



**GREENE KING**

**GREENE KING FINANCE plc**

*(incorporated in England and Wales with limited liability under company number 05333192)*

**£150,000,000 Class A1 Secured Floating Rate Notes due 2031 Issue Price: 100 per cent.**  
**£320,000,000 Class A2 Secured 5.318 per cent. Notes due 2031 Issue Price: 100 per cent.**  
**£130,000,000 Class B Secured Fixed/Floating Rate Notes due 2034 Issue Price: 100 per cent.**

**Source of Payment**

The primary source of funds for the payment of principal and interest on the £150,000,000 Class A1 Secured Floating Rate Notes due 2031 (the "**Class A1 Notes**"), the £320,000,000 Class A2 Secured 5.318 per cent. Notes due 2031 (the "**Class A2 Notes**") and together with the Class A1 Notes, the "**Class A Notes**"), the £130,000,000 Class B Secured Fixed/Floating Rate Notes due 2034 (the "**Class B Notes**") and together with the Class A Notes, the "**Notes**") will be the right of Greene King Finance plc (the "**Issuer**") to receive payments of interest and repayments of principal on advances made under a secured facility agreement (the "**Issuer/Borrower Facility Agreement**") between, *inter alios*, the Issuer, the Obligors, the Cash Manager and the Borrower Security Trustee dated on or about the Closing Date.

**Application to the Irish Stock Exchange**

Application has been made to the Irish Stock Exchange Limited (the "**Stock Exchange**") for the Notes of each class to be issued by the Issuer to be admitted to the Official List of the Stock Exchange. A copy of this document which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with the requirements of the European Communities (Stock Exchange) Regulations, 1984 of Ireland (as amended) (the "**Regulations**"), has been delivered to the Registrar of Companies in Ireland in accordance with Regulation 13 of the Regulations.

**Obligations of Issuer Only**

The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any of the other parties to the transactions described in this document. It should be noted, in particular, that the Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Arranger, the Managers, the Issuer Security Trustee, the Note Trustee, the Paying Agents, the Agent Bank, the Swap Counterparty, the Liquidity Facility Provider, the Account Bank, the Corporate Services Provider, the Cash Manager, the Borrower Security Trustee, Supply Co, Management Co, the Securitisation Group Parent, the Borrowers, the Issuer Parent, Greene King (together, the "**Other Parties**") or any other company (other than the Issuer) in the same group of companies as, or affiliated to the Other Parties.

**Ratings**

The Class A Notes are expected upon issue to be rated "A" by Fitch Ratings Limited ("**Fitch**") and "A" by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**") and, together with Fitch, the "**Rating Agencies**"). The Class B Notes are expected upon issue to be rated "BBB" by Fitch and "BBB" by S&P. **The security ratings assigned by the Rating Agencies do not address the likelihood of the receipt of any Step-Up Amounts or any redemption premium. The payment of Step-Up Amounts is subordinated, *inter alia*, to the payment of interest on and the repayment of principal of the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each security rating should be evaluated independently of any other rating and, amongst other things, will depend on the performance of the business of the Securitisation Group from time to time.**

**Investment Considerations**

A discussion of certain factors, which should be considered in connection with an investment in the Notes, is set out in the section entitled "*Investment Considerations*" below.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the Obligors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult its own independent professional advisors.

*Arranger*

**The Royal Bank of Scotland**

*Joint Lead Managers*

**BNP PARIBAS**

**The Royal Bank of Scotland**

Offering Circular dated 3 March, 2005

## **Responsibility Statement**

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Each member of the Securitisation Group (as defined herein) severally accepts responsibility for all the information contained in this Offering Circular relating to each of its businesses and to the sections entitled “*Description of the Business*”, “*Corporate Reorganisation*”, “*Management*” and “*Summary Details of Key Member Companies of the Greene King Group*” and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

## **Representations about the Notes**

No person has been authorised in connection with the issue and sale of Notes to make any representation or provide any information other than as contained in this document. Any such representation or information should not be relied upon as having been authorised by the Issuer or any of the Other Parties or any of their respective affiliates or advisers.

None of the Arranger, the Managers, the Issuer Security Trustee, the Borrower Security Trustee or the Note Trustee has separately 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 Arranger, the Managers, the Paying Agents, the Agent Bank, the Swap Counterparty, the Liquidity Facility Provider, the Account Bank, the Corporate Services Provider, the Issuer Security Trustee, the Borrower Security Trustee or the Note Trustee as to the accuracy or completeness of the information contained in this document or any other information supplied in connection with the Notes or their distribution. The statements in this paragraph are without prejudice to the responsibility of the Issuer. Each person receiving this document acknowledges that such person has not relied on the Arranger, the Managers, the Paying Agents, the Agent Bank, the Swap Counterparty, the Liquidity Facility Provider, the Account Bank, the Corporate Services Provider, the Issuer Security Trustee or the Note Trustee or the Borrower Security Trustee nor on any other person affiliated with any of them in connection with any investigation of the accuracy of the information on its investment decision.

## **Financial condition of the Issuer, the Securitisation Group and the GK Group**

Neither the delivery of this document nor the offer, sale, allocation, solicitation or delivery of any Note shall in any circumstances create any implication or constitute a representation that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Issuer Parent, the Obligors, the Excluded Group Entities, the Securitisation Group (as a whole) or the GK Group (as a whole) or the information contained herein since the date of this document.

## **Summary of Selling Restrictions**

Neither this document nor any part hereof constitutes an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this document and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. None of the Issuer, the Other Parties or any other member of the GK Group or any of their respective affiliates or advisers represent that the Notes may at any time be lawfully 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 facility of such sale. Persons into whose possession this document (or any part hereof) comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions.

In particular, the Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and may include Notes in bearer form that are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers in accordance with Regulation S under the Securities Act, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In addition, the Issuer has not authorised any offer of Notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) (the “**POS Regulations**”). Notes may not lawfully be offered or sold to persons in the United

Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the POS Regulations or otherwise in compliance with all applicable provisions of the POS Regulations.

For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this document, see the section entitled “*Subscription and Sale*” below.

### **Currency**

In this document, unless otherwise specified, references to “**£**”, “**sterling**” and “**pounds sterling**” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to “**€**”, “**euro**” and “**Euro**” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty of European Union and the Treaty of Amsterdam and as further amended from time to time.

### **Stabilisation**

In connection with the distribution of the Notes, The Royal Bank of Scotland plc (the “**Stabilising Manager**”) (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Closing Date. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

### **Interpretation**

Capitalised terms used in this document, unless otherwise indicated, have the meanings set out in this document. An index of defined terms appears at the back of this document.

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## OVERVIEW OF THE TRANSACTION

*The following is an overview of the transaction. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information that appears elsewhere in this document.*

### **The Issuer and the Securitisation Group**

The Issuer has been incorporated as a special purpose company for the purpose of raising funds through the issuance of the Notes which will be on-lent to the Initial Borrower. As at the Closing Date, the Initial Borrower will be the principal operating company of the Securitisation Estate and its principal source of income will be revenue generated by the pubs comprising the Securitisation Estate. The Securitisation Group comprises the Initial Borrower and the Securitisation Group Parent and each of their respective direct or indirect subsidiaries other than Greene King Retailing (No. 2) Limited (“**GKRNo.2**”). The Initial Borrower (and any Additional Borrowers), the Securitisation Group Parent and the Sapphire Companies (who are subsidiaries of the Initial Borrower that own certain interests in the Mortgaged Properties and in respect of which further details are set out in the section entitled “*Summary Details of Key Member Companies of the Greene King Group – Companies within the Securitisation Group*” below) are referred to in this document as the “**Obligors**”. The Securitisation Group Parent directly holds all of the shares in the Initial Borrower. See the section entitled “*Corporate Structure of the Greene King Group as at the Closing Date*” below for a diagrammatic representation of the corporate structure of the companies within the Securitisation Group.

### **Issue of the Notes and Use of Proceeds**

On or about 7 March, 2005 (or such later date as may be agreed between the Issuer and The Royal Bank of Scotland plc (in such capacity, the “**Arranger**”)) (the “**Closing Date**”), the Issuer will lend the gross proceeds of the issuance of the Notes to the Initial Borrower by way of Initial Term Advances pursuant to the Issuer/Borrower Facility Agreement. The maturity date and loan payment dates in respect of each Initial Term Advance will correspond to the class of Notes that funded such Initial Term Advance.

### **Source of Funds for Payments on the Notes**

The payment of interest and repayment of principal by the Initial Borrower in respect of the Initial Term Advances will provide the primary source of funds for the Issuer to make payments of interest and repayments (or prepayments) of principal under the Notes.

The Issuer/Borrower Facility Agreement will provide that any net payment to be made by the Issuer to the Borrower under the terms of the Issuer/Borrower Swap Agreement on any Interest Payment Date will be set off against the Initial Borrower’s obligation to make floating rate interest payments in respect of the Initial Term A1 Advance and, on and following the Interest Payment Date falling in March 2020 (the “**Class B Step-Up Date**”), in respect of the Initial Term B Advance on the corresponding Loan Payment Date. If a net payment is to be made by the Initial Borrower to the Issuer under the terms of the Issuer/Borrower Swap Agreement this will be payable by the Initial Borrower to the Issuer on the relevant Loan Payment Date in addition to the floating rate interest payable by it on such Loan Payment Date under the Issuer/Borrower Facility Agreement. Accordingly, when taken together, the payments under the Issuer/Borrower Swap Agreement and the payments of interest under the Issuer/Borrower Facility Agreement will result in the Initial Borrower making fixed rate payments to the Issuer on each Loan Payment Date with respect to the Initial Term A1 Advance and, on and following the Class B Step-Up Date, the Initial Term B Advance.

In the event that the Issuer has insufficient funds to make payments on the Notes (other than in respect of any Step-Up Amount (as defined in the Conditions)) on any Interest Payment Date it may, in certain circumstances, draw on the Liquidity Facility.

### **Principal Security for the Obligors’ Obligations**

The Initial Borrower and each other Obligor’s obligations under the Issuer/Borrower Facility Agreement and the other Borrower Transaction Documents will be secured by the Obligors (including the Initial Borrower) granting fixed security over, *inter alia*, the Mortgaged Properties comprising the Securitisation Estate and all the shares held by them in each of their respective subsidiaries (including, in the case of the Securitisation Group Parent, over the shares in the Initial Borrower) and

floating security over all or substantially all of their respective property, undertaking and assets which are not subject to fixed security, in each case, in favour of the Borrower Security Trustee under the Borrower Deed of Charge (in the case of any Additional Borrower, following accession to the Borrower Deed of Charge). In addition, each Obligor will, pursuant to the Issuer/Borrower Facility Agreement, also guarantee each of the payment obligations of each other Obligor under the Borrower Transaction Documents. See the sections entitled “*Corporate Structure of the Greene King Group as at the Closing Date*” below for a diagrammatic representation of the corporate structure of each of the GK Group and the Securitisation Group and “*Description of the Borrower Transaction Documents – Borrower Security Documents*” below for a detailed description of the security granted by the Obligors.

### **Security for the Issuer’s obligations**

The Issuer’s obligations under the Notes and the Issuer Transaction Documents will be secured by the Issuer (a) granting fixed security and floating security over all or substantially all of its property, undertaking and assets and (b) assigning its beneficial interest in the Borrower Security granted to the Borrower Security Trustee under the Borrower Deed of Charge, in each case, in favour of the Issuer Security Trustee under the Issuer Deed of Charge. See the section entitled “*Description of the Issuer Transaction Documents – Issuer Deed of Charge*” below for a detailed description of the security granted by the Issuer.

### **Hedging**

The Issuer will on the Closing Date enter into the Interest Rate Swap Agreement with the Swap Counterparty and certain transactions thereunder in order to hedge itself against the interest rate risk arising as a result of the Issuer being required to pay a floating rate of interest on the Class A1 Notes and, from (and including) the Class B Step-Up Date, the Class B Notes, whilst receiving a net fixed rate payment from the Initial Borrower under the Issuer/Borrower Swap Agreement and the Issuer/Borrower Facility Agreement.

### **Valuation of Securitisation Estate**

A valuation report dated 3 March, 2005 (the “**Valuation Report**”) issued by Gerald Eve of 7 Vere Street, London W1G 0JB (the “**Valuer**”) with respect to the Securitisation Estate is reproduced in its entirety in the section entitled “*Valuation Report on the Securitisation Estate*” below. In the view of the Valuer and subject to the assumptions and qualifications set out in the Valuation Report, the Securitisation Estate had an open market value (assuming its existing use as a portfolio of pubs) of £834,500,000 as at 1 February, 2005, being the date of the valuation set out in the Valuation Report.

For a diagrammatic overview of the transaction described in this document, see the section entitled “*Diagrammatic Overview of the Transaction*” below.

## SELECTED HISTORICAL FINANCIAL DATA ON THE SECURITISATION ESTATE

### Unaudited, aggregated financial information in relation to the Mortgaged Properties comprising the Securitisation Estate

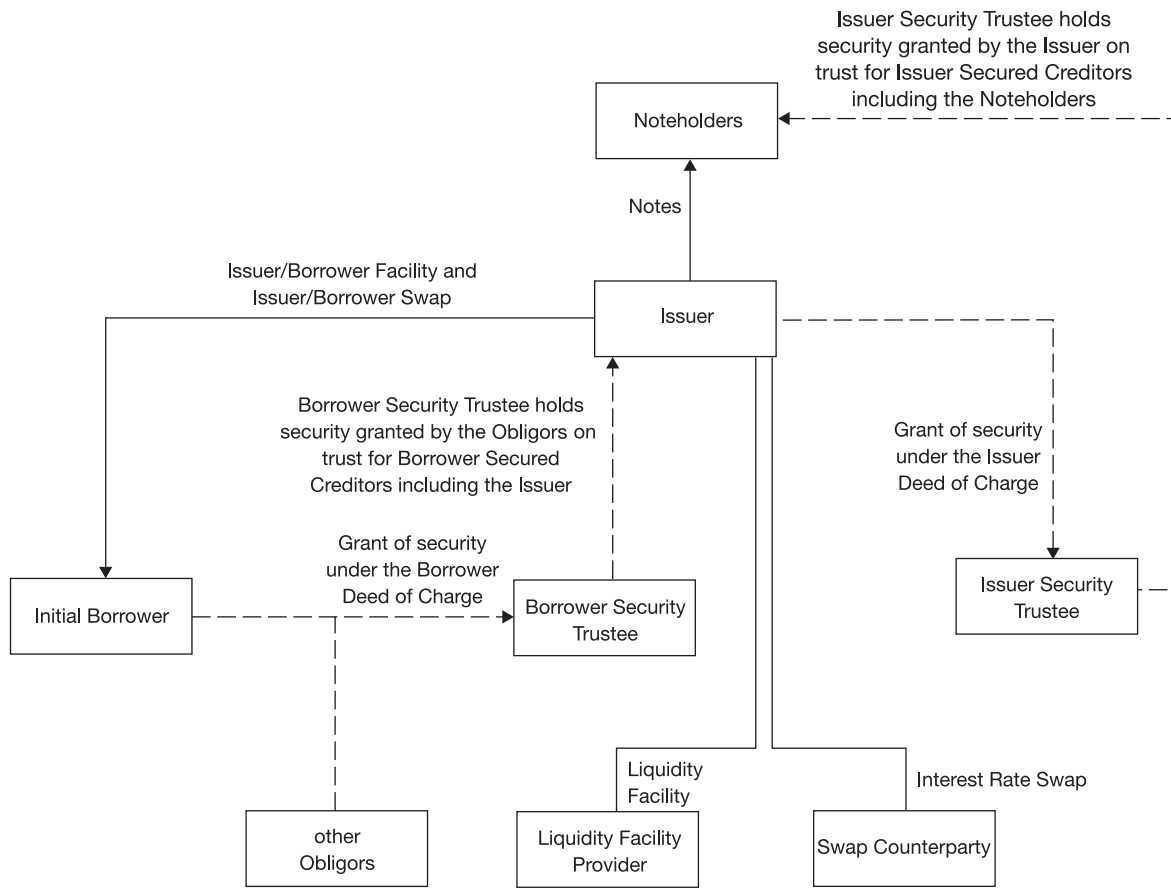
On the Closing Date, the Initial Borrower will acquire (as to which see further the section entitled “*Corporate Reorganisation*” below) 904 pubs which will form the Securitisation Estate. The following table sets forth certain unaudited, financial information for the 904 pubs comprising the Securitisation Estate on an aggregated basis for the 52 weeks ended 4 May, 2003, the 52 weeks ended 2 May, 2004 and the 24 weeks ended 17 October, 2004.

	<b>Unaudited, aggregated financial information</b>		
	<b>52 weeks ended 4 May, 2003 £m</b>	<b>52 weeks ended 2 May, 2004 £m</b>	<b>24 weeks ended 17 Oct, 2004 £m</b>
Turnover	241.2	258.1	123.3
Cost of sales	(99.0)	(105.0)	(49.5)
Gross profit	142.2	153.1	73.8
House operating costs	(61.6)	(63.5)	(30.7)
Aggregated operating profit	80.6	89.6	43.1
Number of tenanted pubs	599	599	599
Number of managed pubs	305	305	305

#### Notes

1. The unaudited, aggregated financial information has been prepared by aggregating the relevant financial information in respect of the pubs which from the Closing Date will comprise the Securitisation Estate.
2. For the 52 weeks ended 4 May, 2003 and 2 May, 2004, the unaudited, aggregated financial information has been extracted from the unaudited information of the Laurel Neighbourhood Estate and from the audited and unaudited information of the GK Group.
3. For the 24 weeks ended 17 October, 2004, the unaudited, aggregated financial information has been extracted from the unaudited financial information of the Laurel Neighbourhood Estate for the 8 weeks ended 31 July, 2004 and from the unaudited financial information of the GK Group for the 24 weeks ended 17 October, 2004, which includes the results of the Laurel Neighbourhood Estate from 1 August, 2004.
4. The information included in the unaudited, aggregated financial information above is not included within the reported statutory financial statements of the GK Group in its entirety due to the ownership of the Laurel Neighbourhood Estate by the GK Group being effective from 1 August, 2004 only.
5. The unaudited, aggregated financial information above includes directly attributable overheads only and excludes all head office related overheads.

## DIAGRAMMATIC OVERVIEW OF THE TRANSACTION







## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES AND RELATED MATTERS

The following is only a summary of, and should be read in conjunction with and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this document.

### Key characteristics of the Notes

	Class A1 Notes	Class A2 Notes	Class B Notes
<b>Issue Price</b>	100%	100%	100%
<b>Denomination of Notes</b>	£50,000 and in increments above £50,000 of £1,000	£50,000 and in increments above £50,000 of £1,000	£50,000 and in increments above £50,000 of £1,000
<b>Aggregate Principal Amount on Issue</b>	£150,000,000	£320,000,000	£130,000,000
<b>Interest Rate</b>	3-month LIBOR**** plus a margin of 0.38% per annum up to (but excluding) the Interest Payment Date falling in March, 2012 and thereafter 3-month LIBOR plus a margin of 0.38% per annum and a further margin of 0.57% per annum	5.318% per annum	5.702% per annum up to (but excluding) the Interest Payment Date falling in March, 2020 and thereafter 3-month LIBOR plus a margin of 0.72% per annum and a further margin of 1.08% per annum
<b>Payment Dates for Interest and Principal Payments</b>	15 June, 15 September, 15 December and 15 March of each year (subject to adjustment for non-business days), the first Interest Payment Date being 15 June, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 15 June, 2005	15 June, 15 September, 15 December and 15 March of each year (subject to adjustment for non-business days), the first Interest Payment Date being 15 June, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 15 June, 2005	15 June, 15 September, 15 December and 15 March of each year (subject to adjustment for non-business days), the first Interest Payment Date being 15 June, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 15 June, 2005
<b>Final Maturity Date</b>	June 2031	September 2031	December 2034
<b>Expected Average Life*</b>	7 years	16.8 years	15 years
<b>Expected Maturity Date*</b>	March 2012	September 2031	March 2020
<b>Frequency of Scheduled Mandatory Redemption</b>	In accordance with Condition 7(b)	In accordance with Condition 7(b)	In accordance with Condition 7(b)
<b>Early Redemption Price</b>	No early redemption permitted prior to the Interest Payment Date falling in March 2006 and thereafter par	Amount calculated in accordance with the formula set out in Condition 7(c)(i)	Amount calculated in accordance with the formula set out in Condition 7(c)(i) up to (but excluding) the Interest Payment Date falling in March 2020 and thereafter par
<b>Interest Accrual Method</b>	Actual/365	Actual/Actual	Prior to the Interest Payment Date falling in March 2020. Actual/Actual and thereafter Actual/365
<b>Frequency of Payment of Interest</b>	Quarterly	Quarterly	Quarterly
<b>Form of Notes at Issue</b>	Bearer Form	Bearer Form	Bearer Form
<b>Clearing System</b>	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg
<b>Credit Enhancement** (provided by other classes of Notes subordinated to the relevant class)</b>	Subordination of the Class B Notes	Subordination of the Class B Notes	Nil
<b>Application for Exchange Listing</b>	Ireland	Ireland	Ireland
<b>ISIN</b>	XS0213357972	XS0213358350	XS0213358608
<b>Common Code</b>	021335797	021335835	021335860
<b>Expected Rating – S&amp;P***</b>	A	A	BBB
<b>Expected Rating – Fitch****</b>	A	A	BBB

\* Assumes Class A1 Notes and Class B Notes are redeemed on the relevant Step-Up Date and no other early redemption in respect of any Notes.

\*\* Provided that, in certain circumstances, the Class B Notes may be redeemed prior to the redemption of the Class A Notes (see the section entitled "Investment Considerations – Priorities in respect of the Notes" below).

\*\*\* No rating is given in respect of Step-Up Amounts or payments in respect of redemption premium.

\*\*\*\* In the case of the first Interest Period, this will be the annual rate obtained by linear interpolation of LIBOR for three month sterling deposits and LIBOR for four month sterling deposits

## Further Characteristics of the Notes

### **Ranking**

The obligations of the Issuer in respect of the Class A1 Notes and the Class A2 Notes (other than in respect of any Class A1 Step-Up Amounts) will rank *pari passu* in point of security and as to payments of interest and principal.

The holders of the Class B Notes will be entitled to receive payments of principal and interest on their Notes on any Interest Payment Date only to the extent that the Issuer has funds available for the purpose after making payment on such Interest Payment Date of any liabilities ranking in priority to the Class B Notes (including all amounts payable on the relevant Interest Payment Date in respect of the Interest Rate Swap Agreement (other than any Swap Subordinated Amounts), the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts) and all amounts of interest and principal (if any) payable on the relevant Interest Payment Date in respect of the Class A Notes (other than any Step-Up Amount) or any New Notes which rank in priority to the Class B Notes, all as provided in Condition 18 (*Subordination and Deferral*) and in the Issuer Deed of Charge and as described below in “*Description of the Issuer Transaction Documents – Issuer Deed of Charge*”).

Any interest on and principal of any Class B Notes not paid on an Interest Payment Date will itself accrue interest and will be paid to the holders of the Class B Notes on subsequent Interest Payment Dates to the extent the Issuer has funds available for such purpose, after paying in full on such Interest Payment Date all payments ranking in priority thereto as aforesaid.

Where a class of Notes ranks senior to another class of Notes (and are not being redeemed in full on an Interest Payment Date such that the junior class of Notes will, following such payment, become the Most Senior Class of Notes (as defined in the Conditions)), the non-payment of any scheduled interest or scheduled principal of the junior class of Notes shall not constitute a Note Event of Default except on the Final Maturity Date of such junior class of Notes.

The payment of any Step-Up Amount is subordinated to payments of interest and repayments and prepayments of principal on each class of Notes and failure to pay any such Step-Up Amount will not constitute a Note Event of Default. The holders of the Class A1 Notes and the Class B Notes will be entitled to receive payments of Step-Up Amounts on their respective Notes on any Interest Payment Date only to the extent that the Issuer has funds available for the purpose after making payments on such Interest Payment Date of all liabilities ranking in priority to the liability to pay Step-Up Amounts on each such class of Notes.

The Issuer’s obligations to make payments under the Interest Rate Swap Agreement (other than Swap Subordinated Amounts) and the Liquidity Facility Agreement (other than Liquidity Subordinated Amounts) will each rank ahead of its obligations in respect of the Notes.

## **Security for the Notes**

On the Closing Date, the Issuer will, pursuant to a deed of charge to be entered into on the Closing Date between, *inter alios*, the Issuer and the Issuer Security Trustee (the “**Issuer Deed of Charge**”), create first ranking fixed security interests over, *inter alia*, all of its rights, title and interest in the Transaction Documents (as defined in the Conditions), the Issuer Accounts and its Eligible Investments together with first ranking floating security over all or substantially all of the Issuer’s property, undertaking and assets which are not subject to such fixed security, in each case, in favour of the Issuer Security Trustee to be held on trust for the benefit of itself, the Noteholders, the Swap Counterparty, the Cash Manager, the Liquidity Facility Provider and any facility agent and/or arranger under the Liquidity Facility Agreement, the Note Trustee, the Paying Agents, the Agent Bank, the Account Bank, Law Debenture Corporate Services Limited (the “**Corporate Services Provider**”), the Initial Borrower and any other creditors who may accede to the Issuer Deed of Charge from time to time (the “**Issuer Secured Creditors**”) as security, *inter alia*, for the Notes.

In addition, certain other obligations of the Issuer (including the amounts owing to the Issuer Security Trustee and any receiver under the Issuer Deed of Charge, to the Account Bank and the Cash Manager under the Account Bank and Cash Management Agreement, to the Swap Counterparty under the Interest Rate Swap Agreement, to the Liquidity Facility Provider under the Liquidity Facility Agreement, to the Paying Agents and the Agent Bank under the Agency Agreement) will also be secured by the Issuer Deed of Charge (together with the Issuer’s obligations in respect of the Notes, the “**Issuer Secured Liabilities**”).

For a more detailed description of the provisions of the Issuer Deed of Charge including the priority of payments by the Issuer both prior and subsequent to the enforcement of the security thereunder, see the section entitled “*Description of the Issuer Transaction Documents – Issuer Deed of Charge*” below.

## **Final Redemption**

Unless previously redeemed in full in accordance with their terms and conditions (the “**Conditions**”), each class of Notes will be redeemed at their Principal Amount Outstanding on the relevant Final Maturity Date (as set out above).

## **Scheduled and other Mandatory Redemption**

Unless previously redeemed in full and cancelled, the Notes will be subject to scheduled redemption in instalments *pro rata* within the relevant class on the Interest Payment Dates and in the amounts set out in Condition 7(b)(i).

In addition, if the Term Advances have become immediately due and repayable following a Borrower Event of Default but the Notes have not become immediately due and repayable pursuant to Condition 11, the Notes will be subject to redemption *pro rata* within each class and in the amounts set out in Condition 7(e).

## **Early Mandatory Redemption in Whole or Part upon Prepayment or Acceleration under the Issuer/Borrower Facility Agreement**

Under the terms of the Issuer/Borrower Facility Agreement, each Borrower will in some circumstances be permitted, and in others be required, to prepay or repay advances made under the Issuer/Borrower Facility Agreement (as described in more detail in sections entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Prepayment of Initial Term Advances*”, “*Prepayment of Additional Term Advances*”, “*Covenants regarding Disposals of Mortgaged Properties and Related Matters*” and “*Acceleration, Cancellation and Enforcement of the Term Advances*” below).

In such circumstances, prior to enforcement of the security for the Notes having occurred, the Issuer shall be required, on giving not less than 5 Business Days' notice (such notice to expire on an Interest Payment Date) to the Noteholders, the Note Trustee, the Paying Agents and the Agent Bank, to apply a principal amount equal to the amount by which the relevant Term Advance under the Issuer/Borrower Facility Agreement is prepaid or repaid (as the case may be) (including, if applicable, any premium payable on the Notes in accordance with Condition 7) towards redemption of the class of Notes corresponding to the Term Advance so prepaid or repaid (as the case may be).

The restrictions on when Initial Term Advances (and therefore also the corresponding classes of Notes) may be prepaid, and the circumstances in which Initial Term Advances corresponding to more junior ranking classes of Notes may be prepaid prior to Initial Term Advances corresponding to more senior ranking classes of Notes, are described in the section entitled "*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Prepayment of Initial Term Advances*" below.

Any Note to be wholly or partly redeemed will be redeemed at the relevant Redemption Amount or Principal Amount Outstanding (as set out in Condition 7 (*Redemption, Purchase and Cancellation*)) together, in each case, with accrued but unpaid interest on the Principal Amount Outstanding of such Note up to but excluding the Interest Payment Date on which such redemption occurs. In the event of a redemption (in whole or part) of the Class A1 Notes or the Class B Notes, a corresponding portion of the transactions under the Interest Rate Swap Agreement will terminate and a termination payment may be due to the Swap Counterparty.

***Substitution/Redemption for Taxation or Other Reasons***

As more particularly described in Condition 7(d), in the event of:

- (a) certain tax changes affecting the Notes;
- (b) certain tax changes affecting the amounts paid or to be paid by the Swap Counterparty to the Issuer or by the Issuer to the Swap Counterparty under the Interest Rate Swap Agreement; or
- (c) certain tax changes affecting the amounts paid or to be paid to the Issuer under the Issuer/Borrower Facility Agreement;

the Issuer will be obliged to use its reasonable endeavours to mitigate the effects of the occurrence of such event including, without limitation, arranging for the substitution of the Issuer by another entity in an alternative jurisdiction (subject to certain conditions, including the approval of the Note Trustee as to the identity of the substitute entity).

If the Issuer is unable to arrange a substitution, the Issuer may, or, in the event that the Issuer has received a notice of prepayment from the Initial Borrower in accordance with the Issuer/Borrower Facility Agreement, shall, redeem all (but not some or part only) of the Notes at par together with accrued interest on their Principal Amount Outstanding unless the relevant event is of the type described in paragraph (b) above, in which case the Issuer shall be required to redeem all (but not some or part only) of the relevant class(es) of Floating Rate Notes (as defined in the Conditions) only, at par together with accrued interest on their Principal Amount Outstanding.

Unless the relevant event is of the type described in paragraph (b) above, no single class of Notes may be redeemed in the circumstances referred to above unless all other classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

**Withholding tax**

Payments of interest, principal and premium (if any) on the Notes will be made subject to any applicable withholding or deduction for, or on account of, any tax and none of the Issuer, any Paying Agent or any other person will be obliged to pay any additional amount as a consequence thereof.

**Further Issues and New Issues**

The Issuer will be entitled (but not obliged), subject to certain conditions at its option from time to time on any date, without the consent of the Noteholders, to raise further funds by the creation and issue of:

- (i) further Class A1 Notes and/or Class A2 Notes and/or Class B Notes which will be in bearer form and carry the same terms and conditions in all respects (save as regards the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the relevant class of Notes (“**Further Notes**”); or
- (ii) new notes of a new class which may rank *pari passu* with or junior to any class of Notes and/or senior to the Class B Notes (“**New Notes**”).

The issue of any Further Notes and/or New Notes shall be subject to certain conditions as set out in Condition 19.

**Purchases**

The Issuer may not purchase any Notes.

