



**ANNINGTON FUNDING PLC**

*(incorporated with limited liability in England and Wales)*

**£4,000,000,000**

**Euro Medium Term Note Programme  
guaranteed by**

**ANNINGTON LIMITED, ANNINGTON HOMES LIMITED and  
ANNINGTON PROPERTY LIMITED**

*(each incorporated with limited liability in England and Wales)*

Under this £4,000,000,000 Euro Medium Term Note Programme (the **Programme**), Annington Funding plc (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be guaranteed on a joint and several basis by Annington Limited, Annington Homes Limited and Annington Property Limited (the **Original Guarantors**) and each (if any) additional guarantor (each, an **Additional Guarantor** and, together with the Original Guarantors, the **Guarantors**) that accedes to the Programme.

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.**

This Offering Circular has been approved as a base prospectus by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom (the **UK**) by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the Guarantors or of the quality of the Notes that are the subject of this Offering Circular. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange’s main market.

**This Offering Circular (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the UK. The obligation to supplement this Offering Circular in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Offering Circular is no longer valid.**

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s main market and have been admitted to

the Official List. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on Markets in Financial Instruments as it forms part of domestic law of the UK by virtue of the EUWA (**UK MiFIR**).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the FCA and, where listed, the London Stock Exchange.

Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, each Guarantor and the relevant Dealer.

The Notes and the guarantee thereof have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. state securities laws, and include Notes in bearer form that are subject to U.S. tax law requirements. Accordingly, the Notes and the guarantee thereof may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

The Programme has been rated BBB by Fitch Ratings Limited (**Fitch**) and has been assigned a provisional rating of (P)Baa2 by Moody's Investors Service Limited (**Moody's**). Each of Fitch and Moody's is established in the United Kingdom and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law of the UK by virtue of the EUWA (the **UK CRA Regulation**). Each of Fitch and Moody's is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger**

Goldman Sachs International

**Dealers**

Goldman Sachs International

Barclays

J.P. Morgan

The date of this Offering Circular is 27 September 2021.

## IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 8 of the UK Prospectus Regulation. When used in this Offering Circular, **Prospectus Regulation** means Regulation (EU) 2017/1129 and **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**).

Each of the Issuer and the Guarantors accepts responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantors, the information contained in this Offering Circular is in accordance with the facts and this Offering Circular makes no omission likely to affect its import.

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

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular and has not been scrutinised or approved by the FCA.

Where information has been sourced from a third party, this information has been accurately reproduced and, as far as each of the Issuer and the Guarantors is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

Neither the Dealers nor the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or any Guarantor in connection with the Programme. None of the Dealers or the Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer or any Guarantor in connection with the Programme.

The Issuer and each Guarantor will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Offering Circular which may affect the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

No person is or has been authorised by the Issuer, the Guarantors, the Dealers or the Trustee to give any information or to make any representation not contained in, or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors, any of the Dealers or the Trustee.

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

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer and/or any Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme or the issue of any Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or any Guarantor during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rates may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA (the **UK Benchmarks Regulation**). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the registrar of administrators and benchmarks established and maintained by FCA pursuant to article 36 of the UK Benchmarks Regulation. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

**MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – The Final Terms in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**IMPORTANT – EEA RETAIL INVESTORS** – If the Final Terms in respect of any Notes include a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or

selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK RETAIL INVESTORS** – If the Final Terms in respect of any Notes include a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE** (as amended, the **SFA**) – Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY**

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

### **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

#### **Presentation of Financial Information**

Unless otherwise indicated, the financial information in this Offering Circular relating to the Issuer, each Guarantor and the Annington group of companies (comprising Annington Limited and its subsidiaries (together, the **Group**)) has been derived from the audited consolidated set of financial statements of Annington Limited for the financial years ended 31 March 2020 and 31 March 2021 (the **Annual Financial Statements**) and the July 2021 Valuation Report (as defined below).

The financial year of the Issuer and each Guarantor ends on 31 March, and references in this Offering Circular to any specific year are to the 12-month period ended on 31 March of such year.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

### **ALTERNATIVE PERFORMANCE MEASURES**

Certain alternative performance measures (**APMs**) as described in the European Securities and Markets Authority Guidelines on Alternative Performance Measures are included or referred to in this Offering Circular. APMs are measures that are not defined under generally accepted accounting principles in the United Kingdom and which are used by the Group within its financial publications to supplement disclosures prepared in accordance with other applicable regulations such as IFRS, as adopted by the European Union.

The Issuer considers that these measures provide useful information to enhance the understanding of the Group's financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures.

The APMs presented in this Offering Circular include SAVPV (which stands for “Special Assumption Vacant Possession Value”) which relates to the valuation of the Group’s properties, but which is not required by, or within the scope of, IFRS.

Although “fair value” is a concept recognised under IFRS, it is included in the below description because it forms the basis of the non-IFRS measures used in connection with the valuation of the Group’s properties.

As used in this Offering Circular, the following terms have the following meanings:

**Fair Value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under IFRS.

**Market Value** is a concept defined under Royal Institution of Chartered Surveyors (**RICS**) Global Valuation Standards and means the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. With respect to those properties forming part of the MQE (as defined in “*Description of the Group – Overview*”), Fair Value and Market Value take into account the existence of the underlying lease arrangements with the Ministry of Defence of the United Kingdom (the **MoD**) (including the applicable agreed adjustment to market rent). With respect to those properties forming part of the MQE and the Non-MQE Portfolio (as defined in “*Description of the Group – The Non-MQE Portfolio*”), (i) Fair Value is determined by the board of directors of Annington Limited, based on a yearly valuation conducted, for the purposes of preparation of the Group’s Annual Financial Statements for the relevant year by external third party professional valuers, registered with the Royal Institution of Chartered Surveyors (the **Valuers**); and (ii) Market Value as at 31 July 2021 has been determined by CBRE Limited.

**Portfolio Fair Value** is the aggregate total of Fair Value or Market Value of the MQE, the Rentals Portfolio and the Surplus Estate.

**Special Assumption Vacant Possession Value (SAVPV)**, is widely-used as an estimate of the Fair Value or Market Value of a property using the Special Assumption under RICS Global Valuation Standards that the property is entirely vacant on the date of valuation.

SAVPV (Special Assumption of Vacant Possession Value) for the MQE (referred to in this document as the **MQE SAVPV**), is used by the Group and CBRE Limited to mean the aggregate of the Fair Value or Market Value of the individual Units on the Special Assumption of vacant possession at the date of valuation. This figure is the aggregate amount and does not take into account either the time or costs associated with selling the individual Units. In addition, the figure does not take into account any base separation costs associated with Sites in the MQE that are dependent on the MoD for utilities.

As a result, MQE SAVPV does not take into account the existence of the underlying lease arrangements with the MoD (including the applicable agreed adjustment to market rent). MQE SAVPV as at 31 March 2021 (**FY 2021**) and as of 31 July 2021 were valued by CBRE Limited, based on a representative sample of approximately 1,800 Units (having sought further granularity and benchmarking when possible), within the MQE, which was extrapolated over the total Units within the MQE at the date of the relevant valuation.

Aggregate SAVPV for the Rentals Portfolio (**Rentals Portfolio SAVPV**) and aggregate SAVPV for the Surplus Estate (**Surplus Estate SAVPV**) (Rentals Portfolio and Surplus Estate each as defined in “*Overview of the Group – The Group*”) are estimated by the Group and CBRE Limited based on the hypothetical assumption that each property is vacant, sold on an individual basis, with no allowance for time or money costs on disposal and no account taken of any discount or premium if all or any part of the relevant portfolio were to be marketed simultaneously.

CBRE Limited have valued as at 31 March 2021 and 31 July 2021 the component parts being:

- MQE SAVPV;
- Rentals Portfolio SAVPV; and

- Surplus Estate SAVPV,

which together make up the **Portfolio SAVPV**.

**Net Rental Yield** is a measure that reflects the Net Rental Income as a return on Fair Value.

**Net Rental Income** is a measure that reflects the Net Rental Income as presented in the financial statements (but with refurbishment costs and dilapidation income added back where they appear within property operating expenses).

**Net Rental Income Margin** is a measure that reflects the Net Rental Income as a percentage of the gross property rental income.

**Adjusted EBITDA** is a measure that is used by the Group to best reflect a widely-used measure of recurring earnings before interest, tax, depreciation and amortisation (**EBITDA**). Adjusted EBITDA is calculated as:

- Operating profit before financing and tax as presented on the face of the income statement, adjusted for:
- Amortisation, depreciation or impairment (including other non-cash write downs) of assets;
- Unrealised property revaluation gains;
- Profits, losses or impairment items attributable to joint ventures;
- Refurbishment costs not capitalised;
- Dilapidation income;
- Profit or loss on disposal of investment properties;
- Profit or loss on disposal of inventory; and
- One-off and exceptional items (e.g. Site Review costs shown in the income statement).

**Adjusted EBITDA Margin** is a measure of the Adjusted EBITDA as a percentage of Property Rental Income.

**MQE CAGR** is a measure used by the Group to reflect the change in MQE average rent per Unit over the relevant time frame. Average rent per Unit is calculated as the annualised rent payable following determination of the Rent Review as agreed with the MoD on 25 December of the relevant year divided by the number of Units for the same date.

The Issuer and the Guarantors believe that the alternative performance measures listed above are relevant measures in evaluating the Group because they may assist the Group to identify any emerging deviation, bias or error in prior valuations of the Group's properties. They also help the Group track whether the value of the Group's properties matches or deviates from general market values by virtue of one or several of their particular characteristics, including their location, proximity to military bases, type or size.

However, these measures have limitations as analytical tools and should not be considered in isolation or as substitutes for the information contained in the financial statements included elsewhere in this Offering Circular. None of these non-IFRS financial measures has been, nor will they be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties and may not give an accurate or complete picture of the Group's financial condition or results of operations and may not be comparable to information contained in the audited financial statements included elsewhere in this

Offering Circular or any other financial information included in this Offering Circular. Accordingly, such information should not be relied upon when making an investment decision with respect to the Notes.

These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles. Further, although the results pursuant to these measures have been generally consistent since January 2000, comparisons between periods could be skewed, especially during periods characterised by low MoD release rates, if resales or disposals of a small number of properties or activity concentrated in one particular location results in unwarranted statistical volatility. None of these non-IFRS financial measures relates to the performance of any past reporting period or the expected performance of any future reporting period of the Group.

## **Valuations**

The Issuer engaged Valuers to prepare external third party valuation reports in relation to the MQE and the Non-MQE Portfolio for FY 2020 and FY 2021 in accordance with the Royal Institution of Chartered Surveyors (**RICS**) Valuation – Global Standards 2020 (as amended) and the current version of the UK national supplement.

Fair Value was adopted as the basis of the valuation contained in each such valuation.

With effect from the financial year ended 31 March 2017, the Group's financial statements have been prepared in accordance with IFRS and accordingly the Group determines the value of its assets by reference to Fair Value (as defined above under "*Alternative Performance Measures*").

Prospective investors should be aware that the valuation for FY 2021 was undertaken in connection with the preparation of and is reflected in the Group's FY 2021 Annual Financial Statements, which was in advance of final receipt of the second hearing awards for the Site Review (as defined in the section titled "*Description of the Group – Married Quarters Estate – Site review*"). Accordingly, the Group engaged CBRE Limited to undertake an updated valuation as at 31 July 2021 which has been prepared on the same basis and applying consistent assumptions as the FY 2021 valuation but which reflects the final awards from the second hearing received by the Group in July 2021 (the **July 2021 Valuation Report**). The July 2021 Valuation uses the concept of Market Value, which CBRE has confirmed is effectively the same as Fair Value. The July 2021 Valuation Report is appended to this Offering Circular under the section entitled "*July 2021 Valuation Report*".

Prospective investors should be aware that the July 2021 Valuation Report was prepared prior to the date of this Offering Circular and the valuation contained therein is stated to be as at 31 July 2021. CBRE Limited has not been requested to update or revise any of the information contained in the July 2021 Valuation Report for the purposes of this Offering Circular, nor will it be asked to do so prior to the issue of any Notes.

The information provided as to the valuations (including, without limitation, the July 2021 Valuation Report) must be considered together with all of the information contained elsewhere in this Offering Circular, including, without limitation, the statements made in the section entitled "*Risk Factors—Property valuation is inherently subjective and uncertain*". The information contained in the July 2021 Valuation Report is subject to the same limitations, qualifications and restrictions contained in the other sections of this Offering Circular.

## **Forward-looking Statements**

This Offering Circular includes statements that are, or may be deemed to be, "forward-looking statements", which can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and involve known and unknown risks, uncertainties and other important factors that could cause the actual results and performance

of the Issuer, the Guarantors or the Group to differ materially from any future results or performance expressed or implied in the forward-looking statements.

Any forward-looking statements which are made in this Offering Circular speak only as of the date of such statements and are not guarantees of future performance. None of the Issuer or any Guarantor intends, or undertakes any obligation, to revise the forward-looking statements included in this Offering Circular to reflect any future events or circumstances. Actual results, performance or achievements could differ materially from the results expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include those discussed under “*Risk Factors*” in this Offering Circular.

### **Certain Defined Terms and Conventions**

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in “*Terms and Conditions of the Notes*” or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:

In this Offering Circular, all references to:

- **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **Sterling** and **£** refer to pounds sterling; and
- **U.S. dollars**, **U.S.\$** and **\$** refer to United States dollars.

References to a **billion** are to a thousand million.

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **SUITABILITY OF INVESTMENT**

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must make its own assessment as to the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

## OVERVIEW OF THE GROUP

### The Group

The Group is one of the largest private owners of residential property in the United Kingdom and, as at 31 March 2021, owned 40,427 residential property units (**Units**). The primary property asset of the Group is a property portfolio which it acquired from the Ministry of Defence of the United Kingdom (the **MoD**) on 5 November 1996 (the **1996 Acquisition Date**) for a total consideration of £1.662 billion (the **1996 Acquisition**).

On the 1996 Acquisition Date, the following property assets were acquired from the MoD:

- 765 sites on which one or more Units were located (**Sites**), almost all on 740 999-year Headleases (as defined in “*Description of the Group – Headleases and Underleases*” below), with some Headleases covering more than one Site and comprising 55,060 Units (the **Married Quarters Estate** or **MQE**), which were then leased back to the MoD for a term of 200 years to provide the majority of the MoD's subsidised accommodation (**Service Family Accommodation**) for Armed Forces service personnel and their families in the UK (**Service Families**). The MoD subsequently combined various Units to create larger single properties, such that the revised total number of Units within the original MQE was 55,051;
- 58 Sites comprising 2,374 Units (the **Surplus Estate**), which were no longer required by the MoD for purposes of providing Service Family Accommodation; and
- certain related assets (**Related Assets**), consisting primarily of buildings used for purposes such as housing administration and welfare offices, community centres, crèches and thrift shops, as well as playground areas, sports pitches, tennis and squash courts and undeveloped open spaces.

As at 31 March 2021:

- the MQE comprised 507 Sites on 484 Headleases comprising 38,140 Units (**MQE Units**) and 181 Related Assets, representing approximately 78 per cent of the MoD's total Service Family Accommodation; and
- the Surplus Estate comprised 596 Units (**Surplus Units**).

The MQE and the Surplus Estate are held by Annington Property Limited (**APL**). In addition to the Married Quarters Estate, the Group operates a separate property portfolio of private rented sector accommodation which does not form part of the MQE (the **Rentals Portfolio**) which, as at 31 March 2021, consisted of 1,674 property Units owned and 27 managed property Units. The Rentals Portfolio is let on bulk or assured shorthold tenancies.

The Group also has an in-house development capability, which provides planning and development support. The Group is currently holding 17 development Units for sale in inventory (the **Inventory**). Collectively, the Surplus Estate, the Rentals Portfolio and the Inventory are referred to herein as the **Non-MQE Portfolio**.

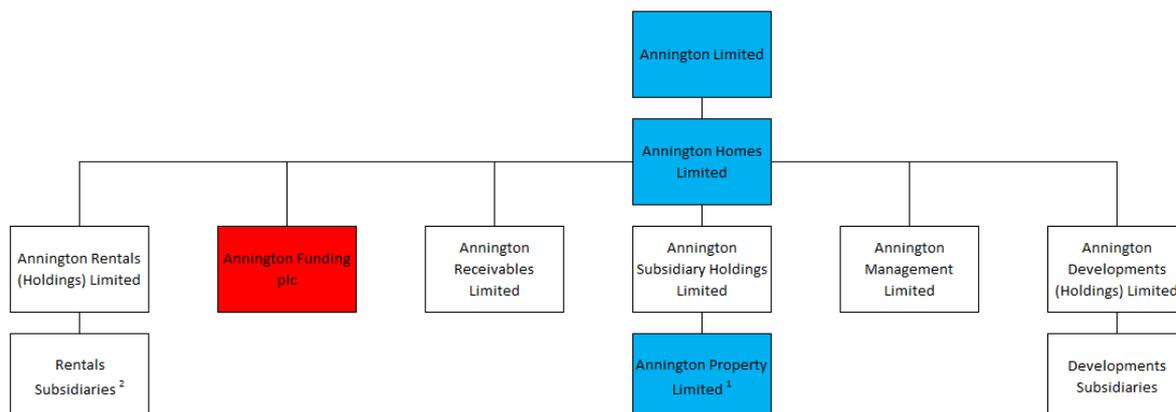
AL is the direct holding company of Annington Homes Limited (**AHL**). AL does not carry on any operating business.

AHL is the direct or indirect holding company of the operating companies within the Group, including APL. AHL does not carry on any operating business.

Having recognised the changing demands of society and the regulatory landscape, particularly in regard to environmental issues, the Group monitors its approach to sustainability to ensure it is aligned with the views of key stakeholders. To help manage the various environmental, social and governance (**ESG**) initiatives that take place across the Group and to align them with the Group's business priorities, these activities are currently captured within a strategic framework, the Building Opportunities Corporate Responsibility Plan which consists of four Pillars: People, Environment, Customers and Partners and Communities. The Group reports

against Streamlined Energy & Carbon Reporting (**SECR**) and is in the process of adopting Task Force on Climate-Related Financial Disclosures (**TCFD**) reporting.

A simplified diagram of the Group structure is set out below:



<sup>1</sup> - The property owning company of the MQE and the Non-MQE: Surplus Estate

<sup>2</sup> - The property owning company of the Non-MQE: Rentals Estate

■ = Issuer  
■ = Guarantor

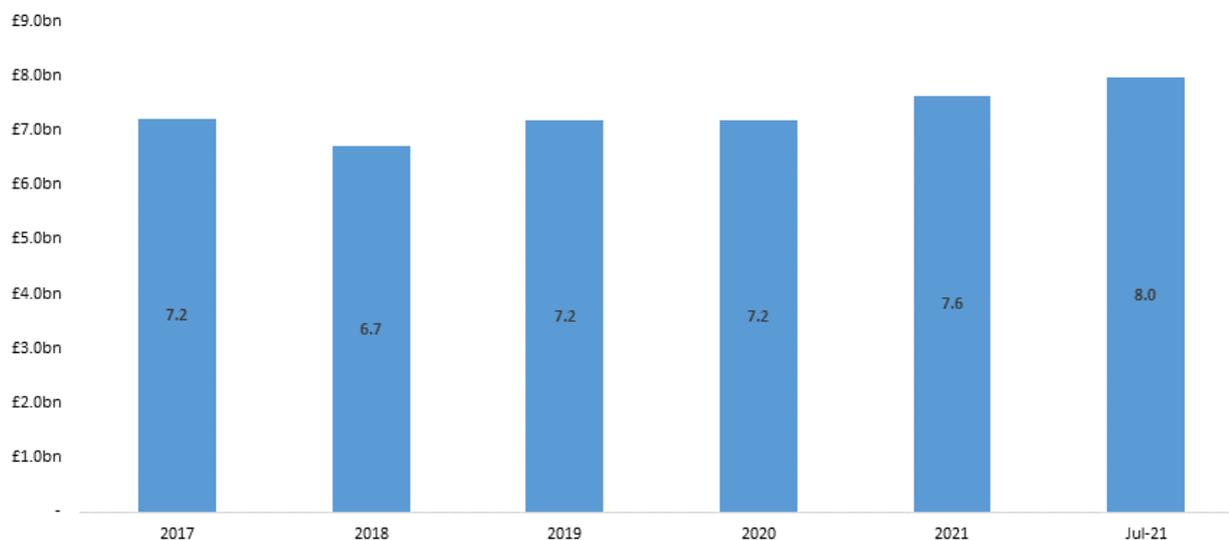
For further information please see “*Description of the Original Guarantors*” and “*Description of the Group*”.

### Married Quarters Estate

The MQE, held by APL, is the core asset of the Group. APL's primary business consists of renting MQE Units to the MoD, conducting periodic rent reviews and selling or renting out Units which are released by the MoD from the MQE from time to time.

As at 31 July 2021, the Market Value of the Married Quarters Estate is estimated by CBRE Limited to be £8.0 billion and the MQE SAVPV is estimated by CBRE Limited to be £10.1 billion.

The graph below sets out the Fair Value of the MQE estimated by the Group (based on external annual valuations prepared for financial reporting purposes) in respect for the financial years ended 2017 to 2021 and the Market Value estimated by CBRE Limited for the MQE as at 31 July 2021.



Source: Company or CBRE Limited as applicable.

At the current stage of completion of the most recent Rent Review (as defined below), annualised passing rent, as at 31 December 2020, in respect of the Married Quarters Estate was £183.1 million.

Since 1996, the MQE Units have been rented to the MoD at a 58 per cent adjustment by way of discount to open market rent (the **Original Adjustment Factor**). The Original Adjustment Factor was a condition of the 1996 Acquisition and will cease to apply upon the conclusion of the Site Reviews between December 2021 and December 2025, which are discussed further below. The MoD is obliged to make rental payments to the Group on all MQE Units, regardless of occupancy, meaning there is no rental void risk while the properties are leased to the MoD.

The MoD is solely responsible for the condition, management and maintenance of the MQE Units that it leases from APL, and is required to pay the costs of repairs for dilapidations if Released Units are not returned to APL in good tenable repair and decorative order.

At the time of the 1996 Acquisition, the original MQE was split into four broadly homogenous tranches, each encompassing approximately 25 per cent of the MQE (**RE Tranches**), for purposes of rent reviews (**Rent Reviews**). Rent Reviews are conducted on a five-year rolling basis, with a single RE Tranche being reviewed over each of four of the five years, and no review being carried out in the fifth year. Given the impracticality of reviewing all MQE Units within a particular RE Tranche, certain Units, known as **Beacon Units**, located on each Site have been specified in the related Underleases (as defined in “*Description of the Group – Headleases and Underleases*” below) as being broadly representative of all of the Units on that particular Site. On the applicable review date, the rent payable on the Beacon Unit is reviewed against the open market rent as of that date, and any resulting percentage change to the Beacon Unit rent is then applied to the Site as a whole. This enables the Group to avoid the administrative costs and delays in respect of the Married Quarters Estate which would otherwise arise out of evaluating all MQE Units located on a particular Site. Rents can increase and decrease as a result of this review process, subject to a floor, meaning rents cannot fall below the initial rent level that was set at the time of the 1996 Acquisition.

Under the original terms of the Underleases, in addition to the Rent Review cycle described above, the rent in respect of each Site would be reviewed periodically. The first such review cycle was to commence in December 2021 (the **Site Review**).

The purpose of the Site Review is to determine the amount that a willing lessee would pay, by way of rent, for each of the Sites, were each Site offered to the market on terms identical to the Underlease. As the lessee would be responsible for the same obligations for which the MoD is responsible, the rent payable by that lessee will be less than the aggregate open market rent of each of the Units on the Site, as it will need to reflect costs borne by the lessee (e.g. repair and maintenance, void loss, operational expenditure). The new site rent determined for each Site is then to be compared with the aggregate open market rental value of all Units on each Site to determine a new adjustment factor, which would apply to that Site for the 15 years from the date of the relevant Site Review, in place of the Original Adjustment Factor.

Similar to the Rent Review process, the Site Review would be performed in four separate tranches, with approximately 25 per cent of Sites being reviewed in each of the respective review years. The Site Review would subsequently be repeated on the 15<sup>th</sup> anniversary of the initial Site Review, with the five-yearly Rent Reviews continuing alongside and between each Site Review.

On 7 March 2019, an agreement was reached with the MoD (the **Arbitration Agreement**) to carry out an expedited process to complete the 2021-2024 Site Review. This accelerated process was designed to produce an equivalent result to the Site Review process contained in the Underleases, but in a shorter period and at a lower cost for both parties. It was also designed to give the Group and the MoD earlier certainty in relation to the future rents payable for the MQE.

Under this process, the Sites subject to 488 leases then in the MQE were divided into 27 baskets of Sites (**Baskets**) that share similar characteristics, and each Basket has similar total passing rent. A new rental adjustment will be determined for each of those Baskets, in place of the Original Adjustment Factor based on

a representative Site selected for each Basket. The rental adjustment for each of the 12 representative Sites submitted to date has been determined by an independent panel of arbitrators (the **Panel**). The new average rental adjustment for these 12 Baskets is 49 per cent. The rental adjustments that have been determined are highly site-specific, and due to the nature of the remaining 15 representative Sites for the remaining 15 Baskets, the results to date cannot be extrapolated on a site by site basis for the remainder of the MQE. It is anticipated that the arbitration outcome in respect of the remaining 15 representative Sites which are left to be reviewed by the Panel will be completed no later than mid-2023 and management is currently focussed on preparations for review by the Panel of the remaining Sites (see “*Description of the Group – Married Quarters Estate – Site review*”).

As the MoD's requirements for Service Family Accommodation change, it may choose to give up its rights to occupy Sites, or certain parts thereof, which it views as being surplus to its requirements. Accordingly, the MoD may elect to terminate, in whole or in part, the lease relating to the applicable Site upon a minimum six months' notice and subject to certain minimum release criteria. Upon termination of a lease, the Group is left with vacant possession and has an option to purchase the MoD's freehold (or leasehold) reversion of the applicable Units released from the MQE Estate (**Released Units**) for a nominal sum and is free to use or dispose of them as it sees fit, including by selling them to third party purchasers, transferring them to the Non-MQE Portfolio or by leasing them at market rent, thereby on average providing an immediate uplift in value given that such properties will no longer be subject to the adjusted rent being paid by the MoD prior to their release.

Historically, under the agreements entered into with the MoD at the time of the 1996 Acquisition, the MoD was under an obligation to release a cumulative total of 13,213 Units by 2021, but in fact the MoD satisfied this obligation in 2007. After this date, there has been no trend or consistency to the release profile of MQE Units. Accordingly, concomitant with the Arbitration Agreement, APL and the MoD entered into a dilapidations and handback agreement (the **Dilapidations and Handback Agreement**) pursuant to which the MoD agreed to release a minimum of 500 Units per annum (subject to a rolling two-year average) and APL agreed to waive up to £7,000 per Unit of dilapidations and subject to an annual cap of £3.5 million (if the MoD complies with the agreed release profile) (see “*Description of the Group – Married Quarters Estate – Property Releases*”).

### **The Non-MQE Portfolio**

The Non-MQE Portfolio consisted of 2,287 Units as at 31 March 2021. The Rentals Portfolio consisted of 1,674 Units owned by eight companies, and 27 managed properties as at 31 March 2021. Of these eight companies, two own Units that help generate comparison data which the Group uses in rent negotiations with the MoD during Rent Reviews. The remaining six companies let Units either on bulk tenancies (often to the MoD) at market value or on assured short-hold tenancies to other third parties on the open market. The Surplus Estate consisted of 596 Units as at 31 March 2021 and the Inventory consisted of 17 Units as at 31 March 2021.

As at 31 December 2020, annualised passing rent in respect of the Non-MQE Portfolio was £19.9 million. As at 31 July 2021, the Market Value of the Rentals Portfolio is estimated to be £369.4 million by CBRE Limited and SAVPV is estimated by CBRE Limited to be £413.6 million. As at 31 July 2021, the Market Value of the Surplus Estate is estimated by CBRE Limited to be £89.5 million and SAVPV is estimated by CBRE Limited to be £97.8 million.

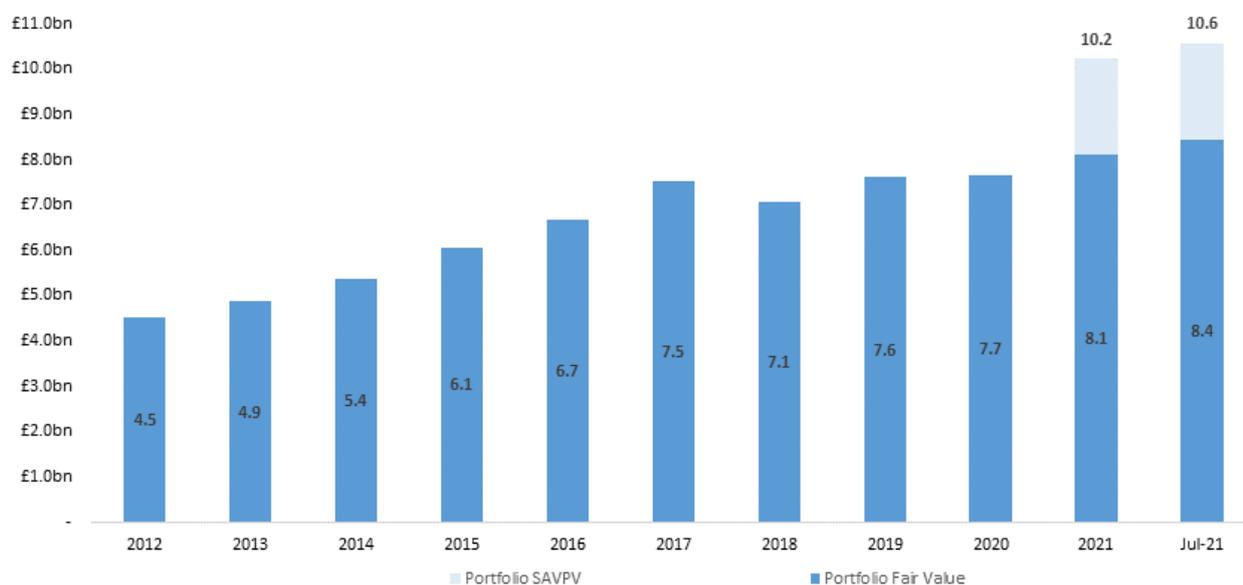
The rental capability that the Group has developed is key to realising best value from the Released Units. This capability allows the Group to control the timing of sales into the housing market and take advantage of strong yields in markets where the Group sees the potential for appropriate returns. The Group has a proven operational platform which would allow it to continue to expand the Rentals Portfolio, either organically by retaining Released Units, or through open market acquisitions, although this is not the current strategy of the Group.

The Group also has an in-house development capability, which allows it to provide planning and development support in connection with the potential development of Released Units. Where opportunities arise to create added value through infill development, the Group may carry out development activities on its own account

or enter into joint venture arrangements with other landowners and property developers where the combination of skills, assets and resources are expected to yield higher returns.

## Group Property Valuation

The graph below sets out the Portfolio Fair Value as at 31 March in each of the years from 2012 to 2021, determined by the Group (based on external annual valuations prepared for financial reporting purposes). The Portfolio Fair Value as at 31 July 2021 and the Portfolio SAVPV as at 31 March 2021 and 31 July 2021 have been determined by CBRE Limited.



Source: Company

- Portfolio Fair Value shown in each of the years from 2012 to 2016 represents market value under UK GAAP, as of 31 March in each of the years from 2017 to 2021 the measure represents Fair Value under IFRS. For 31 July 2021, the measure represents Market Value.

## Selected financial information of the Group

The tables set forth below, for the periods indicated, are based on the audited consolidated financial statements of AL for the year ended 31 March 2021 and the year ended 31 March 2020, prepared in accordance with IFRS.

The selected historical financial information set forth below should be read in conjunction with AL's consolidated financial statements and notes thereto incorporated by reference into this Offering Circular. The information below is not necessarily indicative of the results of future operations.

### *Income Statement Data*

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Property rental income	201,345	199,410
Property operating expenses	(5,799)	(17,018)
<b>Net rental income</b>	<u>195,546</u>	<u>182,392</u>
Other operating income	3,147	8,328
Administrative expenses	(14,263)	(13,543)
Other operating expenses	(983)	(1,090)
Site review costs	(24,416)	(20,209)
Profit on disposal of investment properties	12,644	9,591
(Loss)/profit on disposal of inventory	(659)	369
Unrealised property revaluation gains	478,091	38,714
Share of results of joint ventures after taxation	(462)	965
<b>Operating profit</b>	<u>648,645</u>	<u>205,517</u>
Finance income	50	680
Finance costs	(109,453)	(115,037)
<b>Profit before taxation</b>	<u>539,242</u>	<u>91,160</u>
Taxation credit	20,225	679,025
<b>Profit for the year after taxation</b>	<u><u>559,467</u></u>	<u><u>770,185</u></u>

The Group employs a number of measures to monitor performance against its objectives, including:

	<b>Reference to 2021 financial statements and notes therein<sup>1</sup></b>	<b>2021 £ 000</b>	<b>2020 £ 000</b>
<b>Gross rental income</b>			
Gross rental income is derived from property rental income earned on investment properties as presented on the face of the income statement.	Income Statement	201,345	199,410
		<u>201,345</u>	<u>199,410</u>
<b>Net rental income margin</b>			
Gross rental income is derived from property rental income earned on investment properties as presented on the face of the income statement.	Income Statement	201,345	199,410
Property operating expenses as presented on the face of the income statement.	Income Statement	(5,799)	(3,753)*
		<u>(5,799)</u>	<u>(3,753)*</u>
<b>Net Rental Income</b>		195,546	195,657
		<u>195,546</u>	<u>195,657</u>
Divided by gross property rental income		201,345	199,410
		<u>201,345</u>	<u>199,410</u>
Expressed as a percentage as <b>Net Rental Income Margin</b>		97.1%	98.1%
		<u>97.1%</u>	<u>98.1%</u>
*For comparability, property operating expenses for 2020 have been adjusted as follows:			
As reported in 2020 financial statements			9,387
Dilapidation income added back as set out in the financial statements	Note 5		7,631
			<u>9,387</u>
As presented in 2021 financial statements as comparative	Note 4		17,018
Refurbishment costs as presented in Note 4	Note 4		(13,265)
			<u>17,018</u>
			<u>(13,265)</u>
			<u>3,753</u>
			<u>3,753</u>

<sup>1</sup> References are to where numbers are shown within the 2021 Financial Statements incorporated by reference to this Offering Circular.

	<b>Reference to 2021 financial statements and notes therein<sup>2</sup></b>	<b>2021 £ 000</b>	<b>2020 £ 000</b>
<b>Adjusted EBITDA</b>			
Adjusted EBITDA is calculated as:			
Operating profit before financing and tax as presented on the face of the income statement, adjusted for:	Income Statement	648,645	205,517
Amortisation, depreciation or impairment (including other non-cash write downs) of assets	Note 5	909	925
Unrealised property revaluation gains	Income Statement	(478,091)	(38,714)
(Profits), losses or impairment items attributable to joint ventures	Income Statement	462	(965)
Refurbishment costs not capitalised	Note 4	-	13,625
Dilapidation income	Note 5	(3,105)	(7,631)
Profit on disposal of investment properties	Income Statement	(12,644)	(9,591)
Loss/(profit) on disposal of inventory	Income Statement	659	(369)
One-off and exceptional items (in this case, Site Review costs shown in the income statement)	Income Statement	24,416	20,209
		<u>181,251</u>	<u>182,646</u>
 <b>Adjusted EBITDA Margin</b> is calculated as:			
<b>Adjusted EBITDA</b>		181,251	182,646
Divided by gross property rental income as presented on the face of the income statement	Income Statement	<u>201,345</u>	<u>199,410</u>
<b>Adjusted EBITDA Margin</b>		<u>90.0%</u>	<u>91.6%</u>
 <b>Net Rental Yield</b> is calculated as:			
<b>Net Rental Income</b>		195,546	195,657
Divided by carrying value of investment properties	Balance sheet	<u>8,123,282</u>	<u>7,675,149</u>
Expressed as a percentage		<u>2.4%</u>	<u>2.5%</u>

<sup>2</sup> References are to where numbers are shown within the 2021 Financial Statements incorporated by reference to this Offering Circular.

