a specific period and reverts to the full Base Rate Mortgage Rate, with the latest date of reversion being November 2010 (the **Base Rate Tracker Discount Mortgages**);
  - (ii) 44.59 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Base Rate Mortgage Rate, with the latest date of reversion being October 2010 (the **Fixed Reverting to Base Rate Tracker Mortgages**); and
  - (iii) 4.35 per cent. of the Mortgages which are linked to Base Rate for the life of the mortgage (the **Base Rate Tracker Mortgages**).

## **MORTGAGE POOL DATA TABLES**

The following tables consist of information on the Provisional Pool and are described as follows:

- Section A: all pool data (£1,172,602,834);
- Section B: data relating to PFL originated non-conforming loans (£360,356,460 which amounts to 30.73 per cent. of the Provisional Pool);
- Section C: data relating to PFL originated near prime self-certified mortgage loans (£318,991,250 which amounts to 27.20 per cent. of the Provisional Pool);
- Section D: data relating to PFL originated buy-to-let mortgage loans (£362,750,367 which amounts to 30.94 per cent. of the Provisional Pool); and
- Section E: data relating to the MAS6 Mortgages originated by Kensington (£130,504,757 which amounts to 11.13 per cent. of the Provisional Pool).

The loan to value ratios in the tables are referenced to the seasonally adjusted Halifax housing index and the seasonally adjusted Nationwide housing index up to 31 December 2005. Percentage columns in the tables may not total 100 per cent. due to rounding.

## **MORTGAGE POOL DATA TABLES**

### **SECTION A: ALL POOL DATA**

#### **Key data on the Provisional Pool (As at 31 December 2005)**

Aggregate Initial Loan Balance (£)	1,172,602,834
Largest Loan (£)	834,004
Number of mortgages	10,552
Average balance of Mortgage Loan (£)	111,126
Longest Dated Mortgage Legal Maturity	29-Nov-2035
% Investment Home Loans	30.94%
Weighted Average Current Loan to Value	78.39%
Weighted Average Halifax Indexed Loan To Value	74.44%
Weighted Average Nationwide Indexed Loan To Value	75.97%
Weighted Average Current Loan to Value (London)	80.12%
Weighted Average Current Loan to Value (South East)	78.79%
Weighted Average Current Loan to Value (Rest of UK)	77.73%
Weighted Average Seasoning	0.40 years
Weighted Average Seasoning (London)	0.35 years
Weighted Average Seasoning (South East)	0.36 years
Weighted Average Seasoning (Rest of UK)	0.44 years

Distribution by Loan to Value	Distribution of Loans by Loan to Value				Distribution of Loans by Halifax Indexed Loan To Value				Distribution of Loans by Nationwide Indexed Loan To Value			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	3,730,964	0.32%	96	0.91%	6,296,928	0.54%	171	1.62%	5,654,095	0.48%	155	1.47%
More than 25% up to and including 50%	49,772,592	4.24%	701	6.64%	87,771,508	7.49%	1,344	12.74%	79,854,814	6.81%	1,262	11.96%
More than 50% up to and including 55%	27,342,743	2.33%	333	3.16%	28,664,663	2.44%	352	3.34%	29,413,626	2.51%	364	3.45%
More than 55% up to and including 60%	31,185,558	2.66%	371	3.52%	42,779,398	3.65%	465	4.41%	37,396,447	3.19%	412	3.90%
More than 60% up to and including 65%	50,074,695	4.27%	555	5.26%	55,287,365	4.71%	566	5.36%	49,095,754	4.19%	522	4.95%
More than 65% up to and including 70%	64,032,578	5.46%	655	6.21%	85,354,787	7.28%	774	7.34%	73,800,946	6.29%	693	6.57%
More than 70% up to and including 75%	101,564,057	8.66%	917	8.69%	140,101,402	11.95%	1,181	11.19%	138,183,242	11.78%	1,158	10.97%
More than 75% up to and including 80%	142,258,393	12.13%	1,258	12.02%	152,437,994	13.00%	1,285	12.18%	135,555,448	11.56%	1,161	11.00%
More than 80% up to and including 85%	179,674,086	15.32%	1,509	14.30%	426,942,314	36.41%	3,345	31.70%	413,785,178	35.29%	3,178	30.12%
More than 85% up to and including 90%	387,521,718	33.05%	3,110	29.47%	118,265,711	10.09%	812	7.70%	173,133,377	14.76%	1,322	12.53%
More than 90% up to and including 95%	106,359,496	9.07%	754	7.24%	24,890,122	2.12%	224	2.12%	19,131,567	1.63%	158	1.50%
More than 95% up to and including 100%	28,535,217	2.43%	266	2.52%	3,810,645	0.32%	33	0.31%	17,598,341	1.50%	167	1.58%
More than 100%	550,737	0.05%	7	0.07%	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>107.06%</b>				<b>95.85%</b>				<b>96.68%</b>			
<b>Minimum Loan to Value</b>	<b>8.63%</b>				<b>6.38%</b>				<b>6.54%</b>			
<b>WA Loan to Value</b>	<b>78.39%</b>				<b>74.44%</b>				<b>75.97%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (London)				Distribution of Loans by Halifax Indexed Loan To Value (London)				Distribution of Loans by Nationwide Indexed Loan To Value (London)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	297,138	0.18%	7	0.82%	792,008	0.49%	20	2.35%	792,008	0.49%	20	2.35%
More than 25% up to and including 50%	4,460,753	2.74%	41	4.82%	7,173,249	4.41%	57	6.71%	6,810,973	4.19%	54	6.35%
More than 50% up to and including 55%	2,232,036	1.37%	13	1.53%	1,539,411	0.95%	10	1.18%	1,369,756	0.84%	9	1.06%
More than 55% up to and including 60%	1,920,090	1.18%	14	1.65%	3,474,722	2.14%	20	2.35%	3,115,802	1.92%	18	2.12%
More than 60% up to and including 65%	4,667,348	2.87%	31	3.65%	6,131,941	3.77%	38	4.47%	4,416,776	2.72%	29	3.41%
More than 65% up to and including 70%	8,230,917	5.06%	46	5.41%	9,579,678	5.89%	54	6.35%	8,385,358	5.16%	47	5.53%
More than 70% up to and including 75%	11,968,849	7.36%	63	7.41%	22,643,278	13.93%	115	13.53%	22,178,190	13.65%	116	13.65%
More than 75% up to and including 80%	21,827,472	13.43%	113	13.29%	21,488,194	13.22%	105	12.35%	19,189,718	11.81%	93	10.94%
More than 80% up to and including 85%	26,061,396	16.03%	126	14.82%	73,334,264	45.12%	347	40.82%	68,110,969	41.91%	328	38.59%
More than 85% up to and including 90%	66,083,802	40.66%	319	37.53%	14,819,409	9.12%	76	8.94%	25,794,486	15.87%	124	14.59%
More than 90% up to and including 95%	13,052,967	8.03%	67	7.88%	1,559,716	0.96%	8	0.94%	1,988,281	1.22%	10	1.18%
More than 95% up to and including 100%	1,663,737	1.02%	9	1.06%	—	—	—	—	383,554	0.24%	2	0.24%
More than 100%	69,364	0.04%	1	0.12%	—	—	—	—	—	—	—	—
<b>Grand Total</b>	<b>162,535,870</b>	<b>100.00%</b>	<b>850</b>	<b>100.00%</b>	<b>162,535,870</b>	<b>100.00%</b>	<b>850</b>	<b>100.00%</b>	<b>162,535,870</b>	<b>100.00%</b>	<b>850</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>105.71%</b>				<b>93.49%</b>				<b>95.28%</b>			
<b>Minimum Loan to Value</b>	<b>12.80%</b>				<b>6.38%</b>				<b>6.54%</b>			
<b>WA Loan to Value</b>	<b>80.12%</b>				<b>76.48%</b>				<b>78.05%</b>			



Distribution by Loan to Value	Distribution of Loans by Loan To Value (South East)				Distribution of Loans by Halifax Indexed Loan To Value (South East)				Distribution of Loans by Nationwide Indexed Loan To Value (South East)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	1,169,873	0.32%	27	1.12%	1,878,484	0.52%	40	1.65%	1,585,890	0.44%	36	1.49%
More than 25% up to and including 50%	14,548,305	4.02%	156	6.44%	24,273,248	6.70%	248	10.24%	21,402,332	5.91%	233	9.62%
More than 50% up to and including 55%	7,633,386	2.11%	61	2.52%	7,384,391	2.04%	62	2.56%	8,354,444	2.31%	65	2.68%
More than 55% up to and including 60%	8,708,872	2.40%	71	2.93%	13,293,864	3.67%	105	4.34%	11,038,808	3.05%	86	3.55%
More than 60% up to and including 65%	15,654,030	4.32%	121	5.00%	15,876,647	4.38%	114	4.71%	14,255,074	3.93%	108	4.46%
More than 65% up to and including 70%	17,146,137	4.73%	134	5.53%	25,234,356	7.24%	182	7.52%	21,819,277	6.02%	155	6.40%
More than 70% up to and including 75%	32,372,699	8.94%	201	8.30%	40,996,182	11.32%	260	10.74%	40,354,677	11.14%	253	10.45%
More than 75% up to and including 80%	40,801,294	11.26%	276	11.40%	46,411,949	12.81%	298	12.31%	39,924,220	11.02%	264	10.90%
More than 80% up to and including 85%	55,117,282	15.21%	343	14.17%	136,469,476	37.67%	837	34.57%	137,944,327	38.07%	834	34.45%
More than 85% up to and including 90%	123,475,174	34.08%	769	31.76%	42,010,345	11.60%	232	9.58%	55,260,903	15.25%	326	13.47%
More than 90% up to and including 95%	37,771,817	10.43%	214	8.84%	5,929,764	1.64%	35	1.45%	5,743,697	1.59%	34	1.40%
More than 95% up to and including 100%	7,850,863	2.17%	47	1.94%	1,540,415	0.43%	8	0.33%	4,615,472	1.27%	27	1.12%
More than 100%	51,389	0.01%	1	0.04%	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>362,299,120</b>	<b>100.00%</b>	<b>2,421</b>	<b>100.00%</b>	<b>362,299,120</b>	<b>100.00%</b>	<b>2,421</b>	<b>100.00%</b>	<b>362,299,120</b>	<b>100.00%</b>	<b>2,421</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>107.06%</b>				<b>95.75%</b>				<b>96.16%</b>			
<b>Minimum Loan to Value</b>	<b>12.14%</b>				<b>9.55%</b>				<b>9.84%</b>			
<b>WA Loan to Value</b>	<b>78.79%</b>				<b>75.09%</b>				<b>76.66%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (rest of UK)				Distribution of Loans by Halifax Indexed Loan To Value (rest of UK)				Distribution of Loans by Nationwide Indexed Loan To Value (rest of UK)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	2,263,953	0.35%	62	0.85%	3,626,436	0.56%	111	1.52%	3,276,198	0.51%	99	1.36%
More than 25% up to and including 50%	30,763,535	4.75%	504	6.92%	56,325,011	8.70%	1,039	14.27%	51,641,509	7.97%	975	13.39%
More than 50% up to and including 55%	17,477,321	2.70%	259	3.56%	19,740,861	3.05%	280	3.85%	19,689,426	3.04%	290	3.98%
More than 55% up to and including 60%	20,558,595	3.17%	286	3.93%	26,010,810	4.02%	340	4.67%	23,241,837	3.59%	308	4.23%
More than 60% up to and including 65%	29,753,317	4.59%	403	5.53%	33,278,777	5.14%	414	5.69%	30,423,904	4.70%	385	5.29%
More than 65% up to and including 70%	38,655,524	5.97%	475	6.52%	49,540,752	7.65%	538	7.39%	43,596,311	6.73%	491	6.74%
More than 70% up to and including 75%	57,222,509	8.83%	653	8.97%	76,461,942	11.80%	806	11.07%	75,650,375	11.68%	789	10.84%
More than 75% up to and including 80%	79,629,627	12.29%	879	12.07%	84,537,850	13.05%	882	12.11%	76,441,510	11.80%	804	11.04%
More than 80% up to and including 85%	98,495,408	15.21%	1,040	14.28%	217,138,574	33.52%	2,161	29.68%	207,729,883	32.07%	2,016	27.69%
More than 85% up to and including 90%	197,982,742	30.56%	2,022	27.77%	61,435,957	9.48%	504	6.92%	92,077,988	14.21%	872	11.98%
More than 90% up to and including 95%	55,534,712	8.57%	483	6.63%	17,400,643	2.69%	181	2.49%	11,399,589	1.76%	114	1.57%
More than 95% up to and including 100%	19,020,616	2.94%	210	2.88%	2,270,230	0.35%	25	0.34%	12,599,315	1.95%	138	1.90%
More than 100%	429,985	0.07%	5	0.07%	—	—	—	—	—	—	—	—
<b>Grand Total</b>	<b>647,767,844</b>	<b>100.00%</b>	<b>7,281</b>	<b>100.00%</b>	<b>647,767,844</b>	<b>100.00%</b>	<b>7,281</b>	<b>100.00%</b>	<b>647,767,844</b>	<b>100.00%</b>	<b>7,281</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.14%</b>				<b>95.85%</b>				<b>96.68%</b>			
<b>Minimum Loan to Value</b>	<b>8.63%</b>				<b>7.30%</b>				<b>7.64%</b>			
<b>WA Loan to Value</b>	<b>77.73%</b>				<b>73.56%</b>				<b>75.07%</b>			

### Distribution of Loans by Current Balance

Distribution by Current Balance (£)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to £30k	9,274,878	0.79%	399	3.78%
More than £30k up to and including £50k	43,547,566	3.71%	1,056	10.01%
More than £50k up to and including £75k	135,401,007	11.55%	2,169	20.56%
More than £75k up to and including £100k	169,434,793	14.45%	1,952	18.50%
More than £100k up to and including £125k	174,755,133	14.90%	1,569	14.87%
More than £125k up to and including £150k	156,393,857	13.34%	1,147	10.87%
More than £150k up to and including £200k	213,185,104	18.18%	1,246	11.81%
More than £200k up to and including £400k	234,614,971	20.01%	940	8.91%
More than £400k	35,995,526	3.07%	74	0.70%
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

Maximum Current Balance (£) 834,004

Minimum Current Balance (£) 5,426

Average Current Balance (£) 111,126

### Distribution by Remaining Life of Mortgage

Distribution by Remaining Life of Mortgage (years)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
0 and less than or equal to 10 years	61,088,575	5.21%	549	5.20%
Greater than 10 and less than or equal to 15 years	104,100,022	8.88%	1,000	9.48%
Greater than 15 and less than or equal to 20 years	230,094,235	19.62%	1,993	18.89%
Greater than 20 and less than or equal to 25 years	705,695,848	60.18%	6,345	60.13%
Greater than 25 and less than or equal to 30 years	71,624,155	6.11%	665	6.30%
Greater than 30 years	-	-	-	-
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

Maximum Remaining Life (years) 29.91

Minimum Remaining Life (years) 1.57

WA Remaining Life (years) 21.87

### Geographical Distribution of Mortgages

Region	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
East Anglia	38,008,752	3.24%	359	3.40%
East Midlands	56,722,637	4.84%	626	5.93%
London	162,535,870	13.86%	850	8.06%
North	54,990,672	4.69%	768	7.28%
North West	126,711,412	10.81%	1,426	13.51%
Northern Ireland	17,424,913	1.49%	212	2.01%
Scotland	51,481,777	4.39%	672	6.37%
South East	362,299,120	30.90%	2,421	22.94%
South West	90,256,745	7.70%	744	7.05%
Wales	38,908,220	3.32%	462	4.38%
West Midlands	85,778,958	7.32%	905	8.58%
Yorks and Humber	87,483,760	7.46%	1,107	10.49%
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

### Distribution of County Court Judgements (CCJ's) by Loan to Value Ratio

Distribution by Loan to Value	Current Balance (£) = 0 CCJ's	Current Balance (£) = 1 CCJ	Current Balance (£) > 1 CCJ
Less than or equal to 25%	3,390,190	220,050	120,724
More than 25% up to and including 50%	46,312,518	2,534,033	926,041
More than 50% up to and including 55%	25,141,763	1,677,671	523,309
More than 55% up to and including 60%	28,082,882	2,057,821	1,044,855
More than 60% up to and including 65%	45,875,302	2,622,558	1,576,835
More than 65% up to and including 70%	60,012,120	2,544,879	1,475,579
More than 70% up to and including 75%	95,177,436	4,179,523	2,207,097
More than 75% up to and including 80%	133,817,482	5,199,839	3,241,073
More than 80% up to and including 85%	167,259,895	7,354,151	5,060,040
More than 85% up to and including 90%	373,856,172	9,506,929	4,158,616
More than 90% up to and including 95%	99,992,535	4,733,925	1,633,036
More than 95% up to and including 100%	25,469,829	2,103,354	962,035
More than 100%	153,939	238,960	157,839
<b>Grand Total</b>	<b>1,104,542,062</b>	<b>44,973,693</b>	<b>23,087,080</b>

### Self Certified Codes

Self Certified Codes	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
No	503,101,623	42.90%	5,053	47.89%
Yes	669,501,211	57.10%	5,499	52.11%
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

### Repayment Method

Repayment Method	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Interest Only	774,097,458	66.02%	5,815	55.11%
Mixed	1,788,536	0.15%	14	0.13%
Repayment	396,716,840	33.83%	4,723	44.76%
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

### Purpose of Loan

Purpose of Loan	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Purchase	324,970,208	27.71%	2,592	24.56%
Refinance	402,886,742	34.36%	3,458	32.77%
Right to buy Purchase	55,373,851	4.72%	1,035	9.81%
Right to buy Refinance	26,621,667	2.27%	365	3.46%
Investment home loans Purchase	164,830,022	14.06%	1,433	13.58%
Investment home loans Refinance	197,920,346	16.88%	1,669	15.82%
Not available (other)	-	-	-	-
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

### Distribution of Mortgages Currently in Arrears

Distribution by Arrears	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Current and up to one month	1,150,964,608	98.15%	10,302	97.63%
Over one month and up to two months	9,723,138	0.83%	105	1.00%
Over two months and up to three months	6,413,380	0.55%	77	0.73%
Over three months and up to four months	1,162,327	0.10%	15	0.14%
Over four months	4,339,381	0.37%	53	0.50%
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

### Distribution by Property Category

Distribution by Property Type	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Bungalow	35,883,099	3.06%	276	2.62%
Flat	240,881,569	20.54%	2,111	20.01%
Detached	186,247,489	15.88%	1,059	10.04%
Semi-detached	289,430,606	24.68%	2,769	26.24%
Terraced	420,160,073	35.83%	4,337	41.10%
Not available	-	-	-	-
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

### Distribution by Month of Origin

Date	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
September 2000	79,347	0.01%	2	0.02%
October 2000	59,518	0.01%	1	0.01%
November 2000	125,316	0.01%	2	0.02%
December 2000	37,025	0.00%	1	0.01%
February 2001	1,119,356	0.10%	17	0.16%
March 2001	2,798,348	0.24%	61	0.58%
April 2001	2,330,132	0.20%	59	0.56%
May 2001	2,942,766	0.25%	61	0.58%
June 2001	3,383,918	0.29%	64	0.61%
July 2001	3,183,641	0.27%	68	0.64%
August 2001	3,955,465	0.34%	83	0.79%
September 2001	3,533,895	0.30%	76	0.72%
October 2001	4,082,933	0.35%	87	0.82%
November 2001	4,221,162	0.36%	99	0.94%
December 2001	3,645,891	0.31%	73	0.69%
December 2003	48,232	0.00%	1	0.01%
May 2004	51,679	0.00%	1	0.01%
June 2004	2,123,192	0.18%	20	0.19%
July 2004	3,231,252	0.28%	37	0.35%
August 2004	1,516,000	0.13%	14	0.13%
September 2004	432,926	0.04%	5	0.05%
October 2004	178,157	0.02%	3	0.03%
December 2004	51,829	0.00%	1	0.01%
January 2005	2,684,576	0.23%	23	0.22%
February 2005	4,353,225	0.37%	35	0.33%
March 2005	1,717,643	0.15%	17	0.16%
April 2005	1,667,291	0.14%	23	0.22%
May 2005	4,880,940	0.42%	43	0.41%
June 2005	2,262,825	0.19%	25	0.24%
July 2005	42,893,668	3.66%	418	3.96%
August 2005	170,122,856	14.51%	1,583	15.00%
September 2005	433,406,880	36.96%	3,772	35.75%
October 2005	345,558,796	29.47%	2,948	27.94%
November 2005	115,101,196	9.82%	809	7.67%
December 2005	4,820,958	0.41%	20	0.19%
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

### Distribution by Tenancy

Distribution by Tenancy	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Freehold	852,633,804	72.71%	7,550	71.55%
Leasehold	272,652,408	23.25%	2,369	22.45%
Heritable	47,316,622	4.04%	633	6.00%
<b>Grand Total</b>	<b>1,172,602,834</b>	<b>100.00%</b>	<b>10,552</b>	<b>100.00%</b>

**Whole Pool  
Distribution by Margin and Reversion Margin**

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
<b>Base Rate Tracker</b>		0.92%	—	5.42%	—	50,983,814.53	4.35%
		0.92%	—	5.42%	—	50,983,814.53	4.35%
<b>Base Rate Tracker Discount</b>	January 2006	0.80%	0.95%	5.30%	1.75%	416,549.44	0.04%
	February 2006	0.77%	0.98%	5.27%	1.75%	1,397,731.60	0.12%
	March 2006	0.80%	0.95%	5.30%	1.75%	1,120,131.56	0.10%
	May 2006	0.80%	0.95%	5.30%	1.75%	180,409.03	0.02%
	June 2006	0.85%	0.96%	5.35%	1.81%	2,112,624.53	0.18%
	July 2006	0.88%	0.87%	5.38%	1.75%	295,555.70	0.03%
	August 2006	0.83%	0.93%	5.33%	1.76%	7,089,190.27	0.60%
	September 2006	0.86%	0.89%	5.36%	1.75%	6,850,441.95	0.58%
	October 2006	0.94%	0.81%	5.44%	1.75%	922,469.19	0.08%
	November 2006	0.92%	0.83%	5.42%	1.75%	6,084,266.06	0.52%
	December 2006	0.90%	0.85%	5.40%	1.75%	2,455,917.73	0.21%
	January 2007	1.09%	0.78%	5.59%	1.87%	400,415.40	0.03%
	February 2007	1.03%	0.92%	5.53%	1.95%	713,174.69	0.06%
	March 2007	1.05%	0.71%	5.55%	1.76%	694,887.19	0.06%
	May 2007	0.89%	0.86%	5.39%	1.75%	102,504.51	0.01%
	June 2007	0.82%	0.93%	5.32%	1.75%	1,307,247.38	0.11%
	July 2007	0.81%	0.96%	5.31%	1.77%	862,600.97	0.07%
	August 2007	0.82%	0.96%	5.32%	1.78%	11,049,406.35	0.94%
	September 2007	0.79%	0.96%	5.29%	1.76%	3,921,456.16	0.33%
	October 2007	0.79%	0.97%	5.29%	1.76%	12,175,822.07	1.04%
	November 2007	0.80%	0.96%	5.30%	1.76%	13,504,893.23	1.15%
	December 2007	0.81%	0.94%	5.31%	1.75%	1,047,245.00	0.09%
	January 2008	1.12%	0.63%	5.62%	1.75%	149,915.67	0.01%
	February 2008	1.06%	0.69%	5.56%	1.75%	438,904.21	0.04%
	April 2008	0.79%	1.11%	5.29%	1.90%	161,764.70	0.01%
	May 2008	0.84%	0.91%	5.34%	1.75%	773,005.20	0.07%
	July 2008	0.77%	1.12%	5.27%	1.89%	272,965.08	0.02%
	August 2008	0.79%	1.07%	5.29%	1.86%	3,575,725.64	0.30%
	September 2008	0.73%	1.13%	5.23%	1.86%	5,131,451.79	0.44%
	October 2008	0.70%	1.17%	5.20%	1.88%	12,144,112.52	1.04%
	November 2008	0.69%	1.12%	5.19%	1.81%	1,643,502.27	0.14%
	December 2008	0.78%	0.97%	5.28%	1.75%	905,193.48	0.08%
	June 2009	0.90%	1.05%	5.40%	1.95%	38,138.59	0.00%
	July 2009	0.90%	1.05%	5.40%	1.95%	878,013.92	0.07%
	August 2009	0.90%	1.05%	5.40%	1.95%	304,199.67	0.03%
	September 2009	0.90%	1.05%	5.40%	1.95%	60,677.44	0.01%
	October 2009	0.90%	1.05%	5.40%	1.95%	100,431.46	0.01%
	January 2010	0.78%	1.17%	5.28%	1.95%	248,651.73	0.02%
	February 2010	1.09%	0.71%	5.59%	1.80%	394,180.45	0.03%
	March 2010	0.90%	1.05%	5.40%	1.95%	138,622.36	0.01%
	April 2010	0.84%	0.91%	5.34%	1.75%	139,687.63	0.01%
	July 2010	0.87%	1.07%	5.37%	1.93%	1,649,921.92	0.14%
	August 2010	0.80%	1.15%	5.30%	1.95%	1,645,862.15	0.14%
	September 2010	0.87%	1.08%	5.37%	1.95%	1,577,479.32	0.13%
	October 2010	0.81%	1.14%	5.31%	1.95%	457,266.39	0.04%
	November 2010	0.82%	1.13%	5.32%	1.95%	377,945.99	0.03%
		0.81%	0.99%	5.31%	1.80%	107,912,559.59	9.20%

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
Fixed reverting to Base Rate Tracker	April 2007	-	-	5.80%	1.75%	196,584.03	0.02%
	May 2007	-	-	5.64%	1.75%	466,921.00	0.04%
	June 2007	-	-	5.49%	1.78%	16,982,706.81	1.45%
	September 2007	-	-	5.27%	1.75%	69,878,429.99	5.96%
	October 2007	-	-	5.26%	1.75%	94,952,077.33	8.10%
	February 2008	-	-	5.17%	1.75%	18,362,672.22	1.57%
	April 2008	-	-	5.76%	1.75%	111,466.49	0.01%
	May 2008	-	-	5.95%	1.84%	266,965.36	0.02%
	June 2008	-	-	5.68%	1.77%	3,759,422.00	0.32%
	July 2008	-	-	5.65%	1.75%	4,224,338.64	0.36%
	September 2008	-	-	4.91%	1.93%	124,781,565.94	10.64%
	October 2008	-	-	4.93%	1.93%	163,476,200.33	13.94%
	February 2009	-	-	5.33%	1.75%	4,245,906.22	0.36%
	April 2010	-	-	5.88%	1.75%	423,213.97	0.04%
	June 2010	-	-	5.45%	1.88%	5,186,072.07	0.44%
	July 2010	-	-	5.43%	1.88%	5,970,549.47	0.51%
	September 2010	-	-	5.33%	1.95%	4,230,708.84	0.36%
	October 2010	-	-	5.34%	1.95%	5,327,442.28	0.45%
	-	-	-	5.09%	1.86%	522,845,242.99	44.59%
	-	-	-	-	-	-	-
Fixed reverting to LIBOR	May 2006	-	-	5.26%	2.16%	603,487.32	0.05%
	August 2006	-	-	5.69%	2.61%	8,803,476.47	0.75%
	November 2006	-	-	5.33%	2.21%	343,617.33	0.03%
	May 2007	-	-	6.33%	2.33%	1,275,102.70	0.11%
	June 2007	-	-	6.84%	2.77%	7,020,938.11	0.60%
	August 2007	-	-	6.65%	2.83%	20,940,064.99	1.79%
	September 2007	-	-	6.34%	2.56%	32,779,362.55	2.80%
	October 2007	-	-	6.23%	2.35%	56,142,059.96	4.79%
	November 2007	-	-	6.50%	2.75%	2,669,598.36	0.23%
	February 2008	-	-	6.26%	2.73%	1,860,617.88	0.16%
	April 2008	-	-	6.74%	3.40%	2,379,028.31	0.20%
	May 2008	-	-	6.60%	2.69%	7,937,778.30	0.68%
	June 2008	-	-	6.91%	3.30%	8,459,715.18	0.72%
	July 2008	-	-	6.90%	3.25%	10,773,465.47	0.92%
	August 2008	-	-	6.43%	2.30%	62,227,389.29	5.31%
	September 2008	-	-	6.17%	2.42%	42,074,400.58	3.59%
	October 2008	-	-	6.13%	2.35%	70,221,739.24	5.99%
	November 2008	-	-	6.46%	2.43%	10,802,448.31	0.92%
	February 2009	-	-	6.14%	2.46%	1,401,000.48	0.12%
	-	-	-	6.33%	2.49%	348,715,290.83	29.74%
	-	-	-	-	-	-	-
LIBOR	-	3.85%	-	8.47%	-	36,959,879.98	3.15%
	-	3.85%	-	8.47%	-	36,959,879.98	3.15%



Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
LIBOR Discount	January 2006	2.00%	2.00%	6.62%	4.00%	24,855.61	0.00%
	February 2006	1.30%	1.82%	5.92%	3.11%	856,871.61	0.07%
	March 2006	2.30%	1.95%	6.92%	4.25%	125,122.10	0.01%
	April 2006	1.43%	2.20%	6.05%	3.63%	89,938.69	0.01%
	May 2006	1.21%	2.04%	5.83%	3.25%	182,338.90	0.02%
	June 2006	1.74%	1.61%	6.36%	3.35%	1,397,211.24	0.12%
	July 2006	1.24%	1.84%	5.86%	3.08%	783,372.01	0.07%
	August 2006	0.77%	1.85%	5.39%	2.62%	5,297,728.32	0.45%
	September 2006	0.81%	1.78%	5.43%	2.59%	28,705,285.08	2.45%
	October 2006	0.65%	1.65%	5.27%	2.30%	2,087,696.94	0.18%
	November 2006	1.14%	1.77%	5.76%	2.91%	3,454,127.29	0.29%
	December 2006	1.20%	1.81%	5.82%	3.00%	413,370.48	0.04%
	January 2007	1.00%	1.97%	5.62%	2.97%	647,763.02	0.06%
	February 2007	1.20%	2.00%	5.82%	3.20%	3,007,519.40	0.26%
	March 2007	1.28%	1.86%	5.90%	3.14%	4,021,831.23	0.34%
	April 2007	1.36%	2.00%	5.98%	3.36%	150,938.66	0.01%
	May 2007	1.48%	1.63%	6.10%	3.12%	1,655,449.94	0.14%
	June 2007	1.37%	1.52%	5.99%	2.89%	1,082,133.90	0.09%
	July 2007	1.55%	1.51%	6.17%	3.07%	1,377,910.16	0.12%
	August 2007	1.40%	1.54%	6.02%	2.94%	15,622,367.61	1.33%
	September 2007	1.60%	1.56%	6.22%	3.16%	1,632,446.25	0.14%
	October 2007	1.35%	1.52%	5.97%	2.87%	2,267,134.65	0.19%
	November 2007	1.54%	1.53%	6.16%	3.07%	827,021.33	0.07%
	April 2008	1.54%	1.50%	6.16%	3.04%	384,696.84	0.03%
	May 2008	1.83%	1.67%	6.45%	3.50%	305,863.98	0.03%
	June 2008	1.50%	1.50%	6.12%	3.00%	63,581.63	0.01%
	July 2008	1.61%	1.32%	6.23%	2.93%	711,600.08	0.06%
	August 2008	1.49%	1.31%	6.11%	2.80%	6,008,597.69	0.51%
	September 2008	1.50%	1.17%	6.12%	2.67%	8,308,982.58	0.71%
	October 2008	1.31%	1.00%	5.93%	2.31%	13,176,534.85	1.12%
	November 2008	1.48%	1.19%	6.10%	2.68%	508,846.95	0.04%
		1.19%	1.55%	5.81%	2.74%	105,179,139.02	8.97%
Insurance						6,907.55	0.00%
Total					2.14%	1,172,602,834.49	100.00%

## MORTGAGE POOL DATA TABLES

### SECTION B: PFL RESIDENTIAL NON CONFORMING

#### Key Data On The Provisional Pool (As at 31 December 2005)

Aggregate Initial Loan Balance (£)	360,356,460
Largest Loan (£)	504,128
Number of mortgages	4,191
Average balance of Mortgage Loan (£)	85,983
Longest Dated Mortgage Legal Maturity	3-Nov-2035
% Investment Home Loans	0.00%
Weighted Average Current Loan to Value	78.08%
Weighted Average Halifax Indexed Loan To Value	71.90%
Weighted Average Nationwide Indexed Loan To Value	73.55%
Weighted Average Current Loan to Value (London)	79.38%
Weighted Average Current Loan to Value (South East)	78.09%
Weighted Average Current Loan to Value (Rest of UK)	77.92%
Weighted Average Seasoning	0.71 years
Weighted Average Seasoning (London)	0.68 years
Weighted Average Seasoning (South East)	0.68 years
Weighted Average Seasoning (Rest of UK)	0.72 years

Distribution by Loan to Value	Distribution of Loans by Loan to Value				Distribution of Loans by Halifax Indexed Loan To Value				Distribution of Loans by Nationwide Indexed Loan To Value			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Loss than or equal to 25%	1,157,325	0.32%	37	0.88%	3,121,559	0.87%	101	2.41%	2,830,318	0.79%	91	2.17%
More than 25% up to and including 50%	16,062,660	4.46%	294	7.02%	45,633,726	12.66%	863	20.59%	42,312,180	11.74%	818	19.52%
More than 50% up to and including 55%	9,024,991	2.50%	146	3.48%	10,996,748	3.05%	163	3.89%	11,727,691	3.25%	178	4.25%
More than 55% up to and including 60%	10,915,804	3.03%	164	3.91%	14,647,217	4.06%	194	4.63%	12,190,259	3.38%	170	4.06%
More than 60% up to and including 65%	18,333,146	5.09%	263	6.28%	17,986,629	4.99%	243	5.80%	17,320,559	4.81%	228	5.44%
More than 65% up to and including 70%	21,603,623	6.00%	298	7.11%	29,193,008	8.10%	317	7.56%	24,283,326	6.74%	288	6.87%
More than 70% up to and including 75%	35,218,956	9.77%	417	9.95%	41,738,865	11.58%	463	11.05%	40,307,292	11.19%	442	10.55%
More than 75% up to and including 80%	45,648,892	12.67%	553	13.19%	54,921,716	15.24%	572	13.65%	52,100,802	14.46%	543	12.96%
More than 80% up to and including 85%	62,320,177	17.29%	685	16.34%	94,133,167	26.12%	848	20.23%	96,332,248	26.73%	849	20.26%
More than 85% up to and including 90%	91,361,916	25.35%	866	20.66%	19,283,058	5.35%	170	4.06%	24,811,822	6.89%	263	6.28%
More than 90% up to and including 95%	19,623,016	5.45%	195	4.85%	24,890,122	6.91%	224	5.34%	18,541,622	5.15%	154	3.67%
More than 95% up to and including 100%	28,535,217	7.92%	266	6.35%	3,810,645	1.06%	33	0.79%	17,598,341	4.88%	167	3.98%
More than 100%	550,737	0.15%	7	0.17%	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>107.06%</b>				<b>95.85%</b>				<b>96.68%</b>			
<b>Minimum Loan to Value</b>	<b>12.50%</b>				<b>6.38%</b>				<b>6.54%</b>			
<b>WA Loan to Value</b>	<b>78.08%</b>				<b>71.90%</b>				<b>73.55%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (London)				Distribution of Loans by Halifax Indexed Loan To Value (London)				Distribution of Loans by Nationwide Indexed Loan To Value (London)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	99,372	0.32%	3	1.38%	594,241	1.90%	16	7.34%	594,241	1.90%	16	7.34%
More than 25% up to and including 50%	1,403,530	4.49%	23	10.55%	2,965,188	9.48%	34	15.60%	2,753,480	8.80%	32	14.68%
More than 50% up to and including 55%	73,717	0.24%	2	0.92%	231,183	0.74%	2	0.92%	211,708	0.68%	2	0.92%
More than 55% up to and including 60%	843,455	2.70%	8	3.67%	980,623	3.13%	7	3.21%	1,009,279	3.23%	7	3.21%
More than 60% up to and including 65%	846,299	2.71%	9	4.13%	1,221,878	3.91%	10	4.59%	790,017	2.53%	7	3.21%
More than 65% up to and including 70%	896,809	2.87%	7	3.21%	2,191,095	7.00%	12	5.50%	1,780,273	5.69%	12	5.50%
More than 70% up to and including 75%	3,663,981	11.71%	23	10.55%	3,752,307	11.99%	25	11.47%	4,018,133	12.84%	25	11.47%
More than 75% up to and including 80%	3,842,774	12.28%	26	11.93%	4,973,951	15.80%	30	13.76%	4,495,890	14.37%	28	12.84%
More than 80% up to and including 85%	5,998,511	19.17%	36	16.51%	10,514,265	33.61%	62	28.44%	10,977,329	35.09%	64	29.36%
More than 85% up to and including 90%	10,111,160	32.32%	62	28.44%	2,299,517	7.35%	12	5.50%	2,281,780	7.29%	13	5.96%
More than 90% up to and including 95%	1,771,254	5.66%	9	4.13%	1,559,716	4.99%	8	3.67%	1,988,281	6.36%	10	4.59%
More than 95% up to and including 100%	1,663,737	5.32%	9	4.13%	-	-	-	-	383,554	1.23%	2	0.92%
More than 100%	69,364	0.22%	1	0.46%	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>31,283,964</b>	<b>100.00%</b>	<b>218</b>	<b>100.00%</b>	<b>31,283,964</b>	<b>100.00%</b>	<b>218</b>	<b>100.00%</b>	<b>31,283,964</b>	<b>100.00%</b>	<b>218</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>106.71%</b>				<b>93.49%</b>				<b>95.28%</b>			
<b>Minimum Loan to Value</b>	<b>12.80%</b>				<b>6.38%</b>				<b>6.54%</b>			
<b>WA Loan to Value</b>	<b>79.38%</b>				<b>73.30%</b>				<b>75.05%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (South East)				Distribution of Loans by Halifax Indexed Loan To Value (South East)				Distribution of Loans by Nationwide Indexed Loan To Value (South East)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	346,439	0.41%	8	1.24%	812,626	0.97%	18	2.79%	701,666	0.84%	16	2.48%
More than 25% up to and including 50%	4,166,238	4.99%	51	7.91%	10,919,911	13.07%	127	19.69%	10,000,356	11.97%	121	18.76%
More than 50% up to and including 55%	2,062,674	2.47%	22	3.41%	2,342,158	2.80%	22	3.41%	2,976,766	3.56%	26	4.03%
More than 55% up to and including 60%	2,390,325	2.86%	21	3.26%	3,662,917	4.38%	31	4.81%	2,375,519	2.84%	22	3.41%
More than 60% up to and including 65%	5,077,179	6.08%	45	6.98%	4,166,074	4.99%	37	5.74%	4,528,080	5.42%	37	5.74%
More than 65% up to and including 70%	5,160,768	6.18%	52	8.06%	7,434,671	8.90%	58	8.99%	5,136,708	6.15%	46	7.13%
More than 70% up to and including 75%	8,061,160	9.65%	56	8.68%	8,336,825	9.98%	58	8.99%	9,120,071	10.92%	63	9.77%
More than 75% up to and including 80%	8,661,747	10.37%	70	10.85%	10,750,656	12.67%	72	11.16%	10,221,385	12.24%	71	11.01%
More than 80% up to and including 85%	12,719,677	15.23%	91	14.11%	21,979,770	26.31%	144	22.33%	23,542,792	28.18%	151	23.41%
More than 85% up to and including 90%	21,283,404	25.48%	142	22.02%	5,664,579	6.78%	35	5.43%	4,992,043	5.98%	33	5.12%
More than 90% up to and including 95%	5,708,498	6.83%	39	6.05%	5,929,764	7.10%	35	5.43%	5,329,507	6.38%	32	4.96%
More than 95% up to and including 100%	7,850,863	9.40%	47	7.29%	1,540,415	1.84%	8	1.24%	4,615,472	5.52%	27	4.19%
More than 100%	51,389	0.06%	1	0.16%	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>83,540,364</b>	<b>100.00%</b>	<b>645</b>	<b>100.00%</b>	<b>83,540,364</b>	<b>100.00%</b>	<b>645</b>	<b>100.00%</b>	<b>83,540,364</b>	<b>100.00%</b>	<b>645</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>107.06%</b>				<b>95.75%</b>				<b>96.16%</b>			
<b>Minimum Loan to Value</b>	<b>12.50%</b>				<b>9.55%</b>				<b>9.84%</b>			
<b>WA Loan to Value</b>	<b>78.09%</b>				<b>72.11%</b>				<b>73.76%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (rest of UK)				Distribution of Loans by Halifax Indexed Loan To Value (rest of UK)				Distribution of Loans by Nationwide Indexed Loan To Value (rest of UK)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	711,514	0.29%	26	0.78%	1,714,692	0.70%	67	2.01%	1,534,411	0.62%	59	1.77%
More than 25% up to and including 50%	10,492,891	4.27%	220	6.61%	31,748,627	12.93%	702	21.09%	29,558,344	12.04%	665	19.98%
More than 50% up to and including 55%	6,888,599	2.81%	122	3.67%	8,423,407	3.43%	139	4.18%	8,539,218	3.46%	150	4.51%
More than 55% up to and including 60%	7,682,023	3.13%	135	4.06%	10,003,677	4.07%	156	4.69%	8,805,461	3.59%	141	4.24%
More than 60% up to and including 65%	12,409,668	5.05%	209	6.28%	12,598,678	5.13%	196	5.89%	12,002,462	4.89%	184	5.53%
More than 65% up to and including 70%	15,546,046	6.33%	239	7.18%	19,567,242	7.97%	247	7.42%	17,366,345	7.07%	230	6.91%
More than 70% up to and including 75%	23,493,814	9.57%	338	10.16%	29,649,733	12.08%	380	11.42%	27,169,087	11.07%	354	10.64%
More than 75% up to and including 80%	33,144,371	13.50%	457	13.73%	39,197,109	15.96%	470	14.12%	37,383,527	15.23%	444	13.34%
More than 80% up to and including 85%	43,601,989	17.76%	558	16.77%	61,639,133	25.10%	642	19.29%	61,812,127	25.17%	634	19.05%
More than 85% up to and including 90%	59,967,352	24.42%	662	19.89%	11,318,962	4.61%	123	3.70%	17,537,999	7.14%	217	6.52%
More than 90% up to and including 95%	12,143,264	4.95%	147	4.42%	17,400,643	7.09%	181	5.44%	11,223,834	4.57%	112	3.37%
More than 95% up to and including 100%	19,020,616	7.75%	210	6.31%	2,270,230	0.92%	25	0.75%	12,599,315	5.13%	138	4.15%
More than 100%	429,985	0.18%	5	0.15%	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>245,532,131</b>	<b>100.00%</b>	<b>3,328</b>	<b>100.00%</b>	<b>245,532,131</b>	<b>100.00%</b>	<b>3,328</b>	<b>100.00%</b>	<b>245,532,131</b>	<b>100.00%</b>	<b>3,328</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.14%</b>				<b>95.85%</b>				<b>96.68%</b>			
<b>Minimum Loan to Value</b>	<b>14.12%</b>				<b>7.30%</b>				<b>7.64%</b>			
<b>WA Loan to Value</b>	<b>77.92%</b>				<b>71.64%</b>				<b>73.28%</b>			

### Distribution of Loans by Current Balance

Distribution by Current Balance (£)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to £30k	8,045,499	2.23%	353	8.42%
More than £30k up to and including £50k	27,082,727	7.52%	659	15.72%
More than £50k up to and including £75k	73,069,562	20.28%	1,178	28.11%
More than £75k up to and including £100k	65,166,924	18.08%	756	18.04%
More than £100k up to and including £125k	49,673,326	13.78%	447	10.67%
More than £125k up to and including £150k	44,721,350	12.41%	330	7.87%
More than £150k up to and including £200k	50,221,957	13.94%	296	7.06%
More than £200k up to and including £400k	40,456,385	11.23%	168	4.01%
More than £400k	1,918,730	0.53%	4	0.10%
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

Maximum Current Balance (£) 504,128

Minimum Current Balance (£) 5,426

Average Current Balance (£) 85,983

### Distribution by Remaining Life of Mortgage

Distribution by Remaining Life of Mortgage (years)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
0 and less than or equal to 10 years	12,398,987	3.44%	177	4.22%
Greater than 10 and less than or equal to 15 years	27,233,207	7.56%	361	8.61%
Greater than 15 and less than or equal to 20 years	62,304,032	17.29%	701	16.73%
Greater than 20 and less than or equal to 25 years	229,030,179	63.56%	2,634	62.85%
Greater than 25 and less than or equal to 30 years	29,390,055	8.16%	318	7.59%
Greater than 30 years	—	—	—	—
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

Maximum Remaining Life (years) 29.84

Minimum Remaining Life (years) 1.57

WA Remaining Life (years) 22.16

### Geographical Distribution of Mortgages

Region	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
East Anglia	9,602,206	2.66%	106	2.53%
East Midlands	20,309,755	5.64%	267	6.37%
London	31,283,964	8.68%	218	5.20%
North	26,964,343	7.48%	433	10.33%
North West	47,028,472	13.05%	624	14.89%
Northern Ireland	10,455,820	2.90%	149	3.56%
Scotland	25,777,530	7.15%	407	9.71%
South East	83,540,364	23.18%	645	15.39%
South West	21,112,038	5.86%	207	4.94%
Wales	13,285,773	3.69%	186	4.44%
West Midlands	32,233,004	8.94%	396	9.45%
Yorks and Humber	38,763,190	10.76%	553	13.19%
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