The Initial Borrower may purchase any class of Notes in accordance with applicable law and the provisions of the Issuer/Borrower Facility Agreement at any time save that if the Restricted Payment Condition is not satisfied as at the most recent Financial Quarter Date (as to which see the section entitled “*Description of Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Financial Covenants – Restricted Payment Condition*” below) the Initial Borrower will not be permitted to purchase junior ranking Notes (as determined by reference to the applicable Issuer Priority of Payments) if any Notes of a more senior ranking remain outstanding. If the Initial Borrower purchases any Notes, it must surrender those Notes to the Issuer. Upon surrender of any Notes, those Notes will be cancelled and, upon such cancellation an amount of the relevant Term Advance equal to the aggregate principal amount outstanding of such Notes plus an amount of interest on the relevant Term Advance referable to the aggregate of any unpaid accrued interest thereon will be treated as having been prepaid (see the section entitled *Description of Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Purchase of Notes* below).

**Governing Law**

The Notes will be governed by English law.

## KEY PARTIES TO THE TRANSACTION

**Issuer:** Greene King Finance plc (the “**Issuer**”) is a public company with limited liability incorporated under the laws of England with company number 05333192 and whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX. The entire issued share capital of the Issuer is held beneficially by the Issuer Parent.

The Issuer is a bankruptcy remote special purpose vehicle with no employees or premises and limited permitted activities. Its principal activities will comprise, *inter alia*, issuing the Notes and on-lending the proceeds to the Initial Borrower pursuant to the Issuer/Borrower Facility Agreement.

**Issuer Parent:** Greene King Finance Parent Limited (the “**Issuer Parent**”) is a private company with limited liability incorporated under the laws of England with company number 05320993 and whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX. The Issuer Parent is a bankruptcy remote special purpose vehicle with no employees or premises and limited permitted activities. Its principal activity will be to beneficially hold the entire issued share capital of the Issuer. The shares of the Issuer Parent will be held by The Law Debenture Intermediary Corporation p.l.c. on trust for charitable purposes.

**Borrowers:** Greene King Retailing Limited (the “**Initial Borrower**”) is a private limited company incorporated under the laws of England and Wales with company number 05265451 and whose registered office is Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

The entire issued share capital of the Initial Borrower will be held by the Securitisation Group Parent.

The Issuer/Borrower Facility Agreement will include provisions allowing for the accession of additional borrowers (each an “**Additional Borrower**” and together with the Initial Borrower, the “**Borrowers**”), provided that:

- (a) each such Additional Borrower meets certain eligibility criteria (including that it is a direct or an indirect subsidiary of the Securitisation Group Parent); and
- (b) each of the Securitisation Group Parent and the existing Borrowers satisfy certain conditions precedent (including meeting ratings tests and delivering legal opinions, constitutional documents, authorisations and supplemental deeds to the Borrower Deed of Charge and the Tax Deed of Covenant).

Where Additional Borrowers have acceded to the Issuer/Borrower Facility Agreement, the obligations of the Borrowers will be joint and several.

As at the Closing Date, the Initial Borrower (and/or its wholly owned subsidiaries) will be the beneficial owner(s) of the portfolio of Mortgaged Properties and other assets, undertakings and rights relating thereto (the “**Securitisation Estate**”).

**Securitisation Group Parent:** Greene King Retailing Parent Limited (the “**Securitisation Group Parent**”) is a private limited company incorporated under the laws of England and Wales with company number 05265454 and whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT. The entire issued share capital of the Securitisation Group Parent will be held by Greene King.

The Securitisation Group Parent is a bankruptcy remote special purpose company with no employees or premises and limited permitted activities. It is established for the purpose of holding the entire issued share capital of the Initial Borrower and certain related activities.

The Securitisation Group Parent together with the Initial Borrower, any Additional Borrowers and the Sapphire Companies (details of which are set out in the section entitled “*Summary Details of Key Member Companies of the Greene King Group – Companies within the Securitisation Group*”) are referred to as the “**Obligors**” and together with the Borrowers and their direct and indirect subsidiaries (other than GKRNo.2) are referred to as the “**Securitisation Group**”.

**Greene King:**

Greene King plc (“**Greene King**”) is the parent company of the Securitisation Group Parent. Further details in relation to Greene King are set out in the section entitled “*Summary Details of Key Member Companies of the Greene King Group – Companies outside the Securitisation Group*” below. Greene King together with each of its direct and indirect subsidiaries (including the Initial Borrower) are referred to in this document as the “**GK Group**”.

On the Closing Date, Greene King will, pursuant to a security deed entered into between, *inter alios*, Greene King, the Initial Borrower and the GK Security Trustee (the “**GK Security Deed**”) grant to the GK Security Trustee first fixed security (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors) over the entire issued share capital of the Securitisation Group Parent and over all its right, title and interest in, to and under the Initial Borrower Subordinated Loan Agreement as security for certain of its obligations under the Tax Deed of Covenant (as to which see the section entitled “*Description of the Borrower Transaction Documents – Tax Deed of Covenant*” below). The security granted by Greene King pursuant to the GK Security Deed will be released on the earlier of the date on which the Borrower Secured Liabilities and the Issuer Secured Liabilities have been satisfied in full and the date on which the relevant Tax Deed of Covenant obligations have either ceased to be contingent liabilities or have been discharged (as more particularly described in “*Description of the Borrower Transaction Documents – Tax Deed of Covenant*” below).

Greene King will not guarantee any obligation of any Obligor under the Issuer/Borrower Facility Agreement or any obligation of the Issuer in respect of the Notes.

**Note Trustee:**

HSBC Trustee (C.I.) Limited whose registered office is at 1 Grenville Street, St. Helier, Jersey, JE4 9PF, Channel Islands (in such capacity the “**Note Trustee**”), will be appointed as trustee for the holders from time to time of the Notes pursuant to a trust deed (the “**Note Trust Deed**”) between the Issuer and the Note Trustee) constituting the Notes to be dated on the Closing Date.

**Issuer Security Trustee:**

HSBC Trustee (C.I.) Limited whose registered office is at 1 Grenville Street, St. Helier, Jersey, JE4 9PF, Channel Islands (in such capacity the “**Issuer Security Trustee**”), will be appointed to hold (and upon the occurrence of a Note Event of Default will be entitled to enforce) the security granted by the Issuer on trust for all the Issuer Secured Creditors pursuant to the Issuer Deed of Charge.

**Borrower Security Trustee:**

HSBC Trustee (C.I.) Limited whose registered office is at 1 Grenville Street, St. Helier, Jersey, JE4 9PF, Channel Islands (in such



capacity the “**Borrower Security Trustee**”) will hold (and upon the occurrence of a Loan Event of Default will be entitled to enforce) the security granted by the Obligors under the Borrower Security Documents on trust for all the Borrower Secured Creditors, including the Issuer, pursuant to a deed of charge (the “**Borrower Deed of Charge**”) between the Obligors, the Borrower Security Trustee and the Borrower Secured Creditors to be dated on or about the Closing Date.

**GK Security Trustee:**

HSBC Trustee (C.I.) Limited whose registered office is at 1 Grenville Street, St. Helier, Jersey, JE4 9PF, Channel Islands (in such capacity the “**GK Security Trustee**”) will hold (and, if, *inter alia*, Greene King is in breach of its secured obligations under the Tax Deed of Covenant, will be entitled to enforce) the security granted by Greene King under the GK Security Deed on trust for, *inter alios*, the Issuer and the Obligors.

**Principal Paying Agent and Agent Bank:**

HSBC Bank plc acting through its office at 8 Canada Square, London E14 5HQ will be appointed to provide certain services to the Issuer as principal paying agent (in such capacity, the “**Principal Paying Agent**”) and agent bank (in such capacity, the “**Agent Bank**”) pursuant to an agency agreement (the “**Agency Agreement**”) made between the Issuer, the Paying Agents, the Agent Bank, the Note Trustee and the Issuer Security Trustee to be dated on or about the Closing Date.

**Irish Paying Agent:**

HSBC Institutional Trust Services (Ireland) Limited acting through its office at HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland will be the Irish paying agent (the “**Irish Paying Agent**”) and, together with the Principal Paying Agent and any other paying agents appointed pursuant to the Agency Agreement, the “**Paying Agents**”) and will be appointed pursuant to the Agency Agreement.

**Liquidity Facility Provider:**

The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR (in such capacity, the “**Liquidity Facility Provider**”) will provide a liquidity facility (the “**Liquidity Facility**”) to the Issuer pursuant to a liquidity facility agreement (the “**Liquidity Facility Agreement**”) between, *inter alios*, the Issuer, the Liquidity Facility Provider and the Issuer Security Trustee to be dated on or about the Closing Date. The Issuer will be required to maintain a liquidity facility with a bank which has ratings assigned to its unsecured, unsubordinated and unguaranteed short term debt obligations of at least “F1” by Fitch and at least “A-1” by S&P (the “**Minimum Short-Term Ratings**”). The Royal Bank of Scotland plc has, on the date of this document, the Minimum Short-Term Ratings.

**Swap Counterparty:**

The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR (in such capacity, the “**Swap Counterparty**”) which expression shall include any other swap counterparty with which the Issuer enters into any Interest Rate Swap Agreement).

On or about the Closing Date the Issuer will enter into a series of interest rate swap transactions pursuant to an agreement (the “**Interest Rate Swap Agreement**”) which expression shall, where the context so admits, include any other interest rate swap agreement(s) between the Issuer and any swap counterparty in connection with the issue of Further Class A1 Notes, Further Class B Notes or New Notes (if applicable) and any replacement interest rate swap agreement) with the Swap Counterparty, in order to hedge the Issuer’s interest rate exposure in relation to the floating rate of interest due under the Class A1 Notes and, on and following

the Class B Step-Up Date, the Class B Notes (or any Further Class A1 Notes, Further Class B Notes or New Notes (as applicable)).

The Issuer will be required to ensure that any swap agreement entered into in connection with the Notes is entered into with any entity having the Minimum Short-Term Ratings and ratings assigned to its unsecured, unsubordinated and unguaranteed long term debt obligations of at least “A” by Fitch and at least “A” by S&P (the “**Minimum Long-Term Ratings**”). The Royal Bank of Scotland plc has, on the date of this document, the Minimum Short-Term Ratings and the Minimum Long-Term Ratings.

**Account Bank:**

Lloyds TSB Bank plc, acting through its office at 3rd Floor, 25 Gresham Street, London EC2V 7HA (the “**Account Bank**”) will be appointed as Account Bank to the Obligors and the Issuer and will maintain certain bank accounts on behalf of the Obligors and the Issuer pursuant to an account bank and cash management agreement (the “**Account Bank and Cash Management Agreement**”) between the Obligors, the Issuer, the Account Bank, the Cash Manager, the Borrower Security Trustee and the Issuer Security Trustee.

The Issuer will be required to maintain the Issuer Accounts with a bank which has the Minimum Short-Term Ratings. Lloyds TSB Bank plc has, on the date of this document, the Minimum Short-Term Ratings.

**Cash Manager:**

Greene King Brewing and Retailing Limited (“**GKB&R**”) will be appointed as cash manager to the Obligors and the Issuer (in such capacity, the “**Cash Manager**”) and will provide cash management, investment and certain administration services to the Obligors and the Issuer pursuant to the Account Bank and Cash Management Agreement. Further details in relation to GKB&R are set out in the section entitled “*Summary Details of Key Members of the Greene King Group – Companies outside the Securitisation Group*”.

**Supply Co:**

GKB&R (in such capacity “**Supply Co**”) will procure the supply and distribution of certain goods (including food, beer, spirits and other drinks) and services to the Initial Borrower pursuant to the terms of an intra group supply agreement (the “**Intra Group Supply Agreement**”) to be entered into on or about the Closing Date between the Initial Borrower, Supply Co and the Borrower Security Trustee. See the section entitled “*Description of the Borrower Transaction Documents – Services Agreements – Intra Group Supply Agreement*” below.

Supply Co will also on or about the Closing Date grant or procure the grant to the Initial Borrower certain non-exclusive licences to use all of the intellectual property rights used in the business of the Securitisation Group. In addition, Supply Co will grant to the Initial Borrower a call option in respect of all of Supply Co’s right, title and interests in and to intellectual property rights used in the business of the Securitisation Group other than in respect of the “**GREENE KING**” and “**1799**” marks and certain domain names. The Initial Borrower will be entitled (with the consent of the Borrower Security Trustee) to exercise the IP Option on the occurrence of certain events (including certain pre-insolvency triggers and certain insolvency events in respect of Supply Co). See the section entitled “*Description of the Borrower Transaction Documents – Services Agreements – IP Licences and Related Agreements*” below.

**Management Co:**

GKB&R (in such capacity “**Management Co**” and together with Supply Co, the “**Services Companies**”) will provide the Initial Borrower with, or will procure the provision to the Initial Borrower of, central management and administration services together with unit level staff pursuant to the terms of a management services agreement (the “**Management Services Agreement**”) to be entered into on or about the Closing Date between the Initial Borrower, Management Co, the Employee Cos and the Borrower Security Trustee. See the section entitled “*Description of the Borrower Transaction Documents – Services Agreements – Management Services Agreement*” below.

## INVESTMENT CONSIDERATIONS

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

### **Issuer, Issuer/Borrower Facility Agreement and Issuer/Borrower Swap Agreement**

#### *Notes obligations of Issuer only*

The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any of the other parties to the transactions described in this document. It should be noted, in particular, that the Notes will not be obligations or the responsibility of, and will not be guaranteed by, the Other Parties or any company in the same group of companies as, or affiliated to, the Other Parties.

#### *Special Purpose Company; Sources of funds to meet the Issuer's obligations under the Notes*

The Issuer is a special purpose company with no business operations other than the issue of the Notes (including, for the avoidance of doubt any Further Notes and New Notes), the lending of the proceeds to the Borrowers under the Issuer/Borrower Facility Agreement and the entry into of the Interest Rate Swap Agreement, the Issuer/Borrower Swap Agreement and any further hedging arrangements relating to the issuer of Further Notes and/or New Notes together with certain ancillary arrangements. The ability of the Issuer to meet its obligations under the Notes will be dependent on, among other things, the receipt by it of the following:

- (a) amounts payable by the Initial Borrower and, upon their accession, any Additional Borrowers, under the Issuer/Borrower Facility Agreement;
- (b) amounts payable by the Initial Borrower to the Issuer under the Issuer/Borrower Swap Agreement;
- (c) interest (if any) from monies standing to the credit of the Issuer Accounts, or otherwise from certain Eligible Investments made by it or on its behalf (if any); and
- (d) amounts payable by the Swap Counterparty to the Issuer under the Interest Rate Swap Agreement.

In the event that the Issuer is unable on any Interest Payment Date to pay in full (to the extent required to be paid on any such date) the items set out at paragraphs (a) to (i) (inclusive) of the Issuer Pre-Acceleration Priority of Payments specified in the section entitled "*Description of the Issuer Transaction Documents – Issuer Deed of Charge – Issuer Pre-Acceleration Priority of Payments*" below, the Issuer will be able (subject to satisfaction of the conditions for drawing) to draw funds available under the Liquidity Facility in accordance with the terms of the Liquidity Facility Agreement. The maximum amount available to be drawn under the Liquidity Facility will be initially £69 million (this amount may reduce in accordance with the terms of the Liquidity Facility Agreement but will be required to remain equal to at least 18 months peak Debt Service at all times). However, the maximum aggregate amount of the Liquidity Facility available to be drawn to pay interest and principal in respect of the Class B Notes will be limited to £15 million until such time as the Class B Notes are the most senior ranking class of Notes outstanding. The Liquidity Facility will not be available to meet any payment of Step-Up Amounts or amounts in respect of redemption premium.

Other than the foregoing and the related security therefor, the Issuer is not expected to have any funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes.

#### *Issuer Security*

Although the Issuer Security Trustee will hold the benefit of the security interests created under and pursuant to the Issuer Deed of Charge on trust for the Noteholders, such security interests will also be held on trust for certain third parties that will rank ahead of the Noteholders, including, *inter alios*, the Liquidity Facility Provider and the Swap Counterparty in respect of certain amounts owed to them. See the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge*" below.

### *Hedging Risks*

All payments to be made by the Issuer under the Interest Rate Swap Agreement, other than Swap Subordinated Amounts, will rank in priority to payments due to the Noteholders. If the Swap Counterparty fails to provide the Issuer with the amount due under an Interest Rate Swap Agreement on any Interest Payment Date, or if any transaction under the Interest Rate Swap Agreement is otherwise terminated, the Issuer may have insufficient funds to make payments due on the Notes.

The notional amounts of the hedging transactions entered into pursuant to the Interest Rate Swap Agreement will be calculated on the assumption that the Principal Amount Outstanding of the relevant classes of Floating Rate Notes will reduce in accordance with the provisions for scheduled mandatory redemption set out in Condition 7(b) (*Scheduled Mandatory Redemption in Part*). If there is a prepayment or other early repayment (in whole or in part) of any class of the relevant Floating Rate Notes, or if an event of default occurs under the terms of the Interest Rate Swap Agreement, then a termination payment may become due and payable by the Issuer under the Interest Rate Swap Agreement. Any termination payment due from the Issuer to the Swap Counterparty on termination in whole or in part of a transaction under the Interest Rate Swap Agreement and any related costs (other than Swap Subordinated Amounts) will rank in priority to payments due to the Noteholders.

On the Closing Date, the mark-to-market value of the transactions entered into by the Issuer under the Interest Rate Swap Agreement will be approximately £4.8 million in favour of the Swap Counterparty because the Issuer will pay a higher than current market rate under the Interest Rate Swap Agreement of 5.155 per cent. per annum. The Issuer will receive an initial payment for entering into the transactions at this rate, but will be required to make a corresponding payment to the Initial Borrower (which will also pay a higher than current market rate) under the Issuer/Borrower Swap Agreement. Amounts payable to the Swap Counterparty rank (except in certain limited circumstances) senior to amounts payable to Noteholders.

### *Ability to effect redemption subject to availability of funds*

It should be noted that, pursuant to Condition 7(d) (*Redemption, Purchase and Cancellation – Substitution/Redemption in Whole for Taxation and Other Reasons*), the Issuer is not entitled to effect a redemption of the Notes under such Condition unless it has satisfied the Issuer Security Trustee that it will have the necessary funds to discharge all other amounts required by the Issuer Deed of Charge to be paid on the relevant Interest Payment Date.

### *The Obligors' ability to meet their obligations under the Issuer/Borrower Facility Agreement*

Each Obligor's ability to meet its obligations under the Issuer/Borrower Facility Agreement and the Initial Borrower's ability to meet its obligations under the Issuer/Borrower Swap Agreement will depend upon the performance of the Securitisation Group's businesses and such Obligor's financial obligations other than under the Issuer/Borrower Facility Agreement and/or the Issuer/Borrower Swap Agreement (as the case may be). The obligations of the Obligors to make payments under the Issuer/Borrower Facility Agreement and of the Initial Borrower under the Issuer/Borrower Swap Agreement are full recourse obligations. There can be no assurance that the future performance of the Securitisation Group's businesses will be similar to the performance to date described in this document.

### *Obligor Default*

Neither the Obligors' obligations under the Issuer/Borrower Facility Agreement nor those of the Initial Borrower under the Issuer/Borrower Swap Agreement are secured or guaranteed by the Other Parties (other than by the Obligors) or any company (including the Issuer) in the same group of companies as, or affiliated to, Greene King (other than by the Obligors). Amounts received in respect of the Borrower Security following delivery of a Loan Enforcement Notice, including proceeds of any sale or other disposal of a Mortgaged Property, may be insufficient to pay in full principal, interest and any other amount due under the Issuer/Borrower Facility Agreement and/or the Issuer/Borrower Swap Agreement which, in turn, would adversely affect the ability of the Issuer to meet its obligations to pay interest on and the principal of the Notes.

*Monitoring of compliance with warranties, covenants and the occurrence of a Loan Event of Default or Potential Loan Event of Default*

The Issuer/Borrower Facility Agreement will provide that the Borrower Security Trustee will be entitled to assume, unless it is otherwise disclosed in any investor report or compliance certificate (to be delivered on an annual and semi-annual basis) or the Borrower Security Trustee is expressly informed otherwise by a Borrower, that no Loan Event of Default or Potential Loan Event of Default has occurred which is continuing. The Borrower Security Trustee will not itself monitor whether any such event has occurred but will (unless expressly informed to the contrary by a Borrower) rely on the investor reports and compliance certificates to determine whether a Loan Event of Default or Potential Loan Event of Default has occurred. A Loan Event of Default or Potential Loan Event of Default will include a breach of any representation or warranty which is made or repeated by the Obligors under any of the Borrower Transaction Documents where such breach would or would reasonably be expected, in the case of certain representations and warranties only, to have a Material Adverse Effect or a breach by an Obligor of any covenant or undertaking under any Borrower Transaction Document where such breach would or would reasonably be expected to have a Material Adverse Effect and, in either case, to the extent not remedied within any applicable grace period, where such breach is capable of remedy.

“**Material Adverse Effect**” means any effect which:

- (a) is, or is reasonably likely to be, materially adverse to:
  - (i) the business, assets (as a whole) or financial condition of the Securitisation Group (as a whole); or
  - (ii) the ability of the Obligors (taken as a whole) to perform in a timely manner all or any of their respective payment obligations under any of the Borrower Transaction Documents (subject to any applicable grace periods); or
  - (iii) the value of the assets of the Securitisation Group (taken as a whole) relative to the outstanding principal amount of the Term Advances; or
- (b) results in any Transaction Document not being legal, valid and binding on and enforceable against any party thereto and/or in the case of any Issuer Security Documents and/or Borrower Security Documents not providing to the Issuer Security Trustee or the Borrower Security Trustee (as relevant) security over the assets expressed to be secured under that Security Document, in each case in any materially adverse respect.

Moreover, as the Issuer is a special purpose company, it will not, nor does it possess the resources to, actively monitor whether a Loan Event of Default or a Potential Loan Event of Default has occurred, including, for this purpose, the continued accuracy of the representations and warranties made by the Obligors and compliance by the Obligors with their covenants and undertakings. Accordingly, it will fall to the Obligors themselves (or the Initial Borrower on their behalf) to make these determinations. In this context, a number of these representations, warranties, covenants, undertakings and Loan Events of Default and Potential Loan Events of Default will be qualified by reference to a relevant fact, matter or circumstance having a Material Adverse Effect. Whilst the criteria set out in the definition of “Material Adverse Effect” are objective, the Obligors themselves will be entitled to determine whether or not the relevant fact, matter or circumstance falls within any of the criteria unless notified to the contrary by the Borrower Security Trustee or the Issuer.

However, the Issuer/Borrower Facility Agreement will require the Obligors to inform the Issuer and the Borrower Security Trustee of the occurrence of any Loan Event of Default and Potential Loan Event of Default promptly upon becoming aware of the same. In addition, the Borrowers are required to confirm in each annual and semi-annual investor report and each compliance certificate, each of which will be delivered to, among other recipients, the Borrower Security Trustee (and, in relation to the investor reports, will also be made available on Bloomberg), whether or not any Loan Event of Default or Potential Loan Event of Default has occurred (and, if one has, what action is being, or proposed to be, taken to remedy it). Each investor report also requires the Borrowers to provide statements or, as the case may be, calculations of EBITDA, Net Worth and Free Cash Flow as well as demonstrate whether the Debt Service Covenant has been observed.

The failure by a Borrower to perform or comply with its covenants to provide financial information in accordance with the Issuer/Borrower Facility Agreement will, following the lapse of any applicable grace period, in itself constitute a Loan Event of Default. The occurrence of a Loan Event of Default under the Issuer/Borrower Facility Agreement will entitle the Borrower Security Trustee to pursue any of

the courses of action available to it and as set out under the section entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Loan Events of Default – Acceleration, Cancellation and Enforcement of the Term Advances*”.

In certain circumstances, the Securitisation Group may become subject to independent review and monitoring by an independent consultant if requested by the Borrower Security Trustee upon the occurrence of certain trigger events. See the section entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Appointment of Independent Consultant*” below. Notwithstanding this, no member of the Securitisation Group will be required to follow any recommendations or take any such remedial action suggested or proposed by the Independent Consultant. In addition, there can be no assurance that a suitable independent consultant could be found who would be prepared to undertake such role on terms and for a level of fees acceptable to the Initial Borrower and the Borrower Security Trustee.

#### *Provision of Financial Information by the Borrowers*

Greene King, the ultimate parent of the Borrowers, is a public company listed on the London Stock Exchange and therefore has certain reporting obligations to its shareholders. Accordingly, for so long as the Securitisation Group Parent is a subsidiary of the GK Group, the ability of a Borrower to disclose financial information to, *inter alios*, Noteholders in accordance with the terms of the Transaction Documents may be affected by any law, regulation, stock exchange requirements or rules of any applicable regulatory body to which any member of the GK Group is subject.

Further, as the shares of Greene King are listed on the London Stock Exchange, Greene King may, in exceptional circumstances, be granted an extension of time by the Financial Services Authority in its capacity as the UK Listing Authority for the announcement of its preliminary or, as the case may be, interim results. As a consequence, the financial information to be delivered by the Borrowers to, *inter alios*, Noteholders may not be received within the time periods specified in this document.

### **Management Services Agreement**

#### *Reliance on Management Co*

All GK Group employees, both those required to staff the pubs directly managed and operated by the GK Group (the “**Managed Pubs**”) and those involved in the management and administration of the GK Group, will on the Closing Date be employed by companies within the GK Group but outside the Securitisation Group, namely Greene King Retail Services Limited and Greene King Services Limited (together the “**Employee Cos**”). The Initial Borrower and Management Co do not have any staff and are therefore reliant on the Employee Cos to provide such services under the terms of the Management Services Agreement. Under the terms of the Management Services Agreement, Management Co will undertake to provide to the Initial Borrower, or procure the provision to the Initial Borrower of, the staff necessary for the Securitisation Group’s operations and the Management Services Agreement will provide for Management Co’s costs to be charged back to the Initial Borrower in accordance with the principles set out therein. See further the section entitled “*Description of the Borrower Transaction Documents – Services Agreements – Management Services Agreement*” below.

Prior to termination of the Management Services Agreement in accordance with the terms thereof, the Initial Borrower is not entitled to obtain any of such services from a person other than Management Co. It is, however, entitled to request that Management Co provides it with additional services that are reasonably necessary for the operation of the Securitisation Estate. In addition, Management Co is under an obligation to ensure that the services it provides include all those central management and administration services undertaken by it in respect of the Securitisation Estate in the 12 months prior to the date of the Management Services Agreement and is obliged to have regard to the Initial Borrower’s obligations under the Issuer/Borrower Facility Agreement and to ensure that it provides the services in accordance with good industry practice. In addition, if Management Co enters into insolvency proceedings or is prevented from providing the services as a result of force majeure the Employee Cos will be required to provide such services directly to the Initial Borrower on terms equivalent to those upon which Management Co was to provide services to the Initial Borrower.

#### *Appointment of Administrator to Management Co or the Employee Cos*

The Management Services Agreement will contain provisions intended to ensure that the Initial Borrower has an option to employ the staff engaged in its operations at an individual pub level directly if either Management Co or either of the Employee Cos should enter into insolvency proceedings.

It is intended that in these circumstances individual pub level staff would transfer automatically by operation of law but, should this not be possible, the ability of the Initial Borrower to engage staff under these provisions depends on the willingness (which cannot be guaranteed) of individual employees to accept an offer of employment made by the Initial Borrower. However, the allocation of staff who work above individual pub level (such as area managers or staff engaged in the provision of central services) as between the pubs making up the Securitisation Estate and the non-securitisation business will be subject to negotiations between Management Co and the Initial Borrower. This could have an effect on the business of the Securitisation Estate in the future (either because the Initial Borrower may be unable to obtain the services of particular individuals both at and above individual pub level, or because the Initial Borrower finds itself liable for termination costs in respect of such individuals).

#### *Services provided to other persons*

Management Co and the Employee Cos will be free to provide staff and services to businesses outside of the Securitisation Group. This may expose the Securitisation Estate to risks in respect of those non-securitisation businesses' insolvency. These include the risks that as a result of any such insolvency (a) the cost of services to the Initial Borrower from Management Co or the Employee Cos (as the case may be) increases and (b) employees whose services are shared by the Initial Borrower and by other businesses outside of the Securitisation Group may need to be made redundant by the relevant Employee Co (leaving the Securitisation Estate without the services of those employees).

#### *Change to administration arrangements*

It is possible that, over time, these arrangements may be found to have become operationally restrictive or commercially undesirable for the GK Group and/or may fail to address issues that arise out of changes in the nature of the GK Group and/or the industry and/or the environment in which it operates. In such circumstances, the GK Group may seek to modify or unwind such structure in whole or in part (which may include a transfer of some or all of the employees who work in pubs or who are involved in the management of pubs within the Securitised Estate), which modification or unwinding will be subject to the consent of the Borrower Security Trustee.

#### *Sale of business*

The Management Services Agreement will also contain provisions intended to ensure that, if the Securitisation Group (or its business) is sold (for example, on enforcement of security), then the employment of pub level staff engaged in the relevant business would transfer to the purchaser. In addition to the potential difficulty of deciding upon the proper allocation of staff who work above the individual pub level as between the Securitisation Estate and the non-securitisation business, it should also be noted that the effectiveness of these provisions in some circumstances will depend on the willingness (which cannot be guaranteed) of individual employees to accept an offer of employment with the purchaser.

#### *Management Co's right to outsource*

Management Co will be permitted to outsource some or all of the services which it is contractually obliged to perform under the Management Services Agreement but, where it does so, it shall remain liable to the full extent of its duties and obligations undertaken, notwithstanding any such outsourcing. There is no guarantee that any outsourcing by Management Co would lead to cost savings or, following enforcement of security and termination of the Management Services Agreement, that the Initial Borrower would have access to all the resources that it then needed to run its business.

#### *Ability to find a replacement service provider upon termination of the Management Services Agreement*

The Management Services Agreement is capable of termination by the Borrower and Management Co in certain circumstances (see the section entitled "*Description of the Borrower Transaction Documents – Services Agreements – Management Services Agreement*" below). Except in the case of non-payment of fees owing to it, Management Co may only terminate the Management Services Agreement if, amongst other things, a replacement service provider is appointed and the prior written consent of the Borrower Security Trustee is obtained. No assurance can be given that, where required, a replacement service provider can be found who will be able to deliver the same services to the same standard.



#### *Ownership of the provider of central management and administration services*

Management Co and the Initial Borrower are currently both within the GK Group. However, there can be no assurance that the service provider providing central management and administration services to the Initial Borrower will be an entity which will have common ownership with the Initial Borrower – namely, if Management Co ceases to be a member of the GK Group or if a replacement service provider is appointed in the event of termination of the Management Services Agreement. However, the Initial Borrower may, within a six month period, terminate the Management Services Agreement if the Initial Borrower and Management Co cease to be affiliated group entities. See the section entitled “*Description of the Borrower Transaction Documents – Services Agreements – Management Services Agreement*”.

#### **Intra Group Supply Agreement**

##### *Exposure to activities of Supply Co outside of the Securitisation Group*

Supply Co is free to supply goods and services to companies outside of the Securitisation Group (and may utilise the same supply arrangements to supply products and services to both the Securitisation Estate and to pubs outside of the Securitisation Estate). Any such future activities could affect Supply Co’s ability to perform its obligations under the Intra Group Supply Agreement.