**Comprehensive Income Data**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	559,467	770,185
<b>Items that may subsequently be recycled through the income statement</b>		
Cash flow hedge:		
Fair value (losses)/gains on cash flow hedge	(23,252)	9,270
Reclassification of fair value gains/(losses) included in the income statement	19,509	(13,628)
	<hr/>	<hr/>
<b>Total other comprehensive loss</b>	<b>(3,743)</b>	<b>(4,358)</b>
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>555,724</b>	<b>765,827</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income attributable to shareholder</b>	<b>555,724</b>	<b>765,827</b>
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## ***Balance Sheet Data***

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>		
Investment properties	8,087,751	7,659,407
Plant and equipment	285	320
Right-of-use assets	1,688	2,255
Investment in joint ventures	2,262	2,722
Deferred tax assets	44,276	19,910
Derivative financial instruments	-	4,623
	<u>8,136,262</u>	<u>7,689,237</u>
<b>Current assets</b>		
Inventory	9,235	10,352
Trade and other receivables	8,080	12,500
Cash and cash equivalents	197,509	103,695
	<u>214,824</u>	<u>126,547</u>
Investment properties held for sale	35,531	15,742
<b>Total assets</b>	<u><u>8,386,617</u></u>	<u><u>7,831,526</u></u>
<b>Current liabilities</b>		
Trade and other payables	(36,450)	(38,630)
Rental income received in advance	(41,072)	(40,757)
Lease liabilities	(749)	(729)
Provisions	(11,732)	(8,576)
	<u>(90,003)</u>	<u>(88,692)</u>
<b>Non-current liabilities</b>		
Other payables	(273)	(960)
Loans and borrowings	(3,367,854)	(3,385,121)
Lease liabilities	(735)	(1,260)
Deferred tax liabilities	(39)	(45)
Provisions	(9,641)	(11,729)
Derivative financial instruments	(18,629)	-
	<u>(3,397,171)</u>	<u>(3,399,115)</u>
<b>Total liabilities</b>	<u><u>(3,487,174)</u></u>	<u><u>(3,487,807)</u></u>
<b>Net assets</b>	<u><u>4,899,443</u></u>	<u><u>4,343,719</u></u>
<b>Capital and reserves</b>		
Share capital	84,756	84,756
Share premium	480,401	480,401
Merger reserve	(10,000)	(10,000)
Hedging reserve	(6,974)	(3,231)
Retained earnings	4,351,260	3,791,793
<b>Total equity</b>	<u><u>4,899,443</u></u>	<u><u>4,343,719</u></u>

## ***Cash Flow Data***

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cash from operating activities</b>	153,026	146,710
Tax paid	(3,400)	(6,461)
<b>Net cash inflow from operating activities</b>	<u>149,626</u>	<u>140,249</u>
<b>Investing activities</b>		
Proceeds from sale of investment properties	72,818	26,298
Development and acquisition of investment properties	(6,818)	(20,669)
Refurbishment expenditure on investment properties	(16,485)	-
Payments made on disposal of plant and equipment	-	(5)
Purchase of plant and equipment	(45)	(64)
Receipts from joint ventures	1,409	4,282
Interest received	50	680
<b>Net cash inflow from investing activities</b>	<u>50,929</u>	<u>10,522</u>
<b>Financing activities</b>		
Interest and other financing costs	(105,986)	(108,795)
Dividends paid	-	(100,000)
Interest payments on lease obligations	(40)	(55)
Principal payments on lease obligations	(770)	(965)
<b>Net cash outflow from financing activities</b>	<u>(106,796)</u>	<u>(209,815)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	93,759	(59,044)
Cash and cash equivalents at the beginning of the year	103,695	162,783
Exchange differences on cash and cash equivalents	55	(44)
<b>Cash and cash equivalents at the end of the year</b>	<u><u>197,509</u></u>	<u><u>103,695</u></u>

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer, the Guarantors and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes, and if appropriate, a new Offering Circular or a supplement to the Offering Circular, will be published.*

This Overview constitutes a general description of the Programme for the purposes of Delegated Regulation (EU) No 2019/980 as it forms part of domestic law of the UK by virtue of the EUWA.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this Overview.

Issuer: Annington Funding plc

Guarantors: Annington Limited  
Annington Homes Limited  
Annington Property Limited

Each Additional Guarantor (if any) that accedes to the Programme in accordance with Condition 3.3.

A Guarantor (excluding Annington Property Limited and, for so long as it is the Parent, Annington Limited) may also cease to be a Guarantor of the Notes in certain circumstances, as described in Condition 3.4.

Parent: Annington Limited or any other entity that (i) becomes the Parent entity for the purpose of presenting the consolidated financial statements of the Group; (ii) if not already a Guarantor, has acceded to the Trust Deed as a Guarantor; and (iii) has agreed to be bound by any undertaking given by the Parent in the Conditions and the Trust Deed so that such entity becomes the Parent for the purposes of the Conditions.

Risk Factors: There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect each Guarantor’s ability to fulfil its obligations under the Guarantee (as defined below under “—*Guarantee*”). In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under “*Risk Factors*”.

Description: Euro Medium Term Note Programme

Arranger: Goldman Sachs International

Dealers:	Goldman Sachs International Barclays Bank PLC J.P. Morgan Securities plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.  Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (as amended, the <b>FSMA</b> ) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Issuing and Principal Paying Agent:	The Bank of New York Mellon Limited, London Branch
Programme Size:	Up to £4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and each of the Guarantors may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated in euro, Sterling, U.S. dollars, yen and any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: The Notes will be issued in either bearer or registered form as described in “*Form of the Notes*”. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of the reference rate set out in the applicable Final Terms.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to the relevant Issue Date by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both, as may be agreed between the Issuer and the relevant Dealer.

Index Linked Notes: Payments of interest and principal in respect of Index Linked Notes will be calculated by reference to an Index Ratio, derived from either:

- (a) the U.K. Retail Prices Index (the **RPI**) (all items) published by the Office for National Statistics or the relevant successor index (**RPI Linked Notes**); or
- (b) the U.K. Consumer Prices Index (the **CPI**) (all items) published by the Office for National Statistics or the relevant successor index (**CPI Linked Notes**); or
- (c) the U.K. Consumer Prices Index including owner occupiers’ housing costs (the **CPIH**) (all items) published by the Office for National Statistics or the relevant successor index (**CPIH Linked Notes**).

Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) for taxation reasons, (ii) following an Event of Default, (iii) in the case of Index Linked Notes only, for reasons related to the relevant index, or (iv) if specified in the applicable Final Terms, on a Change of Control Put Event occurring) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions</i>” above.</p>
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “ <i>Certain Restrictions</i> ” above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 9. In the event that any such deduction is made, the Issuer or, as the case may be, the relevant Guarantor will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Acceleration:	The terms of the Notes will contain a cross acceleration provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Guarantee:	The Notes will be guaranteed on a joint and several basis by each of the Guarantors (the <b>Guarantee</b> ). The obligations of each Guarantor under the Guarantee will be direct, unconditional and

(subject to the provisions of Condition 4) unsecured obligations of such Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of such Guarantor from time to time outstanding.

**Rating:** The Programme has been rated BBB by Fitch Ratings Limited (**Fitch**) and has been assigned a provisional rating of (P)Baa2 by Moody's Investors Service Limited (**Moody's**). Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Listing:** Application has been made for Notes issued under the Programme to be admitted to the Official List and to trading on the London Stock Exchange's main market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the relevant Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Governing Law:** The Notes, the Guarantee and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Guarantee and the Trust Deed will be governed by, and construed in accordance with, English law.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the UK, Japan, Singapore, Hong Kong and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

**United States Selling Restrictions:** Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

## RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuer and the Guarantors may become insolvent or otherwise be unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantors becoming unable to make all payments due. It is not possible to conclusively identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantors may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantors' control. The Issuer and the Guarantors have identified in this Offering Circular a number of factors which could materially adversely affect their businesses and ability to make payments due in respect of the Notes or under the Guarantee.*

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

*Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME AND/OR THE GUARANTORS' ABILITY TO FULFIL THEIR OBLIGATIONS UNDER THE GUARANTEE**

#### ***The UK housing market may be significantly affected by changes in general and local economic conditions***

The Group's prospects, including its ability to generate surplus cash flows and profits, depend primarily on the value of the properties comprising the Married Quarters Estate, and, to a more limited extent, the value of the properties comprising the Non-MQE Portfolio. One of the Group's key sources of financial strength is the maintenance and, where possible, improvement of the value of the Group's interest therein (whether through the Rent Review and/or Site Review process, actively managing the Group's tenancies, rigorously appraising potential disposal options for released properties or otherwise). The realisable value of the Group's property portfolio at any given time can be affected by many factors outside the Group's control, including:

- the global financial system and credit markets, including stock market and credit market volatility;
- regulatory and political risks and volatility;
- increases in income and other tax rates, including stamp duty taxes, value added taxes, council tax and other taxes relating to real estate transactions or a reduction in mortgage interest tax relief;
- short and long-term interest rates;
- government policies or initiatives, or the lack thereof, designed to incentivise home buying or lending to homebuyers;
- the availability and cost of financing for homebuyers;
- consumer confidence levels, employment levels, job and personal income growth and household debt-to-income levels;
- the supply of available new or existing homes and other housing alternatives, such as apartments and other residential rental property;
- the availability of homebuyers, including housing demand resulting from population growth and demographic changes;
- the failure of any key third party suppliers, service providers or stakeholders;
- rates of new household formation and household break-up;

- the perception of the financial strength of home sellers, including whether sellers are perceived to be under a compulsion to sell quickly;
- the effect any sale may have on the profile of the Group's remaining property portfolio;
- the time period in which the properties are sought to be sold;
- the supply of similar properties;
- changes in government regulation or policy, including infrastructure policies and planning and environmental regulations;
- the attractiveness of real estate relative to other investment choices;
- the condition of the properties;
- other operational supply and cost risks; and
- the COVID-19 pandemic affecting behaviours and demands for certain types of property.

Adverse changes in these factors may affect the Group's business nationally or may be more prevalent or concentrated in particular regions or localities in which the Group operates.

The UK housing market is cyclical in nature and can generally be characterised by periods of rising property values followed by periods of slower growth rates and even declining values. As a long-term investor in the UK housing market, the Group is subject to the effects of the housing market cycles. In particular, during periods of low demand, low prices and poor sales rates, land and properties may become particularly illiquid, which could lead the Group to experience difficulty in successfully disposing of properties which the Group regards as surplus to the requirements of its Non-MQE Portfolio in a timely fashion, without extensive marketing efforts, or without reducing the price of the properties. This problem could be particularly acute if MoD releases were to occur in bulk or in geographically remote areas. Such unfavourable conditions may negatively impact the Group's business, particularly if it is unable to implement an alternative strategy in respect of released properties, including renting them out on a short-term basis until market conditions become more favourable.

***The Group cannot limit the quantity or influence the type, location and timing of property releases by the MoD***

When the MoD identifies properties within the MQE as being surplus to its requirements, it can elect, subject to certain conditions, to terminate the lease underlying the applicable Site in whole or in part. Pursuant to the terms of the Dilapidations and Handback Agreement, the MoD has committed to release a minimum of 500 Units per year on a two year rolling average (as more particularly described in "*Description of the Group – Married Quarters Estate – Property releases*"). However, the MoD has absolute discretion with respect to the identification of surplus properties, their location and the timing of their release. Further, the MoD is required to provide a minimum of only six months' notice prior to termination of the applicable lease. Prior to the date of the Dilapidations and Handback Agreement, there was no trend or consistency in the release profile of surplus properties. The terms of the Dilapidations and Handback Agreement help to provide more certainty as to the future release profile. In the first year of that commitment the MoD was deemed to have released 501 Units and in the second year of that commitment the MoD released 320 Units.

There is a risk that the MoD will not honour its commitment in the future and that steps taken by the Group to enforce the commitment may be unsuccessful, which would then lead to uncertainty as to the number of annual property releases.

In the event that the MoD releases a significant number of properties that are of an undesirable type or concentrated in an unattractive or remote location, or if it releases a significant number of properties over a short period of time during which conditions in the sales market remain depressed, notwithstanding the Group's previous successful management of a large number of Units released just before and during a previous economic downturn, the Group may be unable to sell all of, or any, such properties. Such circumstances could

occur as a result of the demand for MQE housing being reduced in the future by evolving government spending and defence policy, particularly in relation to the size and composition of the armed forces (see “*Industry Overview – The Defence Estate*”). In such circumstances, the overall reduction in rent that the Group receives from the MoD, combined with the reduction in income that could otherwise be generated by the sale of the released properties under more favourable conditions, could have an adverse impact on the Group’s business, results of operations and financial condition.

This lack of control over property releases by the MoD affects the Group’s business significantly. The Group’s financial position is underpinned by rent income receivable from the MoD. Although the Group expects that rent payments from the MoD will be sufficient to service its debt obligations and other financial liabilities for the foreseeable future, an unexpectedly high concentration of property releases involving a large number of Units in the short term could jeopardise the stability of the Group’s revenue. Additionally, following completion of the accelerated Site Review process pursuant to the Arbitration Agreement there will be 27 different rental adjustment factors replacing the single Original Adjustment Factor (see “*Description of the Group – Married Quarters Estate – Site review*”). In the unlikely event of a high proportion of property releases involving a large number of Units with low rental adjustment factors, the average aggregate rental adjustment factor for Units remaining in the MQE would increase and this could impact the carrying value of the Group’s assets. However, identification of Sites for release by the MoD will logically be driven by the locations where the MoD has a requirement for SFA and not by the level of the adjustment factor on any particular Site.

***The Group is dependent on rental income from leases entered into with the MoD for a substantial proportion of the Group’s revenue***

The Group derives a substantial proportion of its revenue from rent payments by the MoD pursuant to 200-year leases entered into in connection with the Group’s acquisition of the Married Quarters Estate in 1996 and bulk leases which are part of the Non-MQE Portfolio. For the financial year ended 31 March 2021, gross rent received from the MoD totalled £187.1 million, accounting for 92.9 per cent of the Group’s rental income.

Anticipated rental income is a significant factor in the calculation of the Group’s projected revenue and the estimated market value of the Group’s properties. Key to the determination of the Group’s rent levels is the Rent Review process, whereby rent payments from the MoD on the MQE Units are assessed and adjusted every five years (see “*Description of the Group—Married Quarters Estate—Rent reviews*”). The five-year gap between each RE Tranche’s successive Rent Reviews may prevent the Group from capturing and benefitting from interim rental market improvements but conversely may also protect the Group from interim market detriment. Also, if rental values stagnate or drop, or if the Group fails to adequately track upward movements in rental values, including due to the Group’s inability to generate comparison market data (whether by acquiring and renting out properties located near the Group’s existing Sites or otherwise), the results of the Rent Review process may be unfavourable to the Group, which could adversely affect its business, results of operations and financial condition.

Also key to the determination of the of the Group’s rent levels is the final outcomes of the accelerated Site Review Process pursuant to the Arbitration Agreement (see “*Description of the Group – Married Quarters Estate – Site review*”). Although the results of the first two Site Review hearings have resulted in an increase in rent levels on an aggregate basis for the Sites in the first 12 Baskets, there is a risk that the Site Review outcome for the remaining Sites could result in a decline in rent levels for those Sites within the remaining 15 Baskets leading to an adverse impact on the Group’s revenue stream.

The Group expects to continue to rely primarily on the MoD, the Group’s sole tenant in respect of the MQE, complying with the terms of the contract which specifies the payment of rents in order to finance the Group’s operations and debt obligations. However, there can be no assurance that circumstances will remain unchanged. For example, the MoD, under the terms of the 1996 Acquisition, can exercise a right of re-entry under any Headlease (as defined in the section titled “*Description of the Group – Headleases and Underleases*”) in the event that the Group fails to remedy any breach of covenant thereunder within 12 months of receiving notice of such breach, thereby terminating the Group’s right to receive rent payments in respect of the relevant property. However, the MoD is bound by the same covenants during their tenancy and, on release of a Unit, the Group is permitted to obtain the freehold, at which point the covenants terminate. Any change in

circumstances or any market interruption that causes a failure or delay by the MoD to make rent payments could adversely affect the Group's business, results of operations and financial condition.

***The Group is exposed to demand in the rental market, including assured shorthold tenancies and bulk residential rental properties***

The Group's financial stability depends, in part, on the strength of the rental market, particularly when the housing market is weak and the Group experiences difficulty in disposing of properties released by the MoD. The worsening of general rent levels could adversely affect the Group's ability to negotiate rent increases during Rent Reviews. Weak rental markets could also adversely affect the resale value of Released Units.

A weak rental market could also have an adverse effect on the Group's revenue generated by its private rental sector property portfolio, the Non-MQE Portfolio. While the Non-MQE Portfolio consists of properties located in areas where the Group has identified a need for rental housing or where market improvements are anticipated, there can be no assurance that the Group's projections as to future levels of demand for rental property will prove to be accurate. Void levels could rise if prospective tenants' interest in assured shorthold tenancies declines in locations where the Group has acquired properties for the purposes of its Non-MQE Portfolio, or if the MoD or the corporate organisations, including housing associations and local authorities, to which the Group may bulk lease properties forming part of the Non-MQE Portfolio, shift away from rentals.

***Property valuation is inherently subjective and uncertain***

For the purposes of the Group's Annual Financial Statements, the valuation of its properties is undertaken internally by the Group and externally by third-party professional valuers in accordance with the Royal Institution of Chartered Surveyors (**RICS**) Valuation – Global Standard 2020 (as amended) and the UK national supplement. The purpose of each valuation is expressly limited therein, namely for the preparation of the Group's Annual Financial Statements (other than in respect of the July 2021 Valuation Report), and each valuation is prepared accordingly.

Property valuations are inherently subjective due to the individual nature of each property as they are necessarily made on the basis of assumptions which may not prove to be accurate and which can change from year to year. In particular, the valuation report as at 31 July 2021 makes assumptions about the likely rental uplift from the accelerated Site Review process under the Arbitration Agreement for the remaining 15 Baskets of Sites, level and value of future releases by the MoD and likely returns targets for an arm's length purchaser that may not prove to be accurate. As a result, valuations are subject to a degree of uncertainty.

In determining the Fair Value or Market Value of any property, the Valuers are required to make certain assumptions in respect of matters including, but not limited to, the existence of willing buyers, title to the property, condition of structure and services, deleterious materials, environmental matters, legal matters, statutory and regulatory requirements and planning, estimated market rental values, market-based yields and expected future rental revenues from the property and to rely on information provided by the Group. No assurance can be given that the assumptions or projections used, estimates made or procedures followed in preparing the valuations were correct, accurate or complete. Valuers other than those engaged by the Group may reach different valuations of the Group's properties.

There is a risk that the valuations of the Group's properties will not be reflected in any actual transaction prices, even where any such transactions occur shortly after the relevant valuation date. Failure to achieve successful sales of properties in the future at commercially acceptable prices could have an adverse effect on the Group's business, results of operations and financial condition. Unsound valuations could also undermine the Group's ability to negotiate favourable rent increases during the Group's five-yearly Rent Reviews with the MoD, which could further adversely impact the Group's results of operations.

***The Group's business is subject to complex and evolving regulations, including rules governing the ownership, leasing or occupation of land, climate-change risk and the use of hazardous materials that carry potential environmental risks and liabilities***

The Group is subject to laws and regulations concerning, among other things, planning, building development, land use, sales, the provision of mortgage financing, fire, health and safety, the environment and employment. These laws and regulations often provide broad discretion to the administering authorities. Changes in relevant laws, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of the Group's operations. The Group expects that increasingly stringent requirements will be imposed on property owners and property developers in the future. Although the effect of these requirements cannot be predicted, compliance with them could cause delays, including in the sale of Released Units, and increase the Group's costs, which could have a material adverse effect on the Group's business, results of operations and financial condition.

As a property owner, the Group is subject to laws and regulations governing the discharge of pollutants, including asbestos, into water and air, the handling of hazardous materials and the clean-up of contaminated sites. Under UK legislation dealing with contaminated land, the environmental regulator looks in the first instance to the party who caused or knowingly permitted the contamination to undertake or pay for any remediation that is required. However, if a polluter cannot be found, the regulator can look to the owner or occupier for the time being of the land concerned to carry out or pay for the remediation. Therefore, to the extent that any liability is not attributable to the MoD as polluter, the Group may incur significant costs for the removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently owned, leased or occupied by the Group, whether or not the Group knew of the contamination, and the Group may also face liability in the event of any pollution or environmental harm caused by its activities or operations. The proximity of the Group's properties to military bases and other areas where military activities are, or have been, conducted may increase the likelihood of latent land contamination.

It is possible that more stringent legal and regulatory requirements may be imposed on the Group in the future (including more stringent environmental or climate change based regulations) which may result in significant additional expenditure, significant implementation time and expensive compliance programmes and the Group experiencing severe operational delays. Further, the Group could incur substantial costs, including clean-up costs, fines, penalties and other sanctions and damages from third-party claims for property damage or personal injury, as a result of the Group's failure to comply with, or liabilities under, applicable environmental laws and regulations, all of which could adversely affect the Group's business, results of operations and financial condition.

***Financial Risks***

The Group currently relies on primary forms of financing consisting of bank facilities (i.e. term loan and revolving credit facility from major banks) and public bond issuance. The last global economic downturn and resulting dislocation of financial markets around the world caused a number of the world's largest financial and other institutions significant operational and financial difficulties.

The failure of the Group to manage refinancing requirements may result in a shortage of funds to repay facilities as they fall due. A source of financing could become unavailable, for example, if a reduction in its credit rating makes the cost of accessing the public and private debt markets prohibitive. Although the Group considers that the diversity of its financing and the diversity in the tenor of its financing helps to protect it from liquidity risk, it could find itself unable to access any or all of these sources of financing on reasonable terms. Any failure by lenders to fulfil their obligations to the Group as well as the inability of the Group to access new funding in the longer term may impact the Group's cash flow and liquidity, which could have a material adverse effect on its business, results of operations, financial condition and prospects and, accordingly, the Issuer's and the Guarantors' ability to meet their respective obligations under the Notes and the Guarantee.

The terms of the Group's bonds and loan facilities include financial covenants such as Loan to Value and Interest Coverage Ratio covenants. Although the Group currently benefits from significant headroom in its covenants and has processes and procedures in place to forecast and monitor covenant compliance, unexpected

changes in financial performance or asset values could potentially lead to the possibility of a breach of these covenants which could adversely affect the Group's business, results of operations and financial condition.

### ***COVID-19 pandemic***

The outbreak of the novel coronavirus (**COVID-19**), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020 continues to impact many aspects of daily life and the global economy. While the roll-out of the UK vaccination programme gives reason for optimism regarding the impact of the pandemic on the UK economy, the Group is mindful that the trajectory of the pandemic is highly uncertain given the risk of future variants. The Group continues to monitor the UK Government's guidance carefully, and has made appropriate changes to working practices, operational protocols and processes to safeguard its employees, customers, suppliers and subcontractors; this included closure of construction sites and sales centres during the initial lockdown phase, and the creation of a COVID-19 working group to provide guidance, support and direction from the onset of the pandemic. The Group's latest risk assessment has considered both the specific consequences of COVID-19 and its effect on the underlying risks managed by the business including legislative protections for residential tenants. Therefore, while to date the Group has not experienced a material adverse effect to its business as a result of the pandemic, given the uncertain trajectory of the pandemic and the impact on the economy generally, it is possible that any sustained negative impact on the economy could negatively affect the Group's property values and rental income could be negatively impacted.

### ***Post-Brexit Uncertainty***

The outlook for the UK economy following the UK leaving the European Union (the EU) on 31 January 2020 remains uncertain as UK businesses are still adapting to new rules and regulations. Although the Group operates solely in England and Wales, it is possible that the UK's departure from the EU and any continuing issues with the EU-UK Trade and Co-operation Agreement by the European Parliament, its potential problematic provisions or potential uncertain interpretation may have a negative impact on general economic conditions and business and consumer confidence in the UK, including the performance of the UK housing market. It is not possible to determine the impact that these matters could have on the business of the Group but if there is a negative impact on the UK economy, it could have an impact on the Group's property values and rental income. No assurance can be given that any matters outlined above would not adversely affect the ability of the Issuer or the Guarantors to satisfy their respective obligations under or in connection with the Notes and the Guarantee.

### ***The Group may be obliged to re-provide connections to public utilities where the MoD elects to terminate its obligation to supply utility services or upon expiration of the Utilities Agreement***

Under the terms of a utilities agreement (the **Utilities Agreement**) entered into by the MoD and the Group on the 1996 Acquisition Date, the MoD is only contracted to supply some utility services, such as the supply of potable water, electricity and the disposal of domestic sewerage, where there is some intermediate treatment or storage located on MoD adjacent land to released property (a **Base Dependency**) until at least 75 per cent of the properties located on a given Site have been released. After this threshold has been reached, the MoD could elect to continue the supply for a term of 60 years or elect not to continue after a three-year notice period. In the event that the MoD releases more than 75 per cent of the properties located on a given Site with a Base Dependency (a **Base Dependent Site**) and elects to terminate the supply after three years, the Group will incur costs, which could be significant, to provide alternative utility supply arrangements.

Any obligation on the MoD to provide services pursuant to the Utilities Agreement falls away on a date in the relevant Underlease (between 25 and 28 years from 5 November 1996, coterminous with the Site Review). Upon expiration of the Utilities Agreement, the Group will be obliged to re-provide connections to the public utilities network for whichever utility supply is base dependent on that site, prior to releasing Units for sale and will incur costs, which could be significant, at that time. Any delay in the implementation of such utilities separation schemes could delay the sales of such units which could have an adverse impact on the Group's business, results of operations and financial condition.

### ***The lack of control over property releases impacts the Group's ability to manage internal resourcing to handle resales***

The lack of control over property releases impacts the level of internal resources required to handle resale transactions, as well as the level of income and expenditure expected to be generated or incurred in connection with those transactions. While it is the Group's policy to maintain internal resources at relatively low levels and to outsource all transaction-related activities to third-party service providers, if the Group is unable to outsource these activities to third parties, or if third parties are unable to provide the necessary services within the required timeframe or in the right mix or location, the Group's operational requirements may not be met and its business, results of operations and financial condition could be materially and adversely affected.

***Ongoing operational challenges experienced by the Defence Infrastructure Organisation***

The Defence Infrastructure Organisation (the **DIO**) is responsible for the management and maintenance of all Service Family Accommodation, including the MQE, on behalf of the MoD. Government policy changes, as well as budget constraints and other financial pressures, have resulted in significant staffing and budget cuts with respect to the DIO. These cuts have adversely affected, and may continue to adversely affect, the DIO's day-to-day operations, and may impact its ability to work with the Group efficiently and knowledgeably on matters relating to the MQE, such as property releases, dilapidations claims, Rent Reviews, utilities, freehold transfers and boundary issues. To date the Group has been able to mitigate any impact. However, if the DIO experiences any further staffing or budgetary pressures or the Group is otherwise unable to resolve these operational challenges with the DIO, the Group may be unable to achieve its objective of minimising the period of time between property release and sale, which, in turn, may adversely affect the Group's business, results of operations and financial condition.

***Inflation could adversely affect the Group's business, results of operations and financial condition, particularly in a period of oversupply in the general housing market***

Inflation may adversely affect the Group's business by increasing the cost of the raw materials and labour the Group uses in refurbishing released properties. In the event of an increase in inflation, the Group may seek to increase the sales prices of released properties in order to maintain satisfactory margins. However, any oversupply of housing relative to demand in the general housing market, including due to bulk releases of properties in remote areas, may make any such increase difficult or impossible to achieve. In addition, inflation is often accompanied by higher interest rates, which have a negative impact on housing demand. In such an environment, the Group may not be able to raise house prices sufficiently to keep up with the rate of inflation and the Group's margins could decrease. Current or future efforts by the Government to stimulate the economy may increase the risk of significant inflation and its adverse impact on the Group's business, results of operations and financial condition.

***The Group has no control over the time taken by the MoD to provide consent for the assignment of an Underlease to a third party in the event of sale***

In the event that the Group chose or was obligated to dispose of any leases pertaining to Sites in the MQE, consent would have to be sought from the MoD in relation to the assignment of the relevant Underleases. Whilst consent of the MoD is not to be unreasonably withheld, the Group has no control over the timing of the grant of consent and accordingly any such delay could have an adverse effect on the Group's business, results of operations and financial condition.

***The Group's business, results of operations and financial condition could be adversely affected if some or all of the Group's properties are compulsorily purchased by the Government***

Any property located in the United Kingdom may at any time be compulsorily acquired by certain public authorities possessing compulsory purchase powers if it can demonstrate that the acquisition is required. Alternatively, the Government may seek to expropriate the MQE or may seek to restructure its interest in the leases in order to facilitate an attempt to enfranchise any or all of the Units which comprise the MQE, although there are certain obstacles to such an approach which would make it difficult. As a general rule, in the event of a compulsory purchase order being made in respect of all or any part of any property, the enfranchisement of units being effected, or expropriation of an asset in part or in whole, compensation would normally be payable on the basis that it be broadly equivalent to the open market value of all owners' and tenants' proprietary interests in the property subject to the order, enfranchisement, or expropriation. However, any compulsory

purchase, enfranchisement, or expropriation of all or any significant portion of the Group's properties, or the payment of compensation that does not reflect the value to the Group of affected land, could have an adverse effect on the Group's business, results of operations and financial condition.

***The Group's management team is critical to the Group's continued performance***

The Group relies to a significant extent on the discretion and judgment of the management team. The Group's performance and success is dependent, in part, upon the members of the Group's management team and, in particular, their relationships with and their understanding of the requirements of the MoD, other relevant public and regulatory authorities in the industry in which the Group operates and other persons with whom the Group regularly deals in the conduct of the Group's business. While the Group has put in place policies and remuneration which are designed to retain and properly incentivise management, should management leave in significant numbers unexpectedly, the Group's business, results of operations and financial condition could be adversely affected. Further, the process of attracting and retaining suitable replacements for key personnel whose services the Group may lose would result in transition costs and would divert the attention of other members of the Group's management from its existing operations.

***Climate Change***

In addition to potential increases to the Group's regulatory burden as described above, climate change-related risk may impact the Group's business activities, through acute physical risks such as flooding and windstorm, and chronic risk such as rising average temperatures and sea levels. Any of these factors could cause an increase in costs, a reduction in rental income and/or a fall in property values which could ultimately affect the Issuer's ability to meet its obligations under the Notes.

***The Group may face substantial damages or be enjoined from pursuing important activities as a result of existing or future litigation, arbitration or other claims***

From time to time, the Group may become exposed to potentially significant litigation, arbitration proceedings and other claims in connection with the Group's business. Disputes could arise in connection with the Group's contracts for the provision of property management services or otherwise. Due to the uncertainty inherent in litigation, there can be no assurance that the ultimate outcome of any legal proceedings will not result in an award of substantial damages against the Group, including one beyond its financial resources. Further, should an issue arise in connection with a large proportion of the Group's properties, plaintiffs may seek class action status. Class action lawsuits can be costly to defend, and the Group could face substantial liability if any certified class action suit resulted in a judgment unfavourable to us. The Group's insurance policies may not be available or adequate to cover any liability for damages, the cost of repairs, or the expense of litigation surrounding future claims. This may have a material adverse effect on the Group's business, results of operations and financial condition.

***The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged***

The Group uses several information technology tools, platforms and systems to support, among other things, its operations, billing, expenses and financial information and reporting processes. Although the Group has taken measures to mitigate potential information technology security risks and information technology failures, there can be no assurance that such measures will be effective. The Group's business and operations could be adversely impacted if these information systems or databases and any back-up systems were to fail, or if the databases were to be destroyed or damaged.

***The Group may participate in joint ventures from time to time where it may be adversely impacted by the failure of the joint venture or the inability of other partners in the joint venture to fulfil their obligations***

Although the Group does not currently have any active property development joint ventures, it is possible that in the future the Group could enter into a joint venture if for example it chose to develop or redevelop properties released by the MoD. To finance these activities, these joint ventures may obtain loans from third-party lenders that are secured by the joint venture's assets. In certain instances, the Group and the other partners in a joint venture may also provide guarantees and indemnities to lenders with respect to the joint venture's debt, which

may be triggered under certain conditions when the joint venture fails to fulfil its obligations under its loan agreements. In cases where the Group does not have a controlling interest in joint ventures, the Group may depend heavily on the other partners in each joint venture to both cooperate and make mutually acceptable decisions regarding the conduct of the business and affairs of the joint venture and ensure that they, and the joint venture, fulfil their respective obligations to the Group and to third parties. If the other partners in the Group's joint ventures do not provide such cooperation or fulfil these obligations due to their financial condition, strategic business interests (which may be contrary to the Group's) or otherwise, the Group may suffer losses which could be significant. Further, the termination of a joint venture may also give rise to lawsuits and legal costs, which could have a material adverse effect on the Group's reputation and financial condition.

***The Group might cease to be exempt from UK tax on direct and indirect disposals of UK land, and might as a result have both to pay UK tax on such disposals in future and (whether or not the Group makes such disposals) to recognise deferred tax liabilities in respect of its UK property investments in its consolidated accounts***

AL is a wholly owned subsidiary of Annington Holdings (Guernsey) Limited (AHGL). AHGL is an offshore, UK property rich collective investment vehicle for the purposes of the UK legislation which charges non-UK residents to UK corporation tax and capital gains tax on gains arising from direct and indirect disposals of UK land held as an investment. Pursuant to that legislation, AHGL has made an election for exemption (for itself and the Group) from UK tax on such disposals. In broad terms, the effect of the election is that those disposals are exempt from UK tax, and instead UK tax is chargeable at the level of the investors in AHGL when those investors receive from AHGL distributions of the proceeds of such disposals (as well as upon disposal by those investors of their interests in AHGL). As a result, the election prevents tax charges from arising within the Group or at the level of AHGL (where they would economically be borne by all investors) and instead imposes tax on the investors themselves (who may then be able to benefit from any tax exemptions to which they are entitled in their own right).

There are a number of circumstances in which AHGL's exemption election might cease to have effect, including because AHGL itself or (in certain circumstances) HM Revenue & Customs might revoke the election, or because AHGL might cease to meet certain conditions for the election to remain effective. These include conditions relating to the nature and tax treatment of AHGL's investors, which might cease to be met if AHGL's investors (or their tax treatment) were to change. If AHGL's exemption election were to cease to have effect, then the Group may become subject to UK tax on subsequent direct and indirect disposals of UK land. In general, where the election ceases to have effect AHGL and the Group will benefit from a step-up in their tax basis in the relevant assets to the market value of those assets as at the time the election's effect ceases, such that UK tax will only be charged on increases in value after that time. However, if the election were to cease to have effect within 5 years of 27 May 2020 (the date on which AHGL's exemption election became effective), or if AHGL were to have its election revoked at any time by HM Revenue & Customs as a result of failures by AHGL to comply with certain conditions for the election to apply or in order to safeguard the public revenue, then AHGL and the Group would not benefit from that step-up in their tax basis, and as a result the gain on any disposal made by the Group would be computed for UK tax purposes by reference to the Group's historic tax basis in the relevant assets, and the Group would likely be required to recognise net deferred tax liabilities in respect of its UK property investments. Any deferred tax liabilities would be recognised by reference to the value of those investments in the Group's accounts at the time. Using the value of those investments as at 31 March 2021, the value of the net deferred tax liabilities recognised would be approximately £846.0 million, in aggregate.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

### ***The Issuer is a finance vehicle***

The Issuer's primary business is the raising of money for the purpose of on-lending the proceeds to other members of the Group. Accordingly, substantially all of the Issuer's assets are loans and advances made to other members of the Group and the ability of the Issuer to satisfy its obligations in respect of the Notes will

depend upon payments made to it by other members of the Group in respect of loans and advances made by the Issuer.

***Annington Limited and Annington Homes Limited are holding companies***

AL and AHL are both holding companies and the principal assets of each such company are the shares held in its direct subsidiaries. As a holding company, neither AL nor AHL engages in, or conducts, any operating business itself. Consequently, AL and AHL are each dependent on the operating performance of the operating companies within the Group and are indirectly exposed to the same risks as those faced by such operating companies. Any deterioration in the business, financial condition or results of operations of the operating companies within the Group or the ability or willingness of subsidiaries within the Group to pay dividends would adversely affect AL and AHL and their ability to satisfy their respective obligations under the Guarantee. Further, if any subsidiary of AL or AHL is liquidated, the rights of AL or, as the case may be, AHL as a shareholder to participate in the assets of that subsidiary will be subject to the prior claims of that subsidiary's creditors, except to the extent AL or, as the case may be, AHL may be a creditor with recognised claims ranking ahead of or *pari passu* with such prior claims against that subsidiary.

**Risks related to the structure of a particular issue of Notes**

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes:

***If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned***

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any subsequent conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes to convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

***Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates***

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the

greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

***The value of and return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks***

EURIBOR and other indices are deemed "benchmarks" (each, a **Benchmark** and, together, the **Benchmarks**), to which the interest on securities may be linked. These Benchmarks have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented.

Regulation (EU) No. 2016/1011 (as amended, the **EU Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The UK Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the EU Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

***There is no active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated and to form a single Series with a Tranche of Notes which is already issued), and one may never develop. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to the Official List and to trading on the London Stock Exchange's main market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes. Therefore, investors may not be able to sell their Notes easily or at prices that reflect their value or that will provide them with a yield comparable to similar investments that have a developed secondary market for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Moreover, Notes issued under the Programme may be ineligible for inclusion in certain indices, which may adversely affect the liquidity of such Notes in the secondary market.

***The Notes may be redeemed prior to maturity***

In the event that the Issuer has or will become obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any relevant tax jurisdiction, or any of the Guarantors would be unable for reasons outside of its control to procure payment by the Issuer or the other Guarantor and in making payment itself such Guarantor would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the relevant tax jurisdiction, or any change in the application or official interpretation of such laws or regulations, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option or at the option of the relevant investors in certain circumstances (for example following a Change of Control Put Event), the Issuer may, or investors may need to, choose to redeem the Notes at times when prevailing interest rates may be relatively low in circumstances where such redemption is effected at par. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***If payments of principal or interest under the Notes are determined by reference to an index, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it***

The Issuer may issue Notes with principal or interest determined by reference to an index. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time than expected;
- (iv) the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero;
- (v) an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and
- (vi) the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant index, the greater the effect on yield.

A decrease in the relevant index over the applicable reference period will reduce the interest or redemption amounts payable in respect of such Notes. In a deflationary environment, (i) the annual interest received may be lower than the rate of interest specified in the applicable Final Terms and (ii) the amount to be repaid upon redemption of the Notes would be reduced to less than the nominal amount of the Notes (unless the applicable Final Terms specify a minimum redemption amount which is equal to or higher than the nominal amount of the Notes). As a consequence, investors may lose the value of their entire investment or part of it.

Moreover, the methodology used by the Office for National Statistics for calculating RPI, CPI or CPIH may change over time which may affect the actual RPI, CPI or CPIH figure. Consequently, the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of Index Linked Notes may increase, or decrease, as a result of such a change to the RPI, CPI or CPIH figure.

If the relevant index ceases to be published or where there is a fundamental change in the rules governing such index, adjustments to such index may be made, or a substitute index may be agreed. If an adjustment to such

index cannot be made or any substitute for such index cannot be found then, in specified circumstances, the Issuer may redeem the Index Linked Notes early. See Conditions 6.5 and 8.4 for further detail.