### Distribution of County Court Judgements (CCJ's) by Loan to Value Ratio

<b>Distribution by Loan to Value</b>	<b>Current Balance (£) = 0 CCJ's</b>	<b>Current Balance (£) = 1 CCJ</b>	<b>Current Balance (£) &gt; 1 CCJ</b>
Less than or equal to 25%	816,551	220,050	120,724
More than 25% up to and including 50%	13,229,038	2,160,038	673,583
More than 50% up to and including 55%	7,322,859	1,178,824	523,309
More than 55% up to and including 60%	8,514,970	1,355,978	1,044,855
More than 60% up to and including 65%	14,487,101	2,355,110	1,490,935
More than 65% up to and including 70%	18,042,975	2,259,610	1,301,038
More than 70% up to and including 75%	29,359,390	3,783,297	2,076,269
More than 75% up to and including 80%	37,647,358	4,836,178	3,165,356
More than 80% up to and including 85%	51,326,149	6,643,913	4,350,114
More than 85% up to and including 90%	79,913,914	7,571,341	3,876,661
More than 90% up to and including 95%	16,875,463	1,890,159	857,394
More than 95% up to and including 100%	25,469,829	2,103,354	962,035
More than 100%	153,939	238,960	157,839
<b>Grand Total</b>	<b>303,159,536</b>	<b>36,596,812</b>	<b>20,600,112</b>

### Self Certified Codes

<b>Self Certified Codes</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
No	123,862,993	34.37%	1,756	41.90%
Yes	236,493,467	65.63%	2,435	58.10%
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

### Repayment Method

<b>Repayment Method</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Interest Only	163,842,973	45.47%	1,389	33.14%
Mixed	—	—	—	—
Repayment	196,513,487	54.53%	2,802	66.86%
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>



### Purpose of Loan

Purpose of Loan	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Purchase	115,745,644	32.12%	1,150	27.44%
Refinance	162,615,298	45.13%	1,641	39.16%
Right to buy purchase	55,373,851	15.37%	1,035	24.70%
Right to buy refinance	26,621,667	7.39%	365	8.71%
Investment home loans Purchase	-	-	-	-
Investment home loans Refinance	-	-	-	-
Not available (other)	-	-	-	-
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

### Distribution of Mortgages Currently in Arrears

Distribution by Arrears	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Current and up to one month	343,817,673	95.41%	3,979	94.94%
Over one month and up to two months	7,645,733	2.12%	90	2.15%
Over two months and up to three months	4,145,536	1.15%	62	1.48%
Over three months and up to four months	1,038,944	0.29%	14	0.33%
Over four months	3,708,575	1.03%	46	1.10%
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

### Distribution by Property Category

Distribution by Property Type	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Bungalow	10,556,066	2.93%	100	2.39%
Flat	52,957,668	14.70%	690	16.46%
Detached	49,637,011	13.77%	344	8.21%
Semi-detached	114,211,483	31.69%	1,348	32.16%
Terraced	132,994,233	36.91%	1,709	40.78%
Not available	-	-	-	-
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

### Distribution by Month of Origin

Date	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
September 2000	79,347	0.02%	2	0.05%
October 2000	59,518	0.02%	1	0.02%
November 2000	125,316	0.03%	2	0.05%
December 2000	37,025	0.01%	1	0.02%
February 2001	1,119,356	0.31%	17	0.41%
March 2001	2,798,348	0.78%	61	1.46%
April 2001	2,330,132	0.65%	59	1.41%
May 2001	2,942,766	0.82%	61	1.46%
June 2001	3,383,918	0.94%	64	1.53%
July 2001	3,183,641	0.88%	68	1.62%
August 2001	3,955,465	1.10%	83	1.98%
September 2001	3,533,895	0.98%	76	1.81%
October 2001	4,082,933	1.13%	87	2.08%
November 2001	4,221,162	1.17%	99	2.36%
December 2001	3,645,891	1.01%	73	1.74%
December 2003	48,232	0.01%	1	0.02%
May 2004	51,679	0.01%	1	0.02%
June 2004	932,029	0.26%	11	0.26%
July 2004	1,633,749	0.45%	22	0.52%
August 2004	1,112,686	0.31%	11	0.26%
September 2004	227,613	0.06%	3	0.07%
October 2004	178,157	0.05%	3	0.07%
January 2005	81,124	0.02%	2	0.05%
February 2005	980,625	0.27%	10	0.24%
March 2005	933,638	0.26%	11	0.26%
April 2005	1,371,415	0.38%	18	0.43%
May 2005	2,582,960	0.72%	30	0.72%
June 2005	1,240,716	0.34%	17	0.41%
July 2005	17,765,353	4.93%	207	4.94%
August 2005	69,915,295	19.40%	750	17.90%
September 2005	102,277,709	28.38%	1,068	25.48%
October 2005	112,574,895	31.24%	1,167	27.85%
November 2005	10,949,871	3.04%	105	2.51%
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

### Distribution by Tenancy

Distribution by Tenancy	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Freehold	272,190,673	75.53%	3,047	72.70%
Leasehold	64,133,650	17.80%	759	18.11%
Heritable	24,032,137	6.67%	385	9.19%
<b>Grand Total</b>	<b>360,356,460</b>	<b>100.00%</b>	<b>4,191</b>	<b>100.00%</b>

**Residential Non Conforming  
Distribution by Margin and Reversion Margin**

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
Base Rate Tracker		-	-	-	-	-	-
		-	-	-	-	-	-
Base Rate Tracker Discount		-	-	-	-	-	-
		-	-	-	-	-	-
Fixed reverting to Base Rate Tracker		-	-	-	-	-	-
		-	-	-	-	-	-
Fixed reverting to LIBOR	June 2007	-	-	6.84%	2.77%	7,020,938.11	1.95%
	September 2007	-	-	6.34%	2.56%	32,779,362.55	9.10%
	October 2007	-	-	6.23%	2.35%	56,142,059.96	15.58%
	February 2008	-	-	6.26%	2.73%	1,860,617.88	0.52%
	April 2008	-	-	6.74%	3.40%	2,379,028.31	0.66%
	May 2008	-	-	6.76%	3.57%	2,900,409.14	0.80%
	June 2008	-	-	6.91%	3.30%	8,459,715.18	2.35%
	July 2008	-	-	6.90%	3.25%	10,773,465.47	2.99%
	September 2008	-	-	6.17%	2.42%	42,074,400.58	11.68%
	October 2008	-	-	6.13%	2.35%	70,221,739.24	19.49%
	February 2009	-	-	6.14%	2.48%	1,401,000.48	0.39%
		-	-	6.29%	2.51%	236,012,736.90	65.49%
LIBOR		3.87%	-	8.49%	-	36,677,207.15	10.18%
		3.87%	-	8.49%	-	36,677,207.15	10.18%
LIBOR Discount	January 2006	2.00%	2.00%	6.62%	4.00%	24,855.61	0.01%
	February 2006	1.29%	1.98%	5.91%	3.26%	413,712.30	0.11%
	March 2006	2.30%	1.95%	6.92%	4.25%	125,122.10	0.03%
	April 2006	1.43%	2.20%	6.05%	3.63%	89,938.69	0.02%
	May 2006	1.21%	2.04%	5.83%	3.25%	182,338.90	0.05%
	June 2006	1.74%	1.61%	6.36%	3.35%	1,397,211.24	0.39%
	July 2006	1.24%	1.84%	5.86%	3.08%	783,372.01	0.22%
	August 2006	0.91%	1.88%	5.53%	2.78%	4,606,028.02	1.28%
	September 2006	0.71%	1.69%	5.33%	2.40%	12,320,614.20	3.42%
	October 2006	0.65%	1.65%	5.27%	2.30%	2,087,696.94	0.58%
	November 2006	1.14%	1.77%	5.76%	2.91%	3,454,127.29	0.96%
	December 2006	1.20%	1.81%	5.82%	3.00%	413,370.48	0.11%
	January 2007	1.00%	1.97%	5.62%	2.97%	647,763.02	0.18%
	February 2007	1.20%	2.00%	5.82%	3.20%	3,007,519.40	0.83%
	March 2007	1.28%	1.86%	5.90%	3.14%	4,021,831.23	1.12%
	April 2007	1.36%	2.00%	5.98%	3.36%	150,938.66	0.04%
	May 2007	1.48%	1.63%	6.10%	3.12%	1,655,449.94	0.46%
	June 2007	1.37%	1.52%	5.99%	2.89%	1,082,133.90	0.30%
	July 2007	1.55%	1.51%	6.17%	3.07%	1,377,910.16	0.38%
	August 2007	1.40%	1.54%	6.02%	2.94%	15,622,367.61	4.34%
	September 2007	1.60%	1.56%	6.22%	3.16%	1,632,446.25	0.45%
	October 2007	1.35%	1.52%	5.97%	2.87%	2,267,134.65	0.63%
	November 2007	1.54%	1.53%	6.16%	3.07%	827,021.33	0.23%
	April 2008	1.54%	1.50%	6.16%	3.04%	384,696.84	0.11%
	May 2008	1.83%	1.67%	6.45%	3.50%	305,863.98	0.08%
	June 2008	1.50%	1.50%	6.12%	3.00%	63,581.63	0.02%

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
	July 2008	1.61%	1.32%	6.23%	2.93%	711,600.08	0.20%
	August 2008	1.49%	1.31%	6.11%	2.80%	6,008,597.69	1.67%
	September 2008	1.50%	1.17%	6.12%	2.67%	8,308,982.58	2.31%
	October 2008	1.31%	1.00%	5.93%	2.31%	13,176,534.85	3.66%
	November 2008	1.48%	1.19%	6.10%	2.68%	508,846.95	0.14%
		1.25%	1.50%	5.87%	2.75%	87,659,608.53	24.33%
Insurance						6,907.55	0.00%
Total					2.71%	360,356,460.13	100.00%

## MORTGAGE POOL DATA TABLES

### SECTION C: PFL NEAR PRIME RESIDENTIAL

#### Key data on the Provisional Pool (As at 31 December 2005)

Aggregate Initial Loan Balance (£)	318,991,250
Largest Loan (£)	834,004
Number of mortgages	2,113
Average balance of Mortgage Loan (£)	150,966
Longest Dated Mortgage Legal Maturity	29-Nov-2035
% Investment Home Loans	0.00%
Weighted Average Current Loan to Value	77.70%
Weighted Average Halifax Indexed Loan To Value	74.90%
Weighted Average Nationwide Indexed Loan To Value	76.27%
Weighted Average Current Loan to Value (London)	79.20%
Weighted Average Current Loan to Value (South East)	78.23%
Weighted Average Current Loan to Value (Rest of UK)	77.00%
Weighted Average Seasoning	0.25 years
Weighted Average Seasoning (London)	0.25 years
Weighted Average Seasoning (South East)	0.24 years
Weighted Average Seasoning (Rest of UK)	0.26 years

Distribution by Loan to Value	Distribution of Loans by Loan to Value				Distribution of Loans by Halifax Indexed Loan To Value				Distribution of Loans by Nationwide Indexed Loan To Value			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	1,245,664	0.39%	25	1.18%	1,530,147	0.48%	29	1.37%	1,306,455	0.41%	26	1.23%
More than 25% up to and including 50%	16,355,491	5.13%	172	8.14%	20,745,569	6.50%	201	9.51%	17,986,892	5.64%	185	8.76%
More than 50% up to and including 55%	8,225,028	2.58%	71	3.36%	6,542,548	2.05%	63	2.98%	7,281,894	2.28%	66	3.12%
More than 55% up to and including 60%	7,449,405	2.34%	64	3.03%	10,368,767	3.25%	87	4.12%	9,849,584	3.08%	81	3.83%
More than 60% up to and including 65%	12,398,531	3.89%	102	4.83%	15,874,972	4.98%	118	5.58%	12,108,673	3.80%	99	4.69%
More than 65% up to and including 70%	17,426,979	5.46%	129	6.11%	23,762,352	7.45%	166	7.86%	21,764,694	6.82%	154	7.29%
More than 70% up to and including 75%	27,826,549	8.72%	173	8.19%	39,209,312	12.29%	241	11.41%	40,627,450	12.74%	239	11.31%
More than 75% up to and including 80%	40,190,441	12.60%	258	12.21%	41,918,113	13.14%	271	12.83%	34,231,486	10.73%	231	10.93%
More than 80% up to and including 85%	50,426,029	15.81%	312	14.77%	112,389,730	35.23%	676	31.99%	123,609,835	38.75%	743	35.16%
More than 85% up to and including 90%	98,830,578	30.98%	588	27.83%	46,648,740	14.62%	261	12.35%	49,903,898	15.64%	287	13.58%
More than 90% up to and including 95%	38,616,555	12.11%	219	10.36%	-	-	-	-	320,388	0.10%	2	0.09%
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>93.80%</b>				<b>89.50%</b>				<b>91.82%</b>			
<b>Minimum Loan to Value</b>	<b>13.31%</b>				<b>13.04%</b>				<b>13.20%</b>			
<b>WA Loan to Value</b>	<b>77.70%</b>				<b>74.90%</b>				<b>76.27%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (London)				Distribution of Loans by Halifax Indexed Loan To Value (London)				Distribution of Loans by Nationwide Indexed Loan To Value (London)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	40,593	0.12%	1	0.64%	40,593	0.12%	1	0.64%	40,593	0.12%	1	0.64%
More than 25% up to and including 50%	1,017,087	3.08%	5	3.18%	1,856,624	5.62%	7	4.46%	1,856,624	5.62%	7	4.46%
More than 50% up to and including 55%	839,537	2.54%	2	1.27%	-	-	-	-	-	-	-	-
More than 55% up to and including 60%	505,287	1.53%	3	1.91%	1,583,611	4.79%	7	4.46%	1,168,003	3.54%	5	3.18%
More than 60% up to and including 65%	1,517,506	4.59%	7	4.46%	2,062,723	6.24%	10	6.37%	1,182,221	3.58%	7	4.46%
More than 65% up to and including 70%	2,538,737	7.69%	11	7.01%	1,554,581	4.71%	8	5.10%	2,211,306	6.69%	9	5.73%
More than 70% up to and including 75%	2,179,595	6.60%	10	6.37%	3,929,617	11.90%	17	10.83%	3,906,240	11.83%	17	10.83%
More than 75% up to and including 80%	3,327,888	10.07%	14	8.92%	3,960,216	11.99%	19	12.10%	2,958,700	8.96%	14	8.92%
More than 80% up to and including 85%	3,777,280	11.44%	20	12.74%	12,053,904	36.49%	59	37.58%	13,604,175	41.19%	67	42.68%
More than 85% up to and including 90%	11,701,611	35.43%	57	36.31%	5,989,501	18.13%	29	18.47%	6,103,507	18.48%	30	19.11%
More than 90% up to and including 95%	5,586,249	16.91%	27	17.20%	-	-	-	-	-	-	-	-
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>33,031,370</b>	<b>100.00%</b>	<b>157</b>	<b>100.00%</b>	<b>33,031,370</b>	<b>100.00%</b>	<b>157</b>	<b>100.00%</b>	<b>33,031,370</b>	<b>100.00%</b>	<b>157</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>91.05%</b>				<b>88.94%</b>				<b>89.79%</b>			
<b>Minimum Loan to Value</b>	<b>18.88%</b>				<b>18.30%</b>				<b>18.53%</b>			
<b>WA Loan to Value</b>	<b>79.20%</b>				<b>76.17%</b>				<b>77.76%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (South East)				Distribution of Loans by Halifax Indexed Loan To Value (South East)				Distribution of Loans by Nationwide Indexed Loan To Value (South East)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	474,964	0.39%	9	1.35%	691,252	0.56%	11	1.65%	535,754	0.44%	10	1.50%
More than 25% up to and including 50%	5,709,933	4.66%	50	7.49%	7,219,649	5.89%	56	8.38%	5,851,006	4.77%	51	7.63%
More than 50% up to and including 55%	2,735,196	2.23%	16	2.40%	1,864,163	1.52%	12	1.80%	2,671,452	2.18%	15	2.25%
More than 55% up to and including 60%	2,440,174	1.99%	16	2.40%	3,587,071	2.93%	26	3.89%	3,074,534	2.51%	20	2.99%
More than 60% up to and including 65%	4,382,447	3.57%	30	4.49%	5,563,269	4.54%	34	5.09%	4,341,570	3.54%	30	4.49%
More than 65% up to and including 70%	5,346,648	4.36%	34	5.09%	9,125,205	7.44%	52	7.78%	8,375,022	6.83%	49	7.34%
More than 70% up to and including 75%	12,312,553	10.04%	59	8.83%	15,480,486	12.62%	77	11.53%	15,810,293	12.89%	75	11.23%
More than 75% up to and including 80%	15,349,085	12.52%	83	12.43%	16,372,944	13.35%	90	13.47%	13,602,889	11.09%	77	11.53%
More than 80% up to and including 85%	18,420,895	15.02%	94	14.07%	43,832,688	35.75%	214	32.04%	48,351,990	39.43%	238	35.63%
More than 85% up to and including 90%	39,916,872	32.55%	198	29.64%	18,882,164	15.40%	96	14.37%	19,788,536	16.14%	102	15.27%
More than 90% up to and including 95%	15,530,123	12.67%	79	11.83%	-	-	-	-	215,745	0.18%	1	0.15%
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>122,618,892</b>	<b>100.00%</b>	<b>668</b>	<b>100.00%</b>	<b>122,618,892</b>	<b>100.00%</b>	<b>668</b>	<b>100.00%</b>	<b>122,618,892</b>	<b>100.00%</b>	<b>668</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>93.80%</b>				<b>89.33%</b>				<b>91.82%</b>			
<b>Minimum Loan to Value</b>	<b>13.31%</b>				<b>13.04%</b>				<b>13.20%</b>			
<b>WA Loan to Value</b>	<b>78.23%</b>				<b>75.42%</b>				<b>76.80%</b>			



Distribution by Loan to Value	Distribution of Loans by Loan To Value (rest of UK)				Distribution of Loans by Halifax Indexed Loan To Value (rest of UK)				Distribution of Loans by Nationwide Indexed Loan To Value (rest of UK)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	730,107	0.45%	15	1.16%	798,302	0.49%	17	1.32%	730,107	0.45%	15	1.16%
More than 25% up to and including 50%	9,628,471	5.89%	117	9.08%	11,669,296	7.14%	138	10.71%	10,279,262	6.29%	127	9.86%
More than 50% up to and including 55%	4,650,295	2.85%	53	4.11%	4,678,385	2.86%	51	3.96%	4,610,443	2.82%	51	3.96%
More than 55% up to and including 60%	4,503,944	2.76%	45	3.45%	5,199,085	3.18%	54	4.18%	5,606,947	3.43%	56	4.35%
More than 60% up to and including 65%	6,498,578	3.98%	65	5.05%	8,248,981	5.05%	74	5.75%	6,584,882	4.03%	62	4.81%
More than 65% up to and including 70%	9,541,593	5.84%	84	6.52%	13,082,566	8.01%	106	8.23%	11,178,367	6.84%	96	7.45%
More than 70% up to and including 75%	13,334,401	8.16%	104	8.07%	19,799,208	12.12%	147	11.41%	20,910,917	12.80%	147	11.41%
More than 75% up to and including 80%	21,513,470	13.17%	161	12.50%	21,584,952	13.21%	162	12.58%	17,669,898	10.82%	140	10.87%
More than 80% up to and including 85%	28,227,854	17.28%	198	15.37%	56,503,138	34.59%	403	31.29%	61,653,671	37.75%	438	34.01%
More than 85% up to and including 90%	47,212,094	28.90%	333	25.85%	21,777,076	13.33%	136	10.56%	24,011,854	14.70%	155	12.03%
More than 90% up to and including 95%	17,500,182	10.71%	113	8.77%	-	-	-	-	104,643	0.06%	1	0.08%
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>163,340,989</b>	<b>100.00%</b>	<b>1,288</b>	<b>100.00%</b>	<b>163,340,989</b>	<b>100.00%</b>	<b>1,288</b>	<b>100.00%</b>	<b>163,340,989</b>	<b>100.00%</b>	<b>1,288</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>91.22%</b>				<b>89.50%</b>				<b>90.20%</b>			
<b>Minimum Loan to Value</b>	<b>13.57%</b>				<b>13.29%</b>				<b>13.33%</b>			
<b>WA Loan to Value</b>	<b>77.00%</b>				<b>74.26%</b>				<b>75.57%</b>			

### Distribution of Loans by Current Balance

Distribution by Current Balance (£)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to £30k	399,312	0.13%	15	0.71%
More than £30k up to and including £50k	3,099,570	0.97%	75	3.55%
More than £50k up to and including £75k	13,217,676	4.14%	209	9.89%
More than £75k up to and including £100k	25,722,531	8.06%	293	13.87%
More than £100k up to and including £125k	39,747,840	12.46%	355	16.80%
More than £125k up to and including £150k	37,759,812	11.84%	276	13.06%
More than £150k up to and including £200k	74,360,807	23.31%	431	20.40%
More than £200k up to and including £400k	106,424,407	33.36%	422	19.97%
More than £400k	18,259,293	5.72%	37	1.75%
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

**Maximum Current Balance (£)** 834,004

**Minimum Current Balance (£)** 25,035

**Average Current Balance (£)** 150,966

### Distribution by Remaining Life of Mortgage

Distribution by Remaining Life of Mortgage (years)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
0 and less than or equal to 10 years	24,022,079	7.53%	141	6.67%
Greater than 10 and less than or equal to 15 years	34,606,352	10.85%	231	10.93%
Greater than 15 and less than or equal to 20 years	66,501,723	20.85%	419	19.83%
Greater than 20 and less than or equal to 25 years	172,837,469	54.18%	1,174	55.56%
Greater than 25 and less than or equal to 30 years	21,023,626	6.59%	148	7.00%
Greater than 30 years	-	-	-	-
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

**Maximum Remaining Life (years)** 29.91

**Minimum Remaining Life (years)** 9.11

**WA Remaining Life (years)** 21.31

### Geographical Distribution of Mortgages

Region	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
East Anglia	10,358,875	3.25%	73	3.45%
East Midlands	14,017,849	4.39%	114	5.40%
London	33,031,370	10.35%	157	7.43%
North	9,842,993	3.09%	92	4.35%
North West	29,805,526	9.34%	219	10.36%
Northern Ireland	6,969,092	2.18%	63	2.98%
Scotland	13,245,085	4.15%	110	5.21%
South East	122,618,892	38.44%	668	31.61%
South West	32,742,062	10.26%	214	10.13%
Wales	9,315,832	2.92%	83	3.93%
West Midlands	21,206,964	6.65%	172	8.14%
Yorks and Humber	15,836,711	4.96%	148	7.00%
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

### Distribution of County Court Judgements (CCJ's) by Loan to Value Ratio

<b>Distribution by Loan to Value</b>	<b>Current Balance (£) = 0 CCJ's</b>	<b>Current Balance (£) = 1 CCJ</b>	<b>Current Balance (£) &gt; 1 CCJ</b>
Less than or equal to 25%	1,245,664	—	—
More than 25% up to and including 50%	16,355,491	—	—
More than 50% up to and including 55%	8,225,028	—	—
More than 55% up to and including 60%	7,449,405	—	—
More than 60% up to and including 65%	12,398,531	—	—
More than 65% up to and including 70%	17,426,979	—	—
More than 70% up to and including 75%	27,826,549	—	—
More than 75% up to and including 80%	40,190,441	—	—
More than 80% up to and including 85%	50,426,029	—	—
More than 85% up to and including 90%	98,660,348	170,229	—
More than 90% up to and including 95%	38,616,555	—	—
More than 95% up to and including 100%	—	—	—
More than 100%	—	—	—
<b>Grand Total</b>	<b>318,821,021</b>	<b>170,229</b>	<b>—</b>

### Self Certified Codes

<b>Self Certified Codes</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
No	—	—	—	—
Yes	318,991,250	100.00%	2,113	100.00%
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

### Repayment Method

<b>Repayment Method</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Interest Only	208,820,331	65.46%	1,190	56.32%
Mixed	—	—	—	—
Repayment	110,170,919	34.54%	923	43.68%
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

### Purpose of Loan

Purpose of Loan	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Purchase	140,537,919	44.06%	909	43.02%
Refinance	178,453,331	55.94%	1,204	56.98%
Right to buy purchase	-	-	-	-
Right to buy refinance	-	-	-	-
Investment home loans purchase	-	-	-	-
Investment home loans refinance	-	-	-	-
Not available (other)	-	-	-	-
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

### Distribution of Mortgages Currently In Arrears

Distribution by Arrears	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Current and up to one month	318,668,227	99.90%	2,111	99.91%
Over one month and up to two months	225,535	0.07%	1	0.05%
Over two months and up to three months	97,488	0.03%	1	0.05%
Over three months and up to four months	-	-	-	-
Over four months	-	-	-	-
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

### Distribution by Property Category

Distribution by Property Type	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Bungalow	15,198,771	4.76%	93	4.40%
Flat	30,272,761	9.49%	223	10.55%
Detached	96,167,435	30.15%	462	21.86%
Semi-detached	86,968,710	27.26%	641	30.34%
Terraced	90,383,573	28.33%	694	32.84%
Not available	-	-	-	-
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

### Distribution by Month of Origin

Date	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
June 2004	711,970	0.22%	4	0.19%
July 2004	231,724	0.07%	1	0.05%
September 2004	104,881	0.03%	1	0.05%
January 2005	1,754,422	0.55%	13	0.62%
February 2005	2,612,376	0.82%	17	0.80%
March 2005	784,006	0.25%	6	0.28%
April 2005	103,969	0.03%	2	0.09%
May 2005	2,297,980	0.72%	13	0.62%
June 2005	1,022,109	0.32%	8	0.38%
July 2005	9,978,727	3.13%	77	3.64%
August 2005	43,925,855	13.77%	311	14.72%
September 2005	76,920,692	24.11%	510	24.14%
October 2005	83,324,770	26.12%	537	25.41%
November 2005	90,396,812	28.34%	593	28.06%
December 2005	4,820,958	1.51%	20	0.95%
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

### Distribution by Tenancy

Distribution by Tenancy	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Freehold	266,161,071	83.44%	1,704	80.64%
Leasehold	41,502,584	13.01%	311	14.72%
Heritable	11,327,595	3.55%	98	4.64%
<b>Grand Total</b>	<b>318,991,250</b>	<b>100.00%</b>	<b>2,113</b>	<b>100.00%</b>

**Near Prime Residential  
Distribution by Margin and Reversion Margin**

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
<b>Base Rate Tracker</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Base Rate Tracker Discount</b>							
	January 2006	0.80%	0.95%	5.30%	1.75%	416,549.44	0.13%
	February 2006	0.77%	0.98%	5.27%	1.75%	1,397,731.60	0.44%
	March 2006	0.80%	0.95%	5.30%	1.75%	1,120,131.56	0.35%
	May 2006	0.80%	0.95%	5.30%	1.75%	180,409.03	0.06%
	June 2006	0.83%	0.92%	5.33%	1.75%	1,493,130.11	0.47%
	July 2006	0.88%	0.87%	5.38%	1.75%	295,555.70	0.09%
	August 2006	0.83%	0.92%	5.33%	1.75%	6,782,983.76	2.13%
	September 2006	0.86%	0.89%	5.36%	1.75%	6,850,441.95	2.15%
	October 2006	0.94%	0.81%	5.44%	1.75%	922,469.19	0.29%
	November 2006	0.92%	0.83%	5.42%	1.75%	6,084,266.06	1.91%
	December 2006	0.90%	0.85%	5.40%	1.75%	2,455,917.73	0.77%
	January 2007	1.15%	0.70%	5.65%	1.85%	309,532.68	0.10%
	February 2007	1.15%	0.80%	5.65%	1.95%	374,157.69	0.12%
	March 2007	1.06%	0.69%	5.56%	1.75%	649,198.60	0.20%
	May 2007	0.89%	0.86%	5.39%	1.75%	102,504.51	0.03%
	June 2007	0.82%	0.93%	5.32%	1.75%	1,307,247.38	0.41%
	July 2007	0.81%	0.94%	5.31%	1.75%	762,125.83	0.24%
	August 2007	0.81%	0.94%	5.31%	1.75%	9,517,499.22	2.98%
	September 2007	0.79%	0.96%	5.29%	1.75%	3,810,408.82	1.19%
	October 2007	0.78%	0.97%	5.28%	1.75%	11,376,104.83	3.57%
	November 2007	0.80%	0.95%	5.30%	1.75%	13,008,320.59	4.08%
	December 2007	0.81%	0.94%	5.31%	1.75%	1,047,245.00	0.33%
	January 2008	1.12%	0.63%	5.62%	1.75%	149,915.67	0.05%
	February 2008	1.06%	0.69%	5.56%	1.75%	438,904.21	0.14%
	April 2008	0.84%	0.91%	5.34%	1.75%	40,066.28	0.01%
	May 2008	0.84%	0.91%	5.34%	1.75%	773,005.20	0.24%
	July 2008	0.84%	0.91%	5.34%	1.75%	84,295.00	0.03%
	August 2008	0.85%	0.90%	5.35%	1.75%	1,550,778.72	0.49%
	September 2008	0.81%	0.94%	5.31%	1.75%	2,258,712.55	0.71%
	October 2008	0.77%	0.98%	5.27%	1.75%	4,457,498.72	1.40%
	November 2008	0.77%	0.98%	5.27%	1.75%	1,152,511.78	0.36%
	December 2008	0.78%	0.97%	5.28%	1.75%	905,193.48	0.28%
	February 2010	1.15%	0.60%	5.65%	1.75%	294,681.63	0.09%
	April 2010	0.84%	0.91%	5.34%	1.75%	139,687.63	0.04%
	July 2010	0.84%	0.91%	5.34%	1.75%	130,416.38	0.04%
		0.83%	0.92%	5.33%	1.75%	82,639,598.53	25.91%
<b>Fixed Reverting to Base Rate Tracker</b>							
	April 2007	-	-	5.80%	1.75%	198,584.03	0.06%
	May 2007	-	-	5.64%	1.75%	466,921.00	0.15%
	June 2007	-	-	5.49%	1.75%	14,236,766.47	4.46%
	September 2007	-	-	5.27%	1.75%	68,547,774.14	21.49%
	October 2007	-	-	5.26%	1.75%	92,996,478.29	29.15%
	February 2008	-	-	5.17%	1.75%	18,362,672.22	5.76%
	April 2008	-	-	5.76%	1.75%	111,466.49	0.03%
	May 2008	-	-	6.00%	1.75%	145,577.34	0.05%
	June 2008	-	-	5.67%	1.75%	3,347,930.71	1.05%
	July 2008	-	-	5.65%	1.75%	4,191,004.76	1.31%
	September 2008	-	-	5.42%	1.75%	9,520,843.46	2.98%
	October 2008	-	-	5.44%	1.75%	15,616,013.90	4.90%
	February 2009	-	-	5.33%	1.75%	4,245,906.22	1.33%
	April 2010	-	-	5.88%	1.75%	423,213.97	0.13%
	June 2010	-	-	5.43%	1.75%	1,845,355.16	0.58%
	July 2010	-	-	5.43%	1.75%	2,095,143.25	0.66%
		-	-	5.31%	1.75%	236,351,651.41	74.09%

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
Fixed							
Reverting to LIBOR		-	-	-	-	-	-
		-	-	-	-	-	-
LIBOR		-	-	-	-	-	-
		-	-	-	-	-	-
LIBOR Discount		-	-	-	-	-	-
		-	-	-	-	-	-
Insurance						-	-
Total					1.75%	318,991,249.94	100.00%

## MORTGAGE POOL DATA TABLES

### SECTION D: PFL BUY TO LET

#### Key data on the Provisional Pool (As at 31 December 2005)

Aggregate Initial Loan Balance (£)	362,750,367
Largest Loan (£)	555,483
Number of mortgages	3,102
Average balance of Mortgage Loan (£)	116,941
Longest Dated Mortgage Legal Maturity	1-Nov-2035
% Investment Home Loans	100.00%
Weighted Average Current Loan to Value	79.41%
Weighted Average Halifax Indexed Loan To Value	76.42%
Weighted Average Nationwide Indexed Loan To Value	77.89%
Weighted Average Current Loan to Value (London)	80.30%
Weighted Average Current Loan to Value (South East)	79.82%
Weighted Average Current Loan to Value (Rest of UK)	78.64%
Weighted Average Seasoning	0.28 years
Weighted Average Seasoning (London)	0.27 years
Weighted Average Seasoning (South East)	0.28 years
Weighted Average Seasoning (Rest of UK)	0.28 years



Distribution by Loan to Value	Distribution of Loans by Loan to Value				Distribution of Loans by Halifax Indexed Loan To Value				Distribution of Loans by Nationwide Indexed Loan To Value			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	619,029	0.17%	15	0.48%	776,277	0.21%	19	0.61%	710,176	0.20%	17	0.55%
More than 25% up to and including 50%	8,509,005	2.35%	106	3.42%	11,476,717	3.16%	137	4.42%	9,946,223	2.74%	121	3.90%
More than 50% up to and including 55%	6,671,100	1.84%	68	2.19%	6,948,557	1.92%	70	2.26%	7,045,690	1.94%	71	2.29%
More than 55% up to and including 60%	7,436,045	2.05%	80	2.58%	10,115,180	2.79%	106	3.42%	8,055,053	2.22%	87	2.80%
More than 60% up to and including 65%	11,870,173	3.27%	117	3.77%	13,597,017	3.75%	130	4.19%	12,219,097	3.37%	117	3.77%
More than 65% up to and including 70%	17,139,215	4.72%	155	5.00%	24,616,722	6.79%	217	7.00%	20,526,658	5.66%	187	6.03%
More than 70% up to and including 75%	30,091,911	8.30%	250	8.06%	48,185,283	13.28%	381	12.28%	46,206,556	12.74%	379	12.22%
More than 75% up to and including 80%	47,301,671	13.04%	374	12.06%	45,700,520	12.60%	361	11.64%	41,620,425	11.47%	319	10.28%
More than 80% up to and including 85%	56,602,727	15.60%	433	13.96%	201,011,925	55.41%	1,677	54.06%	172,426,392	47.53%	1,429	46.07%
More than 85% up to and including 90%	176,370,931	48.62%	1,502	48.42%	322,171	0.09%	4	0.13%	43,994,098	12.13%	375	12.09%
More than 90% up to and including 95%	138,562	0.04%	2	0.06%	-	-	-	-	-	-	-	-
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>91.46%</b>				<b>87.44%</b>				<b>88.55%</b>			
<b>Minimum Loan to Value</b>	<b>17.04%</b>				<b>16.22%</b>				<b>16.72%</b>			
<b>WA Loan to Value</b>	<b>79.41%</b>				<b>76.42%</b>				<b>77.89%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (London)				Distribution of Loans by Halifax Indexed Loan To Value (London)				Distribution of Loans by Nationwide Indexed Loan To Value (London)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	111,030	0.13%	2	0.49%	111,030	0.13%	2	0.49%	111,030	0.13%	2	0.49%
More than 25% up to and including 50%	1,473,911	1.71%	9	2.20%	1,785,212	2.07%	12	2.93%	1,634,644	1.90%	11	2.69%
More than 50% up to and including 55%	1,318,782	1.53%	9	2.20%	1,308,228	1.52%	8	1.96%	1,158,048	1.34%	7	1.71%
More than 55% up to and including 60%	571,347	0.66%	3	0.73%	789,945	0.92%	5	1.22%	817,978	0.95%	5	1.22%
More than 60% up to and including 65%	1,820,819	2.11%	12	2.93%	2,154,050	2.50%	14	3.42%	1,887,074	2.19%	12	2.93%
More than 65% up to and including 70%	4,343,185	5.04%	25	6.11%	5,712,925	6.63%	33	8.07%	4,136,876	4.80%	24	5.87%
More than 70% up to and including 75%	5,994,165	6.95%	29	7.09%	14,089,859	16.35%	67	16.38%	13,679,789	15.87%	70	17.11%
More than 75% up to and including 80%	13,916,426	16.15%	68	16.63%	11,551,371	13.40%	52	12.71%	11,283,482	13.09%	48	11.74%
More than 80% up to and including 85%	14,980,930	17.38%	65	15.89%	48,686,655	56.49%	216	52.81%	40,601,546	47.11%	184	44.99%
More than 85% up to and including 90%	41,658,682	48.33%	187	45.72%	-	-	-	-	10,878,808	12.62%	46	11.25%
More than 90% up to and including 95%	-	-	-	-	-	-	-	-	-	-	-	-
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>86,189,275</b>	<b>100.00%</b>	<b>409</b>	<b>100.00%</b>	<b>86,189,275</b>	<b>100.00%</b>	<b>409</b>	<b>100.00%</b>	<b>86,189,275</b>	<b>100.00%</b>	<b>409</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>86.75%</b>				<b>84.88%</b>				<b>85.87%</b>			
<b>Minimum Loan to Value</b>	<b>20.19%</b>				<b>19.21%</b>				<b>19.81%</b>			
<b>WA Loan to Value</b>	<b>80.30%</b>				<b>77.31%</b>				<b>78.75%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (South East)				Distribution of Loans by Halifax Indexed Loan To Value (South East)				Distribution of Loans by Nationwide Indexed Loan To Value (South East)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	125,053	0.11%	4	0.48%	151,190	0.13%	5	0.60%	125,053	0.11%	4	0.48%
More than 25% up to and including 50%	2,065,147	1.80%	25	3.02%	3,204,138	2.79%	33	3.98%	2,621,418	2.28%	29	3.50%
More than 50% up to and including 55%	2,171,343	1.89%	17	2.05%	1,894,499	1.65%	16	1.93%	2,264,695	1.97%	19	2.29%
More than 55% up to and including 60%	1,863,814	1.62%	17	2.05%	2,997,988	2.61%	26	3.14%	2,096,168	1.82%	18	2.17%
More than 60% up to and including 65%	3,730,830	3.24%	30	3.62%	4,282,621	3.72%	32	3.86%	3,750,506	3.26%	29	3.50%
More than 65% up to and including 70%	4,362,875	3.79%	33	3.98%	7,651,968	6.65%	56	6.76%	6,177,382	5.37%	46	5.55%
More than 70% up to and including 75%	10,252,991	8.92%	72	8.69%	15,475,177	13.46%	112	13.51%	13,749,083	11.96%	102	12.30%
More than 75% up to and including 80%	14,967,952	13.01%	109	13.15%	15,571,565	13.54%	112	13.51%	13,582,280	11.81%	98	11.82%
More than 80% up to and including 85%	20,174,626	17.54%	135	16.28%	63,777,638	55.46%	437	52.71%	58,280,348	50.68%	398	48.01%
More than 85% up to and including 90%	55,292,153	48.08%	387	46.68%	-	-	-	-	12,359,851	10.75%	86	10.37%
More than 90% up to and including 95%	-	-	-	-	-	-	-	-	-	-	-	-
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>115,006,784</b>	<b>100.00%</b>	<b>829</b>	<b>100.00%</b>	<b>115,006,784</b>	<b>100.00%</b>	<b>829</b>	<b>100.00%</b>	<b>115,006,784</b>	<b>100.00%</b>	<b>829</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>87.78%</b>				<b>84.92%</b>				<b>86.10%</b>			
<b>Minimum Loan to Value</b>	<b>17.04%</b>				<b>16.22%</b>				<b>16.72%</b>			
<b>WA Loan to Value</b>	<b>79.82%</b>				<b>76.71%</b>				<b>78.29%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (rest of UK)				Distribution of Loans by Halifax Indexed Loan To Value (rest of UK)				Distribution of Loans by Nationwide Indexed Loan To Value (rest of UK)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	382,946	0.24%	9	0.48%	514,057	0.32%	12	0.64%	474,093	0.29%	11	0.56%
More than 25% up to and including 50%	4,969,948	3.08%	72	3.86%	6,487,367	4.02%	92	4.94%	5,690,161	3.52%	81	4.35%
More than 50% up to and including 55%	3,180,975	1.97%	42	2.25%	3,745,830	2.32%	46	2.47%	3,622,946	2.24%	45	2.41%
More than 55% up to and including 60%	5,000,883	3.10%	60	3.22%	6,327,246	3.92%	75	4.02%	5,140,907	3.18%	64	3.43%
More than 60% up to and including 65%	6,318,524	3.91%	75	4.02%	7,160,346	4.43%	84	4.51%	6,581,518	4.07%	76	4.08%
More than 65% up to and including 70%	8,433,154	5.22%	97	5.20%	11,251,829	6.96%	128	6.87%	10,212,400	6.32%	117	6.28%
More than 70% up to and including 75%	13,844,756	8.57%	149	7.99%	18,620,246	11.53%	202	10.84%	18,777,684	11.62%	207	11.11%
More than 75% up to and including 80%	18,417,293	11.40%	197	10.57%	18,577,584	11.50%	197	10.57%	16,754,662	10.37%	173	9.28%
More than 80% up to and including 85%	21,447,171	13.28%	233	12.50%	88,547,632	54.81%	1,024	54.94%	73,544,498	45.52%	847	45.44%
More than 85% up to and including 90%	79,420,096	49.16%	928	49.79%	322,171	0.20%	4	0.21%	20,755,438	12.85%	243	13.04%
More than 90% up to and including 95%	138,562	0.09%	2	0.11%	-	-	-	-	-	-	-	-
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>161,554,308</b>	<b>100.00%</b>	<b>1,864</b>	<b>100.00%</b>	<b>161,554,308</b>	<b>100.00%</b>	<b>1,864</b>	<b>100.00%</b>	<b>161,554,308</b>	<b>100.00%</b>	<b>1,864</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>91.46%</b>				<b>87.44%</b>				<b>88.55%</b>			
<b>Minimum Loan to Value</b>	<b>18.70%</b>				<b>18.32%</b>				<b>18.37%</b>			
<b>WA Loan to Value</b>	<b>78.64%</b>				<b>75.74%</b>				<b>77.14%</b>			

### Distribution of Loans by Current Balance

Distribution by Current Balance (£)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to £30k	452,045	0.12%	17	0.55%
More than £30k up to and including £50k	9,675,967	2.67%	233	7.51%
More than £50k up to and including £75k	36,133,726	9.96%	575	18.54%
More than £75k up to and including £100k	56,906,215	15.69%	652	21.02%
More than £100k up to and including £125k	66,451,096	18.32%	597	19.25%
More than £125k up to and including £150k	53,131,380	14.65%	389	12.54%
More than £150k up to and including £200k	60,812,444	16.76%	357	11.51%
More than £200k up to and including £400k	64,290,727	17.72%	251	8.09%
More than £400k	14,896,767	4.11%	31	1.00%
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>
<b>Maximum Current Balance (£)</b>	<b>555,483</b>			
<b>Minimum Current Balance (£)</b>	<b>25,210</b>			
<b>Average Current Balance (£)</b>	<b>116,941</b>			

### Distribution by Remaining Life of Mortgage

Distribution by Remaining Life of Mortgage (years)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
0 and less than or equal to 10 years	19,203,941	5.29%	171	5.51%
Greater than 10 and less than or equal to 15 years	33,204,737	9.15%	305	9.83%
Greater than 15 and less than or equal to 20 years	78,845,590	21.74%	661	21.31%
Greater than 20 and less than or equal to 25 years	221,683,732	61.11%	1,870	60.28%
Greater than 25 and less than or equal to 30 years	9,812,368	2.70%	95	3.06%
Greater than 30 years	-	-	-	-
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>
<b>Maximum Remaining Life (years)</b>	<b>29.84</b>			
<b>Minimum Remaining Life (years)</b>	<b>9.57</b>			
<b>WA Remaining Life (years)</b>	<b>21.85</b>			

### Geographical Distribution of Mortgages

Region	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
East Anglia	12,751,183	3.52%	131	4.22%
East Midlands	13,030,132	3.59%	146	4.71%
London	86,189,275	23.76%	409	13.19%
North	9,544,911	2.63%	144	4.64%
North West	35,134,826	9.69%	413	13.31%
Northern Ireland	-	-	-	-
Scotland	12,459,162	3.43%	155	5.00%
South East	115,006,784	31.70%	829	26.72%
South West	26,595,255	7.33%	241	7.77%
Wales	9,455,336	2.61%	121	3.90%
West Midlands	20,576,505	5.67%	224	7.22%
Yorks and Humber	22,006,999	6.07%	289	9.32%
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>

### Distribution of County Court Judgements (CCJ's) by Loan to Value Ratio

<u>Distribution by Loan to Value</u>	<u>Current Balance (£) = 0 CCJ's</u>	<u>Current Balance (£) = 1 CCJ</u>	<u>Current Balance (£) &gt; 1 CCJ</u>
Less than or equal to 25%	619,029	-	-
More than 25% up to and including 50%	8,509,005	-	-
More than 50% up to and including 55%	6,671,100	-	-
More than 55% up to and including 60%	7,436,045	-	-
More than 60% up to and including 65%	11,870,173	-	-
More than 65% up to and including 70%	17,139,215	-	-
More than 70% up to and including 75%	30,091,911	-	-
More than 75% up to and including 80%	47,301,671	-	-
More than 80% up to and including 85%	56,602,727	-	-
More than 85% up to and including 90%	176,148,626	222,305	-
More than 90% up to and including 95%	138,562	-	-
More than 95% up to and including 100%	-	-	-
More than 100%	-	-	-
<b>Grand Total</b>	<b>362,528,062</b>	<b>222,305</b>	<b>-</b>

### Self Certified Codes

<u>Self Certified Codes</u>	<u>Current Balance (£)</u>	<u>% of Total Balance</u>	<u>No of Loans</u>	<u>% of Total No Loans</u>
No	362,750,367	100.00%	3,102	100.00%
Yes	-	-	-	-
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>

### Repayment Method

<u>Repayment Method</u>	<u>Current Balance (£)</u>	<u>% of Total Balance</u>	<u>No of Loans</u>	<u>% of Total No Loans</u>
Interest Only	327,663,629	90.33%	2,706	87.23%
Mixed	-	-	-	-
Repayment	35,086,738	9.67%	396	12.77%
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>