##### *Termination*

Third party supply agreements between Supply Co and third party suppliers may be terminated in accordance with their terms (as would be the case were the arrangements directly with the Initial Borrower). The supply of relevant products and services to the Initial Borrower will also be terminated in such circumstances although Supply Co must use its best endeavours to secure replacement supplies as soon as practical after termination in order to minimise disruption to the Initial Borrower.

##### *Exclusive supplies*

The Initial Borrower is prohibited from purchasing goods and supplies from any source other than under the Intra Group Supply Agreement subject to certain limited exceptions where the Initial Borrower is able to source products and services from elsewhere. To the extent that a material increase in the underlying cost (whether of procurement or production) to Supply Co occurs, or Supply Co identifies that the payments to third parties (together with its own costs) exceed or will exceed the amounts payable to Supply Co under the Intra Group Supply Agreement, these costs or losses will be passed on to the Initial Borrower.

##### *Minimum Stock and Purchase Obligations*

Certain existing third party supply agreements between Supply Co and third party suppliers impose minimum stock and/or minimum purchase commitments on the GK Group. In addition, Supply Co will be permitted to agree to further minimum stock and/or purchase commitments in the future when negotiating and agreeing new and/or replacement third party supply agreements provided that Supply Co will be required to negotiate in good faith and to act fairly as between the Securitisation Group and any non-securitisation business. To the extent that such minimum stock and/or purchase commitments are not met additional costs and penalties may be levied on Supply Co a proportion of which will be passed on to the Securitisation Group. Any minimum stock and/or purchase obligations will be allocated between the Securitisation Group and the non-securitisation business having regard to their respective historic consumption of the relevant goods and Supply Co will be able to recover from the Initial Borrower any additional costs and penalties that it incurs and which are attributable to the Securitisation Group’s allocated proportion of the relevant minimum stock and/or purchase commitment. As a result of the potential to incur such liabilities at a time when sales are falling a decline in the turnover of the Securitisation Group could have a disproportionately adverse effect on its cash flow and its ability to make interest and principal payments under the Issuer/Borrower Facility Agreement.

#### **Mortgagee in possession liability**

The Issuer or the Borrower Security Trustee (but only if the Borrower Security Trustee has taken enforcement action against the relevant Obligor) may be deemed to be a mortgagee creditor in possession if there is physical entry into possession of any pub or an act of control or influence which may amount to possession. A mortgagee creditor in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the

liabilities of a property owner. Save in certain circumstances in respect of the appointment of an administrative receiver, the Borrower Security Trustee is not obliged to act (including becoming a mortgagee or heritable creditor in possession in respect of a pub) unless it is satisfied at that time that it is adequately indemnified. Under the terms of the Borrower Deed of Charge, payments to the Borrower Security Trustee in respect of any such indemnity rank first in point of priority of payments, both prior to and following service of a Loan Enforcement Notice. This may adversely affect the funds available to the Initial Borrower to make payments of interest and principal in respect of the Term Advances and therefore also the funds available to the Issuer to make payments of interest and principal in respect of the Notes.

## **Priorities in respect of the Notes**

### *Notes and New Notes*

Payments of interest on each class of Notes will rank *pari passu* between themselves and (except in the case of the Step-Up Amounts) before repayments of principal thereon. Scheduled repayments of principal on each class of Notes will rank *pari passu* between themselves. Scheduled repayments of principal and scheduled payments of interest on the Class A Notes will be made, both prior to and following the delivery by the Issuer Security Trustee of a Note Enforcement Notice to the Issuer in priority to scheduled repayments of principal and scheduled payments of interest on the Class B Notes and payment of any Step-Up Amounts. Scheduled repayments of principal and scheduled payments of interest on the Class B Notes will be made, both prior to and following the delivery by the Issuer Security Trustee of a Note Enforcement Notice to the Issuer in priority to payment of any Step-Up Amounts. Scheduled repayments of principal and scheduled payments of interest on each class of Notes will rank subordinate to, among other things, payments of fees, remuneration and expenses to certain third parties and other amounts to be paid in priority thereto.

In certain circumstances, the Issuer may redeem (in whole or in part) the Class B Notes *pari passu* with or in priority to the Class A Notes and any class of Notes *pari passu* with or in priority to any New Notes ranking senior to such class of Notes. These circumstances are limited to occasions where a Borrower may prepay the Term Advances in any order it determines. These include situations where the prepayment is made from Excess Cash or Excess Net Sales Proceeds and, in either case, the Restricted Payment Condition is satisfied in accordance with the terms set out in the section entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Financial Covenants – Restricted Payment Condition*” or where equity or cash (on a subordinated basis) is made available to a Borrower by an Excluded Group Entity for the purpose of such prepayment. In such cases, a Borrower is entitled to prepay the corresponding Term B Advance in priority to the Term A Advances and any Term Advance relating to New Notes which ranks senior to such Term B Advance. For further details, see the sections entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Prepayment of Initial Term Advances – Application of Prepayment Funds as a Result of Voluntary Prepayment*”, “*Covenants regarding Disposal of Mortgaged Properties and Related Matters – Application of Proceeds of Disposals of a Mortgaged Property*” below. Following such redemption, there can be no assurance that the Issuer will receive sufficient funds on future Loan Payment Dates to meet all of its obligations under such of the Notes as are then outstanding.

If New Notes were issued, and such New Notes were to rank *pari passu* with a class of Notes, then scheduled repayments of principal and payments of interest on such class of Notes would be made, both prior to and following the delivery of a Loan Enforcement Notice by the Issuer Security Trustee to the Issuer, *pari passu* with any scheduled repayments of principal and payments of interest on such New Notes (but after scheduled repayments of principal and payments of interest on any class of Notes senior to such New Notes).

If New Notes were issued and such New Notes were to rank in priority to a class of Notes (other than the Class A Notes), then scheduled repayments of principal and payments of interest on such New Notes would be made, both prior to and following the delivery of a Loan Enforcement Notice by the Issuer Security Trustee to the Issuer, in priority to any scheduled repayments of principal and payments of interest on such class of Notes (and any Notes junior to such class of Notes). In addition New Notes may be issued which will have the benefit of a financial guarantee or monoline insurance policy. If this were to be the case certain payments to the applicable financial guarantor or monoline insurer may rank, both prior to and following the delivery of a Loan Enforcement Notice by the Issuer Security Trustee to the Issuer, in priority to any payments of principal and interest on both the New Notes and the existing classes of Notes (including the Class A Notes). For further details, see the investment consideration entitled “*Other considerations relating to the Notes – Issue of New Notes*” below.

### *Conflicts of Interest*

The Issuer Deed of Charge will contain provisions requiring the Issuer Security Trustee to act only in accordance with the directions of the Note Trustee prior to redemption in full of all of the Notes. Following redemption in full of all of the Notes, the Issuer Security Trustee shall have regard to the interests of the person appearing highest in the order of priority of payments to whom any amount is owed under the Issuer Deed of Charge with respect to all powers, trusts, authorities, duties and discretions of the Issuer Security Trustee.

In exercising its powers, trusts, authorities, duties and discretions as described above, the Issuer Security Trustee or, as the case may be, the Note Trustee shall disregard any amount owing or payable in relation to Step-Up Amounts for the purposes of determining whether any particular class of Notes is outstanding.

The Note Trust Deed requires the Note Trustee to have regard to the interests of all the Noteholders (so long as any of the Notes remains outstanding) as regards all powers, trusts, authorities, duties and discretions as if they formed a single class (except where expressly required otherwise). However, the Note Trust Deed requires that, in the event of a conflict between the interests of any class of Noteholders, the Note Trustee shall have regard to the interests of the holders of the Most Senior Class of Notes then outstanding.

For so long as any of the Notes are outstanding, the Note Trustee shall not be bound to take any steps, proceedings or other actions unless:

- (a) it shall have been indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith; and
- (b) it shall have been directed or requested to do so (1) by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or (2) in certain limited circumstances and where expressly provided, in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding.

The Note Trustee may give its consent to any amendment to, or grant any waiver under or in respect of, any term of any Transaction Document to which it is a party or over which it has security or give its written consent to any event, matter or thing if to do so would, among other things, not in its opinion be materially prejudicial to the interests of the Noteholders or in certain circumstances, where a specified test or conditions have been met. See further the investment consideration entitled "*Modifications, Waivers and Consents*" below.

### **Other considerations relating to the Notes**

#### *Issue of New Notes*

In certain circumstances and subject to certain conditions being met, the Issuer will be entitled to issue New Notes which will not form a single series with the existing Class A1 Notes, Class A2 Notes or Class B Notes but which will rank either (a) after the Class A Notes, but in priority to, *pari passu* with or after the Class B Notes or (b) *pari passu* with the Class A Notes. Such New Notes may be issued with the benefit of a financial guarantee or monoline insurance policy from a rated financial guarantor or monoline insurer.

If any New Notes are issued, the Note Trust Deed, the Conditions and the Issuer Deed of Charge will be amended in such manner as the Note Trustee and the Issuer Security Trustee (as applicable) considers necessary to reflect such issue and the ranking of such New Notes in relation to the Class A Notes and the Class B Notes and (where appropriate) to reflect the rights of any financial guarantor or monoline insurer.

#### *Ratings*

It is expected that, on the Closing Date, the Notes will have the ratings set out in the table under the section entitled "*Summary of the Terms and Conditions of the Notes and Related Matters*" above. The ratings assigned to each class of Notes by the Rating Agencies address the likelihood of (i) full and timely payment to the holders of each class of Notes of all payments of interest on the Notes on each Interest Payment Date (excluding any Step-Up Amounts) and, (ii) in respect of S&P, full and timely payment of scheduled principal on the Notes on each Interest Payment Date (excluding any premium payable on the redemption of any Notes) and, (iii) in respect of Fitch, full and timely payment of

scheduled principal on the Class A Notes on each Interest Payment Date (excluding any premium payable on the redemption of the Notes) and repayment of ultimate principal on the Class B Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation, and each security rating should be evaluated independently of any other rating. A security rating, amongst other things, will depend on certain underlying characteristics of the business of the Securitisation Group from time to time.

It should be noted that the consent of the Borrower Security Trustee and/or the Issuer Security Trustee and/or the Note Trustee is required to be obtained in relation to certain matters. In certain circumstances, the Borrower Security Trustee will be obliged to give such consent if the Ratings Test is satisfied in relation to the relevant matter. In addition, the Issuer Security Trustee, the Borrower Security Trustee and the Note Trustee shall be entitled, for the purposes of exercising any power, trust, authority, duty or discretion or the giving of any consent under or in relation to the Transaction Documents to which it is a party or over which it has security (including the determination of material prejudice by the Borrower Security Trustee and/or the Issuer Security Trustee and/or the Note Trustee), to take into account any confirmation given by the Rating Agencies that the then current ratings of the Notes will not be adversely affected by the giving of such consent or action contemplated (such confirmation by the Rating Agencies constituting the satisfaction of the “**Ratings Test**”).

Where a particular matter (including the determination of material prejudice by the Borrower Security Trustee and/or the Issuer Security Trustee and changes to certain of the operational covenants) involves the Rating Agencies being requested to confirm the then current ratings of the Notes, such confirmation may or may not be given at the sole discretion of the Rating Agencies. It should be noted that, depending on the timing of the delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide their confirmation in the time available or at all, and the Rating Agencies will not be responsible for the consequences thereof.

Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction since the Closing Date. A confirmation of ratings represents only a restatement of the opinions given at the Closing Date, and cannot be construed as advice for the benefit of any parties to the transaction. In particular, Noteholders should be aware that the Rating Agencies owe no duties whatsoever to any parties to the transaction (including the Noteholders) in providing any confirmation of ratings. No assurance can be given that a requirement to seek ratings confirmation will not have a subsequent impact upon the business of the Securitisation Group. In addition, it should be noted that any confirmation of ratings: (i) only addresses the effect of any relevant event, matter or circumstance on the current ratings assigned by the relevant Rating Agency to the Notes; (ii) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents; and (iii) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to, some or all of the Noteholders or other secured creditors.

#### *Marketability*

Application has been made to list the notes on the Stock Exchange. However, the Notes will be new securities for which there is no established trading market. An active trading market may not develop or, if developed, may not be maintained. Consequently, prospective purchasers of the Notes should be aware that they may have to hold the Notes until their maturity. In addition, the market value of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any sale of Notes by Noteholders in any secondary market that may develop may be at a discount to the original purchase price of such Notes.

#### **Modifications, Waivers and Consents**

The Issuer Security Trustee and the Note Trustee may agree with the Issuer, the Obligors and other relevant parties, but without the consent or sanction of the Noteholders or the Couponholders in making any modifications to the Conditions, the Note Trust Deed (other than in respect of a Basic Terms Modification), the Notes or the other Transaction Documents to which it is a party or over which it has security, or may give its consent to any event, matter or thing, if:

- (a) in its opinion, the interests of the Noteholders would not be materially prejudiced thereby (as to which the Issuer Security Trustee may be given a direction by the Note Trustee);

- (b) in its opinion, such modification is required to correct a manifest error or is of a formal, minor, administrative or technical nature or is necessary or is desirable for the purposes of clarification; or
- (c) it is required or permitted, subject to the satisfaction of specified conditions, under the terms of the Conditions or the Transaction Documents and such conditions are satisfied.

In connection with any modification of, waiver or authorisation of any breach or proposed breach of, or consent under, any Transaction Document requested by any Obligor or the Issuer (as the case may be) the Issuer Security Trustee or the Note Trustee (as applicable), in considering whether such action is materially prejudicial to the interests of Noteholders, or, as the case may be, Issuer Secured Creditors shall be entitled to take into account whether the Ratings Test would be satisfied notwithstanding such action.

The Borrower Security Trustee may in writing, without reference to the Note Trustee, the Noteholders or the Borrower Secured Creditors, authorise or waive any breach of, or agree with any relevant parties in making any modification to, any of the provisions of any Borrower Transaction Document or give its consent to any event, matter or thing if:

- (a) in its opinion, the interests of the Noteholders would not be materially prejudiced thereby (as to which it may be given a direction by the Issuer Security Trustee);
- (b) in its opinion, it is required to correct a manifest error or is of a formal, minor or administrative or technical nature or is necessary or desirable for the purposes of clarification; or
- (c) it is required or permitted, subject to the satisfaction of specified conditions, under the terms of any Borrower Transaction Document and such conditions are satisfied.

## **Considerations relating to the Business Operations of the Securitisation Group**

### *General*

The liquidation value of the Securitisation Estate may be adversely affected by risks generally incidental to the interests in real property, including changes in political and economic conditions or in the public house and restaurant industries, declines in property values, variations of supply of and demand for pubs, declines in occupancy rates in its accommodation, increases in interest rates, changes in rental terms including the tenants' responsibility for operating expenses, changes in governmental rules, regulations and fiscal policies, terrorism, acts of God and other factors which are beyond the control of the Issuer, the Initial Borrower, the other Obligors and any of the Other Parties.

### *Certain Changes to Regulation affecting the Cost Base*

The Securitisation Group's operations are subject to regulation, and further changes in regulations could adversely affect results of operations, including through higher costs. More restrictive regulations could lead to increasing prices to consumers which, in turn, may adversely affect demand and therefore revenues and profitability. See the section entitled "*The United Kingdom Pub Industry – Regulatory Environment*" below for additional information on the regulation to which the Securitisation Group is subject. In particular, some examples of the regulatory changes which may affect the Securitisation Group's cost base include:

- (a) additional EU or UK employment legislation (in particular, (i) the level of the National Minimum Wage, which is under annual review by the Low Pay Commission and (ii) the maximum number of hours an employee may be permitted to work and the extent to which they may voluntarily opt-out) which could further increase labour costs;
- (b) competition, consumer protection and environmental laws which could adversely affect the Securitisation Group's operations; and
- (c) implementation of the Disability Discrimination Act 1995, which may require changes to certain of the Mortgaged Properties.

### *Licensing Reform*

The Securitisation Group's businesses are subject to licensing requirements relating to the sale of alcoholic beverages and these requirements are subject to change from time to time. Additional or more stringent requirements could be imposed on the Securitisation Group's operations in the future.

See the section entitled “*The United Kingdom Pub Industry – Regulatory Environment – Licensing Reform*” below.

#### *Competition with other Pubs, Off-licences and Restaurants etc.*

The Securitisation Group’s pubs compete for consumers with a wide variety of other branded and non-branded pubs and restaurants as well as off-licences, supermarkets and takeaways, some of which may offer higher amenity levels or lower prices and be backed by greater financial and operational resources. The Securitisation Group’s pubs may not be successful in competing against any or all of these alternatives and a sustained loss of customers and/or skilled employees to other pubs or leisure activities or increased consumption at home could have a material adverse effect on its business operations and prospects. See the section entitled “*The United Kingdom Pub Industry – Market Trends*” below.

#### *Fiscal-Related Matters*

The Securitisation Group’s activities are affected by a number of fiscal-related matters. These matters include duty on alcoholic beverages, VAT and other business taxes. Changes in legislation which affect all or any of these matters may adversely affect the financial performance of the Securitisation Group.

#### *Change in Gambling Laws*

Changes to the gaming legislation are under consideration by the Government, including the operation of amusement machines with prizes (or fruit machines) (“**AWPs**”) in pubs. The main area of the current legislation that would change is that play by under 18 year olds would be illegal except on low stake prize machines (although the Securitisation Group already complies with a voluntary code to this effect) and the control of machine numbers would pass from licensing magistrates to local authorities. The other areas of change relate to categories of machines permitted in casinos, licensed betting offices, bingo halls, amusement arcades, family entertainment centres and motorway service stations which may increase the competitive threat to the Securitisation Group in respect of gaming.

Under the proposed legislation, it is intended that existing licensed premises will be allowed to retain their current number of AWP’s. New licensed premises are likely to be entitled to two AWP’s (currently pubs do not have an automatic right to any AWP’s) with discretion for local authorities to increase such entitlement, based on national guidance that is currently being considered by the Government in consultation with the pub industry. In addition, following lobbying by the pub and gambling industries and irrespective of any new overarching gambling legislation, it is likely that reviews aimed at increasing the maximum levels of stakes, prizes and methods of payment will continue.

The new legislation may increase the appeal (through payment deregulation and the number of machines on licensed premises) of gambling in pubs, including those in the Securitisation Estate. However, the levels of income from AWP’s within the Securitisation Estate may be negatively affected if local authorities do not permit pubs to have more than two AWP’s or do not grant grandfather rights in respect of existing machines.

#### *Potential Changes to Drink Driving Laws*

As car drivers and passengers account for 40 per cent. of pub customers in the United Kingdom, any future legislation to reduce the legal blood alcohol limit for drivers in the United Kingdom could affect trading in the Securitisation Group’s rural and suburban pubs and may result in customers drinking less. This could lead to a reduction in turnover at certain of the pubs in the Securitisation Estate and lead to a decline in the Securitisation Group’s overall income as a whole from alcoholic drink sales. See further the section entitled “*The United Kingdom Pub Industry – Regulatory Environment – Drink Driving*” below.

#### *Legislation relating to smoking*

On 16 November, 2004, the UK Government published its White Paper on Public Health (the “**White Paper**”) which sets out the Department of Health’s proposals in relation to smoking in public places, including pubs, in England and Wales. It is proposed that restrictions on smoking are to be phased in over a period of four years including an outright ban on smoking in restaurants and pubs serving food (other than snacks such as crisps).

Pubs and bars not serving food will not be subject to the outright ban and pub owners will be able to choose whether to permit smoking on their premises.

There is currently a Public Places Charter (the “**Charter**”) on smoking in public places, such as restaurants and pubs, which has been agreed between the Department of Health and leading hospitality industry groups. This Charter, though not law, is supported by the Government which asked the licensed leisure industry to ensure that 50 per cent. of licensed premises were compliant with it by December 2002, and that 35 per cent. of those have either “no smoking” areas or adequate mechanical ventilation.

#### *GK Group policy on smoking*

The GK Group, in common with other pub companies, is currently in the process of adopting a policy which complies with the Charter. As a result of the White Paper, the GK Group will now review its policies in this area in order to manage compliance with the likely legislation as effectively as possible.

Greene King will be involved, as will other companies in the sector, in any consultation process with the Government in respect of the White Paper. At this moment, it is expected that any ban across England and Wales would come into effect in 2008.

The current restrictions, introduced pursuant to the Charter, together with the proposals set out in the White Paper may have the effect of discouraging smokers from using pubs. This may adversely affect the results of the GK Group. In England and Wales, the effects of the proposed ban may be mitigated by the interim period of four years prior to introduction. The GK Group will be able to use this time to properly assess and prepare for the impact the ban may have on its business.

Overall, it is expected that the adverse effects of the proposed smoking bans will be limited. Experience in other cities where smoking bans have been introduced suggests that volumes of turnover will recover to pre-ban levels relatively quickly and food oriented pubs, in particular, may benefit from the smoking ban.

#### *The Borrower is reliant on the reputation of GK Group’s brands*

Failure to protect the GK Group’s brands or an event which materially damages the reputation of one or more of its brands and/or failure to sustain their appeal to its customers could have an adverse impact on subsequent revenues from that brand or to the GK Group’s brands as a whole and, accordingly, on the revenues of the Securitisation Group.

#### *EC Noise Directive*

The Physical Agents Directive 2001 (the “**Directive**”) is currently under discussion in the retail industry relating to the regulation of noise in the workplace. For further information see the section entitled “*The United Kingdom Pub Industry – Regulatory Environment – EC Noise Directive*” below. It is possible that any regulations put in place by the Government may discourage certain customers from patronising those pubs whose present attraction is music or a less quiet environment and this could lead to a reduction in sales at some pubs and reduce the income received by the Securitisation Group.

#### *Changes in Supplier Dynamics*

In recent years, there has been a consolidation in the brewing and distribution industry in the UK. This consolidation could have the effect of exposing Supply Co to reliance on a limited number of suppliers, and those suppliers may be able to exert pressures on the Securitisation Group that could have the effect of raising the prices paid by it for goods bought or delivered, reducing margins and adversely affecting results of operations.

Supply Co will, on or before the Closing Date, have entered into agreements with all of its key suppliers. Termination of these agreements, variation of their terms or the failure of a party to comply with its obligations under these agreements could have a material adverse effect on its ability to comply with its obligations under the Intra Group Supply Agreement in respect of those products not produced by GKB&R itself and therefore could have a negative effect on the operations and financial performance of the Securitisation Group.

#### *Seasonality and Weather*

Attendance at the Securitisation Group’s pubs is generally higher during holiday periods, such as Christmas and New Year, and over bank holidays. Frequenting of pubs is slightly lower during the winter months than in the summer. Attendance levels at the Securitisation Group’s pubs may also be adversely affected by persistent rain or other inclement weather, especially during the summer months

or over the Christmas period (which are peak trading times). This could have a negative effect on turnover generated by the Securitisation Group's pubs and, in turn, could have a negative effect on the results of the Securitisation Group's operations.

#### *Varying Consumer Perceptions and Public Attitudes*

In the UK, consumption of alcoholic beverages has become the subject of considerable social and political attention in recent years due to increasing public concern over alcohol-related social problems including drink driving, underage drinking and adverse health consequences associated with the misuse of alcohol, including alcoholism. Changes in consumer tastes in both food and drink and demographic trends over time may affect the appeal of the Securitisation Group's pubs to consumers. The Securitisation Group's success will depend in part on its ability to anticipate, identify and respond to these changing conditions in the context of the life-cycle economics of the leisure industry. See the section entitled "*The United Kingdom Pub Industry – Market Trends*" below.

#### *Complaints or Litigation from Pub Customers, Employees and Third Parties*

The Securitisation Group could be the subject of complaints or litigation from individuals or groups of pub customers and/or employees and/or class actions alleging illness or injury (e.g. passive smoking or alcohol abuse) or raising other food quality, health or operational concerns, and from other third parties in nuisance and negligence. It may also incur additional liabilities as a freehold property owner (including environmental liability as to which see further see the investment consideration "*Considerations relating to the Mortgaged Properties – Environmental Considerations*" and the section entitled "*Description of the Business – Environmental*" below). These claims may also divert the Securitisation Group's financial resources from more beneficial uses. If the Securitisation Group were to be found liable in respect of any complaint or litigation, this could adversely affect the Securitisation Group's results of operations, and also adversely affect its reputation or that of its brands.

#### *Fluctuations in the Property Market*

The property market may develop so that rents may increase such that they affect the economic viability of one or more of the tenanted pubs. Equally, a downturn in the UK property market may lead to a reduction in the Securitisation Group's freehold property values over time. Based upon the valuation of the Securitisation Estate as at 1 February, 2005 contained in the Valuation Report and assuming that there has been no change to such valuation as at the Closing Date, the ratio (expressed as a percentage) of the Principal Amount Outstanding of the Notes to be issued on the Closing Date to the open market value of the Securitisation Estate is approximately 71.9 per cent. There will be no obligation on the Issuer, the Obligors or any other person to maintain such ratio below any particular maximum level or to publish or notify any person of such ratio and any rise in such ratio will not result in a default in respect of either the Issuer/Borrower Facility Agreement or the Notes and will not of itself require any further action on the part of the Issuer, any Obligor or any other person.

#### *Exposure of the Securitisation Group to Funding Risks in relation to the Defined Benefits under its Pension Schemes*

The GK Group operates three defined benefit pension schemes (each a "**Pension Scheme**"):

- Greene King Pension Scheme;
- Greene King Supplementary Pension Scheme; and
- Morland plc Pension Scheme.

These are all closed to new entrants.

While Greene King is the principal employer in relation to each Pension Scheme, other companies within the GK Group (but not the Initial Borrower, GKRN0.2 or any other member of the Securitisation Group) also participate in each of them.

Further information on the funding position of each Pension Scheme is set out in the section entitled "*Description of Business – Pensions*" below.

The primary liability for funding the Pension Schemes rests with the participating employer companies. By virtue of the Pensions Act 2004, there will be risks for the whole of the GK Group arising from the



operation of the Pension Schemes. Many of these are generic risks associated with the operation of UK defined pension schemes generally.

In summary, the main risk factors are:

- (a) The trustees of the Morland plc Pension Scheme have unilateral power to decide the employer contribution rate. They could therefore require increased payments from all participating employers in that scheme.
- (b) In relation to the other two schemes, the Pensions Act 2004 will allow the Pensions Regulator to impose a scheme funding target and employer contribution rate if those matters cannot be agreed between the scheme trustees and the employers and is expected to result in more onerous funding requirements for employers.
- (c) The trustees of each Pension Scheme have power to wind up the relevant scheme in certain circumstances (e.g. if they think it unlikely that sufficient funding will be available to provide all benefits in full and additionally, in the case of the Morland plc Pension Scheme, if the principal employer fails to perform its obligations under the scheme (which could include failing to pay the employer contributions set by the trustees)). As a result of recent changes in legislation, winding up the schemes would result in a statutory obligation on the various participating employers to fund the schemes by reference to a "buy-out basis". Approximate actuarial calculations carried out by the GK Group's actuary identify that if the schemes were to wind up as at the date of the most recent actuarial valuation undertaken being April 2003, aggregate contributions on this basis would have been required of around £50 million (although this figure should be taken only as a guide as no quotations have been obtained from insurance companies). Additionally, regulations (in force from 15 February, 2005) provide that a similar statutory debt would be triggered if Greene King went into liquidation.
- (d) The Pensions Act 2004 gives new powers to the Pensions Regulator to require funding or funding guarantees for defined benefit pension schemes from any company in the same group as the participating employers (which may include the Obligor). This applies regardless of whether the companies sought to be made liable have any employees in the pension schemes concerned.
- (e) The trustees of each Pension Scheme have control over the investment of the relevant scheme's assets and could (having taken appropriate investment advice and consulted with the employers) alter the investment profile of the schemes. For example, they could exchange equity investments for bonds, which would typically increase the employer funding obligations in relation to the schemes because of the lower rate of return expected from lower risk bonds.

The foregoing risks are linked to the funding level of the schemes, which can be adversely affected by a number of factors including:

- (i) reducing bond yields (low yields mean a pension obligation is assessed as having a high value);
- (ii) increasing life expectancy (which will make pensions payable for longer and, therefore, more expensive to provide);
- (iii) investment returns below expectation;
- (iv) actual and expected price inflation (many benefits are linked to price inflation and, ignoring any compensating change in the value of assets and future expected investment returns, an increase in inflation will result in higher benefits being paid);
- (v) funding volatility as a result of the mismatch between the assets held and the assets by reference to which the scheme liabilities are calculated; and
- (vi) other events occurring which make past service benefits more expensive than anticipated in the actuarial assumptions by reference to which past pension contributions were assessed, including unanticipated changes to legislation or tax laws.

Employer obligations to their pension schemes (including any statutory debt) generally rank as unsecured and non-preferential obligations of the employer, with some limited exceptions.

#### *High proportion of Fixed Overheads and Variable Revenues*

A high proportion of the Securitisation Group's operating overheads and certain other costs remain constant even if its revenues drop. The expenses of owning and operating managed pubs are not

significantly reduced when circumstances such as market and economic factors and competition cause a reduction in revenues. If the Securitisation Estate were comprised solely of leased and tenanted pubs, it might have a lower risk to revenue exposure (because the tenant is obliged to pay the negotiated rent) and lower fixed costs at operating level and at a head office level than the Securitisation Group, which comprises both leased/tenanted pubs and managed pubs.

Accordingly, a significant decline in the Securitisation Group's revenues could have a disproportionately adverse effect on its cash flow and ability to make interest and principal payments under the Issuer/Borrower Facility Agreement.

#### *Insurance*

The Issuer/Borrower Facility Agreement will require the Securitisation Group to carry insurance with respect to the Securitisation Estate in accordance with the terms set out therein, which the Securitisation Group may fulfil under a GK Group policy. Following the effects of the 11 September, 2001 terrorist attacks on the World Trade Center in New York, companies generally are facing increased premia for reduced cover. Generally, the Securitisation Group may indirectly have to pay higher premia or in some cases accept less, or a lower quality of, cover. This could adversely affect the Securitisation Group by increasing costs or increasing its exposure to certain risks. Other risks might become uninsurable (or not economically insurable) in the future. The Borrowers' ability to repay the Issuer/Borrower Facility Agreement may be adversely affected if such an uninsured or uninsurable loss were to occur, which may adversely affect the ability of the Issuer to pay interest on and principal of the Notes. See also the sections entitled "*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Representations and Warranties*", "*Further Covenants*" and "*Loan Events of Default*" below.

The insurance arrangements for the Securitisation Group will form part of the services to be provided by Management Co under the Management Services Agreement. The Management Services Agreement will allocate the appropriate level of premium payable by the Securitisation Group (on a fair and reasonable basis) and will also allocate appropriate sub-limits within the context of the GK Group's overall cover limits to the Securitisation Estate and the non-securitisation estate (also on a fair and reasonable basis) (see the sections entitled "*Description of the Borrower Transaction Documents – Management Services Agreement*" below).