The application of Conditions 6.5 and 8.4 may have a positive or negative impact on the amount of interest payable on each interest payment date and/or the amount to be repaid upon, or the timing of, any redemption of Index Linked Notes.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of the Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

### **Risks related to Notes generally**

Set out below is a description of material risks relating to the Notes generally:

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfers, payments and communications with the Issuer***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or, as the case may be, common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes held through it. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or, as the case may be, common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg and its participants to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting, or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16.

***The value of the Notes could be adversely affected by a change in English law or administrative practice***

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the ability of the Issuer and the Guarantors to make payments under the Notes issued under the Programme or to comply with their respective obligations under the transaction documents to which they are a party. This may consequentially affect the value of any Notes affected by it.

***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

**Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes***

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

***Credit ratings assigned to the Issuer, each Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes***

One or more independent credit rating agencies may assign credit ratings to the Issuer, each Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Any rating agency other than Moody's or Fitch could seek to rate the Notes and, if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Moody's or Fitch, this could have an adverse effect on the market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of credit ratings issued by third country non-UK credit rating agencies, third country credit ratings are either (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, has not been withdrawn or suspended, and to (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK of existing pre-2021 ratings, provided the relevant conditions are satisfied. If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated in, and form part of, this Offering Circular:

- (a) the audited consolidated set of financial statements of Annington Limited for the financial year ended 31 March 2020, as set out on pages 52 to 97 of Annington Limited's Annual Report 2020 which can be found at <https://www.annington.co.uk/investor-relations/reports-accounts>;
- (b) the audited consolidated set of financial statements of Annington Limited for the financial year ended 31 March 2021, as set out on pages 56 to 97 of Annington Limited's Annual Report 2021 which can be found at <https://www.annington.co.uk/investor-relations/reports-accounts>; and
- (c) the Terms and Conditions of the Notes, as set out on pages 49 to 101 of the offering circular dated 28 June 2017 relating to the Programme, which can be found at [https://www.rns-pdf.londonstockexchange.com/rns/4497J\\_-2017-6-28.pdf](https://www.rns-pdf.londonstockexchange.com/rns/4497J_-2017-6-28.pdf).

Following the publication of this Offering Circular, a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

Where reference is made to a website in this Offering Circular, the contents of that website shall not form part of this Offering Circular and have not been scrutinised or approved by the FCA.

No valuation prepared by a Valuer is incorporated by reference into this Offering Circular.

The Issuer and the Guarantors will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Offering Circular which may affect the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes under the Programme.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes and Registered Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

### **Bearer Notes**

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, each a **Bearer Global Note**) which, in either case, will:

- (a) if the Bearer Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (b) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will specify whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Bearer Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

The option for an issue of Bearer Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes should not be expressed to be applicable in the applicable Final

Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by an Authorised Signatory of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED.”

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

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

### **Registered Notes**

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with a common depository or, if the Registered Global Notes are to be held under the new safe-keeping structure (the **NSS**), a common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depository of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche is intended to be held under the NSS, the applicable Final Terms will specify whether or not such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Registered Global Note held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantors, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect signed by an Authorised Signatory of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with, and subject to, the provisions thereof and of the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”) and the applicable procedures of Euroclear and Clearstream, Luxembourg.

## **General**

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantors unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer and the Guarantors may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

## APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

**[MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any [person subsequently offering, selling or recommending the Notes (a **distributor**)] should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]<sup>3</sup>

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II][Directive 2014/65/EU (as amended, **MiFID II**)]; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>4</sup>

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the **UK**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended,

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<sup>3</sup> Legend to be included on front of the Final Terms if following the ICMA 1 “all bonds to all professionals” target market approach.

<sup>4</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared in the EEA or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the applicable selling restriction should be specified to be “Applicable”.

the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>5</sup>

[[**NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (the SFA)** – [*Insert notice if classification of the Notes is not “prescribed capital markets products”, pursuant to Section 309B of the SFA or Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)*].]<sup>6</sup>]

[Date]

**ANNINGTON FUNDING PLC**  
**Legal Entity Identified (LEI): 549300KK63W8VZIONZ83**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**Guaranteed by [Annington Limited, Annington Homes Limited and Annington Property Limited]**  
**under the £4,000,000,000**  
**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated 27 September 2021 [and the supplement[s] to it dated [date] [and [date]] ([together,] the **Offering Circular**) which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK Prospectus Regulation**). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated [original date] [and the supplement[s] to it dated [date] [and [date]] which are incorporated by reference in the Offering Circular dated [current date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK Prospectus Regulation**) and must be read in conjunction with the Offering Circular dated [current date] [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation ([together,] the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular, in order to obtain all the relevant

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<sup>5</sup> Legend to be included on the front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared in the UK or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the applicable selling restriction should be specified to be “Applicable”.

Relevant Manager(s)/Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA for Notes being sold into Singapore.

information. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

1. (a) Issuer: Annington Funding plc
- (b) Guarantors: [Annington Limited, Annington Homes Limited and Annington Property Limited]
2. (a) Series Number: [ ]
- (b) Tranche Number: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [ ]] [Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (a) Series: [ ]
  - (b) Tranche: [ ]
5. Issue Price: [ ] per cent of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (a) Specified Denominations: [ ]
- (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): [ ]
7. (a) Trade Date: [ ]
- (b) Issue Date: [ ]
- (c) Interest Commencement Date: [Issue Date/Not Applicable]
8. Maturity Date: Interest Payment Date falling in or nearest to [ ]
9. Interest Basis:
 

[[ ] per cent Fixed Rate]

[[[ ] month EURIBOR]+/- [ ] per cent Floating Rate]

[Index Linked Interest]

[Zero coupon]

(see paragraph [14]/[15]/[16]/[17]below)

10. Redemption[/Payment] Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent of their nominal amount] [Index Linked Redemption]
11. Change of Interest Basis: [ ] [Not Applicable]
12. Put/Call Options: [Investor Put]  
[Change of Control Put]  
[Issuer Call]  
[Issuer Maturity Par Call]  
[(see paragraph [19]/[20]/[21]/[22] below)]  
[Not Applicable]
13. (a) Status of the Notes: Senior, unsecured (subject to the provisions of Condition [4])
- (b) Date Board approval for issuance of Notes and Guarantee obtained: [ ] [and [ ], respectively]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [ ] per cent per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to (and including) the Maturity Date
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year][Not Applicable]
15. Floating Rate Note Provisions [Applicable/Not Applicable]

- (a) Specified Period(s)/Specified Interest Payment Dates: [ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate: [ ] month EURIBOR
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-] [ ] per cent per annum
- (j) Minimum Rate of Interest: [ ] per cent per annum
- (k) Maximum Rate of Interest: [ ] per cent per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]

		[Actual/360]
		[30/360][360/360][Bond Basis]
		[30E/360][Eurobond Basis]
		[30E/360 (ISDA)]
16.	Index Linked Interest/Redemption Note Provisions	[Applicable – Conditions [5.4] and [6] apply/Not Applicable]
	(a) Index:	[RPI/CPI/CPIH]
	(b) Rate of Interest:	[ ] per cent per annum multiplied by the Index Ratio (in accordance with Condition [5.4])
	(c) Name and address of Calculation Agent:	[ ]
	(d) Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(e) Business Day Convention:	[Not Applicable/Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(f) Additional Business Centre(s):	[ ] [Not Applicable]
	(g) Day Count Fraction:	[Actual/Actual (ICMA)] [30/360 (as set out in Condition [(5.1)]] [Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360 (as set out in Condition [5.2(d)]] [360/360][Bond Basis] [30E/360][Eurobond basis] [30E/360 (ISDA)] [Index Day Count Fraction]
	(h) Determination Date(s)	[[ ] in each year][Not Applicable]
	(i) Base Index Figure:	[ ]
	(j) Index Figure applicable to:	[[ ] month lag applies] [Not Applicable]
	(k) t:	[ ] [Not Applicable]
	(l) Reference Gilt:	[[ ] per cent Index-Linked Treasury Stock due [ ] [Not Applicable]
	(m) Minimum Rate of Interest:	[ ] per cent per annum
	(n) Maximum Rate of Interest:	[ ] per cent per annum

17. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (a) Accrual Yield: [ ] per cent per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

18. Notice periods for Condition [8.2]: Minimum period: [30] days  
Maximum period: [60] days
19. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount][Modified Spens Amount][Make-Whole Amount]
- (i) Minimum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (ii) Maximum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (c) Redemption Margin: [ ]
- (d) Reference Bond: [ ]
- (e) Quotation Time: [ ]
- (f) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (g) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
20. Issuer Maturity Par Call: [Applicable/Not Applicable]
- (a) Maturity Par Call Period: From (and including) the day that is [ ] days prior to the Maturity Date to (but excluding) the Maturity Date.

- (b) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
21. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (i) Minimum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (ii) Maximum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
22. Change of Control Put: [Applicable/Not Applicable]
- (a) Optional Redemption Amount: [ ] per Calculation Amount
- (i) Minimum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (ii) Maximum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (b) Change of Control Put Period: [ ] days
- (c) Change of Control Put Date: [ ] days
23. Final Redemption Amount: [[ ] per Calculation Amount
- (a) Minimum Final Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (b) Maximum Final Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
24. Early Redemption Amount payable on redemption for taxation reasons, indexation reasons or on Event of Default: [[ ] per Calculation Amount/As per Condition 8.9]
- (a) Minimum Early Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (b) Maximum Early Redemption Amount: [[ ] per Calculation Amount/Not Applicable]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. Form of Notes:

- (a) Form: [Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]]
- [Registered Notes:
- [Global Note registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]
- [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]]
- (b) New Global Note: [Yes][No]
26. Additional Financial Centre(s): [Not Applicable/*give details*]
27. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

**[THIRD PARTY INFORMATION**

[ ] has been extracted from [ ]. The Issuer and [each of] the [Original] Guarantor[s] confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Annington Funding plc:

By: .....

*Duly authorised*

Signed on behalf of Annington Property Limited:

By: .....

*Duly authorised*

Signed on behalf of Annington Limited:

By: .....

*Duly authorised*

Signed on behalf of Annington Homes Limited:

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange plc’s main market and to the Official List of the Financial Conduct Authority] with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange plc’s main market and to the Official List of the Financial Conduct Authority] with effect from [ ].]

(ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[ ] by [ ].

[[Each of][ ] is established in the [European Union/UK] and is registered under Regulation (EC) No. 1060/2009 [(as amended)] [as it forms part of domestic law of the UK by virtue of the EUWA] (the [UK] CRA Regulation).]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and each Guarantor and their] affiliates in the ordinary course of business.]

### 4. REASONS FOR THE OFFER

Reasons for the offer: [ ]

## 5. YIELD

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

## 6. HISTORIC INTEREST RATES

Details of historic EURIBOR rates can be obtained from [Reuters].

## 7. OPERATIONAL INFORMATION

(i) ISIN: [ ]

(ii) Common Code: [ ]

(iii) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(iv) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

*(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*

[Not Applicable/ ]

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): [ ]

- (viii) Intended to be held in a manner which would allow Eurosystem eligibility:
- [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 8. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/ ]
- (iii) Date of [Subscription] Agreement: [ ]
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/ ]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/ ]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

**9. USE OF PROCEEDS AND  
ESTIMATED NET PROCEEDS**

(i) Use of Proceeds:

[See “*Use of Proceeds*” in the Offering Circular/  
*Give details*]

(ii) Estimated net proceeds:

(See “*Use of Proceeds*” in the Offering Circular – if  
reasons for offer different from what is disclosed in  
the Offering Circular, give details)

[ ]

## TERMS AND CONDITIONS OF THE NOTES

*The following (other than any footnotes in italics) are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series of Notes issued by Annington Funding plc (the **Issuer**) constituted by an amended and restated trust deed dated 27 September 2021 and as further modified and/or supplemented and/or amended and/or restated from time to time (the **Trust Deed**), made between, *inter alios*, the Issuer and Annington Limited, Annington Homes Limited and Annington Property Limited as guarantors (together, the **Original Guarantors** and, each, an **Original Guarantor**) and BNY Mellon Corporate Trustee Services Limited as trustee (the **Trustee**, which expression shall include any additional or successor Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 27 September 2021 and as further amended and/or supplemented and/or restated from time to time (the **Agency Agreement**), made between the Issuer, the Original Guarantors, the Trustee, The Bank of New York Mellon Limited, London Branch as issuing and principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Registrar, the Paying Agents and the other Transfer Agents are together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

As used herein, **Parent** means Annington Limited or any other entity that (i) becomes the parent entity for the purpose of presenting the consolidated financial statements of the Group; (ii) if not already a Guarantor, has acceded to the Trust Deed as a Guarantor; and (iii) has agreed to be bound by any undertaking given by the Parent in these Conditions and the Trust Deed so that such entity becomes the Parent for the purposes of these Conditions.

As used herein, **Group** means the group of companies in respect of which (a) each of the Issuer and Annington Property Limited forms part; and (b) consolidated financial statements are prepared from time to time in accordance with generally accepted accounting principles in the United Kingdom, including international accounting standards within the meaning of the IAS Regulation 1606/2002 (**IFRS**).

As used herein, **Subsidiary** means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 (as amended) and **Holding Company** means, in relation to a company, any other company in respect of which it is a Subsidiary.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the main market of the London Stock Exchange plc (the **London Stock Exchange**), the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantors (as defined in Condition 3.3), the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantors, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantors, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same Series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be,

and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

## **2.2 Transfers of Registered Notes in definitive form**

Subject as provided in Condition 2.3 upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

## **2.3 Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

## **2.4 Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## **3. STATUS OF THE NOTES AND THE GUARANTEE**

### **3.1 Status of the Notes**

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### **3.2 Status of the Guarantee**

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably (subject as provided in Condition 3.4) guaranteed on a joint and several basis by the Guarantors in the Trust Deed (the **Guarantee**). The obligations of each Guarantor under the Guarantee are direct, unconditional,

unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Guarantor, from time to time outstanding.

### 3.3 Additional Guarantors

The Issuer may from time to time and in accordance with the terms of the Trust Deed procure that any other Subsidiary of the Parent accedes to the Trust Deed as an additional guarantor in respect of the Notes (each, an **Additional Guarantor** and, together with the Original Guarantors, the **Guarantors**) with effect from the applicable Guarantor Accession Date.

If, at any time after the Issue Date of the first Tranche of Notes, the Guarantor Test ceases to be satisfied, the Parent covenants that it shall, as soon as reasonably practicable after the Guarantor Test ceasing to be met, procure that one or more of its Subsidiaries shall accede to the Trust Deed as an Additional Guarantor such that the Guarantor Test shall be met with effect from the relevant Guarantor Accession Date.

The **Guarantor Test** shall be met if the aggregate total assets (taking each entity on an unconsolidated basis without double counting and excluding all intra-group items) of the Guarantors together exceed the Guarantee Coverage Percentage of the total assets of the Group determined by reference to the most recently published audited consolidated financial statements of the Parent; provided that, for the purpose of calculating the Guarantor Test, the total assets of the Group shall exclude the assets of any direct or indirect Subsidiary of the Parent that (a) became a Subsidiary after the Issue Date of the first Tranche of Notes pursuant to an acquisition of the shares in that Subsidiary (or a Holding Company of that Subsidiary) and (b) at the time of such acquisition, had outstanding financial indebtedness (that remains outstanding at the time of calculating the Guarantor Test) the terms of which restrict that Subsidiary from acceding to the Trust Deed as a Guarantor (other than any such financial indebtedness that is incurred by such Subsidiary in contemplation of such acquisition).

In these Conditions:

**Guarantee Coverage Percentage** means 80 per cent or such lower percentage as the Issuer may specify to the Trustee provided that each Rating Agency then rating the Notes has confirmed in writing that the then current ratings of the Notes would not be downgraded, put on negative watch or withdrawn as a result of the then current Guarantee Coverage Percentage being reduced.

**Guarantor Accession Date** means, in respect of any accession of an Additional Guarantor, the date on which:

- (a) a duly executed trust deed supplemental to the Trust Deed is entered into and delivered by the Trustee, the Issuer and that Additional Guarantor in a form and with substance satisfactory to the Trustee containing a joint and several guarantee (in the same terms, *mutatis mutandis*, as the guarantee set out in the Trust Deed); and
- (b) the other conditions set out in the Trust Deed in relation to such accession have been satisfied.

### 3.4 Release of a Guarantor

The Issuer may by written notice (which includes the certifications referred to below) to the Trustee signed by two Authorised Signatories of the Issuer request that a Guarantor ceases to be a Guarantor provided that:

- (a) the Guarantor Test will continue to be met once such Guarantor has ceased to be a Guarantor;

- (b) Annington Property Limited shall not be permitted to be released as a Guarantor pursuant to this Condition 3.4; and
- (c) Annington Limited (or any replacement entity which becomes the Parent) may only be released as Guarantor if another entity (i) has become the Parent entity for the purpose of presenting the consolidated financial statements of the Group; (ii) if not already a Guarantor, accedes to the Trust Deed as a Guarantor; and (iii) agrees to be bound by any undertaking given by the Parent in these Conditions and the Trust Deed so that such entity becomes the Parent for the purpose of these Conditions, in each case, on or prior to a release of Annington Limited.

Upon the Trustee's receipt of such notice and provided that the certifications set out below are included in such notice, such Guarantor shall automatically and irrevocably be released and relieved of any obligation under the Guarantee and will cease to be a Guarantor for the purposes of these Conditions and will have no further obligation in respect of any amount due under any Notes.

The notice must contain the following certifications upon which the Trustee can rely without liability to any person and without further enquiry:

- (A) no Event of Default or Potential Event of Default (as defined in the Trust Deed) is continuing or will result from the release of that Guarantor;
- (B) no part of the Guarantee which that Guarantor is or was providing is at that time due and payable but unpaid; and
- (C) upon release of that Guarantor, the Guarantor Test will continue to be met.

### **3.5 Notice of change of Guarantors**

Notice of any release of a Guarantor or the accession of an Additional Guarantor pursuant to this Condition will be given by the Issuer to the Noteholders in accordance with Condition 15.

## **4. NEGATIVE PLEDGE AND COVENANTS**

### **4.1 Negative Pledge**

So long as any of the Notes remains outstanding:

- (a) the Issuer will not create or have outstanding any Security Interest (as defined in Condition 4.2) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
  - (i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
  - (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and

- (b) none of the Guarantors will, and each of the Guarantors will procure that none of their Subsidiaries will, create or have outstanding any Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of each Guarantor and/or any of their Subsidiaries to secure any Relevant Indebtedness unless the relevant Guarantor, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
- (i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
  - (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution of the Noteholders,

provided that the provisions of this Condition 4.1(b) shall not apply with regard to any Security Interest in respect of Relevant Indebtedness of any company becoming a Subsidiary of any Guarantor after the Issue Date of the first Tranche of Notes where such Security Interest exists at the time such company becomes a Subsidiary of the applicable Guarantor (other than any Security Interest created in contemplation thereof) and any such Security Interest thereafter created by such Subsidiary in substitution for the aforesaid Security Interest over assets the value of which does not materially exceed the then current value of the assets subject to such security immediately prior to the substitution provided that, at the time of any such substitution, the Parent delivers a certificate to the Trustee to confirm that the value of the substitute assets does not materially exceed the then current value of the assets that were previously subject to the security (and the Trustee shall be entitled to rely on such certification).

For the purposes of this Condition, **Relevant Indebtedness** means (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (b) any guarantee or indemnity in respect of any such indebtedness.

## 4.2 **Financial Covenants**

### (a) **Loan to Value**

The Parent undertakes that, on each Reporting Date, Consolidated Total Net Borrowings will not exceed 65 per cent of Consolidated Adjusted Total Assets as at such Reporting Date.

### (b) **Secured Indebtedness**

The Parent undertakes that, on each Reporting Date, Secured Indebtedness will not exceed 40 per cent of Consolidated Total Assets as at such Reporting Date.

### (c) **Maintenance of Interest Coverage Ratio**

The Parent undertakes that the ratio of Consolidated EBITDA to Net Finance Charges will not, in respect of each Reporting Period, be less than 1.00:1 (such ratio being the **Interest Coverage Ratio**).

(d) **Maintenance of Total Unencumbered Assets**

The Parent undertakes that, on each Reporting Date, the Unencumbered Property Assets as at such Reporting Date will not be less than 125 per cent of the Unsecured Net Indebtedness as at such Reporting Date.

(e) **Calculation of financial covenants**

- (i) Subject to paragraph (ii) below, the financial covenants in Condition 4.2(a) to 4.2(d) inclusive and Condition 4.2(f) shall be calculated in accordance with then current GAAP and tested by reference to the consolidated financial statements of the Parent most recently delivered to the Trustee in accordance with Condition 4.2(g).
- (ii) Subject to paragraph (iii) below, if the Parent notifies the Trustee of any change in GAAP occurring since 31 March 2021, the consequences of which is to result in a variation to the result of the calculation of any financial covenant in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f) compared to the calculation that would have resulted if that change in GAAP had not occurred, then:
  - (A) the relevant financial covenant shall be calculated in accordance with GAAP as it applied on 31 March 2021 or, if any Required Modifications have been implemented in accordance with paragraph (iii) below, the date on which any such Required Modifications were most recently effected (**Frozen GAAP**); and
  - (B) the Parent shall be permitted to test the compliance of the relevant financial covenant by reference to the annual financial statements of the Parent which reflect the application of Frozen GAAP to any relevant items within such statements;
- (iii) Following a notification to the Trustee in accordance with paragraph (ii) above, the Parent may (but shall not be obliged to) appoint an international firm of auditors (acting as expert and not as an arbitrator) approved by the Trustee or, failing that approval, nominated (on the application of the Parent) by the President for the time being of the Institute of Chartered Accountants of England and Wales (the costs of that nomination and of the auditors being payable by the Issuer) to determine the modifications required to be made to the financial covenants in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f) (and, in each case, the associated definitions) in order to place the Parent in a comparable position (in relation to the calculation of the financial covenants in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f)) to that in which it would have been if the notified change in GAAP had not occurred (the **Required Modifications**). The determination of any such auditors (expressed as a final signed report) shall be final and binding upon the Parent, the Issuer and the Noteholders and the Trustee shall be obliged, without any consent or sanction of the Noteholders, to concur with the Parent in making any modification to these Conditions and the Trust Deed to give effect to the Required Modifications (following which the financial covenants in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f) shall be calculated in accordance with paragraph (i) above). Any such modification shall be binding on the Parent, the Issuer and the Noteholders and shall be notified to Noteholders in accordance with Condition 15 as soon as reasonably practicable thereafter.
- (iv) Following a notification to the Trustee in accordance with paragraph (ii) above, the Parent shall, with each subsequent compliance certificate delivered under Condition 4.2(g) below provide:

- (A) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the financial statements of the Parent most recently delivered to the Trustee in accordance with Condition 4.2(g) were prepared; and
- (B) sufficient information, in form and substance as may be reasonably required by the Trustee to determine whether Conditions 4.2(a) to (d) (inclusive) have been complied with and make an accurate comparison between the financial position indicated in the audited consolidated financial statements of the Group prepared in accordance with IFRS for the financial year ended 31 March 2021.

(f) **Limitation on dividends**

- (i) Save as set out in paragraph (ii) below, none of the Issuer or any Guarantor shall (and the Parent shall procure that no other member of the Group shall):
  - (A) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid cash or in kind) on or in respect of its share capital (or any class of its share capital);
  - (B) repay or distribute any dividend or share premium reserve;
  - (C) pay or allow any member of the Group to pay any management, advisory or other fee to or to the order of any shareholder of the Parent;
  - (D) redeem, repurchase, defease, retire or repay any of its share capital; or
  - (E) make any loans to the Investors or any shareholder of the Parent.
- (ii) Paragraph (i) above does not apply:
  - (A) to any loans, dividends, charges, fees, other distributions, repayments, redemptions, repurchases, defeasements or retirements made to an Investor or any direct or indirect shareholder of the Parent in order to pay fees, costs or expenses that arise in connection with the Notes;
  - (B) to any loans, dividends, charges, fees, other distributions, repayments, redemptions, repurchases, defeasements or retirements made by a member of the Group to another member of the Group or to a Joint Venture partner;
  - (C) to any recharging of charges, fees, costs or expenses incurred on an arm's length basis by any member of the Group for services or other consideration provided by the Investors or other shareholders of the Parent, where the aggregate amount of those loans, charges, fees, and other distributions (other than any otherwise permitted by this Condition 4.2 (f)) does not exceed, in any financial year of the Group, £2,500,000 (subject to an annual adjustment in proportion to the RPI All Items Index published by the UK Office of National Statistics (or any replacement or successor to that index or publishing entity), provided that this adjustment shall not cause this basket to be lower than £2,500,000)); or
  - (D) to any loans, dividends, charges, fees, other distributions, repayments, redemptions, repurchases, defeasements or retirements made when the ratio

of Consolidated EBITDA to Net Finance Charges is, in respect of the most recently ending Reporting Period equal to or greater than 1.30:1.

(g) **Delivery of accounts and certification**

The Parent shall deliver to the Trustee, within 180 days after the end of each of the Parent's financial years, annual reports containing the following information:

- (i) the audited consolidated financial statements of the Parent for that financial year prepared in accordance with IFRS or (if this becomes inappropriate under applicable listing or regulatory rules) other applicable GAAP from time to time following prior written notification to the Trustee; and
- (ii) the audit report of the independent auditors on the consolidated financial statements referred to in paragraph (i) above.

The Parent shall deliver to the Trustee within 120 days after the end of each half of each of its financial years, the consolidated financial statements of the Parent for that financial half year prepared in accordance with IFRS or (if this becomes inappropriate under applicable listing or regulatory rules) other applicable GAAP from time to time following prior written notification to the Trustee.

The Parent shall deliver to the Trustee promptly following the publication, and the delivery to the Trustee, of the financial statements described above a certificate addressed to the Trustee and signed by two authorised signatories of the Parent, one of whom must be the Chief Financial Officer, Chief Executive Officer or Treasurer of the Parent as to the compliance with the covenants set out in Conditions 4.2(a) to 4.2(d) above. Such certificate shall be relied upon by the Trustee (without liability to any person for so relying) and, if so relied upon, shall be conclusive and binding on the Issuer, the Guarantors and the Noteholders.

The Parent shall hold annually a one-way investor update conference call with the Noteholders (details of which will be published on a regulatory news service) for the purpose of senior management addressing the information contained in the most recent annual report delivered to the Trustee pursuant to this Condition 4.2(g). The Parent shall ensure that sufficient and appropriate personnel from senior management is available to participate in the conference call at least one of which shall be the Chief Financial Officer, Chief Executive Officer or Treasurer of the Parent.

(h) **Definitions**

For the purposes of these Conditions:

**Acceptable Bank** means:

- (a) a bank or financial institution which has a rating for its long term unsecured and non credit enhanced debt obligations of BBB+ or higher by S&P or Fitch or Baa1 or higher by Moody's or a rating for its short term unsecured and non credit enhanced debt obligations of A2 or higher by S&P or F2 or higher by Fitch or P2 or higher by Moody's, or in each case a comparable rating from an internationally recognised credit rating agency; or
- (b) any other bank or financial institution approved by the Trustee.

**Affiliate** means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

**Consolidated Adjusted Total Assets** means Consolidated Total Assets less Consolidated Cash and Cash Equivalents.

**Consolidated Cash and Cash Equivalents** means, at any time:

- (a) cash in hand or on deposit with any Acceptable Bank, if:
  - (i) that cash is repayable within six months of demand; and
  - (ii) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition (other than the giving of notice by any member of the Group);
- (b) certificates of deposit maturing within one year after the relevant date of calculation issued by an Acceptable Bank;
- (c) any investment in marketable debt obligations issued or guaranteed by the government of the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State, in each case with a credit rating of BBB- or higher by S&P, Baa3 or higher by Moody's or BBB- or higher by Fitch, or by an instrumentality or agency of any of them having an equivalent credit rating to the relevant government, maturing within one year after the relevant date of calculation, and that is not convertible or exchangeable to any other security;
- (d) commercial paper not convertible or exchangeable to any other security:
  - (i) for which a recognised trading market exists;
  - (ii) issued by an issuer incorporated in the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State;
  - (iii) which matures within one year after the relevant date of calculation; and
  - (iv) which has a rating for its short term unsecured and non-credit enhanced debt obligations of A-1 or higher by S&P or F1 or higher by Fitch or P-1 or higher by Moody's, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its non-credit enhanced debt obligations, an equivalent rating;
- (e) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank;
- (f) any other debt security or investment approved by the Trustee from time to time;
- (g) any investment in money market funds accessible within 30 days which: (i) have a credit rating of either A- or higher by S&P or A- or higher by Fitch or A3 or higher by Moody's; and (ii) invest substantially all their assets in securities or investments of the types described in paragraphs (b) to (f) above; or
- (h) any cash (or securities or investments of the types described in paragraphs (b) to (g) above) collateralising any Consolidated Total Borrowings,

in each case:

- (A) to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time;

- (B) which is not subject to Security Interests other than: (x) Security Interests created in favour of the creditors under the Transaction Documents; (y) any Security Interests which would fall under paragraph (h) above; or (z) any Security Interests constituted by a netting or set-off arrangement entered into by members of the Group in the ordinary course of their banking arrangements; and
- (C) which is capable of being applied against some or all Consolidated Total Borrowings.

**Consolidated EBITDA** means, in respect of any Reporting Period, the consolidated operating profit (before all finance items and taxation) of the Group (including the results from discontinued operations), adjusted for the following items as they relate to members of the Group and in each case only to the extent that they are already included in calculating such consolidated operating profit:

- (a) adding back costs expensed relating to amortisation, depreciation or impairment (including other non-cash write downs) of assets;
- (b) adding back costs expensed relating to any refurbishment of any Real Property (or part thereof);
- (c) adding back any costs expensed relating to long term incentive plans to the extent that these are settled through the issuance of shares or similar instruments not involving a cash payment;
- (d) deducting any profits and adding back any losses attributable to Joint Ventures and minority or non-controlling interests, and adding the amount of any dividends, charges, fees, other distributions, repayments, redemptions, repurchases, loans, defeasements and retirements received by the Group from minority interests, non-controlling interests or Joint Ventures;
- (e) deducting (or adding back) any unrealised gain (or loss) arising from an upward (or downward) revaluation, re-measurement, or other value adjustment of any assets (including any Real Property assets or financial assets (whether or not hedge accounted));
- (f) deducting (or adding back) any profit (or loss) on disposal of any asset; and;
- (g) before taking into account any Exceptional Items other than where they fall within paragraph (b) above,

in each case without double counting.

**Consolidated Total Assets** means, in respect of any Reporting Date, the aggregate assets of the Group on that Reporting Date, but not including the amount of any assets of any member of the Group which are attributable to minority or non-controlling interests or to Joint Ventures (but to the extent only of the economic interest in the minority or non-controlling interests or Joint Venture which is not held by any member of the Group).

**Consolidated Total Borrowings** means, at any time, the aggregate outstanding principal, capital or nominal amount of any indebtedness of any member of the Group for or in respect of:

- (a) moneys borrowed and debit balances at banks;
- (b) any amount raised by acceptance under any acceptance credit or bill discount facility or dematerialised equivalent;

- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument (with the exception of any loan stock issued by a member of the Group which is fully cash collateralised or any such instrument held by or on behalf of another member of the Group);
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability;
- (e) receivables sold or discounted (other than any receivables or part of any receivables which are sold on a non-recourse basis);
- (f) any amount of any liability under an advance or deferred purchase agreement if: (A) one of the primary reasons behind entering to the agreement is to raise finance; or (B) the agreement is in respect of the supply of assets or services and payment is due one year or more after the date of supply;
- (g) any amount raised under any other transaction of a type not referred to in any other paragraph of this definition and having the commercial effect of a borrowing;
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above,

in each case without double counting and excluding:

- (i) any intra-Group indebtedness;
- (ii) any indebtedness attributable to minority or non-controlling interests or to Joint Ventures (but only to the extent the economic interest in the minority or non-controlling interests or the Joint Venture is not held by any member of the Group);
- (iii) the marked to market value of any forward, swap, derivative, cap, or other arrangement entered into by a member of the Group in connection with or by reference to any Consolidated Total Borrowings; and
- (iv) any indebtedness which is fully subordinated to amounts owing under the Transaction Documents, including that the creditors of that indebtedness have agreed for the benefit of the creditors under the Transaction Documents, not to take any action to enforce repayment of that indebtedness, including demanding repayment of such indebtedness or seeking winding up or other legal remedies against any member of the Group in respect of that indebtedness; and
- (v) any securities issued by any member of the Group where such securities are accounted for as equity in the consolidated balance sheet of the Parent in accordance with GAAP.

For the purposes of the definition of Consolidated Total Borrowings, when determining the sterling equivalent of any indebtedness forming part of Consolidated Total Borrowings: (x) which is denominated in a currency other than sterling; and (y) in respect of (and to the extent) the principal and interest of which any member of the Group has entered into an hedging agreement intended to protect against fluctuations in currency exchange rates, the sterling equivalent of such indebtedness shall be calculated for each Reporting Period using the exchange rate specified in such hedging agreement (notwithstanding any other exchange rate used in the preparation of the financial statements

for the Reporting Period). If there is no such hedging agreement in place, then the sterling equivalent shall be calculated using the exchange rate used in the consolidated financial statements for the Reporting Period.

**Consolidated Total Net Borrowings** means at any time Consolidated Total Borrowings less Consolidated Cash and Cash Equivalents.

**Consolidated Total Property Assets** means, in respect of any Reporting Date, the aggregate Real Property assets of the Group on that Reporting Date, but not including the amount of any Real Property assets of any member of the Group which are attributable to minority or non-controlling interests or to Joint Ventures (but to the extent only of the economic interest in the minority or non-controlling interests or Joint Venture which is not held by the Group).

**Equity Interests** means, with respect to any person, all of the shares of capital stock of (or other ownership or profit interests in) such person, all of the warrants, options or other rights for the purchase or acquisition from such person of shares of capital stock of (or other ownership or profit interests in) such person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such person or all of the warrants, options, or other rights for the purchase or acquisition from such person of such securities, and all of the other ownership or profit interests in such person (including partnership, member or trust interests therein), whether voting or non-voting, and whether or not such shares, securities, warrants, options, rights or other interests are outstanding on any date of determination.

**Exceptional Items** means any exceptional, non-recurring or extraordinary items, including those arising on the disposal of any asset(s).

**Facilities Agreement** means the £500,000,000 facilities agreement dated 4 July 2017 (as amended and restated pursuant to an amendment and restatement agreement dated 26 March 2020) between, among others, the Issuer, Barclays Bank PLC, and J.P. Morgan Chase Bank N.A., London Branch.

**Finance Charges** means, for any Reporting Period, the aggregate amount of interest, commission, fees, discount or other similar charges in respect of Consolidated Total Borrowings (whether paid, payable or capitalised, and calculated on a consolidated basis) in respect of that Reporting Period:

- (a) amortising non-recurring commission, fees, discount or other similar charges in connection with raising any Consolidated Total Borrowings over the period for which, when such commission, fees, discount or other similar charges were incurred, the relevant Consolidated Total Borrowings were expected to be outstanding;
- (b) including:
  - (i) the interest (but not the capital) element of payments in respect of finance leases; and
  - (ii) any net effect of the amount of scheduled payments (excluding termination or close out costs to the extent they are not settled via ongoing scheduled payments and excluding any amounts relating to principal) under any swap, derivative, cap, or other similar arrangement entered into by a member of the Group, whether payable by or payable to a member of the Group;
- (c) excluding:
  - (i) any non-recurring commission, fees, premium, make-whole amount or other similar charges incurred in connection with any early redemption, early repayment or amortisation of Consolidated Total Borrowings;

- (ii) for the avoidance of doubt, any amount paid or payable under the MoD Agreements;
- (iii) any break costs;
- (iv) costs or credits relating to changes in the marked to market value of any forward, swap, derivative, cap, or other arrangement entered into by a member of the Group in connection with or by reference to any Consolidated Total Borrowings;
- (v) any amount of fees or charges payable by a member of the Group in connection with their ordinary operational banking and treasury activities; and
- (vi) for the avoidance of doubt, any distribution, interest or equivalent payments paid or payable in relation to any securities issued by any member of the Group where such securities are accounted for as equity in the consolidated balance sheet of the Parent in accordance with GAAP,

in each case without double counting.

**Fitch** means Fitch Ratings Limited and includes any successor to its ratings business and any of its affiliates.

**GAAP** means generally accepted accounting principles in the United Kingdom, including IFRS.

**IFRS** means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

**Investors** means each fund, entity or co-investment vehicle managed, advised or controlled by Terra Firma or any Terra Firma Affiliate or co-investors whose co-investment is managed or controlled by Terra Firma or any Terra Firma Affiliate from time to time investing directly or indirectly in the Parent.

**Joint Venture** means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

**MoD** means the Secretary of State of Defence.

**MoD Agreements** means each of the following agreements:

- (a) the master agreement dated 5 November 1996 between Annington Property Limited and the MoD;
- (b) each lease agreement dated on or about 5 November 1996 between Annington Property Limited and the MoD relating to the Ministry of Defence Married Estates Quarter in England and Wales;
- (c) each underlease agreement dated on or about 5 November 1996 between Annington Property Limited and the MoD relating to the MQE being part of the Ministry of Defence Married Estates Quarter in England and Wales; and
- (d) the utilities agreement dated 5 November 1996 between the Original Guarantors, Annington Development Limited and the MoD.

**Moody's** means Moody's Investors Service Limited and includes any successor to its rating business and any of its affiliates.

**Net Finance Charges** means, for any Reporting Period, the Finance Charges for that Reporting Period after deducting any interest receivable (and adding any negative interest payable) in that Reporting Period by any member of the Group (other than from another member of the Group) on Consolidated Cash and Cash Equivalents.

**Participating Member State** means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

**Real Property** means, in respect of any person, all of the rights, title and interest of such person in and to land, improvements, fixtures and fittings.

**Reporting Date** means each of:

- (a) the accounts date for the annual audited consolidated financial statements required to be delivered under Condition 4.2(g); and
- (b) the accounts date for the half year consolidated financial statements required to be delivered under Condition 4.2(g);

provided that the first Reporting Date shall be 31 March 2022.