### Purpose of Loan

Purpose of Loan	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Purchase	—	—	—	—
Refinance	—	—	—	—
Right to buy purchase	—	—	—	—
Right to buy refinance	—	—	—	—
Investment home loans purchase	164,830,022	45.44%	1,433	46.20%
Investment home loans refinance	197,920,346	54.56%	1,669	53.80%
Not available (other)	—	—	—	—
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>

### Distribution of Mortgages Currently in Arrears

Distribution by Arrears	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Current and up to one month	358,738,312	98.89%	3,071	99.00%
Over one month and up to two months	1,285,955	0.35%	10	0.32%
Over two months and up to three months	1,971,911	0.54%	13	0.42%
Over three months and up to four months	123,383	0.03%	1	0.03%
Over four months	630,806	0.17%	7	0.23%
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>

### Distribution by Property Category

Distribution by Property Type	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Bungalow	4,798,198	1.32%	38	1.23%
Flat	147,403,077	40.63%	1,123	36.20%
Detached	19,523,154	5.38%	122	3.93%
Semi-detached	48,614,578	13.40%	419	13.51%
Terraced	142,411,361	39.25%	1,400	45.13%
Not available	—	—	—	—
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>

### Distribution by Month of Origin

Date	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
June 2004	479,193	0.13%	5	0.16%
July 2004	1,365,780	0.38%	14	0.45%
August 2004	403,314	0.11%	3	0.10%
September 2004	100,431	0.03%	1	0.03%
December 2004	51,829	0.01%	1	0.03%
January 2005	849,030	0.23%	8	0.26%
February 2005	760,224	0.21%	8	0.26%
April 2005	191,907	0.05%	3	0.10%
July 2005	15,149,588	4.18%	134	4.32%
August 2005	47,836,683	13.19%	432	13.93%
September 2005	132,148,745	36.43%	1,138	36.69%
October 2005	149,659,130	41.26%	1,244	40.10%
November 2005	13,754,512	3.79%	111	3.58%
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>

### Distribution by Tenancy

Distribution by Tenancy	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Freehold	199,596,010	55.02%	1,794	57.83%
Leasehold	151,197,466	41.68%	1,158	37.33%
Heritable	11,956,891	3.30%	150	4.84%
<b>Grand Total</b>	<b>362,750,367</b>	<b>100.00%</b>	<b>3,102</b>	<b>100.00%</b>



**Buy To Let Mortgages**  
**Distribution by Margin and Reversion Margin**

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
Base Rate Tracker		0.92%	—	5.42%	—	50,983,814.53	14.05%
		0.92%	—	5.42%	—	50,983,814.53	14.05%
Base Rate Tracker Discount	June 2006	0.90%	1.05%	5.40%	1.95%	619,494.42	0.17%
	August 2006	0.91%	1.04%	5.41%	1.95%	306,206.51	0.08%
	January 2007	0.90%	1.05%	5.40%	1.95%	90,882.72	0.03%
	February 2007	0.90%	1.05%	5.40%	1.95%	339,017.00	0.09%
	March 2007	0.90%	1.05%	5.40%	1.95%	45,688.59	0.01%
	July 2007	0.85%	1.10%	5.35%	1.95%	100,475.14	0.03%
	August 2007	0.88%	1.07%	5.38%	1.95%	1,531,907.13	0.42%
	September 2007	0.85%	1.10%	5.35%	1.95%	111,047.34	0.03%
	October 2007	0.85%	1.10%	5.35%	1.95%	799,717.24	0.22%
	November 2007	0.81%	1.14%	5.31%	1.95%	496,572.64	0.14%
	April 2008	0.78%	1.17%	5.28%	1.95%	121,698.42	0.03%
	July 2008	0.74%	1.21%	5.24%	1.95%	188,670.08	0.05%
	August 2008	0.74%	1.21%	5.24%	1.95%	2,024,946.92	0.56%
	September 2008	0.67%	1.28%	5.17%	1.95%	2,872,739.24	0.79%
	October 2008	0.66%	1.29%	5.16%	1.95%	7,686,613.80	2.12%
	November 2008	0.50%	1.45%	5.00%	1.95%	490,990.49	0.14%
	June 2009	0.90%	1.05%	5.40%	1.95%	38,138.59	0.01%
	July 2009	0.90%	1.05%	5.40%	1.95%	878,013.92	0.24%
	August 2009	0.90%	1.05%	5.40%	1.95%	304,199.67	0.08%
	September 2009	0.90%	1.05%	5.40%	1.95%	60,677.44	0.02%
	October 2009	0.90%	1.05%	5.40%	1.95%	100,431.46	0.03%
	January 2010	0.78%	1.17%	5.28%	1.95%	248,651.73	0.07%
	February 2010	0.90%	1.05%	5.40%	1.95%	99,498.82	0.03%
	March 2010	0.90%	1.05%	5.40%	1.95%	138,622.36	0.04%
	July 2010	0.87%	1.08%	5.37%	1.95%	1,519,505.54	0.42%
	August 2010	0.80%	1.15%	5.30%	1.95%	1,645,862.15	0.45%
	September 2010	0.87%	1.08%	5.37%	1.95%	1,577,479.32	0.43%
	October 2010	0.81%	1.14%	5.31%	1.95%	457,266.39	0.13%
	November 2010	0.82%	1.13%	5.32%	1.95%	377,945.99	0.10%
		0.76%	1.19%	5.26%	1.95%	25,272,961.06	6.97%
Fixed reverting to Base Rate Tracker	June 2007	—	—	5.49%	1.95%	2,745,940.34	0.76%
	September 2007	—	—	5.40%	1.95%	1,330,655.85	0.37%
	October 2007	—	—	5.39%	1.95%	1,955,599.04	0.54%
	May 2008	—	—	5.89%	1.95%	121,388.02	0.03%
	June 2008	—	—	5.76%	1.95%	411,491.29	0.11%
	July 2008	—	—	5.76%	1.95%	33,333.88	0.01%
	September 2008	—	—	4.87%	1.95%	115,260,722.48	31.77%
	October 2008	—	—	4.88%	1.95%	147,860,186.43	40.76%
	June 2010	—	—	5.46%	1.95%	3,340,716.91	0.92%
	July 2010	—	—	5.44%	1.95%	3,875,406.22	1.07%
	September 2010	—	—	5.33%	1.95%	4,230,708.84	1.17%
	October 2010	—	—	5.34%	1.95%	5,327,442.28	1.47%
		—	—	4.92%	1.95%	286,493,591.58	78.98%
		—	—	—	—	—	—
Fixed reverting to LIBOR		—	—	—	—	—	—
		—	—	—	—	—	—

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
LIBOR		-	-	-	-	-	-
		-	-	-	-	-	-
LIBOR Discount		-	-	-	-	-	-
		-	-	-	-	-	-
Insurance						-	-
Total					1.81%	362,750,367.17	100.00%

## MORTGAGE POOL DATA TABLES

### SECTION E: MAS6 MORTGAGES

#### Key data on the Provisional Pool (As at 31 December 2005)

Aggregate Initial Loan Balance (£)	130,504,757
Largest Loan (£)	467,867
Number of mortgages	1,146
Average balance of Mortgage Loan (£)	113,878
Longest Dated Mortgage Legal Maturity	30-Sep-2035
% Investment Home Loans	0.00%
Weighted Average Current Loan to Value	78.11%
Weighted Average Halifax Indexed Loan To Value	74.80%
Weighted Average Nationwide Indexed Loan To Value	76.61%
Weighted Average Current Loan to Value (London)	83.23%
Weighted Average Current Loan to Value (South East)	79.06%
Weighted Average Current Loan to Value (Rest of UK)	76.80%
Weighted Average Seasoning	0.29 years
Weighted Average Seasoning (London)	0.29 years
Weighted Average Seasoning (South East)	0.29 years
Weighted Average Seasoning (Rest of UK)	0.29 years

Distribution by Loan to Value	Distribution of Loans by Loan to Value				Distribution of Loans by Halifax Indexed Loan To Value				Distribution of Loans by Nationwide Indexed Loan To Value			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	708,947	0.54%	19	1.66%	868,945	0.67%	22	1.92%	807,147	0.62%	21	1.83%
More than 25% up to and including 50%	8,845,436	6.78%	129	11.26%	9,915,496	7.60%	143	12.48%	9,609,519	7.36%	138	12.04%
More than 50% up to and including 55%	3,421,624	2.62%	48	4.19%	4,176,810	3.20%	58	4.89%	3,358,351	2.57%	49	4.28%
More than 55% up to and including 60%	5,384,304	4.13%	83	5.50%	7,647,232	5.86%	78	6.81%	7,301,551	5.59%	74	6.46%
More than 60% up to and including 65%	7,472,845	5.73%	73	6.37%	7,828,747	6.00%	75	6.54%	7,447,424	5.71%	78	6.81%
More than 65% up to and including 70%	7,862,761	6.02%	73	6.37%	7,782,704	5.96%	74	6.46%	7,226,267	5.54%	64	5.58%
More than 70% up to and including 75%	8,426,640	6.48%	77	6.72%	10,967,943	8.40%	98	8.38%	11,041,944	8.48%	98	8.55%
More than 75% up to and including 80%	9,117,390	6.99%	83	7.24%	9,897,646	7.58%	81	7.07%	7,602,735	5.83%	68	5.93%
More than 80% up to and including 85%	10,325,154	7.91%	79	6.89%	19,407,492	14.87%	144	12.57%	21,416,703	16.41%	157	13.70%
More than 85% up to and including 90%	20,958,293	16.06%	154	13.44%	52,011,742	39.85%	377	32.90%	54,423,560	41.70%	397	34.64%
More than 90% up to and including 95%	47,981,364	36.77%	348	30.37%	-	-	-	-	269,557	0.21%	2	0.17%
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>92.35%</b>				<b>89.61%</b>				<b>90.65%</b>			
<b>Minimum Loan to Value</b>	<b>8.63%</b>				<b>8.37%</b>				<b>8.47%</b>			
<b>WA Loan to Value</b>	<b>78.11%</b>				<b>74.80%</b>				<b>76.61%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (London)				Distribution of Loans by Halifax Indexed Loan To Value (London)				Distribution of Loans by Nationwide Indexed Loan To Value (London)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	46,143	0.38%	1	1.52%	46,143	0.38%	1	1.52%	46,143	0.38%	1	1.52%
More than 25% up to and including 50%	566,225	4.71%	4	6.06%	566,225	4.71%	4	6.06%	566,225	4.71%	4	6.06%
More than 50% up to and including 55%	-	-	-	-	-	-	-	-	-	-	-	-
More than 55% up to and including 60%	-	-	-	-	120,542	1.00%	1	1.52%	120,542	1.00%	1	1.52%
More than 60% up to and including 65%	482,724	4.01%	3	4.55%	693,290	5.76%	4	6.06%	557,464	4.63%	3	4.55%
More than 65% up to and including 70%	452,186	3.76%	3	4.55%	121,077	1.01%	1	1.52%	256,903	2.14%	2	3.03%
More than 70% up to and including 75%	131,108	1.09%	1	1.52%	871,494	7.24%	6	9.09%	574,027	4.77%	4	6.06%
More than 75% up to and including 80%	740,386	6.15%	5	7.58%	1,002,657	8.33%	4	6.06%	451,645	3.75%	3	4.55%
More than 80% up to and including 85%	1,304,675	10.84%	5	7.58%	2,079,441	17.28%	10	15.15%	2,927,919	24.34%	13	19.70%
More than 85% up to and including 90%	2,612,349	21.71%	13	19.70%	6,530,391	54.28%	35	53.03%	6,530,391	54.28%	35	53.03%
More than 90% up to and including 95%	5,695,464	47.34%	31	46.97%	-	-	-	-	-	-	-	-
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>12,031,261</b>	<b>100.00%</b>	<b>66</b>	<b>100.00%</b>	<b>12,031,261</b>	<b>100.00%</b>	<b>66</b>	<b>100.00%</b>	<b>12,031,261</b>	<b>100.00%</b>	<b>66</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>91.06%</b>				<b>88.89%</b>				<b>89.32%</b>			
<b>Minimum Loan to Value</b>	<b>18.10%</b>				<b>17.73%</b>				<b>17.78%</b>			
<b>WA Loan to Value</b>	<b>83.23%</b>				<b>79.71%</b>				<b>81.60%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (South East)				Distribution of Loans by Halifax Indexed Loan To Value (South East)				Distribution of Loans by Nationwide Indexed Loan To Value (South East)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	223,416	0.54%	6	2.15%	223,416	0.54%	6	2.15%	223,416	0.54%	6	2.15%
More than 25% up to and including 50%	2,606,986	6.34%	30	10.75%	2,929,551	7.12%	32	11.47%	2,929,551	7.12%	32	11.47%
More than 50% up to and including 55%	664,172	1.61%	6	2.15%	1,283,571	3.12%	12	4.30%	441,531	1.07%	5	1.79%
More than 55% up to and including 60%	2,012,559	4.89%	17	6.09%	3,045,888	7.40%	22	7.89%	3,482,487	8.49%	26	9.32%
More than 60% up to and including 65%	2,463,573	5.99%	16	5.73%	1,864,884	4.53%	11	3.94%	1,634,917	3.97%	12	4.30%
More than 65% up to and including 70%	2,275,844	5.53%	15	5.38%	2,022,511	4.92%	16	5.73%	2,130,166	5.18%	14	5.02%
More than 70% up to and including 75%	1,745,994	4.24%	14	5.02%	1,703,694	4.14%	13	4.66%	1,675,230	4.07%	13	4.66%
More than 75% up to and including 80%	1,822,511	4.43%	14	5.02%	3,716,783	9.04%	24	8.60%	2,517,666	6.12%	18	6.45%
More than 80% up to and including 85%	3,802,084	9.24%	23	8.24%	6,879,379	16.72%	42	15.05%	7,769,197	18.89%	47	16.85%
More than 85% up to and including 90%	6,982,744	16.98%	42	15.05%	17,463,603	42.46%	101	36.20%	18,120,473	44.05%	105	37.63%
More than 90% up to and including 95%	16,533,195	40.19%	96	34.41%	-	-	-	-	198,446	0.48%	1	0.36%
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>41,133,080</b>	<b>100.00%</b>	<b>279</b>	<b>100.00%</b>	<b>41,133,080</b>	<b>100.00%</b>	<b>279</b>	<b>100.00%</b>	<b>41,133,080</b>	<b>100.00%</b>	<b>279</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>92.30%</b>				<b>89.61%</b>				<b>90.60%</b>			
<b>Minimum Loan to Value</b>	<b>12.14%</b>				<b>11.77%</b>				<b>11.92%</b>			
<b>WA Loan to Value</b>	<b>79.06%</b>				<b>75.65%</b>				<b>77.54%</b>			

Distribution by Loan to Value	Distribution of Loans by Loan To Value (rest of UK)				Distribution of Loans by Halifax Indexed Loan To Value (rest of UK)				Distribution of Loans by Nationwide Indexed Loan To Value (rest of UK)			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	439,387	0.57%	12	1.50%	599,385	0.77%	15	1.87%	537,587	0.70%	14	1.75%
More than 25% up to and including 50%	5,672,224	7.33%	95	11.86%	6,419,720	8.30%	107	13.36%	6,113,743	7.90%	102	12.73%
More than 50% up to and including 55%	2,757,452	3.57%	42	5.24%	2,893,239	3.74%	44	5.49%	2,916,820	3.77%	44	5.49%
More than 55% up to and including 60%	3,371,745	4.36%	46	5.74%	4,480,802	5.79%	55	6.87%	3,688,522	4.77%	47	5.87%
More than 60% up to and including 65%	4,526,548	5.85%	54	6.74%	5,270,772	6.82%	60	7.49%	5,255,042	6.79%	63	7.87%
More than 65% up to and including 70%	5,134,731	6.64%	55	6.87%	5,639,116	7.29%	57	7.12%	4,839,198	6.26%	48	5.98%
More than 70% up to and including 75%	6,549,538	8.47%	62	7.74%	8,392,755	10.85%	77	9.61%	8,792,687	11.37%	81	10.11%
More than 75% up to and including 80%	6,554,493	8.47%	64	7.99%	5,178,205	6.70%	53	6.62%	4,633,424	5.99%	47	5.87%
More than 80% up to and including 85%	5,218,395	6.75%	51	6.37%	10,448,672	13.51%	92	11.49%	10,719,587	13.86%	97	12.11%
More than 85% up to and including 90%	11,363,199	14.69%	99	12.36%	26,017,749	36.23%	241	30.09%	29,772,696	38.50%	257	32.08%
More than 90% up to and including 95%	25,752,704	33.30%	221	27.59%	-	-	-	-	71,111	0.09%	1	0.12%
More than 95% up to and including 100%	-	-	-	-	-	-	-	-	-	-	-	-
More than 100%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>77,340,416</b>	<b>100.00%</b>	<b>801</b>	<b>100.00%</b>	<b>77,340,416</b>	<b>100.00%</b>	<b>801</b>	<b>100.00%</b>	<b>77,340,416</b>	<b>100.00%</b>	<b>801</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>92.35%</b>				<b>89.51%</b>				<b>90.65%</b>			
<b>Minimum Loan to Value</b>	<b>8.63%</b>				<b>8.37%</b>				<b>8.47%</b>			
<b>WA Loan to Value</b>	<b>76.80%</b>				<b>73.58%</b>				<b>75.33%</b>			

### Distribution of Loans by Current Balance

Distribution by Current Balance (£)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to £30k	378,023	0.29%	14	1.22%
More than £30k up to and including £50k	3,689,301	2.83%	89	7.77%
More than £50k up to and including £75k	12,980,043	9.95%	207	18.06%
More than £75k up to and including £100k	21,639,123	16.58%	251	21.90%
More than £100k up to and including £125k	18,882,872	14.47%	170	14.83%
More than £125k up to and including £150k	20,781,315	15.92%	152	13.26%
More than £150k up to and including £200k	27,789,896	21.29%	162	14.14%
More than £200k up to and including £400k	23,443,451	17.96%	99	8.64%
More than £400k	920,735	0.71%	2	0.17%
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

Maximum Current Balance (£) 467,867

Minimum Current Balance (£) 25,295

Average Current Balance (£) 113,878

### Distribution by Remaining Life of Mortgage

Distribution by Remaining Life of Mortgage (years)	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
0 and less than or equal to 10 years	5,463,568	4.19%	60	5.24%
Greater than 10 and less than or equal to 15 years	9,055,726	6.94%	103	8.99%
Greater than 15 and less than or equal to 20 years	22,442,890	17.20%	212	18.50%
Greater than 20 and less than or equal to 25 years	82,144,467	62.94%	667	58.20%
Greater than 25 and less than or equal to 30 years	11,398,106	8.73%	104	9.08%
Greater than 30 years	-	-	-	-
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

Maximum Remaining Life (years) 29.75

Minimum Remaining Life (years) 4.62

WA Remaining Life (years) 22.52

### Geographical Distribution of Mortgages

Region	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
East Anglia	5,296,488	4.06%	49	4.28%
East Midlands	9,364,901	7.18%	99	8.64%
London	12,031,261	9.22%	66	5.76%
North	8,638,425	6.62%	99	8.64%
North West	14,742,587	11.30%	170	14.83%
Northern Ireland	-	-	-	-
Scotland	-	-	-	-
South East	41,133,080	31.52%	279	24.35%
South West	9,807,390	7.51%	82	7.16%
Wales	6,851,279	5.25%	72	6.28%
West Midlands	11,762,486	9.01%	113	9.86%
Yorks and Humber	10,876,861	8.33%	117	10.21%
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>



### Distribution of County Court Judgements (CCJ's) by Loan to Value Ratio

Distribution by Loan to Value	Current Balance (£) = 0 CCJ's	Current Balance (£) = 1 CCJ	Current Balance (£) > 1 CCJ
Less than or equal to 25%	708,947	-	-
More than 25% up to and including 50%	8,218,983	373,995	252,458
More than 50% up to and including 55%	2,922,776	498,848	-
More than 55% up to and including 60%	4,682,462	701,843	-
More than 60% up to and including 65%	7,119,497	267,448	85,900
More than 65% up to and including 70%	7,402,952	285,269	174,541
More than 70% up to and including 75%	7,899,586	396,226	130,829
More than 75% up to and including 80%	8,678,012	363,661	75,718
More than 80% up to and including 85%	8,904,990	710,238	709,926
More than 85% up to and including 90%	19,133,284	1,543,054	281,955
More than 90% up to and including 95%	44,361,956	2,843,766	775,642
More than 95% up to and including 100%	-	-	-
More than 100%	-	-	-
<b>Grand Total</b>	<b>120,033,444</b>	<b>7,984,346</b>	<b>2,486,967</b>

### Self Certified Codes

Self Certified Codes	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
No	16,488,263	12.63%	195	17.02%
Yes	114,016,494	87.37%	951	82.98%
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

### Repayment Method

Repayment Method	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Interest Only	73,770,525	56.53%	530	46.25%
Mixed	1,788,536	1.37%	14	1.22%
Repayment	54,945,696	42.10%	602	52.53%
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

### Purpose of Loan

Purpose of Loan	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Purchase	68,686,644	52.63%	533	46.51%
Refinance	61,818,113	47.37%	613	53.49%
Right to buy purchase	-	-	-	-
Right to buy refinance	-	-	-	-
Investment home loans purchase	-	-	-	-
Investment home loans refinance	-	-	-	-
Not available (other)	-	-	-	-
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

### Distribution of Mortgages Currently in Arrears

Distribution by Arrears	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Current and up to one month	129,740,397	99.41%	1,141	99.56%
Over one month and up to two months	585,915	0.43%	4	0.35%
Over two months and up to three months	198,446	0.15%	1	0.09%
Over three months and up to four months	-	-	-	-
Over four months	-	-	-	-
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

### Distribution by Property Category

Distribution by Property Type	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Bungalow	5,330,065	4.08%	45	3.93%
Flat	10,248,063	7.85%	75	6.54%
Detached	20,919,889	16.03%	131	11.43%
Semi-detached	39,635,835	30.37%	361	31.50%
Terraced	54,370,906	41.66%	534	46.60%
Not available	-	-	-	-
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

### Distribution by Month of Origin

<b>Date</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
August 2005	8,445,023	6.47%	90	7.85%
September 2005	122,059,734	93.53%	1,056	92.15%
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

### Distribution by Tenancy

<b>Distribution by Tenancy</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Freehold	114,686,049	87.88%	1,005	87.70%
Leasehold	15,818,708	12.12%	141	12.30%
Heritable	—	—	—	—
<b>Grand Total</b>	<b>130,504,757</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>

**MAS6 Mortgages**  
**Distribution by Margin and Reversion Margin**

Type	Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance (£)	% of Total Balance
Base Rate Tracker		-	-	-	-	-	-
		-	-	-	-	-	-
Base Rate Tracker Discount		-	-	-	-	-	-
		-	-	-	-	-	-
Fixed reverting to Base Rate Tracker		-	-	-	-	-	-
		-	-	-	-	-	-
Fixed reverting to LIBOR	May 2006	-	-	5.26%	2.16%	603,487.32	0.46%
	August 2006	-	-	5.69%	2.61%	8,803,476.47	6.75%
	November 2006	-	-	5.33%	2.21%	343,617.33	0.26%
	May 2007	-	-	6.33%	2.33%	1,275,102.70	0.98%
	August 2007	-	-	6.65%	2.83%	20,940,064.99	16.05%
	November 2007	-	-	6.50%	2.75%	2,669,598.36	2.05%
	May 2008	-	-	6.50%	2.18%	5,037,369.16	3.86%
	August 2008	-	-	6.43%	2.30%	62,227,389.29	47.68%
	November 2008	-	-	6.46%	2.43%	10,802,448.31	8.28%
		-	-	6.41%	2.44%	112,702,553.93	86.36%
		-	-	-	-	-	-
LIBOR		2.21%	-	6.82%	-	282,672.83	0.22%
		2.21%	-	6.82%	-	282,672.83	0.22%
LIBOR Discount	February 2006	1.31%	1.67%	5.92%	2.97%	443,159.31	0.34%
	August 2006	-0.11%	1.65%	4.50%	1.53%	691,700.30	0.53%
	September 2006	0.89%	1.84%	5.50%	2.74%	16,384,670.88	12.55%
		0.86%	1.83%	5.47%	2.69%	17,519,530.49	13.42%
Insurance						-	-
Total					2.47%	130,504,757.25	100.00%

## THE MORTGAGE POOL (CONTINUED)

### **Title to the Mortgage Pool**

The Mortgage Pool will consist of (i) mortgages originated by PFL, (ii) mortgages originated by PFL and purchased by Meerbrook 1, (iii) mortgages originated by PFL or by the Correspondent Lenders and purchased by PFL, purchased by Leek 4 and Leek 5, then sold on to Leek 7 and then purchased by Meerbrook 1 and (iv) mortgages originated by Kensington and purchased by MAS6.

In respect of the mortgages originated by PFL referred to in (i) above, pursuant to, and under the terms of, the PFL Mortgage Sale Agreement, dated on or about the Closing Date, PFL will transfer the beneficial title to the PFL Mortgages, with a right to call for the legal title thereto, to the Issuer.

The beneficial title, together with a right to call for the legal title, to the Meerbrook 1 Mortgages which were originated by PFL, referred to in (ii) above, was originally sold by PFL to Meerbrook 1. The beneficial title, together with a right to call for the legal title, to the Leek 7 Mortgages which were originated or purchased by PFL referred to in (iii) above, was originally sold to Leek 4 and Leek 5 pursuant to the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, respectively. Leek 4 and Leek 5 then transferred the beneficial title, with a right to call for the legal title, to the Leek 7 Mortgages to Leek 7 pursuant to the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, respectively. Leek 7 then transferred the beneficial title, with a right to call for the legal title, to the Leek 7 Mortgages to Meerbrook 1 pursuant to the Leek 7 Mortgage Sale Agreement. Pursuant to the Meerbrook 1 Mortgage Sale Agreement, dated on or about the Closing Date, Meerbrook 1 will transfer the beneficial title to the Meerbrook 1 Mortgages and the Leek 7 Mortgages, with a right to call for the legal title thereto, to the Issuer.

The legal and beneficial title to the MAS6 Mortgages, which were originated by Kensington, referred to in (iv) above, was sold to MAS6 pursuant to the Kensington Mortgage Sale Agreement. Pursuant to the MAS6 Mortgage Sale Agreement, dated on or about the Closing Date, MAS6 will transfer the beneficial title to the MAS6 Mortgages, with a right to call for the legal title thereto, to the Issuer.

Pursuant to the PFL Mortgage Sale Agreement, PFL will declare a trust, and, pursuant to the Meerbrook 1 Mortgage Sale Agreement, PFL will, with the consent of Meerbrook 1, declare a trust, in each case governed by Scots law (the **Scottish Declarations of Trust**) in favour of the Issuer in respect of those PFL Mortgages that are Scottish Mortgages. None of the MAS6 Mortgages are Scottish Mortgages.

In the case of the Mortgages over registered land in England and Wales, or over any land in Scotland or Northern Ireland which will be transferred to the Issuer on the Closing Date, PFL and MAS6 have agreed to remain on the relevant English, Scottish or Northern Irish land or Sasine register as the legal mortgagee or heritable creditor.

None of the above-mentioned transfers to the Issuer is to be completed by registration at the Land Registry, the Registers of Scotland, or the Land Registry of Northern Ireland and Registry of Deeds, Belfast (the **Registers of Northern Ireland**) (if applicable) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The Mortgages in the Mortgage Pool and their collateral security are accordingly owned in equity only by the Issuer (or, in the case of the Scottish Mortgages, the Issuer holds the beneficial interests therein under the Scottish Declarations of Trust) pending such transfer. Legal title in the Mortgages and their collateral security continues to be vested in PFL or MAS6 (as applicable). PFL and MAS6 have agreed to transfer legal title to the Mortgages and their collateral security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only in the circumstances set out below.

The Issuer will grant a first fixed charge in favour of the Trustee over its interest in the Mortgages, or in the case of the Scottish Mortgages an assignation in security (broadly equivalent to a first fixed charge) of its beneficial interest therein under the Scottish Declarations of Trust.

Save as mentioned below, the Trustee has undertaken not to effect any registration at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland to protect the sale of the Mortgages to the Issuer or the granting of security over them by the Issuer in favour of the Trustee nor, save as mentioned below, to obtain possession of title deeds to the properties the subject of the Mortgages.

Notices of the equitable assignments and the Scottish Declarations of Trust in favour of the Issuer and the security in favour of the Trustee will not, save as mentioned below, be given to the Borrowers under the Mortgages.

Under the Mortgage Sale Agreements and the Deed of Charge, completion of the transfers to the Issuer will be effected and the Issuer and the Trustee will each be entitled to effect such registrations and give such notices as it considers necessary to protect their respective interests in the Mortgages, and to call for a legal assignment, assignation or transfer of the Mortgages in favour of the Issuer and a legal submortgage (or the Scottish equivalent) over such Mortgages and collateral security in favour of the Trustee. The Issuer and the Trustee have undertaken to take such steps only where, *inter alia*, (i) it is necessary as a result of a change in law, or required by an order of a court of competent jurisdiction or by a competent regulatory authority, (ii) after an Enforcement Notice (as defined in the Conditions) has been served by the Trustee, (iii) the Trustee considers that the security under the Deed of Charge or any material part thereof is in material jeopardy, in the reasonable opinion of the Trustee, and the Trustee decides to take such action to reduce materially such jeopardy, or (iv) PFL or MAS6 (as applicable) calls for perfection of title by serving a notice to that effect on the Issuer and the Trustee. Following such legal assignment, assignation or transfer and sub-charge, the Issuer and the Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Mortgages, including the carrying out of any necessary registrations, recordings and notifications. These rights are supported by an irrevocable power of attorney given by Meerbrook 1, PFL and MAS6 pursuant to the Mortgage Sale Agreements.

#### *Warranties and Breach of Warranties*

The PFL Mortgage Sale Agreement contains certain warranties given by PFL in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the PFL Mortgage Sale Agreement.

Under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, PFL made certain warranties in relation to the Leek 7 Mortgages sold to Leek 4 and Leek 5 at the time of transfer of such mortgage loans to Leek 4 and Leek 5. The benefit of these warranties was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

Under the Meerbrook 1 Origination and Sale Agreement, PFL made certain warranties in relation to the Meerbrook 1 Mortgages sold to Meerbrook 1 at the time of transfer of such mortgage loans to Meerbrook 1. The benefit of these warranties will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

The MAS6 Mortgage Sale Agreement contains certain warranties given by MAS6 in favour of the Issuer in relation to the MAS6 Mortgages sold to the Issuer pursuant to the MAS6 Mortgage Sale Agreement. For the avoidance of doubt, the warranties in relation to the MAS6 Mortgages have not been given by Kensington, and, accordingly, the Trustee shall have no recourse to Kensington if they are breached.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the warranties given to it under the PFL Mortgage Sale Agreement and the MAS6 Mortgage Sale Agreement or assigned to it under the Meerbrook 1 Mortgage Sale Agreement.

If there is an unremedied material breach of any of the warranties assigned under the Meerbrook 1 Mortgage Sale Agreement or given under the PFL Mortgage Sale Agreement and the MAS6 Mortgage Sale Agreement then the Trustee has the discretion to demand that a Relevant Purchaser purchase any Mortgage which is the subject of the relevant unremedied material breach for a consideration in cash equal to all sums due or owing thereunder (including accrued interest) as at the date of purchase (after deducting the amount of any interest not then accrued but paid in advance by the relevant mortgagor, which amount will be retained by the Issuer) (the **Put Option**). The obligations of the Relevant Purchasers under the Put Option are guaranteed by Britannia pursuant to the relevant Mortgage Sale Agreement. Performance of such purchase will be in full satisfaction of the liabilities of Britannia or a Relevant Purchaser in respect of the relevant breach. There are no other circumstances in which a Relevant Purchaser would be obliged to purchase the Mortgages.

#### *Warranties relating to the PFL Mortgage Sale Agreement and the Meerbrook 1 Origination and Sale Agreement*

The warranties that will be given to the Issuer by PFL pursuant to the PFL Mortgage Sale Agreement or assigned to the Issuer by Meerbrook 1 in relation to the Meerbrook 1 Mortgages include, *inter alia*, similar

statements to the following effect (defined terms having the meaning given to them in the PFL Mortgage Sale Agreement and Meerbrook 1 Origination and Sale Agreement) and see also "*Insurance Contracts*" below:

- each Mortgage Loan was originated by and made by PFL on its own account;
- as of the relevant cut-off date, the particulars of the Mortgage Loans set out in the PFL Mortgage Sale Agreement or the Meerbrook 1 Origination and Sale Agreement (as applicable) were complete, true and accurate in respect of the data fields described in the PFL Mortgage Sale Agreement or Meerbrook 1 Origination and Sale Agreement (as applicable);
- each Mortgage Loan arose from the ordinary course of PFL's residential secured lending activities in England, Wales, Scotland and Northern Ireland and, in each case, at the time of origination, the PFL Lending Guidelines were satisfied;
- each Mortgage Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect;
- all of the Borrowers are individuals;
- no Borrower is an employee or director of PFL;
- the amount outstanding under each Mortgage Loan is a valid debt to PFL from the Borrower and the terms of each Mortgage Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty does not apply in relation to any redemption fees that may be payable;
- no agreement for any Unregulated Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- all Regulated Loans comply with all of the legal requirements of, and procedures set out in, the Consumer Credit Act 1974;
- no Mortgage Loan constitutes an extortionate credit bargain for the purposes of section 136 of the Consumer Credit Act 1974 and all secondary legislation made pursuant thereto;
- in relation to any Right to Buy Loan:
  - (a) in the case of English Loans and Northern Irish Loans, PFL is an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing (NI) Order 1983 (as amended by the Housing (NI) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (NI) Order 2003);
  - (b) the original advance or Further Advance was made to a person exercising the right to buy;
  - (c) either the original advance (or Further Advance) was made for the sole purpose of enabling the recipient thereof to purchase or re-mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's (or, in Northern Ireland, the Northern Ireland Housing Executive) statutory charge or standard security has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge or standard security; and
  - (d) where the Property comprises an ex-council flat, the minimum property value is £25,000 and the block contains no more than 6 floors;
- there are no outstanding obligations on PFL to make any Further Advances (excluding any Retentions) to any Borrower;
- in respect of any Mortgage Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy (in relation to any English Loan or Northern Irish Loan) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan);

- in respect of any Scottish Loan in respect of which the relevant Borrower has been permitted to enter into a short assured tenancy within the meaning of the Housing (Scotland) Act 1988, notice was given to the relevant tenant in accordance with section 32 of that Act;
- in relation to any leasehold Property, in any case where PFL has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, PFL has taken such reasonable steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and the Mortgage Loan;
- no Mortgage Loan is currently repayable in a currency other than Sterling;
- the original advance being made under each Mortgage Loan was £10,000 or more but less than £1,000,000;
- all costs and fees payable by the Borrower in connection with the origination of the Mortgage Loans have been paid;
- in the case of each Mortgage Loan, PFL caused to be made on its behalf a valuation of the relevant Property by a Valuer in all material respects in accordance with the PFL Lending Guidelines;
- PFL has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan or Related Security;
- all of the Properties are residential and located in England, Wales, Scotland or Northern Ireland;
- prior to making a Mortgage Loan to a Borrower, PFL:
  - (a) caused its solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England, Wales, Scotland or Northern Ireland; and
  - (b) received a Certificate of Title from Approved Solicitors relating to such Property and the results thereof were such as would be acceptable to a Prudent Mortgage Lender in order to proceed with the Mortgage Loan;
- in relation to each English Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry free from any encumbrance (except the Mortgage and any subsequent ranking mortgage and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
  - (a) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
- in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance which would materially and adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
  - (a) the lease cannot be irritated on the bankruptcy of the tenant;
  - (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (c) a copy of the consent or notice has been or will be placed with the title deeds;
- in relation to each Northern Irish Mortgage, the Borrower has a good and marketable title to the relevant Property (subject to registration or recording of the title at the Registers of Northern Ireland) free (save for the Northern Irish Mortgage and any subsequent ranking mortgage and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the Northern Ireland Housing Executive which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:



- (a) the lease cannot be forfeited on the bankruptcy of the tenant;
- (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
- (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
- all steps necessary to perfect PFL's title to each Mortgage Loan were duly taken or are in the process of being taken with all due diligence and PFL is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage Loan in due course;
- no Mortgage Loan is subject to any right of rescission, set-off, lien, counterclaim or defence and there are no outstanding claims by PFL in respect of any material breaches of the terms of any Mortgage Loan;
- PFL has not waived any of its rights under or in relation to a Mortgage Loan which would materially reduce the value of the Mortgage Loan;
- the terms of the Loan Agreement relating to each Mortgage Loan are not "unfair terms" within the meaning of *The Unfair Terms in Consumer Contracts Regulations 1994* or *The Unfair Terms in Consumer Contract Regulations 1999* but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- so far as PFL is aware, in relation to each Mortgage entered into before 31 October 2004, PFL has complied in all material respects with the Council of Mortgage Lenders' Code of Practice;
- so far as PFL is aware, in respect of each Mortgage entered into before 31 October 2004 and the Office of Fair Trading's November 1997 Guidelines for Non-Status Mortgage Lenders (the Guidelines), PFL has received no complaints that it has not complied with the terms of the Guidelines;
- in relation to each English Mortgage and each Northern Irish Mortgage, every person who, at the date upon which the relevant Mortgage Loan was made, had attained the age of seventeen and who had been notified to PFL as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a deed of consent and in relation to each Scottish Mortgage, all necessary MHA Documentation has been obtained so as to ensure that the relevant Property is not subject to any right of occupancy;
- each property is insured (from the date of completion of the relevant Mortgage Loan) (i) under the third party building insurance policies, (ii) with a reputable insurance company approved by PFL, (iii) against all risks usually covered by a Prudent Mortgage Lender in England, Wales, Scotland or Northern Ireland, as applicable, advancing money on the security of residential property, and (iv) to an amount not less than the full reinstatement cost as determined by the relevant valuer;
- save in respect of any new mortgage indemnity insurance policy that PFL may enter into after the date of the PFL Mortgage Sale Agreement or the Meerbrook 1 Origination and Sale Agreement (as applicable), the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as PFL is aware, the relevant policies are valid and enforceable and PFL has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- as far as PFL is aware, there is no claim outstanding under any of the Third Party Buildings Policies (as defined below) (save for senior claims not involving the destruction of Property) and PFL is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- save for title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland all the Title Deeds and the mortgage files and computer tapes relating to each of the Mortgage Loans and their Related Security are held by PFL or its agents and the title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland are held on the basis that any such title deeds shall be returned to PFL or its solicitors or agents;
- PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Mortgage Loan and its Related Security, subject in each case only to the PFL Mortgage Sale Agreement or the Meerbrook 1 Origination and Sale Agreement (as applicable), the Borrower's equity of redemption and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland of PFL as proprietor or heritable creditor of the relevant Mortgage;

- PFL has not received written notice and is not aware of any litigation or claim which may have a material adverse affect on PFL's title to any Mortgage Loan or Related Security;
- PFL has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- PFL has at all relevant times held a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England, Wales, Scotland and Northern Ireland;
- all formal approvals, consents and other steps necessary to permit a legal transfer and assignation of the Mortgage Loans and their related Mortgages and the other Related Security to be sold under the PFL Mortgage Sale Agreement or the Meerbrook 1 Origination and Sale Agreement (as applicable) have been obtained or taken;
- PFL has, since the making of each Mortgage Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Mortgage Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of PFL;
- in respect of each Buy to Let Loan:
  - (a) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 or a tenancy agreement not controlled by the Rent (Northern Ireland) Order 1978 (in relation to any English Loan or Northern Irish Loan) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan) (an **Assured Shorthold Tenancy**) for a fixed term not more than 12 months or, where the Housing Act 1988, or the Housing (Scotland) Act 1988 do not apply to the tenancy, or the tenancy agreement is controlled by the Rent (Northern Ireland) Order 1978, a tenancy agreement on terms no less favourable to PFL as would be the case if the tenancy had been an Assured Shorthold Tenancy (an **Other Tenancy Agreement** and together with the **Assured Shorthold Tenancies**, the **Existing Tenancy Agreements**) and (ii) PFL is not aware of any material breach of such Existing Tenancy Agreements;
  - (b) PFL caused to be made on its behalf a valuation of the relevant Property together with the relevant income estimate of the relevant Property by a valuer in all material respects in accordance with the PFL Lending Guidelines;
  - (c) if the relevant Property is secured by an English Mortgage or Northern Irish Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry (in the case of an English Mortgage) or subject to registration of the title at the Registers of Northern Ireland (in the case of a Northern Irish Mortgage)) free from any encumbrance (except the English Mortgage or the Northern Irish Mortgage (as applicable), any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority or Northern Ireland Housing Executive (as applicable) which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
    - (i) the lease cannot be forfeited on the bankruptcy of the tenant;
    - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
    - (iii) a copy of the consent or notice has been or will be placed with the title deeds;
  - (d) if the relevant Property is secured by a Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
    - (i) the lease cannot be irritated on the bankruptcy of the tenant;
    - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
    - (iii) a copy of the consent or notice has been or will be placed with the title deeds;

- (e) PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the PFL Mortgage Sale Agreement or the Meerbrook 1 Origination and Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland of PFL as proprietor or registered owner or heritable creditor of the relevant Mortgage;
- in respect of any Mortgage entered into after 31 October 2004, PFL was authorised by and had permission from the FSA for entering into regulated mortgage contracts as lender at the time that it entered into each such Mortgage and continues to be so authorised and hold such permission;
  - PFL is authorised by and had permission from the FSA for conducting any other regulated activities (as defined in the Financial Services and Markets Act 2000) carried on by it in respect of each Mortgage;
  - PFL has complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Mortgages, in particular the provisions of the FSA Mortgages Conduct of Business Sourcebook as amended from time to time;
  - no Borrower has made any complaint and there is no pending or threatened action or proceeding by an applicant against PFL in respect of the Mortgages;
  - each officer or employee of PFL in any capacity which involves a controlled function (as defined in the rules, guidance and evidential provisions as amended from time to time contained in the FSA Handbook of Rules and Guidance (the **FSA Rules**)) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "approved person" in accordance with the FSA Rules;
  - PFL has created and maintained all records in respect of the Mortgages in accordance with the FSA Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
  - to the extent that any of the Mortgage Loans qualify as "distance contracts" (as defined by Article 2 of the Distance Marketing of Consumer Financial Services Directive) PFL had complied with the relevant provisions of the Distance Marketing of Consumer Financial Services Directive, as implemented in the United Kingdom;
  - PFL has not altered the terms of any letter of offer accepted by a Borrower relating to a Mortgage Loan or otherwise changed any of the terms and conditions relating to any Mortgage Loan other than in accordance with the terms and conditions of the letter of offer relating to a Mortgage Loan as accepted by the applicable Borrower;
  - each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower and each relevant Mortgage Loan securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the person entitled to the benefit of the relevant Mortgage (the **Mortgagee**) in priority, in the case of a Mortgage which is a first ranking mortgage or Standard Security, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property but subject to, in relation to Right to Buy Loans, any charge or Standard Security in favour of the relevant Local Authority (or in Northern Ireland, the Northern Ireland Housing Executive) where such charge or Standard Security has not been postponed);
  - the beneficial interest in each Further Advance is vested in the Issuer pursuant to the PFL Mortgage Sale Agreement or the Meerbrook 1 Mortgage Sale Agreement or (as the case may be) the relevant Scottish Declaration of Trust;
  - prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Administration Agreement were duly undertaken;
  - prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the PFL Lending Guidelines (as defined below) in all material respects;
  - each Further Advance has been made on the terms of the Standard Documentation of PFL (so far as applicable) without material variation;

- no agreement for any Further Advance is or includes any agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of the Act) or, to the extent that it is so regulated or partly regulated, PFL has complied with the requirements of the Consumer Credit Act 1974. Each agreement for a Further Advance complies with the Unfair Terms in Consumer Contracts Regulations 1994 and Unfair Terms in Consumer Contracts Regulations 1999; and
- no Borrower, Mortgagor or Guarantor in respect of a Further Advance is an employee of PFL.

Additional warranties that will be assigned to the Issuer by Meerbrook 1 in respect of the Meerbrook 1 Mortgages include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the Meerbrook 1 Origination and Sale Agreement):

- subject to, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, the whole of each Mortgage Loan (including any Further Advance made prior to the relevant completion), including any Retention, is secured by a Mortgage;
- subject to, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed, each English Mortgage constitutes a valid and subsisting first charge and/or has first priority (where a second or subsequent mortgage exists) by way of legal mortgage over the relevant Property for the whole amount of the relevant Mortgage Loan subject only to registration of such Mortgage at H.M. Land Registry and there is nothing to prevent such registration being effected with absolute title in due course;
- subject to, in relation to a Right to Buy Loan, any Standard Security which may arise or be granted in favour of the relevant Local Authority which has not been postponed, each Scottish Mortgage constitutes a valid and subsisting first ranking Standard Security and/or has first priority (where a second or subsequent Standard Security exists) over the relevant Property for the whole amount of the relevant Mortgage Loan subject only to registration or recording of such Mortgage in the Registers of Scotland and (in such cases) there is nothing to prevent such registration or recording being effected in due course;
- subject to, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the Northern Ireland Housing Executive which has not been postponed, each Northern Irish Mortgage constitutes a valid and subsisting first charge and has first priority (where a second or subsequent mortgage exists) over the relevant Property which is registered land or constitutes a valid and subsisting mortgage by way of demise or sub-demise of the relevant Property which is unregistered land for the whole amount of the relevant Mortgage Loan, subject only to registration of such Mortgage at the Registers of Northern Ireland and there is nothing to prevent such registration being effected in due course;
- where a solicitor has been instructed by PFL not to undertake any search or other procedure as a result of the existence of contingency cover under the Title Insurance Policy in respect of loss arising from the existence of any adverse matter which would have been revealed had such search been undertaken by that solicitor (such cover, the "**relevant cover**" and any such loss, the "**relevant loss**"), there exists legal, valid, binding and enforceable relevant cover in respect of the relevant loss;
- so far as PFL is aware, each intermediary that introduced a Regulated Loan to the PFL prior to 31 October 2004, held, at the time that such intermediary submitted the application form for such Mortgage Loan to PFL, a subsisting licence as required by the Consumer Credit Act 1974 to carry on the business of credit brokerage in England and Wales and was registered with the Mortgage Code Compliance Board;
- from and including 31 October 2004:
  - (a) PFL has been, and continues to be, authorised by and hold appropriate permissions from the FSA to conduct all applicable regulated activities (as defined in Section 22 of the FSMA) in respect of a regulated mortgage contract (as defined in Article 61(3)(a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, as amended) in respect of the Mortgage Loans; and
  - (b) PFL has complied with the provisions of the FSA Mortgages Conduct of Business Sourcebook where applicable in respect of all Mortgage Loans;

- so far as PFL is aware, each intermediary that introduced a Mortgage Loan to PFL on or after 31 October 2004 was authorised by the FSA;

Neither the Trustee nor the Managers have undertaken any additional due diligence in respect of the application of the PFL Lending Guidelines and have relied entirely upon the warranties referred to above which will be made by PFL pursuant to the PFL Mortgage Sale Agreement and assigned to the Issuer by Meerbrook 1 pursuant to the Meerbrook 1 Mortgage Sale Agreement.