#### *Impact of operations outside the Securitisation Group*

EBITDA from the pubs within the Securitisation Estate (excluding overheads) accounted for approximately 48% of the EBITDA from the total pubs operated by the GK Group for the period from 3 May, 2004 to 17 October, 2004 as enlarged by the EBITDA of the 432 Laurel Neighbourhood Estate pubs which were acquired with effect from 1 August, 2004. In addition and as described in the section entitled "*Description of the Business – Business – Brewing Company*" below, the GK Group operates a brewing, distribution and wholesaling business which accounted for approximately 12.1% of the EBITDA of the entire GK Group for the period from 3 May, 2004 to 17 October, 2004. The GK Group may also develop or acquire further operations outside of the Securitisation Group in the future. Any current or future operations and related financing arrangements outside the Securitisation Group could be expected to be subject to some or all the foregoing risks relating to business operations. There can be no assurance that these additional operations and/or financing arrangements will not have any adverse impact on the business and operations of the Securitisation Group.

#### **Considerations relating to the Mortgaged Properties**

The interest held by the Initial Borrower in 876 of the Mortgaged Properties in the Securitisation Estate is freehold and the interest held by the Initial Borrower in 28 Mortgaged Properties in the Securitisation Estate is comprised either wholly or partly under a leasehold title (the "**Leasehold Mortgaged Properties**").

### *Investigations and Certificates of Title*

In respect of the Securitisation Estate (as at the Closing Date), Birketts Solicitors (“**Birketts**”) have produced a spreadsheet (the “**Spreadsheet**”) summarising the relevant information required for each Mortgaged Property for the purposes of creating legal security over the Mortgaged Properties in the Securitisation Estate, together with certificates of title and supplemental certificates of title dated 3 March, 2005 for a sample comprising 145 freehold Mortgaged Properties (of which 49 comprise freehold Managed Pubs and 96 comprise Tenanted Pubs), 26 long leasehold and 2 mixed long leasehold and freehold Mortgaged Properties located in England and Wales (the “**Certificates of Title**”). This sample (the “**Sample**”) was selected by reference to the freehold Mortgaged Properties with the highest EBITDA and all the Leasehold Mortgaged Properties in the Securitisation Estate. The Sample represents approximately 19% by number of the Mortgaged Properties comprised in the Securitisation Estate (as at the Closing Date) and approximately 31.2% by reference to EBITDA (for the period from 25 August, 2003 to 22 August, 2004).

Birketts have not reported in the Certificates of Title on the terms of the tenancy agreements (the “**Tenancy Agreements**”) relating to those properties in the Securitisation Estate which are subject to pub tenancies (the “**Tenanted Properties**”). Instead Birketts have prepared a report on the relevant standard forms of the respective Tenancy Agreements used in respect of the Tenanted Properties (the “**Tenancy Summary**”) and there will be a warranty in the Issuer/Borrower Facility Agreement that not less than 88% of the leases of the Tenanted Properties are substantially in the form of the relevant standard forms of the Tenancy Agreements reported on by Birketts.

The Certificates of Title address the quality of the title for each relevant property as at the date of the relevant Certificate of Title and were issued by Birketts on the basis of their review of the title documents supplied to them and up to date official copy entries obtained from H.M. Land Registry in respect of the registered titles.

Except as mentioned above, none of the usual conveyancing searches and enquiries in relation to the purchase of a property were made by Birketts, notably local authority, water authority, Environment Agency, Coal Authority and Network Rail searches. These searches would have revealed whether or not roads, pavements, drains and sewers serving the relevant Mortgaged Properties are adopted and maintained at the public expense, whether or not any relevant Mortgaged Properties are subject to a compulsory purchase order or whether or not any statutory notices have been served in respect of any relevant Mortgaged Property (such as in relation to breaches of planning or building regulation control, breach of Public Health Acts or breach of fire regulations) and they would also have highlighted the planning history for a property.

Birketts did not check as to the existence or validity of any liquor licences, justices licences and other trade licences in respect of any of the Mortgaged Properties and did not address the state of repair of the Mortgaged Properties or any planning, regulatory or environmental issues relating thereto. In each case Birketts may not have sufficient professional indemnity insurance to honour in full any claim that might arise in relation to the matters dealt with in the Certificates of Title.

Linklaters have, in addition, prepared a due diligence overview report (the “**Overview Report**”) in respect of their review of the Certificates of Title and the Tenancy Summary in order to highlight any material items. The Certificates of Title, the Overview Report and the Spreadsheet are together referred to as the “**Property Due Diligence Reports**”.

The Borrowers will provide certain representations and warranties to the Borrower Security Trustee pursuant to the Issuer/Borrower Facility Agreement and the Borrower Deed of Charge in relation to, *inter alia*, documentation and information in relation to the Mortgaged Properties supplied by the GK Group in connection with the preparation of the Property Due Diligence Reports, the nature of the title that the Obligors have to the Mortgaged Properties and the existence of any restrictions or other encumbrances over the Mortgaged Properties.

### *Issues identified in the Overview Report*

The table below summarises the issues identified as material in the Overview Report, broken down by number of properties affected by each issue. Since more than one issue may affect a single property, there may be more disclosures enumerated in the table below than there are numbers of properties actually affected.

Quality of title:	
• possessory (part)	2
• good leasehold	10
Missing Deeds	4
Part legally owned by a company outside the GK Group (other than Laurel Properties)	1
Covenants which:	
• prevent the use of the licensed premises or any part as a pub and/or the sale of alcohol	2
• conflict with current use, actually or potentially	1
• are unknown	3
Breaches of obligation or disputes	1
In relation to the leasehold properties:	
• provisions providing for forfeiture on insolvency of the tenant	4
• provisions providing for forfeiture on loss of licence	1
• “keep open” covenants	5
• landlord’s consent for assignment only required (of which 2 do not require consent to a transfer to the Initial Borrower)	17
• landlord’s consent for assignment and charging required	2
• landlord’s title not investigated	1

#### *Leasehold Interest in Mortgaged Properties*

Four Leasehold Mortgaged Properties contain forfeiture provisions pursuant to which the landlord may terminate the lease upon the insolvency of an Obligor, as tenant. The termination of any such lease by a landlord could deprive the Securitisation Group of any capital value in the relevant leasehold interest as well as the ongoing income from the relevant Mortgaged Property.

Where the interest held in a Mortgaged Property is comprised either wholly or partly under a leasehold title and that Mortgaged Property is damaged or destroyed such that the business cannot be operated from that Mortgaged Property until rebuilding or repair work is undertaken, there is a risk that the landlord may have a right to break where the Mortgaged Property cannot be rebuilt within a certain period. There is also a risk that the Mortgaged Property cannot be rebuilt within a certain specified period and that the tenant may be forced to cease operating its business either because it is unviable to wait for rebuilding or repair and it cannot find alternative premises or because it loses its licence to operate. Such damage or destruction could deprive the Securitisation Group of capital value in the relevant Mortgaged Property as well as ongoing income from the relevant business operations.

Five of the Leasehold Mortgaged Properties have been identified where the leases contain provisions requiring the tenant to keep the property open and trading during specified hours. In general, English courts will not enforce such obligations through an order of specific performance. However, failure to comply with these obligations potentially exposes the tenant company to liability for damages although it would be necessary for the landlord to demonstrate loss.

#### *Title Matters*

Four of the Mortgaged Properties in the Sample have been identified where title is subject to restrictions preventing the use of either the whole, or a part of the property currently being used as such, for use as a pub and/or the sale of alcohol. Three more are subject to unknown covenants and a further four have missing deeds. Greene King has confirmed that it has not received notice of any claims having been made in relation to the breach of any such covenants.

Part of one Mortgaged Property is legally owned by a company outside the GK Group, and the property is not a Laurel Property (referred to in the section entitled “*The Laurel Estate*” below). The licensed premises which incorporate this part have been operated by the owner of the remaining part for over ten years which has been a member of the GK Group for nine years. The legal owner has been approached with a request to transfer the title, but had not done so as at the date of this document. The lack of marketable title could deprive the Securitisation Group of capital value in the relevant Mortgaged Property as well as ongoing income from the relevant business operations.

### *Tenancy Summary*

Linklaters have confirmed in the Overview Report that, based on their review of the Tenancy Summary, in their opinion the forms of Tenancy Agreements currently used are in all material respects on terms that are usual in the pub letting market. However, they have highlighted the following.

- (a) In relation to the standard form of 15 year lease (currently representing 4.3 per cent. of the Tenanted Properties) the exclusive tie arrangements under the lease do not extend to the supply of spirits, wines or non-alcoholic drinks by the landlord.
- (b) In relation to the standard form of probationary 5 year lease, 5 year lease and 8-9 year lease (currently representing 67.8 per cent. of the Tenanted Properties), the tenant is under no obligation to repair, or contribute to the cost of repair, of the structure of the pub. The landlord therefore bears the cost of any structural repairs which may be needed (other than by reason of an insured risk occurring).
- (c) In relation to the standard form of Morland 21 year lease (currently representing 16.4 per cent. of the Tenanted Properties, but no longer in use), the exclusive tie arrangements under the lease extend only to beer and cider.

### *The Laurel Estate*

153 of the Mortgaged Properties (the “**Laurel Properties**”) derive from an estate formerly known as The Laurel Estate, and the balance derive from the historic Greene King estate (“**GK Properties**”). Laurel Properties other than those held by the Sapphire Companies were agreed to be sold to Greene King Neighbourhood Estate Pubs Limited (“**GKNEPL**”) by an agreement dated 7 June, 2004 or to Greene King Leisure Pub Holdings Limited by an agreement dated 2 August, 2004. Greene King has advised that all consideration payable under both agreements has been paid. Properties capable of transfer without third party consent (including all relevant freehold properties) have been transferred to GKNEPL but there remains a significant number in respect of which registration is pending at H.M. Land Registry. The applications to register GKNEPL or Greene King Leisure Pub Holdings Limited as the registered proprietor of the relevant interests have been submitted with the appropriate SDLT certificates and no further requisitions are anticipated.

There are 7 leasehold and 1 part-freehold and part-leasehold Laurel Properties within the Securitisation Estate. Consent to assign is required from the relevant landlord for the transfer of 4 of the Leasehold Laurel Properties to the Initial Borrower and the granting of a charge over the legal and beneficial interest in the Mortgaged Properties to the Borrower Security Trustee. Until consent is obtained, legal titles are held outside the GK Group.

Legal titles to GK Properties are held by various companies within the GK Group (subject, in the case of GKNEPL, to the completion of registration at H.M. Land Registry of the transfers to it of the relevant Properties), but Greene King has advised that, prior to any corporate restructuring, the beneficial interest in all relevant interests in GK Properties was held by GKB&R.

### *Registration of Mortgages*

There is no current intention, on or prior to the Closing Date, to register at H.M. Land Registry the mortgages granted to the Borrower Security Trustee by members of the Securitisation Group over the Mortgaged Properties. To the extent that mortgages are not registered or recorded but are capable of registration or recording, the mortgages over the Mortgaged Properties in England and Wales take effect in equity only and may be overridden by dispositions (including charges) of the land to third parties for valuable consideration. In addition, equitable and other interests created before the grant of these equitable mortgages could gain priority. The existence of any such prior ranking interests would constitute a Loan Event of Default if the existence thereof would reasonably be expected to have a Material Adverse Effect. Upon the occurrence of a Loan Event of Default which is continuing and which has not been waived, or if the Borrower Security Trustee becomes entitled to require the appointment of an Independent Consultant in accordance with the terms of the Issuer/Borrower Facility Agreement (as to which see the section entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Appointment of Independent Consultant*”), the Obligors shall, unless the Borrower Security Trustee otherwise agrees, register, or procure the registration of, mortgages over all the Mortgaged Properties in England and Wales, to the extent not already done so.

### *Landlords' Consents*

In respect of 17 of the Leasehold Mortgaged Properties, the relevant landlord's consent is required under the relevant lease to the transfer of the relevant interest to the Initial Borrower and/or the granting of a charge of the legal and beneficial interest in those Leasehold Mortgaged Properties to the Borrower Security Trustee, (the "**Consent Leasehold Mortgaged Properties**"). The Overview Report confirms in relation to all the Consent Leasehold Mortgaged Properties that the landlord may not be unreasonable in considering whether to provide its consent. Applications for consent to transfer and charge have been made in respect of all Consent Leasehold Mortgaged Properties but as at the date of this document no landlord's consent to the transfer or the granting of a charge over the legal and beneficial interest has been obtained. No landlord has, however, at the date of this document refused to grant such consent.

Pursuant to the terms of the Borrower Security Documents, the Obligors will grant a charge over their beneficial and/or legal interest in each of the Mortgaged Properties in the Securitisation Estate. Further, the Obligors will covenant to use all reasonable endeavours (at their own cost) to obtain the consent of the relevant landlords to the transfer and charging of such Consent Leasehold Mortgaged Properties on or before the date falling 12 months after the Closing Date. Until such time as landlord's consent to transfer is obtained in respect of a Consent Leasehold Mortgaged Property, the security granted by the Initial Borrower pursuant to the Borrower Deed of Charge will only be an equitable charge in respect of the Initial Borrower's beneficial interest in the relevant Mortgaged Property. Where the relevant landlord either refuses consent or does not provide consent on or before the date falling 12 months after the Closing Date, the Borrower Security Trustee will release or discharge the charge over the Initial Borrower's beneficial interest in that relevant Consent Leasehold Mortgaged Property. In such cases, the Initial Borrower will substitute for such Consent Leasehold Mortgaged Properties suitable alternative properties which will form part of the Securitisation Estate in exchange for the relevant Consent Leasehold Mortgaged Property. See the section entitled "*Substitution*" below. See also the section entitled "*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Disposals of Mortgaged Properties and Related Matters*" below.

The occupation and charge of the Consent Leasehold Mortgaged Properties by the Initial Borrower, without the receipt of the relevant landlord's consent, may constitute a breach of the alienation clause in the relevant leases and could allow the relevant landlord to try to forfeit the relevant lease or to require the Initial Borrower to vacate the Consent Leasehold Mortgaged Property. Termination of a lease or enforced vacation would, in these circumstances, deprive the Initial Borrower of premises from which to operate the relevant business and pending substitution of an alternative property, this may adversely affect the ability of the Initial Borrower to pay interest and to repay principal under the Issuer/Borrower Facility Agreement, which may adversely affect the ability of the Issuer to pay interest on and repay principal of the Notes.

### *Substitutions*

The Initial Borrower is under an obligation, should it not prove possible to obtain landlord's consent in relation to a Consent Leasehold Mortgaged Property within 12 months of the Closing Date, or should there be a requirement to vacate on enforcement by a landlord, to provide a substitute (a "**Substitute Property**") in place of the Consent Leasehold Mortgaged Property for which consent cannot be obtained or which has been vacated (a "**Withdrawn Property**"). The revenue generated by all such Substitute Properties, which will be certified by a director of the Initial Borrower, must be no less than that derived from the Withdrawn Properties. In addition, where a Withdrawn Property is a Tenanted Pub, the Substitute Property may not be a Managed Pub unless the Additional Profitability Condition (as defined in the section entitled "*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Application of Proceeds of Disposals of a Mortgaged Property*" below) is satisfied in respect of such Substitute Property (treating the Substitute Property as a Permitted Business for the purposes of such definition). A certificate of title must be produced in respect of the Substitute Property, without exceptions or disclosures which would render the property unacceptable for a purchase and securitisation in the context of the Securitisation Estate as a whole, and the Substitute Property must be either freehold or long leasehold without forfeiture on insolvency or a requirement for landlord's consent to assignment or charging.

The Substitute Property is required to be identified within 2 months of its requirement becoming apparent and the substitution is required to take place within 5 Business Days of when the requirements for a substitution are all met. It is anticipated that in practice substitutions would usually be expected to be completed within approximately 3 months of the requirement becoming apparent,

but delays could be possible, for example should the process need to recommence on the grounds of the Substitute Property offered not being acceptable. It is possible that this procedure could result in there being a period, which could exceed 3 months, between vacation of a Withdrawn Property and occupation of a Substitute Property, during which the Initial Borrower will not be in a position to achieve any earnings from either of them. As mentioned above this may adversely affect the ability of the Initial Borrower to pay interest and to repay principal under the Issuer/Borrower Facility Agreement, which may adversely affect the ability of the Issuer to pay interest on and principal of the Notes.

#### *Disability Discrimination Legislation*

For the purposes of the Certificates of Title, Greene King has disclosed that it has undertaken audits across the majority of its estate of which the Mortgaged Properties form part to assess potential liability under the Disability Discrimination Act 1995 to carry out works to the Mortgaged Properties. In most cases the audit has identified works which could be carried out which would put beyond doubt the question of compliance with that legislation, but it is not clear whether there has been any breach. Greene King has not been notified of any actual or intended enforcement process in relation to that legislation.

#### *Compulsory Purchase*

Any property in the United Kingdom may at any time be acquired by a local authority or government department generally, in connection with proposed redevelopment or infrastructure projects.

In the event of a compulsory purchase order being made in respect of a Mortgaged Property, compensation would be payable on the basis of the open market value of all owners' and tenants' proprietary interests in that Mortgaged Property at the time of the related purchase. In the case of an acquisition of the whole of that Mortgaged Property, the relevant freehold or long leasehold estate and any lease would both be acquired and the Initial Borrower would cease to be able to operate the relevant business from the premises. The risk to Noteholders is that the amount received from the proceeds of purchase of the relevant freehold or long leasehold estate may be inadequate to cover the loss of cashflow from such Mortgaged Property and thus the Initial Borrower's ability to meet its obligations under the Issuer/Borrower Facility Agreement may be prejudiced. This may in turn adversely affect the ability of the Issuer to pay interest on and principal of the Notes.

There may be a delay between the compulsory purchase of a property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value. Should such a delay occur in the case of any Mortgaged Property, then unless the Initial Borrower has other funds available to it, this delay may prejudice its ability to meet its obligations under the Issuer/Borrower Facility Agreement.

#### *Environmental Considerations*

Environmental legislation establishing a new contaminated land regime was brought into force in April 2000. This legislation places liability for clean-up costs on the owner or occupier of contaminated land where no person can be found who has caused or knowingly permitted the presence of the substances which have led to the pollution. The term "**owner**" means a person (other than a mortgagee not in possession) who, whether in his own right or as trustee for any other person, is entitled to receive the rack rent from the land, or where the land is not let at a rack rent, would be so entitled if it were so let. Thus, if land falls within the title to any of the Mortgaged Properties and the freehold (or in the case of long leaseholds for a rent which is less than rack rent, such long leasehold title) is contaminated, then where the person who caused or knowingly permitted such contamination to occur cannot be found, the Securitisation Group might be liable for the costs of cleaning up such contamination.

Other environmental legislation concerning statutory nuisance also places liability on the owner or occupier in some circumstances instead of the person responsible for the nuisance. In the relevant legislation, the concept of "owner" has not been defined and could include any person with a proprietary interest in the property. The owner or occupier would be responsible where the person responsible for such nuisance cannot be found or the nuisance has not yet occurred. The owner would be responsible where the nuisance arises from any defect of a structural nature.

Liability for any of these environmental risks might result in the Securitisation Group having insufficient funds available to it to repay in full all amounts due under the Issuer/Borrower Facility Agreement. There is a further risk that liability could also force the suspension of business operations at a relevant

Mortgaged Property which in turn could deprive the Securitisation Group of ongoing income from the relevant business operations.

If the Borrower Security Trustee were to take possession (which it is not required to do unless indemnified to its satisfaction) of any one or more of the Mortgaged Properties following enforcement of the relevant security, and following possession contamination or other environmental liability of the type described above were incurred in respect of any such Mortgaged Property, then the Borrower Security Trustee might be liable for such costs (see also the investment consideration entitled “*Mortgagee in Possession Liability*” above) and such costs are likely to be covered by the indemnity in favour of the Borrower Security Trustee in the Borrower Deed of Charge. This may lead to the Issuer having insufficient funds available to pay all amounts due to the Noteholders and the Noteholders might suffer a loss as a result.

The risk of a Material Adverse Effect resulting from liability pursuant to the environmental legislation referred to above is mitigated by the representations and warranties being given pursuant to the Issuer/Borrower Facility Agreement on the Closing Date (see the section entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Representations and Warranties*” below). These include a statement by the Initial Borrower that it is in compliance with all Environmental Laws in all material respects and that there are no circumstances known to it that are likely to give rise, as at the Closing Date, to any liability under any Environmental Law which liability would reasonably be expected to have a Material Adverse Effect. The risk that breach of the environmental legislation referred to above could have a Material Adverse Effect on the operations and financial performance of the Securitisation Group is also mitigated by the fact that any breach with respect to one Mortgaged Property is less likely to have a material impact on the portfolio as a whole given the relatively large number of individual Mortgaged Properties in the Securitisation Estate.

Owners and occupiers may also have liabilities at common law.

#### *Valuation*

The Issuer, the Initial Borrower, the Managers, the Borrower Security Trustee and the Issuer Security Trustee have received the benefit of the valuation report from the Valuer, dated 3 March, 2005 in relation to the valuation of the Mortgaged Properties addressed to the Issuer, the Initial Borrower, the Managers, the Issuer Security Trustee and the Borrower Security Trustee (the “**Valuation Report**”). The Valuation Report is reproduced in its entirety below (see the section entitled “*Valuation Report on the Securitisation Estate*” below). In the view of the Valuer and subject to the assumptions and qualifications set out in the Valuation Report, the Mortgaged Properties in the Securitisation Estate have a value as a portfolio of £834.5 million as at 1 February, 2005. An assumption has been made by the valuers that the Obligors have good and marketable title to the Securitisation Estate. The Valuer has not reviewed the Property Due Diligence Reports in considering its valuation of the Securitisation Estate.

#### *Frustration*

A lease could, in exceptional circumstances, be frustrated under English law. Frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue.

### **Legal, Tax and Regulatory Considerations**

#### ***Insolvency Considerations***

##### *Receivership*

At any time after the Borrower Security has become enforceable, the Borrower Security Trustee may, or in certain circumstances can be required to, pursue a number of different remedies (provided that it is indemnified to its satisfaction). One such remedy is the appointment of a receiver over specific property or over all, or part, of the Mortgaged Properties. Likewise, at any time after the Issuer Security has become enforceable, the Issuer Security Trustee may, or in certain circumstances can be required to, pursue a number of different remedies (provided that it is indemnified to its satisfaction). One such remedy is the appointment of a receiver of all or part of the assets and undertaking of the Issuer.

The provisions of the Enterprise Act 2002 (the “**Enterprise Act**”) amending the corporate insolvency provisions of the Insolvency Act 1986 (the “**Insolvency Act**”) came into force on 15 September, 2003, and are discussed in further detail in the investment consideration entitled “*Enterprise Act*” below.



As a result of the amendments made to the Insolvency Act by the Enterprise Act, the holder of a qualifying floating charge created on or after 15 September, 2003, will be prohibited from appointing an administrative receiver (and consequently be unable to prevent an Obligor or the Issuer entering into administration), unless the floating charge falls within one of the exceptions set out in sections 72A to 72GA of the Insolvency Act (the “**exceptions**”). As the Borrower Security Documents and the Issuer Deed of Charge will be entered into after 15 September, 2003, neither the Borrower Security Trustee nor the Issuer Security Trustee will, therefore, be entitled to appoint an administrative receiver over the assets of any Obligor or the Issuer unless the floating charges in such documents fall within the exceptions.

One such exception (the “**capital market exception**”) is in respect of, in certain circumstances, the appointment of an administrative receiver pursuant to an agreement which is or forms part of a “capital market arrangement” (which is broadly defined in the Insolvency Act). This exception will apply if a party incurs or, when the agreement in question was entered into was expected to incur, a debt of at least £50 million under the arrangement and if the arrangement involves the issue of a capital market investment (also defined but, generally, a rated, traded or listed debt instrument). Although there is no case law on how this exception will be interpreted, based on advice from counsel, the Issuer considers that the exception will apply to the floating charges described in this document. However, the Secretary of State may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver and/or provide that the exception shall cease to have effect. No assurance can be made that any such modification or provisions in respect of the capital market exception will not be detrimental to the interests of the Noteholders.

A receiver would generally be in this case the agent of the relevant company until the company’s liquidation, and thus, whilst acting within his powers, will enter into agreements and take actions in the name of, and on behalf of, the company. The receiver will be personally liable on any contract entered into by him in carrying out his functions (except in so far as the contract provides otherwise) but will have an indemnity out of the assets of the company. If, however, the receiver’s appointor unduly directed or interfered with or influenced the receiver’s actions, a court may decide that the receiver was the agent of his appointor and that his appointor should be responsible for the receiver’s acts and omissions.

The Borrower Security Trustee and the Issuer Security Trustee are entitled to receive remuneration and reimbursement for their respective expenses and an indemnity out of the assets of the relevant Obligor and the Issuer for their potential liabilities. Such payments to the Borrower Security Trustee will rank ahead of the interest and principal due under the Issuer/Borrower Facility Agreement (and, in turn, payments by the Issuer under the Notes). Such payments to the Issuer Security Trustee will rank ahead of payments by the Issuer under the Notes. Accordingly, should the Borrower Security Trustee or the Issuer Security Trustee become liable for acts of such a receiver, the amount that would otherwise be available for payment to the Noteholders may be reduced.

If the company to which the receiver is appointed goes into liquidation, then as noted above the receiver will cease to be that company’s agent. At such time he will then act either as agent of his appointor or as principal according to the facts existing at that time. If he acts as agent of his appointor, then for the reasons set out in the foregoing paragraph, the amount that would otherwise be available for payment to Noteholders may be reduced. If the receiver acts as principal and incurs a personal liability, he will have a right of indemnity out of the assets in his hands in respect of that liability and the amount that would otherwise have been available for payment to the Noteholders (subject to any claims of the Issuer Security Trustee or Borrower Security Trustee to such amount) would be reduced accordingly.

#### *Small Companies Moratorium*

Certain “small companies”, for the purposes of putting together proposals for a company voluntary arrangement, may seek court protection from their creditors by way of a “moratorium” for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Trade and Industry may, by order, extend or reduce the duration of either period).

A “**small company**” is defined for these purposes by reference to whether the company meets certain tests relating to a company’s balance sheet, total turnover and average number of employees in a particular period (although the Secretary of State for Trade and Industry may, by order, modify the moratorium eligibility qualifications and the definition of “small company”).

During the period for which a moratorium is in force in relation to a company, amongst other things, no winding up may be commenced or administrator or administrative receiver appointed to that company, no security created by that company over its property may be enforced (except with the leave of the Court), no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the Court) and the company's ability to make payments in respect of debts and liabilities existing at the date of the filing for the moratorium is curtailed. In addition, if the holder of security (the "**chargee**") created by that company consents or if the Court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a security which as created was a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the security. Where the security in question is other than a floating charge, it shall be a condition of the chargee's consent or the leave of the Court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security.

Certain small companies may, however, be excluded from being eligible for a moratorium (although the Secretary of State may, by regulations, modify such exclusions), including those which, at the time of filing for the moratorium, are party to a capital market arrangement under which a party incurs or, when the agreement in question was entered into was expected to incur, a debt of at least £10 million under the arrangement and which involves the issue of a capital market investment. The definitions of "**capital market arrangement**" and "**capital market investment**" are broadly equivalent to those used in the exception to the prohibition on appointment of an administrative receiver and, similarly, the Issuer considers that the exclusion will apply both in respect of the Issuer and the Borrower in the context of the transactions described in this document. There is also an exclusion from being eligible for a moratorium for companies that have incurred a liability (including a future contingent liability) of at least £10 million and therefore the Issuer considers that this exclusion would also apply in respect of the Issuer and the Initial Borrower in the context of the transactions described in this document.

#### *Enterprise Act*

As explained above, the provisions of the Enterprise Act amending the corporate insolvency provisions of the Insolvency Act came in to force on 15 September, 2003. In addition to the introduction of a prohibition on the appointment of an administrative receiver the amendments included (a) the ring fencing in insolvency proceedings in respect of a company, of a certain percentage of the realisations from assets secured by a charge which is a floating charge on its creation and which realisation would be available for satisfaction of the claims of that chargeholder, such ring fenced amounts to be used to satisfy unsecured debts; (b) the abolition of the categories of preferential debt payable to the crown, including debts due to the Inland Revenue in respect of PAYE, debts due to H.M. Customs and Excise in respect of VAT and social security contributions; and (c) the replacement of the existing administration regime in its entirety with a new, streamlined administration procedure.

By virtue of the relevant prescribing order, the ring fencing of a percentage of certain floating charge realisations for the benefit of unsecured creditors applies to floating charges which are created on or after 15 September, 2003. The amount available for unsecured creditors will depend upon the value of the Obligor's "**net property**", being the amount of the Obligor's property which would otherwise be available for satisfaction of debts due to the holder(s) of any debentures secured by security which as created was a floating charge. The prescribing order provides for 50% of the net property under £10,000 and 20% of net property over £10,000 to be made available for the satisfaction of the Obligor's unsecured debts, subject to an overall cap on the ring fenced fund of £600,000.

Accordingly, as the floating charges granted under the Borrower Security Documents and the Issuer Deed of Charge will be created after 15 September, 2003, floating charge realisations upon the enforcement of the Borrower Security and/or the Issuer Security, respectively, will be reduced by the operation of the ring fencing provisions.

#### *Recharacterisation of Fixed Security Interest*

There is a possibility that a Court could find that the fixed security interests expressed to be created by the security documents governed by English law could take effect as floating charges as the description given to them as fixed charges is not determinative.

Where the Obligor is free to deal with the secured assets without the consent of the chargee, the Court would be likely to hold that the security interest in question constitutes a floating charge,

notwithstanding that it may be described as a fixed charge. In particular it should be noted that the Initial Borrower is, in order to carry out effective estate management, permitted to agree to amendments, waivers and consents to, and under, the provisions of any occupational lease entered into between any Obligor and the operator of a pub (which shall include, for the avoidance of doubt, a tenancy at will) in respect of a Mortgaged Property (each a “**Lease Agreement**”), including in respect of the payment of rents. Rents receivable under the Lease Agreements will also be paid in to accounts of the Initial Borrower over which, prior to service of a Loan Enforcement Notice, the Borrower Security Trustee will not exercise control.

Whether the fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the Borrower Security Trustee or, as the case may be, the Issuer Security Trustee has the requisite degree of control over the Obligors’ ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Borrower Security Trustee or, as the case may be, the Issuer Security Trustee in practice.

If the fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors of the relevant Obligor or, as the case may be, the Issuer in respect of that part of the Obligor’s or, as the case may be, the Issuer’s net property which is ring fenced as a result of the Enterprise Act (see the investment consideration entitled “*Enterprise Act*” above); and (ii) certain statutorily defined preferential creditors of the relevant Obligor or, as the case may be, the Issuer, may have priority over the rights of the Borrower Security Trustee or the Issuer Security Trustee, as the case may be, to the proceeds of enforcement of such security. In addition, the expenses of a liquidation or administration would also rank ahead of the claims of the Borrower Security Trustee or the Issuer Security Trustee as floating charge holder.

A receiver appointed by the Borrower Security Trustee or the Issuer Security Trustee would be obliged to pay preferential creditors out of floating charge realisations in priority to payments to the Borrower Secured Creditors and the Issuer Secured Creditors (including the Noteholders), respectively. Following the coming into force of the Enterprise Act on 15 September, 2003, the only remaining categories of preferential debts are certain amounts payable in respect of occupational pension schemes, employee remuneration and levies on coal and steel production.