**Reporting Period** means each 12 month period ending on each Reporting Date.

**S&P** means S&P Global Ratings UK Limited and includes any successor to its rating business and any of its affiliates.

**Secured Indebtedness** means, in respect of each Reporting Date, that portion of the aggregate principal amount of all outstanding Consolidated Total Borrowings that has the benefit of a Security Interest over any asset (including, without limitation, any Equity Interest) owned or leased by a member of the Group as at such Reporting Date, excluding:

- (a) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (b) any payment or close out, netting or set-off arrangement pursuant to any hedging transaction entered into by a member of the Group for the purpose of:
  - (i) hedging any risk to which any member of the Group is exposed in its ordinary course of business; or
  - (ii) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only;
- (c) any Security Interest arising by operation of law and/or in the ordinary course of business;
- (d) any Security Interest entered into for the benefit of any indebtedness under any Transaction Document;
- (e) any Security Interest arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of business and on the supplier's standard form or usual terms and not arising as a result of any default or omission by any member of the Group;

- (f) any Security Interest resulting from the rules and regulations of any clearing system or stock exchange over shares and/or other securities held in that clearing system or stock exchange; and
- (g) any Security Interest approved by the Trustee.

**Security Interest** means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**Terra Firma** means Terra Firma Capital Partners Limited, Terra Firma Investments (Special Opportunities Fund I) Limited (for and on behalf of Terra Firma Special Opportunities Fund I) or Terra Firma Investments (Special Opportunities Fund II) Limited (for and on behalf of Terra Firma Special Opportunities Fund II) or any successor general partner of (or adviser to) those funds.

**Terra Firma Affiliate** means Terra Firma, each of its Affiliates, any trust of which Terra Firma or any of its Affiliates is a trustee, any partnership of which Terra Firma or any of its Affiliates is a partner and any trust, fund or other entity which is managed by, is under the control of, or is advised by Terra Firma or any of its Affiliates provided that any such trust, fund or other entity which has been established for at least six months solely for the purpose of making, purchasing or investing in loans or debt securities and which is managed or controlled independently from all other trusts, funds or other entities managed, controlled, or advised by Terra Firma or any of its Affiliates which have been established for the primary or main purpose of investing in the share capital of companies shall not constitute a Terra Firma Affiliate.

**Transaction Documents** means the Notes and the Facilities Agreement.

**Unencumbered Property Assets** means, in respect of each Reporting Date, the aggregate value of Consolidated Total Property Assets of the Group that are not subject to a Security Interest as at such Reporting Date.

**Unsecured Net Indebtedness** means, in respect of each Reporting Date, that portion of the aggregate principal amount of all outstanding Consolidated Total Borrowings that is not Secured Indebtedness as at such Reporting Date less Consolidated Cash and Cash Equivalents.

## 5. INTEREST

### 5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction. The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount to the Calculation Amount in the case of Fixed Rate Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 5.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in

each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction and for the swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the reference rate (being EURIBOR, the **Reference Rate**) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of subparagraph (A) above, no such offered quotation appears or, in the case of subparagraph (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources provided by the Issuer.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Determination or Calculation by Trustee**

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) and (e) above, the Trustee or an agent appointed by the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(h) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantors, the Trustee, the Calculation Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantors, the Trustee, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

**5.3 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of the date on which all amounts due in respect of such Note have been paid as provided in the Trust Deed.

**5.4 Interest on Index Linked Notes**

This Condition 5.4 applies to Index Linked Notes only.

(a) **Interest Payment Dates**

Each Index Linked Note bears interest on its outstanding nominal amount (in the case of Index Linked Notes represented by a Global Note) or the Calculation Amount (in the case of Index Linked Notes in definitive form) from (and including) the Interest Commencement Date at the rate per annum equal to the Rate of Interest, and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.4(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (2) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Any Additional Business Centre and which, if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

- (b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Index Linked Notes will be the product of the rate per annum specified in the applicable Final Terms and the Index Ratio (as determined in accordance with Condition 6.1) rounded to six decimal places (0.0000005 being rounded upwards).

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.4(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.4(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is capable of being determined, determine the applicable Rate of Interest and notify the Principal Paying Agent as soon as practicable after determining the same.

The amount of interest payable on each Index Linked Note for any Interest Period (the **Interest Amount**) will be calculated by the Calculation Agent by applying the Rate of Interest to:

- (i) in the case of Index Linked Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Index Linked Notes represented by such Global Note; or
- (ii) in the case of Index Linked Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such product by the Day Count Fraction specified in the applicable Final Terms and:

- (A) defined in Condition 5.1;
- (B) defined in Condition 5.2; or
- (C) in the case of Notes which pay interest on a semi-annual basis, the Day Count Fraction which is a fraction (1) the numerator of which is the number of days from and including the most recent Interest Payment Date (or Interest Commencement Date if such period is before the first scheduled Interest Payment Date) (to but excluding the next Interest Payment Date or, if earlier, the date of payment); and (2) the denominator of which is two times the number of days (including the first and excluding the last) in the Interest Period) (the **Index Day Count Fraction**),

and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with the applicable market convention).

Where the Specified Denomination of an Index Linked Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(e) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the other Paying Agents and any stock exchange, or other relevant authority, on which the relevant Index Linked Notes are for the time being listed, or by which they have been admitted to listing, and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, or other relevant listing authority, on which the relevant Index Linked Notes are for the time being listed, or by which they have been admitted to listing, and to the Noteholders in accordance with Condition 15. For the purpose of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) **Determination or Calculation by the Trustee**

If for any reason the Calculation Agent at any time after the Issue Date defaults in its obligation to determine or calculate:

- (i) the Rate of Interest;
- (ii) any Interest Amount in accordance with Condition 5.4(c) above;
- (iii) in relation to Notes redeemable in instalments, the Instalment Amount(s) (as defined in the Trust Deed);
- (iv) the Final Redemption Amount; or
- (v) the Early Redemption Amount,

the Trustee shall determine or calculate the same in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5.4 and to the provisions of Condition 6) and in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent (and, where practicable, in accordance with this Condition).

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.4, whether by the Calculation Agent, the Principal Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, each Guarantor, the Calculation Agent, the Principal Paying Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence of the aforesaid) no liability to the Issuer, each Guarantor, the Noteholders or the Couponholders shall attach to the Calculation Agent, the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## **5.5 Accrual of interest**

Each Index Linked Note (or, in the case of the redemption of part only of an Index Linked Note, that part only of such Index Linked Note) will cease to bear interest (if any) from the date for its redemption

unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## 6. INDEXATION

### 6.1 Definitions

This Condition 6 is applicable only if the applicable Final Terms specifies the Notes as Index Linked Notes.

In these Conditions:

**Base Index Figure** means (subject to Condition 6.3) the base index figure as specified in the relevant Final Terms;

**Calculation Date** means any date when an Interest Amount or principal amount, as the case may be, falls due;

**CPI** means the U.K. Consumer Price Index (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

**CPIH** means the U.K. Consumer Price Index including owner occupier's housing costs (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

**Expert** means a gilt-edged market maker, an independent investment bank or other expert in London appointed by the Issuer;

**Index** or **Index Figure** means, subject as provided in Conditions 6.3, 6.5 and 8.4, either RPI, CPI or CPIH as specified in the relevant Final Terms;

Where RPI is specified as the Index in the relevant Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, and if "3 months lag" is specified in the applicable Final Terms, be calculated in accordance with the following formula:

$$RPI_{m-3} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (RPI_{m-2} - RPI_{m-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

**RPI<sub>m-3</sub>** means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due; and

**RPI<sub>m-2</sub>** means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Where RPI is specified as the Index in the relevant Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, and if "8 months lag" is specified in the applicable Final Terms, mean the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

Where CPI is specified as the Index in the relevant Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, be calculated in accordance with the following formula:

$$CPI_{m-t} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (CPI_{m-(t-1)} - CPI_{m-t})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

**CPI<sub>m-t</sub>** means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period “t” has a value of 2 to 24 as specified in the applicable Final Terms;

Where CPIH is specified as the Index in the relevant Final Terms, any reference to the “Index Figure applicable” to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, be calculated in accordance with the following formula:

$$CPIH_{m-t} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (CPIH_{m-(t-1)} - CPIH_{m-t})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

**CPIH<sub>m-t</sub>** means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period “t” has a value of 2 to 24 as specified in the applicable Final Terms;

**Indexed Benchmark Gilt** means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange that is indexed to the same Index as the Notes and whose average maturity most closely matches that of the Notes as the Expert shall determine to be appropriate;

**Index Ratio** applicable to any Calculation Date means the Index Figure applicable to such month or date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

**Reference Gilt** means the Treasury Stock specified in the applicable Final Terms (or, if such stock is not in existence, such other index-linked stock issued by or on behalf of HM Government as the Issuer, on the advice of the Expert, may consider to be the most appropriate reference government stock for the Index Linked Notes); and

**RPI** means the U.K. Retail Price Index (for all items) published by the Office for National Statistics (January 1987 = 100) as published by HM Government.

## 6.2 Indexation of Principal

The Final Redemption Amount, the Early Redemption Amount and the Optional Redemption Amount in respect of the Index Linked Notes shall be the nominal amount of the Index Linked Notes multiplied by the Index Ratio applicable to the date on which the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount (as the case may be) becomes payable (as determined in accordance with Condition 6.1), provided that:

- (a) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the Notes determined in accordance with this Condition 6.2 (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or

- (b) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the Notes determined in accordance with this Condition 6.2 (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and
- (c) the Calculation Agent will calculate the Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount (as the case may be) as soon as reasonably practicable after each time such amount is capable of being determined and will notify the Principal Paying Agent thereof as soon as practicable after calculating the same. The Principal Paying Agent will as soon as practicable thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 15.

### 6.3 Changes in Circumstances Affecting the Index

- (a) Change in Base: If at any time and from time to time the Index is changed by the substitution of a new base for it, then with effect from (and including) the month in respect of which such substitution takes effect:
  - (i) the definition of Index and Index Figure in Condition 6.1 shall be deemed to refer to the month and/or year (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, for such other date or month as may have been substituted for it); and
  - (ii) the definition of Base Index Figure in Condition 6.1 shall be amended to mean the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index immediately prior to such substitution.
- (b) Delay in publication of the Index: If in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which the Issuer certifies to the Trustee may fall with Condition 6.5 or Condition 8.4 (notwithstanding that the Issuer may subsequently be advised that they do not fall within Condition 6.5 or Condition 8.4), the Index Figure relating to any month (the **calculation month**) which is required to be taken into account for the purposes of the determination of the Index Figure applicable to any date is not published on or before the fourteenth day before the date on which such payment is due (the **date for payment**), the Index Figure for the relevant calculation month shall be:
  - (i) the substitute index figure (if any) as is published by the Bank of England or the United Kingdom Debt Management Office (or such other United Kingdom authority as may be appropriate) for the purposes of indexation or payments on the Reference Gilt or the Indexed Benchmark Gilt (as applicable) or, failing such publication, on any one or more of HM Government's index-linked stocks that is indexed to the same Index as the Notes, as determined by the Expert; or
  - (ii) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

## **6.4 Application of Changes**

Where the provisions of Condition 6.3(b) apply, the Issuer shall deliver to the Principal Paying Agent and Calculation Agent a certificate, acting on the sole advice of the Expert, as to the Index Figure applicable to the date for payment which shall be conclusive and binding. If a substitute index is published as specified in Condition 6.3(b)(i) above, a determination made based on that Index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published.

If no substitute index is so published and the index relating to the date for payment is subsequently published then:

- (a) in the case of an Index Linked Note not falling due for redemption on the date for payment of interest or principal (as the case may be), if the index so subsequently published (if published when such Note remains outstanding) is greater or less than the Index applicable by virtue of Condition 6.3(b)(ii), the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest or principal (as the case may be) next payable on that Note on the date for payment on the basis of the index applicable by virtue of the preceding paragraph fell short of, or (as the case may be) exceeded the interest or principal (as the case may be) which would have been payable on that Note if the Index subsequently published had been published on or before the fourteenth business day before the date for payment; or
- (b) in the case of any Note falling due for final redemption on the date of payment, no subsequent adjustment to amounts paid will be made.

## **6.5 Cessation of or Fundamental Changes to the Index**

If the Index ceases to be published or any changes are made to it which, in the opinion of the Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer or the Noteholders and if, within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), the Expert recommends for the purposes of the Index Linked Notes one or more adjustments to the Index or substitute index (with or without adjustments), then provided that such adjustments or substitute index (as the case may be) are not materially detrimental (in the opinion of the Expert) either to the interests of the Issuer or the interests of the Noteholders, as compared to the interests of the Issuer and the Noteholders (as the case may be) as they would have been had the Index continued to be published or such fundamental change in the rules governing the Index had not been made, the Index shall be adjusted as so recommended or (as the case may be) shall be replaced by the substitute index so recommended (as so adjusted, if so recommended) and references in these Conditions to the Index shall be construed accordingly and the Issuer shall notify the Noteholders of the adjustments to the Index or the introduction of the substitute index (with or without adjustments) in accordance with Condition 15.

If any payment in respect of the Index Linked Notes is due to be made after the cessation or changes referred to in the preceding paragraph but before any such adjustment to, or replacement of, the Index takes effect, the Issuer or each Guarantor shall (if the Index Figure applicable (or deemed applicable) to the date of payment is not available in accordance with the provisions of Condition 6.1) make a provisional payment on the basis that the Index Figure applicable to the date for payment is the Index last published. In that event or in the event of any payment on the Index Linked Notes having been made on the basis of an index deemed applicable under Condition 6.3(b)(i) above (also referred to below as a “provisional payment”) the Expert subsequently determines that the relevant circumstances fall within this Condition 6.5, then:

- (a) except in the case of a payment on redemption of the Index Linked Notes, if the sum which would have been payable if such adjustments or such substitute index had been in effect on the due date for such provisional payment is greater or less than the amount of such provisional payment, the interest payable on the Index Linked Notes on the Interest Payment Date next succeeding the date on which the Issuer and the Trustee receive such recommendation shall be increased or reduced to reflect the amount by which such provisional payment of interest fell short or, (as the case may be) exceeded, the interest which would have been payable on the Notes if such adjustments or such substituted index had been in effect on that date; or
- (b) in the case of a payment of principal or interest on redemption of the Notes, no subsequent adjustment to amounts paid will be made.

## **6.6 Trustee Action and/or Steps**

The Trustee shall be entitled to assume that no cessation of or change to the Index has occurred until informed otherwise by the Issuer and it will not be responsible for identifying or appointing an Expert. The Trustee may rely absolutely on any determination made or advice given by the Expert without need for further investigation.

## **7. PAYMENTS**

### **7.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto).

### **7.2 Presentation of definitive Bearer Notes and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of

matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter).

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Index Linked Note, or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

### **7.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### **7.4 Payments in respect of Registered Notes**

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and

Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer, the Guarantors, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **7.5 General provisions applicable to payments**

The holder 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 or, as the case may be, the relevant Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the relevant Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantors, adverse tax consequences to the Issuer or any Guarantor.

## **7.6 Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
  - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
  - (ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## **7.7 Interpretation of principal and interest**

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

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.9); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **8. REDEMPTION AND PURCHASE**

### **8.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Note) will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

## **8.2 Redemption for tax reasons**

Subject to Condition 8.9, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note or an Index Linked Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Index Linked Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) the Issuer has, or on the occasion of the next payment due under the Notes will, become obliged to pay additional amounts as provided or referred to in Condition 9 or either Guarantor would be unable for reasons outside its control to procure payment by the Issuer or the other Guarantor and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or the Guarantors taking reasonable measures available to them,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the relevant Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the relevant Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.9 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

## **8.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

For the purposes of this Condition 8.3, the Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if either Modified Spens Amount or Make-Whole Amount is specified in the applicable Final Terms, will be:

If **Modified Spens Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount equal to the higher of (i) 100 per cent of the nominal amount outstanding of the Notes to be redeemed and (ii) the nominal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Independent Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Independent Financial Adviser.

If **Make-Whole Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Independent Financial Adviser equal to the higher of (i) 100 per cent of the nominal amount outstanding of the Notes to be redeemed or (ii) the sum of the present values of the nominal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

For the purposes of this Condition 8.3:

**Gross Redemption Yield** means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Independent Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

**IFA Selected Bond** means a government security or securities (which, if the Specified Currency is euro, will be a German *Bundesobligationen*) selected by the Independent Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

**Independent Financial Adviser** means an independent financial institution of international repute appointed by the Issuer at its own expense;

**Redemption Margin** shall be as set out in the applicable Final Terms;

**Reference Bond** shall be as set out in the applicable Final Terms or, if no such bond is set out or if such bond is no longer outstanding, shall be the IFA Selected Bond;

**Reference Bond Price** means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Independent Financial Adviser obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**Reference Bond Rate** means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

**Reference Date** will be set out in the relevant notice of redemption;

**Reference Government Bond Dealer** means each of five banks selected by the Issuer (or the Independent Financial Adviser on its behalf), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

**Reference Government Bond Dealer Quotations** means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Independent Financial Adviser, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Independent Financial Adviser by such Reference Government Bond Dealer; and

**Remaining Term Interest** means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from (and including) the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 8.3.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

#### **8.4 Redemption for Index Reasons**

- (a) In the case of Index Linked Notes, if:
- (i) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the Issuer shall, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at their Early Redemption Amount referred to in Condition 8.9 below together with interest accrued to (but excluding) the date of redemption; or
  - (ii) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment (or such longer period as

the Trustee may in its sole discretion agree), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the Issuer may at its option, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at their Early Redemption Amount referred to in Condition 8.9 below together with interest accrued to (but excluding) the date of redemption.

## **8.5 Conditional Optional Redemption**

In connection with any redemption of any Notes under Condition 8.3 or Condition 8.6, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent including, but not limited to, a financing condition. If any such redemption is subject to the satisfaction of one or more conditions precedent, the notice of redemption may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. If no such conditions precedent are specified in the notice of redemption, any such notice of redemption by the Issuer to the Noteholders shall be irrevocable.

## **8.6 Redemption at the option of the Issuer (Issuer Maturity Par Call)**

If Issuer Maturity Par Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the Maturity Par Call Period specified as being applicable in the applicable Final Terms, at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

## **8.7 Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

For the purposes of this Condition 8.7, the Optional Redemption Amount will be the amount specified in the applicable Final Terms.

To exercise the right to require redemption of this Note pursuant to this Condition 8.7, the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the

provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice (or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 8.7) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.7.

## **8.8 Redemption at the option of the Noteholders upon Change of Control**

If Change of Control Put Option is specified as being applicable in the applicable Final Terms and if, at any time while any of the Notes remains outstanding, a Change of Control Put Event (as defined below) occurs, then the holder of each such Note will have the option (a **Change of Control Put Option**) (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 8.2 or 8.3 above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the date which is seven days after the expiration of the Change of Control Put Period (as defined below) (or such other date as may be specified in the applicable Final Terms, the **Change of Control Put Date**) at the Optional Redemption Amount specified in the applicable Final Terms together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Change of Control Put Date.

A **Change of Control Put Event** will be deemed to occur if:

- (a) either:
  - (i) at any time prior to (but not including) a Listing, the Investors cease (directly or indirectly) to Control the Parent; or
  - (ii) at any time after (but not including) a Listing, any person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than any holding company (as defined in section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Parent, acquires Control of the Parent,(either of sub-paragraphs (i) and (ii) above being a **Change of Control**); and
- (b) on the date (the **Relevant Announcement Date**) that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry:
  - (i) an investment grade credit rating (Baa3/BBB-, or their respective equivalents, or better) (an **Investment Grade Rating**) from any Rating Agency which is provided by such Rating Agency at the invitation of the Issuer or any Guarantor (or, where there

is no rating from any Rating Agency assigned at the invitation of the Issuer or any Guarantor, the then current rating (if any) assigned by any Rating Agency of its own volition) and such rating is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or their respective equivalents, or worse) (a **Non-Investment Grade Rating**) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to an Investment Grade Rating by such Rating Agency or replaced by an Investment Grade Rating of another Rating Agency; or

(ii) a Non-Investment Grade Rating from any Rating Agency which is provided by such Rating Agency at the invitation of the Issuer or any Guarantor (or, where there is no rating from any Rating Agency assigned at the invitation of the Issuer or any Guarantor, the then current rating (if any) assigned by any Rating Agency of its own volition) and such rating is, within the Change of Control Period, either downgraded by one or more rating categories (from Ba1 to Ba2 or such similar lowering) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if, at the time of the occurrence of the Change of Control, the Notes carry a credit rating from more than one Rating Agency, at least one of which is an Investment Grade Rating, then sub-paragraph (b)(i) will apply; and

(c) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (i) and (ii) above or not to award at least an Investment Grade Rating as described in paragraph (ii) of the definition of “Negative Rating Event”, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or any Guarantor that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

Promptly upon the Issuer or any Guarantor becoming aware that a Change of Control Put Event has occurred, the Issuer or such Guarantor shall, and, at any time upon the Trustee receiving express written notice of such Change of Control Put Event, the Trustee may, and, if so requested by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Trustee shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a **Change of Control Put Event Notice**) to the Noteholders in accordance with Condition 15 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the right to require redemption or purchase of this Note pursuant to this Condition 8.8 the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the period (the **Change of Control Put Period**) of 30 days after a Change of Control Put Event Notice is given or such other date as may be specified in the applicable Final Terms, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Change of Control Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the

provisions of Condition 2.2. If this Note is in definitive bearer form, the Change of Control Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or purchase of this Note the holder of this Note must, within the Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Change of Control Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 8.8) shall be irrevocable except where, prior to the due date of redemption or purchase, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.8.

If the rating designations employed by any of S&P Global Ratings UK Limited, Fitch Ratings Limited or Moody's Investors Service Limited are changed from those which are described in paragraph (b) of the definition of "Change of Control Put Event" above, or if a rating is procured from a Substitute Rating Agency, the Issuer or any Guarantor shall determine, with the agreement of the Trustee, the rating designations of S&P Global Ratings UK Limited, Fitch Ratings Limited or Moody's Investors Service Limited or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of S&P Global Ratings UK Limited, Fitch Ratings Limited or Moody's Investors Service Limited, and this Condition 8.8 shall be construed accordingly.

If 80 per cent or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 8.8, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their Optional Redemption Amount specified in the applicable Final Terms, together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or Change of Control or Negative Rating Event or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control or Negative Rating Event has occurred, or to seek any confirmation from any Rating Agency pursuant to paragraph (c) above and, until it shall have received express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or Negative Rating Event other such event has occurred.

In this Condition:

**Control** means, in respect of an entity:

- (a) having the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
  - (i) cast, or control the casting of, more than 50 per cent of the maximum number of votes that might be cast at a general meeting of that entity;

- (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of that entity; or
  - (iii) give directions with respect to the operating and financial policies of that entity with which the directors or other equivalent officers of that entity are obliged to comply; or
- (b) holding beneficially more than 50 per cent of the issued share capital of that entity (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital);

**Change of Control Period** means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

**Listing** means the listing or the admission to trading of all or any part of the share capital of the Parent on any recognised investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or public offering or any equivalent circumstances in relation to Parent in any jurisdiction or country;

a **Negative Rating Event** shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (i) the Issuer or any Guarantor does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control, seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes or (ii) if the Issuer or any Guarantor does so seek and use such endeavours, it is unable to obtain such an Investment Grade Rating by the end of the Change of Control Period;

**Rating Agency** means S&P, Fitch or Moody's or any of their respective successors or any rating agency of equivalent international standing (a **Substitute Rating Agency**) substituted for any of them by the Issuer or any Guarantor from time to time with the prior written approval of the Trustee; and

**Relevant Potential Change of Control Announcement** means any public announcement or statement by the Parent or any other member of the Group, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where, within 180 days following the date of such announcement or statement, a Change of Control occurs.

## 8.9 Early Redemption Amounts

For the purpose of Conditions 8.2, 8.4 and Condition 11:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount;
- (b) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

**Early Redemption Amount** =  $RP \times (1 + AY)^y$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

- y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365); and
- (c) each Index Linked Note will be redeemed at the Early Redemption Amount, subject to adjustment in accordance with Condition 6.2.

#### **8.10 Purchases**

The Issuer, any Guarantor or any of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, the relevant Guarantor or the relevant Subsidiary, as applicable, surrendered to a Paying Agent or the Registrar for cancellation.

#### **8.11 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8.10 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

#### **8.12 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1 to 8.8 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.9(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

### **9. TAXATION**

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or any Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may

be, the relevant Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in the United Kingdom; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting such Note or Coupon for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or
- (d) in respect of a FATCA Deduction.

As used herein:

- (i) **FATCA Deduction** means a deduction or withholding from a payment made under or pursuant to the Notes required by FATCA;
- (ii) **FATCA** means:
  - (A) sections 1471 to 1474 of the Code or any associated regulations;
  - (B) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (A) above; or
  - (C) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (A) or (B) above with the US Internal Revenue Service, the US Government or any governmental or taxation authority in any other jurisdiction.
- (iii) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer or the relevant Guarantor, as the case may be, of principal and interest on the Notes become generally subject; and
- (iv) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## 10. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

## 11. EVENTS OF DEFAULT AND ENFORCEMENT

### 11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs 11.1(b), 11.1(d) (other than the winding up or dissolution of the Issuer or any Guarantor), 11.1(e) to 11.1(h) inclusive or any other event having an analogous effect pursuant to paragraph 11.1(j) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 15 days in the case of interest; or
- (b) if the Issuer or a Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, a Guarantor or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, a Guarantor or any Principal Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, a Guarantor or any Principal Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same; or (iv) default is made by the Issuer, a Guarantor or any Principal Subsidiary in making any payment on the due date as extended by any originally applicable grace period under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that no event referred to in this Condition 11.1(c) shall constitute an Event of Default unless the relative Indebtedness for Borrowed Money either alone or when aggregated with other Indebtedness for Borrowed Money relative to all (if any) other such events which shall have occurred shall amount to at least £25,000,000 (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, a Guarantor or any Principal Subsidiary, save for the purposes of a Permitted Reorganisation; or
- (e) (i) if the Issuer, a Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of a Permitted Reorganisation, or (ii) the Issuer, a Guarantor or any Principal Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its

debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (f) if (i) proceedings are initiated against the Issuer, a Guarantor or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, a Guarantor or any Principal Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (g) if the Issuer, a Guarantor or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), in each case, save for the purposes of a Permitted Reorganisation; or
- (h) if the Issuer or any Guarantor (other than the Parent) ceases to be a Subsidiary of the Parent; or
- (i) if the Guarantee ceases to be, or is claimed by the Issuer or a Guarantor not to be, in full force and effect; or
- (j) if any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

## 11.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or either or both of the Guarantors as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## 11.3 Definitions

For the purposes of the Conditions:

**Principal Subsidiary** means any Subsidiary of the Parent whose total assets (excluding intra-Group items) at any time represents 10 per cent or more of the total assets of the Group.

A report by two Authorised Signatories of the Parent whether or not addressed to the Trustee that in its opinion a Subsidiary of the Parent is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

**Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

**Permitted Reorganisation** means:

- (a) any reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution;
- (b) in the case of a Guarantor, any solvent reorganisation where all or substantially all of the undertaking and assets of the relevant Guarantor are transferred to or otherwise vested in one or more other Guarantor(s) or an entity which upon such transfer or vesting simultaneously accedes as an Additional Guarantor pursuant to Condition 3.3 above;
- (c) in the case of a Principal Subsidiary which is not a Guarantor, any solvent reorganisation where all or substantially all of the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in one or more Guarantors or another of the Parent's Subsidiaries;
- (d) in the case of a Principal Subsidiary which is not a Guarantor, any transaction under which the whole or substantially the whole of such Principal Subsidiary's business is transferred to a third party for full consideration on arms' length terms; or
- (e) in the case of a Principal Subsidiary which is not a Guarantor, a voluntary solvent winding-up where surplus assets are available for distribution.

## 12. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 13. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar and, whilst any Index Linked Notes are outstanding, a Calculation Agent;

- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than any jurisdiction in which the Issuer or any Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

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

#### **14. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

#### **15. NOTICES**

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

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of

the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **16. MEETINGS OF NOTEHOLDERS, AND MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes and the Coupons or any of the provisions of the Trust Deed and/or Agency Agreement. Such a meeting may be convened by the Issuer, or any Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders and the Couponholders and any such

modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a Subsidiary of the Parent, subject to (i) the Notes being unconditionally and irrevocably (subject as provided in Condition 3.4) guaranteed on a joint and several basis by the Guarantors, (ii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (iii) certain other conditions set out in the Trust Deed being complied with.

#### **17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTORS**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including:

- (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction; and
- (ii) provisions limiting or excluding its liability in certain circumstances. The Trustee is entitled to enter into business transactions with the Issuer, either Guarantor and any entity related to the Issuer or the Guarantors without accounting for any profit.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, Guarantor and/or any Subsidiary of the Parent and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, any Guarantor and/or any Subsidiary of the Parent, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or opinion or any advice of any accountants, financial advisers, financial institution or other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, opinion, confirmation or certificate or advice and such report, opinion, confirmation, or certificate or advice shall be binding on the Issuer, the Guarantors, the Trustee and the Noteholders.

However, the Trustee will have no recourse to the Auditors in respect of such certificates or reports unless the Auditors have agreed to address such certificates or reports to the Trustee.

## **18. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## **20. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **20.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and construed in accordance with, English law.

### **20.2 Submission to jurisdiction**

- (a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **20.3 Other documents and the Guarantors**

The Issuer and the Guarantors have in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes under the Programme will be applied by the Issuer for its general corporate purposes, including for the payment of distributions to shareholders and the refinancing of existing indebtedness. If, in respect of an issue of Notes there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF THE ISSUER

### Annington Funding plc

Annington Funding plc (the **Issuer**) was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 11 May 2017 with registered number 10765119. The registered office of the Issuer is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. The Issuer's issued share capital comprises 50,000 ordinary shares of £1 fully paid up as at 31 March 2021. The Issuer is a direct wholly-owned subsidiary of Annington Homes Limited.

The Issuer is a finance subsidiary formed for the purpose of funding the operations of the Group. The Issuer's activities principally comprise (a) raising finance, including (but not limited to) by issuing Notes from time to time under the Programme, (b) making the proceeds of such finance-raising available to the Group, and (c) other activities which are reasonably incidental to the activities described in this paragraph.

The Issuer has no subsidiaries.

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

<b>Name</b>	<b>Principal Activities / Business Occupation</b>
Stephen Sui Sang Leung	Chief Financial Officer
Ian Kenneth Rylatt	Chief Executive Officer
Nicholas Peter Vaughan	Chief Operating Officer

The board of directors of the Issuer is generally responsible for managing the business and affairs of the Issuer. A biography of each director of the Issuer is set out below under "*Description of the Original Guarantors—Annington Limited*".

None of the directors of the Issuer has any potential conflict of interests between duties to the Issuer and their private interests or other duties.

The business address for each of the directors of the Issuer is 1 James Street, London W1U 1DR, United Kingdom.

BDO LLP are the auditors of the Issuer. The registered office of BDO LLP is 55 Baker Street, London W1U 7EU, United Kingdom.

## DESCRIPTION OF THE ORIGINAL GUARANTORS

### **Annington Limited**

Annington Limited (**AL**) was incorporated in England and Wales as a private company limited by shares under the Companies Act 2006 on 29 October 2012 with registered number 08271384. The registered office of AL is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. AL's issued share capital comprises 8,475,620,200 ordinary shares of £0.01 paid up per share as at 31 March 2021. AL is the direct wholly-owned subsidiary of Annington Holdings (Guernsey) Limited (**AHGL**).

AHGL is a private limited company incorporated under the laws of Guernsey, the shareholders of which are currently funds or co-investment vehicles managed, advised or controlled by Terra Firma or a Terra Firma Affiliate and co-investors whose co-investment is managed or controlled by Terra Firma or a Terra Firma Affiliate pursuant to arrangements which have a finite duration. As a consequence, it is possible that during the life of one or more Tranches of Notes issued under the Programme, the current shareholding arrangements could change such that Terra Firma no longer manages, advises and/or controls such funds, co-investment vehicles and/or co-investments. The current shareholders of AHGL have made equity investments in such funds or vehicles since 2012 in the aggregate amount of £1 billion and have received prior to the date of this Offering Circular dividend payments of £302 million.

AL, the parent of the Group, is a holding company and does not carry on any operating business. AL is the direct holding company of Annington Homes Limited.

The directors of AL and their respective principal activities or business occupations are:

<b>Name</b>	<b>Principal Activities / Business Occupation</b>
Vivek Gopaldas Ahuja	Director
Stephen Sui Sang Leung	Chief Financial Officer
Baroness Helen Lawrie Liddell	Director / Chairman
Ian Kenneth Rylatt	Chief Executive Officer
Jonathan Ottley Short	Director / Deputy Chairman
Nicholas Peter Vaughan	Chief Operating Officer

The board of directors of AL is generally responsible for managing the business and affairs of AL.

None of the directors of AL has any potential conflict of interests between duties to AL and their private interests or other duties.

The business address for each of the directors of AL is 1 James Street, London W1U 1DR, United Kingdom.

Deloitte LLP are the auditors of AL. The registered office of Deloitte LLP is 1 New Street Square, London, EC4A 3HQ.

### ***Baroness Helen Liddell (Chairman)***

Baroness Helen Liddell has considerable political experience, having previously been a Member of Parliament from 1994-2005, during which time she held a variety of influential positions including Economic Secretary to the Treasury, Minister for Transport, Minister for Energy and Competitiveness in Europe and the Secretary of State for Scotland. Between 2005 and 2009, she was the British High Commissioner to Australia. Prior to

entering Parliament, she held positions in the Scottish Trades Union Congress, worked for the BBC, the Labour Party, the Scottish Daily Record and the Sunday Mail and was the Chief Executive of Business Ventures.

***Jonathan Ottley Short (Deputy Chairman)***

Jonathan Ottley Short has a background predominately in banking and finance, having worked for American National Bank and Trust Company, S.G. Warburg, Baring Brothers, Lazard and Pramerica Real Estate Investors before setting up his own fund, Internos Global Investors, in 2007. Internos, now known as Principal Real Estate Investors, is a pan-European investment manager which operates across the risk spectrum from core real estate to opportunistic and private equity investment including hotel and healthcare real estate.

***Ian Rylatt (Chief Executive Officer)***

Ian Rylatt joined the Group in April 2021 from Balfour Beatty plc where he was Chief Executive Officer for a number of group businesses and member of the group executive committee. Since 2012, Ian was Chief Executive Officer of Balfour Beatty Investments responsible for all the business's infrastructure and real estate / PRS investment activities including its US multi-family housing business and its Military Housing business managing approximately 35,000 homes for the US Department of Defence. Ian initially joined Balfour Beatty in 1998 as a Business Development Director. Prior to Balfour Beatty, Ian held a number of finance and equity investment related roles within Rolls-Royce plc.

***Stephen Leung (Chief Financial Officer)***

Stephen Leung has 20 years' experience in the real estate sector and joined the Group in March 2021 from iQ Student Accommodation, where he had been CFO since 2015. He was previously Finance Director at Otium Real Estate Limited and has held positions at a number of leading real estate businesses including Land Securities and Trillium.

***Nick Vaughan (Chief Operating Officer)***

Nick Vaughan has 32 years' experience in the real estate sector and joined the Group in December 1998 as Financial Analyst, Strategy and Programme Manager. He was appointed Commercial Director in January 2001 and Chief Operating Officer in August 2021. Prior to joining the Group, he worked for The British Land Company plc in various roles, including Finance Director of the health club division and in strategic projects and acquisitions. Prior to that, he was the Financial Director of a number of Rosehaugh plc group companies.

***Vivek Ahuja (Non-Executive Director)***

Vivek joined Terra Firma as a Partner and Group Chief Financial Officer in January 2018. Subsequently, Vivek was appointed to the role of CEO of Terra Firma in July 2020. Vivek joined the Board of Annington Limited in October 2018 through Terra Firma's appointment. Vivek has three decades' worth of experience in global finance and over 20 years' worth of experience in senior finance roles.

## **Annington Homes Limited**

Annington Homes Limited (**AHL**) was incorporated in England and Wales as a private company limited by shares under the Companies Act 1985 on 29 July 1996 with registered number 3232682. The registered office of AHL is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. AHL's issued share capital comprises 1 ordinary share of £1 fully paid up as at 31 March 2021. AHL is the direct wholly-owned subsidiary of AL.

AHL is a holding company and does not carry on any operating business. AHL is the direct holding company of the Issuer, Annington Rentals (Holdings) Limited (the holding company of the group of companies holding the Non-MQE Portfolio) and Annington Developments Holding Limited (the holding company for joint venture and development activity) and the indirect holding company of Annington Property Limited (a description of which is below).

The directors of AHL and their respective principal activities or business occupations are:

<b>Name</b>	<b>Principal Activities / Business Occupation</b>
Stephen Sui Sang Leung	Chief Financial Officer
Ian Kenneth Rylatt	Chief Executive Officer
Nicholas Peter Vaughan	Chief Operating Officer

The board of directors of AHL is generally responsible for managing the business and affairs of AHL. A biography of each director of AHL is set out above under "*Description of the Original Guarantors —Annington Limited*".

None of the directors of AHL has any potential conflict of interests between duties to AHL and their private interests or other duties.

The business address for each of the directors of AHL is 1 James Street, London W1U 1DR, United Kingdom.

Deloitte LLP are the auditors of AHL. The registered office of Deloitte LLP is 1 New Street Square, London, EC4A 3HQ.

## Annington Property Limited

Annington Property Limited (APL) was incorporated in England and Wales as a private company limited by shares under the Companies Act 1985 on 29 July 1996 with registered number 03232852. The registered office of APL is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. APL's issued share capital comprises 1 ordinary share of £1 fully paid up as at 31 March 2021. APL is an indirect wholly-owned subsidiary of AHL.