*Warranties relating to the Leek 7 Mortgages*

The warranties that were given by PFL in respect of the Leek 7 Mortgages to each of Leek 4 and Leek 5 and which were assigned to Leek 7, further assigned to Meerbrook 1 and which will be assigned by Meerbrook 1 to the Issuer include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement) and see also "*Insurance Contracts*" below:

- each Mortgage Loan was originated by and made by PFL or a Correspondent Lender on its own account and where the Mortgage Loan was originated by a Correspondent Lender, the Mortgage Loan and its Related Security has been sold to PFL on arm's length terms, all consideration payable under that agreement has been paid in full and an application for the transfer or assignment of the relevant Mortgage to PFL has been delivered to HM Land Registry, the Registers of Scotland or Registers of Northern Ireland (as applicable);
- as of the relevant cut-off date, the particulars of the Mortgage Loans set out in the Leek 4 Origination and Sale Agreement or the Leek 5 Origination and Sale Agreement (as applicable) were complete, true and accurate in respect of the data fields described in the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement;
- each Mortgage Loan arose from the ordinary course of PFL's or a Correspondent Lender's residential secured lending activities in England, Wales, Scotland and Northern Ireland and, in each case, at the time of origination, the Leek 7 Lending Guidelines were satisfied;
- each Mortgage Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect;
- all of the Borrowers are individuals;
- no Borrower is an employee or director of any of the Correspondent Lenders or PFL;
- the amount outstanding under each Mortgage Loan is a valid debt to PFL from the Borrower and the terms of each Mortgage Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty does not apply in relation to any redemption fees that may be payable;
- no agreement for any Unregulated Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- all Regulated Loans comply with all of the legal requirements of, and procedures set out in, the Consumer Credit Act 1974;
- no Mortgage Loan constitutes an extortionate credit bargain for the purposes of section 136 of the Consumer Credit Act 1974 and all secondary legislation made pursuant thereto;
- in relation to any Right to Buy Loan:
  - (a) in the case of English Mortgage Loans, each Mortgage Lender is an approved lending institution within the meaning given to that expression in the Housing Act 1985;
  - (b) the original advance or Further Advance was made to a person exercising the right to buy;
  - (c) the original advance (or further advance) was made for the sole purpose of enabling the recipient thereof to purchase or re-mortgage the relevant Property; and

- (d) where the Property comprises an ex-council flat, the minimum property value is £25,000 and the block contains no more than 6 floors;
- there are no outstanding obligations on PFL (or the relevant Correspondent Lender) to make any Further Advances (excluding any Retentions) to any Borrower;
  - in respect of any Mortgage Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy (in relation to any English Loan or Northern Irish Loan) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan);
  - in respect of any Scottish Loan in respect of which the relevant Borrower has been permitted to enter into a short assured tenancy within the meaning of the Housing (Scotland) Act 1988, notice was given to the relevant tenant in accordance with section 32 of that Act;
  - in relation to any leasehold Property, in any case where PFL or a Correspondent Lender has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, PFL or the Correspondent Lender has taken such reasonable steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and the Mortgage Loan;
  - no Mortgage Loan is currently repayable in a currency other than Sterling;
  - the original advance being made under each Mortgage Loan was £10,000 or more but less than £1,000,000;
  - all costs and fees payable by the Borrower in connection with the origination of the Mortgage Loans have been paid;
  - in the case of each Mortgage Loan, PFL or a Correspondent Lender caused to be made on its behalf a valuation of the relevant Property by a Valuer in all material respects in accordance with the Leek 7 Lending Guidelines;
  - PFL or the relevant Correspondent Lender has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan or Related Security;
  - all of the Properties are residential and located in England, Wales, Scotland or Northern Ireland;
  - prior to making a Mortgage Loan to a Borrower, PFL or the relevant Correspondent Lender:
    - (a) (i) caused their solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England, Wales, Scotland or Northern Ireland; and
    - (ii) received a Certificate of Title from Approved Solicitors relating to such Property and the results thereof were such as would be acceptable to a Prudent Mortgage Lender in order to proceed with the Mortgage Loan; or
    - (b) procured that the Property was insured under the Title Insurance Policy;
  - in relation to each English Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry free from any encumbrance (except the Mortgage and any subsequent ranking mortgage and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
    - (a) the lease cannot be forfeited on the bankruptcy of the tenant;
    - (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
    - (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
  - in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers

of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance which would materially and adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

- (a) the lease cannot be irritated on the bankruptcy of the tenant;
- (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
- (c) a copy of the consent or notice has been or will be placed with the title deeds;
- in relation to each Northern Irish Mortgage, the Borrower has a good and marketable title to the relevant Property (subject to registration or recording of the title at the Registers of Northern Ireland) free (save for the Northern Irish Mortgage and any subsequent ranking mortgage and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the Northern Ireland Housing Executive which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
  - (a) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
- the whole of each Mortgage Loan (including any Further Advance made prior to the relevant completion), including any Retention, is secured by a Mortgage;
- each English Mortgage constitutes a valid and subsisting first charge and/or has first priority (where a second or subsequent mortgage exists) by way of legal mortgage over the relevant Property for the whole amount of the relevant Mortgage Loan subject only to registration of such Mortgage at the Land Registry and there is nothing to prevent such registration being effected with absolute title in due course;
- each Scottish Mortgage constitutes a valid and subsisting first ranking Standard Security and/or has first priority (where a second or subsequent Standard Security exists) over the relevant Property for the whole amount of the relevant Mortgage Loan subject only to registration or recording of such Mortgage in the Registers of Scotland and (in such cases) there is nothing to prevent such registration or recording being effected in due course;
- each Northern Irish Mortgage constitutes a valid and subsisting first charge and has first priority (where a second or subsequent mortgage exists) over the relevant Property which is registered land or constitutes a valid and subsisting mortgage by way of demise or sub-demise of the relevant Property which is unregistered land, subject only to registration of such Mortgage at the Registers of Northern Ireland and there is nothing to prevent such registration being effected in due course;
- all steps necessary to perfect PFL's title to each Mortgage Loan were duly taken or are in the process of being taken with all due diligence and PFL is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage Loan in due course;
- no Mortgage Loan is subject to any right of rescission, set-off, lien, counterclaim or defence and there are no outstanding claims by PFL or a Correspondent Lender in respect of any material breaches of the terms of any Mortgage Loan;
- PFL or the relevant Correspondent Lender has not waived any of its rights under or in relation to a Mortgage Loan which would materially reduce the value of the Mortgage Loan;
- the terms of the Loan Agreement relating to each Mortgage Loan are not "unfair terms" within the meaning of The Unfair Terms in Consumer Contracts Regulations 1994 or The Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- so far as PFL is aware, in relation to each Mortgage entered into before 31 October 2004, PFL and the relevant Correspondent Lender has complied in all material respects with the Council of Mortgage Lenders' Code of Practice;

- so far as PFL is aware, in respect of each Mortgage entered into before 31 October 2004 and the Office of Fair Trading's November 1997 Guidelines for Non-Status Mortgage Lenders (the Guidelines), PFL has received no complaints that it has not complied with the terms of the Guidelines;
- in relation to each English Mortgage and each Northern Irish Mortgage, every person who, at the date upon which the relevant Mortgage Loan was made, had attained the age of seventeen and who had been notified to PFL or the relevant Correspondent Lender as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a deed of consent and in relation to each Scottish Mortgage, all necessary MHA Documentation has been obtained so as to ensure that the relevant Property is not subject to any right of occupancy;
- each property is insured (from the date of completion of the relevant Mortgage Loan) (i) under the third party building insurance policies, (ii) with a reputable insurance company approved by PFL or the relevant Correspondent Lender, (iii) against all risks usually covered by a Prudent Mortgage Lender in England, Wales, Scotland or Northern Ireland, as applicable, advancing money on the security of residential property, and (iv) to an amount not less than the full reinstatement cost as determined by the relevant valuer;
- the Insurance Policies are in full force and effect and, all premiums payable thereon have been paid and, so far as PFL is aware, the relevant policies are valid and enforceable and PFL has not received notice that there are reasons why an insurer may refuse to accept liability under the same;
- where a solicitor has been instructed by PFL or a Correspondent Lender not to undertake any search or other procedure as a result of the existence of contingency cover under the Title Insurance Policy in respect of loss arising from the existence of any adverse matter which would have been revealed had such search been undertaken by that solicitor (such cover, the "relevant cover" and any such loss, the "relevant loss"), there exists legal, valid, binding and enforceable relevant cover in respect of the relevant loss;
- save for Title Deeds held at the Land Registry, the Registers of Scotland or Registers of Northern Ireland all the Title Deeds and the mortgage files and computer tapes relating to each of the Mortgage Loans and their Related Security are held by:
  - (a) PFL or its agents; or;
  - (b) by PFL's or the relevant Correspondent Lenders' agents or solicitors to the order of PFL, and the Title Deeds held at the Land Registry, the Registers of Scotland or Registers of Northern Ireland are held on the basis that any such Title Deeds shall be returned to PFL or its solicitors or agents;
- PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Mortgage Loan and its Related Security, subject in each case only to this Agreement, the Borrowers' equity of redemption and subject to registration or recording at the Land Registry or the Registers of Scotland or Registers of Northern Ireland of PFL as proprietor or heritable creditor of the relevant Mortgage;
- PFL has not and, so far as PFL is aware, PFL and the relevant Correspondent Lender have not received written notice and are not aware of any litigation or claim which may have a material adverse affect on PFL or the Correspondent Lender's title to any Mortgage Loan or Related Security;
- PFL has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- PFL and the Correspondent Lenders have at all relevant times held a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England, Wales, Scotland and Northern Ireland;
- all formal approvals, consents and other steps necessary to permit a legal transfer and assignation of the Mortgage Loans and their related Mortgages and the other Related Security to be sold under the Leek 4 Origination and Sale Agreement or the Leek 5 Origination and Sale Agreement have been obtained or taken;
- PFL and the Correspondent Lenders have, since the making of each Mortgage Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Mortgage Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of PFL;



- Each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower and each relevant Mortgage Loan securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the Mortgagee in priority, in the case of a Mortgage which is a first ranking mortgage or Standard Security, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property);
- The beneficial interest in the Further Advance is vested in the Issuer pursuant to the Meerbrook 1 Mortgage Sale Agreement or (as the case may be) the relevant Scottish Declaration of Trust;
- Prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Administration Agreement were duly undertaken;
- Prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the relevant Lending Criteria in all material respects;
- Each Further Advance has been made on the terms of the Standard Documentation of PFL (so far as applicable) without material variation;
- No agreement for any Further Advance is or includes any agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of the Act) or, to the extent that it is so regulated or partly regulated, PFL has complied with the requirements of the Consumer Credit Act 1974. Each agreement for a Further Advance complies with the Unfair Terms in Consumer Contracts Regulations 1994 and Unfair Terms in Consumer Contracts Regulations 1999;
- No Borrower, Mortgagor or Guarantor in respect of a Further Advance is an employee of PFL.

Neither the Trustee nor the Managers have undertaken any additional due diligence in respect of the application of the Leek 7 Lending Guidelines and have relied entirely upon the warranties referred to above which will be assigned to the Issuer by Meerbrook 1 pursuant to the Meerbrook 1 Mortgage Sale Agreement.

#### *Warranties relating to MAS6 Mortgages*

The warranties that will be given to the Issuer by MAS6 (provided that all statements made in respect of (i) Kensington and (ii) the MAS6 Mortgages prior to 21 November 2005 shall be deemed to be made as at 21 November 2005, being the date MAS6 acquired the MAS6 Mortgages from Kensington, and such statements shall not be made in relation to any matter or thing pertaining to any date after 21 November 2005) in respect of the MAS6 Mortgages include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the MAS6 Mortgage Sale Agreement) and see also "Insurance Contracts" below:

- each Mortgage Loan was originated by and made by Kensington on its own account and the Mortgage Loan and its Related Security have been sold to MAS6 on arm's length terms, all consideration payable under that agreement has been paid in full and an application for the transfer or assignation of the relevant Mortgage to MAS6 has been delivered to the Land Registry;
- as of the relevant cut-off date, the particulars of the Mortgage Loans set out in the MAS6 Mortgage Sale Agreement were complete, true and accurate in respect of the data fields described in the MAS6 Mortgage Sale Agreement;
- each Mortgage Loan arose from the ordinary course of Kensington's residential secured lending activities in England and Wales and, in each case, at the time of origination, the Kensington Lending Guidelines were satisfied;
- each Mortgage Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect;
- all of the Borrowers are individuals;
- no Borrower is an employee or director of Kensington or MAS6;

- the amount outstanding under each Mortgage Loan is a valid debt to MAS6 from the Borrower and the terms of each Mortgage Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty does not apply in relation to any redemption fees;
- no agreement for any Mortgage Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- no Mortgage Loan constitutes an extortionate credit bargain for the purpose of section 136 of the Consumer Credit Act 1974;
- there are no outstanding obligations on MAS6 to make any Further Advances (excluding any Retention) to any Borrower;
- in respect of a Mortgage Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy;
- in relation to any leasehold Property, in any case where MAS6 has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, MAS6 has taken such reasonable steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and the Mortgage Loan;
- no Mortgage Loan is currently repayable in a currency other than Sterling;
- the original advance being made under each Mortgage Loan was £25,001 or more, but less than £1,000,000;
- all costs and fees payable by the Borrower in connection with the origination of the Mortgage Loans have been paid;
- in the case of each Mortgage Loan, Kensington caused to be made on its behalf a valuation of the relevant Property in all material respects in accordance with the Kensington Lending Guidelines;
- MAS6 has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan or Related Security;
- all of the Properties are residential and located in England and Wales;
- prior to making a Mortgage Loan to a Borrower, Kensington either;
  - (a) (i) caused its solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors normally would make when lending to an individual on the security of residential property, as the case may be, in England and Wales; and
  - (ii) received a Certificate of Title from Approved Solicitors relating to such Property and the results thereof were such as would be acceptable to a Prudent Mortgage Lender in order to proceed with the Mortgage Loan; or
  - (b) procured that the Property was insured under the title insurance policy;
- in relation to each Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
  - (a) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
- the whole of each Mortgage Loan, including any Retention, is secured by a Mortgage;
- each Mortgage constitutes a valid and subsisting first charge and/or has first priority (where a second or subsequent mortgage exists) by way of legal mortgage over the relevant Property for the whole amount of the relevant Mortgage Loan subject only to registration of such Mortgage at the Land Registry and there is nothing to prevent such registration being effected with absolute title in due course;

- all steps necessary to perfect MAS6's title to each Mortgage Loan were duly taken or are in the process of being taken with all due diligence and MAS6 is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage Loan in due course;
- no Mortgage Loan is subject to any right of rescission, set-off, lien, counterclaim or defence and there are no outstanding claims by MAS6 in respect of any material breaches of the terms of any Mortgage Loan;
- MAS6 has not waived any of its rights under or in relation to a Mortgage Loan which would materially reduce the value of the Mortgage Loan;
- the terms of the Loan Agreement relating to each Mortgage Loan are not "unfair terms" within the meaning of The Unfair Terms in Consumer Contracts Regulations 1994 or The Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- in respect of any Mortgage Loan, Kensington has complied in all material respects with the Council of Mortgage Lenders Lender's Handbook;
- in respect of any Mortgage Loan entered into before 31 October 2004, neither Kensington nor MAS6 has received any complaints that it has not complied with the terms of the November 1997 Guidelines for Non-Status Mortgage Lenders published by the Office of Fair Trading;
- to the extent that any of the Mortgage Loans qualify as "distance contracts" (as defined by Article 2 of the Distance Marketing of Consumer Financial Services Directive), Kensington has complied with the relevant provisions of the Distance Marketing of Consumer Financial Services Directive, as implemented in the United Kingdom;
- each officer or employee of Kensington or MAS6 in any capacity which involves a controlled function (as defined in the FSA Rules) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "approved person" in accordance with the FSA rules;
- Kensington has created and maintained all records in respect of the Mortgage Loans in accordance with the FSA Rules and any other applicable requirement of law or of any person who has regulatory authority which has the force of law;
- neither Kensington nor MAS6 has altered the terms of any letter of offer accepted by a Borrower relating to a Mortgage Loan or otherwise changed any of the terms and conditions relating to any Mortgage Loan other than in accordance with the terms and conditions of the letter of offer relating to a Mortgage Loan as accepted by the applicable Borrower;
- in relation to each Mortgage, every person who, at the date upon which the relevant Mortgage Loan was made, had attained the age of eighteen and who had been notified to MAS6 or Kensington as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a deed of consent;
- each property is insured (from the date of completion of the relevant Mortgage Loan) (i) under the third party building insurance policies or the block buildings insurance policies, (ii) with a reputable insurance company approved by MAS6 or Kensington, (iii) against all risks usually covered by a Prudent Mortgage Lender in England and Wales, as applicable, advancing money on the security of residential property and (iv) to an amount not less than the full reinstatement cost as determined by the relevant valuer;
- the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as MAS6 is aware, the relevant policies are valid and enforceable and MAS6 has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- as far as MAS6 is aware, there is no claim outstanding under any of the Third Party Buildings Policies (as defined below) (save for senior claims not involving the destruction of Property) and MAS6 is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;

- save for title deeds held at the Land Registry all the Title Deeds and the mortgage files and computer tapes relating to each of the Mortgage Loans and their Related Security are held by:
  - (a) MAS6 or its agents; or
  - (b) Kensington's agents or solicitors to the order of MAS6,
 and the title deeds held at the Land Registry are held on the basis that any such Title Deeds shall be returned to MAS6 or its solicitors or agents;
- immediately prior to the purchase of any Mortgage Loan by the Issuer, MAS6 has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Mortgage Loan and its Related Security, subject in each case only to the MAS6 Mortgage Sale Agreement, the Borrower's equity of redemption and subject to registration or recording at the Land Registry of MAS6 as proprietor of the relevant Mortgage;
- MAS6 has not and, so far as MAS6 is aware, Kensington has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on MAS6's title to any Mortgage Loan or Related Security;
- MAS6 has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Finance Documents to which it is a party;
- each of MAS6 and Kensington have at all relevant times held a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England and Wales;
- so far as MAS6 is aware, each intermediary that introduced a Regulated Loan to Kensington prior to 31 October 2004, held, at the time that such intermediary submitted the application form for such Mortgage Loan to Kensington, a subsisting licence as required by the Consumer Credit Act 1974 to carry on the business of credit brokerage in England and Wales and was registered with the Mortgage Code Compliance Board;
- from and including 31 October 2004:
  - (a) each of MAS6 and Kensington has been, and continues to be, authorised by and hold appropriate permissions from the FSA to conduct all applicable regulated activities (as defined in Section 22 of the FSMA) in respect of a regulated mortgage contract (as defined in Article 61(3)(a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, as amended) (the **Regulated Mortgage Activities**) in respect of the Mortgage Loans; and
  - (b) each of MAS6 and Kensington has complied with the provisions of the FSA Mortgages Conduct of Business Sourcebook where applicable in respect of all Mortgage Loans;
- so far as MAS6 is aware, each intermediary that introduced a Mortgage Loan to Kensington on or after 31 October 2004 was authorised by the FSA;
- all formal approvals, consents and other steps necessary to permit a legal transfer and assignation of the Mortgage Loans and their related Mortgages and the other Related Security to be sold under the MAS6 Mortgage Sale Agreement have been obtained or taken;
- each of MAS6 and Kensington have, since the making of each Mortgage Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Mortgage Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of MAS6;
- no Mortgage Loan is a Buy to Let Loan or a Right to Buy Loan;
- each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower (except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any redemption fees) and each relevant Mortgage securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to MAS6 in priority, in the case of a Mortgage which is a first ranking mortgage, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property);

- the beneficial interest in the Further Advance is vested in the Issuer pursuant to the MAS6 Mortgage Sale Agreement;
- prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Administration Agreement were duly undertaken;
- prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the Kensington Lending Guidelines (as defined below) in all material respects;
- each Further Advance has been made on the terms of the Standard Documentation of Kensington or MAS6 (so far as applicable) without material variation;
- no agreement for any Further Advance is or includes any agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of the Act) or, to the extent that it is so regulated or partly regulated, MAS6 has complied with the requirements of the Consumer Credit Act 1974. Each agreement for a Further Advance complies with the Unfair Terms in Consumer Contracts Regulations 1994 and Unfair Terms in Consumer Contracts Regulations 1999;
- MAS6 is authorised by, held appropriate permissions from the FSA to conduct all Regulated Mortgage Activities and has complied with the provisions of the FSA Mortgages Conduct of Business Sourcebook in respect of each Further Advance;
- no Borrower, Mortgagor or Guarantor in respect of a Further Advance is an employee of MAS6.

Neither the Trustee nor the Managers have undertaken any additional due diligence in respect of the application of the Kensington Lending Guidelines and have relied entirely upon the warranties referred to above which will be made by MAS6 pursuant to the MAS6 Mortgage Sale Agreement.

#### **PFL Lending Guidelines**

The following is a summary of the guidelines (the **PFL Lending Guidelines**) of Platform Funding Limited (**PFL**) that were applied (subject to such deviation made in accordance with the standard of a Prudent Mortgage Lender) in respect of the Mortgages to be sold pursuant to the PFL Mortgage Sale Agreement and the Meerbrook 1 Mortgages.

#### *Security*

- Each of the loans advanced under a Mortgage must be secured by a first ranking legal mortgage (an **English Mortgage**) over a freehold or leasehold residential property (with a term at least 25 years longer than the mortgage term and not less than 50 years remaining on the lease) located in England and Wales (an **English Property**); or secured by a first standard security (a **Scottish Mortgage**) over a heritable or a long leasehold residential property (with not less than 99 years remaining on the lease) located in Scotland (a **Scottish Property**) or secured by a first mortgage (a **Northern Irish Mortgage**) over a freehold or long leasehold residential property (with not less than 99 years remaining on the lease) located in Northern Ireland (a **Northern Irish Property**), the English Property, the Scottish Property and the Northern Irish Property are collectively defined as the **Property** or the **Properties** securing the payment of all sums due from the relevant Borrowers under the terms of the loans made to them (the **Loans** and, individually, each a **Loan**).
- Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable.
- Properties under 10 years old will have the benefit of a NHBC or an architects certificate or equivalent guarantee from an acceptable body.
- The following types of building are deemed unacceptable as security:
  - properties listed as defective under the Housing Acts 1984 and 1985 (unless rebuilt to NHBC standards with appropriate guarantees)
  - mobile homes or houseboats
  - prefabricated buildings and unrepaired prefabricated reinforced concrete (PRC) properties

- property where a flying freehold exists affecting more than 15 per cent. of the whole
  - shared ownership properties
  - properties whose construction includes high alumina cement
  - buildings with agricultural restrictions, small holdings or farms
  - buildings of 100 per cent. timber construction
  - steel framed properties (except post 1987 construction with BBA or WIMLAS certification)
  - multi occupied property
  - tenanted property (except where the loan advanced is a "buy to let" loan)
  - properties with commercial usage
  - live/work units
  - flats in blocks of more than four storeys of accommodation are subject to individual consideration
- (e) Each Property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by PFL.
- (f) At the time of completion, the relevant Property must either have been insured under a Block Buildings Policy (as defined under "*Insurance Contracts*" below) in the name of PFL, or PFL must have been jointly insured with the Borrower under, or its interest noted on, a buildings policy relating to the relevant Property.

#### *Loan Amount*

Each Mortgage at the time of completion must be for a minimum principal amount of at least £10,000. No Mortgage may exceed a maximum principal amount of £1,000,000 (including Further Advances).

#### *Loan to value*

- (a) The loan to value ratio (**LTV**) is calculated by expressing the initial principal amount advanced at completion of the Mortgage as a percentage of the lower of the purchase price and valuation of the Property (with the exception of right-to-buy cases and sales at an undervalue where the valuation is used).
- (b) The LTV of each Mortgage at the date of completion must be no more than 95 per cent. (excluding fees).

#### *Term*

Each Mortgage must have an initial term of between 10 and 30 years.

#### *Borrowers*

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to the Mortgage.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
- search supplied by a credit reference agency;
  - CAIS information;
  - confirmation of voters roll entries or proof of residency;
  - references from employers;
  - accountant's certificate;
  - references from lenders; or
  - references from current landlords and previous landlords.

- (d) Explanations may be provided where a County Court Judgment (or its Scottish or Northern Irish equivalent) (**CCJ**) relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lender's or landlord's references or a Borrower has been subject to a Bankruptcy Order (**BO**) or Individual Voluntary Arrangement (**IVA**) (or their Scottish equivalent) and such explanations have been asked for at the underwriter's discretion.
- (e) Where satisfaction of CCJs is a requirement of the Mortgage, a certificate of satisfaction must have been provided or satisfaction confirmed in credit reference agency searches or by a letter from the company which registered the **CCJ**.
- (f) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

#### *Income*

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional regular remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self-employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in partnership, or a sole trader; (ii) pensions; (iii) investments; (iv) rental income; and (v) any other monies approved by an authorised official of the lender.
- (b) With the exception of certain allowable fees added to the aggregate balance of the Mortgage, the principal amount advanced will not exceed the higher of 3.5 times the assessed income of the primary Borrower plus one times the assessed income of the secondary Borrower, or 3 times the combined assessed incomes of the primary and secondary Borrowers. For multiple applicants the principal amount advanced will not exceed 3 times the combined assessed income of the primary and secondary Borrowers.
- (c) Customers who wish to self certify their income are required to make a full declaration of their total annual personal income on the application form and must still complete in full the employment section of the application form. Reasonability tests are applied to the customer's declared income with reference to their trade and location.

#### *Solicitors*

The firm of solicitors acting on behalf of the lender on the making of the Mortgage must be on the Britannia Building Society Solicitors panel. If the applicant wishes to use a solicitor not on the Britannia Building Society Solicitors panel then the lender will instruct one of the solicitors on the Britannia Building Society Solicitors panel to act for the lender at the applicant's expense.

*Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 and the Housing (Northern Ireland) Order 1983 (as amended)*

Some Mortgages (**Right to Buy Mortgages**) may be subject to the Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 (as amended) and the Housing (Northern Ireland) Order 1983 (as amended).

#### *Buy to Let Loans*

Loans to Borrowers who wish to purchase or remortgage residential property for the purpose of letting to third parties (**Investment Home Loan Mortgages**) are governed by the same, or at times, more strict lending guidelines than the PFL Lending Guidelines, including:

- (a) the maximum LTV of each Loan is 85 per cent. excluding fees;
- (b) the rental payment received by the Borrower in respect of the relevant Property is at least 125 per cent. of the Borrower's monthly payment under the Loan; and
- (c) a more limited adverse credit history from the Borrower.

#### *Exceptions to the PFL Lending Guidelines*

Exceptions to the PFL Lending Guidelines may only be made by Platform Home Loans Limited (**PHL**) team of underwriters (**PHL Underwriters**). Within their individual mandate, PHL Underwriters may make

any exception to the PFL Lending Guidelines provided that such exception is (i) in line with prudent mortgage lending in the non-conforming market and (ii) documented on the case.

#### *Changes to PFL Lending Guidelines*

PFL may vary the PFL Lending Guidelines from time to time in the manner of a Prudent Mortgage Lender and has recently increased the maximum LTV applicable to particular mortgage products.

#### **Leek 7 Lending Guidelines**

The following is a summary of the guidelines (the **Leek 7 Lending Guidelines**) of Platform Funding Limited that were applied (subject to such deviation made in accordance with the standard of a Prudent Mortgage Lender) in respect of the Leek 7 Mortgages in the Mortgage Pool.

#### *Security*

- (a) Each of the loans advanced under a Mortgage must be secured by a legal mortgage (an **English Mortgage**) over a freehold or leasehold residential property (with a term at least 35 years longer than the mortgage term) located in England and Wales (an **English Property**); or secured by a first standard security (a **Scottish Mortgage**) over a long leasehold residential property (with a term at least 35 years longer than the mortgage term) located in Scotland (a **Scottish Property**) or secured by a first mortgage (a **Northern Irish Mortgage**) over a freehold or long leasehold residential property (with not less than 99 years remaining on the lease) located in Northern Ireland (a **Northern Irish Property**), the English Property, the Scottish Property and the Northern Irish Property are collectively defined as the **Property** or the **Properties** securing the payment of all sums due from the relevant Borrowers under the terms of the loans made to them (the **Loans** and, individually, each a **Loan**).
- (b) Only property of acceptable standard construction intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of building are deemed unacceptable as security:
  - properties listed as defective under the Housing Acts 1984 and 1985 (unless rebuilt to NHBC standards with appropriate guarantees);
  - mobile homes or houseboats;
  - flats in blocks of more than seven stories of accommodation;
  - PRC (prefabricated reinforced concrete) property unless repaired under guarantee;
  - property where a flying freehold exists affecting more than 15 per cent. of the whole;
  - shared ownership properties;
  - properties whose construction includes high alumina cement;
  - buildings with agricultural restrictions, small holdings or farms;
  - buildings of 100 per cent. timber construction;
  - steel framed properties;
  - tenanted/multi occupied property; and
  - properties purchased by the vendor/developer within the last 6 months and subject to superficial refurbishment (back to back sale).
- (e) Each Property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by PFL;
- (f) At the time of completion, the relevant Property must either have been insured under a Block Buildings Policy (as defined under "*The Mortgage Pool – Insurance Contracts*") in the name of PFL, or PFL must have been jointly insured with the Borrower under, or its interest noted on, a buildings policy relating to the relevant Property.



#### *Loan Amount*

Each Mortgage at the time of completion must be for a minimum principal amount of at least £10,000. No Mortgage may exceed a maximum principal amount of £1,000,000 (including Further Advances).

#### *Loan to value*

- (a) The LTV is calculated by dividing the initial principal amount advanced at completion of the Mortgage by the valuation of the Property.
- (b) The LTV of each Mortgage at the date of completion must be no more than 95 per cent.

#### *Term*

Each Mortgage must have an initial term of between 10 and 30 years.

#### *Borrowers*

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to the Mortgage if it is unregulated. If the Mortgage is regulated the maximum number of Borrowers is two except with a Further Advance where the original advance was 3 or 4 Borrowers.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - Search supplied by a credit reference agency;
  - CAIS information;
  - Confirmation of voters roll entries or proof of residency;
  - References from current employers;
  - Accountant's certificate;
  - References from current leaders; or
  - References from current landlords.
- (d) Where a CCJ relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by the lender's or landlord's references or a Borrower has been subject to a BO or IVA (their Scottish equivalent), explanations should have been provided.
- (e) Where satisfaction of CCJs is a requirement of the Mortgage, a certificate of satisfaction must have been provided or satisfaction confirmed in credit reference agency searches.
- (f) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

#### *Income*

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self-employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in partnership, or a sole trader; (ii) pensions; (iii) investments; (iv) rental income; and (v) any other monies approved by an authorised official of the lender.
- (b) With the exception of certain allowable fees added to the aggregate balance of the Mortgage, the principal amount advanced will not exceed the higher of 3.5 times the assessed income of the primary Borrower plus one times the assessed income of the secondary Borrower, or 3 times the combined assessed incomes of the primary and secondary Borrowers. For multiple applicants the principal amount advanced will not exceed 3 times the combined assessed income of the primary and secondary Borrowers.

### *Solicitors*

The firm of solicitors acting on behalf of the lender on the making of the Mortgage must have at least two practicing partners holding a current practicing certificate.

*Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 and the Housing (Northern Ireland) Order 1983*

Some Mortgages (Right to Buy Mortgages) may be subject to these provisions.

### *Exceptions to the Leek 7 Lending Guidelines*

Exceptions to the Leek 7 Lending Guidelines may only be made by the PHL Underwriters. Within their individual mandate, the PHL Underwriters may make any exception to the Leek 7 Lending Guidelines provided that such exception is (i) in line with prudent mortgage lending in the sub-prime market and (ii) documented on the case.

### **Kensington Lending Guidelines**

The following is a summary of the guidelines (the **Kensington Lending Guidelines**) of Kensington that were applied (subject to such deviation made in accordance with the standard of a Prudent Mortgage Lender) in respect of the MAS6 Mortgages sold to MAS6 in the Mortgage Pool. Each MAS6 Mortgage was originated in accordance with the "very low adverse" or "low adverse" lending criteria of Kensington as set out in the relevant Kensington product matrix applicable at the time of origination of the Loan.

### *Security*

- (a) Each relevant Loan must be secured by a first legal mortgage over an English Property in England or Wales, the primary use of which is residential.
- (b) Only Property of standard construction intended for use wholly or partly as a principal place of residence is acceptable. A Property which may be let as a holiday letting is acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC, Zurich, Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of Property are deemed unacceptable as security:
  - Freehold flats and maisonettes;
  - Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985;
  - Properties containing mundic block materials;
  - Properties purchased under the Local Authority Right-to-Buy Scheme;
  - Ex-Local Authority flats and maisonettes;
  - Properties with agricultural restrictions; and
  - Properties not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party.
- (e) Each Property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by Kensington or any of its relevant subsidiaries.
- (f) At the time of completion of each Mortgage the relevant Property was insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by a valuer approved Kensington or any of its relevant subsidiaries and Kensington or any of its relevant subsidiaries became either the sole or a joint insured or its interest was noted by the insurers or, in the case of leasehold property, is covered by a landlord's buildings insurance policy, with, where possible, the interests of Kensington or any of its relevant subsidiaries and the mortgagor endorsed or deemed noted thereon, in each case with a reputable insurance company agreed to by Kensington or any of its relevant subsidiaries against all risks usually covered by a Prudent Mortgage Lender when advancing money on the security of the property of the same nature to an amount not less than the full reinstatement value determined at or around the time the related Mortgage Loan was completed and Kensington or any of its relevant subsidiaries has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.

- (g) Relevant Loans may, in some cases, have the benefit of additional security by way of collateral security over one or more life insurance policies.

#### *Loan Amount*

Relevant Loans must be at least £25,001 (excluding fees and expenses). Relevant Loans (including Further Advances) will not exceed £1,000,000 at any time during the life of the relevant Loan.

#### *Loan to Value*

- (a) The loan to value ratio is calculated by dividing the gross principal amount advanced at completion of the relevant Loan by the value of the Property at origination of the relevant Loan or, in some cases, the lower of such valuation and the sale price (**LTV**).
- (b) The LTV of each relevant Loan at the date of the initial advance and any Further Advance must be no more than 95 per cent. (exclusive of any arrangement fee which may be added to the relevant Loan).

#### *Term*

Each relevant Loan must have an initial term of between 5 and 30 years and (except for a repayment loan) have no scheduled principal repayment prior to its stated final maturity.

#### *Borrowers*

- (a) Borrowers must be natural persons, and have been at least 18 years of age prior to completion of the relevant Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a relevant Loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
- Search supplies by credit reference agency;
  - Confirmation of voters roll entries or proof of residency;
  - Reference from current employers;
  - Accountant's certificate;
  - Reference from current lenders; and
  - Reference from current landlords.
- (d) Where a County Court Judgement (**CCJ**) relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders or landlords' references or a Borrower has been subject to a bankruptcy order (**BO**) or individual voluntary arrangement (**IVA**), explanations should have been provided. Generally, a CCJ will be acceptable if it (i) was registered not less than 2 years before the Borrower's application for a loan, (ii) was satisfied not less than 12 months before the Borrower's application for a loan and (iii) related to a sum of not more than £100.
- (e) Where satisfaction of CCJs is a requirement of the relevant Loan, a certificate of satisfaction must have been provided.
- (f) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA will have provided a confirmation of satisfactory conduct of the IVA where appropriate.

#### *Income*

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers (holding at least 25% of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by an authorised officer of the relevant subsidiary of Kensington or its delegate or agent.

- (b) The maximum relevant Loan will not exceed the higher of 3.5 times the assessed income of the primary borrower plus 1 times the assessed income of the secondary borrower, or 3 times the combined assessed incomes of the primary and secondary borrowers.

#### *Solicitors*

The firm of solicitors acting on behalf of the relevant subsidiary of Kensington must have at least two practising partners or alternatively the relevant Loan must be originated in accordance with the relevant procedure for completion of relevant Loans the subject of title insurance.

#### *Further Advances*

Further advances are governed by the same criteria as initial advances with the following additions:

- at least three months must have elapsed since completion of the initial advance;
- repayments on the relevant Loan must be up-to-date; and
- the relevant Loan must have experienced arrears no greater than one month at any time in the previous three months.

#### **Administration of the Mortgage Pool**

PFL in respect of the PFL Mortgages and MAS6 in respect of the MAS6 Mortgages will be required from the Closing Date to administer the Mortgage Pool as agents of the Issuer and the Trustee under and in accordance with the terms of the Administration Agreement. The duties of the Administrators will include amongst other things:

- in respect of PFL only, operating the Bank Accounts and ensuring that payments are made into and from the Bank Accounts in accordance with Administration Agreement;
- notifying the Borrowers of any change in their monthly payments or in the premium payable on any buildings insurance policy;
- providing a redemption statement upon the request of a Borrower's solicitor or licensed conveyancer;
- taking all reasonable steps to recover all sums due to the Issuer, including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage or any related security;
- taking all action and doing all things which it would be reasonable to expect a Prudent Mortgage Lender to do in administering its mortgages;
- in respect of PFL only, make all filings, give all notices and make all registrations and other notifications required in the day-to-day operation of the business of the Issuer;
- in respect of PFL only, arranging for all payments due to be made by the Issuer under any of the Transaction Documents to be made;
- in respect of PFL only, keeping general books of account and records of the Issuer, provide accounting services including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts and supervising and assisting in the preparation of tax returns; and
- in respect of PFL only, paying on behalf of the Issuer all the out-of-pocket expenses of the Issuer incurred in the performance of the Administrators' duties under the Administration Agreement.

It is intended that each of PFL and MAS6 will delegate certain administration services to WMS on the Closing Date.

#### **Enforcement Procedures**

The Administrators have established procedures for managing loans which are in arrear, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Administrators (or any sub-administrator of the Administrators) in many circumstances. These procedures, as from time to time varied in accordance with the practice of a Prudent Mortgage Lender or with the consent of, *inter alios*, the Issuer and the Trustee, are required to be used by the Administrators in respect of arrears arising on the Mortgages.

In cases of a default by a Borrower in respect of a Mortgage, different enforcement procedures will apply depending on where the relevant Property subject to the Mortgage is situated.

#### *English Loans*

In order to realise its security in respect of a Property situated in England, the relevant mortgagee (be it the legal owner (PFL or MAS6), the beneficial owner (the Issuer), the Trustee or its appointee (if the Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose; first, by taking physical possession (seldom done in practice), and second, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

#### *Scottish Loans*

A proportion of the PFL Mortgages are secured over properties in Scotland (**Scottish Loans**). These are secured by security taken over the relevant properties by way of standard security, being the only means of creating a fixed charge or security over heritable property in Scotland (**Scottish Mortgages**). In respect of Scottish Mortgages, references herein to a **Mortgage** and a **Mortgagee** (or the **legal proprietor** of a Mortgage) are to be read as references to such a standard security and the heritable creditor thereunder, respectively.

A statutory set of *Standard Conditions* is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties.

The main provisions of the Standard Conditions, which cannot be varied by agreement, relate to enforcement. Generally, where a breach by a Borrower entitles the lender to enforce the security, an appropriate statutory notice must first be served. First, the lender may serve a "calling up notice" requiring repayment, in which event the Borrower has two months to comply and in default the lender may enforce its rights under the standard security by sale or the other remedies provided by statute (court application only being necessary where the Borrower fails to vacate the property). Alternatively, in the case of remediable breaches, the lender may serve a "notice of default", in which event the Borrower has only one month in which to comply, but also has the right to object to the notice by court application within fourteen days of the date of service. In addition, the lender may in certain circumstances make direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement will therefore depend on the circumstances of each case, and the relevant Administrator will in practice proceed with the remedy most likely to be effective in enforcing or protecting the security.

Prior to December 2001, once a default by a Borrower had been constituted by one of the methods detailed in the preceding paragraph the courts were bound (except in very limited circumstances) to grant the enforcement remedies sought by the lender. This position has been altered by the Mortgage Rights (Scotland) Act 2001, which was brought into force on 3 December 2001. The principal effect of the Mortgage Rights (Scotland) Act 2001 is to confer on the court a discretion, on the application of the Borrower (or the Borrower's spouse or partner) within certain time limits, to suspend the exercise of the lender's enforcement remedies for such period and to such extent as the court considers reasonable in

the circumstances, having regard amongst other factors to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation.

This now brings the situation in Scotland broadly in line with that in England and Wales where Sections 36-38 of the Administration of Justice Act 1970 provide the courts with similar discretion.

#### *Northern Irish Loans*

In cases of default by a Borrower in relation to a Mortgage secured over property situated in Northern Ireland, requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings. After a possession order is obtained the judgment is enforced through the Enforcement of Judgments Office (rather than by bailiffs) and it has its own procedures for enforcement.

By virtue of Article 51 of The Judgments Enforcement (Northern Ireland) Order 1981 an order charging land (i.e. a judgment mortgage), if founded on a judgment in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

#### **Further Advances**

PFL or MAS6, as applicable, may make Further Advances which may be purchased by the Issuer. In making such Further Advances, PFL and MAS6 will apply the lending criteria applied at the date of origination of the loans secured by the Mortgages in the Mortgage Pool (as amended from time to time in accordance with the standard of a Prudent Mortgage Lender) (the **Lending Guidelines**). Furthermore, the purchase of a Further Advance by the Issuer will be subject, *inter alia*, to the following conditions:

- (a) the amount held in the Relevant GIC Account in respect of the Required Amount must be equal at the relevant time to the Initial Required Amount or such other amount agreed with the Rating Agencies from time to time;
- (b) upon the making of any Further Advance, the relevant Borrower is not, so far as the relevant Administrator or any of its agents or delegates is aware, in material breach (including, without limitation, non-payment of any amounts due) of any of the conditions of the relevant Borrower's existing Mortgage and such conditions will be satisfied;
- (c) to the extent that the relevant Administrator or any of its agents or delegates has reason to believe that the relevant Further Advance to be made to the Borrower may result in a regulated loan (as defined in the Consumer Credit Act), any applicable provisions of the Consumer Credit Act relating to regulated agreements will be complied with;
- (d) each Further Advance (together with all related fees, costs and expenses) will have the benefit of the same security (whether under the same charge or under a second charge ranking immediately behind the Issuer's existing charge) as the principal balance under the relevant Mortgage immediately prior to the making of such Further Advance;
- (e) the relevant Administrator's further advance procedures have been applied to the Further Advance and to the circumstances of the Borrower at the time the Further Advance was made;
- (f) prior to making the Further Advance the relevant Administrator or any of its agents or delegates reasonably believes that no second mortgage, standard security or charge has been created over the relevant Property unless such second mortgage, standard security or charge has been expressly postponed by deed or ranking agreement to the Mortgage securing such Further Advance or unless the loan secured by such second charge is to be, and is, redeemed out of the proceeds of the Further Advance simultaneously with the making of the Further Advance;
- (g) the aggregate amount of all Further Advances may not exceed 10 per cent. of the aggregate outstanding balances of the Mortgages plus the amount of Retentions as at the Closing Date;
- (h) if the Further Advance is purchased by the Issuer in respect of Mortgages which are or are required to be the subject of a hedging arrangement, such hedging arrangement is in place so that the making of the Further Advance would not adversely affect the then current rating by the Rating Agencies of any class of Notes;
- (i) by reference to a calculation made on the immediately preceding Calculation Date, the total amount of interest arrears in respect of the Mortgages on such Calculation Date expressed as a percentage

of the gross interest due on all Mortgages outstanding during the 12 months preceding such Calculation Date does not exceed 3 per cent., save that the figure of 3 per cent. shall exclude arrears of interest as at 28 March 2006, and may be increased from time to time upon the Rating Agencies agreeing that such increase will not adversely affect the then current ratings by the Rating Agencies of the Notes; and

- (j) such other tests as are required by the Rating Agencies from time to time including the product of the Weighted Average Foreclosure Frequency (**WAFF**) and the Weighted Average Loss Severity (**WALS**) as calculated by the relevant Administrator using each of the Fitch and S&P models after such Further Advance is made does not exceed the product of the WAFF and WALS as determined using the Fitch and S&P models with respect to the Provisional Pool by more than 0.25 per cent.