Recent case law has suggested that if a company to which a receiver is appointed was subsequently placed into liquidation which ran concurrently with the receivership, the receiver would not be obliged to pay the expenses of the liquidator (which are prescribed in the Insolvency Rules 1986) out of the floating charge realisations in priority to payments to holders of the security. It has been suggested that legislation be introduced to reverse some of the effects of that case law. It is not clear the extent of any such legislation but it may be that, in such circumstances, a receiver appointed in respect of an Obligor’s assets would be obliged to pay the expenses of a concurrent liquidator in priority to payments to the Borrower Secured Creditors or the Issuer Secured Creditors (including the Noteholders), as floating charge holder, as the case may be. If the Borrower Security Trustee or the Issuer Security Trustee were prohibited from appointing an administrative receiver by virtue of the amendments made to the Insolvency Act by the Enterprise Act, or failed to exercise its right to appoint an administrative receiver within the relevant notice period and the Obligor or, as the case may be, the Issuer were to go into administration, the expenses of the administration would also rank ahead of the claims of the Borrower Security Trustee or Issuer Security Trustee as floating charge holder. Furthermore, in such circumstances, the administrator would be free to dispose of floating charge assets without the leave of the court, although the Borrower Security Trustee or Issuer Security Trustee (as the case may be) would have the same priority in respect of the property of the company representing the proceeds of disposal of such floating charge assets, as it would have had in respect of such floating charge assets.

Section 245 of the Insolvency Act provides that, in certain circumstances, a floating charge granted by a company may be invalid in whole or in part. If a floating charge is held to be wholly invalid then it will not be possible to appoint an administrative receiver of such company and, therefore, it will not be possible to prevent the appointment of an administrator of such company. Section 245 of the Insolvency Act provides that, if a liquidator or administrator is appointed to the relevant Obligor within a period of 2 years (the “**relevant time**”) commencing upon the date on which that Obligor grants a floating charge then that floating charge will only be valid to the extent of certain types of consideration received by that Obligor for the creation of the charge. Each of the Obligors will receive such consideration (namely, the Initial Borrower will draw under the Issuer/Borrower Facility and the Initial Borrower will make Loans to the Sapphire Companies from the proceeds of the Issuer/Borrower

Facility on or about the Closing Date and the Securitisation Group Parent will receive a fee from the Initial Borrower in consideration for the creation of the floating charge by the Securitisation Group Parent). During the relevant time the floating charge granted by the Initial Borrower will be valid to the extent of the amount drawn by the Initial Borrower under the Issuer/Borrower Facility Agreement and the floating charge granted by the Securitisation Group Parent and the other Obligors will be valid to the extent of the fee paid to the Securitisation Group Parent and the other Obligors. However, such limitation on the validity of the floating charges will not of itself affect the ability or the Borrower Security Trustee or the Issuer Security Trustee to appoint an administrative receiver to the Securitisation Group Parent. After the relevant time it will not be possible for the floating charges granted by each of the Initial Borrower, the Securitisation Group Parent and the other Obligors to be invalidated under Section 245 of the Insolvency Act.

## **Taxation**

### *United Kingdom Taxation Position of the Initial Borrower*

Under current UK taxation law and practice, payments of principal to be made by the Initial Borrower under the Issuer/Borrower Facility Agreement are not deductible for tax purposes. Unless the Initial Borrower disposes of a capital asset, and applies the proceeds thereof (net of any tax payable as a result of the disposal) to make repayments of principal under the Issuer/Borrower Facility Agreement, it is necessary for the Initial Borrower to fund such repayments of principal out of taxed income from the general operations of the Securitisation Group. It is envisaged that the Initial Borrower will fund the repayment of principal out of such post-tax income and the management of the Initial Borrower believes that, on a conservative basis, the Initial Borrower will have sufficient post-tax income to enable full and timely repayments of principal and interest due under the Issuer/Borrower Facility Agreement but there can be no assurance of this. There can be no assurance that taxation law and practice will not change in a manner (including, for example, a rise in the rate of corporation tax), which would adversely affect the amount of post-tax income of the Initial Borrower and therefore affect the Initial Borrower's ability to repay amounts of principal under the Issuer/Borrower Facility Agreement. Further, under recently introduced transfer pricing and thin capitalisation rules applying to UK transactions, the Initial Borrower's entitlement to tax relief in respect of interest payable may be subject to adjustment. In particular, if the transactions that would have been entered into as between independent enterprises differ from the actual transactions entered into between connected persons (such as for example the lending of money to connected persons or the provision of financial guarantees (as widely defined for relevant tax purposes) to connected persons) so that less (or no) interest would have been payable by a borrower had the arms' length transactions been entered into, for instance because it would not have been able to borrow as much, the deductions for such interest would be by reference to the arm's length interest. Such adjustments may be relevant to the Initial Borrower's deductions in particular in respect of interest payable under the Initial Borrower Subordinated Loan Agreement. The new regime includes provisions that would allow the other party to the provision to elect to undertake sole responsibility for any tax liability of the Initial Borrower which would result from such an adjustment. The relevant companies have covenanted in favour of the Borrower Security Trustee to make such an election. The Inland Revenue has the power to refuse to accept such an election. However, in the light of published draft guidance and the fact that the company assuming the tax liability is Greene King, the Initial Borrower has been advised that the risk of such a refusal is remote.

If appropriate elections are made and accepted, the Initial Borrower should be in no worse a position as regards having sufficient income after tax to pay principal and interest under the Issuer/Borrower Facility Agreement if an adjustment is made to restrict the Initial Borrower's entitlement to tax relief in respect of interest payable under the Initial Borrower Subordinated Loan Agreement than if no such adjustment were made.

If the Issuer does not receive all amounts of principal due from the Initial Borrower under the Issuer/Borrower Facility Agreement, it may not have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

### *Secondary and Contingent Taxation Liabilities of the members of the Tax Indemnified Group and the Issuer*

Where a company fails to discharge certain taxes due and payable by it within a specified time period, UK tax law imposes in certain circumstances (including where that company has been sold so that it becomes controlled by another person) a secondary liability for those overdue taxes on other

companies which are or have been members of the same group of companies for tax purposes or are or have been under common control with the company that has not discharged its primary liability to pay that tax. This can include circumstances where a company is a member of a group for VAT purposes, given that such membership imposes on each member of such group joint and several liability for any VAT liabilities arising in respect of its period of membership in relation to the activities of all members of such group during such time. In addition, the representative member from time to time of a VAT group is liable for all VAT liabilities of such group. Greene King, GKB&R, GKRNo.2 and each member of the Securitisation Group (the members of the Securitisation Group together with GKRNo.2 being the “**Tax Indemnified Group**’”) will covenant in the Tax Deed of Covenant not to do anything (and to procure that nothing is done) which would result in such a secondary liability (including a liability to VAT) arising in relation to any member of the Tax Indemnified Group or the Issuer or the Issuer Parent with the aim of minimising the likelihood of such liabilities or any joint and several VAT liability affecting such persons including ensuring that from the Closing Date no such person is a member of the VAT group of which Greene King is the representative member (the “**Greene King VAT Group**”). However, the possibility of the said liabilities arising cannot be entirely eliminated in particular as regards the Sapphire Companies which will, *inter alia*, all have been members of the Greene King VAT Group prior to the Closing Date. Greene King and GKB&R will therefore covenant in the Tax Deed of Covenant to indemnify the Tax Indemnified Group for any VAT due from such companies as a result of their past membership of the Greene King VAT Group or any other VAT group.

#### *UK Corporation Tax on Chargeable Gains and Stamp Duty Land Tax*

Some members of the Tax Indemnified Group have acquired, or will on the Closing Date acquire, certain capital assets (each a “**relevant asset**”) from other companies which were or will be members of the same group for capital gains and stamp duty land tax purposes at the time of the acquisition. In particular, the majority of the properties comprising the Securitisation Estate other than the properties owned by the Sapphire Companies were previously transferred to GKRNo.2 from GKB&R and on the Closing Date will be transferred by GKRNo.2 to the Initial Borrower. In addition, the shares in the Sapphire Companies will on the Closing Date be transferred by the relevant vendors (none of whom are members of the Tax Indemnified Group) to the Initial Borrower. Consequently, such members of the Tax Indemnified Group may have a contingent liability for UK corporation tax on chargeable gains and stamp duty land tax.

The contingent liability for UK corporation tax on chargeable gains will crystallise if, broadly, the relevant transferee ceases to be a member of the capital gains group of which Greene King is the “principal company” within six years of the date on which it acquired a relevant asset either (i) still holding that asset or (ii) having disposed of such asset to, broadly, a group company leaving the group at the same time (an “**associated company**”) and which holds the asset at that time, unless in both cases the acquisition was itself from an associated company. Accordingly, a degrouping of certain members of the Tax Indemnified Group, including by way of a sale of the shares in the Securitisation Group Parent, could trigger these contingent liabilities. In general terms, the base costs for chargeable gains purposes in the Securitisation Estate are lower than the market value of the Securitisation Estate as at the date of the relevant transfers, thereby resulting in sizeable contingent liabilities.

The contingent liability to stamp duty land tax will crystallise in the Tax Indemnified Group if the relevant transferee ceases to be a member of the same stamp duty land tax group as the relevant transferor either within three years of the date on which it acquired a relevant asset which is, broadly, land or an interest in land or pursuant to, or in connection with, arrangements made before the end of that period. No liability will arise however unless the transferee or a “relevant associated company” (as defined for stamp duty land tax purposes) holds such asset at the time. Greene King has undertaken the pre-securitisation reorganisation in a manner intended to mitigate the likelihood of a degrouping of the Securitisation Group Parent or of the Initial Borrower triggering such a charge. This position may however be affected by subsequent changes in law or as a result of a court ruling against the efficacy of the structuring.

If any such contingent tax liabilities as are mentioned above were to crystallise in the Tax Indemnified Group, the Initial Borrower may have a primary or secondary liability to tax, discharge of which could adversely affect the amount of post-tax income of that company and, potentially, affect the Initial Borrower’s ability to pay amounts of principal under the Issuer/Borrower Facility Agreement. Greene King and GKB&R and the members of the Tax Indemnified Group (including the Securitisation Group Parent and the Initial Borrower) will each give a covenant in the Tax Deed of Covenant not to do anything which might reasonably be expected to result in the crystallisation of such contingent

liabilities (as well as certain other covenants intended to prevent such contingent liabilities from arising) and Greene King and GKB&R have additionally agreed to pay to the relevant member of the Tax Indemnified Group an amount equal to the amount of such liability were it to arise. In addition, the risk of degrouping as a result of Greene King disposing of the Securitisation Group Parent will be mitigated by the fact that Greene King will grant an equitable mortgage over its shareholding in the Securitisation Group Parent and first fixed charge over its rights under the Initial Borrower Subordinated Loan Agreement as security for certain of its undertakings under the Tax Deed of Covenant although the security granted will be limited to an amount equal to the greater of £120 million and such higher amount which would not result in Greene King or any other Excluded Group Entity being in breach of the terms of any of its Financial Indebtedness (as defined below) (as to which see further the sections entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement*” and “*Tax Deed of Covenant*” below). The equitable share mortgage will contain a prohibition on Greene King disposing of its interest in the shares of the Securitisation Group Parent.

It is possible that further asset transfers may take place within the GK Group in the future, including between the Initial Borrower and companies outside the Tax Indemnified Group. No tax on chargeable gains or stamp duty land tax should arise on such intra-group transfers, but a subsequent degrouping of the transferee (or group company) could in certain circumstances (as outlined above) give rise to a primary or secondary charge to tax in the transferee or the transferor (respectively). The Tax Deed of Covenant will include provisions to ensure that the Tax Indemnified Group members are appropriately protected in respect of such liabilities.

The directors of the Issuer consider that taking account of the security arrangements referred to above, such covenants and security provide adequate protection for Noteholders in relation to the potential tax charges referred to above.

The disposal of certain capital assets, including properties in the Securitisation Estate and interests in the share capital of other members of the Tax Indemnified Group, by members of the Tax Indemnified Group to third parties may give rise to a liability for UK corporation tax on chargeable gains. Should any such tax liability arise as a result of a disposal following enforcement of security, that tax liability could, indirectly, adversely affect the ability of the Issuer to meet its obligations under the Notes.

Certain members of the GK Group have “rolled over” or may, subject to the making of the relevant claim and to the terms of the Tax Deed of Covenant, “roll-over” chargeable gains arising on disposal of properties by members of the GK Group into properties owned by members of the Tax Indemnified Group and which are held within the Securitisation Estate. This has the effect of reducing, for tax purposes, the base cost in such properties, and therefore potentially increasing any gain that may occur on the disposal of such property. Where such roll-over is in respect of a gain accruing to a company which is not a member of the Tax Indemnified Group, such roll-over will only be permitted on payment to the member of the Tax Indemnified Group into whose asset or assets the gain has been rolled over of an amount equal to the chargeable gain rolled over multiplied by the applicable rate of corporation tax plus an additional amount equal to the tax on the total consideration (although the Borrower Security Trustee may agree a lower amount of consideration). The members of the Tax Indemnified Group benefit from a corresponding ability to roll-over gains into assets of companies that are not members of the Tax Indemnified Group.

These factors, including the latent gains in the Securitisation Estate mentioned above, may mean that, should any tax liability arise on enforcement of security as described above, the ability of the Issuer to repay the Notes could be adversely affected to a greater extent than if there were a higher base cost in the Securitisation Estate or if such rollovers had not occurred.

#### *Withholding tax in respect of the Notes and the Interest Rate Swap Agreement*

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Notes (as to which see the section entitled “*United Kingdom Taxation*” below), neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to Noteholders or, if Definitive Notes are issued, Couponholders or to otherwise compensate Noteholders or Couponholders for the reduction in the amounts they will receive as a result of such withholding or deduction. If such a withholding or deduction is required to be made, the Issuer will have the option (but not the obligation unless the Initial Borrower has exercised its right to prepay the Term Advances in such circumstances) of redeeming all outstanding Notes in full at their Principal Amount Outstanding (together with accrued interest). For the avoidance of doubt, neither the

Note Trustee nor Noteholders nor, if Definitive Notes are issued, Couponholders, will have the right to require the Issuer to redeem the Notes in these circumstances.

On the basis of advice received, the directors of the Issuer expect that all payments to be made under the Interest Rate Swap Agreement can be made without withholding or deduction for or on account of any tax. In the event that any such withholding or deduction is required to be made from any payment due under the Interest Rate Swap Agreement (whether that payment is to be made by the Issuer or by the Swap Counterparty), the amount to be paid will be increased to the extent necessary to ensure that, after any such withholding or deduction has been made, the amount received by the party to which that payment is being made is equal to the amount that that party would have received had such withholding or deduction not been required to be made.

If the Issuer or the Swap Counterparty is obliged to pay such an increased amount as a result of its being obliged to make such a withholding or deduction, it may terminate the transactions under the Interest Rate Swap Agreement (subject to the Swap Counterparty's obligation to use its reasonable endeavours to transfer its rights and obligations under the Interest Rate Swap Agreement to a third party swap provider such that payments made by and to that third party swap provider under the Interest Rate Swap Agreement can be made without any withholding or deduction for or on account of tax and, in a case where the Issuer wishes to exercise its right to terminate the transactions under the Interest Rate Swap Agreement, subject to the Ratings Test being satisfied notwithstanding such termination). If a transaction under the Interest Rate Swap Agreement is terminated, the Issuer may be unable to meet its obligations under the Notes, with the result that the Noteholders may not receive all of the payments of principal and interest due to them in respect of the Notes.

If the Issuer is obliged to pay an increased amount as a result of its being obliged to make such a withholding or deduction (for instance because the Ratings Test would not be satisfied following termination by the Issuer of the transactions under the Interest Rate Swap Agreement), this will be initially funded by the Issuer by way of a drawing under the Liquidity Facility. However, the Initial Borrower will then be obliged to pay to the Issuer by way of Ongoing Facility Fee an amount equal to the amount by which the sum to be paid by the Issuer to the Swap Counterparty is increased. In such circumstances, the Initial Borrower will have the option (but not the obligation) to prepay in full the outstanding Initial Term A1 Advance and, on and following the Class B Step-Up Date, the Initial Term B Advance. If the Initial Borrower chooses to prepay the relevant Term Advances, the Issuer will then be obliged to redeem the relevant Notes. If the Initial Borrower does not prepay all of the relevant Initial Term Advances and does not pay the full amount of any Ongoing Facility Fee due to the Issuer, the Issuer may be unable to meet its obligations under the Notes, with the result that the Noteholders may not receive all of the payments of principal and interest due to them in respect of the Notes.

#### *Withholding tax in respect of the Issuer/Borrower Facility Agreement and the Issuer/Borrower Swap Agreement*

On the basis of advice received, the directors of the Issuer believe that all payments made under the Issuer/Borrower Facility Agreement can be made without deduction or withholding for or on account of any UK tax. In the event that any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under the Issuer/Borrower Facility Agreement, the Obligor making that payment will be obliged to gross-up that payment so that the Issuer will receive the same cash amount that it would have received had no such withholding or deduction been required to be made. If an Obligor is obliged to increase any sum payable by it to the Issuer as a result of that Obligor being required by a change in tax law to make a withholding or deduction from that payment, the Initial Borrower will have the option (but not the obligation) to prepay all outstanding Term Advances made under the Issuer/Borrower Facility Agreement in full. If the Initial Borrower chooses to prepay the Term Advances, the Issuer will then be required to redeem the Notes. If the Obligors do not have sufficient funds to enable them to gross-up payments to the Issuer, the Issuer's ability to meet its payment obligations under the Notes could be adversely affected.

Similarly, on the basis of advice received, the directors of the Issuer believe that all payments to be made under the Issuer/Borrower Swap Agreement can be made without withholding or deduction for or on account of any tax. In the event that any such withholding or deduction is required to be made from any payment to be made by the Initial Borrower under the Issuer/Borrower Swap Agreement, the amount to be paid by the Initial Borrower will be increased to the extent necessary to ensure that, after any such withholding or deduction has been made, the amount received by the Issuer is equal to the

amount that the Issuer would have received had such withholding or deduction not been required to be made.

In the event that any such withholding or deduction is required to be made from any payment to be made by the Issuer under the Issuer/Borrower Swap Agreement as a result of a change in law after the Closing Date, the Issuer will not be required to pay any additional amounts to the Initial Borrower in respect of such withholding or deduction.

If the Initial Borrower is obliged to pay such an increased amount under the Issuer/Borrower Swap Agreement or is obliged to receive an amount from the Issuer net of any withholding or deduction for or on account of tax, the Initial Borrower will have the option (but not the obligation) to prepay in full the Initial Term A1 Advance, and, on and following the Class B Step-Up Date, the Initial Term B Advance. If the Initial Borrower chooses to prepay such Term Advances, the Issuer will then be required to redeem the corresponding class(es) of Notes.

If the Initial Borrower does not have sufficient funds to enable it to gross-up payments to the Issuer under the Issuer/Borrower Swap Agreement, the Issuer's ability to meet its payment obligations under the Notes could be adversely affected.

#### *Corporation Tax Reform*

In August 2003, H.M. Treasury and the Inland Revenue issued a consultation document entitled "Corporation tax reform". The document contained a number of suggestions in relation to how the current corporation system might be reformed. The commitment to reform the corporation tax system was reaffirmed more recently on 2 December, 2004 as part of the government's Pre-Budget Report when a Technical Note on the reform of corporation tax was issued. It is not currently known with certainty what form any changes will take. It is possible that, if these changes are enacted, they may have an adverse effect on the taxation of the Borrowers, and consequently affect the ability of the Borrowers to repay amounts under the Issuer/Borrower Facility Agreement.

#### **Change of Law**

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to them are based on English law in effect as at the date of this document. No assurance can be given as to the effect of any possible judicial decision or change to English law or administrative practice of any jurisdiction after the date of this document.

#### **European Monetary Union**

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating member state in the European Economic Monetary Union and therefore the euro may become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of the sterling denominated Notes may become payable in euro. The provisions of Condition 21 (*European Economic and Monetary Union*) will, in such circumstances, allow the Issuer to re-denominate each class of sterling denominated Notes in euro and take additional measures in respect of the sterling denominated Notes. The introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the sterling denominated Notes, or changes in the way those rates are calculated, quoted, published or displayed. If the sterling denominated Notes are outstanding at a time when the euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the sterling denominated Notes in accordance with the then prevailing market practice of payment on such debts. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes.

#### **Proposed changes to the Risk-Weighted Asset Framework**

On 26 June, 2004 the Basel Committee on Banking Supervision published the final revised framework for the reform of the 1988 Capital Accord. The framework places enhanced emphasis on market discipline. In parallel, the European Commission has published its proposals for reform of the existing EU consolidated Banking Directive and EU Capital Adequacy Directive which are based on the 1988 Capital Accord and apply to banks and investment firms in the European Union. However these proposals have not yet been adopted as a Directive and may be subject to change. If adopted in their current form, the proposals could affect risk weighting of the Notes in respect of certain investors if



those investors are regulated in a manner which will be affected by such proposals. Consequently, prospective purchasers should consult their own advisers as to the consequences to and effect on them of the potential application of the proposals. The Issuer cannot predict the precise effects of potential changes which might result if the proposals were adopted in their current form. The proposals are currently scheduled to be implemented by 31 December, 2006, except as regards more advanced approaches to credit and operational risk which would be available by the end of December 2007.

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

Under the terms of the Issuer/Borrower Facility Agreement, each Obligor has agreed that the conduct of the future operations and business of the Securitisation Group will be subject to certain financial covenants (as described in the section entitled “*Description of Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Financial Covenants*” below). In addition certain further provisions of the Transaction Documents contain conditions and/or triggers which are based upon assessments of the financial condition of the business of the Securitisation Group calculated by reference to the financial statements produced in respect of the Initial Borrower and the Securitisation Group. These financial and other covenants have been set at levels which are based on the accounting principles, standards, conventions and practices generally accepted in the United Kingdom at the current time and which are adopted by the Securitisation Group.

It is possible that any future changes in these accounting principles, standards, conventions and practices which are adopted by the Securitisation Group may result in significant changes in the reporting of its financial performance. This, in turn, may necessitate that the terms of the financial covenants are renegotiated. The Issuer/Borrower Facility Agreement will provide that should any such change to accounting principles, standards, conventions and practices occur, the Borrower Security Trustee will negotiate and agree such amendments to the financial covenants as may be necessary to grant the Issuer protection comparable to that granted by the financial covenants on the Closing Date. To the extent that no agreement can be reached as to the required changes, the Obligors will be required to produce financial statements prepared on the basis of the accounting principles, standards, conventions and practices prevailing before such change for the purposes of the financial covenants and to provide a reconciliation between those financial statements and those prepared in accordance with the changed accounting principles, standards, conventions and practices adopted by the Securitisation Group. In addition, such future changes to accounting principles, standards, conventions and practices may result in changes to the equity and/or subordinated debt capital structure of the Initial Borrower and the Securitisation Group Parent being required in order to allow the Obligors to make Restricted Payments in circumstances where the Restricted Payment Condition is satisfied (as such terms are defined in the section entitled “*Summary of Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Restricted Payment Condition*”). Any such changes will, however, only be permitted to the extent that the Borrower Security Trustee determines that such changes would not be materially prejudicial to the Borrower Secured Creditors or if the Ratings Test is satisfied.

The European Union is in the process of introducing a new financial reporting framework for listed companies as part of a move towards a single European Capital Market. As matters currently stand, European law requires listed companies to apply IFRS in their consolidated accounts for accounting periods beginning on or after 1 January, 2005. The requirements for single company accounts including those of non-listed companies are, however, determined by United Kingdom law and these may be prepared either in accordance with IFRS or with UK GAAP. The United Kingdom Accounting Standards Board has, however, indicated that there is an intention over time to converge the principles of UK GAAP with those of IFRS. As described above, the introduction of IFRS and/or the convergence of UK GAAP with IFRS may be events that will necessitate the renegotiation of the terms of the financial covenants.

### **Other General Considerations**

#### ***Forward-looking Statements***

This document contains certain statements which may constitute forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “target”, “expect”, “intend”, “believe” or other words of similar meaning. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. As such statements are inherently subject to risks and uncertainties, there are a number of factors that could cause actual results and developments

to differ materially from those expressed in or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to (a) risks and uncertainties relating to the United Kingdom economy, the United Kingdom pub industry, consumer demand, beer consumption levels and government regulation and (b) such other risks and uncertainties detailed herein. All written and oral forward-looking statements attributable to the GK Group and the Issuer or persons acting on their behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Prospective purchasers of the Notes are cautioned not to put undue reliance on such forward-looking statements. Neither the GK Group nor the Issuer will undertake any obligation to publish any revisions to these forward-looking statements to reflect circumstances or events occurring after the date of this document.

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

## DESCRIPTION OF THE BORROWER TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal documents relating to the transactions described herein and is qualified in its entirety by reference to the detailed provisions of the Borrower Transaction Documents.

### Issuer/Borrower Facility Agreement

Under the terms of the Issuer/Borrower Facility Agreement, the Issuer will on the Closing Date, subject to the satisfaction of certain conditions precedent as to drawing, agree to make available to the Initial Borrower a secured loan facility in an amount equal to the gross proceeds of the Notes as described below.

### Use of Proceeds

The Initial Borrower will apply the proceeds of the Initial Term Advances (described below) on the Closing Date as set out in the section entitled “Use of Proceeds” below.

### Term Facilities

#### Initial Term Facilities

The Issuer/Borrower Facility Agreement will provide that, subject to satisfying certain conditions precedent, the following term loan facilities (the “**Initial Term Facilities**”) will be made available by the Issuer to the Initial Borrower by way of cash advance on the Closing Date:

- (a) a secured term loan facility in a maximum aggregate principal amount of £150,000,000 (the “**Initial Term A1 Facility**” and the corresponding cash advance under the Initial Term A1 Facility, the “**Initial Term A1 Advance**”);
- (b) a secured term loan facility in a maximum aggregate principal amount of £320,000,000 (the “**Initial Term A2 Facility**” and the corresponding cash advance under the Initial Term A2 Facility, the “**Initial Term A2 Advance**” and together with the Initial Term A1 Advance, the “**Initial Term A Advances**”); and
- (c) a secured term loan facility in a maximum aggregate principal amount of £130,000,000 (the “**Initial Term B Facility**” and the corresponding cash advance under the Initial Term B Facility, the “**Initial Term B Advance**”, and together with the Initial Term A Advances, the “**Initial Term Advances**”).

#### Additional Term Facilities

The Issuer/Borrower Facility Agreement will provide that a Borrower may also, at any time by written notice to the Issuer (with a copy to the Borrower Security Trustee, the Issuer Security Trustee, the Note Trustee and the Rating Agencies) request a further term facility (a “**Further Term Facility**”, and each corresponding cash advance thereunder, a “**Further Term Advance**”) and/or a new term facility (a “**New Term Facility**” and, each corresponding cash advance thereunder, a “**New Term Advance**”). Further Term Facilities and New Term Facilities are referred to as “**Additional Term Facilities**”. Further Term Advances and New Term Advances are referred to as “**Additional Term Advances**”.

A reference to a “**Term Facility**” in this document is, unless the context requires otherwise, to an Initial Term Facility, a Further Term Facility and/or a New Term Facility and a reference to a “**Term Advance**” in this document is, unless the context requires otherwise, to an Initial Term Advance, a Further Term Advance and/or a New Term Advance and a reference to a “Term A1 Advance”, a “Term A2 Advance” or a “Term B Advance” shall be construed accordingly. Any reference to a “**Term A Advance**” shall be a reference to a Term A1 Advance or a Term A2 Advance.

A Further Term Advance under a Further Term Facility will be consolidated, form a single series and rank *pari passu* with an existing Term Advance. Unless the context requires otherwise, a reference to an Initial Term Facility or an Initial Term Advance shall, in this section of this document, include a Further Term Facility granted or a Further Term Advance given, in each case, to a Borrower.

A New Term Advance under a New Term Facility may rank *pari passu* with or after any existing Term Advance and may rank ahead of any existing Term Advance other than the Term A1 Advances and the Term A2 Advances.

Each New Term Advance will be financed by the issue of New Notes by the Issuer. Each Further Term Advance will be financed by the issue of Further Notes by the Issuer.

No Additional Term Advance will be permitted to be made by the Issuer unless, *inter alia*, the following conditions precedent are satisfied:

- (a) the aggregate principal amount of the relevant Additional Term Facility drawn at any one time is for a minimum aggregate principal amount of £5,000,000;
- (b) no Loan Event of Default or Potential Loan Event of Default has occurred and is continuing (and has not been waived) at the relevant drawdown date or would result from the making of the Additional Term Advance;
- (c) execution of any such additional documents as are required by the Borrower Security Trustee to grant to the Borrower Security Trustee (on behalf of itself and the Borrower Secured Creditors) security over any new Permitted Business, other assets and/or shares acquired in accordance with the conditions set out in the section entitled “*Covenants regarding the Acquisition and Substitution of Permitted Businesses*” below on terms satisfactory to the Borrower Security Trustee, including a supplemental deed to the Borrower Deed of Charge where appropriate;
- (d) in the event that the Additional Term Advance is to be used to fund or refinance the acquisition of any new Permitted Business, other assets and/or shares or undertakings in accordance with the conditions set out in the section entitled “*Covenants regarding the Acquisition and Substitution of Permitted Businesses*” below, receipt by the Borrower Security Trustee of all deeds and documents necessary or ancillary to evidence title to such new Permitted Business, other assets and/or shares or undertakings in a form satisfactory to the Borrower Security Trustee or confirmation that the same are held to the order of the Borrower Security Trustee;
- (e) save as received pursuant to paragraph (d) above, receipt of any authorisation or other documents, certificates of title, valuers’ reports, director’s certificates, opinions and/or other supporting or ancillary documentation or assurance which the Borrower Security Trustee considers to be necessary in connection with the entry into and performance of, and the transactions contemplated by, any of the documents to be entered into by a Borrower or other Obligor in connection with an Additional Term Advance, or for the validity or enforceability of any such documents;
- (f) the Cash Manager confirms to the Issuer and the Borrower Security Trustee in writing that the Issuer has available to it on the relevant drawdown date sufficient proceeds from an issue of Additional Notes to permit the Issuer to make the relevant Additional Term Advance; and
- (g) the Rating Agencies have confirmed that the then current rating of the Notes will not be adversely affected by the making of the relevant Additional Term Advance or by the issue of the related Additional Notes.

#### **Additional Borrowers**

The Issuer/Borrower Facility Agreement will permit the Borrower Security Trustee to agree to the accession of any Eligible Borrower as an Additional Borrower, provided that the Ratings Test is satisfied after any such accession. An “**Eligible Borrower**” is, at any time, a company incorporated and tax resident in the United Kingdom that is a direct or indirect subsidiary of the Securitisation Group Parent (including as a result of a Permitted Acquisition).