APL is the property owning company which holds the Married Quarters Estate, a description of which is set out in "*Description of the Group—Married Quarters Estate*".

The directors of APL and their respective principal activities or business occupations are:

<b>Name</b>	<b>Principal Activities / Business Occupation</b>
Stephen Sui Sang Leung	Chief Financial Officer
Ian Kenneth Rylatt	Chief Executive Officer
Sally Elizabeth Parsons	Property Director
Nicholas Peter Vaughan	Chief Operating Officer

The board of directors of APL is generally responsible for managing the business and affairs of APL. A biography of each director of APL is set out above under "*Description of the Original Guarantors —Annington Limited*".

None of the directors of APL has any potential conflict of interests between duties to APL and their private interests or other duties.

The business address for each of the directors of APL is 1 James Street, London W1U 1DR, United Kingdom.

Deloitte LLP are the auditors of APL. The registered office of Deloitte LLP is 1 New Street Square, London, EC4A 3HQ.

## DESCRIPTION OF THE GROUP

### Overview

The Group is one of the largest private owners of residential property in the United Kingdom and as at 31 March 2021 owned 40,427 residential property units (**Units**). The primary property asset of the Group is a property portfolio, which it acquired from the Ministry of Defence of the United Kingdom (the **MoD**) on 5 November 1996 (the **1996 Acquisition Date**) for a total consideration of £1.662 billion (the **1996 Acquisition**).

On the 1996 Acquisition Date, the following property assets were acquired from the MoD:

- 765 sites on which one or more Units were located (**Sites**), almost all on 740 999-year Headleases (as defined below), with some Headleases covering more than one Site and comprising 55,060 Units (the **Married Quartered Estate** or **MQE**), which were then leased back to the MoD for a term of 200 years to provide the majority of the MoD's subsidised accommodation (**Service Family Accommodation**) for Armed Forces service personnel and their families in the UK (**Service Families**). The MoD subsequently combined various Units to create larger single properties, such that the revised total number of Units within the original MQE was 55,051;
- 58 Sites comprising 2,374 Units (the **Surplus Estate**), which were no longer required by the MoD for purposes of providing Service Family Accommodation; and
- certain related assets (**Related Assets**), consisting primarily of buildings used for purposes such as housing administration and welfare offices, community centres, crèches and thrift shops, as well as playground areas, sports pitches, tennis and squash courts and undeveloped open spaces.

As at 31 March 2021:

- the MQE comprised 507 Sites on 484 Headleases comprising 38,140 Units (**MQE Units**) and 181 Related Assets, representing approximately 78 per cent of the MoD's total Service Family Accommodation; and
- the Surplus Estate comprised 596 Units (**Surplus Units**).

The MQE and the Surplus Estate are held by Annington Property Limited (**APL**). In addition to the Married Quarters Estate, the Group operates a separate property portfolio of private rented sector accommodation which does not form part of the Married Quarters Estate (the **Rentals Portfolio**), which, as at 31 March 2021, consisted of 1,674 property Units owned and 27 properties managed property units. The Rentals Portfolio is let on bulk or assured shorthold tenancies.

The Group also has an in-house development capability, which provides planning and development support. The Group is currently holding 17 development Units for sale in inventory (the **Inventory**). Collectively, the Surplus Estate, the Rentals Portfolio and the Inventory are referred to herein as the **Non-MQE Portfolio**.

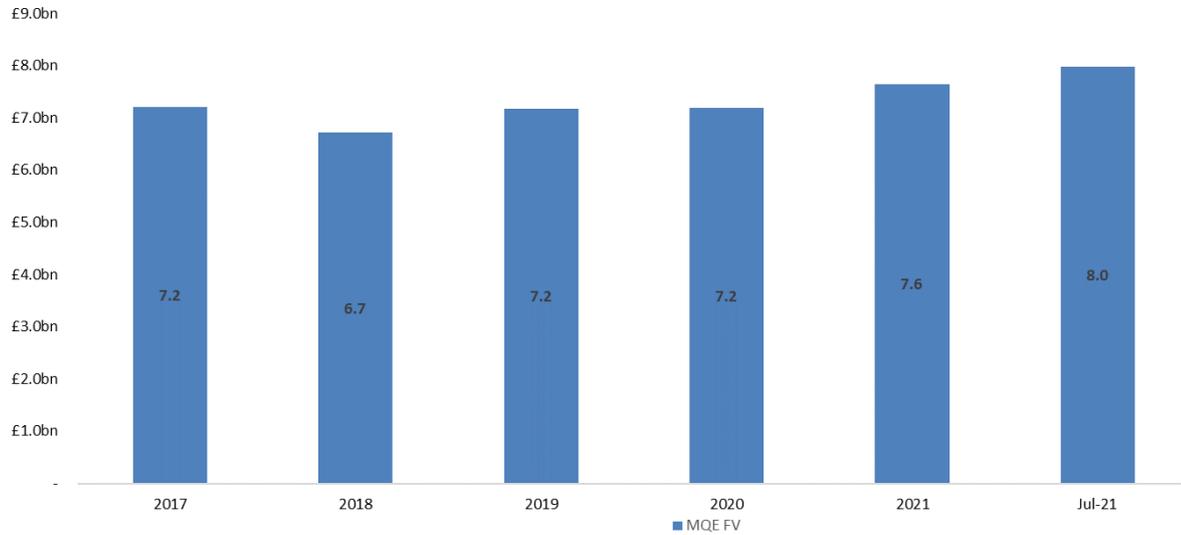
Having recognised the changing demands of society and the regulatory landscape, particularly in regard to environmental issues, the Group monitors its approach to sustainability to ensure it is aligned with the views of key stakeholders. To help manage the various environmental, social and governance (**ESG**) initiatives that take place across the Group and to align them with the Group's business priorities, these activities are currently captured within a strategic framework, the Building Opportunities Corporate Responsibility Plan which consists of four Pillars: People, Environment, Customers and Partners and Communities. The Group reports against Streamlined Energy & Carbon Reporting (**SECR**) and is in the process of adopting Task Force on Climate-Related Financial Disclosures (**TCFD**) reporting.

### Married Quarters Estate

The Married Quarters Estate, held by APL, is the core asset of the Group. APL's primary business consists of renting MQE Units to the MoD, conducting periodic rent reviews and selling or renting out Units, which are released by the MoD from the MQE from time to time.

As at 31 July 2021, the Market Value of the Married Quarters Estate is estimated by CBRE Limited to be £8.0 billion and the MQE SAVPV is estimated by CBRE Limited to be £10.1 billion.

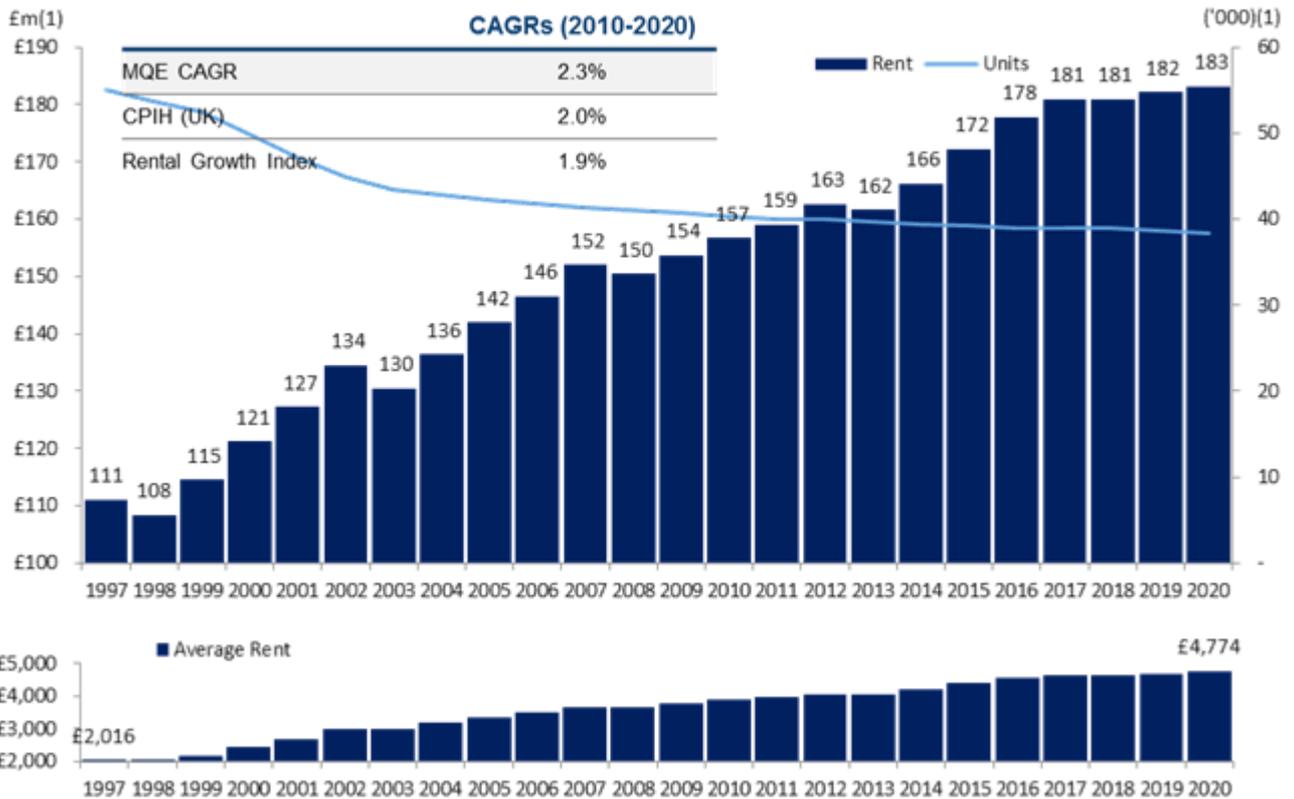
The graph below sets out the Fair Value of the MQE estimated by the Group (based on external annual valuations prepared for financial reporting purposes) in respect for the financial years ended 2017 to 2021 and the Market Value estimated by CBRE Limited for the MQE as at 31 July 2021.



Source: Company or CBRE Limited as applicable.

**Married Quarters Estate rental stream, stated as at 31 December**

The following charts reflect (i) rental growth achieved in the MQE since the 1996 Acquisition, showing both total passing rent and average rent per Unit; and (ii) performance against comparable indices since 2010:



Source: Company.

1. All figures for year to December, including passing rent as at 31 December.
2. Average rent per Unit for December 2020 includes 127 Sites at agreed Rent Review outcomes and four Sites not yet agreed at current passing rent.

## Headleases and Underleases

### Headleases

On the 1996 Acquisition Date, the MoD granted 740 headleases (each, a **Headlease**) on almost all of the Sites within the MQE to APL for a term of 999 years (where the MoD owned the freehold of the relevant Site) or, where the MoD's interest in the Site was itself leasehold, for a term just shorter than the remaining term of the MoD's lease.

No rent is payable by APL under the Headleases and APL has an option to purchase the MoD's freehold (or leasehold) reversion in the applicable Site for a nominal sum when the Underlease (as defined below) in respect of that Site is terminated in whole or in part.

The MoD retains a right of re-entry in case of any breach of APL's covenants (other than in respect of covenants, which the MoD is solely responsible for complying with as tenant under the Underlease). In addition to APL's general right to apply for relief from forfeiture if the MoD seeks to forfeit the Headlease, each Headlease also specifically grants APL a 12-month grace period to remedy any remediable breaches before the MoD can exercise its right of re-entry.

### Underleases

Immediately following the grant of each Headlease on the 1996 Acquisition Date, APL granted back to the MoD a corresponding underlease (each, an **Underlease**) for a term of 200 years (or less in the few cases where the MoD has a superior lease of the applicable Site of less than 200 years).

Rent is payable by the MoD in the amount specified in each Underlease.

## ***Rental payments***

Since 1996, the MQE Units have been rented to the MoD at a 58 per cent adjustment by way of discount to open market rent (the **Original Adjustment Factor**). The Original Adjustment Factor was a condition of the 1996 Acquisition and will cease to apply upon the conclusion of the Site Reviews between December 2021 and December 2025, which are discussed further below. The MoD is obliged to make rental payments to the Group on all MQE Units, regardless of occupancy, meaning there is no rental void risk while the properties are leased to the MoD.

The MoD is solely responsible for paying all rates, taxes and other outgoings and for the condition, management and maintenance of the MQE Units that it leases from APL. At lease termination, the MoD is obliged to return the premises in good tenable repair and decorative order. To the extent that the premises are not in this state of repair, the MoD must pay compensation, in lieu of returning the Units in their required condition, for dilapidations. For claims agreed during the ten-year period beginning 31 March 2012 and ending 31 March 2021, the average cost of dilapidations to the MoD has been approximately £18,000 per Unit.

## ***Rent reviews***

At the time of the 1996 Acquisition, the original MQE was split into four broadly homogenous tranches, each encompassing approximately 25 per cent of the MQE (**RE Tranches**), for purposes of rent reviews (**Rent Reviews**). Rent Reviews are conducted on a five-year rolling basis, with a single RE Tranche being reviewed over each of four of the five years, and no review being carried out in the fifth year. Given the impracticality of reviewing all MQE Units within a particular RE Tranche, certain Units, known as **Beacon Units**, located on each Site have been specified in the related Underleases as being broadly representative of all of the Units on that particular Site. On the applicable review date, the rent payable on the Beacon Unit is reviewed against the open market rent as of that date, and any resulting percentage change to the Beacon Unit rent is then applied to the Site as a whole. This enables the Group to avoid the administrative costs and delays in respect of the Married Quarters Estate, which would otherwise arise out of evaluating all MQE Units located on a particular Site. Rents can increase and decrease as a result of this review process, subject to a floor, meaning rents cannot fall below the initial rent level that was set at the time of the 1996 Acquisition.

At the current stage of the second round of the fifth Rent Review cycle concluded in December 2020 a 4.9 per cent uplift was achieved across all reviewed Sites. This represents a £2.4 million increase in rental income per annum. Over the past 22 years, substantially all Rent Reviews have resulted in rent increases at each Site, with only a small minority of Sites experiencing either no change or a decrease in rent.

The results of the previously completed Rent Reviews are summarised in the table below:

<b>As at 25 December</b>	<b>Number of MQE Units</b>	<b>Rent receivable (£'000)</b>	<b>Increase in rent receivable per Unit (per cent)</b>
1996	55,054	110,985	-
2002	44,987	134,427	48.2 per cent
2007	41,393	152,040	22.9 per cent
2012	39,952	162,603	10.9 per cent
2017	38,969	180,857	14.0 per cent

## ***Site review***

Under the terms of each Underlease as originally entered into in 1996, in addition to the Rent Review cycle described above, the rent in respect of each Site (and specifically the Original Adjustment Factor) would be reviewed periodically. The first such review cycle was to commence in December 2021, and all such reviews were to be completed by December 2025 (the **Site Review**).

The purpose of the Site Review is to determine the amount that a willing lessee would pay, by way of rent, for each of the Sites, were each Site offered to the market on terms identical to the Underlease. As the lessee would be responsible for the same obligations for which the MoD is responsible, the rent payable by that lessee will be less than the aggregate open market rent of each of the Units on the Site, as it will need to reflect costs borne by the lessee (e.g. repair and maintenance, void loss, operational expenditure). The new site rent determined for each Site is then to be compared with the aggregate open market rental value of all Units on each Site to determine a new adjustment factor, which would apply to that Site for the 15 years from the date of the relevant Site Review, in place of the Original Adjustment Factor.

Similar to the Rent Review process, the Site Review would be performed in four separate tranches, with approximately 25 per cent of Sites being reviewed in each of the respective review years. The Site Review would subsequently be repeated on the 15th anniversary of the initial Site Review, with the five-yearly Rent Reviews continuing alongside and between each Site Review.

On 7 March 2019, an agreement was reached with the MoD (the **Arbitration Agreement**) to carry out an expedited process to complete the 2021-2024 Site Review rounds. This accelerated process is designed to produce an equivalent result to the Site Review process contained in the Underleases, but in a shorter period and at a lower cost for both parties. It was also designed to give the Group and the MoD earlier certainty in relation to the future rents payable for the MQE. Any subsequent Site Review will be subject to the process specified in the Underleases and /or any subsequent agreement reached with the MoD.

Under this process, the Sites subject to 488 leases then in the MQE have been divided into 27 Baskets of Sites that share similar characteristics, and each Basket has similar total passing rent. A new rental adjustment will be determined for each of those Baskets, in place of the Original Adjustment Factor based on a representative Site selected for each Basket. A three-person panel of experienced, impartial arbitrators is responsible for the determinations (the **Panel**). The new rental adjustment determined for each representative Site will apply to all of the leases within that respective Basket. Whilst it was envisaged that new rental adjustments covering the entire estate would be produced within 24 months of the commencement of the process, it is now anticipated to conclude no later than mid-2023. This delay results from of the impact of the COVID-19 pandemic and the complexity and intensity of the process, even under the expedited arrangements. The MoD will continue to pay rent at the current rate until the dates on which new rents are payable under the terms of the Underleases, which fall between 2021 and 2024 and the new rents will back-dated if necessary.

During the current year, two arbitral hearings were convened which determined the rental adjustment for 12 of the 27 representative Sites within the Baskets. The first hearing took place in June and July 2020, and addressed four Sites, two of which were selected by each side. The second hearing took place in February and March 2021 and addressed eight Sites. The Panel has determined the rental adjustment for each of the 12 representative Sites submitted to date. The new average rental adjustment for these 12 Baskets is 49 per cent. Applying the uplift represented by the new average rental adjustment to the passing rent for 31 March 2021 would equate to additional rent of approximately £18 million for the Sites in those 12 baskets at that date.

The rental adjustments that have been determined are highly site-specific, and due to the nature of the remaining 15 representative Sites for the remaining 15 Baskets, the results to date cannot be extrapolated on a site-by-site basis for the remainder of the MQE. It is anticipated that the arbitration outcome in respect of the remaining 15 representative Sites that are left to be reviewed by the Panel will be completed no later than mid-2023 and management is currently focussed on preparations for review by the Panel of the remaining Sites.

### ***Property releases***

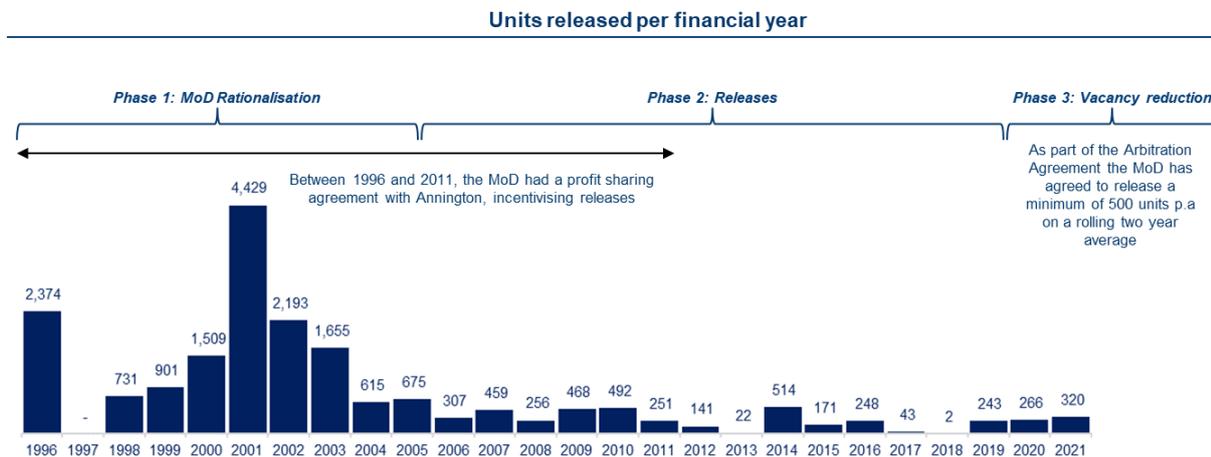
As the MoD's requirements for Service Family Accommodation change, it may choose to give up its rights to occupy Sites (or certain parts thereof) by terminating the related lease upon a minimum of six months' notice and subject to certain minimum release criteria. Upon termination of a lease, APL has an option to purchase the MoD's freehold (or leasehold) reversion of the applicable Units released from the MQE (**Released Units**) for a nominal sum and is free to use or dispose of them as it sees fit. Subject to certain parameters and the Dilapidations and Handback Agreement, the number, location and timing of property releases are at the sole discretion of the MoD and the Group has no control over this process (see "*Risk Factors – The Group cannot limit the quantity or influence the type, location and timing of property releases by the MoD*").

Pursuant to the Dilapidations and Handback Agreement, the MoD agreed to release a minimum of 500 Units per annum (subject to a rolling two-year average) and APL agreed to waive up to £7,000 per Unit of dilapidations, subject to a £3.5 million annual cap and provided the MoD complies with the agreed release profile. In the first year of that commitment the MoD was deemed to have released 501 Units and in the second year of that commitment the MoD released 320 Units.

As part of the 1996 Acquisition, the MoD and APL entered into the Utilities Agreement whereby the MoD agreed to continue to supply certain utilities, such as the supply of potable water, electricity and the disposal of domestic sewage, to Released Units that are currently supplied by the MoD from the adjacent military base (the **Base Dependency**). Any obligation on the MoD to provide services pursuant to the Utilities Agreement falls away on a date in the relevant Underlease (between 25 and 28 years from 5 November 1996, coterminous with the Site Review). At this time, the Group will be obliged to re-provide connections to the public utilities network for whichever utility supply is base dependent on that site, prior to releasing Units for sale.

As at 31 March 2021, in addition to the initial 2,374 Surplus Units the MoD had released a total of 16,911 Released Units together with an additional 181 Related Assets since the 1996 Acquisition Date.

The graph below summarises the number of Released Units released during each financial year since the 1996 Acquisition Date (including the Surplus Estate as at the time of the 1996 Acquisition):



Historically, Released Units were refurbished and sold by APL (including to other members of the Group holding the Non-MQE Portfolio) at arm's length and on market terms, or leased at open market value, thereby on average providing an immediate uplift in value given that such properties will no longer be subject to the adjusted rent being paid by the MoD prior to their release. A number of Released Units are also rented to third parties, principally where the Released Units are on or near large MQE Sites where they may be held for open market rent comparisons in support of the Beacon Unit rent review process. Where the MoD has from time to time released large numbers of Units on a Site, APL has adopted a mixed disposal strategy of selling and renting, thereby benefiting from earlier occupation and increased income. APL has also rented Units which have been designated for future redevelopment and are capable of generating short-term rental income.

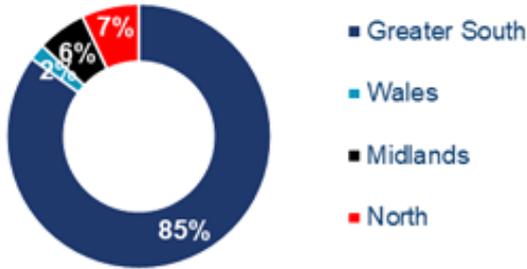
### ***Details of the portfolio***

The entire Married Quarters Estate is located in England and Wales. As at 31 March 2021, as measured by aggregate Fair Value of the MQE, approximately 85 per cent of Units within the MQE were located in East Anglia, Greater London, the South East and the South West.

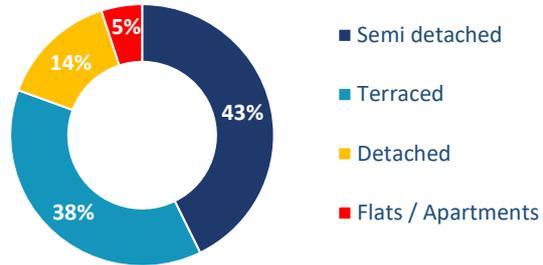
The majority of the MQE consists of Units located on Sites that form part of or are near to military bases. The Units vary in age, but as at 31 March 2021 approximately 92 per cent of Units within the MQE were built from 1945 onwards. While the Married Quarters Estate includes a broad selection of property types, as at 31 March 2021, approximately 82 per cent of Units within the MQE were two- and three-bedroom terraced or semi-detached properties.

## Split of portfolio

Total portfolio by location <sup>1</sup>



MQE portfolio by type <sup>2</sup>



Source: Company

1. By Fair Value as at 31 March 2021
2. By Units as at 31 March 2021. Detached houses include Bungalows.

### The Non-MQE Portfolio

The Non-MQE Portfolio consisted of 2,287 Units as at 31 March 2021. The Rentals Portfolio consisted of 1,674 Units owned by eight companies, and 27 managed properties as at 31 March 2021. Of these eight companies, two own Units that help generate comparison data that the Group uses in rent negotiations with the MoD during Rent Reviews. The remaining six companies let Units either on bulk tenancies (often to the MoD) at market value or on assured short-hold tenancies to other third parties on the open market. As at 31 March 2021, 647 Units in the Rentals Portfolio were let either to the MoD or to public authorities on bulk leases. The Surplus Estate consisted of 596 Units as at 31 March 2021 and there were 17 Units in the Inventory.

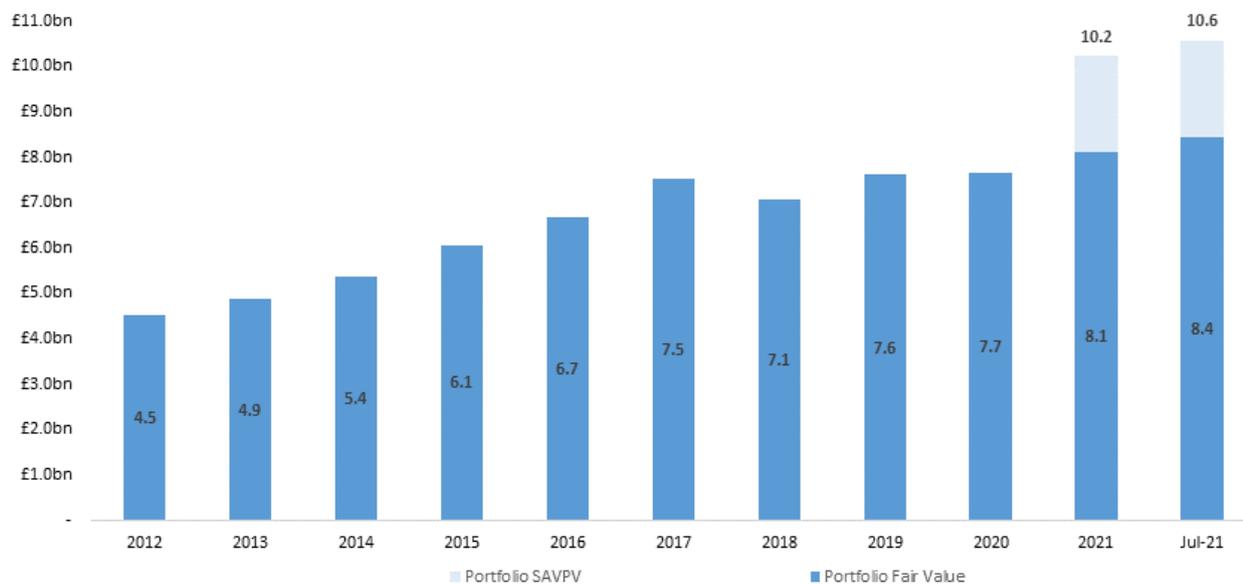
As at 31 December 2020, annualised passing rent in respect of the Non-MQE Portfolio was £19.9 million. As at 31 July 2021, the Market Value of the Rentals Portfolio is estimated to be £369.4 million by CBRE Limited and SAVPV is estimated by CBRE Limited to be £413.6 million. As at 31 July 2021, the Market Value of the Surplus Estate is estimated by CBRE Limited to be £89.5 million and SAVPV is estimated by CBRE Limited to be £97.8 million.

The rental capability that the Group has developed is key to realising best value from the Released Units. This capability allows the Group to control the timing of sales releases into the housing market and take advantage of strong yields in markets where the Group sees the potential for appropriate returns. The Group has a proven operational platform that would allow it to continue to expand its Rentals Portfolio, either organically by retaining Released Units, or through open market acquisitions, although this is not currently the Group's strategy.

The Group also has an in-house development capability, which allows it to provide planning and development support in connection with the potential development of Released Units. Where opportunities arise to create added value through infill development, the Group may carry out development activities on its own account or enter into joint venture arrangements with other landowners and property developers where the combination of skills, assets and resources are expected to yield higher returns.

## Group Property Valuation

The graph below sets out the Portfolio Fair Value as at 31 March in each of the years from 2012 to 2021, determined by the Group (based on external annual valuations prepared for financial reporting purposes). The Portfolio Fair Value as at 31 July 2021 and the Portfolio SAVPV as at 31 March 2021 and 31 July 2021 have been determined by CBRE Limited.



Source: Company

1. Portfolio Fair Value shown in each of the years from 2012 to 2016 represents market value under UK GAAP, as of 31 March in each of the years from 2017 to 2021 the measure represents Fair Value under IFRS. For 31 July 2021, the measure represents Market Value.

## **Key Strengths of the Group**

### ***Estate underpinned by long-term, stable, contracted UK Government-backed cash flows***

Substantially all of the Group's properties benefit from 200-year leases entered into at the time of the 1996 Acquisition with a tenant that has a strong sovereign credit rating,<sup>7</sup> which provides a stable, long-term, contracted rental income stream. The MoD has an obligation to pay rent on all MQE Units, regardless of occupancy, and to cover all maintenance costs, taxes and all other associated outgoings in respect of the MQE.

### ***A property portfolio with a favourable regional bias, attractive South of England exposure and resilient asset values***

The Married Quarters Estate benefits from a regional bias towards Southern England and Greater London, which are traditionally more affluent regions where house prices and rental growth rates have historically outperformed UK national averages and where the Issuer and the Guarantors believe prospects for economic growth and prosperity remain the strongest in the country.

As at 31 March 2021, as measured by the aggregate Fair Value for the MQE, approximately 85 per cent of Units within the MQE were located in East Anglia, Greater London, the South East and the South West.

Since the 1996 Acquisition Date, rental growth on the 38,356 Units within the MQE as at 31 December 2020 recorded an MQE CAGR of 3.7 per cent. The portfolio has successfully captured uplifts in house price inflation, with Market Value for the MQE having increased by over 3.5x the price paid at the 1996 Acquisition, whilst the number of Units has decreased by approximately 30 per cent. Similarly, since the Investors acquired the Group, the Group's property rental income has grown by 12 per cent from £179 million in the financial year ended 31 March 2013 to £201 million in FY 2021 and the Group's net assets have increased by over 2.5x from £1.9 billion in financial year ended 31 March 2013 to £4.9 billion in FY 2021.

### ***The Group's property portfolio generally consists of spacious affordable homes that have consistently been and remain in high demand***

Many of the Group's properties offer spacious accommodation and feature larger-than-average rooms and gardens compared to properties of a similar type built more recently. The average sales price for Units sold in FY 2021 at approximately £241,000 shows the properties are positioned at an affordable range in the market where there is significant demand including from first time buyers. Further, the Group's Sites are often set in much more open space than typically found elsewhere in the United Kingdom especially when compared to more modern developments, particularly in demand given structural shifts to lifestyle since the beginning of the Covid-19 pandemic. The substantial majority of the Group's portfolio consists of two- or three-bedroom properties, which the Issuer and the Guarantors believe are ideal sizes for families, consisting of detached, semi-detached or terraced houses, as opposed to flats. Demand for the Group's housing has been consistently strong, particularly among first-time homebuyers, public sector "key workers" and "down-sizers". A proportion of the Group's properties are also sold to Service and ex-Service Families.

### ***An opportunity to unlock value through the efficient disposal or reletting of released properties***

Releases of properties by the MoD provide the Group with the potential to unlock significant value through the reletting of Released Units at market rent or sale on the open market at MQE SAVPV. The Group has significant experience managing a wide range of releases (in terms of geography, property type, size and local market). The Issuer and the Guarantors believe these uplifts clearly demonstrate the benefit the Group will receive once properties are no longer being rented subject to the relevant rent adjustment factor. CBRE Limited

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<sup>7</sup> As at the date of this Offering Circular, the United Kingdom has a sovereign credit rating of AA with stable outlook (S&P Global Ratings UK Limited (**S&P**)), AA- with stable outlook (Fitch Ratings Limited (**Fitch**)) and Aa3 with stable outlook (Moody's Investors Service Limited (**Moody's**)). Each of S&P, Fitch and Moody's is established in the European Union and is registered under the UK CRA Regulation and included in the list of credit rating agencies published by the FCA on its website (at <https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras>) in accordance with the UK CRA Regulation.

have valued a 26 per cent reversionary increase for the MQE from Market Value to MQE SAVPV in their valuation dated 31 July 2021.

***Lease arrangements with the MoD provide mechanisms that offer the Group the opportunity to realise significant value uplifts***

The Group's lease arrangements with the MoD provide mechanisms designed to keep rent levels in line with movements in market rates on an ongoing basis. Through the Group's established Rent Review procedures, together with an active approach to property management (whereby the Group research market rents payable in respect of comparable properties to provide evidentiary support for asking rates), the Group has successfully captured upward movements in rent levels since the 1996 Acquisition and improved rents on the Group's core rental stock. The Group has outperformed the UK rental market through the Rent Review process, as shown by the fact that between 2010 and 2020, England (excluding London) experienced a rental growth index CAGR of approximately 1.9 per cent, whereas the Group achieved a rent per unit CAGR of approximately 2.3 per cent across the entire Married Quarters Estate over the same period.

The Site Review process provides the opportunity to realise value through the achievement of lower rental adjustment factors. The Group has already seen a significant improvement in the rental adjustment factor in the first 12 Baskets in the Site Review process conducted pursuant to the Arbitration Agreement moving from the Original Adjustment Factor of 58 per cent to an average rental adjustment factor for the first 12 Baskets of 49 per cent.

***The Group benefits from a strong and experienced management team***

Experienced management team with significant experience in the Real Estate sector, led by Ian Rylatt. Management's achievements include establishing the protocol around managing the leases for the MQE with the MoD (including the Rent Review and dilapidations claims protocols and procedures), the release of properties by the MoD, developing an efficient and effective refurbishment and sales capability, establishing the private rental sector portfolio of the Group through the Non-MQE Portfolio, and earning a strong reputation in the debt markets.

**The Group's Strategies**

The Group enjoys a unique role as the MoD's primary landlord, benefiting from stable, long-term, contracted rental income with the potential for significant capital appreciation. The key elements of the Group's business strategies, which aim to ensure the Group continues to maximise the benefits of this opportunity, are described below.

***Maximising MQE value increases through Rent Reviews and Site Reviews***

The Group looks to maximise rental income and in turn estimated market value of the Group's properties through the five yearly Rent Review cycle setting the reference open market rent for properties, and the 15 yearly Site Review cycle from 2021 setting the rental adjustment factors for the MQE. Management is focussed on preparations for such Rent Reviews and the accelerated Site Review process pursuant to the Arbitration Agreement for the remaining 15 Baskets in order to maximise uplifts to rental value.

***Rigorously appraising options for Released Units***

The Group appraises Released Units in accordance with strict criteria designed to optimise the Group's returns on investment. It examines all potential options on a Site-specific basis, including whether to sell the Units to third party purchasers or to members of the Group holding the Non-MQE Portfolio. The Group's management reviews and evaluates options for Released Units including various levels of refurbishment, potential infill development, or redevelopment and pursues appropriate strategies having regard to market conditions and other circumstances existing at the time. From time to time, the Group may also choose to rent out certain properties prior to sale if this approach appears more likely to yield greater value due to market conditions or otherwise.

***Developing systems and processes to minimise cost of sales of Released Units to third party purchasers and ensure efficient handling of units between release and sale or reletting***

In respect of Released Units which are intended to be sold to third party purchasers, the Group adopts a wide variety of systems and processes to minimise the cost of sales of Released Units and ensure efficient handling of units between release and sale or reletting, including the use of key task tracking to identify every aspect of a Released Unit's transition from handover by the MoD to sale in order to allocate responsibility and to control programme implementation and costs. The Group also maintains an extensive use of outsourcing to control workflows and match the uncertainties of variable MoD property release levels. Preferred contractors are employed on a schedule of rates in order to guarantee pricing levels. The Group expects that management will, where necessary, continue to offer certain sales incentives to maximise sales volumes, as well as employing sales support providers and estate agents having detailed knowledge of the local markets in which they operate.

***Actively managing tenancies***

Through the Non-MQE Portfolio, the Group intends to continue letting at market rates to the MoD or third parties on the open market, and improving the Group's returns through actively managing the Group's tenancies and rental levels. Reviews of such properties are conducted regularly to identify where there may be a void occupancy in the short term and to assess what rental level should be achieved on re-letting. If it becomes uneconomic to retain such properties, potential options to maximise value will be considered, including refurbishment, redevelopment and disposal.

***Undertaking planning and development initiatives where appropriate***

As and when opportunities arise within the properties released from the Married Quarters Estate or in the Non-MQE Portfolio, the Group will continue to undertake planning and development initiatives within, and provide planning and development skills to, the wider Group.

## Other indebtedness of the Group

As at 31 March 2021, the Group had £3.4 billion of debt outstanding, mainly comprising bonds issued by the Group's subsidiary, Annington Funding plc, which are listed on the main market of the London Stock Exchange. With this level of debt, as of 31 March 2021, the Group's Loan to Value, as calculated in accordance with the covenants applicable under the terms of the bonds is 39.1 per cent, reduced from 42.7 per cent at 31 March 2020 demonstrating the strength in the Group's balance sheet and the growth in value of the investment properties. As of 31 March 2021, the Group's debt has a weighted average cost of 3.1 per cent and a weighted average life of 10.2 years.