As at the Provisional Cut-Off Date, there are 81 Further Advances in the pool with an aggregate value of £1,048,494.22.

### **Conversion of Mortgages**

The relevant Administrator on behalf of the Issuer may agree to a request by a Borrower for a Converted Mortgage. The conditions that will apply include:

- (a) if the relevant Administrator has reason to believe that any Converted Mortgage may result in a regulated agreement (as defined in the Consumer Credit Act), any applicable provisions of the Consumer Credit Act relating to regulated agreements will be complied with;
- (b) the Converted Mortgage will be on terms of the relevant standard documentation utilised by PFL or MAS6 at the time of such conversion to document the terms of mortgages it is offering generally and which has not been varied in any material respect;
- (c) no notice converting the floating charge granted under the Deed of Charge over the assets of the Issuer into a fixed charge or Enforcement Notice (as defined in Condition 10(a), ("*Events of Default*")) has been given by the Trustee which remains in effect at the date of the relevant conversion;
- (d) the conversion of the Mortgage will not adversely affect any of the then current ratings by the Rating Agencies of any Class of Notes;
- (e) the effect of the conversion would not be to extend the final maturity date of such Mortgage to beyond the date falling two years prior to the final maturity of the Notes;
- (f) on the date of conversion, so far as the relevant Administrator is aware, the warranties given in the MAS6 Mortgage Sale Agreement, the Meerbrook 1 Origination and Sale Agreement, the Leek 4 Origination and Sale Agreement, the Leek 5 Origination and Sale Agreement or the PFL Mortgage Sale Agreement (as applicable) in relation to the Converted Mortgage have not been breached;
- (g) the conversion of the applicable Mortgage is effected by means of a variation agreement executed by the Borrower and the Mortgage once converted will rank equally in point of priority (as against any other charges or encumbrances affecting the Property) with its priority before such conversion; and
- (h) to the extent that the Converted Mortgage is a non LIBOR-Linked Mortgage, any appropriate hedging or other arrangements are or will on the date of conversions be in place so that such conversion would not adversely affect the then current ratings by the Rating Agencies of any Class of Notes.

### **Insurance Contracts**

#### *Buildings Insurance*

Buildings insurance or building and contents insurance is arranged either by the relevant Borrower selecting an insurer and arranging cover accordingly (a **Third Party Buildings Policy**) or (in the case of the Leek 7 Mortgages) by PFL arranging for cover to be provided by block buildings insurance policies (**Block Buildings Policies**). The Block Buildings Policies are currently maintained with Legal & General Insurance Limited whose registered office is a Temple Court, 11 Queen Victoria Street, London EC4N 4TP (**L&G**). L&G is an insurance company based in the UK, offering a broad range of financial products including block buildings insurance cover.

In respect of the MAS6 Mortgages, MAS6 will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost.

In respect of the Mortgages to be sold by PFL pursuant to the PFL Mortgage Sale Agreement, PFL will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost.

In respect of the Meerbrook 1 Mortgages, under the Meerbrook 1 Origination and Sale Agreement, PFL warranted to Meerbrook 1 that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost. Meerbrook 1 will assign to the Issuer the benefit of such warranty under the Meerbrook 1 Mortgage Sale Agreement.

In respect of the Leek 7 Mortgages, under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, PFL warranted that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy or the Block Buildings Policies with a reputable insurance company against all risks usually covered by a Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost. The benefit of this warranty was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

#### *Title Indemnity Insurance*

In respect of the Mortgages, title insurance, where taken, is currently provided by First Title Insurance plc whose registered office is at Walkden House, 2nd Floor, 3-10 Melton Street, London NW1 2EB. First Title Insurance plc is the UK subsidiary of The First American Corporation. It is an insurance company which provides title insurance and other real-estate related financial products.

In respect of the MAS6 Mortgages, MAS6 will warrant to the Issuer that the relevant title insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as MAS6 was aware, the policy was valid and enforceable and MAS6 had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant title insurance policy.

In respect of the Mortgages to be sold by PFL pursuant to the PFL Mortgage Sale Agreement, PFL will warrant to the Issuer that the relevant title insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant title insurance policy.

In respect of the Meerbrook 1 Mortgages, under the Meerbrook 1 Origination and Sale Agreement, PFL warranted to Meerbrook 1 that the relevant title insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant title insurance policy. Meerbrook 1 will assign to the Issuer the benefit of such warranty under the Meerbrook 1 Mortgage Sale Agreement.

In respect of the Leek 7 Mortgages, under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, PFL warranted that the relevant title insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable. The benefit of this warranty was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

#### *Local Authority Search Insurance*

In respect of the PFL Mortgages, local authority search insurance, where taken, is currently provided by First Title Insurance plc whose registered office is at Walkden House 2nd Floor, 3-10 Melton Street,



London NW1 2EB. First Title Insurance plc is the UK subsidiary of The First American Corporation. It is an insurance company which provides title insurance and other real-estate related financial products. Additionally, there is an indemnity policy relating to Right to Buy Loans currently provided by Norwich Union Insurance Limited (**Norwich Union**) whose registered office is at 8 Surrey Street, Norwich, Norfolk, NR1 3NG. Norwich Union Insurance Limited is an insurance company which provides a wide range of insurance products including local authority search insurance.

In respect of the MAS6 Mortgages, local authority search insurance, where taken, is currently granted by Liberty Legal Indemnities and underwritten by Lloyds, whose registered office is at 1 Lime Street, London EC3M 7HA and by Norwich Union. Lloyds is an insurance company based in the UK, offering a broad range of financial products including local authority search insurance.

In respect of the MAS6 Mortgages, MAS6 will warrant to the Issuer that the relevant local authority search insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as MAS6 was aware, the policy was valid and enforceable and MAS6 had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant local authority search insurance policy.

In respect of the Mortgages to be sold by PFL pursuant to the PFL Mortgage Sale Agreement, PFL will warrant to the Issuer that the relevant local authority search insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant local authority search insurance policy.

In respect of the Meerbrook 1 Mortgages, under the Meerbrook 1 Origination and Sale Agreement, PFL warranted to Meerbrook 1 that the relevant local authority search insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant local authority search insurance policy. Meerbrook 1 will assign to the Issuer the benefit of such warranty under the Meerbrook 1 Mortgage Sale Agreement.

In respect of the Leek 7 Mortgages, under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, PFL warranted that the relevant local authority search insurance policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable. The benefit of this warranty was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

#### *Mortgage Indemnity Guarantee*

In respect of certain of the PFL Mortgages (except the Leek 7 Mortgages), mortgage indemnity guarantees are currently being provided by Brit Insurance Limited (whose registered office is at 55 Bishopsgate, London EC2N 3AS). Brit Insurance Limited is an insurance company which provides a wide range of insurance products including mortgage indemnity guarantee insurance. Additionally, in respect of certain of the PFL Mortgages (except the Leek 7 Mortgages), mortgage indemnity guarantees are also provided pursuant to a policy severally underwritten by both the London Market Mortgage Indemnity Consortium and Brit Insurance Limited. Certain of the PFL Mortgages (except the Leek 7 Mortgages) also have the benefit of an excess of loss mortgage indemnity insurance policy with Brit Insurance Limited but the benefit of such policy will not be assigned to the Issuer on the Closing Date.

Upon PFL granting a Further Advance in respect of a PFL Mortgage (except the Leek 7 Mortgages), such PFL Mortgage will cease to have the benefit of the relevant mortgage indemnity guarantee policy referred to above.

In respect of the Mortgages to be sold by PFL pursuant to the PFL Mortgage Sale Agreement, PFL will warrant to the Issuer that the relevant mortgage indemnity guarantees were in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the mortgage indemnity guarantees were valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant mortgage indemnity guarantees.

In respect of the Meerbrook 1 Mortgages, under the Meerbrook 1 Origination and Sale Agreement, PFL warranted to Meerbrook 1 that the relevant mortgage indemnity guarantees were in full force and effect,

that all premiums payable thereon had been paid, and so far as PFL was aware, the mortgage indemnity guarantees were valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant mortgage indemnity guarantees. Meerbrook 1 will assign to the Issuer the benefit of such warranty under the Meerbrook 1 Mortgage Sale Agreement.

Neither the Trustee nor the Managers will have any responsibility for the genuineness, validity, effectiveness or suitability of any of the Mortgages, the advances relating thereto, the collateral security, including but not limited to the insurance contracts or any of the Further Advances in respect of the Mortgages or any other documents entered into or connection therewith or relating thereto or any obligation or rights created thereby or pursuant thereto and neither the Trustee nor the Managers will be responsible or liable for any investigation of the foregoing.

## REGULATION OF THE UK RESIDENTIAL MORTGAGE MARKET

### Introduction

Until 31 October 2004, the primary regulatory requirements applicable to mortgage loans were imposed by the Consumer Credit Act 1974 (the **CCA**). The CCA imposes requirements on mortgage loans which are regulated consumer credit agreements (**Regulated Credit Agreements**). Regulated Credit Agreements are those where the "amount of credit" (as defined in the CCA) does not exceed the financial limit, which is £25,000 for mortgage loans made on or after 1 May 1998 or £15,000 for mortgage loans made before that date and the loan is not otherwise exempt. The CCA is enforced by the Office of Fair Trading (**OFT**). Loans in the Mortgage Pool which meet these criteria and were advanced before 31 October 2004 will therefore need to comply with the requirements of the CCA. The CCA may still apply to Loans advanced on or after 31 October 2004, which are not Regulated Mortgages as described below as well as to variations on or after 31 October 2004 of Loans originated before that date.

Since 31 October 2004, most residential mortgage loans are regulated under the Financial Services and Markets Act 2000 (the **FSMA**) and not the CCA. FSMA applies to regulated mortgage contracts as defined in Article 61(3) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the **Order**) which are advanced on or after 31 October 2004 (**Regulated Mortgages**). Variations to existing agreements may give rise to CCA consequences where such variations amount to novations of existing agreements and constitute the creation of a new contract with the borrower and where such contract constitutes a Regulated Mortgage. Further Advances may also give rise to CCA consequences to the extent that they result in the variation of a Regulated Credit Agreement and the creation of multiple agreements under Section 18 of the CCA. A Regulated Mortgage is a contract under which the lender provides credit to an individual or a trustee and the contract provides for the obligations of the borrower to be secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land located (other than timeshare accommodation) in the United Kingdom where at least 40 per cent. of the land is (or is intended) for residential use by the borrower or by an individual who is the beneficiary of the trust or his or her immediate family. Regulated Mortgages are not subject to CCA requirements, but are subject to requirements imposed by the Financial Services Authority (the **FSA**). Some of the Loans sold by PFL, MAS6 and Meerbrook 1 to the Issuer on the Closing Date will need to comply with the FSA requirements (having been originated after 31 October 2004), and any Further Advance which may be included in the Mortgage Pool originated after 31 October 2004 may need to comply with these FSA requirements.

For the avoidance of doubt, Regulated Mortgages that were (prior to the new regulatory regime for mortgage lending) regulated under the CCA are, however, enforceable only under court order obtained pursuant to Section 126 of the CCA, notwithstanding their regulation under the FSMA.

Thus, since 31 October 2004, Regulated Mortgages are subject to the FSMA and the FSA's rules, including the mortgage conduct of business rules set out in the FSA Handbook (**MCOB**) (enforced by the FSA), and mortgage loans which do not fall within the definition of a Regulated Mortgage (for example, second charge mortgages or standard securities) and which are Regulated Credit Agreements (for example, loans not exceeding £25,000) are subject to the CCA (enforced by the OFT), and loans which are neither Regulated Mortgages nor Regulated Credit Agreements are not subject to any regulatory requirements. The Financial Services and Markets Act 2000 (Consequential Amendments) Order 2005 came into force on 16 November 2005. This Order, which amends sections 82 and 146 of the CCA, is intended to remove the possibility that a mortgage agreement could fall to be regulated in certain circumstances under both FSMA and the CCA. See "*Future Reforms to the Consumer Credit Act 1974*" for details of possible changes to the criteria for Regulated Credit Agreements which may result in the extension of the CCA regulatory regime to include any mortgage loans for non-business purposes which are not Regulated Mortgages.

### **Loans Regulated by the Consumer Credit Act 1974**

A licence is required from the OFT to originate Regulated Credit Agreements and in order to carry out certain other activities relating to Regulated Credit Agreements. The OFT can take formal proceedings to revoke the licences of those it considers to be unfit to hold a licence. In the event that the licence is revoked, the former holder of the licence is no longer able to carry on a consumer credit business. Loans made by unlicensed lenders or introduced by unlicensed credit brokers are unenforceable without an order from the OFT.

The OFT may issue guidance for licence holders which may set out practices which in the opinion of the OFT call into question a licence holders' fitness to continue to hold a consumer credit licence. Such

guidance does not have the force of law, but breach of it may be taken into account by the OFT in assessing a person's fitness to hold a consumer credit licence. The OFT has issued guidance entitled "*Non-Status Lending Guidelines for Lenders and Brokers*" (the **Guidelines**) which is directed at mortgage lenders who lend to borrowers who may have difficulty obtaining credit on the basis of the general lending criteria of typical UK banks and building societies (often known as non-status, credit impaired or sub-prime borrowers). Further consideration of the Guidelines is set out below.

The Mortgage Pool will contain loans which are Regulated Credit Agreements. This may arise for Loans which (a) are partly regulated by the CCA in that they also finance the supply of insurance under arrangements with the supplier or (b) might be wholly or partly regulated by the CCA because of technical rules on determining whether the financial limit is exceeded or (c) might be treated as wholly or partly regulated by the CCA because of technical rules on agreements varied mutually or (d) are or are treated as wholly or partly regulated by the CCA as they were intended to be loans regulated by the CCA or entered into on documentation stated to be regulated by the CCA.

A Regulated Credit Agreement has to comply with requirements under the CCA as to content, layout and execution of the loan documentation. A Regulated Credit Agreement will be unenforceable: (a) if the agreement to be signed by the Borrower is not signed by the Borrower or omits or misstates a "prescribed term"; or (b) without a court order, where a Regulated Credit Agreement fails to comply in other ways. Where the court has a discretion to enforce the agreement, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the Borrower and any culpability of the lender. The terms of a Loan may also be reopened if a Court finds an agreement to be an extortionate credit bargain within the meaning of the CCA.

Although no assurance can be given, in respect of those Mortgages where the relevant loan was one which, under the relevant lender's criteria, that lender expected to be regulated by the Consumer Credit Act and assuming that (i) the Mortgage forms have been properly completed before execution and signed by the Borrower; (ii) there is no financing for charges that are outside the "total charge for credit" as defined in the Consumer Credit Act; (iii) technical rules on, including within the total charge for credit and the annual percentage rate, the correct fees, charges and other amounts have been properly applied; (iv) technical rules on determining whether the financial limit is exceeded have been properly applied; and (v) no Mortgage has been varied bilaterally; then it is unlikely that the Mortgages would be unenforceable on the basis of non-compliance with requirements under the Consumer Credit Act as to content and layout and otherwise save in exceptional circumstances.

If a court order is necessary, and capable of being granted, to enforce a Mortgage securing a Loan, in dealing with such application, the court has the power, if it appears just to do so, to amend a Loan which is a Regulated Credit Agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Other liabilities may also arise under the CCA. In certain circumstances, lenders can be made responsible for misrepresentations and breaches of contract in respect of goods or services financed by a Regulated Credit Agreement. This may arise, for example, in relation to any insurance policies financed by the Loan and may result in a claim by a Borrower to set off amounts due under a Regulated Credit Agreement.

Under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, PFL warranted that all regulated loans comply with the requirements of the Consumer Credit Act. The benefit of this warranty was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement. Additionally, under each of the Leek 4 Origination and Sale Agreement and the Leek 5 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Leek 7 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee was assigned to Leek 7 under the Leek 4 Mortgage Sale Agreement and the Leek 5 Mortgage Sale Agreement, further assigned to Meerbrook 1 under the Leek 7 Mortgage Sale Agreement and will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

Under the Meerbrook 1 Origination and Sale Agreement, PFL warranted that all regulated loans comply with the requirements of the Consumer Credit Act. The benefit of this warranty will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement. Additionally, under the Meerbrook 1 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Meerbrook 1 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, PFL will warrant that all regulated loans comply with the requirements of the Consumer Credit Act and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS6 Mortgage Sale Agreement, MAS6 will warrant that no Loan is a consumer credit agreement or constitutes any agreement regulated or partly regulated by the Consumer Credit Act and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS6 under the MAS6 Mortgage Sale Agreement.

As a consequence, where a court or other competent authority determines that a Mortgage is unenforceable as a result of a breach of the Consumer Credit Act or there has been an alleged breach of the Consumer Credit Act which is the subject of a complaint by a Borrower, a consumer body or a competent regulatory body and such breach is likely to make that Mortgage unenforceable, the Issuer will have the benefit of the relevant warranties and guarantees provided or assigned to it.

#### ***Non-Status Lending Guidelines for Lenders and Brokers issued by the OFT***

As set out above, the OFT may issue Guidelines to consumer credit licence holders which does not have force of law, but breach of which may be taken into account by the OFT in considering a person's fitness to hold a consumer credit licence.

The Guidelines issued by the OFT in November 1997 apply to all secured loans made to "non-status borrowers", defined for the purposes of the guidelines as borrowers with a low or impaired credit rating and who would find it difficult generally to obtain finance from traditional sources on normal terms and conditions. Most of the Loans are concluded with Borrowers who fall within this category. The Guidelines are not legislation. They set out certain "principles" to be applied in the context of the non-status residential mortgage market that are considered by the OFT to be good business practice for lenders and brokers to adopt in order that their fitness to hold a consumer credit licence is not brought into question. Although it is not obliged to do so, each of PFL and MAS6 has liaised with the OFT and taken steps to ensure that it adopts practices and procedures in compliance with the Guidelines.

The Guidelines regulate activities relating to advertising and marketing, loan documentation and contract terms, the relationship between lenders and brokers, selling methods, underwriting, dual interest rates, flat interest rates and early redemption payments. The Guidelines are designed to promote transparency in all dealings with borrowers, requiring clear contract terms and conditions to be provided promptly with full explanation of all fees and charges payable by the borrower in connection with the mortgage.

Some of the principal requirements of the Guidelines are: (a) advertising and other promotional material must be clear and not misleading and unfair sales tactics are prohibited; (b) brokers are obliged to disclose at the outset of the transaction their status with regard to the borrower and the lender, together with details of any fee or commission payable to them as broker; (c) lenders must take all reasonable steps to ensure that brokers and other intermediaries who market their products do not engage in unfair business practices or act unlawfully, that they serve the best interests of borrowers and explain clearly the documentation and consequences of any breach or early repayment to borrowers; (d) lenders must carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay and verification of the accuracy of information provided by borrowers on or in support of the loan application; (e) all underwriting staff must be properly trained and supervised; (f) prompt notification to borrowers of any changes in the terms and conditions of the loan including prior notification of at least 2 months of any changes to the borrower's monthly payment date and any variations to the applicable interest; (g) partial repayment and early repayment charges must do no more than cover the costs reasonably incurred by the lender to date and not already recovered and reasonable administrative costs arising from the prepayment; (h) the use of the "Rule of 78" to calculate the early settlement figure should be discontinued; (i) borrowers should not be charged a higher interest rate on default and administrative charges incurred on default must be reasonable, covering the lender's administrative costs only, and must be set out in the documentation; (j) arrears must be dealt with sympathetically and positively and monitored closely, with repossession proceedings being initiated only as a last resort and court proceedings should not be instituted unless all other avenues have failed.

#### ***Future Reforms to the Consumer Credit Act 1974***

In July 2001, the department of the U.K. government responsible for consumer credit legislation – the Department of Trade and Industry (the DTI) announced a Review of the CCA with the intention to introduce reforms.

As a result of this review, the DTI has announced a programme of reforms some of which will take effect through statutory instruments, others which will be made in a Bill amending the CCA.

On 31 May 2005 new statutory instruments under the CCA came into force amending the rules on (a) advertising of consumer credit, (b) the prescribed contractual information to be provided to borrowers prior to concluding consumer credit agreements with them; (c) the requirements as to form and content of consumer credit agreements; and (d) the calculation of early settlement charges under consumer credit agreements. The amendments have some retrospective effect.

The amendments to the rules on calculation of early settlement charges have removed the use of the Rule of 78 calculation and replaced it with a different (actuarial) calculation for calculating rebates on the amounts that would otherwise be payable by consumers who settle a credit agreement early. This is likely to reduce the amount of the early repayment charge where the Rule of 78 is currently used. These amendments will apply to all Loans originated on or after 31 May 2005. They will also apply to all Loans made before 31 May 2005, from 31 May 2007 for agreements with a term not exceeding 10 years and from 31 May 2010 for Loans with a term exceeding 10 years.

On 9 December 2004, the DTI laid before Parliament regulations further amending the CCA (i) in order to enable and facilitate the use of electronic communications for concluding regulated agreements (backed by signed hard copies) and when sending notices and other documents; and (ii) to ensure that all enforcement, default and termination notices are sent in paper format. Both sets of regulations came into force on 31 December 2004.

The Consumer Credit Bill 2005 was introduced in the House of Commons on 18 May 2005. A similar bill, the Consumer Credit Bill 2004, had previously been introduced but had lapsed with the dissolution of Parliament on 11 April 2005 prior to the 2005 general election. The Consumer Credit Bill 2005, if enacted, will effect significant amendments to the CCA, including:

- (i) the removal of the financial limit from the CCA in respect of credit for non-business lending;
- (ii) the exemption from the CCA regime of high net worth debtors who meet certain criteria and who choose to exercise a voluntary opt out and credit above the value of £25,000 where such credit is entered into by the debtor predominantly for the purposes of a business carried on, or intended to be carried on, by him;
- (iii) the extension of the Financial Ombudsman Service to consumer credit licence holders, allowing consumers to challenge agreements without court proceedings;
- (iv) further criteria (applicable with some retroactive effect) to determine whether the relationship between debtors and creditors is unfair, which will include unfair practices and terms, and not just extortionate rates;
- (v) the strengthening of the powers of the Office of Fair Trading (OFT) and the introduction of a Consumer Credit Appeals Tribunal to hear appeals from determinations of the OFT relating to licensing matters;
- (vi) the extension of the courts' discretion to allow enforcement of consumer credit agreements notwithstanding a breach of the requirements of the CCA to certain requirements whose breach now results in the relevant consumer credit agreement being mandatorily unenforceable, in order to allow courts to make a judgment that is proportionate to the detriment caused to the consumer;
- (vii) the requirement on lenders to provide annual statements and an arrears notice with an OFT information sheet on what to do about arrears together with restrictions on the rights of lenders to make default charges, charge default interest and to enforce agreements unless they comply with such requirements;
- (viii) the prohibition of charging compound interest on default sums; and
- (ix) new provisions relating to the licensing of consumer credit businesses.

The amendments to the Consumer Credit Act (if the Consumer Credit Bill 2005 is enacted): (a) would make all Loans subject to some form of regulation (unless an exemption applies); (b) may increase the possibility of a challenge to agreements on the basis of "unfairness" (with some retrospective application to existing agreements); (c) would set out proportionality principles for courts in their enforcement of consumer credit agreements; and (d) may result in more restrictions being placed upon the activities of consumer credit licence holders.

The Consumer Credit Bill 2005 was approved by the House of Commons on 14 July 2005 and introduced into the House of Lords on 19 July 2005. The Consumer Credit Bill 2005 went through its report stage in the House of Lords on 18 January 2006. Royal Assent for the Consumer Credit Bill 2005 is expected in the spring of 2006 although the resulting amendments to the CCA would come into force on such days as the Secretary of State for Trade and Industry may appoint. However, it is unlikely that, even if it is enacted during 2006, the amendments set out in the Consumer Credit Act 2006 will come into force immediately.

#### ***Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000***

Since 31 October 2004, a number of activities relating to Regulated Mortgages have become "regulated activities" under Section 19 of FSMA and the Order and these activities require authorisation from the FSA. These activities are: (a) entering into a Regulated Mortgage as lender; (b) administering a Regulated Mortgage (administering in this context includes notifying borrowers of changes in payments and/or collecting payments due); (c) advising on Regulated Mortgages; (d) arranging Regulated Mortgages; and (e) agreeing to do any of the foregoing.

Each of Britannia, PFL, MAS6 and WMS have received confirmation from the FSA that it is authorised for the applicable activities listed above from 31 October 2004. A view has been taken that the Issuer does not require to be authorised since its activities are such that they either do not fall within the regulated activities as defined in the Order or they benefit from a specific exemption in respect of those activities.

Authorisation by the FSA subjects each of Britannia, PFL, MAS6 and WMS to the full regulatory regime imposed by FSMA and the FSA. In particular, Britannia, PFL, MAS6 and WMS are required to have in place full systems and controls, to ensure that those carrying out controlled functions are authorised by the FSA, to maintain prescribed prudential ratios, and its activities and Regulated Mortgages are subject to the Financial Ombudsman Scheme. In addition, the regulated activities relating to Regulated Mortgages are subject to mortgage conduct of business rules set out in the FSA Handbook (MCOB).

MCOB sets out detailed rules that apply to the origination of Regulated Mortgages. These rules contain requirements: (a) which place limitations on the types of inducements and commission which can be paid to introducers; (b) regulate all advertising and other financial promotions in relation to "qualifying credit promotions"; (c) to ensure the suitability of any advice provided; (d) on disclosure prior to and post conclusion of a Regulated Mortgage; (e) in relation to the format, layout and content of offer documentation; (f) to lend "responsibly" when entering into any Regulated Mortgage or Further Advance which includes an express obligation to consider the customer's ability to repay; (g) that all charges (including the interest rate, settlement fees and default charges) are not "excessive" by reference to market rates; and (h) in relation to dealings with borrowers in arrears or facing repossession. The provisions of MCOB are supplemented by the ECO sourcebook in respect of "information society services", such as web-based online information.

Failure to comply with the provisions of MCOB and/or ECO does not make Loans unenforceable. Regulated Mortgages are only unenforceable if the originator is not authorised or if they are originated following a regulated activity which is conducted by an unauthorised person in breach of the general prohibition, or as a result of a financial promotion which is not approved by an authorised person in breach of Section 21 of FSMA. Breach of MCOB and/or ECO could give rise to enforcement action by the FSA. Breach of the rules in MCOB are actionable by Borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a Borrower to set off sums due under a Loan. Any such set off may adversely affect the Issuer's ability to make payment on the Notes.

Under the Meerbrook 1 Origination and Sale Agreement, PFL warranted that from and including 31 October 2004 it had been, and continued to be authorised by and held appropriate permissions from the FSA to conduct all regulated mortgage activities in respect of regulated mortgage contracts and that it had complied with the provisions of MCOB in respect of each Meerbrook 1 Mortgage. The benefit of this warranty will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement. Additionally, under the Meerbrook 1 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Meerbrook 1 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee will be assigned to the Issuer under the Meerbrook 1 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, in respect of any Mortgage Loan entered into after 31 October 2004, PFL will warrant that it is authorised by and had permission from the FSA to enter into

regulated mortgage contracts as a lender, and in relation to each Mortgage Loan, that it is authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage Loan, and that it has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS6 Mortgage Sale Agreement, in respect of any Mortgage Loan entered into after 31 October 2004, MAS6 will warrant that Kensington was authorised by and had permission from the FSA to enter into regulated mortgage contracts as a lender, and in relation to each Mortgage Loan, that Kensington was authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage Loan, and that Kensington has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS6 under the MAS6 Mortgage Sale Agreement.

As the Leek 7 Mortgages were originated prior to 31 October 2004, no similar warranties were made by PFL in respect of the Leek 7 Mortgages.

As a consequence, should a court or other competent authority determine that a Mortgage is unenforceable as a result of a lack of authorisation or where there has been an alleged breach of the provisions of the MCOB which is the subject of a complaint by a Borrower and such breach is likely to result in a judgment allowing a Borrower to set off sums due under a Loan, the Issuer will have the benefit of the relevant warranties and guarantees provided or assigned to it.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. We can give no assurance that the FSA will not change its rules or take a particular regulatory approach which may adversely affect the particular sector of Britannia, PFL, MAS6 or WMS in the mortgage market or specifically Britannia, PFL, MAS6 or WMS. Any such development may have a material adverse effect on the Issuer and/or the Administrators and/or the Sub-Administrator and their respective businesses and operations.

#### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999***

The Unfair Terms in Consumer Contracts Regulations 1994 and 1999 (the **Regulations**) apply to agreements made on or after 1 July 1995 and apply to standard form contracts entered into with individuals acting outside the scope of their trade, business or profession. The Regulations provide that (a) a consumer may challenge a term in an agreement on the basis that it is "unfair" within the Regulations and therefore not binding on the consumer and (b) the OFT, the FSA and any other "qualifying body" may seek to enjoin (or in Scotland, interdict) a business against relying on unfair terms although the rest of the agreement will remain valid, if it can survive without the relevant term.

This will not generally affect "core terms" which set out the main subject matter of the contract (for example, the Borrower's obligation to repay the principal) but may affect terms deemed to be ancillary terms, which may include interest variation provisions, the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the Loan and other terms the application of which are in the lender's discretion.

In February 2000, the OFT issued a guidance note (the **Guidance Note**) on what the OFT considers "fair" or "unfair" within the Regulations for interest variation terms. The Guidance Note accepts the principle of a term linking an interest rate to an external rate which is outside the lender's control. It provides that, generally, the OFT and Consumers' Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the LIBOR-Linked Loans are made on terms that provide for the mortgage rate to be either at a fixed margin above LIBOR, a fixed rate for a specific period reverting to LIBOR, or at a discount to LIBOR for a specific period reverting to LIBOR, and explain when and how the tracking will take effect. It should be noted that the OFT Guidance Note is not legally binding.

The Guidance Note was withdrawn from the OFT website around two years ago. Prior to regulation by the FSA of Regulated Mortgages, it agreed with the OFT to take responsibility for the enforcement of the Regulations in mortgage agreements.

In May 2005, the FSA issued a non-binding statement of good practice on fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. The statement is addressed to firms



authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope, including regulated mortgage contracts. The statement provides, amongst other things, the FSA's views on the factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked-in borrowers (i.e. where, in order to withdraw from the contract, the borrower is required to give advance notice or to pay a cost or to give up a benefit). Whilst the FSA provides that in general any information about interest rates, variations and notification of any changes should be clear, fair and not misleading, the statement in particular specifies a variety of factors that should be considered in respect of variation clauses applied to contracts with locked-in borrowers. These factors include whether there is some connection between interest rates which apply to locked-in borrowers and those which apply to non-locked in borrowers; whether valid reasons for the change are stated clearly and unambiguously in the contract; and whether the borrower must be given advance notice of the change. Additionally, the FSA states that firms may consider drafting contracts so as to permit variations to be made only when any lock-in clause has not been exercised.

In August 2002, the Law Commission and the Scottish Law Commission issued a joint consultation on proposals (amongst other things) to consolidate the Unfair Contract Terms Act 1977 and the Regulations into a single piece of legislation written in plain language. A final report (together with a draft Bill) was issued on 24 February 2005.

The Commissions' recommendations include, but are not limited to:

- (a) rewriting the Unfair Contract Terms Act 1977 and the Regulations so that there is a single piece of unfair terms legislation covering the whole of the UK which preserves the consumer protection currently contained in both pieces of legislation and extends to all the terms currently covered by the Regulations;
- (b) extending the scope of consumer protection to negotiated clauses as well as standard form clauses, but not to "core" terms (that is, (i) the definition of the main subject matter of the contract provided it is substantially the same as the consumer reasonably expected and transparent; and (ii) the adequacy of the price so long as it is payable in circumstances substantially the same as those the consumer reasonably expected, calculated in substantially the same way as the consumer reasonably expected, not payable under a default or subsidiary term of the contract, and transparent);
- (c) requiring terms in consumer contracts to satisfy a "fair and reasonable" test (for example, terms should be assessed according to whether they are transparent, their substance and effect and the circumstances in existence at the time the contract was made);
- (d) that the unified legislation contain a reformulated version of the indicative and non-exhaustive "grey" list of terms which may be regarded as unfair currently contained in the Regulations;
- (e) subject to certain exceptions (including the exclusion of contracts entered into in pursuance of regulated financial services business, contracts in relation to land and contracts over £500,000), extending to businesses with nine or fewer staff the protections against unfair terms given to consumers under the Regulations (including, but not limited to, allowing such businesses to challenge any type of standard term under the "fair and reasonable" test where the term has not been individually negotiated and is not a "core" term);
- (f) excluding from the definition of "consumer" a person who makes a contract for purposes mainly related to his or her business;
- (g) requiring that in claims brought by consumers, the burden of proof lies on the business to show that the term is fair, whilst in the exercise of preventive powers (such as the power to seek an injunction) it will be up to the OFT or other body to show that the term is unfair;
- (h) preventing businesses from relying on terms in consumer contracts unless the term is fair and reasonable and, where a term is shown to be unfair and unenforceable, allowing the contract to continue in existence if possible; and
- (i) that the Act will apply only to new contracts or variations of contract terms agreed after the commencement date of the Act.

No assurance can be given that changes to the Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have an adverse effect on the Loans, Britannia, PFL, MAS6, WMS or the Issuer and their respective businesses and operations.

### ***Non-Statutory Guidelines***

Most mortgage lenders in the UK are members or associate members of the Council of Mortgage Lenders (CML). Britannia, PFL and MAS6 are full members of the CML. Prior to 1 November 2004 members of the CML agreed to abide by a voluntary code of good practice, the Mortgage Code, which set out a minimum standard of good mortgage business practices from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Compliance with the Mortgage Code was policed by the Independent Mortgage Code Compliance Board. Many of the requirements imposed by the FSA and MCOB as of 31 October 2004 were already obligations imposed under the Mortgage Code. The Mortgage Code ceased to apply from 31 October 2004 and the Independent Mortgage Code Compliance Board has ceased its regulatory operations. However, MCOB includes transitional arrangements which apply in respect of firms which are now FSA authorised for mortgage activities regarding complaints about mortgages sold under the Mortgage Code, which arise after 31 October 2004.

### ***Potential for Regulatory Changes***

In addition to the ongoing process of reform to the CCA set out above, the following developments may affect or lead to reform of the regulatory framework, legislation or rules applicable to mortgage lending.

### ***Professor Miles' Report on the UK Mortgage Market***

It was announced in the Budget statement made by the Chancellor of the Exchequer in April 2003, that Professor David Miles of Imperial College, London would review the UK mortgage market in order to (i) analyse the supply and demand side factors limiting the development of the longer term fixed mortgage market in the United Kingdom to establish why the share of longer term fixed rate mortgages is so low compared to the United States and other EU countries; (ii) consult with key stake holders to establish views and inform analysis; (iii) examine whether there has been any market failure that has held back the market for longer term fixed rate mortgages and consider associated opportunities, risks and potential costs. On 9 December 2003, the Interim Report of Professor Miles' review was published and in March 2004, the Final Report and Recommendations was published.

The Final Report analyses why long-term fixed-rate mortgages currently only account for a small proportion of the UK mortgage market. It confirms the findings of the Interim Report and concludes that the low take-up of these products is due principally to the fact that: (i) borrowers attach greater weight to the level of initial monthly repayments than to the overall cost of borrowing; (ii) many borrowers have a poor understanding of risks involved with different mortgages; and (iii) many mortgage lenders offer short-term fixed-rate or discounted deals to new customers, which are subsidised by existing customers, and which make longer-term fixed-rate mortgages look more expensive as a result.

Professor Miles made the following recommendations:

- (a) the FSA should require mortgage advice to better take account of consumer attitudes to risk and the risk characteristics of different mortgage products;
- (b) the FSA should require additional pre-sale disclosure to be made in relation to the variability of rates;
- (c) increased emphasis should be placed on improving the financial capability of consumers, particularly in relation to the risks associated with mortgage borrowing and that resources should be raised from levies placed on the financial services industry;
- (d) the FSA should remove barriers to switching by requiring all products to be available to all borrowers such that incentivised rates offered only to new customers should be prevented and should improve consumer awareness of the process involved in remortgaging; and
- (e) that awareness of FSA comparative tables on mortgages should be improved by mandatory disclosure in customer documentation and that leaflets disclosing rates on all products offered by a lender should be distributed with annual statements to borrowers.

Professor Miles additionally made a number of recommendations in relation to the funding for lenders of long-term lending products.

It is possible that these recommendations may be accepted and may result in changes to regulatory requirements. No assurance can be given that any recommendations, if adopted, will not have an adverse effect on the Loans, Britannia, PFL, MAS6, WMS or the Issuer and their respective businesses and operations.

### *Second Revised Proposal for a New European Directive on Consumer Credit*

In September 2002, the European Commission published a proposal for a directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers and surety agreements entered into by consumers. In its original form, the proposal prescribes requirements for, *inter alia*, further drawings and further advances made in relation to existing agreements and new agreements, and provides that mortgage loans which do not comply with these requirements may be unenforceable.

There was significant opposition from the European Parliament to the original form of the proposed directive, and there were differences of opinion as to the extent to which it should apply to mortgage loans. In October 2004, the European Commission published an amended form of the proposed directive. In this amended form, the proposed directive would have applied to any loan secured by a mortgage on land that included an equity release element and was not over Euro 100,000, but it was unclear whether it would have applied to further drawings and further advances made in relation to agreements existing before national implementing legislation came into force.

In February 2005 the DTI published a consultation paper on the European Commission's amended form of the proposed directive, and in June 2005 a summary of responses to this consultation. The European Commission, on 19 July 2005, published a Green Paper on mortgage credit launching a consultation lasting until 30 November 2005. Following the consultation, the European Commission is expected to publish during 2006 a further amended form of the proposed directive. In October 2005, the European Commission published a second revised proposal for the directive. Under this second revised proposal the regulated agreement regime would be restricted to consumer credit of up to €50,000 and a stand-alone category for credit contracts of up to €300 each. The proposed directive is unlikely to come in force until mid-2007 at the earliest, and Member States will then have a further two years in which to bring national implementing legislation into force.

Until the final text of the directive is decided and the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the directive would have on the Loans, Britannia, PFL, MAS6, WMS or the Issuer and their respective businesses and operations. No assurance can be given that the finalised directive will not adversely affect the ability of the Issuer to make payments to Noteholders.

### *Directive on Unfair Commercial Practices*

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive will affect all contracts entered into with persons who are natural persons and acting for purposes outside their trade, business, craft or profession. Although, the Unfair Practices Directive is not concerned solely with financial services, it may have some impact in relation to the residential mortgage market.

Under the Unfair Practices Directive a commercial practice is to be regarded as unfair and prohibited if it is: (a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and (b) materially distorts or is likely to distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the Unfair Practices Directive contains provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases and in all Member States be considered unfair. The directive also contains provisions aimed at preventing the exploitation of consumers whose characteristics make them particularly vulnerable to unfair commercial practices (which may include non-status, credit impaired or sub-prime borrowers). The directive is stated to be without prejudice to contract law and the rules on the validity, formation or effect of a contract. The directive requires Member States to have adequate and effective means to enable unfair commercial practices to be challenged, to ensure compliance with the directive and to impose penalties for infringements of national provisions adopted in implementation of the directive.

The directive is a maximum harmonisation measure which means that Member States will be prevented from retaining consumer protection measures which go beyond it within its scope. There is, however,

some scope in the directive for Member States to retain more restrictive or prescriptive national provisions for eight years following the entry into force of this directive. In relation to financial services and immovable property, Member States are, however, permitted to retain protections which go beyond these requirements without restriction. Therefore, in the context of financial services and immovable property, this directive will potentially place additional obligations on mortgage lenders where there currently are no specific rules applying.

The Unfair Practices Directive is due to be implemented by Member States by 12 June 2007 and the implementing provisions are to come into force by 12 December 2007, subject to a transitional period until 12 June 2013.

Until the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the directive would have on the Loans, Britannia, PFL, MAS6, WMS or the Issuer and their respective businesses and operations. No assurance can be given that the United Kingdom's implementation of the Unfair Practices Directive will not adversely affect the ability of the Issuer to make payments to Noteholders.

## WEIGHTED AVERAGE LIVES OF THE NOTES

The average life of the Notes cannot be predicted with any certainty, as the actual rate at which the Mortgages will be repaid and a number of other relevant factors are unknown.

Estimates of the possible average life of the Notes can be made by the Issuer based on certain assumptions. For example, the table below shows the expected average life of the Notes based on assumptions (the **Modelling Assumptions**) that:

- (a) the Issuer exercises its option to redeem all (but not some only) of the Notes then outstanding on the Interest Payment Date falling on the Step-Up Date;
- (b) the Mortgages are subject to a constant annual rate of prepayment (inclusive of scheduled and unscheduled principal redemptions) as shown in the table below;
- (c) the Issuer does not purchase any Further Advances;
- (d) the Non-Principal Amortisation Amount is zero;
- (e) the Liquidity Shortfall will be zero throughout the life of the Notes;
- (f) the Income Surplus, after taking into account the impact of all liabilities is greater than zero throughout the life of the Notes;
- (g) Retained Principal will be zero throughout the life of the Notes;
- (h) the mortgage balance is equal to the Sterling Principal Amount Outstanding of the Notes, such that item "E" of Principal Received is zero;
- (i) Principal Recoveries are zero throughout the life of the Notes;
- (j) all Mortgages are performing and that there are no arrears, losses, or fees and charges added to the Mortgages;
- (k) interest on the Notes is paid on time and that the Security has not been enforced;
- (l) the Interest Payment Date is always 21 September, 21 December, 21 March and 21 June in each year;
- (m) the Closing Date will be 12 April 2006;
- (n) from the Closing Date all Mortgages will have exactly the same payment profile, life and duration; and
- (o) no Mortgage is repurchased by virtue of a buy back for breach of warranty.

### Average Life Sensitivities

Constant Prepayment Rate (per cent.) (inclusive of scheduled and unscheduled redemptions)	Average Life of A1 Notes (Years)	Average Life of A2 Notes (Years)	Average Life of M Notes (Years)	Average Life of B Notes (Years)	Average Life of C Notes (Years)
5 .....	2.14	5.17	5.19	5.19	5.19
10 .....	1.13	4.66	5.19	5.19	5.19
15 .....	0.81	4.06	5.19	5.19	5.19
20 .....	0.64	3.49	5.19	5.19	5.19
25 .....	0.56	2.98	5.19	5.19	5.19
30 .....	0.51	2.52	5.19	5.19	5.19
35 .....	0.47	2.12	5.13	5.19	5.19

There is no assurance that redemption of the Notes will occur as described in assumption (a). The Issuer has no recourse to the Britannia Group in financing its option to redeem all (but not only some) of the Notes.

Assumption (b) above is stated as an average annualised prepayment rate since the prepayment rate (inclusive of scheduled and unscheduled redemptions) for one Interest Period may be substantially different from that for another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

The average lives of the Notes are subject to factors largely outside of the control of the Issuer and consequently no assurance can be given that the Modelling Assumptions used to calculate the average life of the Notes will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Any difference between the Modelling Assumptions and the actual performance and characteristics of the Mortgages will cause the average life of the Notes to differ (which difference can be material) from the corresponding information in the table.

The actual characteristics and performance of the Mortgages are likely to differ from the Modelling Assumptions used in constructing the table, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment assumptions (inclusive of scheduled and unscheduled principal receipts).

## DESCRIPTION OF THE NOTES IN GLOBAL FORM

### General

Each Class of Sterling Notes and Euro Notes will initially be represented by one or more Regulation S Global Notes without coupons for principal or interest or talons for further coupons attached. Each Class of Dollar Notes will initially be represented by one Regulation S Global Note and/or Rule 144A Global Notes without coupons for principal or interest or talons for further coupons attached. The Regulation S Global Notes and the Rule 144A Global Notes are together referred to as the **Global Notes**.

The Regulation S Global Notes will be registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as common nominee for Euroclear and Clearstream, Luxembourg and will be deposited with HSBC Bank plc as common depositary for Euroclear and Clearstream, Luxembourg on the Closing Date. Upon deposit of the Regulation S Global Notes, Euroclear or Clearstream, Luxembourg will credit each subscriber of the Regulation S Notes with the principal amount of Regulation S Notes for which it has subscribed and paid. Until and including the 40th day after the Closing Date, interests in Regulation S Global Notes may only be held through Euroclear or Clearstream, Luxembourg. See further the section entitled "*Terms and Conditions of the Notes*" below.

The Rule 144A Global Notes will be registered in the name of Cede & Co as nominee for DTC and will be deposited with HSBC Bank USA, National Association as custodian on behalf of DTC. See further the section entitled "*Terms and Conditions of the Notes*" below.

Temporary documents of title will not be issued for either the Regulation S Global Notes or the Rule 144A Global Notes.

### Euroclear and Clearstream, Luxembourg

Ownership of beneficial interests in the Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (**participants**) or persons that hold interests in the Regulation S Global Notes through participants (**indirect participants**), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect participants shall also include persons that hold beneficial interests through such indirect participants. Euroclear and Clearstream, Luxembourg, as applicable, will credit the participants' accounts with the respective amount of Notes beneficially owned by such participants on each of their respective book-entry registration and transfer systems. The accounts to be credited shall be designated by the relevant Managers. Beneficial interests in the Regulation S Global Notes will be shown on, and transfers of book-entry interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their indirect participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge book-entry interests.

### DTC

DTC has advised the Issuer as follows: "DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers and dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly".

Investors may hold their interests in a Rule 144A Global Note directly through DTC if they are participants (**participants**) in the DTC system, or indirectly through organisations which are participants in such systems (**indirect participants**).

The registered holder of a Global Note will be considered the sole Noteholder for all purposes under the Trust Deed. Accordingly, each person holding a beneficial interest in the Global Notes must rely on the

rules and procedures of Euroclear, DTC and/or Clearstream, Luxembourg (the **Clearing Systems**), as the case may be, and indirect participants must rely on the procedures of the participants or indirect participants through which such person owns its interest in the relevant Global Notes, to exercise any rights and obligations of a holder of Notes under the Trust Deed.