An Additional Borrower will only be entitled to request an Additional Term Facility if, at the time at which that request is made, certain conditions precedent are satisfied including that an opinion is delivered to the Borrower Security Trustee and the Issuer Security Trustee, in form and substance satisfactory to such parties, confirming that such Additional Borrower is permitted under the law at that time in force in the United Kingdom to make payments of interest on that Additional Term Advance without withholding or deduction for or on account of any tax. See the section entitled “*Gross-up on Deduction or Withholding by the Obligors*” below.

#### **Obligations of Obligors**

Under the terms of the Issuer/Borrower Facility Agreement, each Obligor will guarantee to the Issuer and the Borrower Security Trustee (for itself and on behalf of the other Borrower Secured Creditors) each and every obligation of each other Obligor under the Issuer/Borrower Facility Agreement (including obligations of the Initial Borrower in respect of payments of principal and interest, the Initial

Facility Fee and the Ongoing Facility Fee). Where any Obligor makes a payment under such guarantee in respect of the obligations of another Obligor, that payment will create an unsecured and subordinated debt obligation owed by that Obligor to the paying Obligor.

### **Interest**

The rate of interest in respect of the Initial Term A1 Advance will be:

- (a) up to (but excluding) the Interest Payment Date falling in March 2012 (the “**Class A1 Step-Up Date**”) the aggregate of (i) LIBOR (as defined in the Conditions), (ii) a margin of 0.38 per cent. per annum (the “**Term A1 Margin**”) and (iii) a further margin equal to 0.01 per cent. of the aggregate of LIBOR and the Term A1 Margin; and
- (b) from and including the Class A1 Step-Up Date, the aggregate of (i) LIBOR, (ii) the Term A1 Margin, (iii) an additional margin of 0.57 per cent. per annum (the “**Term A1 Step-Up Margin**”, that part of any interest referable to the Term A1 Step-Up Margin and any interest accrued thereon being the “**Term A1 Step-Up Amounts**”) and (iv) a further margin equal to 0.01 per cent. of the aggregate of LIBOR, the Term A1 Margin and the Term A1 Step-Up Margin.

The rate of interest in respect of the Term A2 Advance will be 5.318 per cent. per annum.

The rate of interest in respect of the Initial Term B Advance will be:

- (a) up to (but excluding) the Interest Payment Date falling in March 2020 (the “**Class B Step-Up Date**”) 5.702 per cent. per annum; and
- (b) from and including the Class B Step-Up Date, the aggregate of (i) LIBOR, (ii) a margin of 0.72 per cent. per annum (the “**Term B Margin**”), (iii) an additional margin of 1.08 per cent. per annum (the “**Term B Step-Up Margin**”, that part of any interest referable to the Term B Step-Up Margin and any interest accrued thereon being the “**Term B Step-Up Amounts**” and together with the Term A1 Step-Up Amounts, the “**Term Step-Up Amounts**”) and (iv) a further margin equal to 0.01 per cent. of the aggregate of LIBOR, the Term B Margin and the Term B Step-Up Margin.

The Initial Borrower will be permitted to set-off any net payment owed to it on any Interest Payment Date by the Issuer under the Issuer/Borrower Swap Agreement against its obligation to pay the floating rates of interest on the Initial Term A1 Advance and, on and following the Class B Step-Up Date, the Initial Term B Advance on the corresponding Loan Payment Date. See further the section entitled “*Issuer/Borrower Swap Agreement*” below.

The interest rate payable on any outstanding Additional Term Advances will be equal to:

- (a) the rate of interest (including any margin) payable by the Issuer on the relevant issue of the Additional Notes made or to be made by the Issuer to fund such Additional Term Advance; or
- (b) if the Issuer has entered into hedging arrangements in relation to some or all of such Additional Notes, the rate of interest (including any margin) calculated on the basis that matches the basis on which payments are to be made by the Issuer to the counterparty under such hedging arrangements,

in each case plus an additional margin equal to 0.01 per cent. of the applicable rate of interest (including any margin).

Interest on the Initial Term Advances is payable by reference to successive interest periods (each, a “**Loan Interest Period**”) which match in duration the interest periods applicable to the corresponding Notes under Condition 6 (*Interest*). Interest on Initial Term Advances will be payable in arrear in pounds sterling in respect of the aggregate Principal Debt Outstanding of the Initial Term Advances on 15 June, 15 September, 15 December and 15 March in each year (or, if such day is not a day on which commercial banks and foreign exchange markets settle payments and are open for general business in London (each a “**Business Day**”), the next succeeding Business Day unless such day falls in the next month, in which case the preceding Business Day) (each, a “**Loan Payment Date**”).

Interest accrues from day to day and shall be calculated:

- (a) in the case of the Initial Term Advances, on the basis that matches the basis of calculation of interest due on the corresponding class of Notes; and
- (b) in the case of any Additional Term Advance, on the basis that matches the interest due on the corresponding class of Additional Notes issued by the Issuer to fund such Additional Term

Advance after taking account of, in respect of New Notes with interest payable at a variable rate, any hedging agreement applicable to the New Notes (which shall be agreed between the relevant Borrower, the Issuer and the Borrower Security Trustee prior to the issue of the relevant New Notes).

### **Facility Fees**

In consideration of the Issuer making the Initial Term Facilities available, the Initial Borrower will be required to pay to the Issuer on the Closing Date an initial facility fee in an amount equal to, *inter alia*, all fees, costs and expenses incurred by the Issuer on or before the Closing Date in connection with the issue of the Notes, the granting of the Initial Term Advances and the negotiation, preparation and execution of each Transaction Document (the “**Initial Facility Fee**”) together with a one-off arrangement fee in an amount equal to £22,000.

In addition and pursuant to the terms of the Issuer/Borrower Facility Agreement, the Initial Borrower will pay an ongoing facility fee to the Issuer. The fee will be calculated as an amount equal to all costs and expenses of the Issuer payable on the corresponding Interest Payment Date (excluding any interest payments or principal repayments on the Notes) (the “**Ongoing Facility Fee**”) in an amount equal to the following (without double counting in respect of any of the matters referred to below):

- (a) the aggregate of all amounts due and payable by the Issuer:
  - (i) on an Interest Payment Date pursuant to paragraphs (a), (b), (c), (d), (e), and (j) of the Issuer Pre-Acceleration Priority of Payments (but only, in relation to amounts due and payable by the Issuer pursuant to paragraphs (e) and (j)(ii) of the Issuer Pre-Acceleration Priority of Payments, to the extent that the amounts so payable by the Issuer on that Interest Payment Date exceed the aggregate of the amounts of interest payable on the Loan Payment Date corresponding to such Interest Payment Date by the Borrowers on the Term Advances which have a floating rate of interest and the amounts payable on the Loan Payment Date corresponding to such Interest Payment Date by the Initial Borrower under the Issuer/Borrower Swap Agreement); or
  - (ii) on any date pursuant to paragraphs (a), (b), (c), (d) and (i) of the Issuer Post-Acceleration Priority of Payments (but only, in relation to amounts due and payable by the Issuer pursuant to paragraphs (d) and (i)(ii) of the Issuer Post-Acceleration Priority of Payments, to the extent that the amounts so payable by the Issuer exceed the aggregate of the amounts of interest payable on such date by the Borrowers on the Term Advances which have a floating rate of interest and the amounts payable on such date by the Initial Borrower under the Issuer/Borrower Swap Agreement); and
- (b) the aggregate of all amounts due and payable by the Issuer on any date (other than on an Interest Payment Date) pursuant to paragraph (b) of the Issuer Pre-Acceleration Priority of Payments;
- (c) an amount equal to any VAT arising in respect of any of the amounts referred to in (a) and (b);
- (d) £10,000 per annum; and
- (e) an amount equal to such amounts as are required by the Issuer to ensure (having regard to the tax treatment of any costs and expenses borne by the Issuer) it is able to make full payment of such costs and expenses,

(the amounts described in (a) and (b) above being referred to in this document as “**Issuer Costs**”), such payments by way of Ongoing Facility Fee to be made on each Loan Payment Date or on such other date as the Issuer may request.

Each Borrower will pay such fees in an allocation as they may determine between them or, failing such determination, such proportion of each payment by way of Ongoing Facility Fee as that part of the aggregate principal amount of the Term Advances advanced to it and outstanding on the date on which the Ongoing Facility Fee is to be paid bears to the aggregate principal amount of the Term Advances outstanding on such date.

### **Gross-up on Deduction or Withholding by the Obligors**

All payments to be made by each of the Obligors under the Issuer/Borrower Facility Agreement will be made free and clear of, and without withholding or deduction for or on account of, any tax unless such withholding or deduction is required by law. If any such withholding or deduction is so required, the

amount of the payment due from the relevant Obligor will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the amount received by the Issuer is equal to the amount that it would have received had the relevant Obligor not been required to withhold or deduct an amount for or on account of tax from that payment. If an Obligor is obliged to increase any sum payable by it to the Issuer as a result of that Obligor being required by a change in tax law to make a withholding or deduction from that payment, a Borrower has the right (but no obligation) to prepay all (but not some only) of the outstanding Term Advances advanced to it at par (as to which see the sections entitled “*Prepayment of Initial Term Advances – Voluntary Prepayment due to Change of Tax Law*” “*Voluntary Prepayment on deduction or withholding by the Issuer*” and “*Prepayment of Additional Term Advances and Purchase of Additional Notes*” below).

## **Repayment**

### *Scheduled Redemption*

Each Initial Term Advance will be repayable in instalments in accordance with a repayment schedule, the amounts of which exactly correspond to the amounts specified in the schedule for the repayment of principal on the corresponding class of Notes, as set out in Condition 7(b) (*Redemption, Purchase and Cancellation – Scheduled Mandatory Redemption in Part*). Scheduled repayments in respect of any Additional Term Advance will be payable in the amounts and on the dates which correspond to the Additional Notes issued to finance the applicable Additional Term Advance.

### *Final Redemption*

Each Initial Term Advance will be repayable in full on the relevant Final Maturity Date, together with all accrued interest and any other outstanding amounts, unless repaid or discharged in full earlier pursuant to the Issuer/Borrower Facility Agreement.

## **Prepayment of Initial Term Advances**

### *Optional Prepayment in whole or part*

Subject to the section entitled “*Application of Prepayment Funds as a Result of Optional Prepayment*” below and provided that no such prepayment shall be permitted in respect of the Term A1 Advances prior to the Loan Payment Date falling in March 2006, prior to the enforcement of the Initial Borrower Security, the Initial Borrower may, on giving not less than 7 Business Days’ prior written notice to the Issuer and the Borrower Security Trustee, prepay (in whole or part) any Term Advance on a Loan Payment Date provided that the Initial Borrower pays the amount required to prepay any specified principal amount thereof, calculated as the amount required by the Issuer to prepay principal on the Notes of the corresponding class in an amount equal to the principal amount of the relevant Initial Term Advance to be prepaid, together with any premia payable under Condition 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*) and all accrued and unpaid interest on the Principal Amount Outstanding of the relevant class of Notes up to (but excluding) the date of prepayment and any other amounts due and payable under the Issuer/Borrower Facility Agreement, including any amounts owing in respect of the Ongoing Facility Fee and provided further that any such prepayment of the Term A1 Advances or the Term B Advances shall only be permitted if on the date of such prepayment the Initial Borrower terminates that part of the swap transaction entered into under the Issuer/Borrower Swap Agreement corresponding to the amount of principal to be prepaid on the Term A1 Advances or the Term B Advances (as the case may be) and the Initial Borrower pays in full on such date any termination payment then payable by it to the Issuer as a result of such termination under the Issuer/Borrower Swap Agreement.

In addition, the Initial Borrower shall only be permitted to prepay an Initial Term Advance if it certifies in writing to the Borrower Security Trustee that immediately prior to the date on which it gives such notice of prepayment that:

- (a) it or one or more of the other Borrowers, as the case may be, has or will have the necessary funds available to:
  - (i) make such prepayment on the relevant Loan Payment Date; and
  - (ii) satisfy all other amounts which are to be paid in priority to or *pari passu* with the relevant Initial Term Advance pursuant to the Borrower Deed of Charge including amounts payable by it under the Issuer/Borrower Facility Agreement and any applicable termination payment payable in respect of the Issuer/Borrower Swap Agreement to enable the Issuer to pay, on

the Interest Payment Date falling on the relevant Loan Payment Date on which the relevant Initial Term Advance is to be prepaid, all other amounts which are to be paid in priority to or *pari passu* with the class of Notes being redeemed (including, for the avoidance of doubt, any termination payment payable by the Issuer to the Swap Counterparty upon any early partial or full termination of the transactions under the Interest Rate Swap Agreement corresponding to any prepayment of the Initial Term A1 Advance or the Initial Term B Advance); and

- (b) no Loan Event of Default has occurred and is continuing (and has not been waived) or would occur as a result of such prepayment.

#### *Application of Prepayment Funds as a Result of Optional Prepayment*

If the Initial Term Advances are to be prepaid solely from cash received for that purpose from an entity which is a member of the GK Group but which is not a member of the Securitisation Group (each an “**Excluded Group Entity**”) whether by way of a subscription for fully paid-up equity or a fully subordinated loan on terms permitted by the Borrower Security Documents, then the Initial Borrower may make prepayments of any tranche of the Initial Term Advances in any order.

If the prepayment of any Initial Term Advances is not to be prepaid either (i) solely from cash received for that purpose from an Excluded Group Entity by way of subscription for fully paid-up equity or a fully subordinated loan or (ii) from monies standing to the credit of the Disposal Proceeds Account (as to which see the section entitled “*Covenants regarding Disposal of Mortgaged Properties and Related Matters – Application of Proceeds of Disposals of a Mortgaged Property*” below), the Initial Borrower may:

- (a) where the Restricted Payment Condition is satisfied as at the most recent Financial Quarter Date, make prepayments of any tranche of the Initial Term Advances in any order it determines; and
- (b) where the Restricted Payment Condition is not satisfied as at the most recent Financial Quarter Date, make prepayments of the Initial Term Advances at its discretion either:
  - (i) *pro rata*, in prepayment towards satisfaction of the Initial Term A Advances and the Initial Term B Advance; or
  - (ii) in the following order:
    - (A) *first*, in or towards satisfaction of the Initial Term A Advances; and
    - (B) *second*, in or towards satisfaction of the Initial B Advances,

allocating any amount to be applied in prepayment of the Initial Term A Advances under paragraphs (i) or (ii) towards prepayment of the Initial Term A1 Advance and the Initial Term A2 Advance in such order and in such amounts as the Initial Borrower at its discretion determines.

#### *Voluntary Prepayment due to Change of Tax Law*

If:

- (a) one or more of the Obligors is obliged to pay an increased amount to the Issuer under the Issuer/Borrower Facility Agreement as a result of such Obligor(s) being required by virtue of a change in tax law to make a withholding or deduction for or on account of tax from that payment; or
- (b) the Initial Borrower is obliged to pay an increased amount to the Issuer under the Issuer/Borrower Swap Agreement or will receive a reduced amount from the Issuer under the Issuer/Borrower Swap Agreement as a result of the Initial Borrower or the Issuer (as the case may be) being required by virtue of a change in tax law to make a withholding or deduction for or on account of tax from that payment; or
- (c) the Issuer claims an amount by way of Ongoing Facility Fee from the Borrowers in respect of increases in Issuer Costs where such claim arises as a result of the introduction of, or any change in or in the interpretation, administration and/or application of, any tax law or regulation after the Closing Date,

then, subject to the respective obligations of the relevant Obligor(s) and the Issuer to take reasonable steps to mitigate any such event in accordance with the terms of the Issuer/Borrower Facility Agreement, the Initial Borrower may, whilst the circumstance giving rise to the requirement or claim for an amount continues and on giving not less than 7 Business Days’ prior written notice (such notice to



expire on a Loan Payment Date) to the Issuer and the Borrower Security Trustee of its intention to prepay on the Loan Payment Date specified in such notice:

- (i) where the relevant event occurring is either (A) of the type described in paragraph (b) above or (B) of the type described in paragraph (c) above and the increase in Issuer Costs arises solely as a result of increases in amounts payable by the Issuer to the Swap Counterparty, prepay all (but not some only) of the outstanding Term A1 Advances and, on and following the Class B Step-Up Date, the outstanding Term B Advances in a principal amount equal to the outstanding Term A1 Advances, and on and following the Class B Step-Up Date, Term B Advances together with accrued but unpaid interest in relation to such outstanding Term Advances up to (but excluding) the date of prepayment and any other amounts owing in respect of the Issuer/Borrower Facility Agreement, including any amounts owing in respect of the Ongoing Facility Fee; and
- (ii) where the relevant event occurring is either (A) of the type described in paragraph (a) above or (B) of the type described in paragraph (c) above and the increase in Issuer Costs arises other than as a result of increases in amounts payable by the Issuer to the Swap Counterparty, prepay all (but not some only) of all outstanding Term Advances in a principal amount equal to the outstanding Term Advances together with accrued but unpaid interest in relation to such outstanding Term Advances up to (but excluding) the relevant date of prepayment and any other amounts owing in respect of the Issuer/Borrower Facility Agreement, including any amounts owing in respect of the Ongoing Facility Fee,

provided that any such prepayment shall only be permitted if on the date of such prepayment the Initial Borrower terminates that part of the swap transaction entered into under the Issuer/Borrower Swap Agreement corresponding to the amount of principal to be prepaid on the Term A1 Advances or the Term B Advances (as the case may be) and the Initial Borrower pays in full on such date any termination payment then payable by it to the Issuer as a result of such termination under the Issuer/Borrower Swap Agreement.

*Voluntary Prepayment on deduction or withholding by the Issuer*

If following the occurrence of either of the events set out in Conditions 7(d)(i) or 7(d)(ii), the Issuer is unable to effectively arrange a substitution or if substitution would not avoid the relevant circumstances as set out in Conditions 7(d)(i) or 7(d)(ii), the Borrowers may, whilst the relevant event set out in Conditions 7(d)(i) or 7(d)(ii) (as applicable) is subsisting, on giving not less than 7 Business Days' prior written notice (such notice to expire on a Loan Payment Date) to the Issuer and the Borrower Security Trustee of its intention to prepay on the Loan Payment Date specified in such notice:

- (a) where the Issuer is entitled to redeem the Notes pursuant to Condition 7(d)(ii), prepay all (but not some only) of the outstanding Term A1 Advances and, on and following the Class B Step-Up Date, the outstanding Term B Advances in a principal amount equal to the outstanding Term A1 Advances, and on and following the Class B Step-Up Date, Term B Advances together with accrued but unpaid interest in relation to such outstanding Term Advances up to (but excluding) the date of prepayment and any other amounts owing in respect of the Issuer/Borrower Facility Agreement, including any amounts owing in respect of the Ongoing Facility Fee; and
- (b) where the Issuer is entitled to redeem the Notes pursuant to Condition 7(d)(i), prepay all (but not some only) of the outstanding Term Advances in a principal amount equal to the outstanding Term Advances, together with all accrued and unpaid interest in relation to such outstanding Term Advances up to (but excluding) the date of prepayment and any other amounts owing in respect of the Issuer/Borrower Facility Agreement, including any amounts owing in respect of the Ongoing Facility Fee,

provided that any such prepayment shall only be permitted if on the date of such prepayment the Initial Borrower terminates that part of the swap transaction entered into under the Issuer/Borrower Swap Agreement corresponding to the amount of principal to be prepaid on the Term A1 Advances or the Term B Advances (as the case may be) and the Initial Borrower pays in full on such date any termination payment then payable by it to the Issuer as a result of such termination under the Issuer/Borrower Swap Agreement.

#### *Mandatory Prepayment due to Illegality*

If, at any time, the Issuer and/or the Initial Borrower satisfies the Borrower Security Trustee that it is or will become unlawful in any applicable jurisdiction for:

- (a) the Issuer to perform any of its obligations as contemplated by the Issuer/Borrower Facility Agreement or the Notes, to make, fund or allow to remain outstanding the Term Advances or to advance or allow the Notes to remain outstanding; or
- (b) a Borrower to perform any of its obligations as contemplated by the Issuer/Borrower Facility Agreement,

then (in the case of (a) above) subject to the Issuer (in consultation with the Initial Borrower and the Borrower Security Trustee) taking reasonable steps to mitigate such event in accordance with Condition 7(d) (*Redemption, Purchase and Cancellation – Substitution/Redemption in Whole for Taxation and Other Reasons*) and (in the case of (b) above) without prejudice to the obligations of the Borrowers to mitigate such event under the Issuer/Borrower Facility Agreement, the Borrowers shall, (in the case of (a) above) on the Loan Payment Date occurring after the date on which the Issuer has notified the Initial Borrower of such event (or, if earlier, the date specified by the Issuer in any notice delivered to the Initial Borrower, being no later than the last day of any applicable grace period permitted by law) or (in the case of (b) above) on the Loan Payment Date occurring after the date on which a Borrower has become aware of such unlawfulness (but no later than the last day of any applicable grace period permitted by law), prepay all (but not some only) of the Term Advances, terminate all of the transactions under the Issuer/Borrower Swap Agreement and pay all accrued and unpaid interest in relation to such outstanding Term Advances up to (but excluding) the date of prepayment and any other amounts owing in respect of the Issuer/Borrower Facility Agreement, including any amounts owing in respect of the Ongoing Facility Fee and any amounts payable by the Initial Borrower to the Issuer under the Issuer/Borrower Swap Agreement by way of termination payments.

#### *Deemed Prepayment Upon Purchase of Notes by the Initial Borrower*

The Initial Borrower may, at any time while it is within the charge to United Kingdom corporation tax, purchase Notes of any class provided that the following conditions are satisfied on the date of such proposed purchase:

- (a) no Loan Event of Default has occurred and is continuing (and has not been waived) or would occur as a result of such purchase; and
- (b) if the Restricted Payment Condition is not satisfied as at the most recent Financial Quarter Date, the Initial Borrower will only be entitled to purchase Class B Notes so long as there are no Class A1 Notes or Class A2 Notes outstanding.

Following the purchase of a Note by the Initial Borrower, it must forthwith notify the Issuer and the Issuer Security Trustee of such purchase and surrender such Note to the Issuer in accordance with Condition 7(i) (*Redemption, Purchase and Cancellation – Purchase by the Borrowers and Cancellation*). Upon surrender of such Note, the Note will be cancelled and, upon such cancellation, an amount of the relevant Term Advance corresponding to the Note purchased equal to the Principal Amount Outstanding of such Note plus an amount of interest on the relevant Term Advance equal to the aggregate of any accrued and unpaid interest on the Principal Amount Outstanding of such Note will be treated as having been prepaid by way of set-off in consideration for the surrender of such Note. In the case of any purchase and cancellation of the Class A1 Notes or the Class B Notes, the Initial Borrower will be required to terminate that part of the swap transaction entered into under the Issuer/Borrower Swap Agreement corresponding to the amount of principal to be prepaid on the Term A1 Advances or the Term B Advances (as the case may be) and to pay on such date any termination payment then payable by it to the Issuer as a result of such termination under the Issuer/Borrower Swap Agreement.

#### *Prepayment of Additional Term Advances and Purchase of Additional Notes*

The terms, if any, on which any Further Term Advance may be prepaid shall be substantially the same terms (as set out above and under the section entitled “*Covenants regarding Disposal of Mortgaged Properties and Related Matters – Application of Proceeds of Disposals of a Mortgaged Property*” below) as those on which any Initial Term Advance may be prepaid. The terms on which any New Term Advance may be prepaid shall be substantially the same as those on which the Initial Term Advances may be prepaid save as otherwise required to reflect the prepayment terms of the New Notes issued to

fund any such New Term Advance. The terms if any, on which any Additional Notes may be purchased shall be substantially the same terms as set out in the section entitled “*Deemed Prepayment Upon Purchase of Notes by the Borrower*” above, save as otherwise required to reflect the prepayment terms of any New Notes issued to fund any New Term Advance.

### **Representations and Warranties**

No independent investigation with respect to the matters represented and warranted in the Issuer/Borrower Facility Agreement or any other Borrower Transaction Document will be made by the Borrower Secured Creditors (including the Issuer and the Borrower Security Trustee) other than certain searches on the Closing Date in the registers held by the Registrar of Companies and in the Companies Court and certain searches in respect of the Mortgaged Properties at the appropriate land registry and land charges registry on and/or before the Closing Date. In relation to such matters, the Borrower Secured Creditors (including the Issuer and the Borrower Security Trustee) will, save as previously disclosed, rely entirely on the representations and warranties which will be given by each Obligor on the Closing Date.

The representations and warranties given by the Obligors will be customary for a loan facility of the type made available under the Issuer/Borrower Facility Agreement (and may be limited by a materiality and/or knowledge qualification in certain circumstances) and will include representations and warranties as to the following matters:

- (a) no security interests exist over all or any of its present or future revenues, undertakings or assets other than certain permitted security interests and save as revealed in the Property Due Diligence Reports to be delivered to the Borrower Security Trustee on or before the Closing Date;
- (b) no Loan Event of Default or Potential Loan Event of Default has occurred and is continuing (and has not been waived);
- (c) each security document to which it is a party creates the security interest which that security document purports to create and claims of the Borrower Secured Creditors against it will rank at least *pari passu* with the claims of all of its other unsecured creditors, save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application;
- (d) save to the extent disposed of as permitted by the Transaction Documents or as revealed in the Overview Report or where legal ownership remains held on trust for the Initial Borrower, the Initial Borrower is the absolute legal and beneficial owner of, and has a good and marketable title in its own name to, its interest in all of the Mortgaged Properties in respect of which it purports to create security under the Borrower Deed of Charge;
- (e) each of the Mortgaged Properties comprising the Securitisation Estate as at the Closing Date is located in England or Wales;
- (f) it is not aware of any event or circumstances which would require any material adverse change to the Property Due Diligence Reports and the Valuation Report and certain other due diligence reports if they were to be reissued at the Closing Date;
- (g) each of the pubs in the Securitisation Estate has a liquor licence in full force and effect;
- (h) each of the Intra Group Supply Agreement and the Management Services Agreement is in full force and effect and constitutes a legal, valid and binding obligation of the members of the GK Group who are parties thereto and is enforceable in accordance with its terms (subject to rights of creditors generally, to equitable principles of general application, to the time barring of claims and to the laws of insolvency);
- (i) each Lease Agreement has been duly executed and delivered and is valid and enforceable in accordance with its terms (subject to the rights of creditors generally, to equitable principles of general application, to the time barring of claims and to the laws of insolvency);
- (j) each insurance policy is in full force and effect and there are no outstanding claims under any such insurance policy that are individually or in aggregate material and which are not expected to be paid out by the relevant insurer; and
- (k) buildings insurance is maintained in respect of the Securitisation Estate in an aggregate amount at least equal to, or not materially less than, the aggregate full replacement cost (as determined in

accordance with the commercial property market generally) of all of the Mortgaged Properties comprising the Securitisation Estate.

Certain of the representations and warranties will also be repeated on the date on which any Term Advance or New Term Advance is made and on each Loan Payment Date, by reference to the facts and circumstances then existing and subject in certain cases to being limited by reference to a materiality and/or knowledge qualification.

### **Financial Covenants**

#### *Net Worth and Debt Service Covenants*

Under the terms of the Issuer/Borrower Facility Agreement, the Securitisation Group will agree to conduct its future operation and business subject to a net worth covenant and a debt service coverage ratio covenant. These covenants will provide that:

- (a) *Net Worth Covenant*: the Net Worth of the Securitisation Group in aggregate as at the end of each Financial Year shall be equal to or greater than £70 million (the “**Net Worth Covenant**”); and
- (b) *FCF DSCR Covenant*: the Free Cashflow DSCR of the Securitisation Group shall not, on any Financial Quarter Date, in respect of the most recent Relevant Period or the most recent Relevant Year be less than 1.10:1 (the “**FCF DSCR Covenant**” or the “**Debt Service Covenant**”).

The Net Worth Covenant shall be complied with at all times, but shall be tested after each Financial Year commencing with the Financial Year ended 1 May, 2005 by reference to the audited consolidated financial statements of the Securitisation Group delivered and subject to any necessary adjustment on a continuing basis as demonstrated by the financial statements delivered.

The FCF DSCR Covenant will be tested after each Financial Quarter by reference to the unaudited consolidated financial statements of the Securitisation Group delivered and by reference to the audited consolidated financial statements of the Securitisation Group delivered.

For these purposes:

“**Accrued Principal**”, in respect of a Relevant Year, means the aggregate of all scheduled principal payments made or due to be made under the Issuer/Borrower Facility Agreement during that Relevant Year and in respect of a Relevant Period means:

- (a) the product of:
  - (i) all scheduled principal payments made or due to be made under the Issuer/Borrower Facility Agreement during the Relevant Year ending on the same Financial Quarter Date as that Relevant Period ends; and
  - (ii) the number of weeks in such Relevant Period; divided by
- (b) the number of weeks in the Relevant Year ending on the same Financial Quarter Date as that Relevant Period ends.

“**Debt Service**” means the aggregate of:

- (a) all Interest Charges; and
- (b) all Accrued Principal,

in each case, for the Relevant Period or, as the case may be, Relevant Year.

“**EBITDA**” means, in respect of any Financial Quarter, Relevant Period or, as the case may be, Relevant Year for any relevant entity, the Operating Profit before:

- (a) any Interest Charges;
- (b) any Subordinated Debt Amounts; and
- (c) any amount attributable to amortisation of goodwill, or other intangible assets or the amortisation or the writing off of acquisition or refinancing costs and any deduction for depreciation of assets,

but after adjusting where necessary to exclude:

- (i) fair value adjustments or impairment charges (to the extent they involve no payment of cash) and non cash items (except accruals, bad debt provisions and stock write offs);

- (ii) items treated as extraordinary or non operating exceptional income/charges under accounting principles generally accepted in the United Kingdom;
- (iii) any amount attributable to the writing up or writing down of any assets of such relevant entity after the Closing Date or, in the case of a company becoming a subsidiary of such relevant entity after the Closing Date, after the date of its becoming a subsidiary of such relevant entity;
- (iv) the amount of any profit of such relevant entity which is attributable to minority interests;
- (v) any amounts earned from any Excluded Group Entity where such amounts have not been received in cash, save for such non cash amounts earned from Supply Co pursuant to the Intra Group Supply Agreement and from Management Co pursuant to the Management Services Agreement where a cash amount is expected to be received in the next 12 months; and
- (vi) any amounts attributable to the disposal of any Mortgaged Properties or other assets.