The table below sets out the ratio calculations as at 31 March 2020 and 31 March 2021 pursuant to the financial covenants set forth in (i) Condition 4.2 of the terms and conditions of the Notes and (ii) the Facilities Agreement, as defined below):

Covenant	Limit	As at 31 March 2020	As at 31 March 2021
<b>Interest Coverage Ratio<sup>1</sup></b>	<ul style="list-style-type: none"> <li>▪ &lt; 1.3x (Dividend Lock-Up threshold)</li> <li>▪ &lt;1.15x (Facilities agreement default threshold)</li> <li>▪ &lt; 1.0x (Bond default threshold)</li> </ul>	▪ 1.7x	▪ 1.7x
<b>Loan to Value<sup>2</sup></b>	▪ < 65%	▪ 43%	▪ 39%
<b>Secured Indebtedness test<sup>3</sup></b>	▪ < 40%	▪ 0%	▪ 0%
<b>Maintenance of Total Unencumbered Assets<sup>4</sup></b>	▪ > 125%	▪ 233%	▪ 254%

1. Calculated as the ratio of Consolidated EBITDA to Net Finance Charges
2. Calculated as the ratio of Consolidated Total Net Borrowings to Consolidated Adjusted Total Assets
3. Calculated as the ratio of Secured Indebtedness to Consolidated Total Assets
4. Calculated as the ratio of Unencumbered Property Assets to Unsecured Net Indebtedness
5. All defined terms have the meanings given to them in the Terms and Conditions of the Notes

### ***Facilities Agreement***

The Issuer (as borrower and guarantor) is party to an unsecured £500 million facilities agreement (the **Facilities Agreement**) with Barclays Bank plc as agent. Each of AL, AHL and APL guarantee the Issuer's (and each other borrower and guarantor's) obligations under the Facilities Agreement. Pursuant to the terms of the Facilities Agreement, a £400 million term loan has been drawn down in full and a £100 million revolving credit facility remains undrawn. The term loan facility and revolving credit facility mature in March 2025.

### ***Bonds issued under the 2017 EMTN***

AFP has issued bonds under its EMTN programme established in 2017 in the following denominations, maturities and fixed interest rates.

<b>Currency</b>	<b>Pound Sterling (£)</b>				<b>Euro (€)</b>
<b>Principal Amount</b>	625 million	600 million	625 million	625 million	600 million
<b>Final Maturity</b>	12-Jul-25	12-Jul-29	12-Jul-34	12-Jul-47	12-Jul-24
<b>Coupon</b>	2.646 per cent	3.184 per cent	3.685 per cent	3.935 per cent	1.650 per cent

### ***Hedging***

Cross currency swaps are in place for the €600 million bond due 2024, converting its initial nominal balance to £526.3 million. These swaps also mitigate volatility of foreign currency movements in future interest and capital repayments. The function of these swaps increases the effective interest rate of the Euro tranche debt to 2.764 per cent, fixed for the life of the bond.

### ***Ratings***

The Programme has been rated BBB by Fitch and has been assigned a provisional rating of (P)Baa2 by Moody's.

## INDUSTRY OVERVIEW

### The UK Housing Market

#### The UK Housing Market at a Glance

The total value of the UK housing market was approximately £7.56 trillion<sup>8</sup> as at year end 2020, almost four times the total market value of the FTSE 100 which was c £1.89 trillion as at 30 June 2021<sup>9</sup>.

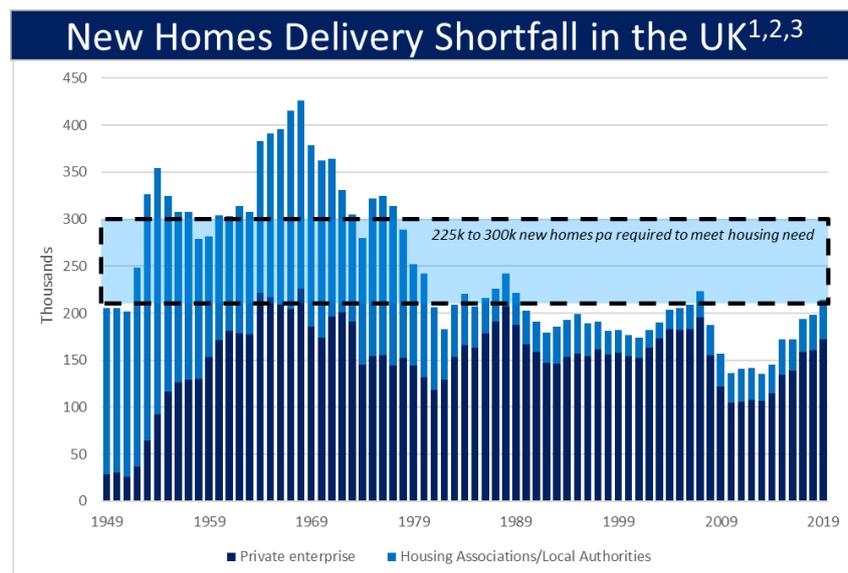
There were 24.7 million homes in England at 31 March 2020, the majority of which (15.7 million or 64 per cent) were owner occupied, with 4.8 million private rented dwellings and 4.1 million social and affordable rental housing<sup>10</sup>, and an additional 1.4 million dwellings in Wales of which, 1.2 million were owner occupied<sup>11</sup>.

#### Long-term Supply/Demand Factors in the UK Market

##### *Persistent Structural Undersupply*

The UK housing market has been in a long-term position of structural undersupply for over 25 years as the number of new homes built each year has failed to keep pace with the number of new household formations and the replacement of redundant stock.

In 2017, the Government stated that “we need from 225,000 to 275,000 or more homes per year to keep up with population growth and start to tackle years of under-supply”<sup>12</sup>, while the House of Lords Select Committee on Economic Affairs suggested a larger requirement of at least 300,000 new homes annually “for the foreseeable future” to meet housing need<sup>13</sup>. In 2017, the Government affirmed its 2015 ambition to build 1 million new homes by the end of 2020 – a target that has not been met - and a further half million by 2022. Planning permission for around 520,000 houses each year needs to be granted to ensure 300,000 homes a year are delivered compared with 372,000 new permissions recorded by the Ministry of Housing, Communities and Local Government (MHCLG) in 2019, an increase of between 104,000 and 115,000 permissions per year in the next two/three years.



<sup>8</sup> Savills Research, March 2021

<sup>9</sup> FTSE Russell as at 30 June 2021

<sup>10</sup> MHCLG Dwelling Stock Estimates:31 March 2020, England

<sup>11</sup> Welsh Government, Dwelling Stock Estimates, 31 March 2020

<sup>12</sup> MHCLG, Fixing our broken housing market, Feb 2017

<sup>13</sup> House of Lords Select Committee on Economic Affairs, ‘Building More Homes’, 2016

Source:

1. Tackling the under-supply of housing in the UK, 14 January 2021
2. Permanent dwellings completed by tenure, Department for Communities and Local Government, May 2017
3. House of Lords Select Committee on Economic Affairs, 'Building More Homes', 2016

New supply reached 244,000 in 2019-20 but is expected to be lower for 2020-21 due to the impact of COVID-19. Using Energy Performance Certificates (EPCs) as a proxy for housing supply, in the 12 months to March 2021, new dwelling EPCs totaled 220,730, a decrease of 13 per cent on the 12 months to March 2020<sup>14</sup>.

Whilst Government action to drive the production of new homes is undoubtedly supporting modest increases in output, supply constraints, which include land availability, planning, capacity in the house building sector, skilled labour shortages and material and labour costs, mean that the shortfall in housing production is unlikely to change materially in the short to medium term. In turn this suggests that the existing housing shortage in the UK will persist.

### ***Demand Driven by Demographics and Supportive Economic Backdrop***

Demographic factors underpin strong and persistent demand for UK housing. The UK population has grown year-on-year since 1982 and at mid-year 2020 (the most recent year for which data is available), population estimates showed that the population of the UK reached 67.1 million, an increase of about 284,000 (0.4 per cent) since mid-year 2019<sup>15</sup>. The population is projected to continue to grow by between 0.2 per cent and 0.46 per cent to reach a population of 73.6 million by 2050, an increase of approximately 6.5 million people<sup>16</sup>.

The UK remains a nation of owner occupiers and demand for housing remains strong. It has been supported over the period since 2012 by the continuing policy of low interest rates and increasing consumer confidence during a period of comparatively stable economic growth and stable employment.

More recently demand has been driven primarily by buyers seeking additional space and so moving to larger homes as a result of the COVID-19 pandemic and further supported by the time limited Stamp Duty Land Tax (SDLT) nil rate band extension. Demand for homes was up 23 per cent year to date vs 2020 and against a 2 per cent year to date vs 2020 reduction in supply<sup>17</sup>, suggesting that house prices have further to rise subject to affordability constraints.

The backdrop of low interest rates (the Bank of England base rate of 0.1 per cent), renewed availability of high LTV mortgages in the market, led by the Government's mortgage guarantee scheme which provides lenders with guarantees for certain mortgages with a 5 per cent deposit between 19 April 2021 to 31 December 2022, and a rebounding labour market are all underpinning continued housing demand.

## **UK House Price Growth**

### ***Long-term trends***

The UK housing market has been notable for its long term growth in average house prices, which has generally exceeded both wage and retail price inflation. During the decade prior to the 2008/2009 financial crisis, house prices had seen year-on-year growth, rising by approximately 200 per cent between 1997 and 2007, which represented a compound annual growth of 12 per cent<sup>18</sup>.

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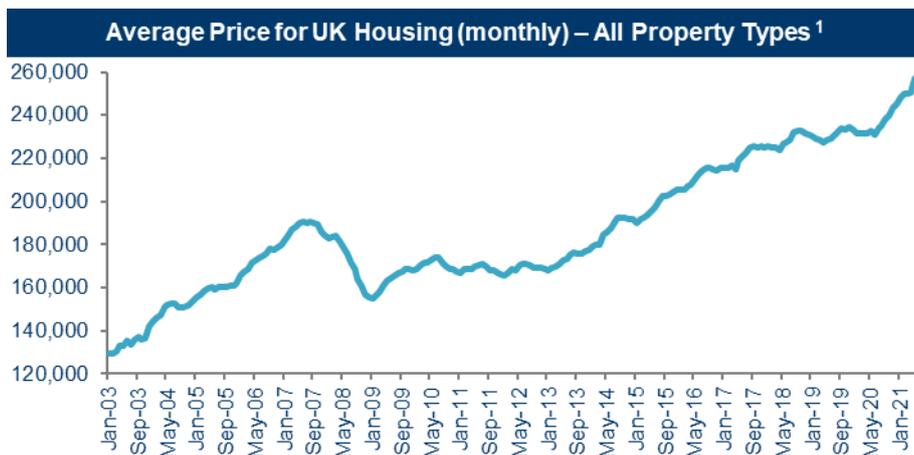
<sup>14</sup> MCLHG, Housing supply: indicators of new supply, England: January to March 2021

<sup>15</sup> ONS, Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2020, 25 June 2021

<sup>16</sup> ONS, Principal projection - UK summary, 21 October 2019

<sup>17</sup> Hometrack, UK HPI, June 2021

<sup>18</sup> Nationwide HPI



Source: Land Registry, House Price Statistics, Average Price All Property Types UK

Following the financial crisis in 2008/2009, house prices fell by 18.6 per cent<sup>19</sup> or 18.4 per cent<sup>20</sup> and the total value of loans approved for house purchases during 2008/2009 fell by 61.7 per cent<sup>21</sup>. Subsequently, the housing market entered a period of recession, with severe adverse effects on transaction volumes and values across the UK. However, since 2013, house prices have risen steadily, growing by 52 per cent to May 2021<sup>22</sup>.

First Time Buyer's ability to enter the housing market has been affected by increased deposit requirements and house price inflation outstripping real wage growth over the longer term. However, Government initiatives like Help to Buy have supported the purchase of 257,520 properties by First Time Buyers with an overall value of £68.5 billion in the period from April 2013 to December 2020<sup>23</sup>.

### ***Current Market Dynamics***

Whilst the 'mini-boom' in residential housing following the reopening of the UK economy after the first lockdown which began in Q1 2020 as a result of the COVID-19 pandemic appears now to be moderating with the tapering of the SDLT holiday, price inflation remains strong.

Annual house price growth rose to 13.2 per cent in June 2021, the highest in over 16 years<sup>24</sup>. The cost of an average house in the UK was £266,000<sup>25</sup>, £284,000 in England (up 13.3 per cent over the year) and £195,000 in Wales, an increase of 16.7 per cent over the preceding 12 month period and the highest of the four home nations. On a regional basis, London had the highest average house price at £510,299, followed by the South East and the East of England, at £355,948 and £327,017 respectively. The lowest average price remained the North East at £149,521. Regionally, the data<sup>26</sup> supports a picture of fastest price growth in the most affordable regions, notably the North East and North West, with overall price increases being driven by a wide supply-demand imbalance in the market. However, all regions have enjoyed strong growth over the period.

<sup>19</sup> Nationwide HPI

<sup>20</sup> ONS, HPI

<sup>21</sup> Bank of England

<sup>22</sup> HM Land Registry, UK HPI Data, House Price Statistics, Average price by type of property in the UK (Feb 2013 average property price in the UK was a low of £167,682, vs £254,624 in May 2021, the last month for which data is available)

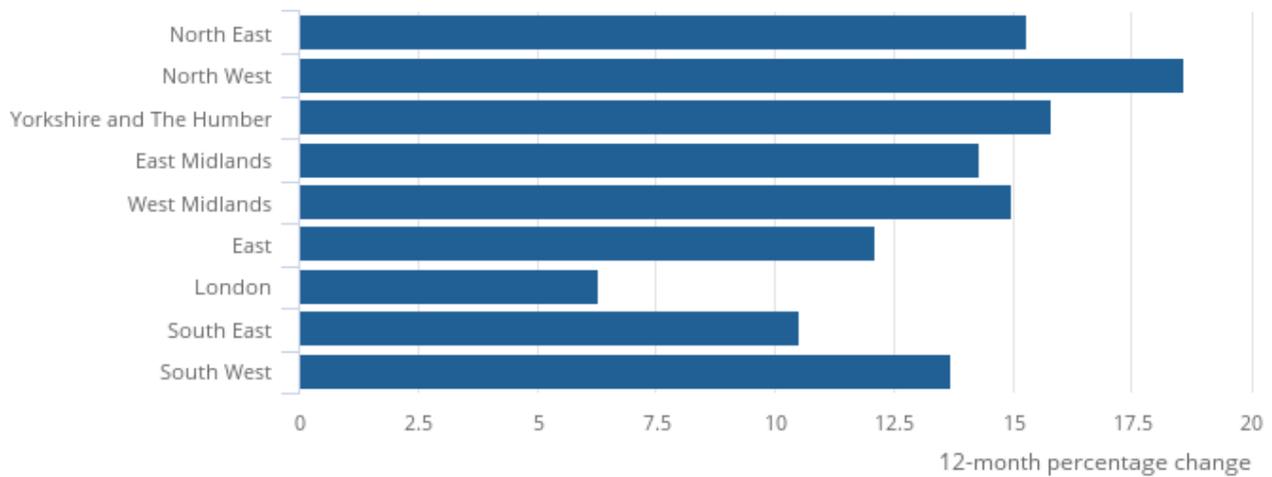
<sup>23</sup> MHCLG, Help to Buy (equity loan scheme): data to 31 December 2020, 13 May 2021

<sup>24</sup> ONS, UK HPI Data

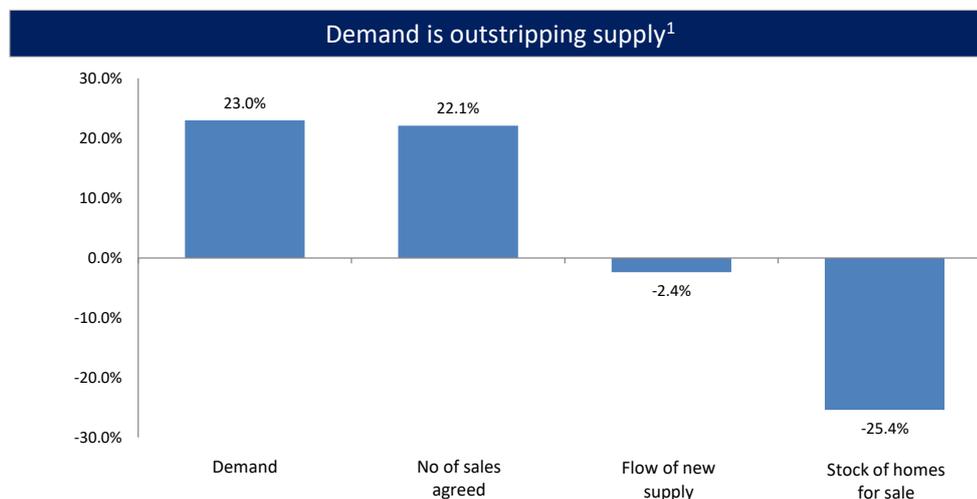
<sup>25</sup> ONS, UK HPI Data

<sup>26</sup> HM Land Registry and ONS, All dwellings annual house price rates of change, by English region, year to June 2021

## All dwellings annual house price rates of change, by English region, year to June 2021<sup>27</sup>



The regional divergence in house prices demonstrates the ‘race for space’ trend resulting from the COVID-19 pandemic as people seek out properties with more indoor and outdoor space within their budget as the effects of hybrid and remote working persist. The trend is also evident in the divergence of demand and therefore house price growth by dwelling type, with demand for houses twice that registered during 2017-19 while demand for flats has not kept pace. The average price for houses, from terraces to detached, are up 7.3 per cent in the year to the end of June, up from 1.9 per cent in the previous 12 months. In contrast, price growth for flats is lagging at 1.4 per cent, which is unchanged compared to the previous 12 months.<sup>28</sup>



Source: Zoopla Research, Year to June 2021 vs. 2020, June 2021

<sup>27</sup> HM Land Registry and ONS

<sup>28</sup> Hometrack, UK House Price Index – June 2021

## House price growth outperformed that of flats

% change: 12 months to June 2021



Source: Zoopla Research, June 2021

### ***Future expectations***

Savills has revised their forecast for calendar year 2021 upwards to 9 per cent, and 21.5 per cent over five years, with UK average house prices expected to reach £280,568 by the end of 2025. Capital Economics believes that the threat of a dip in house prices in 2021 has significantly diminished and amended their original prediction of a 4 per cent drop in prices to a 3 per cent rise and Knight Frank raised its forecast from zero to 5 per cent growth.

Whilst the forecast for the housing market in England and Wales remains positive, much still depends on the path out of the COVID-19 pandemic but strong vaccine uptake, ongoing Government support and a more positive economic backdrop all suggest that the market has further to run.

### **The Rental Market**

#### ***Growing population of renters driving demand***

Population growth and the divergence between house price inflation and wage growth due to the on-going undersupply of new housing stock has increased the barriers to entry for those looking to buy their own homes and has resulted in an increase in the percentage of the population who rent in the private rental sector.

With median house prices in England and Wales at 7.69 times median earnings or 7.84 times considering England alone<sup>29</sup> and the average first-time deposit is at £58,986 or around 23 per cent of the house purchase price<sup>30</sup>, it is no surprise that the average age of first time buyers in the UK has steadily increased<sup>31</sup> and in 2019-20 was 32 years<sup>32</sup>.

However, the long term increase in percentage of the population in the private rented sector is not only evident in the cohort of those under 35, who have always been overrepresented in the sector, home ownership has decreased for all ages under 65<sup>33</sup> and renting has increased. As at 2019-20, 42 per cent of 25-34 year olds rented, a significant increase from 21 per cent in 2003-04 but a decrease from its peak of 48 per cent in 2013-14, but notably 10 per cent of 55-64 year olds were renting in the private sector, and increase from 7 per cent

<sup>29</sup> ONS House price to residence-based earnings ratio, March 2021

<sup>30</sup> Halifax (Feb 2021)

<sup>31</sup> ONS

<sup>32</sup> MHCLG, English Housing Survey 2019-20

<sup>33</sup> ONS, Living longer: changes in housing tenure over time

in 2009-10, reflecting a corresponding drop in the proportion of owner occupiers in this age group from 78 per cent to 74 per cent<sup>34</sup>.

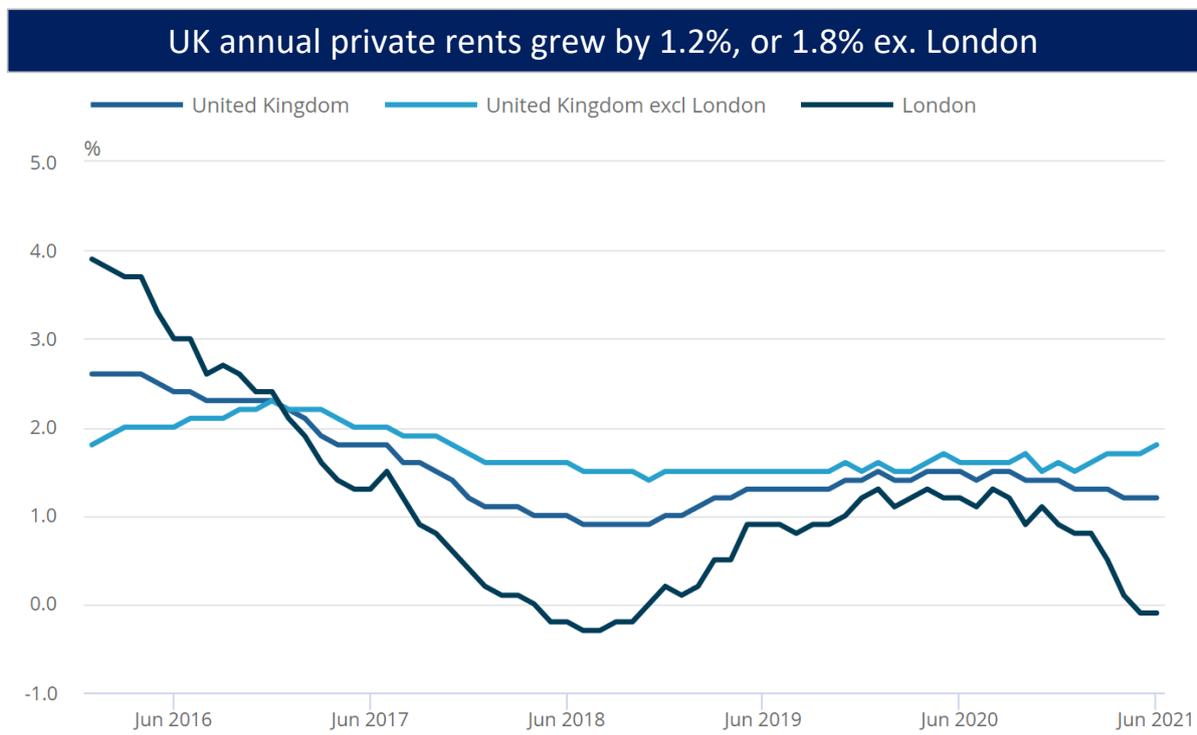
***A fragmented market with opportunities for institutional participants***

The UK’s private rented sector (**PRS**) has expanded rapidly in recent years at the expense of home ownership and social rented housing. In 2020, the PRS accounted for an asset value of £1.44 trillion<sup>35</sup> representing approximately 4.4 million or 19 per cent of all households, the second largest tenure behind home ownership and ahead of social and affordable rented stock (4.0 million)<sup>36</sup>. Private rental has been the fastest growing sector over the last 10 years and is projected to continue that trajectory over the next 10 years.

The private rented sector in the UK has historically been a highly fragmented and predominantly amateur market. In 2018, the most recent year for which data is available, 83 per cent of all landlords owned four or fewer properties. Of these, 5 per cent of landlords (representing 5 per cent of tenancies) intended to leave the sector in the next two years and 10 per cent (18 per cent of tenancies) expected to reduce their portfolio. The majority of these (61 per cent) cited legislative change as the reason for doing so, primarily the withdrawal of the tax relief which allowed landlords to offset financing costs (including mortgage payments) against Income Tax, which came to an end in April 2020<sup>37</sup>.

***Lack of supply driving price growth***

Whilst the demand for private rented accommodation continues to grow, the rental market is subject to the same constraints in terms of delivery of new stock as the overall housing market and this has resulted in upward pressure on rents, UK rental prices have increased 10.6 per cent between January 2015 and June 2021<sup>38</sup>



Source: ONS, Index of Private Housing Rental Prices, UK, June 2021

<sup>34</sup> MHCLG, English Housing Survey 2019-20

<sup>35</sup> Savills Research, 12 March 2021

<sup>36</sup> MHCLG, English Housing Survey 2019-20

<sup>37</sup> MHCLG, Survey of English Private Landlords 2018

<sup>38</sup> ONS, Index of Private Housing Rental Prices, UK: June 2021

Private rental prices paid by tenants in the UK increased by 1.2 per cent in the 12 months to June 2021, 1.1 per cent in England, 1.5 per cent in Wales and 1.2 per cent in Scotland over the same period. Regional divergence is in evidence with the East Midlands and West Midlands registering the highest annual growth (both 2.4 per cent), while London saw the lowest (negative 0.1 per cent)<sup>39</sup>. This reflects the recent changes in renter behaviour, with a preference for more space and less desire for city centre living as a result of the pandemic.

### ***Future expectations***

Strong demand is evident across the UK with the exception of London, with tenant demand growth seemingly accelerating over the month to June 2021 which, coupled with a shortfall in new landlord instructions, suggests widespread rental growth going forward, with headline projections standing at +3 per cent for the coming 12 months<sup>40</sup>. In London, 12-month rental growth projections have been in modestly positive territory in each of the last three months, suggesting a more positive outlook than was evident earlier in the year<sup>41</sup>. Further ahead, UK rents are expected to rise by 17.0 per cent (15.9 per cent UK ex London, 19.3 per cent London alone) over the five years to 2025<sup>42</sup>.

### **The Defence Estate**

The MoD is one of the largest landholders in the country, accounting for approximately 1.5 per cent of the UK land mass and with holdings valued at £35.6 billion. In 2019-20, the MoD spent £4.6 billion (12 per cent) of its budget on its estate, mainly on maintaining, building and upgrading the built estate, which comprises 32 per cent of the total Defence Estate and consists of 900 sites with approximately 96,000 buildings.<sup>43</sup> An important part of the built estate is Service Family Accommodation (SFA) which consists of 49,000 homes of which 38,140 form the MQE as of 31 March 2021.

The Defence Estate is crucial to delivering the UK's defence capability as it is where approximately 230,000 military and civilian personnel live, work and train. The framework for the current defence environment was set out in the Government's Strategic Defence and Security Reviews of 2010 and 2015 (the **2010 SDSR** and the **2015 SDSR**, respectively) which resulted in a significant reduction in defence force numbers and the commencement of a significant plan to rationalise the defence estate.

The 2015 SDSR included a commitment to maintain the size of the regular Armed Forces, not to reduce the Army to below 82,000 and to raise the numbers of personnel in both the Royal Navy and the Royal Air Force (to 30,450 and 31,750 respectively) by 2020. These levels represented a significant reduction of approximately 30,000 as compared to the force strengths in 2010, and a significant redundancy programme was undertaken which was completed by 2015. The impact on demand for SFA housing was largely offset by the decision taken in the 2010 SDSR to relocate the 20,000 service personnel stationed in Germany to the United Kingdom. This move is now largely complete.

In November 2016, the MoD set out its strategy for the defence estate in the report "A Better Defence Estate", in which it outlined a 25-year plan to rationalise the defence estate. The strategic aim outlined in the report is to deliver the outcomes of the 2015 SDSR whilst reducing the size and cost of the Defence Estate. The MoD's plans set out to reduce the size of the estate by 30 per cent by 2040 and provide estimated savings of £140 million in running costs over ten years, rising to nearly £3 billion to be recycled into Defence by 2040.

The 2016 National Audit Office (the **NAO**) report, "Delivering the defence estate" highlighted the "huge challenges" for the MoD in not only maintaining its estate but implementing its strategy and funding the improvements needed. The MoD was aware that based on then current plans and forecasts there was a funding

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<sup>39</sup> ONS, Index of Private Housing Rental Prices, UK: June 2021

<sup>40</sup> RICS, UK Residential Market Survey, June 2021

<sup>41</sup> RICS, UK Residential Market Survey, June 2021

<sup>42</sup> Savills Research, Oxford Economics

<sup>43</sup> National Audit Office Report, "Optimising the defence estate", June 2021.

gap of at least £8.5 billion. The report highlighted that this funding gap did not include all possible future liabilities associated with the built estate, including costs associated with the SFA. The concerns expressed in the 2016 report appear to have been justified as the 2021 NAO report “Optimising the defence estate” notes that the MoD has struggled to meet its target of reducing the size of its built estate, having only achieved a 2 per cent reduction since 2015-16 and expects to only meet around half of its target of a 30 per cent reduction by 2040-41.

There has been no significant movement on policy or strategy until this year when the government published its Integrated Review of Security, Defence, Development and Foreign Policy, “Global Britain in a Competitive Age” (the **Integrated Review 2021**). The Review provides the MoD with more clarity on future military capabilities, force structure and location.<sup>44</sup> The MoD’s subsequent paper, “Defence in a Competitive Age” (**DCA**) indicates a further reduction in size of the Armed Forces from 144,200 to 134,700 (Army from 82,000 to 72,500) and envisages a different size and shape to the Armed Forces of the future with greater reliance on technology, IT and cyber warfare compared to conventional means. As noted in the June 2021 National Audit Office (NAO) Report “Optimising the defence estate,” the Integrated Review 2021 provides the MoD with the opportunity to reassess its requirements and set revised targets for estates rationalisation, particularly in light of its failure to meet the targets established in 2016.

### **Service Family Accommodation**

The MoD has provided subsidised accommodation for Armed Forces service personnel and their families as a condition of service throughout the post-war period. The provision of good quality living accommodation is a core principle for the MoD, is considered to be a key enabler of operational capability and it is an important part of the Defence Estate.<sup>45 46</sup>

Of the 49,000 UK SFA properties, 91.5 per cent are in England and Wales amounting to 44,800 properties<sup>47</sup> of which 38,140 (as of 31 March 2021) are in the MQE. Notwithstanding the MoD’s management margin target of 10 per cent, void rates in the SFA have generally exceeded this margin for at least the last 15 years<sup>48</sup>. Properties are kept vacant for many reasons; to provide a management margin, awaiting allocation or occupation, undergoing improvement/refurbishment, substandard properties incapable of occupation and genuine voids arising from a lack of demand in locations. Applying the published void rates for the SFA generally on a pro-rata basis suggests that there are approximately 7,500 vacant Units in the MQE.

### **Management of Service Family Accommodation**

The management and maintenance of SFA in England, Scotland, Wales and Northern Ireland is the sole responsibility of the Defence Infrastructure Organisation (DIO) within the MoD. It does this primarily through contracting with private sector providers to build, upgrade and maintain its estate. The contract provides for; a comprehensive repair service, the allocation of properties, SFA furniture, move appointments and improvement works. This comprehensive service is free to occupants, whose rent, is heavily subsidised and who have very little responsibility for the maintenance of their SFA.

The private sector provider with responsibility for maintaining SFA and administering the charging system for that accommodation has been Amey, through the National Housing Prime contract, one of a set of contracts known as the Next Generation Estates Contracts. This has now been replaced by the Future Defence

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<sup>44</sup> National Audit Office Report, “Optimising the defence estate”, June 2021.

<sup>45</sup> Lt Gen James Swift, Chief of Defence People, Ministry of Defence JSP 464, Tri-Service Accommodation Regulations Volume 1: Service Family Accommodation and Substitute Service Family Accommodation – UK and Overseas 1 April 2021.

<sup>46</sup> <https://insidedio.blog.gov.uk/2018/09/10/making-a-difference-to-sfa/>

<sup>47</sup> National Statistics, ‘UK Service Family Accommodation Bulletin 2021’, 27 May 2021.

<sup>48</sup> National Statistics, UK Service Family Accommodation Bulletins

Infrastructure (FDIS) programme under which the contracts for the management and maintenance of SFA in the UK have just been re-tendered in four regional packages worth more than £500 million; two have been awarded to Amey Community Ltd and two to Vivo (a 50:50 joint venture between Serco and ENGIE) while Pinnacle has won a £144 million contract to provide a new customer service centre.<sup>49</sup> Mears Group manages the SFA contracts with private landlords.

The Group has no responsibility for the management or maintenance of the MQE and carries no void risk. At the time of the 1996 Acquisition, the MoD chose to separate the management and maintenance of the MQE from the ownership.

### **Cost of Service Family Accommodation**

There is no publicly available information relating to the current cost of delivering SFA. The most recent publicly available costs are contained in the NAO report “Service Family Accommodation Update” January 2017 which shows that, on average, between 2009-10 and 2015-16, the MoD spent £307 million per year on SFA and received £142 million in charges from service personnel and their families. On average it therefore spent a net amount of £165 million on SFA a year. Of the expenditure, on average 27 per cent related to small-scale improvements and maintenance; 7 per cent to larger capital improvements; 13 per cent to the purchase of new properties; and 53 per cent to dilapidation charges and payment of rent to the Group.<sup>50</sup>

The MoD currently pays an adjusted rent of 42 per cent of open market rental value on all the properties leased from the Group. At 31 December 2020, the average annual rent for an MQE Unit was approximately £4,774, compared to Rightmove Group Limited’s estimated national average asking rent as reported for the quarter then ended, excluding Greater London, of £11,664 per annum, and for Greater London of £23,184.

### **Condition of Service Family Accommodation**

In April 2016, the MoD changed the way it measured the standard of SFA by adopting the Government’s Decent Homes Standard, the minimum standard for anyone housed in public sector accommodation.

As at 31 March 2021, 47,400 SFA properties (96.8 per cent of the total) were rated as meeting the standard of Decent Homes or Decent Homes + under the Decent Homes Standard. However, only 52 per cent of occupants are satisfied with the overall standard of their accommodation<sup>51</sup>. This is unchanged since 2016, driven by dissatisfaction with the response to requests for maintenance and repair and the quality of that work.

On 17 July 2021, the Defence Secretary and the Chancellor of the Exchequer jointly announced £200 million of new Government funding to improve accommodation for service personnel, of which £122 million was allocated for improving the SFA estate with £86 million to be spent in financial year 2020/21 and £36 million in financial year 2021/22. The funds have been allocated to return more than 800 long term void properties, suffering from structural, fire or flood damage, which are to be refurbished fully for allocation to Service Families and to make improvements to a further 2,700 further properties. The relatively small number of properties that will benefit in the context of a large estate suggests that the overall quality of provision will continue to decrease over time. Given that more than 50 per cent of the MQE is now over 55 years old<sup>52</sup>, a

<sup>49</sup> The seven-year contracts have been awarded to:

- Amey Community Ltd: £84m contract for the northern region of the UK including, Scotland, Northern Ireland and North Wales. Amey has also been awarded a £126-million contract for the central region of the UK, covering the Midlands and Mid and South Wales.
- Vivo: £148m contract for the South East of England and an additional £148-million contract for the South West of England.
- Pinnacle: £144m contract to deliver a customer service centre acting as a single point of contact to streamline and resolve accommodation issues quicker.

<sup>50</sup> National Audit Office analysis of MoD data, “Service Family Accommodation Update”, January 2017.

<sup>51</sup> UK Regular Armed Forces Continuous Attitude Survey 2021.

<sup>52</sup> Annington data based on analysis of the MQE.

number likely to be reflected in the SFA estate as a whole, the current levels of investment are unlikely to maintain the standards a modern housing estate needs.

### **The Future of Service Family Accommodation**

A number of factors influence the future of SFA in the United Kingdom, including basing, the cost of management and maintenance, the general condition of the housing stock, current Government policy with respect to defence and the overall strategy for the Defence Estate, service personnel terms and conditions of employment and budgets.

It was thought that the strategy articulated in the MoD's 2016 report "A Better Defence Estate" would have had a significant impact on the future size and location of the MoD's total SFA including the MQE but analysis of the plans shows that military bases are closing and being redeveloped without meaningful reductions in the number of SFA properties. The size of the SFA has been relatively stable over the last 15 years at around 50,000 properties<sup>53</sup>. At the time of the 1996 Acquisition, there were 68,600 SFA properties in the UK compared to 49,000 as at 31 March 2021, a 28.57 per cent reduction<sup>54</sup>. Over the same period, the size of the Armed Forces reduced from 208,600<sup>55</sup> to 134,440<sup>56</sup>, a reduction of 35.55 per cent.

It is too early to tell whether the policy or strategy set out in the Integrated Review 2021 or the DCA will have an impact on SFA but the MoD's failure to meet its 2016 commitments and the recognition that reduction of the Defence Estate is a complex task suggests that there will not be a significant impact in the short to medium term.

Under the New Employment Model introduced in 2016, the MoD began to explore as part of the accommodation element of the Model housing choices for service personnel and their families designed to reduce dependency on SFA, for example through support for home ownership.<sup>57</sup>

Currently, just over half (52 per cent) of all service personnel own their own homes, a number that is unchanged since 2020 and has only marginally increased since the introduction of the Forces Help to Buy (FHTB)<sup>58</sup> in 2015 (Increase in home ownership from 39 per cent to 45 per cent amongst Other Ranks, no change in home ownership by Officers during the period)<sup>59</sup>. Home ownership remains lowest amongst Army personnel at 45 per cent compared to the other Services which are between 58 per cent and 63 per cent. The most common reason why personnel do not own their own home continues to be that they cannot afford to buy a suitable home.<sup>60</sup>

The Future Accommodation Model (FAM) is the latest iteration of the MoD's strategy to deliver a more flexible, attractive and better value-for-money approach to accommodation for military personnel and the MoD by developing a new accommodation offer to help more service personnel live in private accommodation and meet the aspirations that many have for home ownership. It is a complex concept and pilot projects are currently underway at three locations, HMNB Clyde, Aldershot Garrison and RAF Wittering. The FAM pilot

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<sup>53</sup> National Statistics, 'UK Service Family Accommodation Bulletin 2021', 27 May 2021.

<sup>54</sup> National Statistics, 'UK Service Family Accommodation Bulletin 2021', 27 May 2021.