Although the Clearing Systems have agreed to certain procedures to facilitate transfers of beneficial interests in the Global Notes among account holders of the Clearing Systems, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, the Managers or any of their respective agents will have any responsibility for the performance by the Clearing Systems or their participants or account holders of their respective obligations under the rules and procedures governing their operations.

References herein to Euroclear, DTC and/or Clearstream, Luxembourg or the Clearing Systems shall be deemed to include references to any other clearing system approved by the Trustee.

### **Payments**

Payment of principal of, and interest on, and any other amount due in respect of, the Regulation S Global Notes, will be made in the relevant currency by the Principal Paying Agent on behalf of the Issuer to the registered holder thereof. It is anticipated that the Principal Paying Agent will distribute all such payments in the relevant currency for the account of the registered holder to the relevant Clearing System. Payment of principal of, and interest on, and any other amount due in respect of, the Rule 144A Global Notes, will be made in Dollars by the U.S. Paying Agent on behalf of the Issuer, following receipt of such amounts from the Principal Paying Agent, to the registered holder thereof. It is anticipated that the U.S. Paying Agent will distribute all such payments in Dollars for the account of the registered holder to DTC. *All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.*

In accordance with the rules and procedures for the time being of the relevant Clearing System, after receipt of any payment from the Principal Paying Agent the respective systems will promptly credit their participants' accounts with payments in amounts proportionate to their respective ownership of the Global Notes as shown in the records of Euroclear, DTC or Clearstream, Luxembourg. The Issuer expects that payments by participants to owners of beneficial interests in Global Notes held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee, or any of their respective agents, will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant's ownership of beneficial interests in the Global Notes or for maintaining, supervising or reviewing any records relating to a participant's ownership of Global Notes.

### **Notices**

For so long as any of the Notes are represented by a Global Note and such Global Note is held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to the relevant Clearing System for communication to the relative accountholders rather than by publication as required by Condition 15. So long as the Notes are listed on the Official List, the Company Announcements Office of the London Stock Exchange must also be notified of such notice. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to the relevant Clearing System as aforesaid.

### **Redemption**

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent, or the U.S. Paying Agent, as applicable, will deliver all amounts received by it in respect of the redemption of such Global Note to the relevant Clearing System for the account of the relevant nominee, and the Principal Paying Agent, or the U.S. Paying Agent, as applicable, shall cancel such Global Note. The redemption price payable in connection with the redemption of Noteholder interests in a Global Note will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, the relevant Noteholder interests relating thereto to be redeemed will be allocated by the relevant Clearing System, as the case may be, on a *pro rata* basis.



## **Cancellation**

Any Note represented by a Global Note which is required to be cancelled following its redemption will be cancelled and may not be reissued or resold.

## **Transfers**

All transfers of beneficial interests in the Global Notes will be recorded in accordance with the book-entry systems maintained by the relevant Clearing System pursuant to customary procedures established by each respective system and its participants.

The Rule 144A Global Notes will bear a legend substantially identical to that appearing under Notice to Investors, and neither the Rule 144A Global Notes nor any book-entry interest therein may be transferred except in compliance with the transfer restrictions set forth in such legend and under "Notice to Investors" herein.

Beneficial interests in the Regulation S Global Notes may be held only through Euroclear or Clearstream, Luxembourg. The Regulation S Global Notes will bear a legend substantially identical to that appearing under "Notice to Investors", and neither the Regulation S Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend and under "Notice to Investors" below.

No beneficial interest in a Rule 144A Global Note may be transferred to a person that takes delivery in the form of a beneficial interest in a Regulation S Global Note unless the transfer is in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification substantially in the form set out in the Trust Deed and, if the transfer occurs within the Distribution Compliance Period, the person that takes delivery in the form of a beneficial interest in a Regulation S Global Note must be a non-U.S. person. No beneficial interest in a Regulation S Global Note may be transferred to a person that takes delivery in the form of a beneficial interest in a Rule 144A Global Note unless the transfer is to a person that is both a "qualified institutional buyer" (QIB) as defined in Rule 144A under the Securities Act (Rule 144A) and a "Qualified Purchaser" (Qualified Purchaser) within the meaning of Section 2(a)(51)(A) of the Investment Company Act in a transaction in reliance on Rule 144A and the transferor provides the Registrar with a written certification substantially in the form set out in the Trust Deed. See "Notice to Investors" below.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be represented by a beneficial interest in such Regulation S Global Note and will become represented by such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Rule 144A Global Notes. Any Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note will, upon transfer, cease to be represented by such Rule 144A Global Note and will become represented by a beneficial interest in such Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note.

## **Issuance of Notes in definitive form**

Holders of beneficial interests in the Global Notes will be entitled to receive Definitive Registered Notes in exchange for their respective holdings of beneficial interests if:

- (i) in the case of a Global Note held on behalf of DTC, at any time DTC notifies the Issuer that it is unable or unwilling to discharge properly its responsibilities as depositary with respect to the Global Notes or DTC ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC;
- (ii) in the case of a Global Note held on behalf of Euroclear or Clearstream, Luxembourg each of Euroclear, and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do so cease business and no alternative clearing system satisfactory to the Trustee is available; or

- (iii) as a result of any amendment to, or change in the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, in which case the Issuer will deliver in definitive and bearer form, serially numbered, in the denomination of £100,000 for the Sterling Notes, U.S.\$100,000 for the Dollar Notes and €100,000 for the Euro Notes.

Any Definitive Registered Notes issued in exchange for beneficial interests in the Global Notes will be registered in a register in such name or names as the Principal Paying Agent shall instruct the Registrar based on the instructions of the relevant Clearing System. It is expected that such instructions will be based upon directions received by the relevant Clearing System from their participants with respect to ownership of the relevant beneficial interests in the Global Notes.

Definitive Registered Regulation S Notes will bear the legend set out in "*Notice to Investors*". Before any Definitive Registered Regulation S Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Definitive Registered Rule 144A Note, the transferor will be required to provide the Registrar with a written certification substantially in the form set out in the Trust Deed. Definitive Registered Rule 144A Notes will bear the legend set out in "*Notice to Investors*". The Definitive Registered Rule 144A Notes may not at any time be held by or on behalf of U.S. persons that are not both QIBs and Qualified Purchasers. Before any Definitive Registered Rule 144A Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Definitive Registered Regulation S Note the transferor will be required to provide the Registrar with a written certification substantially in the form set out in the Trust Deed.

## NOTICE TO INVESTORS

### Offers and Sales by the Purchasers

As noted under "*Subscription and Sale – United States*", the Issuer has not been and will not be registered under the Investment Company Act and the Notes have not been and will not be registered under the Securities Act. The Issuer is not required to register under the Investment Company Act by virtue of Section 3(c)(7) of the Investment Company Act which, in general, excludes from the definition of an investment company any issuer whose outstanding securities are owned exclusively in the United States by persons who are "qualified purchasers" (**Qualified Purchasers**) within the meaning of Section 2(a)(51)(A) of the Investment Company Act and that has not made a public offering of its securities. Consequently, the Notes may only be offered, sold, resold, delivered or transferred (i) within the United States in a transaction made in compliance with Rule 144A under the Securities Act to persons that are both "qualified institutional buyers" (**QIBs**) and **Qualified Purchasers**, (ii) outside the United States to a non-US person in an offshore transaction in reliance on Rule 903 or 904 of Regulation S or (iii) in relation to the Regulation S Notes only, following the expiration of the distribution compliance period, pursuant to an applicable exemption from the registration requirements of the Securities Act and in accordance with any applicable securities law of any state of the United States.

By its purchase of the Notes, each purchaser of the Notes (each initial purchaser, together with each subsequent transferee are referred to herein as the **Purchaser**) will be deemed to have represented and agreed to the following (undefined terms used in this section that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- 1. Purchaser Requirements for Rule 144A Notes.** Each Purchaser of an interest in a Rule 144A Note: (A) is an **Eligible Investor** (as defined below), (B) will hold at least the minimum denomination of the relevant currency in respect of the Notes, (C) will provide notice of applicable transfer restrictions to any subsequent transferee, and (D) is purchasing for its own account or for the accounts of one or more other persons each of whom meets all of the requirements of clauses (A) through (D), and as to which the Purchaser exercises sole investment discretion and has full power to make the acknowledgements, representations and agreements on behalf of each such account contained herein. "**Eligible Investors**" are defined for the purposes hereof as persons who are both QIBs and **Qualified Purchasers** acting for their own account or for the account of other entities that are both QIBs and **Qualified Purchasers** and excludes therefrom: (i) QIBs that are broker dealers that own and invest on a discretionary basis less than U.S.\$25 million in "securities" as such term is defined under Rule 144A, (ii) a partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the partners, beneficiaries or participants, as the case may be, may designate the particular investments to be made, or the allocation thereof unless all such partners, beneficiaries or participants are **Qualified Purchasers** for the purposes of the Investment Company Act, (iii) an entity that was formed, reformed or recapitalised for the specific purpose of investing in the Notes, (iv) any investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and formed prior to 30 April, 1996, that has not received the consent of its beneficial owners with respect to the treatment of such entity as a qualified purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and rules thereunder and (v) any entity that will have invested more than 40 per cent. of its assets in the securities of the Issuer subsequent to any purchase of the Notes. The Purchaser acknowledges that each of the Issuer and the Trustee reserves the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Issuer or the Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

Each Purchaser understands and agrees that before any interest in a Rule 144A Global Note (or a Definitive Rule 144A Note) may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note (or a Definitive Regulation S Note), the Registrar is required to receive a written certification from the transferor in the form provided in the Trust Deed as to compliance with the transfer restrictions described herein. Each Purchaser understands and agrees that any purported transfer of the Rule 144A Notes to a purchaser that does not comply with the applicable transfer restriction requirements shall be null and void *ab initio* and will be subject to the forced transfer restrictions described herein.

Each Purchaser agrees that it is not purchasing such Rule 144A Notes (or any beneficial interest in a Global Certificate therein) with a view toward the resale, distribution, or other disposition

thereof in violation of the Securities Act. Each Purchaser understands that an investment in the Rule 144A Notes involves certain risks, including the risk of loss of its entire investment in the Rule 144A Notes under certain circumstances. Each Purchaser acknowledges that it has had access to such financial and other information concerning the Issuer and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of Rule 144A Notes, including an opportunity to ask questions of, and request information from, the Issuer.

2. **Purchaser Requirements for Regulation S Notes.** If the Purchaser is acquiring the Regulation S Notes (or a beneficial interest in a Global Certificate) prior to the date that is 40 days after the later of the commencement of the offering and the Closing Date (the **Distribution Compliance Period**), the Purchaser is not a U.S. person and is acquiring the Regulation S Notes (or a beneficial interest in a Global Certificate) in an offshore transaction pursuant to Rule 903 or 904 of Regulation S. The Purchaser is not purchasing such Regulation S Notes (or a beneficial interest in a Global Certificate therein) with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. All transactions must be in principal amount of not less than U.S.\$100,000, £100,000 or €100,000, as the case may be.

Each Purchaser understands and agrees that before any interest in a Regulation S Global Note (or a Definitive Regulation S Note) may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Rule 144A Global Note (or a Definitive Rule 144A Note), the transferor will be required to provide the Registrar with a written certification substantially in the form set out in the Trust Deed as to compliance with the transfer restrictions described herein.

3. **Notice of Transfer Restrictions.** Each Purchaser acknowledges and agrees that (A) the Notes have not been and will not be registered under the Securities Act and the Issuer has not been registered and does not intend to register as an "investment company" under the Investment Company Act, (B) neither the Notes nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth herein, (C) it will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions and (D) it is not purchasing the Notes (or beneficial interests therein) with the intention of evading either alone or in conjunction with any other person, the requirements of the Investment Company Act.
4. **Mandatory Transfer in the event of Violation of Transfer Restrictions.** Each Purchaser acknowledges and agrees that in the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that such Purchaser was in breach, at the time given or deemed to be given, of any of the representations or agreements set forth herein or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the Trustee acting on behalf of the Issuer, require the Issuer to register as an "investment company" under the provisions of the Investment Company Act, such purchase or other transfer will be void *ab initio* and will not be honoured by the Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a holder of the Notes and the Issuer shall have the right to force the transfer of any such Notes.
5. **Legends on the Notes.** Each Purchaser acknowledges that each of the Notes will bear legends substantially to the effect set forth below and that the Issuer has covenanted in the Trust Deed not to remove either such legend so long as it shall be necessary for the Issuer to rely on the exemption from the Investment Company Act set forth in Section 3(c)(7) thereof.
6. **Rule 144A Information.** Each Purchaser of Notes offered and sold in the United States under Rule 144A is hereby notified that the offer and sale of such Notes to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A(d)(4).
7. **ERISA.** If a Purchaser is purchasing an interest in an A Note, M Note or B Note, (1) it is not, and for so long as it holds such Note or any interest in such Note it will not be (a) a "plan" that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), (b) any entity whose underlying assets include (or are deemed for purposes of ERISA or Section 4975 of the Code to include) "plan assets" by reason of such plan's investment in the entity, or (c) a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law

or any non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of such Note or any interest in such Note will not constitute or result in a prohibited transaction under Section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental or other employee benefit plan, any such substantially similar law) for which an exemption is not available. If a Purchaser is purchasing an interest in a C Note, (1) it is not, and for so long as it holds such C Note or any interest in such C Note will not be, an employee benefit plan, subject to Title I of ERISA, (2) a plan subject to Section 4975 of the Code, or (3) an entity whose underlying assets include plan assets by reason of a plan's investment in the entity pursuant to the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. Section 2510.3-101, which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, and (ii) if it is or may become a governmental or other employee benefit plan which is not subject to Title I of ERISA or Section 4975 of the Code, its purchase and holding of this note or any interest in this note will not constitute or result in a prohibited transaction under any U.S. federal, state or local law or any non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available. See "*Certain United States ERISA and Legal Investment Considerations*" below.

8. **Amendments.** Each Purchaser acknowledges that the Notes and related documentation may be amended or supplemented from time to time to modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resales or transfer of securities such as the Notes generally, and that it will be deemed, by its acceptance of such Notes, to have agreed to any such amendment or supplement.
9. **Acknowledgements, Representations and Agreements.** Each Purchaser understands that these acknowledgements, representations and agreements are required in connection with U.S. securities laws and it agrees to indemnify and hold harmless the Issuer, the Managers and the Trustee, and any affiliate of the foregoing from and against all losses, liabilities, claims, costs, charges and expenses which they may incur by reason of the Purchaser's failure to fulfil any of the terms, conditions or agreements set forth above or by reason of any breach of its representations and warranties herein. Each Purchaser acknowledges that the Issuer, Registrar, the Trustee, the Managers, and any affiliates of the foregoing will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. Each Purchaser agrees that it will promptly (i) inform the Issuer if, during any time it holds a Note, there shall be any change in the acknowledgements, representations and agreements contained above or if they shall become false for any reason (other than the representations that the purchaser is both a Qualified Purchaser and a QIB, which representations need be accurate only on the date of the acquisition of a Note) and (ii) deliver to the Issuer such other representations and agreements as to such matters as the Issuer may, in the future, request in order to comply with applicable law and the availability of any exemption therefrom (including, if deemed necessary by the Issuer, a reaffirmation of its status as both a Qualified Purchaser and a QIB).
10. **Disclosure of Participants' Identities.** Each Purchaser understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries, and that those participants may further disclose to the Issuer the names and positions of holders of its securities.
11. **Legend on Rule 144A Global Notes and Definitive Registered Rule 144A Notes.** Each Purchaser understands that pursuant to the terms of the Trust Deed, the Issuer has agreed that the Rule 144A Notes will bear the legend set forth below, will be represented by one or more Rule 144A Global Certificates and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below. The Rule 144A Notes (or any beneficial interest in a Global Certificate therein) may not at any time be held by or on behalf of U.S. persons that are not both QIBs and Qualified Purchasers.

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE ISSUER (AS DEFINED IN THE TRUST DEED) HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

BY PURCHASING THE NOTES, EACH HOLDER OF ANY BENEFICIAL INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (A) IS AN "ELIGIBLE INVESTOR" (AS DEFINED BELOW), (B) WILL HOLD AT LEAST THE MINIMUM DENOMINATION U.S.\$100,000, £100,000 OR €100,000, (C) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (D) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL OF THE PRECEDING REQUIREMENTS, (E) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON (i) WHO MEETS ALL OF THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (E) OR (ii) TO A NON-U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATIONS.

"ELIGIBLE INVESTORS" ARE DEFINED FOR THE PURPOSES HEREOF AS PERSONS WHO ARE BOTH "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("QIBS") AND "QUALIFIED PURCHASERS" WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE INVESTMENT COMPANY ACT ("QUALIFIED PURCHASERS") ACTING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER ENTITIES THAT ARE BOTH QIBS AND QUALIFIED PURCHASERS AND EXCLUDES THEREFROM: (I) QIBS THAT ARE BROKER DEALERS THAT OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN U.S.\$25 MILLION IN "SECURITIES" AS SUCH TERM IS DEFINED UNDER RULE 144A, (II) A PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION FUND, RETIREMENT PLAN OR OTHER ENTITY IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION THEREOF, UNLESS SUCH PARTNERS, BENEFICIARIES OR PARTICIPANTS ARE QUALIFIED PURCHASERS FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT, (III) AN ENTITY THAT WAS FORMED, REFORMED OR RECAPITALISED FOR THE SPECIFIC PURPOSE OF INVESTING IN THE NOTES, (IV) ANY INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF AND FORMED PRIOR TO 30 APRIL 1996, THAT HAS NOT RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WITH RESPECT TO THE TREATMENT OF SUCH ENTITY AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND RULES THEREUNDER AND (V) ANY ENTITY THAT WILL HAVE INVESTED MORE THAN 40 PER CENT. OF ITS ASSETS IN THE SECURITIES OF THE ISSUER SUBSEQUENT TO ANY PURCHASE OF THE NOTES.

FOR CERTIFICATES OF A NOTES, M NOTES AND B NOTES: THE PURCHASER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED EITHER THAT (I) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST IN THIS NOTE IT WILL NOT BE, (A) A "PLAN" THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (B) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE) "PLAN ASSETS" BY REASON OF SUCH PLAN'S INVESTMENT IN THE ENTITY, OR (C) A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR ANY NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (II) ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST IN THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

FOR CERTIFICATES FOR THE C NOTES: THE PURCHASER OF THIS NOTE OR ANY INTEREST IN THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT (I) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST IN THIS NOTE WILL NOT BE, AN EMPLOYEE BENEFIT PLAN, SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (2) A PLAN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE

"CODE"), OR (3) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, AND (II) IF IT IS OR MAY BECOME A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS NOT SUBJECT TO ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST IN THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER ANY U.S. FEDERAL, STATE OR LOCAL LAW OR ANY NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

THE PURCHASER ACKNOWLEDGES THAT EACH OF THE ISSUER AND THE TRUSTEE RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER OR THE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS. EACH HOLDER OF A BENEFICIAL INTEREST IN THIS NOTE ACKNOWLEDGES THAT IN THE EVENT THAT AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED BY A PERSON ACTING ON BEHALF OF THE ISSUER THAT SUCH PURCHASER WAS IN BREACH, AT THE TIME GIVEN OR DEEMED TO BE GIVEN, OF ANY OF THE REPRESENTATIONS OR AGREEMENTS SET FORTH IN THIS LEGEND OR OTHERWISE DETERMINES THAT ANY TRANSFER OR OTHER DISPOSITION OF ANY NOTES WOULD, IN THE SOLE DETERMINATION OF THE ISSUER OR A PERSON ACTING ON ITS BEHALF, REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE PROVISIONS OF THE INVESTMENT COMPANY ACT, SUCH PURCHASE OR OTHER TRANSFER WILL BE VOID AB INITIO AND WILL NOT BE HONORED BY THE TRUSTEE. ACCORDINGLY, ANY SUCH PURPORTED TRANSFEREE OR OTHER HOLDER WILL NOT BE ENTITLED TO ANY RIGHTS AS A NOTEHOLDER AND THE ISSUER SHALL HAVE THE RIGHT, IN ACCORDANCE WITH THE TRUST DEED, TO FORCE THE TRANSFER OF ANY SUCH NOTES.

IF THE PURCHASER IS PURCHASING OR OTHERWISE ACQUIRING NOTES FROM A MANAGER, IT REPRESENTS AND WARRANTS THAT IT HAS RECEIVED THE OFFERING CIRCULAR DATED 6 APRIL 2006 RELATING TO THE NOTES (THE "OFFERING CIRCULAR") AND HAS HAD FULL OPPORTUNITY TO REQUEST, RECEIVE AND REVIEW ALL ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION INCLUDED OR INCORPORATED BY REFERENCE HEREIN THAT THE ISSUER OR THE MANAGERS COULD PROVIDE WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THE PURCHASER AGREES THAT IT WILL PROMPTLY (I) INFORM THE ISSUER IF, DURING ANY TIME IT HOLDS A NOTE, THERE SHALL BE ANY CHANGE IN THE REPRESENTATIONS AND WARRANTIES CONTAINED ABOVE OR IF THEY SHALL BECOME FALSE FOR ANY REASON (OTHER THAN THE REPRESENTATIONS THAT THE PURCHASER IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER, WHICH REPRESENTATIONS NEED ONLY BE ACCURATE ON THE DATE OF THE ACQUISITION OF A NOTE) AND (II) DELIVER TO THE ISSUER SUCH OTHER REPRESENTATIONS, WARRANTIES AND AGREEMENTS AS TO SUCH MATTERS AS THE ISSUER MAY, IN THE FUTURE, REQUEST IN ORDER TO COMPLY WITH APPLICABLE LAW AND THE AVAILABILITY OF ANY EXEMPTION THEREFROM (INCLUDING, IF DEEMED NECESSARY BY THE ISSUER, A REAFFIRMATION OF ITS STATUS AS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER).

THE PURCHASER IS HEREBY NOTIFIED THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK- ENTRY DEPOSITORIES, AND THAT THOSE PARTICIPANTS MAY FURTHER DISCLOSE TO THE ISSUER THE NAMES AND POSITIONS OF HOLDERS OF ITS SECURITIES.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

12. **Legend on Regulation S Global Notes and Definitive Registered Regulation S Notes.** Each Purchaser understands that (i) the sale of the Regulation S Notes (or a beneficial interest therein) to it is being made in reliance on Regulation S, and (ii) the Regulation S Notes (or a beneficial interest therein) may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE ISSUER (AS DEFINED IN THE TRUST DEED) HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") AND, AS A MATTER OF U.S. LAW, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING OF THE OFFERING THE REGULATION S NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS BOTH A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") AND A QUALIFIED PURCHASER ("QUALIFIED PURCHASER") WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (II) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S, AND IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND IN PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$100,000, £100,000 OR €100,000, AS THE CASE MAY BE.

FOR CERTIFICATES FOR THE A NOTES, M NOTES AND B NOTES: THE PURCHASER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED EITHER THAT (I) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST IN THIS NOTE IT WILL NOT BE, (A) A "PLAN" THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (B) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE) "PLAN ASSETS" BY REASON OF SUCH PLAN'S INVESTMENT IN THE ENTITY, OR (C) A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR ANY NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (II) ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST IN THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

FOR CERTIFICATES FOR THE C NOTES: THE PURCHASER OF THIS NOTE OR ANY INTEREST IN THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT (I) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST IN THIS NOTE WILL NOT BE, (A) A "PLAN" THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (B) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE) "PLAN ASSETS" BY REASON OF SUCH PLAN'S INVESTMENT IN THE ENTITY, AND (II) IF IT IS OR MAY BECOME A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST IN THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER ANY U.S. FEDERAL, STATE OR LOCAL LAW OR ANY NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

THE PURCHASER IS HEREBY NOTIFIED THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES, AND THAT THOSE PARTICIPANTS MAY FURTHER DISCLOSE TO THE ISSUER THE NAMES AND POSITIONS OF HOLDERS OF ITS SECURITIES.

PRIOR TO THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, AN INTEREST IN THIS NOTE MAY BE HELD ONLY THROUGH EUROCLEAR OR CLEARSTREAM, LUXEMBOURG.



## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes, substantially as they will appear in the Trust Deed, subject to completion and amendment, and as they will apply to the Notes in global form (subject as provided in the section entitled "Description of the Notes in Global Form") and the Notes in definitive form (if any) issued in exchange for the Global Note(s) and which will be endorsed on such Notes in definitive form, as applicable. These terms and conditions are subject to the detailed provisions of the Trust Deed, the Deed of Charge and the other Transaction Documents (as defined below).*

The £379,000,000, U.S.\$697,000,000 and €558,100,000 Mortgage Backed Floating Rate Notes of Leek Finance Number Seventeen PLC (the **Issuer**) will comprise the £87,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2037 (the **A1a Notes**), the U.S.\$235,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2037 (the **A1b Notes** and together with the A1a Notes, the **A1 Notes**), the £270,000,000 Class A2a Mortgage Backed Floating Rate Notes due 2037 (the **A2a Notes**), the U.S.\$462,000,000 Class A2b Mortgage Backed Floating Rate Notes due 2037 (the **A2b Notes**), the €365,000,000 Class A2c Mortgage Backed Floating Rate Notes due 2037 (the **A2c Notes**, and together with the A2a Notes and the A2b Notes, the **A2 Notes** and the A2 Notes together with the A1 Notes, the **A Notes**), the €105,600,000 Class Mc Mortgage Backed Floating Rate Notes due 2037 (the **Mc Notes** and the **M Notes**), the £22,000,000 Class Ba Mortgage Backed Floating Rate Notes due 2037 (the **Ba Notes**), the €39,500,000 Class Bc Mortgage Backed Floating Rate Notes due 2037 (the **Bc Notes** and together with the Ba Notes, the **B Notes**), and the €48,000,000 Class Cc Mortgage Backed Floating Rate Notes due 2037 (the **Cc Notes** and the **C Notes**, and, together with the A Notes, the M Notes, and the B Notes, the **Notes**, and the holders thereof, the **Noteholders**). Each class of Notes, including, for the avoidance of doubt, the A1a Notes, the A1b Notes, the A2a Notes, the A2b Notes, the A2c Notes, the Mc Notes, the Ba Notes, the Bc Notes, and the Cc Notes, is referred to as a **Class**. The A1a Notes, the A2a Notes and the Ba Notes are collectively referred to as the **Sterling Notes**. The A1b Notes and the A2b Notes are collectively referred to as the **Dollar Notes**. The A2c Notes, the Mc Notes, the Bc Notes and the Cc Notes are collectively referred to as the **Euro Notes**.

The Notes are issued subject to the provisions of and have the benefit of a trust deed (as amended or supplemented from time to time, the **Trust Deed**) dated on or about the Closing Date between the Issuer and Capita Trust Company Limited as trustee (the **Trustee**, which expression shall include all persons for the time being acting as trustee or trustees appointed pursuant to the Trust Deed) for the holders for the time being of the Notes and are subject to an agency agreement (as amended or supplemented from time to time, the **Paying Agency Agreement**) dated on or about the Closing Date between the Issuer, HSBC Bank plc (as **Principal Paying Agent**, **Agent Bank** and **Transfer Agent**), HSBC Bank USA, National Association (as **U.S. Paying Agent**, **Transfer Agent** and **Registrar**) and the Trustee. The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (as amended or supplemented from time to time, the **Deed of Charge**) dated on or about the Closing Date between, *inter alios*, the Issuer and the Trustee.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Framework Agreement and the other Transaction Documents (as defined below) are available for inspection by the Noteholders upon reasonable notice during normal business hours at the principal office for the time being of the Trustee, being at the date hereof, Guildhall House, 81-87 Gresham Street, London EC2V 7QE, at the Specified Office (as set out in Condition 18 ("Specified Offices of Agents")) for the time being of the Principal Paying Agent and at the registered office of the Issuer.

The statements in these terms and conditions relating to the Notes (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Paying Agency Agreement and the other Transaction Documents (as they may be amended from time to time) the provisions of which the Noteholders have the benefit of and are bound by.

The issue of the Notes was authorised by resolution of the Board of Directors of the Issuer passed on 5 April 2006.

### 1. Definitions

In these Conditions:

"**3 Month Dollar LIBOR**" has the meaning given to it in Condition 5(c)(iv), ("*Interest Rate of Interest*");

"**3 Month EURIBOR**" has the meaning given to it in Condition 5(c)(vi), ("*Interest – Rate of Interest*");

**"3 Month Sterling LIBOR"** has the meaning given to it in Condition 5(c)(ii), (*"Interest – Rate of Interest"*);

**"Account"** means any of the Collection Accounts, the Sundries Accounts or the GIC Accounts;

**"Actual Principal Losses"** means, at any time and in relation to any Mortgage, the principal amount of such Mortgage which is not recovered from the proceeds following the sale of the property to which such Mortgage relates or, if later, upon completion of all relevant enforcement procedures;

**"Actual Redemption Funds"** means:

- (i) prior to delivery of an Enforcement Notice, Applied Principal less Retained Principal; and
- (ii) following delivery of an Enforcement Notice, Applied Principal;

**"Administration Agreement"** means an administration agreement dated on or about the Closing Date between the Issuer, the Trustee, PFL, MAS6 and Britannia;

**"Administrator"** means the Principal Administrator and MAS6 in its capacity as administrator of the MAS6 Mortgages under the Administration Agreement or any successor administrator appointed in accordance with the Administration Agreement;

**"Applied Income"** means, in relation to any Calculation Date, Income Received less Income Retained plus Liquidity Shortfall plus Principal Recoveries;

**"Applied Principal"** means, in relation to any Calculation Date, Principal Received plus Income Retained less Liquidity Shortfall less Principal Recoveries plus the Rounding Balance retained on the preceding Interest Payment Date, if any;

**"Arranger"** means JPMorgan and/or RBS;

**"Available Drawing Amount"** means, as at any Calculation Date, the amount capable of being drawn and re-drawn under the Liquidity Facility Agreement on each Interest Payment Date provided that the amount of the Liquidity Facility which is undrawn will be cancelled if:

- (a) on any Interest Payment Date, the Sterling Principal Amount Outstanding of the M Notes is zero and on the immediately preceding Calculation Date the B Condition is true; or
- (b) on any Interest Payment Date, the Sterling Principal Amount Outstanding of the B Notes is zero and on the immediately preceding Calculation Date the C Condition is true;

**"B Condition"** is true on a Calculation Date if on that Calculation Date:

$A + B - C + D - E - F - G < H + I + J$ , where:

A is the aggregate outstanding balances of the Mortgages;

B is Principal Received;

C is the greater of (a) zero and (b) the Notional Provisions in relation to such Calculation Date less the aggregate of all amounts (if any) of Income Retained on all preceding Calculation Dates;

D is Income Received;

E is Senior Expenses;

F is M Expenses;

G is B Expenses;

H is the Sterling Principal Amount Outstanding of the A Notes;

I is the Sterling Principal Amount Outstanding of the M Notes; and

J is 50% of the Sterling Principal Amount Outstanding of the B Notes,

and otherwise is false;

**"Basic Terms Modification"** has the meaning given thereto in Condition 12(c) (*"Meetings of Noteholders, Modifications, Waiver and Substitution of Principal Debtor – Quorum"*);

**"Basis Swap Counterparty"** means JPMorgan Chase Bank, N.A. or any successor basis swap counterparty or counterparties from time to time under the Basis Swap Transactions;

**"Basis Swap Transactions"** means the basis swap transactions dated on or about the Closing Date between the Issuer and the Basis Swap Counterparty;

**"B Expenses"** means, in relation to any Calculation Date, the amount determined by PFL (in its capacity as Cash Manager) to be owing to the B Noteholders in respect of item (viii) of the Pre-Enforcement Interest Priority of Payments on the next following Interest Payment Date;

**"Benefit Plan Investor"** includes (1) any employee benefit plan (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended (ERISA), whether or not subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the United States Internal Revenue Code of 1986, as amended, and (3) any entity whose underlying assets include assets of any such employee benefit plan or plan by reason of such employee benefit plan's or plan's investment in the entity pursuant to the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. § 2510.3-101;

**"Borrower"** means, in relation to a Loan, the person named as such in the relevant Mortgage Conditions and to whom such loan is advanced together with any person from time to time assuming the obligations of the borrower to repay such loan or any part of it;

**"Britannia"** means Britannia Building Society;

**"Britannia GIC Account"** means a Sterling denominated account in the name of the Issuer held at Britannia, for the deposit of amounts made pursuant to the Britannia GIC Agreement;

**"Britannia GIC Agreement"** means a guaranteed investment contract dated on or about the Closing Date to be entered into between, *inter alios*, the Issuer and Britannia;

**"Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and New York and a TARGET Settlement Day;

**"C Condition"** is true on a Calculation Date if on that Calculation Date:

$A + B - C + D - E - F - G - H < I + J + K + L$ , where:

A is the aggregate outstanding balances of the Mortgages;

B is Principal Received;

C is the greater of (a) zero and (b) the Notional Provisions in relation to such Calculation Date less the aggregate of all amounts (if any) of Income Retained on all preceding Calculation Dates;

D is Income Received;

E is Senior Expenses;

F is M Expenses;

G is B Expenses;

H is C Expenses;

I is the Sterling Principal Amount Outstanding of the A Notes;

J is the Sterling Principal Amount Outstanding of the M Notes;

K is the Sterling Principal Amount Outstanding of the B Notes;

L is 50% of the Sterling Principal Amount Outstanding of the C Notes,

and otherwise is false;

**"C Expenses"** means, in relation to any Calculation Date, the amount determined by PFL (in its capacity as Cash Manager) to be owing to the C Noteholders in respect of item (ix) of the Pre-Enforcement Interest Priority of Payments on the next following Interest Payment Date;

**"Calculation Date"** means, in relation to any Interest Payment Date, the last day of the calendar month preceding that Interest Payment Date;

**"Cash Manager"** means PFL in its capacity as cash manager under the Administration Agreement;

**"Charged Property"** means all the property of the Issuer which is subject to the Security;

**"Class"** means each class of Notes to be issued including the A1a Notes, the A1b Notes, the A2a Notes, the A2b Notes, the A2c Notes, the Mc Notes, the Ba Notes, the Bc Notes and the Cc Notes, or any combination of them;

**"Class A1b Dollar Swap Transaction"** means the cross currency swap transaction with respect to the A1b Notes dated on or about the Closing Date between the Issuer and the Cross Currency Swap Counterparty, as amended from time to time;

**"Class A2b Dollar Swap Transaction"** means the cross currency swap transaction with respect to the A2b Notes dated on or about the Closing Date between the Issuer and the Cross Currency Swap Counterparty, as amended from time to time;

**"Class A2c Euro Swap Transaction"** means the cross currency swap transaction with respect to the A2c Notes dated on or about the Closing Date between the Issuer and the Cross Currency Swap Counterparty, as amended from time to time;

**"Class Bc Euro Swap Transaction"** means the cross currency swap transaction with respect to the Bc Notes dated on or about the Closing Date between the Issuer and the Cross Currency Swap Counterparty, as amended from time to time;

**"Class Cc Euro Swap Transaction"** means the cross currency swap transaction with respect to the Cc Notes dated on or about the Closing Date between the Issuer and the Cross Currency Swap Counterparty, as amended from time to time;

**"Class Mc Euro Swap Transaction"** means the cross currency swap transaction with respect to the Mc Notes dated on or about the Closing Date between the Issuer and the Cross Currency Swap Counterparty, as amended from time to time;

**"Closing Date"** means 12 April 2006;

**"Collection Accounts"** means together:

- (i) the collection account with account number 23534516 named the "Platform Funding Limited re: Leek 7 (LFL4) Collection Account";
- (ii) the collection account with account number 23539267 named the "Platform Funding Limited re: Leek 7 (LFL5) Collection Account";
- (iii) the collection account with account number 36044970 named the "Platform Funding Limited re: Leek 17 Collection Account"; and
- (iv) the collection account with account number 36042080 named the "Mortgage Agency Services No.6 Limited re: Leek 17 Collection Account",

each with sort code 01-05-02 at National Westminster Bank plc;

**"Collection Period"** means the period commencing on (but excluding) a Calculation Date and ending on (and including) the next Calculation Date, provided that the first Collection Period shall commence on (but exclude) 28 March 2006 and end on (and include) the first Calculation Date;

**"Cross Currency Swap Agreements"** means the Class A1b Dollar Swap Transaction, the Class A2b Dollar Swap Transaction, the Class A2c Euro Swap Transaction, the Class Mc Euro Swap Transaction, the Class Bc Euro Swap Transaction and the Class Cc Euro Swap Transaction;

**"Cross Currency Swap Counterparty"** means JPMorgan Chase Bank, N.A. or any successor currency swap counterparty or counterparties from time to time under the Cross Currency Swap Agreements;

**"Declarations of Trust"** means the PFL Declaration of Trust and the MAS6 Declaration of Trust;

**"Dollar"** or **"U.S.\$"** means the lawful currency of the United States of America;

**"Dollar Interest Amount"** has the meaning given thereto in Condition 5(d) (*"Interest – Determination of Rates of Interest and Calculation of Interest Amounts"*);

**"Dollar Interest Determination Date"** has the meaning given to it in Condition 5(c) (*"Interest – Rate of Interest"*);

**"Dollar LIBOR Screen Rate"** has the meaning given to it in Condition 5(c)(iv) (*"Interest – Rate of Interest"*);

**"Dollar Swap Rate"** means the rate of exchange for converting Sterling to Dollars and vice versa in the Cross Currency Swap Agreements, being £1 = U.S.\$1.74070;

**"Enforcement Notice"** has the meaning given thereto in Condition 10(a), (*"Events of Default"*);

**"EU Insolvency Regulation"** means the European Regulation on Insolvency Proceedings;

**"EURIBOR Screen Rate"** has the meaning given to it in Condition 5(c)(vi), ("*Interest – Rate of Interest*");

**"Euro"** or **"€"** means the single currency introduced in the member states of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended by, *inter alia*, the Single European Act 1986 and the Treaty of European Union of 7 February 1992 establishing the European Union and the European Council of Madrid of 16 December 1995;

**"Euro Commencement Date"** means the date on which the United Kingdom becomes a Participating Member State;

**"Euro Interest Amount"** has the meaning given thereto in Condition 5(d) ("*Interest – Determination of Rates of Interest and Calculation of Interest Amounts*");

**"Euro Interest Determination Date"** has the meaning given to it in Condition 5(c), ("*Interest – Rate of Interest*");

**"Euro Swap Rate"** means the rate of exchange for converting Sterling to Euros and vice versa in the Cross Currency Swap Agreements, being €1 = £0.69690;

**"Event of Default"** has the meaning given thereto in Condition 10(a), ("*Events of Default*");

**"Exchange Date"** means the first day following the expiry of forty days after the date of issue of each Note;

**"Expenses Loan"** means a loan in Sterling granted to the Issuer by the Expenses Loan Provider on or about the Closing Date pursuant to the Expenses Loan Agreement;

**"Expenses Loan Agreement"** means an expenses loan agreement dated on or about the Closing Date between the Issuer, the Trustee and the Expenses Loan Provider;

**"Expenses Loan Condition"** is true if, on the immediately preceding Calculation Date, the aggregate principal balance of Loans which are greater than three months in arrear expressed as a percentage of the aggregate principal balance of the Loans exceeds 15 per cent.;

**"Expenses Loan Provider"** means RBS or any successor expenses loan provider pursuant to the terms of the Expenses Loan Agreement;

**"Extraordinary Resolution"** means a resolution passed at a meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than 75 per cent. of the votes cast; and, for the avoidance of doubt, the A Noteholders shall be treated as one Class, the M Noteholders shall be treated as one Class, the B Noteholders shall be treated as one Class and the C Noteholders shall be treated as one Class, each for the purposes of voting of an Extraordinary Resolution of Noteholders;

**"Fitch"** means Fitch Ratings Ltd.;

**"Further Advances"** means any discretionary further advances (including any Retentions) made by PFL or MAS6 (as applicable) to Borrowers and purchased by the Issuer which are secured on the relevant property but excluding amounts debited to a Borrower's account in respect of third party expenses incurred in connection with its Mortgage;

**"GIC Accounts"** means the Britannia GIC Account and the RBS GIC Account;

**"GIC Agreements"** means the Britannia GIC Agreement and the RBS GIC Agreement;

**"Holdings"** means Leek Finance Holdings Number Seventeen Limited;

**"Income Received"** means, in relation to any Calculation Date, the amount received in respect of the Mortgages and otherwise during the Collection Period ending on that Calculation Date which is determined by PFL (in its capacity as Cash Manager) in accordance with the Administration Agreement to be of an income nature and includes interest amounts accrued but not yet paid pursuant to the GIC Agreements, the Required Amount, the amount, if any, retained by the Issuer in the Britannia GIC Account on the previous Interest Payment Date in accordance with item (xviii) of the Pre-Enforcement Interest Priority of Payments and amounts received or to be received on or prior to the next Interest Payment Date under the Swap Agreements (but disregarding any payments made or to be made pursuant to the Cross Currency Swap Agreements and excluding amounts paid as collateral in respect of the Swap Agreements (and any income thereon)) and, in respect of the calculation of the amount of

Income Received on the first Calculation Date only, the amount attributable to the Initial Expenses Amount standing to the credit of the Britannia GIC Account and the Initial Required Amount, as reduced by the amounts calculated in accordance with items B and C in the definition of Principal Received;

**"Income Retained"** means, in relation to any Calculation Date, the greater of (i) zero and (ii) the lesser of Income Surplus and Uncovered Shortfall as at such date;

**"Income Surplus"** means, in relation to any Calculation Date, the greater of (i) zero and (ii)  $A - B - C - D - E$  where:

- A is equal to Income Received;
- B is equal to Senior Expenses;
- C if (i) the M Condition is false or (ii) the Sterling Principal Amount Outstanding of the A Notes is zero or (iii) the Note Principal Payments due on the next following Interest Payment Date will reduce the Sterling Principal Amount Outstanding of the A Notes to zero, is equal to M Expenses and otherwise, is equal to zero;
- D if (i) the B Condition is false or (ii) the Sterling Principal Amount Outstanding of the A Notes and the M Notes is zero or (iii) the Note Principal Payments due on the next following Interest Payment Date, as applicable, will reduce the Sterling Principal Amount Outstanding of the A Notes and M Notes to zero, is equal to B Expenses and otherwise, is equal to zero; and
- E if (i) the C Condition is false or (ii) the Sterling Principal Amount Outstanding of the A Notes and the M Notes and the B Notes is zero or (iii) the Note Principal Payments due on the next following Interest Payment Date, as applicable, will reduce the Sterling Principal Amount Outstanding of the A Notes, M Notes and the B Notes to zero, is equal to C Expenses and otherwise, is equal to zero;

**"Initial Expenses Amount"** means the fees, costs and expenses incurred by the Issuer in connection with each of the series of transactions contemplated by the Transaction Documents up to and on the Closing Date;

**"Initial Required Amount"** means an amount funded by the Sub Loan Drawing equal to 2.00 per cent. of the sum of the aggregate initial Sterling Principal Amount Outstanding of the Notes on the Closing Date;

**"Insolvency Official"** means, in respect of any company, a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, nominee, supervisor, trustee in bankruptcy, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company's assets or in respect of any arrangement or composition with creditors;

**"Insolvency Proceedings"** means the winding-up, dissolution or administration (whether by court action or otherwise) of a company or corporation and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration (whether by court action or otherwise), arrangement, adjustment, protection or relief of debtors;

**"Interest Amount"** has the meaning given thereto in Condition 5(d), (*"Interest – Determination of Rates of Interest and Calculation of Interest Amounts"*);

**"Interest Determination Date"** has the meaning given thereto in Condition 5(c), (*"Interest – Rate of Interest"*);

**"Interest Payment Date"** has the meaning given thereto in Condition 5(b), (*"Interest – Interest Payment Dates and Interest Periods"*);

**"Interest Period"** means each period from (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date and in relation to the first Interest Period from (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date;

**"Interest Rate Swap Counterparty"** means RBS or any successor interest rate swap counterparty from time to time;

**"Interest Rate Swap Transactions"** means the series of swap transactions to be novated to the Issuer on or about the Closing Date and Interest Rate Swap Transaction means any one of them;

**"JPMorgan"** means J.P. Morgan Securities Ltd.;

**"Junior Subordinated Loan"** means the junior Sterling subordinated loan to be made available to the Issuer by the Junior Subordinated Loan Provider pursuant to the Junior Subordinated Loan Agreement;

**"Junior Subordinated Loan Agreement"** means a junior subordinated loan agreement to be dated on or about the Closing Date between the Issuer, the Junior Subordinated Loan Provider and the Trustee;

**"Junior Subordinated Loan Provider"** means Britannia;

**"LIBOR"** means London Interbank Offered Rate;

**"Liquidity Drawing Amount"** means, in relation to any drawing under the Liquidity Facility on an Interest Payment Date, an amount equal to the lesser of (i) the Available Drawing Amount and (ii) the sum of (A) the greater of (a)  $A - B$  and (b) zero and (B) the greater of (a)  $C + D + E - F$  and (b) zero, where:

A is equal to the amount determined by PFL (in its capacity as Cash Manager) to be owing in respect of item (v) of the Pre-Enforcement Interest Priority of Payments on the next following Interest Payment Date;

B is equal to the greater of (x) Applied Income minus the amount determined by PFL (in its capacity as Cash Manager) to be owing in respect of items (i), (ii), (iii) and (iv) of the Pre-Enforcement Interest Priority of Payments on the next following Interest Payment Date and (y) zero;

C if the M Condition is false, is equal to M Expenses and if the M Condition is true, is equal to zero;