**“Financial Indebtedness”** means, in relation to any person at any time, any indebtedness (whether actual or contingent) incurred in respect of:

- (a) the principal amount and the capitalised element (if any), of money borrowed or raised and debit balances at banks and mandatory premia (if any) and capitalised interest in respect thereof;
- (b) the principal and mandatory premia (if any) and capitalised interest in respect of any debenture, bond, note, loan stock or similar debt instrument;
- (c) liabilities in respect of any letter of credit, standby letter of credit, acceptance credit, bill discounting or note purchase facility and any receivables purchase, factoring or discounting arrangements, provided that for the purposes of calculating the amount of Financial Indebtedness any obligations in respect of any letter of credit or standby letter of credit shall not be included unless the relevant person is in default of its obligations to the Issuer under such letter of credit, standby letter of credit or counterindemnity for the same;
- (d) rental or hire payments under any contract between a lessor and a lessee treated as a finance lease in accordance with generally accepted accounting principles applied in the United Kingdom;
- (e) the deferred purchase price of assets or services save for:
  - (i) any such arrangement entered into in the ordinary course of trading and having a term not exceeding 180 days after the period customarily allowed by the relevant supplier for deferred payment; and/or
  - (ii) where the arrangement is entered into in the ordinary course of trade and the deferred purchase price in respect of assets or services is expressed to be payable in instalments or where the relevant amount is a retention of payment by such person to ensure performance of obligations owed to it;
- (f) liabilities in respect of any foreign exchange agreement, currency swap or interest rate swap or other derivative transactions or similar arrangements, provided that to the extent that the relevant contract provides for net payments to be made the amount of Financial Indebtedness shall be the net amount due or the net exposure thereunder (being the amount payable by the party liable thereunder on termination or closing out of such arrangements determined on a mark to market basis);
- (g) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any share capital of any person or any warrants, rights or options to acquire such share capital in respect of transactions which in each such case have the commercial effect of borrowing or which otherwise finance its, or, in the case of an Obligor, the other Obligors’, and, in the case of any other person, its group’s operations or capital requirements;
- (h) any other transactions having the commercial effect of borrowing entered into by such person; and
- (i) all Financial Indebtedness of other persons of the kinds referred to in paragraphs (a) to (h) above guaranteed or indemnified directly or indirectly in any manner by such person or having the commercial effect of being guaranteed or indemnified directly or indirectly by such person.

**“Financial Quarter”** means each period from (and including) the day after a Financial Quarter Date to (and excluding) the next Financial Quarter Date and, in respect of the first Financial Quarter, the period from (and including) the Closing Date to (and including) 1 May, 2005.

**“Financial Quarter Date”** means 1 May, 2005 and, thereafter, the date on which the quarterly accounting period of each Borrower ends, being:

- (a) for the first Financial Quarter, the date which is 12 weeks from 1 May, 2005 and in each year thereafter from the fourth Financial Quarter Date in the immediately preceding Financial Year;
- (b) for the second Financial Quarter, the date which is 12 weeks from the previous Financial Quarter Date;
- (c) for the third Financial Quarter, the date which is 12 weeks from the previous Financial Quarter Date; and
- (d) for the fourth Financial Quarter, the date which is the last day of the Financial Year of which such fourth Financial Quarter forms part.

**“Financial Statements”** means:

- (a) the annual audited consolidated financial statements of the Securitisation Group Parent and its direct and indirect subsidiaries and the related auditors’ report for each Financial Year; and
- (b) the unaudited consolidated semi-annual financial statements of the Securitisation Group Parent and its direct and indirect subsidiaries for each Semi-Annual Period,

in each case, to be delivered by Securitisation Group Parent and its direct or indirect subsidiaries pursuant to the Issuer/Borrower Facility Agreement.

**“Financial Year”** means the period of four Financial Quarters comprised, in the discretion of the Initial Borrower, of 52 or 53 weeks ending within 7 days of 30 April, the first Financial Year ending on 1 May, 2005.

**“Free Cashflow”** or **“FCF”** means EBITDA for a Financial Quarter, a Relevant Period or, as the case may be, a Relevant Year after:

- (a) deducting:
  - (A) any tax in relation to EBITDA in respect of such Financial Quarter, Relevant Period or, as the case may be, Relevant Year (being the actual tax accrued for the Securitisation Group before making any adjustment to deferred tax assets or liabilities);
  - (B) the greater of (i) the aggregate amount of Maintenance Expenditure actually incurred during the Financial Quarter, the Relevant Period or, as the case may be, the Relevant Year (less any Maintenance Expenditure expensed through the profit and loss account for the Financial Quarter, the Relevant Period or, as the case may be, the Relevant Year) and (ii) the Portion of the Required Maintenance Amount (less any Maintenance Expenditure expensed through the profit and loss account) for the Financial Quarter, the Relevant Period or, as the case may be, the Relevant Year; and
  - (C) provisions released during such Financial Quarter, Relevant Period or, as the case may be, Relevant Year; and
- (b) adding back:
  - (A) any tax credits redeemable within 12 months; and
  - (B) provisions charged during such Financial Quarter, Relevant Period or, as the case may be, Relevant Year,

provided that where the Relevant Period or, as the case may be, the Relevant Year relates to more than one Financial Year, the Portion of the Required Maintenance Amount for such Relevant Period or, as the case may be, Relevant Year shall be the aggregate of the Portion of the Required Maintenance Amount in each Financial Year to which the Relevant Period or, as the case may be, the Relevant Year relates.

**“Free Cashflow DSCR”** or **“FCF DSCR”**, as at any Financial Quarter Date, means the ratio of (a) Free Cashflow for the Relevant Period or, as the case may be, the Relevant Year ending on such Financial

Quarter Date to (b) Debt Service for the Relevant Period or, as the case may be, the Relevant Year, ending on such Financial Quarter Date.

“**Interest Charges**” means:

- (a) the aggregate amount of:
  - (i) all amounts of interest or amounts in the nature of interest accrued on Financial Indebtedness; and
  - (ii) any net amounts accrued under any hedging arrangements; and
- (b) less any interest earned on any deposit accounts and excluding any Subordinated Debt Amounts.

“**Maintenance Expenditure**” means, in each Financial Year, an amount expended in the refurbishment, repair, renewal and maintenance of the internal and external fabric of the Mortgaged Properties in the Securitisation Estate and their fixtures and fittings and of the assets required to manage them (for example, information technology systems), such expenditure including amounts expensed through the profit and loss account and amounts capitalised on the balance sheet of a Borrower to the extent that such expenditure does not constitute Capital Enhancement Expenditure.

“**Net Worth**” means the sum of:

- (a) the aggregate amount as shown in the most recent audited balance sheets of each of the Borrowers as being the net assets of those Borrowers (disregarding for the purposes of this paragraph any intercompany loans within the Securitisation Group); and
- (b) any Financial Indebtedness of any Borrower fully subordinated in accordance with the terms of the Borrower Security Documents provided that, by its terms, any and all amounts due and payable thereunder are serviced out of Restricted Payments (disregarding for the purposes of this paragraph any intercompany loans with the Securitisation Group).

“**Operating Profit**” means the aggregate operating profit of the Securitisation Group and each subsidiary undertaking acquired in connection with an acquisition or, as the case may be, substitution of a Permitted Business or where applicable the operating profit of an individual pub, in each case, shown in the most recent financial statements or the management accounts of the Securitisation Group and such subsidiary undertakings for the Financial Quarter, the Relevant Period or, as the case may be, the Relevant Year.

“**Portion of the Required Maintenance Amount**” for that part of a Financial Year to which the Relevant Period or, as the case may be, the Relevant Year relates shall be the Required Maintenance Amount for such Financial Year multiplied by the number of Financial Quarters in the Relevant Period or, as the case may be, the Relevant Year which falls in such Financial Year and divided by four and provided further that for any Relevant Period or, as the case may be, Relevant Year which includes the Financial Quarter commencing on the Closing Date, the Portion of the Required Maintenance Amount shall be the initial Required Maintenance Amount divided by 52 and multiplied by:

- (a) 8 in respect of the Relevant Period and the Relevant Year ending on 1 May 2005;
- (b) 20 in respect of the Relevant Period and the Relevant Year ending on 24 July 2005;
- (c) 32 in respect of the Relevant Year ending on 16 October 2005; and
- (d) 44 in respect of the Relevant Year ending on 8 January 2005.

“**Relevant Period**” means a period of two consecutive Financial Quarters, provided that any calculation of a ratio or an amount shall be made:

- (a) in respect of the Financial Quarter ending on 1 May, 2005, for the period from (and including) the Closing Date to (and including) 1 May, 2005; and
- (b) in respect of the Financial Quarter ending on 24 July, 2005, for the period from (and including) the Closing Date to (and including) 24 July, 2005.

“**Relevant Year**” means a period of four consecutive Financial Quarters, provided that any calculation of a ratio or an amount shall be made:

- (a) in respect of the Financial Quarter ending on 1 May, 2005, for the period from (and including) the Closing Date to (and including) 1 May, 2005;

- (b) in respect of the Financial Quarter ending on 24 July, 2005, for the period from (and including) the Closing Date to (and including) 24 July, 2005;
- (c) in respect of the Financial Quarter ending on 16 October, 2005, for the period from (and including) the Closing Date to (and including) 16 October, 2005; and
- (d) in respect of the Financial Quarter ending on 8 January, 2006, for the period from (and including) the Closing Date to (and including) 8 January, 2006.

“**Semi-Annual Period**” means the first and second Financial Quarters of each Financial Year.

“**Subordinated Debt Amounts**” means any amounts paid or accrued (whether or not payable) by a Borrower to any other Obligor, any interest paid or accrued (whether or not payable) by way of Restricted Payments and any other payment subject to the Restricted Payment Condition.

#### *Restricted Payment Condition*

Each Obligor covenants and agrees with the Borrower Security Trustee and the Issuer that it shall not make any Restricted Payment save that a Restricted Payment may be made on any day if:

- (a) the Restricted Payment Condition was satisfied in the Relevant Period and the Relevant Year, in each case, ending on the most recent Financial Quarter Date;
- (b) either:
  - (i) the Restricted Payment Maximum would not be less than zero following the making of such Restricted Payment; or
  - (ii) the Restricted Payment is to be made out of Excess Net Sales Proceeds; and
- (c) no Loan Event of Default has occurred and is continuing (and has not been waived) or would occur as a result of the making of such Restricted Payment; and
- (d) where such Restricted Payment consists of the purchase of a tax relief, such Restricted Payment is made in accordance with the applicable provisions of the Tax Deed of Covenant,

provided that no such Restricted Payment may be made where the Initial Borrower is required to create the SDLT Reserve (as defined in the section entitled “*Summary of Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Stamp Duty Land Tax Reserve*” below) and such SDLT Reserve is not fully funded in accordance with the terms of the Tax Deed of Covenant.

Notwithstanding the foregoing, the Initial Borrower may make a payment in respect of interest accrued under the Initial Borrower Subordinated Loan Agreement on any Loan Payment Date (after satisfaction in full of all amounts payable on such Loan Payment Date at items (a) to (l) of the Borrower Pre-Enforcement Priority of Payments) or, provided that the Initial Borrower has reserved such amount for such purpose on the preceding Loan Payment Date (after satisfaction in full of all amounts payable on such Loan Payment Date at items (a) to (l) of the Borrower Pre-Enforcement Priority of Payments), on any date, provided that:

- (a) no Loan Event of Default or Potential Loan Event of Default has occurred and is continuing unwaived or would occur as a result of the making of such Restricted Payment; and
- (b) the aggregate of such payment and any other previous payments of interest in respect of the Initial Borrower Subordinated Loan Agreement is no greater than the aggregate of any corporation tax then or previously due and payable by Greene King (or which would be, or would have been, due and payable but for any relief claimed under Chapter IV of Part X of the Income and Corporation Taxes Act 1988) in respect of interest under the Initial Borrower Subordinated Loan Agreement or pursuant to any election by Greene King under paragraph 7B of Schedule 28AA of the Income and Corporation Taxes Act 1988 in respect of the Initial Borrower Subordinated Loan Agreement.

The “**Restricted Payment Condition**” is satisfied if, in relation to the Relevant Period and Relevant Year immediately preceding the date on which the proposed Restricted Payment (or other action which is subject to this condition) is to be made or undertaken:

- (a) the ratio of EBITDA to Debt Service calculated for such Relevant Period and Relevant Year was, in each case, at least 1.5:1; and



- (b) the FCF DSCR calculated for such Relevant Period and Relevant Year was, in each case, at least 1.3:1.

If the Restricted Payment Condition was not satisfied as at any Financial Quarter Date but is subsequently satisfied on any following Financial Quarter Date, an Obligor may make a Restricted Payment in the following Financial Quarter but only to the extent the Further Restricted Payment Maximum would not be less than zero following the making of such Restricted Payment until the Restricted Payment Condition has been satisfied on eight consecutive Financial Quarter Dates.

For these purposes:

“**Excess Cash**” means, in respect of a Financial Quarter:

- (a) the aggregate of:
- (i) Free Cash Flow for such Financial Quarter;
  - (ii) any proceeds not required to be deposited in the Disposal Proceeds Account in such Financial Quarter pursuant to the terms of the Issuer/Borrower Facility Agreement; and
  - (iii) any net insurance proceeds received by the Securitisation Group not included in Operating Profit and/or not required to be deposited in the Disposal Proceeds Account; and
- (b) less the sum of:
- (i) all Interest Charges accrued in such Financial Quarter;
  - (ii) all principal payments made pursuant to the Issuer/Borrower Facility Agreement in such Financial Quarter; and
  - (iii) to the extent not funded from amounts standing to the credit of the Disposal Proceeds Account, any expenditure incurred in respect of acquisitions or substitutions of Permitted Businesses and/or Capital Enhancement Expenditure in such Financial Quarter.

“**Further Restricted Payment Maximum**” means, on any date, the sum of:

- (a) Excess Cash for the Financial Quarter immediately prior to which a Restricted Payment is proposed to be made; and
- (b) 12.5 per cent. of the difference between the Restricted Payment Maximum and the Excess Cash for that prior Financial Quarter.

“**Restricted Payment**” is any payment or other disposal of cash or other funds or assets to an Excluded Group Entity, including (but not restricted to) by way of advance of a loan, payment of a dividend or other return on capital, a distribution, payment of interest, payment of premium, repayment of a loan, payment of fees, the making of a gift or a capital contribution or reduction of capital, in each case, to an Excluded Group Entity, or the purchase of tax reliefs, except for the following:

- (a) any payment made pursuant to a Borrower Transaction Document (including any payment to the Services Companies pursuant to the Services Agreements and any payment made on or immediately after the date that an Additional Term Advance is granted from the proceeds of such Additional Term Advance) which payment is not dependent upon the satisfaction of the terms set out in items (a) and (b) of the definition of Restricted Payment Condition;
- (b) any purchase of tax reliefs made in accordance with the Tax Deed of Covenant;
- (c) any payment made with the prior consent of the Borrower Security Trustee;
- (d) any payment to acquire or substitute a Permitted Business, subject to satisfaction of the Profitability Condition;
- (e) any payment of a dividend or other return of capital or advance of a loan or in repayment of Financial Indebtedness made by an Obligor to an Excluded Group Entity on or immediately after the Closing Date from the proceeds of the Initial Term Advances; and
- (f) any payments on or as soon as reasonably practicable after the Closing Date of outstanding amounts owing to an Excluded Group Entity in respect of intercompany balances accrued prior to the Closing Date and made from the proceeds of the Initial Term Advances.

“**Restricted Payment Maximum**” means, on any date, the aggregate of the differences for each Financial Quarter since the Closing Date between (a) all Excess Cash and (b) all Restricted Payments

made from Excess Cash (including payments deemed to be Restricted Payments under the Tax Deed of Covenant).

### ***Covenants regarding Disposal of Mortgaged Properties and Related Matters***

The Obligors are not permitted to dispose of any Mortgaged Property (either alone or together with any Incidental Mortgaged Property) unless the Borrower Security Trustee consents to the disposal or unless such disposal is by way of a Permitted Estate Management Transaction. The Borrower Security Trustee will agree that its consent to any proposed disposal will not be unreasonably withheld or delayed if the Initial Borrower, no less than 5 Business Days (or such shorter period as the Borrower Security Trustee may agree) prior to the date on which the relevant Obligor proposes to dispose of such Mortgaged Property and any related Incidental Mortgaged Property, certifies that:

- (a) the proposed disposal is a disposal of part of a Mortgaged Property which does not have a material adverse effect on the trading of that Mortgaged Property; or
- (b) the proposed disposal is a disposal from a member of the Securitisation Group to the Initial Borrower (an “**Intra-Group Disposal**”) provided that immediately following the disposal, any asset or assets accruing to the relevant transferor or transferee is or are made part of the Borrower Security and provided further that the future enforcement of the Borrower Security would not be impaired or prejudiced by such Intra-Group Disposal; or
- (c) the proposed disposal (i) is to be made on arms’ length terms or to the extent disposed of to a member of the GK Group for fair value (ii) will not result in the aggregate of all disposals of portions of the Securitisation Estate made since the Closing Date, together accounting for more than 25 per cent. of the Outlet EBITDA referable to the Mortgaged Properties comprised in the Securitisation Estate for the Financial Year covered in the most recent audited financial statements of the Obligors (not taking into account, for the purposes of this calculation, any disposals in paragraph (d)), with such portions being disposed being reset to zero from time to time and the Ratings Test being satisfied following such resetting and (iii) will not result in the aggregate of all disposals of portions of the Securitisation Estate made in the Financial Year in which the proposed disposal is to be made together accounting for more than 10 per cent. of the Outlet EBITDA referable to the Mortgaged Properties comprised in the Securitisation Estate for the Financial Year covered in such audited financial statements; or
- (d) the relevant Net Sale Proceeds will be applied in the payment of at least the sum of (i) the Allocated Debt Amount referable to that Mortgaged Property to be disposed of in prepayment of Term Advances, (ii) the payment of any premia payable in connection with the prepayment of such Term Advances and (iii) the payment of any termination costs payable by the Initial Borrower to the Issuer under the Issuer/Borrower Swap Agreement as a result of a termination made in connection with any prepayment made of the Initial Term A1 Advance or the Initial Term B Advance; or
- (e) the proposed disposal is a disposal of a Mortgaged Property by order of any Competition Authority or required by law or any regulation having the force of law or any governmental agency in accordance with whose orders and/or rulings such Obligor is required to act; or
- (f) the proposed disposal is a disposal of the bare legal title relating to a Mortgaged Property in respect of which the transfer of the related beneficial title would otherwise constitute a Permitted Disposal; or
- (g) the proposed disposal is undertaken pursuant to a substitution of a Mortgaged Property in the manner described in the section entitled “*Investment Considerations – Considerations relating to the Mortgaged Properties – Substitutions*” above,

and, the Initial Borrower certifies in writing that the relevant Obligor has complied with its obligations under the Issuer/Borrower Facility Agreement and the Tax Deed of Covenant (if any) in relation to such disposal of the Mortgaged Property. Any such disposal consented to by the Borrower Security Trustee is referred to as a “**Permitted Disposal**”.

Notwithstanding the above, the Initial Borrower will be permitted, without the consent of the Borrower Security Trustee, to dispose of certain pre-agreed ancillary property interests and plots of land which are not currently used in the business of the Securitisation Group but which are adjacent to or form part of the Mortgaged Properties provided that such disposals do not adversely affect the Initial Borrower’s

title to, or the security over the remaining Mortgaged Properties or parts thereof (each a “**Pre-Agreed Disposal**”).

For these purposes:

“**Allocated Debt Amount**” in respect of a Mortgaged Property means, at any time, the aggregate of:

- (a) the aggregate Principal Amount Outstanding of the Notes then outstanding as at the end of the immediately preceding Financial Year, multiplied by a fraction being the proportion which the greater of (i) Outlet EBITDA of that Mortgaged Property for the period of 12 months immediately preceding the Closing Date or, if later, the date on which such Mortgaged Property was acquired by the Securitisation Group and (ii) Outlet EBITDA referable to that Mortgaged Property for the Financial Year covered in the most recent audited financial statements of the Obligors, bore to the total Outlet EBITDA of the Mortgaged Properties comprised in the Securitisation Estate for the Financial Year covered in such audited financial statements; and
- (b) 10 per cent. of the amount calculated under paragraph (a) above.

“**Competition Authority**” means the Office of Fair Trading, the European Commission and any other national competition authority.

#### *Application of Proceeds of Disposals of a Mortgaged Property*

The Obligors will covenant and agree with the Issuer, the Borrower Security Trustee and the other Borrower Secured Creditors that, in respect of any disposal of a Mortgaged Property or part thereof, save where such a disposal is made in accordance with paragraph (a) described under the section “*Covenants regarding Disposal of Mortgaged Properties and Related Matters*” above or is a Pre-Agreed Disposal or a Permitted Estate Management Transaction, it will deposit the gross proceeds of sale of such Mortgaged Property less an amount equal to the costs and expenses incurred by the relevant Obligor in connection with the relevant disposal (including any amount to be paid in respect of indemnity on sale) (the “**Sales Proceeds**”) into a designated account maintained by the Initial Borrower and charged to the Borrower Security Trustee (the “**Disposal Proceeds Account**”) forthwith upon receipt. Any Sales Proceeds credited to the Disposal Proceeds Account in respect of a disposal of a pub which is let to a third party tenant and operator (a “**Tenanted Pub**”) shall be credited to a separate ledger of the Disposal Proceeds Account maintained by the Initial Borrower (or the Cash Manager on its behalf) (the “**Tenanted Pub Proceeds Ledger**”).

Each Borrower will covenant and agree with the Issuer and the Borrower Security Trustee (for itself and on behalf of the other Borrower Secured Creditors) that any amounts standing to the credit of the Disposal Proceeds Account for longer than 18 months (other than amounts which may be required to discharge any liability to tax in relation to any Permitted Disposal) shall, unless a Loan Event of Default is subsisting which has not been waived, be required to be withdrawn and applied in making prepayments of any outstanding Term Advances in the manner described in paragraph (a) below.

The Initial Borrower will covenant and agree with the Borrower Security Trustee that amounts standing to the credit of the Disposal Proceeds Account may be withdrawn only with the prior consent of the Borrower Security Trustee.

The Borrower Security Trustee will agree not to unreasonably withhold or delay giving its consent to the proposed withdrawal if the Initial Borrower certifies to the Borrower Security Trustee that it has complied with its obligations under the Issuer/Borrower Facility Agreement in relation to the proposed withdrawal, that there is no Loan Event of Default subsisting which has not been waived at the date of withdrawal and either amounts to be withdrawn are Excess Net Sales Proceeds (provided that such Excess Net Sales Proceeds may only be withdrawn if the Restricted Payment Condition and the Ratings Test are satisfied upon such withdrawal) or that monies standing to the credit of the Disposal Proceeds Account will be applied:

- (a) in or towards making a prepayment:
  - (i) if the Restricted Payment Condition was satisfied as at the most recent Financial Quarter Date, at the discretion of the Initial Borrower either (A) *pro rata* across all the tranches of the Initial Term Advances or (B) of the tranches of the Initial Term Advances on a sequential basis in the order of priority set out in the Borrower Pre-Enforcement Priority of Payments; or

- (ii) if the Restricted Payment Condition was not satisfied as at the most recent Financial Quarter Date, of the tranches of the Initial Term Advances on a sequential basis in the order of priority set out in the Borrower Pre-Enforcement Priority of Payments,

allocating any amount which is permitted to be applied in prepayment of any tranche of Term Advances under paragraph (i) or (ii) towards the sub-tranches of such Term Advances as the Initial Borrower determines;

- (b) in or towards purchasing Notes in accordance with and in the order required by the terms of the Issuer/Borrower Facility Agreement and for a purchase price no greater than the relevant Redemption Amount of such Notes under Condition 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*) together with all accrued and unpaid interest on the Principal Amount Outstanding of such Notes up to (but excluding) the date of purchase;
- (c) subject to satisfaction of the Capital Enhancement Condition, in or towards the funding or refinancing of Capital Enhancement Expenditure provided that amounts credited to the Tenanted Pub Proceeds Ledger shall only be permitted to be withdrawn to be applied in or towards the funding or refinancing of Capital Enhancement Expenditure incurred in respect of a Tenanted Pub;
- (d) subject to satisfaction of the Business Acquisition Condition and the Profitability Condition, in or towards acquiring or substituting a Permitted Business or the refinancing of funding for the acquisition or substitution of a Permitted Business provided that amounts credited to the Tenanted Pub Proceeds Ledger shall only be permitted to be withdrawn to be applied in or towards acquiring or substituting a Permitted Business which comprises (in whole or in part) a Managed Pub or the refinancing of funding for the acquisition or substitution of a Permitted Business which comprises (in whole or in part) a Managed Pub if the Additional Profitability Condition is satisfied;
- (e) in or towards the acquisition of Eligible Investments permitted by the Borrower Transaction Documents;
- (f) in or towards the making of a payment to any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including the Inland Revenue and H.M. Customs & Excise (each a “**Tax Authority**”) (i) to satisfy any liability to tax in respect of any Permitted Disposal or (ii) any liability to stamp duty land tax in relation to the transfers of the Mortgaged Properties to any member of the Tax Indemnified Group on or before the Closing Date; and/or
- (g) in or towards the repair, reinstatement or replacement of any damaged property which is the subject of a claim under any property damage insurance policy, provided that such monies standing to the credit of the Disposal Proceeds Account represent insurance proceeds referable to that damaged property.

The Initial Borrower covenants and agrees with the Borrower Security Trustee that, in respect of a Mortgaged Property, it may only withdraw amounts standing to the credit of the Disposal Proceeds Account (subject to obtaining the Borrower Security Trustee’s consent to such withdrawal) which represent tax reserves required under the terms of the Borrower Transaction Documents to be maintained in respect of any tax that could fall due on a Permitted Disposal if such amounts are to be applied either: (A) in accordance with paragraph (f)(i) above; or (B) in or towards the acquisition of Eligible Investments with a maturity no later than the date on which it is anticipated that such amounts will be required to be applied in satisfaction of any liability to tax and provided that the Initial Borrower enters into such additional documents, and procures the provision of any legal opinions requested by the Borrower Security Trustee in respect thereof, as the Borrower Security Trustee may require for the Initial Borrower to grant first fixed security over its interest in any such Eligible Investments acquired.

References in this document to the “disposal of a Mortgaged Property” or the “acquisition of a Mortgaged Property” shall include a disposal or, as the case may be, acquisition of any goodwill, fittings, fixtures and shares of the relevant company which beneficially owns any such Mortgaged Property.

For these purposes:

“**Additional Profitability Condition**” means the condition that will be satisfied if the Average Expected Gross Yield of the Permitted Business being acquired or substituted is equal to or greater than the aggregate of 2.2 per cent. and the then Weighted Average Interest Rate.

“**Average Expected Incremental Enhancement**” means, in respect of any Capital Enhancement Expenditure:

- (a) the amount of:
  - (i) the expected EBITDA which a Borrower determines (acting reasonably) will be achievable in a 12 month period following the incurring of that Capital Enhancement Expenditure; less
  - (ii) the average expected EBITDA which a Borrower determines would have been achievable in a 12 month period without incurring that Capital Enhancement Expenditure; divided by
- (b) that Capital Enhancement Expenditure incurred by the relevant Borrower, expressed as a percentage.

“**Business Acquisition Condition**” is satisfied if at least 80 per cent. of the amounts disbursed from the Disposal Proceeds Account which are used for the acquisition or, as the case may be, substitution of a Permitted Business are used for the acquisition or, as the case may be, substitution of pubs and any assets purchased in connection with such sites, such calculation to be performed annually on a cumulative basis, provided that such condition shall be treated as having been satisfied for the period from the Closing Date until the end of the Financial Year ending on 30 April, 2006.

“**Capital Enhancement Condition**” is satisfied if the Average Expected Incremental Enhancement of the Capital Enhancement Expenditure is equal to or greater than the aggregate of 2.5 per cent. and the then Weighted Average Interest Rate.

“**Capital Enhancement Expenditure**” means, in respect of any Borrower, any expenditure (other than expenditure identified as Maintenance Expenditure in the relevant Investor Report(s)) which is properly treated as capital expenditure in accordance with the usual accounting policies of the Securitisation Group for the purpose of improvement or enhancement of Mortgaged Properties including for, or in relation to, the construction on, or the development or extension of, any Mortgaged Property (including areas adjacent or in close proximity to the sites of Mortgaged Properties) and assets such as plant, machinery and equipment.

“**Excess Net Sales Proceeds**” means the amount (if any) by which the Net Sales Proceeds in respect of the Mortgaged Property disposed of exceed the Allocated Debt Amount as at the date of the relevant disposal (together with any premia that would be payable in connection with a redemption of the Notes if Notes were redeemed as a result of such disposal and any termination amounts that would be payable by the Initial Borrower to the Issuer under the Issuer/Borrower Swap Agreement as a result of the termination in whole or in part of the swap transactions entered into thereunder that would be required if Term Advances were to be prepaid as a result of such disposal) of that Mortgaged Property.

“**Net Sales Proceeds**” means the Sales Proceeds less an amount equal to any tax liabilities arising in connection with the relevant disposal.

### ***Covenants regarding Conversion of Managed Pubs and Tenanted Pubs***

The Securitisation Estate is comprised of both Managed Pubs and Tenanted Pubs, as to which see further the section entitled “*Description of the Business – Business*” below.

#### ***Conversion of Managed Pubs to Tenanted Pubs***

The Borrowers will be permitted to convert a Managed Pub into a Tenanted Pub (a “**Tenanted Conversion**”) if either the proposed Tenanted Conversion will not result in more than 35 Tenanted Conversions having been made since the Closing Date or the relevant Borrower certifies in writing to the Borrower Security Trustee that either of the conditions set out in (a) and (b) below are satisfied. The conditions for a Tenanted Conversion where more than 35 Tenanted Conversions have been made since the Closing Date are that either:

- (a) the proposed Tenanted Conversion will not result in more than two Tenanted Conversions having been made in any period of four consecutive Financial Quarters; or
- (b) (i) the aggregate Pub FCF produced in respect of all Relevant Tenanted Conversions during the period of four consecutive complete Financial Quarters immediately following the date of

completion of their respective conversions is greater than the aggregate Pub FCF produced in respect of all such Relevant Tenanted Conversions during the four consecutive complete Financial Quarters (or in respect of Relevant Tenanted Conversions commenced during the first four consecutive Financial Quarters immediately following the Closing Date, during the 12 months) immediately preceding the date of commencement of their respective conversions; and

- (ii) the aggregate Pub FCF to be produced in respect of the proposed Tenanted Conversion during the period of four consecutive complete Financial Quarters immediately following the date of completion of the proposed conversion is projected to be not less than the Pub FCF produced in respect of the relevant pub proposed to be subject to the Tenanted Conversion during the four consecutive complete Financial Quarters (or in respect of a proposed conversion commenced during the first four consecutive Financial Quarters immediately following the Closing Date, during the 12 months) immediately preceding the date of commencement of the proposed Tenanted Conversion; and
- (iii) where the proposed Tenanted Conversion will require the closure of the relevant pub for more than 7 days, the deduction of that pub's contribution from the calculation of EBITDA and FCF DSCR for the Relevant Period and Relevant Year ending on the Financial Quarter Date immediately preceding the date of commencement of the proposed Tenanted Conversion would not have resulted in the Conversion Condition not having been satisfied on such Financial Quarter Date.

Notwithstanding the conditions above additional Tenanted Conversions will be permitted if the Ratings Test is satisfied.