<sup>55</sup> <https://www.statista.com/statistics/579773/number-of-personnel-in-uk-armed-forces/>

<sup>56</sup> National Statistics, Quarterly Service Personnel Statistics 1 January 2021, Updated 27 May 2021.

<sup>57</sup> NAO, Service Family Accommodation, June 2016.

<sup>58</sup> The FHTB scheme enables qualifying service personnel to borrow up to 50 per cent of their salary and any recruitment and retention pay up to a maximum of £25,000. The FHTB scheme is an interest free advance of salary and is repaid over ten years. It is available to service personnel to buy their first home or move to a new location (more than 50 miles from their current property).

<sup>59</sup> Armed Forces Continuous Attitude Survey 2021.

<sup>60</sup> Armed Forces Continuous Attitude Survey 2021.

launched on 30 September 2019 and will be reviewed in 2022 when a decision will be taken on whether to extend FAM across the rest of the UK. Up to October 2020, just over 1,000 serving personnel had “been given financial support and choice over where, how and with whom they live”<sup>61</sup>. There continues to be opposition, including from the Army Families Federation, which sees SFA as an essential ingredient of service life.<sup>62</sup> It is not known at present what the final proposals will be or whether FAM will be adopted at all given the budgetary constraints and the possible costs of implementation.

On the demand side of the equation for SFA, the MoD’s policy that defines who is entitled to SFA has changed. Up until 2019, entitlement to SFA or a ‘married quarter’ meant that a service man or woman had to be married. While the MoD did make some concessions to civil partnerships and those with legally dependent children, it did not accept any other co-habitation arrangements as reason to provide SFA. The Equality Act 2010 consolidated and widened the legal protection for people from discrimination in the workplace including marriage and civil partnerships<sup>63</sup> but it was not until 1 April 2019 that the MoD announced a series of new initiatives aimed at modernising the living and working arrangements for Armed Forces personnel. The new measures included flexible working arrangements, expanded accommodation options and new co-habitation rules. Personnel no longer need to be married to apply for surplus SFA (with ‘surplus SFA’ considered housing not currently required to house serving personnel who are entitled to housing provision as a condition of their service and is therefore being made available to personnel who are not otherwise eligible) with the policy also being extended to same-sex couples. Now, anyone aged over 18 in an established long term relationship or who has residential responsibility for a child will be able to apply to live in surplus SFA at all UK bases where properties are available. This expansion of eligibility may well offset any of the impact of FAM and help to further reduce void rates. As at January 2021 there have been 4,233 applications to cohabit and of these, over 1,900 have been approved. The applications that were declined were, in the main part, because the Service person had not served for four years, a previous requirement of the scheme. This requirement has now been removed.<sup>64</sup>

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<sup>61</sup> MoD, Media Announcement, 30 September 2020.

<sup>62</sup> Army Families Federation, ‘Big Survey Report into the Future of Service Housing’, 2016.

<sup>63</sup> Equality Act 2010.

<sup>64</sup> MoD report, “Living in our shoes: understanding the needs of UK Armed Forces families”, updated 29 June 2021.

## TAXATION

### UK Taxation

*The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation considerations and is subject to changes in law (which may have retrospective effect). It does not constitute legal or tax advice. Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.*

### Payment of Interest on the Notes

#### *Payments by the Issuers*

Payments of interest on the Notes may be made without deduction of or withholding for or on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and the Notes are and remain so listed (at the time of payment) on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also generally be paid without withholding or deduction on account of United Kingdom income tax in the case of Notes the maturity of which is less than 365 days provided that such Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, and subject to the availability of any exemptions and reliefs an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent) from any payments of interest on the Notes that has a United Kingdom source. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a direction to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The reference to "interest" in this "*Taxation – UK Taxation*" section means "interest" as understood in United Kingdom tax law, and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, the same could be true for amounts of discount where Notes are issued at a discount. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

#### *Payments by a Guarantor*

The United Kingdom withholding tax treatment of payments by a Guarantor under the terms of a Guarantee is not certain. In particular, it is not certain that any such payments made by the Guarantor would be eligible for the exemptions and reliefs described above. Accordingly, if a Guarantor makes any payments under or in respect of interest on the Notes (or other amounts due under or in respect of the Notes other than the repayment of amounts subscribed for such Notes), such payments, may be subject to United Kingdom withholding tax at 20 per cent subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply.

## FATCA Disclosure

### *Foreign Account Tax Compliance Act*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer and the Guarantors may be foreign financial institutions for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under “*Terms and Conditions of the Notes - Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **THE PROPOSED FINANCIAL TRANSACTIONS TAX (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the **Commission’s Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a **participating Member State**). However, Estonia has since ceased to participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. In any event, the United Kingdom’s position has been that it will not be a participating Member State and, now that the United Kingdom has left the European Union as a result of Brexit, it is no longer a Member State.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated on or around the date of this Offering Circular, agreed with the Issuer and the Guarantors a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer (failing which, the Guarantors) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and the Issuer and the Guarantors have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

## SELLING RESTRICTIONS

### *United States*

The Notes and the Guarantee 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 or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of any issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such 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.

### *Index Linked Notes only*

Each issue of Index Linked Notes shall be subject to such additional U.S. selling restrictions as the Issuer, each Dealer and each further Dealer appointed under the Programme may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each Dealer

has agreed and each further Dealer appointed under the Programme will be required to agree that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

### ***Prohibition of sales to EEA Retail Investors***

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
- (ii) a customer within the meaning of Directive 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any 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 for the Notes; and
- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

### ***United Kingdom***

#### ***Prohibition of sales to UK Retail Investors***

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this

Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**); or
- (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes 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 for the Notes; and
- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA.

### ***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (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 any 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 an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### *Singapore*

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 2(1) of the SFA) or securities-based derivative contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

**Notification under Section 309B(1)(c) of the SFA** – Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### ***Hong Kong***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong (which expression means the Hong Kong Special Administrative Region of China), by means of any document, any Notes, except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantors, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantors, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 24 September 2021 and the giving of the Guarantee has been duly authorised by a resolution of the Board of Directors and committee of the Board of AL dated 1 September 2021 and 24 September 2021, a resolution of the Board of Directors of AHL dated 24 September 2021 and a resolution of the Board of Directors of APL dated 24 September 2021.

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's main market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's main market. The listing of the Programme in respect of Notes is expected to be granted on or about 29 September 2021.

### Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection on the Issuer's website (<https://www.annington.co.uk/investor-relations/announcements>):

- (a) the Memorandum (if applicable) and Articles of Association of the Issuer and each Guarantor;
- (b) the Annual Financial Statements;
- (c) the Trust Deed, the Agency Agreement, and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (d) a copy of this Offering Circular; and
- (e) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms relevant to the Programme and any other documents incorporated herein or therein by reference.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### LEI

The Legal Entity Identifier code of Annington Funding plc is 549300KK63W8VZIONZ83.

## **Consent**

CBRE Limited (**CBRE**) has given and not withdrawn its consent to the inclusion in this Offering Circular of its valuation set out in “*July 2021 Valuation Report*” (the **July 2021 Valuation Report**) relating to the Married Quarters Estate, the Surplus Estate and the Rentals Portfolio, in the form and context in which it is included, and has authorised the contents of the part of this Offering Circular which comprise the July 2021 Valuation Report for the purpose of 5.3.5R(2)(f) of the UK Prospectus Regulation Rules.

The address of CBRE is St Martin’s Court, 10 Paternoster Row, London EC4M 7HP. CBRE has no material interest in the Issuer or the Group.

CBRE is responsible for the July 2021 Valuation Report as part of this Offering Circular and has confirmed that it has taken all reasonable care to ensure that the information contained in the July 2021 Valuation Report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

## **Yield**

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

## **Significant or Material Change**

There has been no significant change in the financial performance or financial position of the Issuer since 31 March 2021 and there has been no material adverse change in the prospects of the Issuer since 31 March 2021.

There has been no significant change in the financial performance or financial position of AL and the Group since 31 March 2021 and there has been no material adverse change in the prospects of AL and the Group since 31 March 2021.

### *Significant or Material Change July 2021 Valuation Report*

There has been no significant change affecting the properties subject to the valuations set out in the July 2021 Valuation Report since 31 July 2021, being the date of the valuations contained in the July 2021 Valuation Report.

## **Litigation**

Neither the Issuer nor any of the Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantors are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantors or the Group.

## **Auditors**

The auditors of the Group, but not of the Issuer, are Deloitte LLP of 1 New Street Square, London, EC4A 3HQ (Registered Auditors with the Institute of Chartered Accountants in England and Wales), who have audited the Guarantors’ accounts, without qualification, for each of the two financial years ended on 31 March 2020 and 31 March 2021.

## **Dealers transacting with the Issuer and the Guarantors**

Certain of the Dealers have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Issuer, the Guarantors and their affiliates from time to time, for which they have received monetary compensation. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Issuer, the Guarantors and their affiliates. In addition, certain of the Dealers and their respective affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer, the Guarantors or their affiliates.

## **Trustee's action**

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

## **Index Linked Notes**

Payments of principal and interest in respect of Index Linked Notes will be calculated by reference to an Index Ratio, derived from: (i) the U.K. Retail Price Index (**RPI**) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace RPI or (**RPI Linked Notes**), (ii) the U.K. Consumer Price Index (**CPI**) (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPI (**CPI Linked Notes**) or (iii) the U.K. Consumer Price Index including owner occupier's housing costs (**CPIH**) (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace CPIH (**CPIH Linked Notes**).

Payments of both interest and principal under Index Linked Notes are directly governed by the performance of the relevant Index. If the Index Ratio decreases, then payments will be lower. If the Index Ratio increases, then payments will be higher.

## **Background to the Indices**

RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office of National Statistics (**ONS**) using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the index, so each month's RPI figure is published during the following month, (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of payments of interest on, and the redemption amount of, the RPI Linked Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on RPI, including past and current levels, can be found at the following website: [www.statistics.gov.uk](http://www.statistics.gov.uk).

CPI is a measure of inflation in the United Kingdom and is produced to international standards and is in line with European regulations. The CPI is the inflation measure which has been increasingly used by the Government and has been the Bank of England's target for inflation since December 2003. Approximately 180,000 separate price quotations are used each month in compiling CPI. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

CPIH is a measure of UK consumer price inflation that includes owner occupiers' housing costs (**OOH**). These are the costs of housing services associated with owning, maintaining and living in one's own home. OOH

does not include costs such as utility bills, minor repairs and maintenance, which are already included in the index. CPIH uses an approach called rental equivalence to measure OOH. Rental equivalence uses the rent paid for an equivalent house as a proxy for the costs faced by an owner occupier. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

Information about the past and further performance and volatility of CPI and CPIH can be found at the following website: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Consumer+Price+Indices>.

### **Calculation of interest and redemption amounts on Index Linked Notes**

Payments of principal and interest on Index Linked Notes will be adjusted to take into account changes in the Index from the Base Index Figure specified in the applicable Final Terms.

In respect of each Tranche of Index Linked Notes, a rate of interest will be specified in the applicable Final Terms. The Interest Amount due on each Interest Payment Date (such dates to be specified in the applicable Final Terms) will be that rate multiplied by the ratio which reflects the change in the Index between the Base Index Figure and the Index figure relating to a particular month or date (as specified in the applicable Final Terms) prior to the relevant Interest Payment Date.

Subject to any early redemption of Index Linked Notes, such Index Linked Notes will be redeemed on their specified Maturity Date at a Final Redemption Amount specified in the applicable Final Terms, provided that:

- (a) if the Index figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in the Index will also be paid (subject to any maximum redemption amount specified in the applicable Final Terms); and
- (b) if the Index figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Index Linked Notes will be reduced to reflect such decrease in the Index (subject to any minimum redemption amount specified in the applicable Final Terms).

### **Index figure applicable**

The Index Figure applicable for RPI Linked Notes relating to a particular month or date will be the figure either 3 months or 8 months prior to the particular month or date (3 months or 8 months to be specified in the applicable Final Terms). The Index Figure applicable for CPI Linked Notes or CPIH Linked Notes relating to a particular month or date will be the figure "t" months prior to the particular month or date ("t" months to be specified in the applicable Final Terms). If an 8 month period is specified as the Index Figure applicable for RPI Linked Notes, it will be the first day of the month that is 8 months prior to the month in which the relevant payment falls due. If a 3 month period is specified as the Index Figure applicable for RPI Linked Notes, or if CPI or CPIH is specified as the Index, the Index Figure applicable will be determined using the formula which is calculated by the linear interpolation between the relevant reference Index applicable to the first calendar day of the month in which the relevant day falls and the relevant reference Index applicable to the first calendar day of the month immediately following (set out in Condition 6.1).

## **JULY 2021 VALUATION REPORT**

**CBRE**

# VALUATION REPORT

Date of Valuation: 31 July 2021

In respect of:

The Married Quarters Estate  
The Surplus Estate  
The Rentals Portfolio

On behalf of:

**Annington Funding plc**

**Annington Limited**

**Annington Homes Limited**

**Annington Property Limited**

**Goldman Sachs International**

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01

# VALUATION REPORT

## Introduction

**Report Date** 24 September 2021  
**Valuation Date** 31 July 2021  
**Addressees** Annington Funding plc  
 1 James Street, London W1U 1DR

Annington Limited  
 1 James Street, London W1U 1DR

Annington Homes Limited  
 1 James Street, London W1U 1DR

Annington Property Limited  
 1 James Street, London W1U 1DR  
 (hereinafter referred to as "APL")

together "the Company"

And  
 Goldman Sachs International  
 Plumtree Court  
 25 Shoe Lane  
 London EC4A 4AU  
 (in its capacity as arranger)

(and the above collectively referred to as "the Addressees")

<b>The Properties</b>	38,131 properties held in Married Quarters Estate, 500 properties held in the Surplus Estate, and 1,619 properties held in the Rentals Portfolio, as further detailed below.
<b>Instruction</b>	To value on the basis of Market Value the long-leasehold [and relevant freehold] interests in the Properties as at the Valuation Date in accordance with Terms of Engagement entered into between CBRE and the Addressees dated 22 September 2021.
<b>Status of Valuer</b>	You have instructed us to act as an External valuer as defined in the current version of the RICS Valuation – Global Standards.  Please note that the Valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations in order to ensure compliance with the Valuation Standards.
<b>Purpose of Valuation</b>	The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation Global Standards (2020) ("Red Book"). We understand that our valuation report is required for inclusion in a base offering (the "Offering Circular") to be published by the Issuer in connection with the update of its Euro Medium Term Note Programme, and one or more public offerings of senior unsecured notes thereunder by the Issuer, to be listed on the Main Market of the London Stock Exchange.
<b>Market Value</b>	£8,435,470,000 (EIGHT BILLION, FOUR HUNDRED AND THIRTY FIVE MILLION, AND FOUR HUNDRED AND SEVENTY THOUSAND POUNDS) exclusive of VAT.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached and has been primarily derived using comparable recent market transactions on arm's length terms.

There are no negative values to report.

We are required to show the split of values between freehold and leasehold property, and to report the following categories of property separately (i.e. held for investment, held for disposal, held for development). The breakdown is shown in the Schedule of Values below.

### Portfolios and Aggregation

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

### Joint Tenancies and Indirect Investment Structures

Where a property is owned through an indirect investment structure or a joint tenancy in a trust for sale, our Valuation represents the relevant apportioned percentage of ownership of the value of the whole property, assuming full management control. Our Valuation therefore is unlikely to represent the value of the interests in the indirect investment structure through which the property is held.

Our Valuation does not necessarily represent the 'Fair Value' in accordance with IFRS 13 or FR5102 of the interests in the indirect investment structure through which the property is held.

### Market Value on the assumption of no stamp duty land tax and the Properties held in Special Purpose Vehicles

We are of the opinion that the Aggregate Market Value on the assumption of no stamp duty land tax and the Properties held in special purpose vehicles as more particularly set out below as at the date of valuation, is:

£8,808,140,000 (EIGHT BILLION, EIGHT HUNDRED AND EIGHT MILLION, ONE HUNDRED AND FORTY THOUSAND POUNDS) exclusive of VAT.

Assumptions - That each property will be transferred in a company transaction and as such will not incur any stamp duty land tax, that other acquisition costs are not higher than for a real estate transaction, that the subject property is the company's sole asset and that the company has no extraordinary responsibilities, is free of any other liabilities and has no employees, that the sale of the property within the company structure will not trigger any latent capital gains tax liabilities and that no discount on the purchase price is agreed to reflect any latent capital gains tax liability in the event of a future real estate transaction.

### Report Format

This report consists of a Valuation Report and Property Report (including a condensed methodology statement). This report consists of a total of 17 pages.

### Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied – in varying degrees – to reflect further 'waves' of COVID-19. While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the Valuation Date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our Valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the Valuation Date.

In the case of **development** valuations, we would draw your attention to the fact that, even in normal market conditions, the residual method of valuation is very sensitive to changes in key inputs, with small changes in variables (such as the timing of the development, finance/construction costs and sales rates) having a disproportionate effect on land value. Consequently, in the current market conditions – with the potential for cost inflation, supply and timing issues, fluctuating finance rates, liquidity issues and reduced transactional volumes – it is inevitable that there is even greater uncertainty, with site values being susceptible to much more variance than normal.

### **Market Conditions – Building Safety**

Following the Grenfell Fire tragedy in June 2017, there has been a considerable focus on the safety of tall buildings where people sleep, concentrated on those of 18 metres or greater in height, albeit the scope is likely to extend to those of lower height in multiple occupation. Measures taken by the Government have included much stricter control of potentially combustible materials in external wall systems, and effectively a wholesale review of Building Regulations. Whilst the full details of the new Building Regulations regime are awaited, we recognise that the subject Portfolio comprises mainly low rise housing and where flats, these are low to medium rise of traditional construction. Our valuation makes no allowance for any future works related to remediation of any combustible materials.

### **Fire Safety**

In preparing our Valuation we have not been provided with any building/fire safety or cladding information. We have based our conclusions on Valuation due diligence only, including our inspection, and on the assumption that, if there are any fire safety issues affecting the subject Properties, they will not impact on Valuation. This is not a guarantee that there are no fire safety risks associated with the construction of the Properties, nor that remedial works will not be required in the future; nor that the cost of any necessary remedial works will not impact on value. Neither the individual preparing the Valuation, nor this firm shall have any liability to you, or to any third party with whom you share the Valuation, for any losses arising as result of the existence of any such fire safety risks requiring remediation, such that the above assumption turns out to be wrong.

### **Compliance with Valuation Standards**

The Valuation has been prepared in accordance with the latest version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the “Red Book”) current as the Valuation Date.

The valuations are compliant with the International Valuation Standards and the London Stock Exchange requirements.

Although the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators’ (CESR) recommendations for the consistent implementation of the European Commission regulation (EC) n. 809/2004 does not form part of the UK’s EU Retained Law, the Financial Conduct Authority (FCA) expects Issuers to apply the provisions to the extent relevant. Accordingly, this valuation report is also compliant with paragraphs 128 to 130 of the ESMA update.

The Properties have been valued by a valuer who is qualified for the purpose of the Valuation in accordance with the Red Book. We confirm that we have sufficient local and national knowledge of the particular property market involved and have the skills and understanding to undertake the Valuation competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject Properties. Other valuers may reach different conclusions as to the value of the subject Properties. This Valuation is for the

sole purpose of providing the intended user with the valuer's independent professional opinion of the value of the subject Properties as at the Valuation Date.

### Assumptions

The Properties details on which each Valuation are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the Valuation is based are subsequently found to be incorrect, the Valuation figures may also be incorrect and should be reconsidered.

### Variations and/or Departures from Standard Assumptions

None.

### ESMA 130 (vi)

ESMA paragraph 130 (vi) requires us to comment on any differences between the valuation figure in this Valuation Report and the valuation figure included in the Company's latest published annual accounts, which were as at 31 March 2021.

Differences between the valuation as at 31 March 2021 and the present valuation are attributable to a number of factors, including but not limited to:

- A reduction of 9 properties from the MQE; a reduction of 96 properties from the Surplus Estate (units held for sale); a reduction of 24 properties from the Rentals Portfolio (AST and Bulk leases); a reduction of 34 properties from the Rentals Portfolio (Carterton, Brize Norton); and an additional 4 properties in the Rentals Portfolio (London Borough of Redbridge leases).
- Tenancy changes (e.g. new lettings, lease renewals, lease expiries), other rental income changes (e.g. rent reviews).
- Batch 2 Site Review Arbitration Awards.

### Independence

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0% of the total UK revenues.

It is not anticipated this situation will vary in the financial year to 31 December 2021.

We confirm that we do not have any material interest in the Company or the Properties.

### Previous Involvement and Conflicts of Interest

CBRE Ltd were appointed as Valuers to Annington Property Limited and Annington Rentals (Holdings) Limited in 2021, for a 3 year period, to provide annual valuations for financial reporting purposes.

We confirm the total fees, including the fee for this assignment, earned by CBRE Ltd or other companies forming part of the same group of companies within the UK from the Addressee or other companies forming part of the same group of companies is less than 5.0% of the total UK revenues.

### Disclosure

As above.

### Responsibility

For the Purposes of Prospectus Regulation Rule 5.5.3R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation

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Report complies with Rule 5.6.5G of the Prospectus Regulation Rules and Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (as now applicable to the Prospectus Regulation ((EU) 2017/1129)).

Save for any responsibility arising under Prospectus Regulation Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying the Prospectus Regulation forming part of the UK's EU Retained Law.

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### Reliance

Save as set out in "Responsibility" above, the contents of this Report may only be relied upon by:

- i) Addressees of the Report; and
- ii) Parties who have received prior written consent from CBRE in the form of a reliance letter;

for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

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**Publication**

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of the special assumptions referred to herein.

Yours faithfully

Yours faithfully

DocuSigned by:  
  
BC68A8EFC8B8472...

Rupert Driver  
BSc MRICS  
Executive Director  
**RICS Registered Valuer**  
For and on behalf of CBRE Limited

+44 207182 2550  
Rupert.Driver@cbre.com

DocuSigned by:  
  
E0E1FAE23AAD4C7...

Matthew Lodge  
MSc MRICS  
Senior Director  
**RICS Registered Valuer**  
For and on behalf of CBRE Limited

+44 207182 2047  
Matthew.Lodge@cbre.com

## Schedule of Values

### Market Value

Description	Property Type	Tenure	Category	No. Units	Total (£)
Married Quarters Estate	Residential	Leasehold*	Held for investment	38,131	£7,976,500,000
Surplus Estate	Residential	Freehold	Held for investment	157	£27,900,000
			Held for disposal	343	£57,850,000
			Held for development	N/A	£3,785,000
<b>Sub Total (£)</b>					<b>£8,066,035,000</b>
Rentals Portfolio	Residential	Freehold	Held for investment	1,603	£365,380,000
	Residential	Freehold	Held for disposal	16	£4,050,000
<b>Sub Total (£)</b>					<b>£369,430,000</b>
<b>Portfolio Total (£)</b>				<b>40,250</b>	<b>Say £8,435,470,000</b>

Note:

\* Long Leasehold: Leasehold over 50 years unexpired term.

### Market Value on the assumptions of no stamp duty land tax and the Properties held in Special Purpose Vehicles

Description	Property Type	Tenure	Category	No. Units	Total (£)
Married Quarters Estate	Residential	Leasehold*	Held for investment	38,131	£8,332,700,000
Surplus Estate	Residential	Freehold	Held for investment	157	£28,850,000
			Held for disposal	343	£59,820,000
			Held for development	N/A	£3,960,000
<b>Sub Total (£)</b>					<b>£8,425,330,000</b>
Rentals Portfolio	Residential	Freehold	Held for investment	1,603	£378,590,000
	Residential	Freehold	Held for disposal	16	£4,220,000
<b>Sub Total (£)</b>					<b>£382,813,285</b>
<b>Portfolio Total (£)</b>				<b>40,250</b>	<b>Say £8,808,100,000</b>

Note:

\* Long Leasehold: Leasehold over 50 years unexpired term.

## Source of Information and Scope of Works

### Sources of Information

We have carried out our work based upon information supplied to us by the Company's professional advisors, APL which we have assumed to be correct and comprehensive.

We have been provided with:

#### Married Quarters Estate

- Accommodation schedule and tenancy data (as at 31 July 2021), prepared by APL.
- Estimates for utilities costs, prepared by APL.
- Historic data relating to refurbishment costs and dilapidations damages, prepared by APL.
- Cost information relating to Site Review and Beacon reviews, prepared by APL.

#### Surplus Estate

- Accommodation schedule and tenancy data (as at 31 July 2021), prepared by APL.
- Outstanding development costs as at 31 July 2021, prepared by APL.

#### Rentals Portfolio

- Accommodation schedule and tenancy data (as at 31 July 2021), prepared by APL.

### Inspections

#### Married Quarters Estate and Surplus Estate

External inspections were undertaken covering a representative sample of the Married Quarters Estate during January and March 2021, a team of 28 MRICS qualified Surveyors completed:

- 123 site / location visits
- 369 unit-specific external inspections
- 'drive by' inspections of c. 8,000 units across the selected sites
- accounting for 20% of the portfolio by unit number

All inspections were undertaken during a period of Covid restrictions – this coupled with the nature of the assets and their occupants means that no internal inspections were undertaken.

A schedule of the most inspection dates and the names of the inspecting valuers is maintained within our working papers and can be made available if required.

#### Rentals Portfolio

External, kerbside inspections were undertaken covering a representative sample of the Portfolio. During January, February and March 2021, a team of up to 10 MRICS qualified Surveyors inspected:

- 14 sites / locations visited
- 575 unit-specific external inspections
- 'drive by' inspections of c. 884 units across the selected sites
- accounting for 36% of the portfolio by unit number

All inspections were undertaken during a period of Covid restrictions, and no internal inspections were undertaken.

### Areas

We have not measured the Properties but have relied upon the floor areas provided to us by you or your professional advisors, which we have assumed to be correct and comprehensive, and which you have advised us have been calculated using the: Gross Internal Area (GIA) measurement methodology as set out in the latest edition of the RICS Property Measurement Standards.

### Environmental Considerations

We have not been instructed to make any investigations in relation to the presence or potential presence of contamination in land or buildings or the potential presence of other environmental risk factors and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value.

We have not carried out investigation into past uses, either of the property or of any adjacent lands, to establish whether there is any potential for contamination from such uses or sites, or other environmental risk factors and have therefore assumed that none exists.

**Services and Amenities**

We understand that the Properties are mainly located in areas served by mains gas, electricity, water and drainage. As set out in the Property Report, some of the Sites are subject to private utilities.

None of the services have been tested by us.

**Repair and Condition**

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

Our valuation assumes that all units are:

- structurally sound
- capable of meeting prevailing building regulations
- are suitable for mortgage lending and owner-occupier acquisition or can be made so within our allowed costs
- presented in a 'fair and tenable' condition
- of a level of specification typical of older lettings stock
- all services and utilities are present and fully functional

**Town Planning**

We have not undertaken planning enquiries.

**Titles, Tenures and Lettings**

Details of title/tenure under which the Properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants

## Valuation Assumptions

<b>Introduction</b>	<p>An Assumption is defined in the Red Book Glossary and VPS 4 to be a “supposition taken to be true” (an “Assumption”).</p> <p>Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.</p> <p>The Company has confirmed and we confirm that our Assumptions are correct as far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.</p> <p>For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.</p>
<b>Capital Values</b>	<p>Each Valuation has been prepared on the basis of “Market Value”) which is defined as:</p> <p>“The estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”</p> <p>“Market Value” is effectively the same as “Fair Value” in accordance with International Financial Reporting Standard 13 (“IFRS 13”), which is defined as “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”</p> <p>The Valuation represents the figure that would appear in a hypothetical contract of sale at the Valuation Date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.</p> <p>No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.</p>
<b>VAT</b>	<p>We have not been advised whether the properties are elected for VAT.</p>
<b>Passing Rent</b>	<p>Passing rents quoted in this report are the rents which are currently payable under the terms of the leases.</p>
<b>Rental Values</b>	<p>Unless stated otherwise rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent in the Red Book, which is as follows:</p> <p>"The estimated amount for which an interest in real property should be leased on the Valuation Date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."</p>
<b>The Property</b>	<p>Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.</p> <p>Landlord’s fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our Valuations.</p> <p>Process plant and machinery, tenants’ fixtures and specialist trade fittings have been excluded from our Valuations.</p> <p>All measurements, areas and ages quoted in our report are approximate.</p>
<b>Environmental Matters</b>	<p>In the absence of any information to the contrary, we have assumed that:</p> <ol style="list-style-type: none"> <li>the Property is not contaminated and is not adversely affected by any existing or proposed environmental law;</li> <li>any processes which are carried out on the Property which are regulated by environmental legislation are properly licensed by the appropriate authorities;</li> </ol>

c) in England and Wales, the property possesses current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive – and that they have an energy efficient standard of 'E', or better. We would draw your attention to the fact that under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 it became unlawful for landlords to rent out a business premise from 1st April 2018 – unless the site has reached a minimum EPC rating of an 'E', or secured a relevant exemption. In Scotland, we have assumed that the property possesses current EPCs as required under the Scottish Government's Energy Performance of Buildings (Scotland) Regulations – and that they meet energy standards equivalent to those introduced by the 2002 building regulations. We would draw your attention to the fact the Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016 came into force on 1st September 2016. From this date, building owners are required to commission an EPC and Action Plan for sale or new rental of non-domestic buildings bigger than 1,000 sq m that do not meet 2002 building regulations energy standards. Action Plans contain building improvement measures that must be implemented within 3.5 years, subject to certain exemptions;

In January 2021 the Government closed the consultation period that focused on its latest proposals in England and Wales for 'improving the energy performance of privately rented homes'. The key tenets of the proposals are to; reduce emissions; tackle fuel poverty; improve asset quality; reduce energy bills; enhance energy security; and support associated employment. The proposals are wide ranging and they introduce new demands on residential landlords through Energy Performance Certificates ('EPCs'). Existing PRS Regulations set a minimum standard of EPC Band E for residential units to be lettable. The Government proposals see this threshold being raised to EPC Band C for all new tenancies created from 01 April 2025 and for all existing tenancies by 01 April 2028. The principle for relevant building works is to be 'fabric first' meaning maximisation of components and materials that make up the building fabric to enhance, for example, insulation, ventilation, and air-tightness. The proposals also cite; compliance measures and penalties for landlords, letting agents and local authorities; and affordability support for carrying out necessary works. The implication is (as with the existing EPC Band E requirement) that private rented units may effectively be rendered unlettable if they fail to meet or exceed the minimum EPC requirement. It is expected that the Government will respond to the consultation process in Q2/Q3 2021 with any new regulations taking effect in Q3/Q4 2021. At present it is not clear how the market would respond to these proposals were they to be implemented as currently drafted; neither do we have any visibility of changes that may be made to the proposals following the consultation process. Our valuation reflects market conditions and regulations effective at the valuation date; we make no additional allowances for any future works that may be required in order to ensure that the subject assets would remain lettable under revised regulations.

d) the Property is either not subject to flooding risk or, if it is, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value; and

e) invasive species such as Japanese Knotweed are not present on the Property.

High voltage electrical supply equipment may exist within, or in close proximity of, the Property. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the Property. Our Valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

### Repair and Condition

In the absence of any information to the contrary, we have assumed that:

- a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development, or value of the Properties;
- b) the Properties are free from rot, infestation, structural or latent defect;

- c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, ACM Cladding, High Alumina Cement (HAC), Asbestos, have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure,  
Lettings, Planning,  
Taxation and  
Statutory & Local  
Authority  
Requirements**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- a) the Properties possesses a good and marketable title free from any onerous or hampering restrictions or conditions;
- b) the buildings have been erected either prior to planning control, or in accordance with planning permissions, and has the benefit of permanent planning consents or existing use rights for their current use;
- c) the Properties are not adversely affected by town planning or road proposals;
- d) the buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations, and that a fire risk assessment and emergency plan are in place;
- e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of the Properties to comply with the provisions of the Disability Discrimination Act 1995 (in Northern Ireland) or the Equality Act 2010 (in the rest of the UK);
- f) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- g) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- h) where more than 50% of the floorspace of the Properties is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the Properties. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required;
- j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy; and
- k) Land Transfer Tax (or the local equivalent) will apply at the rate currently applicable. In the UK, Stamp Duty Land Tax (SDLT) in England and Northern Ireland, Land and Buildings Transaction Tax (LABTT) in Scotland or Land Transaction Tax (LTT) in Wales, will apply at the rate currently applicable

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**PROPERTY REPORT**

## (1) THE MARRIED QUARTERS ESTATE

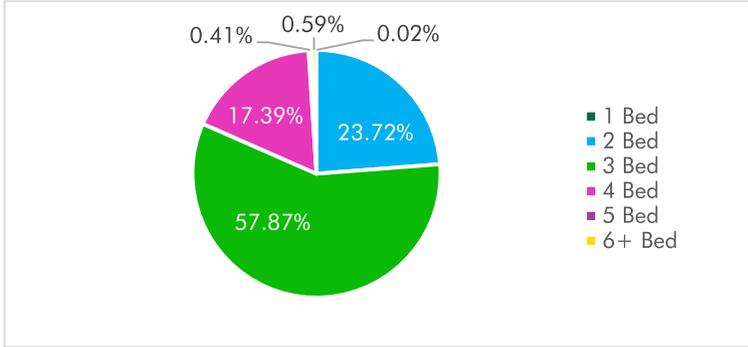
### INTRODUCTION

- The MQE comprises 38,131 dwellings across 500 sites, classified in to 27 'Baskets' for the purpose of the 1st Site Review.
- 17% of dwellings are 'behind the wire' meaning they are within the secure perimeter of an MoD base.
- APL hold a 999-year headlease, on almost all of the sites, c.974 years unexpired.
- The Sites are leased back to the MoD on 200 year underleases – c.175 years unexpired.
- The leases to the MoD contain a break option with a minimum notice period of 6-months. APL has an option to acquire the underlying freehold interest from the MoD for a nominal amount.
- Rent paid by the MoD to APL is subject to a fixed discount – the 'Site Discount'.
- A 58% Site Discount had been pre-determined but is now subject to ongoing 'Site Reviews'.
- The Accelerated Site Review process delivers 'Arbitration Awards' and is managed in 'Batches'.
- 'Batch 1 and Batch 2 Awards' covering 12 Baskets have been determined.
- The average Site Discount across Batch 1 and Batch 2 (weighted by net income) is approximately 49.6%.
- Rents are reviewed every 5 years (Beacon Rent Reviews) to open market and then discounted by the Site Review Discount.
- The MoD are contractually obliged to return units to APL in 'good tenantable repair and decorative order' condition.
- MoD to release a minimum of 500 units per annum for 7 years (2019 to 2025, subject to a rolling 2 year average). In return, APL agreed to waive £7,000 per unit, subject to an annual cap of £3.5m, on dilapidations compensation.
- The 'Utilities Agreement' (water, power, sewage) over 'base dependant' sites create a contingent liability estimated at c.£203m, however any liability will only crystallise if units are released to APL. Hence it is estimated c.85% of these costs is unlikely to ever crystallise.
- For clarity, our valuation of the MQE relates to the 500 sites occupied by dwellings, with an annual net income at the date of valuation of approximately £182.38 million. We understand the MQE also includes a small number of sites occupied by related assets, which do not produce a rental income, and these are excluded from our valuation.

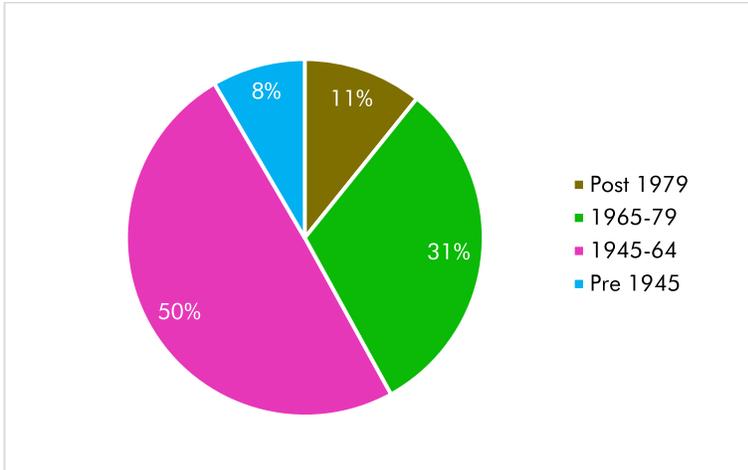
### OVERVIEW

- The Married Quarters Estate ('MQE') comprises 38,131 units spread across 500 locations in England and Wales. 140 of the 500 sites contain 100 units or more.
- The following charts and statistics describe the key aspects of the MQE:
  - 38,131 units in total
  - Only 17% of the units are located 'Behind the Wire' on MoD bases
  - 89% of the units were built between 1945 and 1979

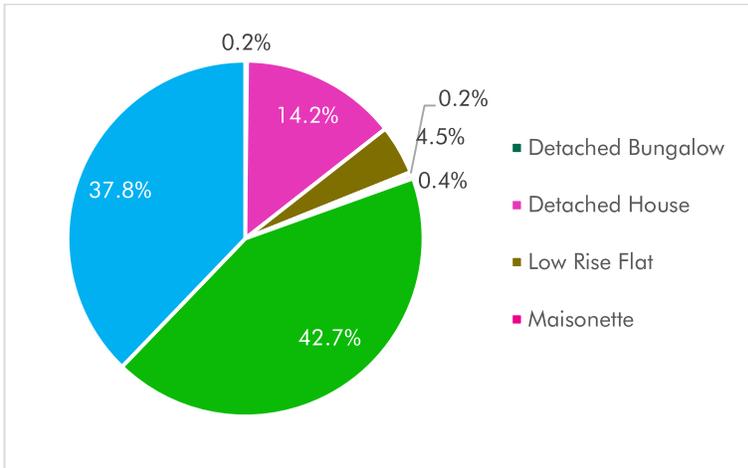
**Chart 1: Distribution of Units by No. of Beds**



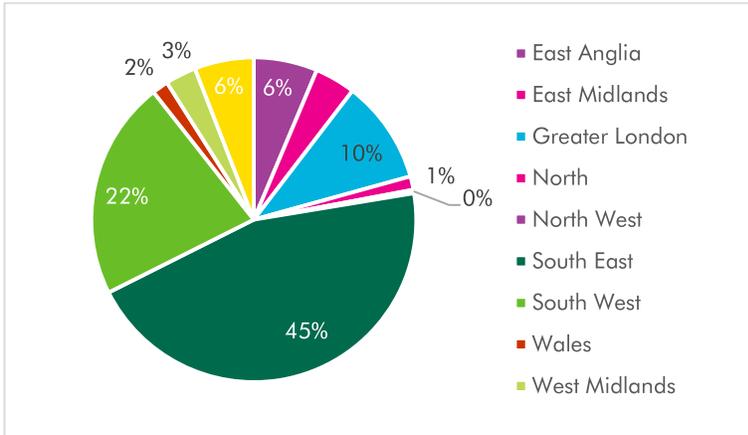
**Chart 2: Distribution of Units by Year of Construction**



**Chart 3: Distribution of Units by House Type**



**Chart 4: Distribution of Units by Region**



**VALUATION METHODOLOGY – MARRIED QUARTERS ESTATE****MARKET VALUE - PORTFOLIO INVESTMENT VALUE**

- To determine our opinion of the Market Value of the Married Quarters Estate, we have built a 50-year cashflow that models the potential revenue from:
  - net rental income received from the MoD over a 50-year holding period reflecting the structure of the underleases, taking into account the Site Reviews and Beacon Rent Review; and
  - revenue from the assumed sale of units released by the MoD over this period; assuming a terminal exit in year 50 with a further 125 years unexpired to the MoD.
- The Sites are aggregated within the cashflow at a Basket level to allow for differentiation in respect of the Site Review discounts and cashflow discount rates, to reflect the different risk profiles.