D if the B Condition is false, is equal to B Expenses and if the B Condition is true, is equal to zero;

E if the C Condition is false, is equal to C Expenses and if the C Condition is true, is equal to zero; and

F is equal to the greater of (x) Applied Income minus Senior Expenses and (y) zero;

**"Liquidity Facility"** means the 364-day committed Sterling revolving liquidity facility available to the Issuer pursuant to the Liquidity Facility Agreement;

**"Liquidity Facility Agreement"** means the agreement dated on or about the Closing Date between the Issuer, the Liquidity Provider, PFL and the Trustee;

**"Liquidity Facility Provider"** means JPMorgan Chase Bank, N.A. or any successor liquidity facility provider pursuant to the terms of the Liquidity Facility Agreement;

**"Liquidity Shortfall"** means in relation to any Calculation Date the lesser of:

(a) Principal Received; and

(b) the greater of:

(i) zero; and

(ii)  $A + B + C + D - E$  where:

A is equal to the Senior Expenses;

B if (x) the M Condition is false, or (y) the Sterling Principal Amount Outstanding of the A Notes is zero or (z) the Note Principal Payments due on the next following Interest Payment Date will reduce the Sterling Principal Amount Outstanding of the A Notes to zero, is equal to M Expenses and otherwise, is equal to zero;

C if (x) the B Condition is false, or (y) the Sterling Principal Amount Outstanding of the A Notes and the M Notes is zero, or (z) the Note Principal Payments due on the next following Interest Payment Date will reduce the Sterling Principal Amount Outstanding of the A Notes and the M Notes to zero, is equal to B Expenses and otherwise, is equal to zero;

D if (x) the C Condition is false, or (y) the Sterling Principal Amount Outstanding of the A Notes, the M Notes and the B Notes is zero, or (z) the Note Principal Payments due on the next following Interest Payment Date will reduce the Sterling Principal Amount Outstanding of the A Notes, the M Notes and the B Notes to zero, is equal to C Expenses and otherwise, is equal to zero; and

E is equal to Income Received;

**"Loan"** means, in relation to each Mortgage, the aggregate Sterling advances made by the relevant originator to the relevant Borrower by way of loan and from time to time outstanding;

**"Loan Principal Received"** means, in relation to any Calculation Date and any Mortgage, the amount received in respect of that Mortgage during the preceding Collection Period which is determined by PFL (in its capacity as Cash Manager) in accordance with the Administration Agreement to be of a principal nature;

**"London Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for business (including dealings in foreign exchange and foreign currency deposits) in the City of London;

**"London Stock Exchange"** means the London Stock Exchange plc;

**"M Condition"** is true on a Calculation Date if on that Calculation Date:

$A + B - C + D - E - F < G + H$ , where:

A is the aggregate outstanding balances of the Mortgages;

B is Principal Received;

C is the greater of (a) zero and (b) the Notional Provisions in relation to such Calculation Date less the aggregate of all amounts (if any) of Income Retained on all preceding Calculation Dates;

D is Income Received;

E is Senior Expenses;

F is M Expenses

G is the Sterling Principal Amount Outstanding of the A Notes; and

H is 50% of the Sterling Principal Amount Outstanding of the M Notes,

and otherwise is false;

**"M Expenses"** means, in relation to any Calculation Date, the amount determined by PFL (in its capacity as Cash Manager) to be owing to the M Noteholders in respect of item (vii) of the Pre-Enforcement Interest Priority of Payments on the next following Interest Payment Date;

**"Managers"** means the Arrangers, ABN AMRO Bank N.V., Barclays Bank PLC, Dresdner Bank AG London Branch and HSBC Bank plc, each a **Manager**;

**"MAS6"** means Mortgage Agency Services Number Six Limited;

**"MAS6 Declaration of Trust"** means the declaration of trust declared by MAS6 in favour of, *inter alios*, the Issuer and the Trustee over the Collection Account and the Sundries Account which relate to the MAS6 Mortgages;

**"MAS6 Mortgages"** mean the mortgages purchased by the Issuer from MAS6 pursuant to the MAS6 Mortgage Sale Agreement;

**"MAS6 Mortgage Sale Agreement"** means the mortgage sale agreement entered into, on or about the Closing Date, by the Issuer, MAS6, Britannia and the Trustee;

**"Master Framework Agreement"** means the master framework agreement dated on or about the Closing Date between the Issuer and the Trustee;

**"Maturity Date"** has the meaning given to it in Condition 6(a), ("*Final Redemption*");

**"Maximum Required Amount"** means £27,689,978.35 or such other higher or lower amount agreed by the Issuer with the Rating Agencies from time to time;

**"Meerbrook 1"** means Meerbrook Finance Number One Limited;

**"Meerbrook 1 Mortgage Sale Agreement"** means the mortgage sale agreement entered into, on or about the Closing Date, by the Issuer, Meerbrook 1, Britannia, PFL and the Trustee;

**"Meeting"** means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

**"Moody's"** means Moody's Investors Service Ltd;



**"Mortgage Conditions"** means, in respect of a Loan, the terms and conditions regulating it;

**"Mortgage Pool"** means the portfolio of Mortgages;

**"Mortgage Sale Agreements"** means the Meerbrook 1 Mortgage Sale Agreement, the MAS6 Mortgage Sale Agreement and the PFL Mortgage Sale Agreement;

**"Mortgages"** means the mortgages purchased by the Issuer from PFL, MAS6 and Meerbrook 1 pursuant to the Mortgage Sale Agreements, and a **"mortgage"** means, in relation to each Loan, the first charge by way of legal mortgage in England and Wales or the first legal charge or mortgage in Northern Ireland or the first ranking Standard Security in Scotland over the relevant Property securing such Loan;

**"Most Senior Class"** means:

- (a) the A Notes; or
- (b) if no A Notes are then outstanding, the M Notes (if, at the relevant time, any M Notes are then outstanding); or
- (c) if no M Notes are then outstanding, the B Notes (if, at the relevant time, any B Notes are then outstanding); or
- (d) if no B Notes are then outstanding, the C Notes (if, at the relevant time, any C Notes are then outstanding);

**"Non-Principal Amortisation Amount"** means, as at a Calculation Date, £4,251,358.93 (being, the amount equal to the current balances plus accrued interest less the principal balances of the Loans as at 28 March 2006), applied *pro rata* in relation to the number of days in each Calculation Period ending on each such Calculation Date, on the first 5 Calculation Dates from the Closing Date and, to the extent not applied in such period, then applied on each succeeding Calculation Date until applied in full, and thereafter, zero;

**"Note Principal Payment"** has the meaning given thereto in Condition 6(c), (*"Redemption, Purchase and Cancellation – Note Principal Payments, Principal Amount Outstanding and Pool Factor"*);

**"Noteholders"** means the holders from time to time of the Notes;

**"Notional Provisions"** means, in relation to any Calculation Date, the aggregate amount of provisions (if any) which the relevant Administrator determines in accordance with the Administration Agreement should be made in relation to the relevant Mortgages;

**"Official List"** means the official list as defined in Section 74 of the Financial Services and Markets Act 2000;

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

**"Paying Agents"** means the Principal Paying Agent and the U.S. Paying Agent together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Paying Agency Agreement and **"Paying Agent"** means any one of them;

**"Payment Priorities"** means the Pre-Enforcement Payment Priorities and the Post-Enforcement Priority of Payments;

**"PFL"** means Platform Funding Limited;

**"PFL Declaration of Trust"** means the declaration of trust declared by PFL in favour of the Issuer and the Trustee over the Collection Accounts and the Sundries Accounts which relate to the PFL Mortgages;

**"PFL Mortgage Sale Agreement"** means the mortgage sale agreement entered into, on or about the Closing Date, by the Issuer, PFL, Britannia and the Trustee;

**"PFL Mortgages"** means the mortgages purchased by the Issuer from PFL pursuant to the PFL Mortgage Sale Agreement and the mortgages purchased by the Issuer from Meerbrook 1 pursuant to the Meerbrook 1 Mortgage Sale Agreement;

**"Post-Enforcement Call Option"** means the option granted to Holdings by the Trustee on or about the Closing Date to acquire all (but not some only) of the Notes pursuant to the terms of the Post-Enforcement Call Option Deed;

**"Post-Enforcement Call Option Deed"** means the deed between the Trustee and Holdings dated on or about the Closing Date in relation to the Post-Enforcement Call Option;

**"Post-Enforcement Priority of Payments"** has the meaning given to it in Condition 3(h), (*"Priority of Payments following Enforcement"*);

**"Pre-Enforcement Interest Priority of Payments"** has the meaning given thereto in Condition 3(g), (*"Status, Ranking and Security – Priority of Payments Prior to Enforcement – Income Receipts"*);

**"Pre-Enforcement Payment Priorities"** means the Pre-Enforcement Interest Priority of Payments and the Pre-Enforcement Principal Priority of Payments;

**"Pre-Enforcement Principal Priority of Payments"** has the meaning given to it in Condition 6(b), (*"Redemption Purchase and Cancellation – Mandatory Redemption in Part"*)

**"Principal Administrator"** means PFL in its capacity as administrator of the PFL Mortgages under the Administration Agreement;

**"Principal Amount Outstanding"** means, on any date in relation to a Note, the principal amount outstanding of that Note as at the Closing Date less the aggregate of all Note Principal Payments that have become due and payable in respect of that Note (whether or not paid) on or prior to that date provided that, for the purposes of Condition 5, (*"Interest"*), Condition 6, (*"Redemption, Purchase and Cancellation"*) and Condition 10, (*"Events of Default"*), all Note Principal Payments that have become due and not been paid shall not be so deducted;

**"Principal Received"** means, in relation to the Mortgages and as at a Calculation Date, the amount (subject to cash available) determined by PFL (in its capacity as Cash Manager) to be equal to:

$$A + B + C + D + E$$

where:

- A is the aggregate amount of Loan Principal Received as at such Calculation Date;
- B is the Liquidity Shortfall satisfied from Principal Received on the preceding Calculation Date and any Liquidity Shortfall for any Calculation Date (the **relevant Calculation Date**) before the preceding Calculation Date to the extent that (a) such Liquidity Shortfall was taken into account as reducing Principal Received on the relevant Calculation Date (the amount of the said reduction being X) and (b) compensating amounts of income (equal in aggregate to X) have not been treated as Principal Received on Calculation Dates subsequent to the relevant Calculation Date;
- C is the Non-Principal Amortisation Amount (if any) as at such Calculation Date;
- D is any Principal Received on the preceding Calculation Date that has not been paid away subsequently, including any amount set aside as Retained Principal; and
- E in the case of the first Calculation Date after the Closing Date only, is an amount equal to the aggregate amount by which the gross proceeds of the Notes (having in part been exchanged into Sterling pursuant to the Cross Currency Swap Agreements) exceed the aggregate amount of the initial purchase prices paid by the Issuer to PFL, MAS6 and Meerbrook 1 for the Mortgages;

**"Principal Recoveries"** means, in relation to any Calculation Date, the greater of (i) zero and (ii)  $A - B - C$  where:

- A is the sum of the aggregate of all amounts of Income Retained on all preceding Calculation Dates (or, if none, zero);
- B is the sum of Principal Recoveries on all preceding Calculation Dates (or, if none, zero); and
- C is the Principal Shortfall as at such Calculation Date;

**"Principal Shortfall"** means in relation to any Calculation Date, the aggregate of Actual Principal Losses which have arisen up to and including such Calculation Date and the amount of the Notional Provisions in relation to such Calculation Date;

**"Provisions for Meetings of Noteholders"** means the provisions contained in Schedule 3 to the Trust Deed;

**"Rate of Interest"** has the meaning given thereto in Condition 5(c), (*"Interest – Rate of Interest"*);

**"Rating Agencies"** means Fitch, Moody's and S&P;

**"RBS"** means The Royal Bank of Scotland plc;

**"RBS GIC Account"** means a Sterling denominated account in the name of the Issuer which will be held at RBS, for the deposit of amounts made pursuant to the RBS GIC Agreement;

**"RBS GIC Agreement"** means a guaranteed investment contract dated on or about the Closing Date to be entered into between the Issuer, the Trustee and RBS;

**"Receiver"** means any person (being a licensed insolvency practitioner), who is appointed by the Trustee to be a receiver of the Charged Property to act jointly, or jointly and severally, as the Trustee shall determine;

**"Record Date"** means the seventh Business Day before the due date for the relevant payment;

**"Reference Banks"** means RBS, Lloyds TSB Bank Plc, Barclays Bank PLC and HSBC Bank plc or such other four major banks in the London interbank market as may be approved by the Trustee from time to time;

**"Register"** means the register on which the names and addresses of the holders of the Notes and the particulars of the Notes shall be entered and kept by the Issuer at the Specified Office of the Registrar;

**"Registrar"** means the party responsible for the registration of the Notes, which at the Closing Date is HSBC Bank USA, National Association;

**"Relevant Date"** means, in respect of any payment in relation to the Notes, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 15, ("*Notices*");

**"Relevant Expenses"** means the aggregate of the Senior Expenses, plus the M Expenses (unless the M Condition is true), plus the B Expenses (unless the B Condition is true), plus the C Expenses (unless the C Condition is true);

**"Relevant GIC Account"** means the GIC Account into which the Cash Manager is obliged, pursuant to the Administration Agreement, to deposit cash amounts received by the Issuer;

**"Relevant Margin"** has the meaning given thereto in Condition 5(c), ("*Interest – Rate of Interest*");

**"Required Amount"** means the lower of (a) the amount (if any) of Applied Income on each Interest Payment Date to be paid into or applied to the Relevant GIC Account after prior payment in full of items (i) to (ix) (inclusive) of the Pre-Enforcement Interest Priority of Payments and (b) the Maximum Required Amount;

**"Retained Principal"** means, in relation to any Calculation Date, the sum of (i) the Rounding Balance; and (ii) such amount up to 10.0 per cent. of the aggregate outstanding balance of the Mortgages as at the Closing Date as PFL (in its capacity as Cash Manager) determines on such Calculation Date should be retained for the purpose of purchasing Further Advances and Retentions;

**"Retentions"** means an amount or amounts to be advanced but retained as at the relevant cut-off date pending satisfaction of certain conditions (as described in the relevant letter of offer);

**"Rounding Balance"** has the meaning given to it in Condition 6(b), ("*Mandatory Redemption in Part*");

**"S&P"** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.;

**"Scottish Declarations of Trust"** means the declarations of trust in respect of the Scottish Loans and their related security made by PFL in favour of the Issuer on the Closing Date in relation to the Scottish Mortgages pursuant to the PFL Mortgage Sale Agreement and Meerbrook 1 Mortgage Sale Agreement;

**"Scottish Loan"** means a Loan secured by a Scottish Mortgage;

**"Scottish Mortgages"** means the Mortgages secured by way of standard security over residential properties located in Scotland;

**"Secured Creditors"** means the Noteholders, the Trustee, MAS6, Meerbrook 1, PFL, any Receiver, the Paying Agents, the Agent Bank, the Administrators, the Liquidity Facility Provider, the Expenses Loan Provider, the Senior Subordinated Loan Provider, the Junior Subordinated Loan Provider, and any Swap Counterparty;

**"Secured Obligations"** means

- (a) all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer:
  - (i) to the order of the Trustee and/or any Receiver under the Deed of Charge, the Trust Deed or the Conditions at the times and in the manner provided herein or therein;
  - (ii) under or in respect of the Notes; and
  - (iii) to the Trustee on any account whatsoever, whether as principal or surety and whether or not directly with another; and
- (b) all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer to each of the other Secured Creditors in accordance respectively with each of the other Transaction Documents;

**"Security"** means all assets, rights and amounts secured pursuant to the Deed of Charge;

**"Senior Expenses"** means, in relation to any Calculation Date, the amount determined by PFL (in its capacity as Cash Manager) to be owing in respect of items (i) to (vi) (inclusive) of the Pre-Enforcement Interest Priority of Payments on the next following Interest Payment Date;

**"Senior Subordinated Loan"** means the senior Sterling subordinated loan facility to be made available to the Issuer by the Senior Subordinated Loan Provider pursuant to the Senior Subordinated Loan Agreement;

**"Senior Subordinated Loan Agreement"** means the senior subordinated loan agreement to be dated on or about the Closing Date between the Issuer, the Senior Subordinated Loan Provider and the Trustee;

**"Senior Subordinated Loan Provider"** means Britannia;

**"Standard Security"** means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

**"Step-Up Date"** means the Interest Payment Date falling in June 2011;

**"Sterling"** or **"£"** denote the lawful currency of the United Kingdom;

**"Sterling Interest Amount"** has the meaning given thereto in Condition 5(d) (*"Interest – Determination of Rates of Interest and Calculation of Interest Amounts"*);

**"Sterling Interest Determination Date"** has the meaning given to it in Condition 5(c), (*"Interest – Rate of Interest"*);

**"Sterling LIBOR Screen Rate"** has the meaning given thereto in Condition 5(c)(ii), (*"Interest – Rate of Interest"*);

**"Sterling Principal Amount Outstanding"** means, on any date in relation to: (i) a Sterling Note, the Principal Amount Outstanding of that Sterling Note; (ii) a Dollar Note, the Principal Amount Outstanding of that Dollar Note converted into Sterling at the Dollar Swap Rate; and (iii) a Euro Note, the Principal Amount Outstanding of that Euro Note converted into Sterling at the Euro Swap Rate;

**"Sub Loan Drawing"** means each of the tranches drawn under the Senior Subordinated Loan and the Junior Subordinated Loan, respectively, and which together equal 2.00 per cent. of the sum of the aggregate Sterling Principal Amount Outstanding of the Notes at the Closing Date;

**"Sundries Accounts"** means:

- (i) the account with account number 23539275 named "Platform Funding Limited re: Leek 7 (LFL4) Sundries Account";
- (ii) the account with account number 23534508 named "Platform Funding Limited re: Leek 7 (LFL5) Sundries Account";
- (iii) the account with account number 36044989 named "Platform Funding Limited re: Leek 17 Sundries Account"; and
- (iv) the account with account number 36042072 named "Mortgage Agency Services No. 6 Limited re: Leek 17 Sundries Account";

each with sort code 01-05-02 at National Westminster Bank plc;

**"Swap Agreements"** means, together, the Basis Swap Transactions, the Cross Currency Swap Agreements and the Interest Rate Swap Transactions or any replacement thereof;

**"Swap Counterparty"** means the Basis Swap Counterparty, the Interest Rate Swap Counterparty and the Cross Currency Swap Counterparty, or any of them as the context may require;

**"TARGET Settlement Day"** means any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open;

**"Transaction Documents"** means the Mortgage Sale Agreements, the Scottish Declarations of Trust, the Paying Agency Agreement, the Administration Agreement, the Cross Currency Swap Agreements, the Deed of Charge, the Notes, the Trust Deed, the Subscription Agreement, the Britannia GIC Agreement, the Declarations of Trust, the RBS GIC Agreement, the GIC Guarantee, the Master Framework Agreement, the Liquidity Facility Agreement, the Senior Subordinated Loan Agreement, the Junior Subordinated Loan Agreement, the Expenses Loan Agreement, the Basis Swap Transactions, the Interest Rate Swap Transactions, the Post-Enforcement Call Option Deed and the Deferred Consideration Agreement;

**"Treaty"** means the Treaty establishing the European Communities as amended by the Treaty on European Union;

**"Trust Documents"** means the Trust Deed and the Deed of Charge and any deed or document expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

**"UK Listing Authority"** means the Financial Services Authority in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;

**"Uncovered Shortfall"** means, in relation to any Calculation Date, the greater of (i) zero and (ii) the Principal Shortfall less the aggregate of all amounts (if any) of Income Retained on all preceding Calculation Dates;

**"VAT"** means value added tax provided for in the Value Added Tax Act 1994 and other United Kingdom primary legislation relating to value added tax and/or any regulations enacted thereunder (**existing UK VAT**) and any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to existing UK VAT) or elsewhere; and

**"Written Resolution"** means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

## **2. Form, Denomination and Title**

### *(a) Form and Denomination*

The Notes are in fully registered form and serially numbered in the denomination of £100,000 each for the Sterling Notes, U.S.\$100,000 each for the Dollar Notes and €100,000 each for the Euro Notes. Notes in registered form are issued without coupons attached. The expression **Notes** means and includes co-ownership under a permanent Global Note and the expression **Noteholder** shall mean and include any person entitled to co-ownership and further benefit under a permanent Global Note.

The Principal Amount Outstanding of the Notes of each Class initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**) is represented by one or more global notes in fully registered form (the **Regulation S Global Notes**) without coupons attached. The Principal Amount Outstanding of the Dollar Notes initially offered and sold within the United States to persons who are both (i) "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act (Rule 144A), and (ii) "qualified purchasers" (**Qualified Purchasers**) for the purposes of the Investment Company Act, in transactions made in accordance with Rule 144A, is represented by one or more global notes in fully registered form without coupons attached (the **Rule 144A Global Notes**).

### *(b) Definitive Registered Notes*

Definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Regulation S Global Notes (the **Definitive Registered Regulation S Notes**) and the Rule 144A

Global Notes (the **Definitive Registered Rule 144A Notes** and together with the Definitive Registered Regulation S Notes, the **Definitive Registered Notes**) will be issued in registered form and serially numbered in the circumstances referred to below. Definitive Registered Notes, if issued, will be issued in the denomination of £100,000 each for the Sterling Notes, U.S.\$100,000 each for the Dollar Notes and €100,000 each for the Euro Notes.

If, while any Notes are represented by a Global Note, (i) in the case of a Global Note held on behalf of DTC, at any time DTC notifies the Issuer that it is unable or unwilling to discharge properly its responsibilities as depositary with respect to the Global Notes or DTC ceases to be a clearing agency registered under the United States Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of the Regulation S Global Notes Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do so cease business and no alternative clearing system satisfactory to the Trustee is available; or (iii) as a result of any amendment to, or change in, the laws of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form, the Issuer will issue Definitive Registered Notes to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Global Notes will not be exchangeable for Definitive Registered Notes in any other circumstances.

*(c) Title*

The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.

The Issuer shall cause to be kept at the specified office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes. No transfer of a Note will be valid unless and until entered on the Register.

Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Registered Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Registered Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Transfer Agent in the U.K. or the Registrar to any holder of a Note who so requests and will be available upon request at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent.

A Definitive Registered Note may be transferred in whole or in part upon the surrender of the relevant Definitive Registered Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.

Each new Definitive Registered Note to be issued upon transfer of Definitive Registered Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Registered Note to such address as may be specified in such request.

Registration of Definitive Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

No holder of a Definitive Registered Note may require the transfer of such Note to be registered during the period of 7 days ending on the due date for any payment of principal or interest on such Note.

### 3. Status, Ranking and Security

#### *Status*

- (a) The Notes constitute direct and secured obligations solely of the Issuer and the Notes of each Class will rank (subject to the provisions of Condition 6, ("*Redemption, Purchase and Cancellation*")) without preference or priority *pari passu* amongst themselves.
- (b) The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by any of the other parties to the Transaction Documents.
- (c) The A Notes, the M Notes, the B Notes and the C Notes, each of which have been issued by the Issuer on the Closing Date, are subject to the Trust Deed and are secured by the same Security. The A1 Notes rank *pari passu* without preference or priority amongst themselves. The A2 Notes rank *pari passu* without preference or priority amongst themselves. The A1 Notes rank ahead of the A2 Notes in point of payment of principal. The A Notes rank *pari passu* without preference or priority amongst themselves (other than in respect of payment of principal, as described above) but in priority to the M Notes, the B Notes and the C Notes in point of payment and security. The M Notes rank *pari passu* without preference or priority amongst themselves, but in priority to the B Notes and the C Notes in point of payment and security but subordinate to the A Notes in point of payment and security. The B Notes rank *pari passu* without preference or priority amongst themselves, but in priority to the C Notes in point of payment and security but subordinate to the A Notes and the M Notes in point of payment and security. The C Notes rank *pari passu* without preference or priority amongst themselves, but subordinate to the A Notes, the M Notes and the B Notes in point of payment and security.
- (d) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the A Noteholders, the M Noteholders, the B Noteholders, the C Noteholders and the other Secured Creditors as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in such case to have regard only to (i) for so long as there are any A Notes outstanding, the interests of the A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (A) the A Noteholders, (B) the M Noteholders, (C) the B Noteholders, and (D) the C Noteholders and/or (E) any other Secured Creditors or (ii) if there are no A Notes outstanding, the interests of the M Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (A) the M Noteholders, and (B) the B Noteholders, and (C) the C Noteholders and/or (D) any other Secured Creditors or (iii) if there are no M Notes outstanding, the interests of the B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (A) the B Noteholders, (B) the C Noteholders and/or (C) any other Secured Creditors; or (iv) if there are no B Notes outstanding, the interests of the C Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (A) the C Noteholders and/or (B) any other Secured Creditors.
- (e) The A Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any specific Class of Noteholders within the A Notes. The M Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any Class of Noteholders within the M Notes. The B Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any Class of Noteholders within the B Notes. The C Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any individual Noteholder within such Class.

However, at any particular time, having regard to the specific circumstances then applicable, the Trustee may, in its absolute discretion (and without prejudice to the preceding paragraph), if it believes it to be just and equitable to do so, convene a meeting or meetings of a specific Class or Classes of Noteholders.

### Security

- (f) As security for the payment of all moneys payable in respect of the Notes and the other Secured Obligations (including the remuneration, expenses and any other claims of the Trustee and any Receiver appointed under the Deed of Charge), and in respect of certain amounts payable to the Noteholders and the other Secured Creditors from time to time, the Issuer has, pursuant to the Deed of Charge created the following Security in favour of the Trustee for itself and on trust for the Noteholders and the other Secured Creditors:
- (i) a first fixed charge over the Issuer's right, title, interest and benefit in the Mortgages, other than the Scottish Mortgages, and certain collateral security;
  - (ii) an assignation in security of the Issuer's whole right, title and interest in and to the Scottish Declarations of Trust and the Scottish Trust Property therein defined;
  - (iii) an assignment by way of security of the Issuer's interest in certain insurance contracts so far as they relate to the Mortgages (in so far as such interests are capable of assignment);
  - (iv) an assignment by way of security of the benefit of the Issuer's right, title, benefit and interest present and future in the Transaction Documents other than the Notes and the Trust Documents;
  - (v) a first fixed charge over the Issuer's interest in the GIC Accounts and any other bank account of the Issuer from time to time and the debts represented thereby (which in either case, may take effect as a floating charge and so rank behind the claims of any preferential creditors of the Issuer); and
  - (vi) floating charge over all the present and future assets and undertaking of the Issuer not subject to the fixed charges or assignments by way of security described above but extending over all the assets and undertaking of the Issuer situated in, or otherwise governed by, the laws of Scotland.

### Priority of Payments Prior to Enforcement

#### Income Receipts

- (g) prior to the delivery of an Enforcement Notice by the Trustee, Applied Income will be applied on each Interest Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) after which the Liquidity Drawing Amount (if any) will be applied to items (v), (vii), (viii) and (ix) only (the **Pre-Enforcement Interest Priority of Payments**):
- (i) *first*, in or towards satisfaction of the fees, costs and expenses of the Trustee and any costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
  - (ii) *second, pro rata and pari passu*, in or towards satisfaction of the fees payable to the Paying Agents and the Agent Bank and any costs, charges, liabilities (including in respect of indemnity payments payable to any of them) and expenses incurred by any of them under the provisions of the Paying Agency Agreement and/or the Deed of Charge and any VAT payable thereon;
  - (iii) *third, pro rata and pari passu*, in or towards satisfaction of the administration fees (inclusive of any VAT) of each of the Administrators under the Administration Agreement (or any substitute administrator) up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.3 per cent. per annum to the average of the aggregate of the balance of the Loans administered by that Administrator on the last day of each calendar month commencing in the immediately preceding Collection Period, together with all and any costs and expenses paid or to be paid by the applicable Administrator or any substitute administrator during such Collection Period or to be incurred in the next succeeding Collection Period;



- (iv) *fourth*, in or towards payment of interest, principal and other amounts due under the Liquidity Facility Agreement;
- (v) *fifth*, in or towards payment, *pro rata* according to the respective amounts due:
  - (a) *pro rata* and *pari passu*, of:
    - (i) interest due on the A1a Notes;
    - (ii) interest due on the A2a Notes;
    - (iii) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class A1b Dollar Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below);
    - (iv) interest due on the A1b Notes (if any) after applying interest amounts received under the Class A1b Dollar Swap Transaction;
    - (v) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class A2b Dollar Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below);
    - (vi) interest due on the A2b Notes (if any) after applying interest amounts received under the Class A2b Dollar Swap Transaction;
    - (vii) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class A2c Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below);
    - (viii) interest due on the A2c Notes (if any) after applying interest amounts received under the Class Ac Euro Swap Transaction; and
  - (b) amounts due to a Swap Counterparty under an Interest Rate Swap Transaction or the Basis Swap Transactions including termination payments (except for such amounts as are payable under item (xiv) below);
- (vi) *sixth*, in or towards payment of or provision for sums due to unsecured third parties without such payment or provision causing breach by the Issuer of the Trust Deed, the Deed of Charge or the other Transaction Documents and for which payment has not been provided for elsewhere and to provide for any such amounts expected to become due and payable during the next following Collection Period;
- (vii) *seventh*, in or towards payment, *pro rata* and *pari passu*, of:
  - (a) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class Mc Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below); and
  - (b) interest due on the Mc Notes (if any) after applying interest amounts received under the Class Mc Euro Swap Transaction;
- (viii) *eighth*, in or towards payment, *pro rata* and *pari passu*, of:
  - (a) interest due on the Ba Notes;
  - (b) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class Bc Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below); and

- (c) interest due on the Bc Notes (if any) after applying interest amounts received under the Class Bc Euro Swap Transaction;
- (ix) *ninth*, in or towards payment, *pro rata* and *pari passu*, of:
  - (a) all amounts due (including any fees) to the Cross Currency Swap Counterparty in respect of the Class Cc Euro Swap Transaction including termination payments (other than amounts representing payments of principal and amounts attributable to the return of collateral (and income thereon) and except for such amounts as are payable under item (xiv) below); and
  - (b) interest due on the Cc Notes (if any) after applying interest amounts received under the Class Cc Euro Swap Transaction;
- (x) *tenth*, amounts to be credited to the Relevant GIC Account to re-establish the Required Amount until the balance reaches the Maximum Required Amount;
- (xi) *eleventh*, in or towards payment of interest on the Expenses Loan;
- (xii) *twelfth*, in or towards payment of principal on the Expenses Loan;
- (xiii) *thirteenth*, in or towards satisfaction of amounts payable in respect of the Senior Subordinated Loan;
- (xiv) *fourteenth*, *pro rata* and *pari passu*, amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such early termination results from a default by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event as a result of a ratings downgrade of the Swap Counterparty (other than amounts attributable to collateral (and income thereon)) to the extent not paid in item (v), (vii), (viii) or (ix) above;
- (xv) *fifteenth*, *pro rata* and *pari passu*, in or towards satisfaction of the balance of the fees, costs and expenses of the Administrators (or any substitute administrator) not paid under item (iii) above;
- (xvi) *sixteenth*, in or towards satisfaction of amounts payable in respect of the Junior Subordinated Loan;
- (xvii) *seventeenth*, in or towards retention, to the extent such amount has not been retained in full on a previous Interest Payment Date falling within each relevant accounting period of the Issuer, of an amount equal for each such relevant accounting period to the sum of the aggregate principal balances of the Loans at the beginning of the first Collection Period commencing on or after the first day of such relevant accounting period multiplied by (i) 0.01 per cent. in respect of the first £250,000,000, and (ii) 0.001 per cent. in respect of any additional amount in excess of £250,000,000;
- (xviii) *eighteenth*, to retain in the Britannia GIC Account an amount equal to, if the Expenses Loan Condition is true, the principal amount outstanding under the Expenses Loan Agreement or, if the Expenses Loan Condition is not true, nil; and
- (xix) *nineteenth*, *pro rata* and *pari passu* in or towards payment to Meerbrook 1, MAS6 and PFL in respect of all amounts accrued and due under or pursuant to the deferred consideration agreement between the Issuer, Meerbrook 1, MAS6 and PFL dated on or about the Closing Date (the **Deferred Consideration Agreement**).

Applied Income allocated and provided for in accordance with the Pre-Enforcement Interest Priority of Payments may be applied during each Interest Period by the Issuer to make payment of certain third party costs and expenses and amounts under the Interest Rate Swap Transactions that have fallen due.

#### **Principal receipts**

Prior to the delivery of an Enforcement Notice by the Trustee, Applied Principal will be applied on each Interest Payment Date in making the payments or provisions in accordance with the Pre-Enforcement Principal Priority of Payments (in each case only to the extent that payments or provisions of a higher priority have been made in full) as set out in Condition 6(b) below.

#### **Priority of Payments Following Enforcement**

- (h) At any time following the delivery of an Enforcement Notice by the Trustee pursuant to Condition

10 ("*Events of Default*") declaring the Notes to be due and repayable, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the Britannia GIC Account and the RBS GIC Account and in respect of the Charged Property (other than amounts standing to the credit of any swap collateral account which are payable to the Cross Currency Swap Counterparty and/or the Basis Swap Counterparty, as applicable, in accordance with the Cross Currency Swap Agreements and/or the Basis Swap Agreement) to make payments in the following order of priority (**the Post-Enforcement Priority of Payments**), in accordance with and as more fully specified in the Deed of Charge (in each case only to the extent that payments or provisions of a higher priority have first been made in full):

- (i) *first*, in or towards satisfaction *pro rata* and *pari passu*, of:
  - (a) the remuneration then payable to any Receiver and any costs, charges, liabilities (including in respect of any indemnity payments payable to such Receiver) and expenses then incurred by such Receiver together with interest as provided in the Deed of Charge;
  - (b) the fees, costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by the Trustee under the provisions of the Trust Deed, the Deed of Charge or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
- (ii) *second, pro rata*, in or towards payment of the fees and costs (including any VAT) of each of the Administrators (and any substitute administrator) and the fees, costs, charges and liabilities and expenses of the Paying Agents and the Agent Bank;
- (iii) *third*, in or towards payment of interest, principal and other amounts due under the Liquidity Facility Agreement;
- (iv) *fourth, pro rata*, in or towards payment according to the respective amounts due:
  - (a) *pro rata* and *pari passu*, in respect of:
    - (i) interest and principal due on the A1a Notes;
    - (ii) interest and principal due on the A2a Notes;
    - (iii) amounts due to the Cross Currency Swap Counterparty in respect of interest and principal under the Class A1b Dollar Swap Transaction including termination payments (except for such amounts as are payable under item (x) below);
    - (iv) interest and principal due on the A1b Notes (if any) after applying amounts received under the Class A1b Dollar Swap Transaction;
    - (v) amounts due to the Cross Currency Swap Counterparty in respect of interest and principal under the Class A2b Dollar Swap Transaction including termination payments (except for such amounts as are payable under item (x) below);
    - (vi) interest and principal due on the A2b Notes (if any) after applying amounts received under the Class A2b Dollar Swap Transaction;
    - (vii) amounts due to the Cross Currency Swap Counterparty in respect of interest and principal under the Class A2c Euro Swap Transaction including termination payments (except for such amounts as are payable under item (x) below);
    - (viii) interest and principal due on the A2c Notes (if any) after applying amounts received under the Class A2c Euro Swap Transaction; and
  - (b) amounts due to any Interest Rate Swap Counterparty and any Basis Swap Counterparty including termination payments (except for such amounts as are payable under item (x) below);
- (v) *fifth*, in or towards payment, *pro rata* and *pari passu* according to the respective amounts due, of:
  - (a) amounts due to the Cross Currency Swap Counterparty in respect of interest and principal under the Class Mc Euro Swap Transaction including termination payments (except for such amounts as are payable under item (x) below); and

- (b) interest and principal due on the Mc Notes (if any) after applying amounts received under the Class Mc Euro Swap Transaction;
- (vi) *sixth*, in or towards payment, *pro rata* and *pari passu* according to the respective amounts due, of:
  - (a) interest and principal due on the Ba Notes;
  - (b) amounts due to the Cross Currency Swap Counterparty in respect of interest and principal under the Class Bc Euro Swap Transaction including termination payments (except for such amounts as are payable under item (x) below); and
  - (c) interest and principal due on the Bc Notes (if any) after applying amounts received under the Class Bc Euro Swap Transaction;
- (vii) *seventh*, in or towards payment, *pro rata* and *pari passu* according to the respective amounts due, of:
  - (a) amounts due to the Cross Currency Swap Counterparty in respect of interest and principal under the Class Cc Euro Swap Transaction including termination payments (except for such amounts as are payable under item (x) below); and
  - (b) interest and principal due on the Cc Notes (if any) after applying amounts received under the Class Cc Euro Swap Transaction;
- (viii) *eighth*, in or towards satisfaction of all amounts due and payable in respect of the Expenses Loan;
- (ix) *ninth*, in or towards satisfaction of all amounts due and payable in respect of the Senior Subordinated Loan;
- (x) *tenth*, in or towards payment of amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such termination results from a default by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event as a result of a ratings downgrade of the Swap Counterparty to the extent not paid in items (iv), (v), (vi) or (vii) above;
- (xi) *eleventh*, in or towards satisfaction of all amounts due and payable in respect of the Junior Subordinated Loan; and
- (xii) *twelfth*, in or towards payment to Meerbrook 1, MAS6 and PFL in respect of all amounts accrued and due under or pursuant to the Deferred Consideration Agreement.

#### **4. Covenants**

Save with the prior written consent of the Trustee or as provided in or envisaged by any of these Conditions, the Trust Deed, the Deed of Charge, the Post-Enforcement Call Option Deed or any of the other Transaction Documents, the Issuer shall not, so long as any Note remains outstanding (as defined in the Master Framework Agreement):

##### **(a) Negative Pledge**

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

##### **(b) Restrictions on Activities**

- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage;
- (ii) have or form any subsidiaries, undertakings of any nature or employees or premises; or
- (iii) have its centre of main interest, as such term is used in the EU Insolvency Regulation, in any jurisdiction other than England;

**(c) Disposal of Assets**

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present of future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

**(d) Dividends or Distributions**

other than in respect of Company Profit (as defined in the Deferred Consideration Agreement), pay any dividend or make any other distribution to its shareholders or issue any further shares;

**(e) Borrowings**

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any obligation of any person;

**(f) Merger**

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

**(g) Bank Accounts**

have an interest in any bank account, other than the Collection Accounts, the Sundries Accounts, the Britannia GIC Account, the RBS GIC Account and the Standby Drawing Account unless such account or interest is charged to the Trustee so as to form part of the security for the Notes on terms acceptable to the Trustee;

**(h) Value Added Tax (VAT)**

apply to become part of any group for the purposes of Section 43 of the VAT Act 1994 with any other company or group of companies, or for the purposes of any act, regulation, order, statutory instrument or directive which, from time to time, may re-enact, replace, amend, vary, codify, consolidate or repeal the VAT Act 1994, unless required to do so by law;

**(i) Surrender of Group Relief**

offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988 unless the Issuer first receives by way of consideration for such surrender the payment of an amount calculated by applying to the amount surrendered the rate of corporation tax applicable to the Issuer at the time of surrender; or

**(j) Other**

permit the validity or effectiveness of any of the Transaction Documents, the insurance contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, terminated or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to, the terms of the Trust Deed, these Conditions or any of the Transaction Documents, or permit any party to any of the Transaction Documents or insurance contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders.

**5. Interest**

**(a) Period of Accrual**

The Notes of each Class bear interest on their Principal Amount Outstanding from and including the Closing Date. Each Note shall cease to bear interest from its due date for redemption unless, upon due

presentation, payment of the relevant amount of principal is not paid in full or is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any judgment) at the rate from time to time applicable to the relevant Class of Note up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the Noteholder (in accordance with Condition 15 ("Notices")), that the full amount payable is available for collection by the Noteholder, provided that on due presentation payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including any Interest Period), such interest shall be calculated (i) for the Sterling Notes on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year; and (ii) for the Dollar Notes and the Euro Notes, on the basis of actual days elapsed in a 360 day year.

**(b) Interest Payment Dates and Interest Periods**

Interest on each Class of Notes shall be payable in arrear on 21 September 2006, and thereafter quarterly in arrear on the 21st day in December, March, June and September in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date an **Interest Payment Date**).

**(c) Rate of Interest**

The rate of interest payable from time to time in respect of the Notes (the **Rate of Interest**) will be determined by the Agent Bank (i) in the case of the Sterling Notes, on each Interest Payment Date (or the Closing Date in respect of the first Interest Period) (each a **Sterling Interest Determination Date**); (ii) in the case of the Dollar Notes, on each day, being two London Business Days prior to an Interest Payment Date or, in the case of the first Interest Period, two London Business Days prior to the Closing Date (each a **Dollar Interest Determination Date**); and (iii) in the case of the Euro Notes, on each day, being two TARGET Settlement Days prior to the Interest Payment Date, or, in the case of the first Interest Period, two TARGET Settlement Days prior to the Closing Date (each a **Euro Interest Determination Date** and together with each Sterling Interest Determination Date and each Dollar Interest Determination Date, each an **Interest Determination Date**).

The Rate of Interest in respect of each Class of Notes for each Interest Period shall be the aggregate of:

- (i) the Relevant Margin; and

**For Sterling Notes**

- (ii) the rate for three-month (**3 Month Sterling LIBOR**) Sterling deposits offered to prime banks in the London Inter Bank Market which appears on Telerate Screen Page No. 3750 (or (aa) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on an equivalent service (or, if more than one, that one which is approved in writing by the Trustee to replace the Telerate Monitor)) at or about 11.00 a.m. (London time) on the Sterling Interest Determination Date (the **Sterling LIBOR Screen Rate**); or in the case of the first Interest Period only, the rate obtained by the linear interpolation of the rate for five month and six month Sterling deposits in the market;
- (iii) if the Sterling LIBOR Screen Rate is unavailable at such time, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks as the relevant LIBOR rate at or about 11.00 a.m. (London time) on the Sterling Interest Determination Date. If on any such Sterling Interest Determination Date, only two of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Sterling Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the opinion of the Trustee suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis

of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then 3 Month Sterling LIBOR for the relevant Interest Period shall be the 3 Month Sterling LIBOR in effect as at the last preceding Sterling Interest Determination Date to which Condition 5(c)(ii) shall have applied.

***For Dollar Notes***

- (iv) the rate for three-month (**3 Month Dollar LIBOR**) Dollar deposits offered to prime banks in the London Inter Bank Market which appears on Telerate Screen Page No. 3750 (or (aa) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on an equivalent service (or, if more than one, that one which is approved in writing by the Trustee to replace the Telerate Monitor)) at or about 11.00 a.m. (London time) on the Dollar Interest Determination Date (the **Dollar LIBOR Screen Rate**); or in the case of the first Interest Period only, the rate obtained by the linear interpolation of the rate for five month and six month Dollar deposits in the market; or
- (v) if the Dollar LIBOR Screen Rate is unavailable at such time, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks as the relevant LIBOR rate at or about 11.00 a.m. (London time) on the Dollar Interest Determination Date. If on any such Dollar Interest Determination Date, only two of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Dollar Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the opinion of the Trustee suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then 3 Month Dollar LIBOR for the relevant Interest Period shall be the 3 Month Dollar LIBOR in effect as at the last preceding Dollar Interest Determination Date to which Condition 5(c)(iv) shall have applied.

***For Euro Notes***

- (vi) the rate for three-month Euro deposits (**3 Month EURIBOR**) which appears on Telerate Page 248 (or (aa) such other page as may replace Telerate Page 248 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on an equivalent service (or, if more than one, that one which is approved in writing by the Trustee to replace the Telerate Monitor)) at or about 11.00 a.m. (Brussels time) on the Euro Interest Determination Date (the **EURIBOR Screen Rate**); or in the case of the first Interest Period only, the rate obtained by the linear interpolation of the rate for five month and six month Euro deposits in the market; or
- (vii) if the EURIBOR Screen Rate is unavailable at such time, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks as the relevant EURIBOR rate at or about 11.00 a.m. (Brussels time) on the Euro Interest Determination Date. If on any such Euro Interest Determination Date, only two of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Euro Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the opinion of the Trustee suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then 3 Month EURIBOR for the relevant Interest Period shall be the 3 Month EURIBOR in effect as at the last preceding Euro Interest Determination Date to which Condition 5(c)(vi) shall have applied.

For the purposes of these Conditions, the **Relevant Margin** shall be:

- (A) for the A1a Notes, 0.04 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.08 per cent. per annum;
- (B) for the A1b Notes, 0.04 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.08 per cent. per annum;
- (C) for the A2a Notes, 0.14 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.28 per cent. per annum;
- (D) for the A2b Notes, 0.14 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.28 per cent. per annum;
- (E) for the A2c Notes, 0.14 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.28 per cent. per annum;
- (F) for the Mc Notes, 0.23 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.46 per cent. per annum;
- (G) for the Ba Notes, 0.46 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.92 per cent. per annum;
- (H) for the Bc Notes, 0.46 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 0.92 per cent. per annum;
- (I) for the Cc Notes, 0.86 per cent. per annum until the Interest Payment Date falling in June 2011 and thereafter 1.72 per cent. per annum.

**(d) Determination of Rates of Interest and Calculation of Interest Amounts**

The Agent Bank will, on each Interest Determination Date, determine and notify the Issuer, the Administrators, the Trustee, the Swap Counterparty and the Paying Agents of (i) the Rate of Interest applicable for the Interest Period beginning on and including such Interest Determination Date in respect of each Class of Notes; (ii) the Sterling amount (being, the **Sterling Interest Amount**) payable in respect of such Interest Period in respect of each Sterling Note; (iii) the Dollar amount (being, the **Dollar Interest Amount**) payable in respect of such Interest Period in respect of each Dollar Note; and (iv) the Euro amount (being, the **Euro Interest Amount** and the Euro Interest Amount, Dollar Interest Amount and Sterling Interest Amount each an **Interest Amount**) payable in respect of such Interest Period in respect of each Euro Note. The Interest Amount for a Note of a particular Class shall be calculated by applying the Rate of Interest applicable to that Note to the Principal Amount Outstanding of the relevant Note of that Class multiplied by the actual number of days in the relevant Interest Period and divided by (i) for Sterling Notes, 365 (or in the case of an Interest Period ending in a leap year, 366); (ii) for Dollar Notes, 360; and (iii) for Euro Notes, 360; and rounding the resultant figure to the nearest penny or cent, as the case may be, (half a penny or cent, as the case may be, being rounded upwards).