**Key Inputs and Assumptions**

- Set out below is a summary of the key inputs and assumptions in the model which drive the valuation.

**Site Review and Beacon Rent Review Timings**

- Our cashflow assumes the following timings in accordance with the terms of the underleases.

Timing of Rent Reviews													
	Beacon Unit Rent Review						Site Rent Review	Beacon Unit Rent Review			Site Rent Review	Beacon Unit Rent Review	
Tranche A	1999	2004	2009	2014	2019	Tranche C	2021	2026	2031	2036	2041	2046	
Tranche B	2000	2005	2010	2015	2020	Tranche D	2022	2027	2032	2037	2042	2047	
Tranche C	2001	2006	2011	2016		Tranche A	2023	2028	2033	2038	2043	2048	
Tranche D	2002	2007	2012	2017		Tranche B	2024	2029	2034	2039	2044	2049	
No Review	2003	2008	2013	2018			2025	2030	2035	2040	2045	2050	

**House Price Inflation, Rental Growth and Cost Inflation**

- The CBRE model assumes the following House Price Inflation:

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+
4.9%	4.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

- The CBRE model assumes the following Rental Growth:

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+
0.0%	1.5%	3.0%	3.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%

- In terms of those sites where Beacon Reviews were last reviewed 2016, we have assumed rental growth of 1.2% per annum up to 2020.

- The CBRE models assumes the following for Cost Inflation:

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

### Site Reviews

- At the valuation date, Arbitration Awards have been determined on 12 of the 27 Baskets.
- The arithmetic average of 12 determinations equates to c.49% and the weighted average by net income equates to c.49.6%, which we have adopted for the remaining 15 Basket.

### Cashflow Discount Rates

- There are three different categories of discount rates applied in our cashflow:
  1. The discount rate applied to the net rental income over the 50-year cashflow.
  2. The discount rate applied to the terminal value in year 50.
  3. The discount rate applied to the revenue from the sale of the assumed unit releases.
- Set out below is summary of the discount rates adopted:

	Discount Rate – 50-year cashflow	Discount Rate – Terminal Value	Discount Rate – Releases
Batch 1 & 2 Awards – 12 Baskets	3.85%	5.10%	6.5%
Remainder – 15 Baskets	4.70%	5.95%	6.5%

### Exit Yield

- The CBRE model assumes exit yields of 3.85%.

### Releases

- The MoD is contractually obliged to release a minimum of 500 units per annum for 7 years from 2019 to 2025 on a rolling 2 year basis.
- Our cashflow assumes releases of 500 units for the next four years to 2025, although the figures for 2021 include an additional 180 units (being the current shortfall for the preceding period 2019 to 2020). Thereafter, we have assumed releases of circa 110 per annum.

### CBRE model assumed unit releases:

Unit Releases	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+
No. Of Units	671	500	500	500	500	110	110	110	110	110

## AGGREGATE MARKET VALUE ASSUMING VACANT POSSESSION

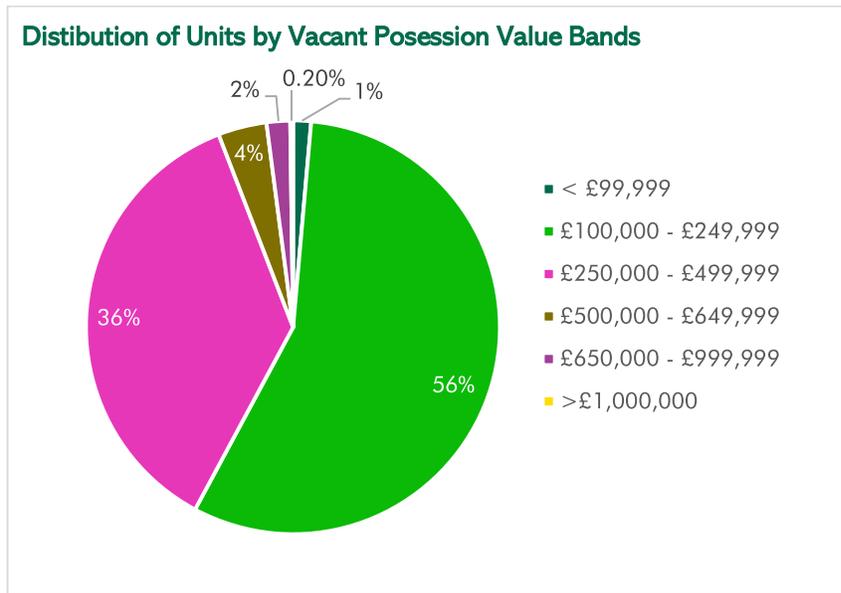
- We have assessed vacant possession sales values at a unit level to:
  - 1) inform unit release receipts within our cashflow; and
  - 2) benchmark value at a portfolio level.

### Approach

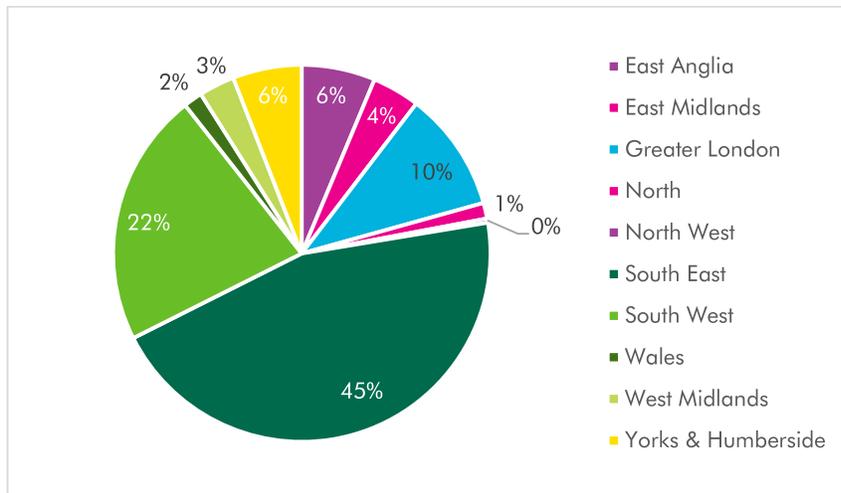
- As is typical in the valuation of very large housing portfolios, we have adopted the 'Beacon' approach albeit we have sought to add further granularity and benchmarking where possible.
- The beacon approach relies on identifying unit 'archetypes' within the portfolio. The archetypes represent the key variants of unit types. Archetypes are valued specifically with archetype values then extrapolated across all matching unit types within the portfolio.

- As described, the MQE holds 38,131 units. Within the MQE we have identified 1,797 archetypes representing all 38,131 assets. We have identified the archetypes based on:
  - Asset location / MOD Base
  - Unit type (e.g. detached house, terraced house etc.)
  - Number of bedrooms
  - Construction type
- In determining our opinion of the archetype unit vacant possession values, we have had regard to the information summarised below.

**Chart 5: Distribution of Units by Vacant Possession Value Bands**



**Chart 6: Distribution of Vacant Possession Value by Region**



- Approximately 80% of the units forming the MQE are estimated to be core to the function of the MoD. Accordingly, the aggregate of the Market Value of the individual units assuming vacant possession is a special assumption.

## KEY VALUATION METRICS

- A summary of the key metrics from our valuation are set out below:

Current Income:	£182,379,052
Gross Value	£8,424,337,588
Net Value (less purchaser's costs)	Say £7,976,500,000
IRR	4.8%
Net Initial Yield	1.9%
Aggregate Vacant Possession Value (VPV)*	£10,062,400,000
Average VPV (unit)	£263,890
Discount to VPV	20.7%

*\*This figure is the aggregate of the Market Value of the individual units on the special assumption of vacant possession at the date of valuation. This figure is the aggregate amount and does not take into account either the time or costs associated with selling the individual units. In addition, the figure does not take into account any base separation costs associated with sites in the MQE that are dependent on the MoD for utilities services as outlined above.*

### Valuation Breakdown by Region

Region	Market Value
East Anglia	£434 m
East Midlands	£188 m
Greater London	£979 m
North	£43 m
North West	£79 m
South East	£3,754 m
South West	£1,700 m
Wales	£121 m
West Midlands	£250 m
Yorks & Humberside	£429 m
	<b>£7,976 m</b>

## OPINION OF VALUE - THE MARRIED QUARTERS ESTATE

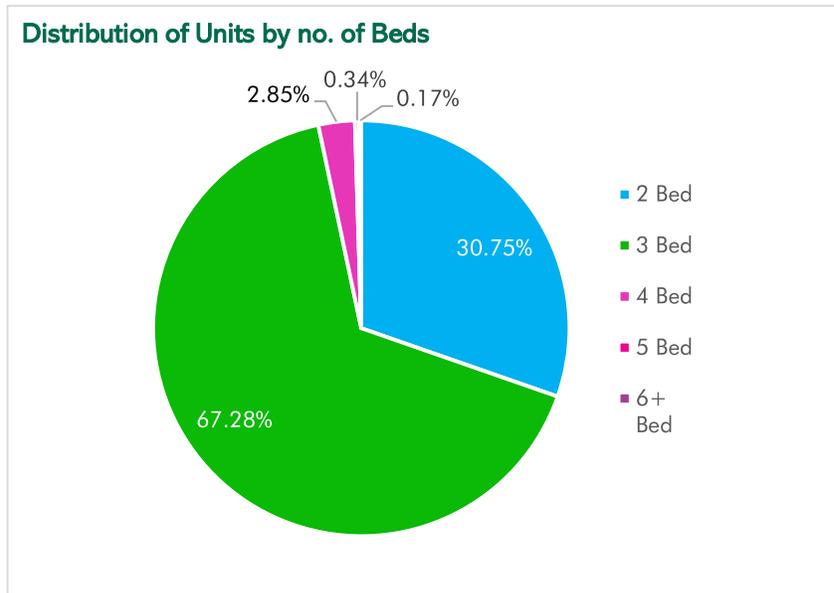
- We are of the opinion that the Market Value of the long leasehold interest in the properties forming the Married Quarters Estate, as at 31 July 2021, is:

£7,976,500,000 (Seven Billion, Nine Hundred and Seventy Six Million, Five Hundred Thousand Pounds)

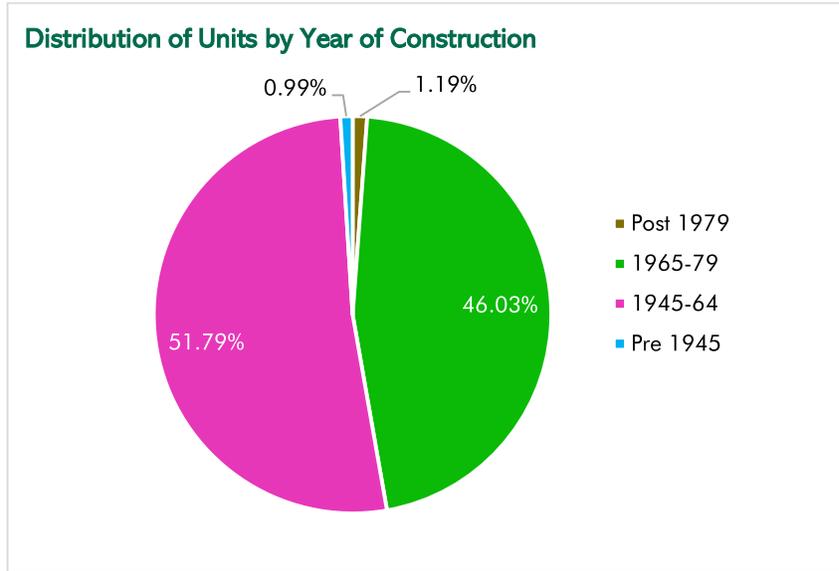
## (2) THE SURPLUS ESTATE

- The Surplus Estate comprises 500 units spread across 17 locations in England and Wales. Only five of these sites contain 50 units or more. Of the 500 units within the surplus estate 343 are undergoing dilapidations and refurbishment work ahead of sale and 157 units are to be let in the private rentals market.
- The Surplus Estate also contains five potential development plots with a combined area of approximately 18 acres. These plots are areas of undeveloped land with potential for residential infill, subject to planning.
- The following charts and statistics describe the key aspects of the Surplus Estate:
  - 500 units in total
  - none of the units are located 'Behind the Wire' on MoD bases
  - 99% of the units built between 1945 and 1979

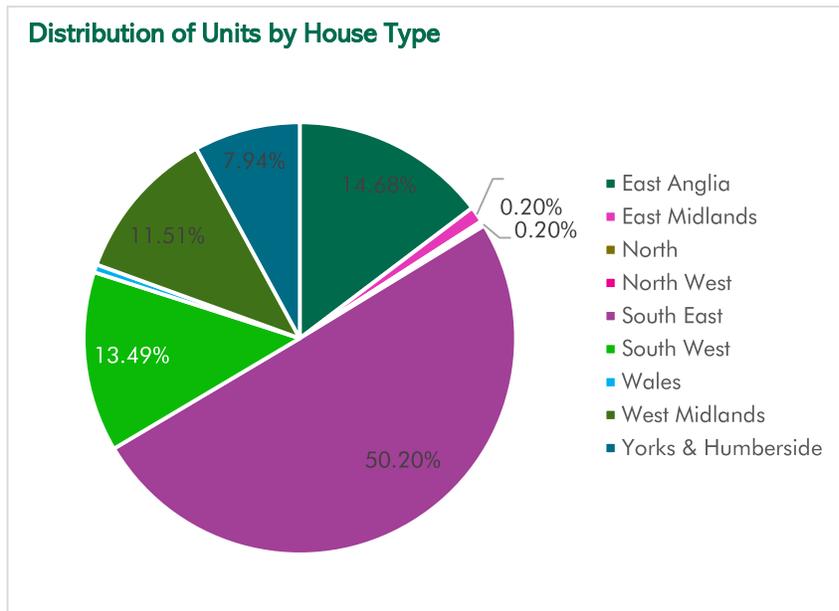
**Chart 1: Distribution of Units by No. of Beds**

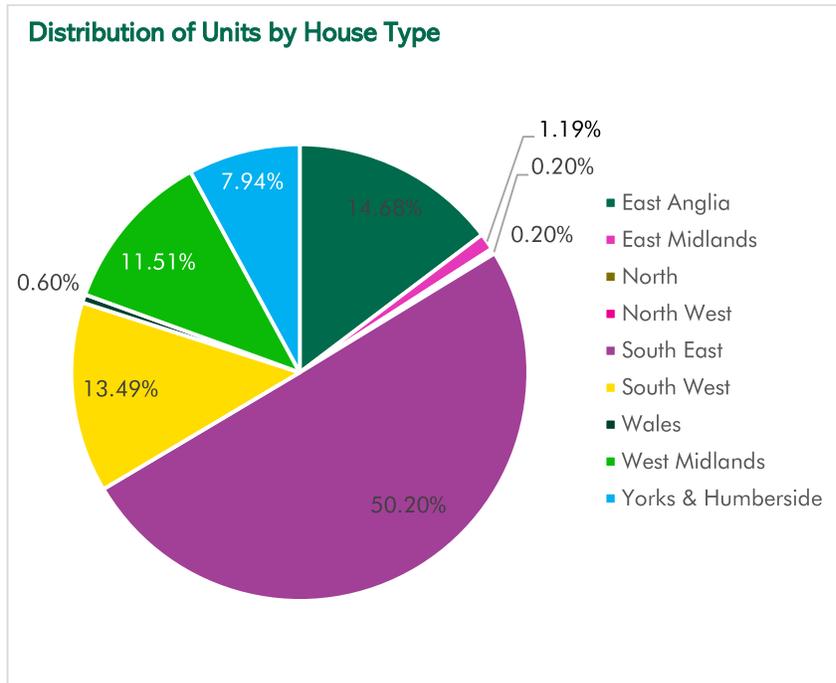


**Chart 2: Distribution of Units by Year of Constructed**



**Chart 3: Distribution of Units by House Type**



**Chart 4: Distribution of Units by Region**

## **VALUATION METHODOLOGY – SURPLUS ESTATE**

### **UNITS HELD FOR SALE**

- 343 units located across 14 sites, which are currently held for sale.
- None of the units as at the date of valuation, have been sold with contracts exchanged.
- Our valuation of the aggregate of the remaining 343 units totals approximately £57.85 million.
- In terms of the remaining unsold units, we have constructed discounted cashflows for each of the respective sites, reflecting our opinion of exit values, cash flowed to reflect the likely timing of sales with deductions for both agents and legal fees; together with allowance for any outstanding refurbishment works; and in some instances, outstanding allowances for utilities costs.

### **PROPERTIES HELD FOR RENT**

- There is a total of 157 units held for rent within the Surplus Portfolio.
- Valuation approach is a combination of 'income capitalisation' and 'discount to vacant possession value'.

### **PROPERTIES HELD FOR DEVELOPMENT**

- A total of 5 potential development sites, totalling approximately 18.72 acres.
- The site in Bordon is the most progressed with APL in pre application discussions with the local planning authority for redevelopment with a scheme of circa 87 dwellings.
- The other sites are significantly less progressed in terms of pre planning due diligence.
- We have undertaken 'day one' residual appraisals on the special assumption that planning consent is granted for redevelopment with residential schemes that we consider to be broadly policy compliant in terms

of density and quantum of affordable housing. However, we have not undertaken detailed planning reviews and our assumptions are relatively high level.

- In arriving at our opinion of Market Value, we have applied appropriate discounts to reflect the associated planning and timescale risks.

## OPINION OF VALUE - THE SURPLUS ESTATE

- We are of the opinion that the Market Value of the freehold and long leasehold interest in the properties forming the Surplus Estate, as at 31 July 2021, is:

**£89,535,000 (Eighty Nine Million, Five Hundred and Thirty Five Thousand Pounds)**

Comprising:

	Market Value	*Aggregate Vacant Possession Value
Units held for sale – unsold	£57,850,000	£67,021,950
Units held for rent	£27,900,000	£30,779,426
Sites with development potential	£3,785,000	n/a
<b>TOTAL</b>	<b>Say £89,535,000</b>	

*\*This figure is the aggregate of the Market Value of the individual units on the special assumption of vacant possession at the date of valuation. This figure is the aggregate amount and does not take into account either the time or costs associated with selling the individual units.*

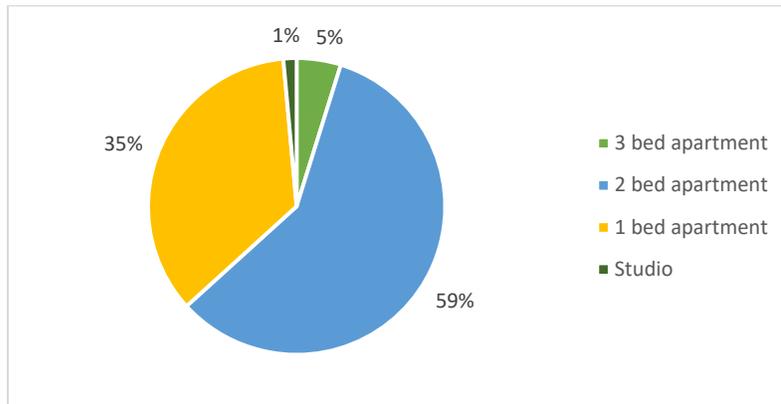
### (3) RENTALS PORTFOLIO

- There are four constituent elements to the Rentals Portfolio:

#### PINNPOINT, UXBRIDGE

- 207 apartments within a Build-to-Rent scheme located in central Uxbridge built in 2018, although one of the apartments is used permanently as 'back of house' offices, hence our valuation capitalises the income from only 206 apartments. There are three blocks within PinnPoint called Hampden House, Bristol House and Whitley House. It should be noted there is one additional unit which is used as a management office (with no value attributed to this unit). Each apartment is let on an individual AST.

**Chart 1: Distribution of units by Number of beds in Pinnpoint**



#### LONDON BOROUGH OF REDBRIDGE (LBR) BULK LEASES

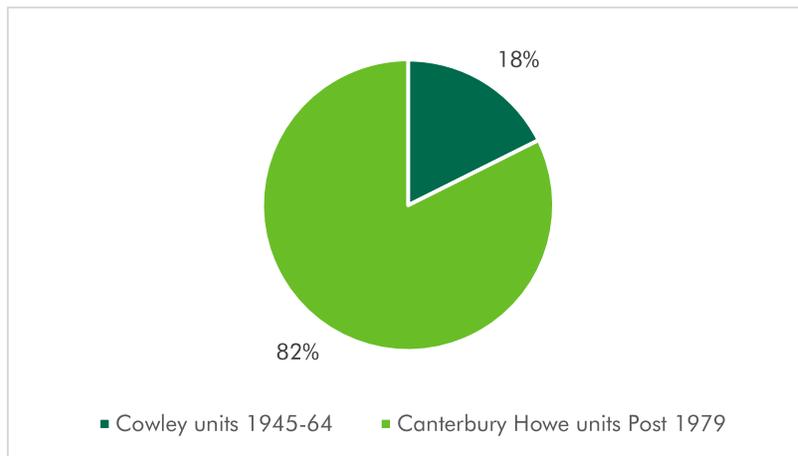
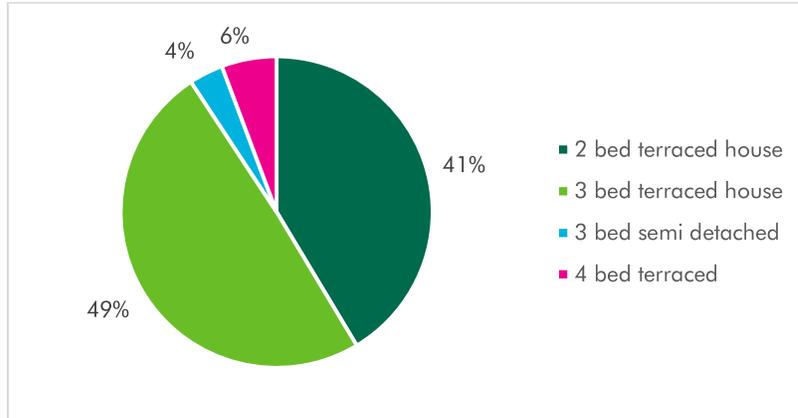
- 231 units let on 4 separate leases to the London Borough of Redbridge.

##### Canterbury Howe- London Borough of Redbridge

- 191 units in the former Old Canterbury Howe Barracks. The units are let on 3 separate leases to the London Borough of Redbridge.
- Each lease is coterminous with each other having an unexpired term of 25.22 years. The salient details are that the tenant is able to determine the lease at any time giving 6 month notice. The Landlord can determine the lease on the site review date giving 12 months' notice. The rents are reviewed every 5 years in line with a beacon rent to open market rent value and then discounted by 12%.

##### Cowley, Uxbridge – London Borough of Redbridge

- 40 Units all in Cowley, Uxbridge and let on a single lease to the London Borough of Redbridge with an unexpired term of 26.52 years.
- The salient details are that the tenant is able to determine the lease at any time giving 6 month notice. The Landlord can determine the lease on the site review date (the 15th anniversary of the lease start date) giving 12 months' notice. The rents are reviewed every 5 years in line with a beacon rent to open market rent value and then discounted by 6%.

**Charts 2 and 3: Distribution by number of bed and house type in the LBR Bulk Leases; and split between units in Cowley and Canterbury****PRIVATE RENTED STOCK (1,166 units let on ASTs or Bulk leases)****Bulk Leases**

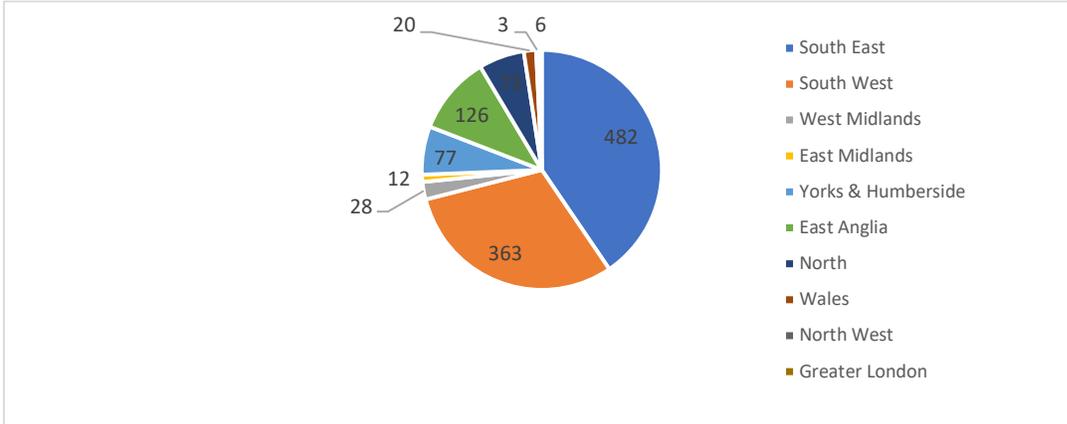
- 403 units are leased to the Defence Infrastructure Organisation (DIO) individually and held on either 5, 10 or 11 year terms.
- The 5 year leases have breaks in the 3rd and 4th years. The rents are reviewed annually on the term commencement date.
- 22 of these leases expire in 2025 but have a break in 2023, the remaining leases expire by 2023. The 10 and 11 year leases have breaks in the 5th year, the rents are reviewed in the 5th year then annually thereafter. All of the leases expire by 2022. To conclude all the bulk leases either have an expiry or break in 2022/2023 and we are of the opinion any potential investor purchaser would consider these units in the same way as ASTs.

**ASTs**

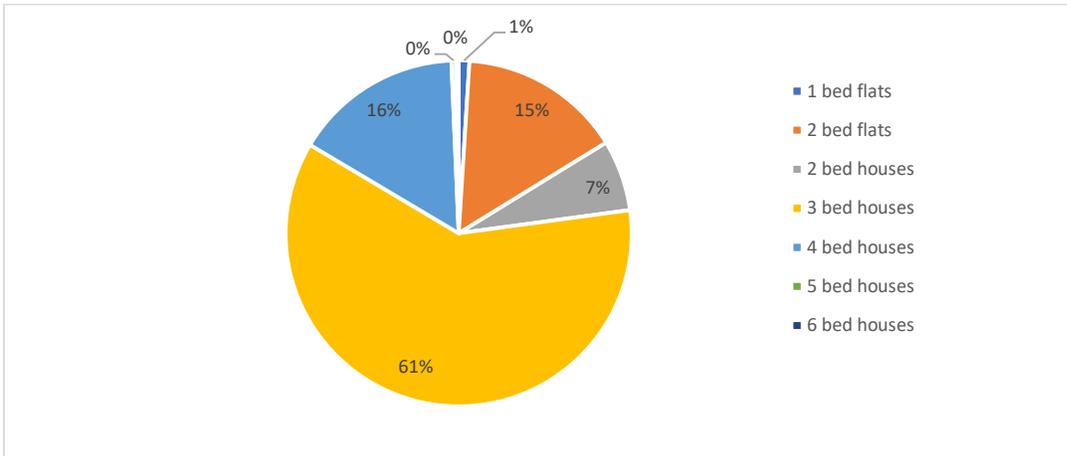
- 763 units are let on standard assured shorthold tenancies between 6 to 24 months.
- For AST properties that are 6 months fixed term there is no break as standard.
- For AST properties that are 12, 18 or 24 months fixed term there is a six month break giving one months' notice by the tenant, two months' notice by Landlord as standard.

- The Bulk Leases and ASTs are combined as a single category for the purpose of our valuation. There is a wide geographical spread of units across England and Wales, the greatest concentrations are in the South East and West, we have grouped this category into 10 different regions.

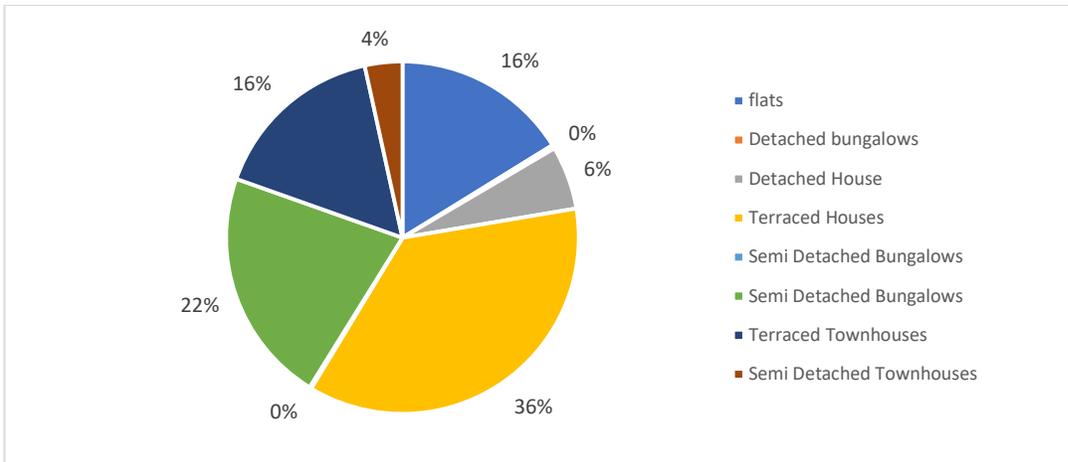
**Chart 4: Distribution of units by region**

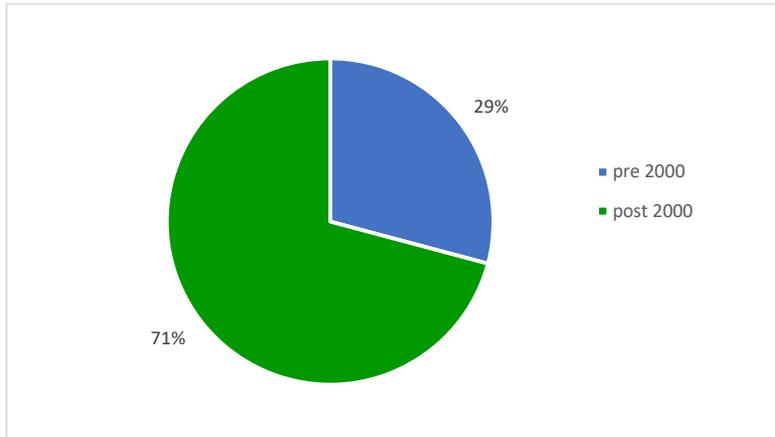


**Chart 5: Distribution of units by unit type and no of beds**



**Chart 6: Distribution of units by configuration**



**Chart 7: Distribution by Age****BRIZE NORTON**

- The Rentals Portfolio also includes 50 unsold newbuild dwellings located at Annington's development in Brize Norton.
- As at the date of valuation, a total of 85 units had already been sold and legal completed, comprising a mixture of 2 bedroom flats, and 2, 3 and 4 bedroom houses.
- The 50 unsold units which are included in the valuation comprises a mixture of 2, 3 and 4 bedroom houses. These house are anticipated to be sold by the end of 2021, with outstanding development costs, including fees of approximately £0.74 million.

**VALUATION METHODOLOGY – RENTALS****PINPOINT UXBRIDGE**

- Pinpoint is a stabilised investment with occupancy at circa 94% at the date of valuation. Our valuation is based on an income capitalisation approach.
- In arriving at our opinion of Market Rent, we have taken into account key factors such as unit size, floor level, outside space, parking, and amenities. We have made an allowance for operational costs and a running void to arrive at our opinion of net operating income and applied an appropriate net yield.

**Gross Market Rent**

- We are of the opinion that the aggregate Market Rent of all residential elements at the property including the 99 car parking spaces to be **£3,672,984 per annum**.

**Net Rent**

- We have considered the likely operational costs, referred to as gross to net, as to arrive at our opinion of the likely net income. In our experience and the context of the UK market, the majority of investors are targeting around 25% in their investment appraisals on new Build to Rent (PRS) investments. Fundamentally, our analysis of comparable investment transactions are based on a gross to net deduction in the region of 25%.
- Our opinion of the net operating Income is **£2,754,738 per annum**.

**Yield**

- We have applied a net yield of 3.60% based on comparable investment as outlined above, and deducted purchaser's costs of 6.19%.

**Conclusion**

- This approach produces a Market Value of **£72.1 million**, which equates to a capital value of £489 per sq. ft and a reflects a discount to the aggregate of the vacant possession value of the individual apartments of circa 7.7% based on an aggregate vacant possession value of circa £78.1 million.

**BULK LEASES TO LONDON BOROUGH OF REDBRIDGE (LBR)**

- The LBR Bulk Leases comprise the following:

Property	Units	Tenancy Summary	Discount applied to Gross Rent	Aggregate Passing Rent (net of discount)	Aggregate Market Rent
Canterbury Lease 1	147	25.22 years unexpired	12%	£1,380,600	£1,683,720
Canterbury Lease 2	32	25.22 years unexpired	12%	£308,760	£371,160
Canterbury Lease 3 & 4	12	25.22 years unexpired	12%	£107,280	£131,760
Cowley	40	26.52 years unexpired	6%	£616,112	£647,040
<b>Sub Total</b>	<b>231</b>			<b>£2,412,752</b>	<b>£2,833,680</b>

- The units let to LBR benefit from in excess of 25 years unexpired on the respective leases, however, are subject to a tenants break clause at any time, subject to 12 months' notice.
- Whilst the leases are in place, LBR are responsible for the maintenance and repair of the properties at Canterbury and Cowley and pay the full rent regardless of any vacancies, although the gross income is subject to discounts of between 12% and 6% respectively.
- We have capitalised the income from LBR using net yields of between 4.5% to 5.0% to reflect the additional risk.
- After deducting purchaser's cost, this results in a Market Value of **£49.5 million**, reflecting a discount to the aggregate of the vacant possession value of the individual units of circa 8.5% based on an aggregate vacant possession value of circa £54.1 million.

**PRIVATE RENTED STOCK**

- As outlined above, at the date of valuation, there is a total of **1,166 units** comprising 403 bulk leases and 763 individual units (with the majority subject to ASTs).
- In arriving at our opinion of Market Value, we have aggregated the units by region and split our valuation approach between an 'income capitalisation' approach and 'discount to vacant possession value', depending by the volume of units by region.
- There are over 100 units in both East Anglia, South East and South West – here we have adopted the income capitalisation approach, making an allowance of 25% for operational costs and voids to arrive at a net income and capitalised using yields of between 3.75% to 4.15%.
- Reflecting the relatively small number of units in the other regions, we have adopted deductions of between 3.5% to 7% to our opinion of the aggregate vacant possession values.
- This approach produces a Market Value of **£243.78 million**, which equates to an overall discount to VPV of circa 11.85%.

## BRIZE NORTON

- We have valued the remaining 16 unsold houses at Brize Norton on the special assumption of completion with an aggregate Gross Development Value of circa £4.8 million.
- To arrive at our opinion of Market Value, we have constructed a discounted cashflow which assumes the remaining 16 houses are sold over a six month period, and we have made an allowance for costs of circa £0.7 million to allow for outstanding construction costs, utilities, fees, marketing and sales, and holding costs.
- Adopting this approach, using a discount rate of 6% produces a Net Present Value (Market Value) of £4.05 million.

## OPINION OF VALUE - THE RENTALS PORTFOLIO

- We are of the opinion that the Market Value of the long leasehold and freehold interests in the properties forming the Rentals Portfolio, as at 31 July 2021, is:

**£369,430,000 (Three Hundred and Sixty Nine Million, Four Hundred and Thirty Thousand Pounds)**

- A summary of the valuation of the constituent elements of the Portfolio is set out below:

Property	Units	Market Value	*Aggregate Vacant Possession Value
PinnPoint, Uxbridge	206	£72,100,000	£78,100,000
London Borough of Redbridge Leases	211	£49,500,000	£54,100,000
Private Rented Stock (Bulk Leases and ASTs)	1,166	£243,780,000	£276,560,000
Brize Norton	16	£4,050,000	£4,817,000
<b>TOTAL</b>	<b>1,619</b>	<b>£369,430,000</b>	<b>£413,577,000</b>

*\*This figure is the aggregate of the Market Value of the individual units on the special assumption of vacant possession at the date of valuation. This figure is the aggregate amount and does not take into account either the time or costs associated with selling the individual units.*

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