**(e) Publication of Rate of Interest and Interest Amount**

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount applicable to each Class of Notes for the Interest Period and the Interest Payment Date falling at the end of such Interest Period to be notified to the UK Listing Authority and to the London Stock Exchange, for so long as the Notes are listed on the Official List of the UK Listing Authority and admitted for trading with the London Stock Exchange, and will cause the same to be published in accordance with Condition 15 ("*Notices*") on or as soon as practicable after such determination. The Interest Amount and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or a shortening of the Interest Period.

**(f) Determination or Calculation by the Trustee**

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for any Class of Notes in accordance with this Condition 5, the Trustee shall (i) determine the Rate of Interest for each Class at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or, as the case may be, (ii) calculate the Interest Amount for each Class in



the manner specified in this Condition, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank and in the absence of fraud or negligence shall be final and binding and in such absence of fraud or negligence, no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non exercise by the Trustee of its powers, duties, determinations and discretions under this Condition.

**(g) Notification to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Trustee and all Noteholders and (in such absence as aforesaid) no liability to any such person shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

**(h) Reference Banks and Agent Bank**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be four Reference Banks and an Agent Bank. The initial Agent Bank shall be HSBC Bank plc of 8 Canada Square, London E14 5HQ. In the event of any of the Reference Banks being unable or unwilling to continue to act as a Reference Bank or HSBC Bank plc being unable or unwilling to continue to act as Agent Bank, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved in writing by the Trustee is appointed by the Issuer.

**(i) Interest Accrual**

To the extent that the funds available to the Issuer to pay interest on the M Notes and/or the B Notes and/or the C Notes on an Interest Payment Date are insufficient to pay the full amount of such interest, payment of the shortfall (**Deferred Interest**), which will be borne by each M Note and/or B Note and/or C Note in a proportion equal to the proportion that the Principal Amount Outstanding of that M Note or B Note or C Note, as the case may be, bears to the aggregate Principal Amount Outstanding of the M Notes, the B Notes or the C Notes, as the case may be (in each case as determined on the Interest Payment Date on which such Deferred Interest arises), will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds. Such Deferred Interest will accrue interest (**Additional Interest**) at the rate of interest applicable from time to time to the M Notes or the B Notes or the C Notes, as the case may be, and payment of any Additional Interest will also be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest to the extent of such available funds. Payment of any amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Maturity Date of the M Notes, the B Notes or the C Notes, as the case may be, or beyond any earlier date on which each respective Class of Notes falls to be redeemed in full in accordance with Condition 6 (*"Redemption, Purchase and Cancellation"*), and any such amount which has not then been paid in respect of the relevant Class of Notes shall thereupon become due and payable in full.

**6. Redemption, Purchase and Cancellation**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided in this Condition 6, the Issuer shall (without prejudice to the provisions of Condition 6(i)) redeem all the Classes of Notes at their respective Principal Amount Outstanding together with all interest accrued thereon on the Interest Payment Date falling in December 2037 (the **Maturity Date**).

The Issuer may not redeem Notes in whole or in part prior to their respective Maturity Dates except as provided in Conditions 6(b), (d) or (e) of this Condition, but without prejudice to Condition 10 (*"Events of Default"*) below.

**(b) Mandatory Redemption in Part**

Prior to delivery of an Enforcement Notice by the Trustee, on each Interest Payment Date other than the Interest Payment Date on which the Notes are to be redeemed under Condition 6(a) or (d) or (e), the Issuer is required to apply the amount of Applied Principal in or towards purchasing Further Advances, provided that the aggregate of the amounts so applied must not exceed (i) the cumulative amount of 10 per cent. of the aggregate original outstanding balances of the Mortgages on the Closing Date plus (ii) the aggregate amount of Retentions in respect of the Mortgages.

The Actual Redemption Funds will be applied in partial redemption of the Notes on any Calculation Date, to effect redemptions of the Notes on the next Interest Payment Date sequentially as follows (the **Pre-Enforcement Principal Priority of Payments**):

(i) *first, pro rata and pari passu:*

- (a) in redeeming the A1a Notes;
- (b) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class A1b Dollar Swap Transaction;
- (c) in redeeming the A1b Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class A1b Dollar Swap Transaction);

until no A1 Notes remain outstanding;

(ii) *second, pro rata and pari passu:*

- (a) in redeeming the A2a Notes;
- (b) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class A2b Dollar Swap Transaction;
- (c) in redeeming the A2b Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class A2b Dollar Swap Transaction);
- (d) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class A2c Euro Swap Transaction; and
- (e) in redeeming the A2c Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class A2c Euro Swap Transaction);

until no A2 Notes remain outstanding;

(iii) *third, pro rata and pari passu:*

- (a) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class Mc Euro Swap Transaction; and
- (b) in redeeming the Mc Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class Mc Euro Swap Transaction);

until no M Notes remain outstanding;

(iv) *fourth, pro rata and pari passu;*

- (a) in redeeming the Ba Notes;
- (b) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class Bc Euro Swap Transaction; and
- (c) in redeeming the Bc Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class Bc Euro Swap Transaction);

until no B Notes remain outstanding; and

(v) *fifth, pro rata and pari passu;*

- (a) in paying all amounts representing payments of principal due to the Cross Currency Swap Counterparty under the Class Cc Euro Swap Transaction; and
- (b) in redeeming the Cc Notes (after applying amounts representing payments of principal received from the Cross Currency Swap Counterparty under the Class Cc Euro Swap Transaction),

until no C Notes remain outstanding;

- (vi) *sixth*, on the Interest Payment Date falling in December 2037 or such earlier date when all of the Notes, have been redeemed in full, in or towards repayment of all outstanding advances in respect of the Senior Subordinated Loan in respect of principal to the extent not previously repaid pursuant to the Pre-Enforcement Interest Priority of Payments; and
- (vii) *seventh*, on the Interest Payment Date falling in December 2037 or such earlier date when all of the Notes have been redeemed in full, in or towards repayment of all outstanding advances in respect of the Junior Subordinated Loan in respect of principal to the extent not previously repaid pursuant to the Pre-Enforcement Interest Priority of Payments.

If, on any Calculation Date (prior to an Enforcement Notice being given), the Issuer determines that, on the next Interest Payment Date, any Actual Redemption Funds are to be applied in redeeming two or more classes of Notes that rank *pari passu* as to repayment of principal, the Issuer shall apply such Actual Redemption Funds to redeem each *pari passu* class in the same proportion that the Principal Amount Outstanding of each such class bore to the aggregate Sterling Principal Amount Outstanding as at the Closing Date of all of the *pari passu* classes of Notes.

In the case of Sterling Notes, each Note will be redeemed in an amount equal to the applicable proportion of the Actual Redemption Funds divided by the number of Notes and rounded down to the nearest pound.

In the case of Dollar Notes, the Issuer shall pay to the Cross Currency Swap Counterparty the amount of Actual Redemption Funds that is required to be paid to the Cross Currency Swap Counterparty under the Cross Currency Swap Agreements that will result in the Cross Currency Swap Counterparty paying to the Issuer the maximum amount which, when divided by the number of Dollar Notes, results in a whole number, and will redeem each Note by an amount equal to such number.

In the case of Euro Notes, the Issuer shall pay to the Cross Currency Swap Counterparty the amount of Actual Redemption Funds that is required to be paid to the Cross Currency Swap Counterparty under the Cross Currency Swap Agreements that will result in the Cross Currency Swap Counterparty paying to the Issuer the maximum amount which, when divided by the number of Euro Notes, results in a whole number, and will redeem each Note by an amount equal to such number.

To the extent that the Sterling amounts available are greater than the amounts actually used by the Issuer on any Interest Payment Date such excess Sterling amounts (the **Rounding Balance**) shall be retained and form part of Applied Principal on the next Calculation Date.

The Cash Manager is responsible, pursuant to the Administration Agreement, for determining the amount of the Applied Principal as at any Calculation Date and each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on the Trustee and all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Trustee or (in the absence of negligence, wilful default, bad faith or manifest error) to the Cash Manager in connection therewith.

**(c) Note Principal Payments, Principal Amount Outstanding and Pool Factor**

The principal amount redeemable in respect of each A1 Note, A2 Note, M Note, B Note and C Note (the **Note Principal Payment**) on any Interest Payment Date under paragraph (b) above shall be (i) in the case of the Sterling Notes, the amount of the Actual Redemption Funds on the Calculation Date immediately preceding that Interest Payment Date to be applied in redemption of Notes of that class divided by the number of Notes of that class in the relevant denomination then outstanding; (ii) in the case of the Dollar Notes, the Dollar amount to be received on that Interest Payment Date by the Issuer from the Cross Currency Swap Counterparty under the Cross Currency Swap Agreements divided by the number of Notes of that class in the relevant denomination then outstanding; or (iii) in the case of the Euro Notes, the Euro amount to be received on that Interest Payment Date by the Issuer from the Cross

Currency Swap Counterparty under the Cross Currency Swap Agreements divided by the number of Notes of that class in the relevant denomination then outstanding.

With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of a Note of that Class (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange) the London Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 15 ("Notices") by not later than two Business Days prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes of any Class on any Interest Payment Date a notice to this effect will be given to the Noteholders. If the Issuer does not at any time for any reason determine (or cause the Cash Manager to determine) with respect to each of the Classes of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such determination may be made by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer and in the absence of fraud or negligence shall be final and binding and in such absence of fraud or negligence, no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non exercise by the Trustee of its powers, duties, determinations and discretions under this Condition.

**(d) Optional Early Redemption of the Notes**

On any Interest Payment Date falling on or after the Step-Up Date and having given not more than 60 nor less than 30 days' prior written notice to the Trustee and the Noteholders (in accordance with Condition 15 ("Notices")), the Issuer may redeem all (but not some only) of the Notes then outstanding at their then Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid.

On any Interest Payment Date on which the aggregate Sterling Principal Amount Outstanding of the Notes then outstanding is less than 10 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes on the Closing Date and having given not more than 60 nor less than 30 days' prior written notice to the Trustee and the Noteholders, the Issuer may redeem all (but not some only) of the Notes at their then Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid.

**(e) Optional Redemption of the Notes for Tax Reasons**

If the Issuer at any time satisfies the Trustee prior to the giving of the notice referred to below that either (i) on the next Interest Payment Date the Issuer and/or any Swap Counterparty would be required to deduct or withhold from, in the case of the Issuer, any payment of principal or interest on the Notes or from, in the case of the Issuer and/or any Swap Counterparty, any payment to be made under any Swap Agreement or under any such hedging arrangements (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof or any authority thereof or therein or (ii) the Issuer, by virtue of a change in or expiry of tax law (or the application or official interpretation thereof), would not be entitled to relief for United Kingdom tax purposes for any material amount which it is obliged to pay and would as a result be subject to an increased liability to taxation for any accounting period, or would be treated as receiving

for United Kingdom tax purposes an amount which it was not entitled to receive, under any Swap Agreement, or (iii) by virtue of a change in tax law (or the application or official interpretation thereof), the amounts payable to the Issuer in respect of interest from Borrowers under the Mortgages ceases to be receivable in full, then the Issuer may, having given not more than 60 nor less than 30 days' prior written notice to the Trustee and the Noteholders in accordance with Condition 15 ("*Notices*"), redeem all (but not some only) of the Notes then outstanding on any Interest Payment Date at their Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer (or in respect of (c) below the Issuer or any Swap Counterparty), shall have provided to the Trustee: (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid, (b) in relation to (iii) above, a certificate from two directors of the Issuer to the effect that the reduction in amounts received under the Mortgages cannot be avoided without significant cost to the Issuer, and (c) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant change in tax law. Any certificate(s) and legal opinion given by or on behalf of the Issuer or any Swap Counterparty may be relied on by the Trustee and shall be conclusive and binding on the Noteholders.

***(f) Notice of Redemption***

Any such notice as is referred to in Condition 6(d) or (e) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at their then Principal Amount Outstanding together with all accrued interest.

***(g) Cancellation***

All Notes redeemed pursuant to Condition 6(d) or (e) above or otherwise redeemed in whole will be cancelled upon redemption and may not be resold or re-issued.

***(h) Purchase of the outstanding Notes upon exercising Post-Enforcement Call Option***

The Issuer shall not be entitled to purchase any Notes in the market. All of the Noteholders shall be required, at the request of Holdings, to sell all (but not some only) of their holdings of the Notes to Holdings pursuant to the option granted to it by the Trustee (on behalf of the Noteholders) to acquire all (but not some only) of the Notes (plus accrued interest thereon), for the consideration of one penny per Sterling Note, one cent per Dollar Note and one eurocent per Euro Note outstanding on the date following any enforcement of the Security for the Notes, on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the relevant Notes and after the application of any such proceeds towards payment of amounts due under the relevant Notes in accordance with the Deed of Charge, to pay any further principal and interest and any other amounts whatsoever due in respect of such Notes.

Furthermore, each of the Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post-Enforcement Call Option Deed and each Noteholder, by subscribing for or purchasing the relevant Note(s), agrees to be so bound.

***(i) Final Payment of Principal***

Without prejudice to the rights of the Trustee and the Noteholders of each Class pursuant to Condition 10 ("*Events of Default*"), if, on the Maturity Date or other date on which the Notes in question fall to be redeemed in full in accordance with this Condition, there remains any unpaid amount of principal in respect of the Notes of any Class, such amount will become due and payable on that date (subject to any applicable provisions of the Deed of Charge regarding the priority of payments as between holders of the different Classes of Notes).

**7. Payments**

***(a) Principal and interest***

Payments of principal in respect of any Global Note will be made to the persons shown in the Register at the close of business on the Record Date and, in the case of any final redemption, upon the surrender of such Global Note at the Specified Office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent.

Payments of principal in respect of any Definitive Registered Notes will be made to the persons shown in the Register at the close of business on the Record Date and, in the case of final redemption, upon surrender of such Definitive Registered Notes at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent.

Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date.

Payments in respect of the Sterling Notes will be made in Sterling by Sterling cheque drawn on a bank in the United Kingdom at the Specified Office of the Principal Paying Agent or, at the option of the Noteholder, by transfer to a Sterling account maintained by the payee with a branch of a bank in the City of London.

Payments in respect of the Dollar Notes will be made in Dollars by cheque drawn on a bank in the United Kingdom at the Specified Office of the Principal Paying Agent or, at the option of the Noteholder, by transfer to a Dollar account maintained by the payee.

Payments in respect of the Euro Notes will be made in Euro by cheque drawn on a bank in the United Kingdom at the Specified Office of the Principal Paying Agent or, at the option of the Noteholder, by transfer to a Euro account maintained by the payee.

The person shown in the Register at the close of business on the applicable Record Date in respect of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

**(b) *Payments subject to Fiscal Laws***

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

**(c) *Withheld Interest***

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5(a) will be paid against presentation of such Note at the Specified Office of any Paying Agent in accordance with this Condition 7.

**(d) *Paying Agent***

The initial Principal Paying Agent and its initial specified office are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other paying agents (together with the Principal Paying Agent, the Paying Agents). The Issuer will at all times prior to redemption of the Notes in full maintain a paying agent with a Specified Office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their Specified Offices to be given in accordance with Condition 15 ("*Notices*").

**(e) *Payments on Business Days***

If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

**8. *Prescription***

Claims for principal in respect of Notes shall become void unless the relevant Notes are presented for payment and surrendered within ten years of the appropriate Relevant Date. Claims for interest in respect of Notes shall become void unless the relevant Notes are presented for payment and surrendered within five years of the appropriate Relevant Date.

**9. *Taxation***

All payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the relevant Paying

Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any such taxes, duties or charges of whatsoever nature. In that event, the Issuer or the relevant Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted. Neither the Paying Agents nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction.

#### 10. Events of Default

- (a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Sterling Principal Amount Outstanding of the A Notes, or if there are no A Notes outstanding, then 25 per cent. in aggregate Sterling Principal Amount Outstanding of the M Notes, or if there are no A Notes or M Notes outstanding, then 25 per cent. in aggregate Sterling Principal Amount Outstanding of the B Notes, or if there are no A Notes, M Notes or B Notes outstanding, then 25 per cent. in aggregate Sterling Principal Amount Outstanding of the C Notes, or if so directed by or pursuant to an Extraordinary Resolution of the holders of any of the A Notes or if there are no A Notes outstanding, of the M Notes, or if there are no A Notes or M Notes outstanding, the B Notes, or if there are no A Notes, M Notes or B Notes outstanding, the C Notes, (subject, in each case, to being indemnified to its satisfaction and subject further, in each case, to Condition 12(b)) shall give a notice (**an Enforcement Notice**) to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an **Event of Default**):
- (i) default being made for a period of five Business Days in the payment of the principal of or any interest on any Note when and as the same ought to be paid in accordance with these Conditions always provided that, for the avoidance of doubt, a deferral of interest in accordance with Condition 5(i) shall not constitute a default in the payment of such interest for the purposes of this Condition 10; or
  - (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes, the Trust Deed, the Deed of Charge or any of the other Transaction Documents (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure continues for a period of 30 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied and provided that the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders; or
  - (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 10(a)(iv), ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
  - (iv) an order being made or an effective resolution being passed for the winding up of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the A Noteholders or, if there are no A Notes outstanding, the M Noteholders or, if there are no A Notes or M Notes outstanding, the B Noteholders or, if there are no A Notes, M Notes or B Notes outstanding, the C Noteholders; or
  - (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order being granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 14 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors, generally.

- (b) Upon any declaration being made by the Trustee in accordance with Condition 10(a) above that the Notes are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

## **11. Enforcement**

### **(a) Action by the Trustee**

Subject to Condition 11(b), at any time after the Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Notes together with accrued interest, but it shall not be bound to take any such proceedings unless (i) it shall have been directed or requested to do so by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding or (ii) it shall have been directed or requested to do so in writing by the holders of at least 25 per cent. of the Sterling Principal Amount Outstanding of the Most Senior Class of Notes then outstanding and in either case only if it shall have been indemnified and/or secured to its satisfaction. No Noteholder shall be entitled to proceed directly against the Issuer otherwise than in accordance with the Deed of Charge. The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Security at the request of any other Secured Creditor under the Deed of Charge.

### **(b) Restrictions on Disposal of the Charged Property**

If the Notes have become due and repayable otherwise than by reason of a default in payment of any amount due thereon, the Trustee will not be entitled to dispose of any of the Charged Property (including any Loan and its Related Security beneficially owned by the Issuer) unless either:

- (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and amounts ranking in priority thereto or *pari passu* therewith; or
- (ii) the Trustee is of the opinion, reached after considering the advice of an investment bank or other financial advisor selected by the Trustee for the purpose of giving such advice, that the cash flow prospectively receivable by the Issuer (if the Charged Property were not disposed of) will not (or that there is a significant risk that it would not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and amounts ranking in priority thereto or *pari passu* therewith.

## **12. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor**

### **(a) Convening**

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed or other Transaction Documents, which modification may be made if sanctioned by an Extraordinary Resolution.

### **(b) Relationship between Classes**

An Extraordinary Resolution passed at any meeting of the A Noteholders shall be binding on all M Noteholders, B Noteholders and C Noteholders irrespective of the effect upon them, except an Extraordinary Resolution to sanction a Basic Terms Modification (as defined below), which shall not take effect unless it shall have also been sanctioned by an Extraordinary Resolution of the M Noteholders, the B Noteholders and the C Noteholders.

An Extraordinary Resolution passed at any meeting of M Noteholders or a request in writing by M Noteholders shall not be effective for any purpose while any A Notes remain outstanding unless either (i) the Trustee is of the opinion that it would not be prejudicial to the interests of the A Noteholders, or (ii) it is sanctioned by an Extraordinary Resolution of the A Noteholders.

An Extraordinary Resolution passed at any meeting of B Noteholders or a request in writing by B Noteholders shall not be effective for any purpose while any A Notes and M Notes remain outstanding unless either (i) the Trustee is of the opinion that it would not be prejudicial to the interests of the A Noteholders and the M Noteholders, or (ii) it is sanctioned by an Extraordinary Resolution of the A Noteholders and the M Noteholders.



An Extraordinary Resolution passed at any meeting of C Noteholders or a request in writing by C Noteholders shall not be effective for any purpose while any A Notes, M Notes or B Notes remain outstanding unless either (i) the Trustee is of the opinion that it would not be prejudicial to the interests of the A Noteholders, the M Noteholders and the B Noteholders, or (ii) it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M Noteholders and the B Noteholders.

The A Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any specific Class of Noteholders within the A Notes. The M Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any Class of Noteholders within the M Notes. The B Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any Class of Noteholders within the B Notes. The C Noteholders will rank *pari passu* between themselves and the Trustee will not have regard to the interests of any Class of Noteholders within the C Notes.

However, at any particular time, having regard to the specific circumstances then applicable, the Trustee may, in its absolute discretion (and without prejudice to the preceding paragraph), if it believes it to be just and equitable to do so, convene a meeting or meetings of a specific Class or Classes of Noteholders.

**(c) Quorum**

Subject as provided below, the quorum at any meeting of the Noteholders of any Class for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes in the relevant Class then outstanding or at any adjourned meeting two or more persons being or representing Noteholders of the relevant Class, whatever the aggregate Sterling Principal Amount Outstanding. The quorum at any meeting of the Noteholders of any Class passing an Extraordinary Resolution in respect of a Basic Terms Modification shall be two or more persons holding or representing not less than 75 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned meeting, two or more persons holding or representing not less than 25 per cent. of the aggregate Sterling Principal Amount Outstanding of the Notes of the relevant Class then outstanding. The rules relating to meetings of Noteholders, including matters relating to quorums and resolutions, shall apply *mutatis mutandis* to any meeting of any Class of Noteholders. The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on that Extraordinary Resolution, whether on a show of hands or a poll.

For these purposes, a **Basic Terms Modification** means any modification of the date of maturity of the Notes, any modification which would have the effect of postponing any day for payments of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the priority of payment of interest and principal on the Notes or the Security constituted by or for the Notes, altering the currency of payment of the Notes (save as would be necessary in the event that the United Kingdom becomes a Participating Member State in the Economic and Monetary Union) or an alteration of the definition of Basic Terms Modification or of the majority required to effect a Basic Terms Modification or of the majority required to pass an Extraordinary Resolution.

**(d) Resolutions in Writing**

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

**(e) Modification**

The Trustee may agree, without the consent of the Noteholders, to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of any breach or proposed breach of, the Notes (including these Conditions) or any of the Transaction Documents which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which, in the opinion of the Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders, determine that an Event of Default shall not, or shall not subject to special conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15 ("Notices").

**(f) Substitution of Principal Debtor**

The Trustee may agree, at the request of the Issuer and subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Trustee may require and

subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations, provided that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 ("Covenants"). In the case of a substitution pursuant to this Condition 12(f), the Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

**(g) Approval**

The Trustee, in considering whether the exercise of any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents is not materially prejudicial to the interests of the Noteholders (the **No Material Prejudice Test**), shall be entitled to take into account any such matters as it in its sole discretion considers relevant, and which may include a confirmation from the Rating Agencies that the then current rating of the Notes would not be adversely affected by the exercise of such power, trust, authority, duty or discretion.

**13. Indemnification of the Trustee**

**(a) Trustee's Right to Indemnity**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Trustee and provides that the Trustee is entitled to be indemnified and/or secured and relieved from responsibility in certain circumstances and to be paid or reimbursed for any liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer and any other party to the Transaction Documents without accounting for any profit.

**(b) Trustee not Responsible for Loss**

The Trustee will not be responsible for any loss, cost, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of either of the Administrators or any agent or related company of the Administrators or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

**(c) Paying Agents Solely Agents of Issuer**

In acting under the Paying Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided in the Paying Agency Agreement) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

**(d) Initial Agents**

The initial Principal Paying Agent and the initial Agent Bank and their initial specified offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Paying Agent or the Agent Bank and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Paying Agent or Agent Bank.

**(e) Maintenance of Agents**

The Issuer shall at all times maintain a paying agent in London, a principal paying agent and an agent bank. Notice of any change in any of the Paying Agents or the Agent Bank or in their specified offices shall promptly be given to the Noteholders in accordance with Condition 15 ("Notices") and to the Company Announcements Office of the London Stock Exchange.

**14. Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of any of the Paying Agents, subject to all applicable laws and stock exchange requirements, upon payment

by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

## **15. Notices**

### **(a) Valid Notices**

Any notice to Noteholders shall be validly given if such notice is published in a leading daily newspaper printed in the English language and having general circulation in London (which is expected to be the Financial Times) or, if this is not practicable, in another leading English language newspaper as the Trustee shall approve having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper referred to above.

Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Amount, a Note Principal Payment, a Principal Amount Outstanding or a Pool Factor shall be deemed to have been duly given if the information contained in such notice appears on Reuters Screen Page UCAA07 or such other medium for the electronic display of data as may be approved by the Trustee and notified to the Noteholders in accordance with the preceding paragraph. Any such notice will be deemed to have been given on the first date on which such information appeared on the relevant screen.

### **(b) Other Methods**

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

## **16. Non Petition**

The Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Deed of Charge):

- (a) to direct the Trustee to enforce the Security other than when expressly permitted to do so under Condition 11 ("Enforcement"); or
- (b) to take or join any person in taking steps against the Issuer for the purpose to obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings which would result in the Payment Priorities not being observed.

## **17. Governing Law**

The Transaction Documents and the Notes are governed by, and shall be construed in accordance with, English law other than certain provisions of the Transaction Documents particular to the law of Scotland (which are governed by, and shall be construed in accordance with, Scots law) and those provisions of the Transaction Documents particular to the laws of Northern Ireland (which are governed by, and shall be construed in accordance with, the law of Northern Ireland).

## **18. Specified Offices of Agents**

The initial specified office of the initial Agent Bank and the initial Principal Paying Agent is at 8 Canada Square, London E14 5HQ.

## CERTAIN UNITED STATES ERISA AND LEGAL INVESTMENT CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended, imposes certain duties on persons who are fiduciaries of employee benefit plans subject thereto (as defined in Section 3(3) of ERISA) (**ERISA Plans**) and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. federal, state and local laws and foreign laws impose similar duties on fiduciaries of governmental, church and other plans which are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental, church or other certain plan that is subject to fiduciary standards similar to those of ERISA (**Plan Fiduciary**), that proposes to cause such a plan or entity to purchase Notes should determine whether, under the general fiduciary standards of ERISA, an investment in the Notes is appropriate for such plan or entity, taking into account, among other factors, the overall investment policy of such plan or entity, the composition of the investment portfolio of such plan or entity, the liquidity needs of such plan or entity, any specific investment restrictions to which such Plan Fiduciary may be subject, as well as the possibility that there may be no public market for the Notes.

Section 406(a) of ERISA and Section 4975 of the Code, as amended prohibit certain transactions (**Prohibited Transactions**) involving the assets of ERISA Plans or plans described in section 4975(e)(1) of the Code (together with ERISA plans, **Plans**) and certain persons (referred to as **Parties in Interest** or **Disqualified Persons**) having certain relationships to such Plans and entities. A Party in Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to non-deductible excise taxes and other penalties and liabilities under ERISA and the Code. Each of the Issuer and the Trustee (in any capacity) as a result of their own activities or because of the activities of an affiliate, may be considered a Party in Interest or Disqualified Person with respect to Plans and prohibited transactions may arise if such Plans acquire Notes.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable depending in part on the type of Plan Fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. Such exemptions may not, however, apply to all of the transactions that could be deemed prohibited transactions in connection with an investment by a Plan, and there can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes.

Each purchaser of A Notes, M Notes or B Notes will be deemed to have represented and agreed that:

- (a) either (1) it is not, and for so long as it holds such Notes or any interest in such Notes it will not be (a) a "plan" that is subject to Title I of ERISA or Section 4975 Code, (b) any entity whose underlying assets include (or are deemed for purposes of ERISA or Section 4975 of the Code to include) "plan assets" by reason of such plan's investment in the entity, or (c) a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law or any non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of such Notes or any interest in such Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental or other employee benefit plan, any such substantially similar law) for which an exemption is not available.
- (b) Such Note may not be resold, pledged or otherwise transferred to a purchaser unless either (1) it is not, and for so long as it holds such Notes or any interest in such Notes will not be, (a) a "plan" that is subject to Title I of ERISA or Section 4975 Code, (b) any entity whose underlying assets include (or are deemed for purposes of ERISA or Section 4975 of the Code to include) "plan assets" by reason of such plan's investment in the entity, or (c) a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law or any non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of such Notes or any interest in such Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental or other employee benefit plan, any such substantially similar law) for which an exemption is not available.

The United States Department of Labor, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and the Code, has issued a regulation (the **Plan Asset Regulation**) that, under specified circumstances, requires plan fiduciaries, and entities with certain specified relationships to a Plan, to "look through" investment vehicles (such as the Issuer) and treat as an "asset" of the Plan each underlying investment made by such investment vehicle. The Plan Asset Regulation provides, however, that if equity participation in any entity by "**Benefit Plan Investors**" is not significant then the "look-through" rule will not apply to such entity. **Benefit Plan Investors** are defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), whether or not subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity. Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, having discretionary authority or control over the assets of the entity or providing investment advice with respect to the assets of the entity for a fee, direct or indirect, or any affiliates of such persons (any such person, a "Controlling Person")) is held by Benefit Plan Investors.

There is little pertinent authority in this area. However, it is anticipated that the A Notes, the M Notes or the B Notes should not constitute "equity interests" in the Issuer.

In light of the Plan Asset Regulations, it is not intended that any of the C Notes or any interests in the C Notes be purchased or held by or transferred to, Benefit Plan Investors subject to ERISA or Section 4975 of the Code, and each purchaser of a Class C Note will be deemed to have represented, warranted and agreed that the purchaser is not, and for so long as it holds C Notes or any interest therein will not be, a Benefit Plan Investor that is subject to Title I of ERISA or Section 4975 of the Code. Further, employee benefit plans which are not ERISA Plans may be subject to U.S. federal, state or local laws or to foreign laws that are substantially similar to Section 406 of ERISA or Section 4975 of the Code (**Similar Law**), and, if the purchaser is or may become a governmental or other employee benefit plan which is not an ERISA Plan, it will be deemed to have represented and warranted that its purchase and holding of C Notes will not constitute or result in a prohibited transaction under Similar Law for which an exemption is not available.

Among the ERISA issues that could be implicated if an ERISA Plan were to acquire and hold Notes are the following:

- (a) It is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied;
- (b) It is not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.400-1 would be available; and
- (c) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements.

An insurance company's general account may be deemed to include assets of ERISA plans under certain circumstances, e.g. where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993).

**Any fiduciary of an ERISA Plan, a Plan or a governmental, church or other employee benefit plan subject to provisions of federal, state, local or foreign law similar to ERISA or Section 4975 of the Code considering the purchase of Notes should consult with its own legal and tax advisors with respect to the potential applicability of ERISA, Section 4975 of the Code, or such similar provisions of federal, state, local or foreign law to such purchase, the consequences of such purchase under ERISA, Section 4975 of the Code, or such similar provisions of federal, state, local or foreign law, and the ability to make the representation described above.**

The discussion of ERISA and Section 4975 of the Code contained in this document is of necessity a general discussion and does not purport to be complete. Moreover, the provision of ERISA and the Code are subject to extensive and continuing administrative and judicial interpretation and review.

Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

## TAXATION

The following discussion is a summary of the United Kingdom withholding tax treatment of the principal and interest paid in respect of the Notes (together with certain European Union withholding information reporting requirements) and certain United States federal income tax considerations of the acquisition, ownership and disposition of the Notes. It describes consequences for beneficial owners of the Notes based on law and practice as at the date of this Offering Circular. The discussion is only a summary. It is not intended as tax advice, and it does not describe all of the tax considerations that may be relevant to a prospective purchaser. EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES UNDER ITS CIRCUMSTANCES OF PURCHASING, HOLDING AND SELLING THE NOTES UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES, THEIR POLITICAL SUBDIVISIONS AND ANY OTHER JURISDICTIONS WHERE THE PROSPECTIVE PURCHASER MAY BE SUBJECT TO TAX.

### United Kingdom Taxation

#### (i) Withholding Tax

The Notes will constitute "quoted Eurobonds" within the meaning of section 349 of the Income and Corporation Taxes Act 1988 (the **Income and Corporation Taxes Act**) provided they carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act, (the London Stock Exchange is a recognised stock exchange for these purposes). Whilst the Notes are and continue to be quoted Eurobonds (and in particular so long as the Notes continue to be listed as mentioned above), payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases an amount must be withheld on account of United Kingdom income tax at the lower rate (currently 20%), subject to any direction to the contrary by HM Revenue and Customs under an applicable double taxation treaty, and except that the withholding obligation is disapplied in respect of payments to Noteholders who the Issuer reasonably believes are either a United Kingdom resident company or a non-United Kingdom resident company carrying on a trade in the United Kingdom through a permanent establishment which is within the charge to corporation tax in respect of such interest, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless HM Revenue and Customs directs otherwise). The Issuer would not be able to form such a reasonable belief without sufficient evidence.

#### *Other Rules Relating to United Kingdom Withholding Tax*

Where interest has been paid under deduction of United Kingdom income tax, Noteholders 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.

The references to "interest" and "principal" in this summary of the United Kingdom withholding tax position mean "interest" and "principal" as understood in United Kingdom tax law. The statements in this summary 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 Notes or any related documentation.

Substitution of another corporate entity in place of the Issuer as principal debtor on the Notes (as described in "Condition 12 – Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor") may give rise to different withholding tax consequences to those described above.

#### (ii) Provision of Information

Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a **Paying Agent**), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a **Collecting Agent**), then the Issuer, the Paying Agent or the Collecting Agent (as the case may be) may, in certain cases, be required to supply to HM Revenue and Customs details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United

Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to HM Revenue and Customs may, in certain cases, be passed by HM Revenue and Customs to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, 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 in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal 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 in one of those territories.

### **United States Federal Income Taxation**

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Dollar Notes. It addresses only U.S. Holders that purchase Dollar Notes in the original offering at the initial offering price, hold Dollar Notes as capital assets and use the Dollar as their functional currency. It does not address the tax treatment of U.S. Holders subject to special rules, such as banks, dealers, traders that elect to mark to market, insurance companies, regulated investment companies, tax-exempt entities, persons subject to the alternative minimum tax, certain U.S. expatriates or persons holding Dollar Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It is not a complete description of all United States tax considerations that may be relevant to a particular holder. The discussion assumes that the Dollar Notes will be treated as debt for U.S. federal income tax purposes.

**THE STATEMENTS ABOUT U.S. FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE DOLLAR NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE DOLLAR NOTES UNDER THE LAWS OF ENGLAND AND WALES, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.**

For purposes of this discussion, a **U.S. Holder** is a beneficial owner of a Dollar Note that for United States federal income tax purposes is (i) a citizen or resident alien of the United States, (ii) an entity treated as a corporation created or organised in or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a United States person and the primary supervision of a United States court or (iv) an estate the income of which is subject to United States federal income taxation regardless of its source.

If a partnership acquires or holds Dollar Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership that acquires or holds Dollar Notes should consult its own tax advisers.

### *Interest*

A U.S. Holder must include interest on Dollar Notes in its gross income in accordance with its regular method of accounting. For accrual basis U.S. Holders, interest on Dollar Notes issued at a floating rate will accrue at a hypothetical fixed rate equal to the value of the floating rate applicable to the relevant

Dollar Note as of the issue date. The amount of interest actually recognised for any accrual period will increase (or decrease) if the interest actually paid during an accrual period is more (or less) than the interest assumed to be paid using the hypothetical fixed rate. Thus, interest on the relevant Dollar Note issued at a floating rate effectively will accrue in any accrual period at the rate set for that period. The interest will be ordinary income from sources outside the United States.

Should interest on Dollar Notes become subject to withholding tax, the Issuer will not be obliged to gross up or otherwise compensate holders for any applicable withholding tax. A U.S. Holder that fails to claim an exemption from withholding tax for which it qualifies will not be entitled to a United States foreign tax credit for the tax withheld. See "*United Kingdom Taxation – Withholding Tax*".

#### *Disposition of Notes*

Except to the extent attributable to accrued but unpaid interest, a U.S. Holder generally will recognise capital gain or loss on the sale, exchange or redemption of a Dollar Note in an amount equal to the difference between the amount realised and the U.S. Holder's adjusted basis in the relevant Dollar Note. A U.S. Holder's basis in a Dollar Note generally will be the amount paid for the relevant Dollar Note decreased by the payments previously received on such Dollar Note other than payments of stated interest. A U.S. Holder's gain or loss on the disposition of a Dollar Note generally will be from sources within the United States. The gain or loss will be long-term if the relevant Dollar Note has been held for more than one year.

Substitution of another corporate entity in place of the Issuer as principal debtor on a Dollar Note (as described in "*Condition 12 – Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor*") may be an exchange of the relevant Dollar Note for United States federal income tax purposes, resulting in recognition of taxable gain or loss to a U.S. Holder. Holders should consult their tax advisers in the event of any modification of the Trust Deed or the Transaction Documents.

#### *Information Reporting and Backup Withholding*

Payments of principal and interest on the Dollar Notes and proceeds from the sale, redemption or other disposition of Dollar Notes may be reported to the Internal Revenue Service unless the holder is a corporation, or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establishes a basis for exemption. A holder can claim a credit against its United States federal income tax liability for the amount of any backup withholding tax and a refund of any excess amount.

**THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF THE DOLLAR NOTES. PROSPECTIVE PURCHASERS OF THE DOLLAR NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.**



## SUBSCRIPTION AND SALE

1. Pursuant to a subscription agreement dated 6 April 2006 between J.P. Morgan Securities Ltd., The Royal Bank of Scotland plc (the **Arrangers**), ABN AMRO Bank N.V., Barclays Bank PLC, Dresdner Bank AG London Branch and HSBC Bank plc (together with the Arrangers, the **Managers** and each a **Manager**), the Issuer and Britannia (the **Subscription Agreement**), the Managers have agreed, jointly and severally, with the Issuer to purchase the A Notes at the issue price of 100 per cent. of the principal amount of such A Notes; the Arrangers have agreed, jointly and severally, with the Issuer to purchase the M Notes at the issue price of 100 per cent. of the principal amount of such M Notes; the Arrangers have agreed, jointly and severally, with the Issuer to purchase the B Notes at the issue price of 100 per cent. of the principal amount of such B Notes and the Arrangers have agreed, jointly and severally, with the Issuer to purchase the C Notes at the issue price of 100 per cent. of the principal amount of such C Notes.

The Issuer will pay to the Managers, in respect of the A Notes and the Arrangers, in respect of the M Notes, the B Notes and the C Notes the following combined management, selling and underwriting commissions:

A Notes	0.200%
M Notes	0.375%
B Notes	0.500%
C Notes	1.000%

2. The Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the Notes to the Issuer. The Issuer and Britannia have agreed to indemnify the Managers against certain liabilities in connection with the issue of the A Notes and have agreed to indemnify the Arrangers against certain liabilities in connection with the issue of the M Notes, the B Notes and the C Notes.

### United States

3. Terms used in this section have the meanings given to them by Regulation S under the Securities Act. The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States 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.
4. Each of the Managers has represented that it is a qualified institutional buyer as defined in Rule 144A (a **QIB**) who is also a Qualified Purchaser as defined in Section 2(a)(51)(A) of the Investment Company Act (a **Qualified Purchaser**) and has agreed not to offer or sell any Rule 144A Notes (or any beneficial interests therein) constituting part of its allotment within the United States or to, or for the account or benefit of, U.S. Persons, except to persons (including any other distributor and any dealers) that are or that it reasonably believes are QIBs, in reliance on Rule 144A under the Securities Act, who are also Qualified Purchasers.
5. Each Manager has further agreed that it will offer and sell the Regulation S Notes (or any beneficial interest therein): (i) as part of their distribution at any time; and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the **Distribution Compliance Period**) only to, or for the account or benefit of, non-U.S. persons outside of the United States in accordance with Rule 903 of Regulation S under the Securities Act and, that neither it, its affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and it and its affiliates and any person acting on its or their behalf has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable.
6. Each Manager has further agreed that it will send to each dealer to which it sells any Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.
7. Until 40 days after the commencement of the offering of any Class of Notes, an offer or sale of any Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

8. Each Manager under the Subscription Agreement will also agree that, at or prior to confirmation of sales of any Notes, it will have sent to each distributor, dealer or other person to which it sells Notes a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons.
9. The Subscription Agreement will provide that each Manager, through its U.S. registered broker-dealer affiliates, may arrange for the offer and resale of Notes in the United States to persons that are both QIBs and Qualified Purchasers in transactions made in compliance with Rule 144A under the Securities Act. Each of the Managers under the Subscription Agreement has agreed that neither it, nor its Affiliates, nor any persons acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in connection with the offer and sale of the Notes in the United States.

#### **United Kingdom**

10. Each Manager has represented and agreed that:
  - (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
  - (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer; and
  - (c) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.
11. Other than the approval of this Offering Circular as a prospectus in accordance with the rules made under Part VI of FSMA, admission of the Notes to the Official List of the UK Listing Authority, admission to trading on the London Stock Exchange no action is being taken to permit a public offering of the Notes, or possession or distribution of the Offering Circular or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

#### **European Economic Area**

12. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:
  - (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
  - (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than Euro 43,000,000 and (3) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or
  - (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**General**

13. Each Manager has undertaken not to offer or sell, directly or indirectly, any Notes, or to distribute or publish this Offering Circular or any other material relating to the Notes, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.
14. This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any country or jurisdiction where such an offer or solicitation is not authorised.

## GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 5 April 2006.
2. It is expected that the listing of the Notes by the UK Listing Authority on the Official List and admission of the Notes to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market by the London Stock Exchange will be granted on or around 13 April 2006. The listing of the Notes is conditional upon the issue of the Global Notes, which is expected to take place on the Closing Date. Transactions will normally be effected for delivery on the third working day after the day of the transaction. Prior to such listing on the Official List and admission to trading, however, dealing in the Notes will be permitted by the London Stock Exchange's Gilt-Edged and Fixed Interest Market in accordance with its rules.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and the Dollar Notes have been accepted for clearance through DTC. The Common Codes, ISINs and CUSIPs (in respect of the Dollar Notes) for each Class of Notes are as follows:

### Regulation S Notes

	Common Code	ISIN
A1a Notes .....	024947173	XS0249471730
A1b Notes .....	024947351	XS0249473512
A2a Notes .....	024947513	XS0249475137
A2b Notes .....	024947548	XS0249475483
A2c Notes .....	024947572	XS0249475723
Mc Notes .....	024947637	XS0249476374
Ba Notes .....	024947653	XS0249476531
Bc Notes .....	024947670	XS0249476705
Cc Notes .....	024947807	XS0249478073

### Rule 144A Notes

	Common Code	ISIN	CUSIP
A1b Notes .....	024942546	US52426LAA89	52426LAA8
A2b Notes .....	024942660	US52426LAB62	52426LAB6

4. The auditors of the Issuer are PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP are a member of the Institute of Chartered Accountants in England and Wales. So long as the Notes are listed on the Official List and traded on the London Stock Exchange's 's Gilt-Edged and Fixed Interest Market, the most recent published audited annual accounts of the Issuer will be available at the Specified Office of the Principal Paying Agent. The Issuer does not publish interim accounts.
5. The Issuer is not nor has it been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) during the previous twelve months which may have or have had in the recent past, significant effects on the Issuer's financial position or profitability.
6. In relation to this transaction the Issuer, as at the date of this document, has entered into the Subscription Agreement referred to under "*Subscription and Sale*" above, which is or may be material.
7. PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion herein of its accountant's report and references to its name in the form and context in which they are included and has authorised the content of those parts of the listing particulars for the purposes of this Offering Circular for the purposes of rule 5.5.4(f) of the prospectus rules made under Part VI of FSMA.
8. Since 21 December 2005, being the date of incorporation of the Issuer, there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or (save as disclosed under the Capitalisation and Indebtedness Statement on page 54) financial position of the Issuer.
9. The Issuer will provide post-issuance transaction information regarding the Notes and the Mortgages in the form of a quarterly investor report.

10. Copies of the following documents may be inspected during usual business hours at the offices of the Issuer and the Principal Paying Agent from the date of this document and so long as any of the Notes remains outstanding:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the Accountant's Report on the Issuer;
- (c) this Offering Circular;
- (d) drafts of the following agreements (subject to modification):
  - (i) the Paying Agency Agreement;
  - (ii) the Deed of Charge;
  - (iii) the Trust Deed;
  - (iv) the Master Framework Agreement;
  - (v) the Mortgage Sale Agreements;
  - (vi) the Administration Agreement;
  - (vii) the Britannia GIC Agreement;
  - (viii) the RBS GIC Agreement;
  - (ix) the GIC Guarantee;
  - (x) the Liquidity Facility Agreement;
  - (xi) the Senior Subordinated Loan Agreement;
  - (xii) the Junior Subordinated Loan Agreement;
  - (xiii) the Expenses Loan Agreement;
  - (xiv) the Declaration of Trust;
  - (xv) the Basis Swap Transactions;
  - (xvi) the Interest Rate Swap Transactions;
  - (xvii) the Cross Currency Swap Agreements;
  - (xviii) the Sub-Administration Agreement;
  - (xix) the Post-Enforcement Call Option Deed; and
  - (xx) the Deferred Consideration Agreement.

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