#### *Conversion of Tenanted Pubs to Managed Pubs*

The Borrowers will be permitted to convert a Tenanted Pub into a Managed Pub (a "**Managed Conversion**") if either the proposed Managed Conversions will not result in more than 10 Managed Conversions having been made since the Closing Date or the relevant Borrower certifies in writing to the Borrower Security Trustee that either of the conditions set out in (a) and (b) below are satisfied. The conditions for a Managed Conversion where more than 10 Managed Conversions have been made since the Closing Date are that either:

- (a) the proposed Managed Conversion will not result in more than one Managed Conversion having been made in any period of four consecutive Financial Quarters; or
- (b)
  - (i) the aggregate Pub FCF produced in respect of all Relevant Managed Conversions during the period of four consecutive complete Financial Quarters immediately following the date of completion of their respective conversions is greater than the aggregate Pub FCF produced in respect of all such Relevant Managed Conversions during the four consecutive complete Financial Quarters (or in respect of Relevant Managed Conversions commenced during the first four consecutive Financial Quarters immediately following the Closing Date, during the 12 months) immediately preceding the date of commencement of their respective conversions multiplied by 1.10; and
  - (ii) the aggregate Pub FCF to be produced in respect of the proposed Managed Conversion during the period of four consecutive complete Financial Quarters immediately following the date of completion of the proposed conversion is projected to be not less than the Pub FCF produced in respect of the relevant pub proposed to be subject to the Managed Conversion during the four consecutive complete Financial Quarter (or in respect of a proposed conversion commenced during the first four consecutive Financial Quarters immediately following the Closing Date, during the 12 months) immediately preceding the date of commencement of the proposed Managed Conversion multiplied by 1.10; and
  - (iii) where the proposed Managed Conversion will require the closure of the relevant pub for more than 7 days, the deduction of that pub's contribution from the calculation of EBITDA and FCF DSCR for the Relevant Period and Relevant Year ending on the Financial Quarter Date immediately preceding the date of commencement of the proposed Managed Conversion would not have resulted in the Conversion Condition not having been satisfied on such Financial Quarter Date.

Notwithstanding the conditions above additional Managed Conversions will be permitted if the Ratings Test is satisfied.

For these purposes:

“**Conversion Condition**” means the condition that will be satisfied if no Loan Event of Default has occurred and is continuing (and has not been waived) or would occur as a result of the relevant Tenanted Conversion or Managed Conversion (as the case may be) and, in relation to the immediately preceding Relevant Period and immediately preceding Relevant Year:

- (a) the ratio of EBITDA to Debt Service calculated for such Relevant Period and Relevant Year was, in each case, at least 1.5:1; and
- (b) the FCF DSCR calculated for such Relevant Period and Relevant Year was, in each case, at least 1.3:1.

“**Pub FCF**” means, in respect of any pub, Outlet EBITDA for any period in respect of that pub after:

- (a) deducting:
  - (A) the greater of (i) the aggregate amount of Maintenance Expenditure actually incurred during the relevant period in respect of the relevant pub (less any Maintenance Expenditure expensed through the profit and loss account for the relevant period and (ii) the Required Maintenance Amount in respect of the relevant pub (less any Maintenance Expenditure expensed through the profit and loss account) for the relevant period; and
  - (B) provisions relating to the relevant pub released during such relevant period; and
- (b) adding back any provisions relating to the relevant pub charged during such relevant period,

provided that where the relevant period relates to more than one Financial Year, the Required Maintenance Amount in respect of the relevant pub for such relevant period shall be the aggregate of the Required Maintenance Amount for that pub in each Financial Year to which the relevant period relates.

“**Relevant Managed Conversions**” means all of the Managed Conversions which have been made during the 20 consecutive complete Financial Quarters immediately preceding the date of commencement of the proposed Managed Conversion but excluding those Managed Conversions made in the four consecutive complete Financial Quarters preceding the date of commencement of the proposed Managed Conversion.

“**Relevant Tenanted Conversions**” means all of the Tenanted Conversions which have been made during the 20 consecutive complete Financial Quarters immediately preceding the date of commencement of the proposed Tenanted Conversion but excluding those Tenanted Conversions made in the four consecutive complete Financial Quarters preceding the date of commencement of the proposed Tenanted Conversion.

#### ***Covenant regarding Disposal of Assets other than Mortgaged Properties***

Disposals by Obligors of any assets (other than all or any part of any Mortgaged Property or any asset sold in connection with the disposal of any Mortgaged Property) will only be permitted without the consent of the Borrower Security Trustee if they are disposals of:

- (a) Incidental Mortgaged Property which is not to be disposed of together, or in connection, with a Mortgaged Property; or
- (b) any other asset that is:
  - (i) a trading asset which is expressed to be subject to a floating charge and not a fixed charge under the Borrower Security Documents and it is disposed of for fair market value;
  - (ii) cash standing to the credit of the Operating Account or Eligible Investments permitted to be made in accordance with the Borrower Transaction Documents and which have been made from monies standing to the credit of the Collection Accounts or the Operating Account only;
  - (iii) an asset disposed of by an Obligor to another Obligor on arms' length terms;

- (iv) an asset disposed of in exchange for, or an asset the proceeds of disposal of which are used to acquire, another asset comparable or superior as to type, value and quality;
  - (v) specific assets that are not used or required for use in the Permitted Business; and/or
- (c) any other asset if the value of the aggregate net consideration received by the Obligors in respect of disposals of all assets made during any Financial Year other than in respect of Mortgaged Properties would not exceed £5 million in that Financial Year,

provided that in relation to any such disposal (and, in the case of paragraph (b)(iv) above, any corresponding acquisition of assets), the Obligor making the disposal has complied with its obligations under the Issuer/Borrower Facility Agreement and the Tax Deed of Covenant (if any) in relation to that disposal (and acquisition, if any) and the relevant Obligor undertakes, on payment to it of any disposal proceeds, to credit the Disposal Proceeds Account with an amount equal to any tax liability arising in connection with such disposal, such tax reserve to be applied (or released) as if the disposal had been of a Mortgaged Property.

### ***Covenants regarding the Acquisition and Substitution of Permitted Businesses***

A Borrower may make a Permitted Acquisition with the consent of the Borrower Security Trustee. The Borrower Security Trustee will give written consent to the Permitted Acquisition if the proposed acquisition is to be made in accordance with the provisions of the Tax Deed of Covenant (to the extent applicable) and:

- (a) the relevant Borrower certifies to the Borrower Security Trustee that no Loan Event of Default is subsisting (which has not been waived) at the time or would arise as a result of the Permitted Acquisition;
- (b) the relevant Borrower certifies to the Borrower Security Trustee that the Permitted Acquisition is funded in whole or in part out of:
  - (i) the proceeds of Additional Term Advances;
  - (ii) funds certified by the relevant Borrower as Excess Cash where either the Restricted Payment Condition or the Profitability Condition is satisfied;
  - (iii) amounts standing to the credit of the Disposal Proceeds Account where both the Business Acquisition Condition and the Profitability Condition are satisfied;
  - (iv) subscription funds received from an Excluded Group Entity or a third party for a sufficient amount of new equity share capital issued by the relevant Borrower; and/or
  - (v) a loan or deposit of funds made by an Excluded Group Entity to the relevant Borrower in accordance with the terms of the Transaction Documents which is fully subordinated to all amounts present and future owing by the Obligors under the Issuer/Borrower Facility Agreement and the Issuer/Borrower Swap Agreement;
- (c) the relevant Borrower certifies to the Borrower Security Trustee that the Permitted Acquisition is made between a willing buyer and a willing seller in an open market arms' length transaction or in respect of an acquisition from a member of the GK Group for fair value;
- (d) security is provided over all the assets, shares and undertakings so acquired and legal opinions are obtained in respect of any such security, in each case, to the satisfaction of the Borrower Security Trustee;
- (e) the relevant Borrower certifies to the Borrower Security Trustee that the assets, shares and undertakings so acquired are to be employed as a Permitted Business and all material licences, consents and approvals have been or will be obtained prior to such Permitted Acquisition being made;
- (f) the relevant Borrower certifies to the Borrower Security Trustee that it has complied with its obligations (if any) under the Issuer/Borrower Facility Agreement and the Tax Deed of Covenant (including, where the consent of the Borrower Security Trustee is given subject to conditions, that it has complied with such conditions) in relation to any disposal transaction related to such Permitted Acquisition where the Permitted Acquisition is part of the substitution of a Mortgaged Property; and



- (g) in respect of a Permitted Acquisition which is part of the substitution of a Mortgaged Property only, either the related disposal transaction is a Permitted Disposal and all of the other relevant conditions set out in the section entitled “*Covenants regarding Disposal of Mortgaged Properties and Related Matters*” have been satisfied or the substitution is made in the manner described in the section entitled “*Investment Considerations – Considerations relating to the Mortgaged Properties – Substitutions*” above.

Notwithstanding the foregoing, a Borrower shall not be permitted to utilise monies standing to the credit of the Disposal Proceeds Account to make a Permitted Acquisition where such Permitted Acquisition would result in the Borrowers (in aggregate) having acquired since the Closing Date, utilising monies standing to the credit of the Disposal Proceeds Account for such purpose, Short Leaseholds which comprise more than 1.5 per cent. by number of all Mortgaged Properties comprised in the Securitisation Estate unless the Ratings Test is satisfied.

For these purposes:

“**Average Expected Gross Yield**” means, in respect of any Permitted Business or, as the case may be, Permitted Businesses, an amount (as verified by a qualified independent third party) being:

- (a) the average expected Outlet EBITDA which a Borrower determines (acting reasonably) will be achievable in a 12 month period following the acquisition or, as the case may be, substitution of that Permitted Business or, as the case may be, those Permitted Businesses assuming any intended capital expenditure has been incurred and disregarding any acquisition costs; divided by
- (b) the purchase price of that Permitted Business or, as the case may be, those Permitted Businesses or, as applicable, the apportioned value of the relevant properties comprising that Permitted Business or, as the case may be, those Permitted Businesses,

expressed as a percentage.

“**Incidental Mortgaged Property**” means, the assets and undertaking of an Obligor (excluding any Mortgaged Property) connected with or carried on at a Mortgaged Property and owned by the relevant Obligor (including any goodwill, fixtures, fittings and other assets located at such Mortgaged Property or used in the business conducted there).

“**Outlet EBITDA**” means EBITDA for a particular pub or Permitted Business calculated on the basis of the earnings of that pub or Permitted Business (as the case may be) but disregarding any provision in respect of taxation of the Securitisation Group.

“**Permitted Acquisition**” means any acquisition (including any acquisition as part of the substitution of a Mortgaged Property being disposed of for a replacement property) by a Borrower of:

- (a) any business entity carrying on a Permitted Business, whether or not as a going concern; or
- (b) any new real property including any Incidental Mortgaged Property.

“**Permitted Business**” means a business or a pub or other real or heritable property centred around the ownership and/or operation of premises from which hospitality, catering and other incidental services (including accommodation) are to be provided in the United Kingdom, the primary activity of which is that of owning/operating public houses (in all cases with or without ancillary restaurant facilities, bars or nightclubs) whether managed, leased or tenanted together with any related Permitted Estate Management Transactions and includes, for the avoidance of doubt, a new property as part of such business which is to be a Mortgaged Property.

“**Permitted Estate Management Transactions**” means:

- (a) any lease granted at an open market rent on arms’ length terms and not at a premium (other than a sale and lease back financing arrangement);
- (b) subject always to the restrictions on disposals of Mortgaged Properties and other assets set out in the Issuer/Borrower Facility Agreement and other than a sale and lease back financing arrangement, any property management transaction conducted in the ordinary course of business (including any licence to assign, licence to underlet, licence for alterations, party wall agreement, release of restrictive covenant, right of light agreement, grant of easement and crane oversail agreement);

- (c) any planning and highway agreement (including any agreement under Section 106 of the Town and Country Planning Act 1990, Section 33 of the Local Government (Miscellaneous Provisions) Act 1982, Section 111 of the Local Government Act 1972, sections 38, 184 and 278 of the Highways Act 1980 and Sections 98 and 104 of the Water Industry Act 1981); and
- (d) any deed or document varying or granting a licence or consent pursuant to any of the transactions described in paragraphs (a) to (c) above,

which in any such case does not have a material adverse effect on the trading of a Mortgaged Property.

The “**Profitability Condition**” will be satisfied if:

- (a) the Average Expected Gross Yield of the Permitted Business being acquired or substituted is equal to or greater than the aggregate of 1.5% and the then Weighted Average Interest Rate; and
- (b) the historical last 12 months Outlet EBITDA with respect to all pubs that were acquired by the Securitisation Estate not more than 36 months and not fewer than 18 months prior to the date on which the Profitability Condition is to be tested (the “**Relevant Pubs**”) divided by the aggregate purchase price attributable to the Relevant Pubs is equal to or greater than the aggregate of 2.3% and the then Weighted Average Interest Rate.

“**Short Leasehold**” means a pub, the title to which is leasehold and the maturity date of the relevant lease is earlier than the latest occurring Final Maturity Date of the Notes (or any class thereof) and/or the lease includes provisions whereby, in certain circumstances, the lease may be forfeited or irritated on the insolvency of the relevant leaseholder.

“**Weighted Average Interest Rate**” means, at any time, the average of the rates of interest applicable to each class of the Term Advances (where the rate of interest for the Initial Term A1 Advance and, on and following the Class B Step-Up Date, the Initial Term B Advance shall be deemed to be the fixed rate payable by the Initial Borrower under the Issuer/Borrower Swap Agreement) weighted according to their respective principal amounts.

#### ***Covenant regarding Maintenance Expenditure***

The Borrowers will be required, in each Financial Year, to incur or reserve an amount equal to:

- (a) in respect of the managed pubs forming part of the Securitisation Estate, the greater of (i) 5.5% of the aggregate historic turnover (exclusive of VAT) of such managed pubs and (ii) £27,500 per pub (adjusted in accordance with retail price index);
- (b) in respect of the tenanted pubs forming part of the Securitisation Estate where such tenanted pubs have not been let on the basis of tenancy agreements containing provisions requiring the tenant to fully repair and insure the relevant pub (“**FRI Tenancy Agreements**”), £3,000 per pub (adjusted in accordance with retail price index); and
- (c) in respect of the tenanted pubs forming part of the Securitisation Estate where such tenanted pubs have been let on the basis of FRI Tenancy Agreements, £1,000 per pub (adjusted in accordance with retail price index),

in each case to be applied in Maintenance Expenditure (whether such amounts are expensed through the relevant Borrower’s profit and loss account or are capitalised on the relevant Borrower’s balance sheet) (the “**Required Maintenance Amount**”).

If the Borrowers fail to incur the Required Maintenance Amount in any Financial Year, they will be required to deposit an amount equal to the amount (the “**Capex Reserve Amount**”) by which the expenditure actually incurred or anticipated to be incurred is less than the Required Maintenance Amounts in that Financial Year into a designated account maintained by the Initial Borrower and charged to the Borrower Security Trustee (the “**Maintenance Reserve Account**”). The Borrowers shall apply such amount first towards Required Maintenance Amounts which should have been incurred in such preceding Financial Year before the then current Financial Year’s Required Maintenance Amount can be incurred. A Borrower may withdraw amounts deposited in the Maintenance Reserve Account only with the prior written consent of the Borrower Security Trustee.

#### ***Stamp Duty Land Tax Reserve***

If queries are raised by, or correspondence is entered into with (including for the avoidance of doubt correspondence by or on behalf of a member of the Tax Indemnified Group (as defined above)), the

Inland Revenue in relation to whether the acquisition by a member of the Tax Indemnified Group of the Mortgaged Properties on or before the Closing Date qualifies for SDLT group relief, or if the Inland Revenue opens an enquiry into any land transaction return relating to that acquisition, the Initial Borrower shall in certain circumstances be required to create a reserve (the “**SDLT Reserve**”, such SDLT Reserve to be paid into the Disposal Proceeds Account in accordance with the provisions of the Tax Deed of Covenant) for the amount of stamp duty land tax which it or another member of the Tax Indemnified Group would be liable to pay (together with interest and penalties) in the event of group relief being denied, unless leading tax Counsel has provided a written opinion satisfactory to the Borrower Security Trustee that there is no reasonable likelihood that an appeal against any amended assessment to that effect would fail.

Under the terms of the Tax Deed of Covenant, Greene King and GKB&R will, in the circumstances in which the Initial Borrower may be required to create an SDLT Reserve, be under an obligation either to pay to the Initial Borrower such amount as the Initial Borrower would otherwise be required to reserve (such amounts to be applied by the Initial Borrower in creating the required SDLT Reserve) or to pay an amount equal to the relevant stamp duty land tax to the relevant Tax Authority.

### **Further Covenants**

The Initial Borrower and each other Obligor will also provide the Issuer and the Borrower Security Trustee with the benefit of certain other positive and negative covenants including, without limitation, as to:

- (a) legal status;
- (b) maintenance of legal validity;
- (c) notification of events of default;
- (d) notification of all material litigation, arbitration or administrative proceedings against the relevant company;
- (e) repair and maintenance of all Securitisation Group assets;
- (f) conduct of business and maintenance of business as a going concern;
- (g) keeping all pubs in good order;
- (h) maintenance of all necessary licences and consents; and
- (i) no Financial Indebtedness save for certain permitted Financial Indebtedness.

The effect of a breach of certain of these and other covenants may be limited by reference to a materiality qualification.

Each Obligor will also undertake in favour of the Issuer and the Borrower Security Trustee not to create any Security Interest over any of its assets or undertaking other than certain permitted Security Interests (including rights of set-off and other Security Interests arising in the ordinary course of business, liens arising by statute or by operation of law and Security Interests arising under the Borrower Security Documents).

### **Covenants regarding the Provision of Financial Information**

#### *Year-End and Semi-Annual Financial Information*

As soon as the same become available, but in any event within 120 days after the end of the fourth Financial Quarter of each of its Financial Years, the Obligors will (subject to, for so long as the Securitisation Group Parent is a subsidiary of Greene King or any other entity whose shares are listed on an internationally recognised stock exchange (each a “**Listed Parent**”), any extension of time granted to the Listed Parent, by the UK Listing Authority or other relevant listing authority, as the case may be, for the announcement of the Listed Parent’s preliminary results) provide the following to the Borrower Security Trustee, the Issuer Security Trustee, the Note Trustee, the Rating Agencies, the Irish Paying Agent, the Principal Paying Agent and, upon written request (via the Paying Agents), any Noteholder:

- (a) the audited consolidated annual financial statements of the Securitisation Group Parent and its direct and indirect subsidiaries and related auditors’ reports for the Financial Year; and

- (b) a reconciliation of the revenue and operating profit as shown in the audited consolidated annual financial statements produced in paragraph (a) above to revenue, operating expenses and EBITDA relating to that Financial Year as set out in the most recent Final Investor Report,

except, so long as the Securitisation Group Parent is a subsidiary of a Listed Parent, to the extent that disclosure of such financial information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Listed Parent's group is subject.

As soon as the same become available, but in any event within 90 days after the end of each Semi-Annual Period, the Initial Borrower (on behalf of itself and each other Borrower) will (subject to, for so long as the Securitisation Group Parent is a subsidiary of a Listed Parent, any extension of time granted to the Listed Parent by the UK Listing Authority or other relevant listing authority, as the case may be, for the announcement of the Listed Parent's interim results) provide the following to the Borrower Security Trustee, the Issuer Security Trustee, the Note Trustee, the Rating Agencies, the Irish Paying Agent, the Principal Paying Agent and, upon written request (via the Paying Agents), any Noteholder:

- (a) the unaudited, consolidated semi-annual financial statements of the Securitisation Group Parent and its direct and indirect subsidiaries for the Semi-Annual Period; and
- (b) a reconciliation of the revenue and operating profit as shown in the unaudited, consolidated semi-annual financial statements produced in paragraph (a) above to revenue, operating expenses and EBITDA relating to that Semi-Annual Period as set out in the Interim Investor Report relating to that Semi-Annual Period,

except, so long as the Securitisation Group Parent is a subsidiary of a Listed Parent, to the extent that disclosure of such financial information would at any time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Listed Parent's group is subject.

#### *Compliance Certificates*

Additionally, the information delivered to the Note Trustee, the Issuer Security Trustee, the Borrower Security Trustee and the Rating Agencies in respect of each Financial Year and Semi-Annual Period will include a compliance certificate from the Initial Borrower (on behalf of itself and each other Borrower) confirming:

- (a) whether or not the FCF DSCR Covenant and the Net Worth Covenant have, when tested at the end of each Financial Quarter or Financial Year respectively, been observed, supported by reasonably detailed calculation;
- (b) the amount of all outstanding Financial Indebtedness of the Borrowers as at the end of the relevant Financial Year or, as the case may be, Semi-Annual Period;
- (c) that all Financial Indebtedness referred to in (b) above is Financial Indebtedness permitted by the terms of the Borrower Transaction Documents;
- (d) that a copy of any property valuation required by the terms of the Issuer/Borrower Facility Agreement to be delivered by it to the Borrower Security Trustee and the Rating Agencies has been so delivered;
- (e) as at the date thereof, whether there has been any waiver of any covenant given by the Obligors and a description thereof;
- (f) as at the date thereof, whether or not any Loan Event of Default or Potential Loan Event of Default has occurred and, if it has occurred, a description thereof and the action taken or proposed to be taken to remedy it;
- (g) the number of Mortgaged Properties disposed of by way of Permitted Disposals or acquired by way of Permitted Acquisitions, and the number of pubs comprising the Portfolio;
- (h) details of the aggregate amount of Permitted Acquisitions incurred or committed during each Financial Quarter to which such compliance certificate relates;
- (i) (i) the number of pubs in the Portfolio which were acquired from Excluded Group Entities on terms that payment of all or part of the purchase price therefore is deferred or otherwise remains

outstanding on a subordinated basis, and (ii) the aggregate revenue of such pubs in the Financial Quarter immediately preceding their acquisition;

- (j) whether and when the Restricted Payment Condition was satisfied during each Financial Quarter to which such compliance certificate relates;
- (k) appending a list of such material amendments made to material contracts (if any), a list of material contracts entered into since the date of the last compliance certificate which (other than in relation to a third party supply agreement) contain a prohibition on assigning (and a list of such material contracts where consent to assignment was required), together with any new franchise agreements and licences as the Initial Borrower, acting in good faith, considers material to the material interests of the Borrower Secured Creditors and the Borrower Security Trustee; and
- (l) notifying any agreed change in the accounting reference period of any Obligor or end of the Financial Year,

except, so long as the Securitisation Group Parent is a subsidiary of a Listed Parent, to the extent that disclosure of such financial information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Listed Parent's group is subject.

Each compliance certificate will also be required to have appended to it the unaudited consolidated financial statements of the Securitisation Group Parent and its direct and indirect subsidiaries in respect of the then current Financial Year on a year to date basis from the commencement of the then current Financial Year to the end of the most recent Financial Quarter, including:

- (i) consolidated balance sheet and consolidated profit and loss accounts; and
- (ii) consolidated cash flows comprising a consolidated statement of the revenues and expenditures of the Securitisation Group together with, in respect of the then current Financial Year on a year to date basis commencing with the first Financial Quarter which ends after the first anniversary after the Closing Date, a comparison with the performance in the corresponding period of the previous Financial Year,

except, so long as the Securitisation Group Parent is a subsidiary of the Listed Parent, to the extent that disclosure of such financial information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Listed Parent's group is subject.

#### *Investor Reports*

As soon as the same become available, but in any event on each Final Investor Reporting Date, the Initial Borrower (on behalf of itself and each other Borrower) shall deliver to the Issuer, the Borrower Security Trustee, the Issuer Security Trustee, the Note Trustee, the Rating Agencies, the Irish Paying Agent, the Principal Paying Agent and, upon written request (via the Paying Agents), any Noteholder, a report (the "**Final Investor Report**") comprising information in respect of the performance of itself for each Final Period on a quarterly basis, including the following:

- (a) compliance of its audited financial statements with generally accepted accounting principles applied in the United Kingdom;
- (b) statements or, as the case may be, calculations of revenue, operating expenses, Operating Profit, EBITDA, Net Worth, Free Cash Flow, FCF DSCR, the ratio of EBITDA to Debt Service, the Restricted Payment Maximum and, if applicable, the Further Restricted Payment Maximum;
- (c) whether or not the FCF DSCR Covenant has, when tested at the end of each Financial Quarter Date, been observed;
- (d) the cumulative Maintenance Expenditure for the Financial Year to date compared to the Required Maintenance Amount;
- (e) the amounts standing to the credit of the Obligor Accounts (including the Disposal Proceeds Account and the Maintenance Reserve Account);
- (f) the amounts available for drawing and the amounts already drawn by the Issuer under the Liquidity Facility;

- (g) summary details of acquisitions and substitutions of Permitted Business and disposals of Mortgaged Properties;
- (h) summary details of Capital Enhancement Expenditure; and
- (i) as of the date thereof, whether or not any Loan Event of Default or Potential Loan Event of Default (which, in either case, has not been previously described in an Investor Report) has occurred and, if it has occurred, a description thereof and the action taken or proposed to be taken to remedy it,

except, so long as the Securitisation Group Parent is a subsidiary of a Listed Parent, to the extent that disclosure of such financial information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Listed Parent's group is subject.

As soon as the same become available, but in any event on each Interim Investor Reporting Date, the Initial Borrower (on behalf of itself and the other Borrowers) shall deliver to the Issuer, the Borrower Security Trustee, the Issuer Security Trustee, the Note Trustee, the Rating Agencies, the Irish Paying Agent, the Principal Paying Agent and, upon written request (via the Paying Agents), any Noteholder, a report (the "**Interim Investor Report**", the Interim Investor Reports and the Final Investor Reports together being referred to as the "**Investor Reports**") comprising information in respect of the performance of itself for each Semi-Annual Period on a quarterly basis, including substantially the same information to be included in the Final Investor Report except, so long as the Securitisation Group Parent is a subsidiary of a Listed Parent, to the extent that disclosure of such financial information would at that time breach any law, regulation, stock exchange requirement or rules of any applicable regulatory body to which any member of the Listed Parent's group is subject.

The Investor Reports will be made available to the Noteholders on Bloomberg (or such other electronic news services as may be approved by the Borrower Security Trustee) under "GKFIN". The Investor Reports will also be available for inspection by the Noteholders at the specified office for the time being of the Principal Paying Agent and the Irish Paying Agent or, upon written request from a Noteholder, the Principal Paying Agent shall arrange for the most recent Investor Report held by it to be sent (by post) to such Noteholder. Such information will be available for inspection by the Noteholders at the specified office for the time being of the Principal Paying Agent and the Irish Paying Agent only.

For these purposes:

"**Final Investor Reporting Date**" means the day which falls on the fifth day after the date of publication of the audited annual financial statements of the Securitisation Group Parent and its direct or indirect subsidiaries and, if such day is not a Business Day, the following Business Day.

"**Interim Investor Reporting Date**" means the day which falls on the fifth day after the date of publication of the unaudited semi-annual financial statements of the Securitisation Group Parent and its direct or indirect subsidiaries and, if such day is not a Business Day, the following Business Day.

#### ***Appointment of Independent Consultant***

The Initial Borrower will, as soon as is reasonably practicable following request by the Borrower Security Trustee, be required to appoint an independent consultant approved by the Borrower Security Trustee (the "**Independent Consultant**") if the FCF DSCR ratio as evidenced in the most recent Investor Report is less than 1.2:1. Such appointment shall be made pursuant to the terms of an advisory agreement in a form to be agreed between the Independent Consultant, the Initial Borrower and the Borrower Security Trustee under which the Independent Consultant will agree to provide to the Initial Borrower and/or the Borrower Security Trustee such financial advisory and monitoring services as the Borrower Security Trustee considers necessary or desirable or as may be required by S&P and/or Fitch, including (without limitation) the collation of information in respect of the Initial Borrower, its assets, undertaking and financial condition, a management and performance review and the making of recommendations to the Initial Borrower and the Borrower Security Trustee of the steps which such Independent Consultant considers should be taken to ensure that the Noteholders receive or continue to receive full and timely payments of interest and principal in respect of the Notes in accordance with the Conditions.

The appointment of the Independent Consultant will be terminated if the FCF DSCR for the most recent quarter is above 1.2:1.

Neither the Initial Borrower nor the Borrower Security Trustee will be required to act on recommendations, but where the Initial Borrower decides not to act on any recommendation, the

Initial Borrower shall provide an explanation to the Borrower Security Trustee as to why it has decided not to follow such recommendation.

### **Loan Events of Default**

Each of the following events, among others, shall be a “**Loan Event of Default**” (with a “**Potential Loan Event of Default**” being any event which would become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) a Loan Event of Default):

- (a) a failure to pay by an Obligor of any amount (including any amount of principal or interest (including any failure by a Borrower to pay any Step Up Amounts)) due from it under any Borrower Transaction Document (other than the Services Agreements and the Subscription Agreement) unless payment is made within 2 Business Days of its due date;
- (b) a breach of the Debt Service Covenant or the Net Worth Covenant where:
  - (i) no remedial action has been taken in accordance with the terms set out in the section entitled “*Breach of Debt Service Covenant or Net Worth Covenant*” below; or
  - (ii) to the extent such remedial action has been taken, it has not been taken within the prescribed time limit or remedied in the manner set out under the section entitled “*Breach of Debt Service Covenant or Net Worth Covenant*” below;
- (c) other than in respect of a breach of any covenant or undertaking set out above or a failure by a Borrower to perform or comply with its covenant to provide financial information in accordance with the Issuer/Borrower Facility Agreement, an Obligor breaches any covenant or undertaking under any Borrower Transaction Document where such breach would or would reasonably be expected to have a Material Adverse Effect, provided that in any case where such breach is capable of remedy, such breach is not remedied within a period of 30 days following receipt of a notification of breach by such Obligor from the Borrower Security Trustee or (if earlier) the date on which the relevant Obligor becomes aware of that breach;
- (d) a Borrower fails to perform or comply with its covenant to provide financial information in accordance with the Issuer/Borrower Facility Agreement, provided that in any case where such failure is capable of remedy, such failure is not remedied within a period of such 60 days following receipt of a notification of breach by such Borrower from the Borrower Security Trustee or (if earlier) the date on which the relevant Borrower becomes aware of that failure;
- (e) the termination of some or all of the IP Licences where such termination would reasonably be expected to have a Material Adverse Effect;
- (f) the termination in whole or in part of the Intra Group Supply Agreement in circumstances in which the arrangements (or absence of arrangements) in place immediately following such termination for the continued supply of the products which are the subject of the Intra Group Supply Agreement or, as the case may be, relevant part thereof, would reasonably be expected to have a Material Adverse Effect;
- (g) the termination in whole or in part of the Management Services Agreement in circumstances in which the arrangements (or absence of arrangements) in place immediately following such termination for the continued supply of such of the central management and administration services as are affected by that termination would reasonably be expected to have a Material Adverse Effect;
- (h)
  - (i) any Obligor is unable or admits its inability to pay its debts as they fall due or suspends the payment of all or a substantial part of its debts or announces an intention to do so; or
  - (ii) the value of the assets of any Obligor is less than the amount of its liabilities, taking into account its contingent and prospective liabilities;
- (i) an Obligor or, in relation to administration, its directors take corporate action, or other steps are taken or legal proceedings are commenced against such Obligor, for its winding up, dissolution, administration or reorganisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise, other than a solvent reorganisation) or for the appointment of a liquidator, receiver, administrator, administrative receiver or similar officer of it or any material part of its revenue or assets, provided that it will not be a Loan Event of Default to the extent that any

petition or proceeding is being contested in good faith and any such action, step or proceeding is withdrawn or discharged within 30 days of its commencement;

- (j) any execution, distress or diligence is levied against:
  - (i) the whole or any part of the property, undertaking or assets (other than cash assets) of an Obligor (disregarding for this purpose any execution, distress or diligence relating to such property, undertaking or assets (other than cash assets) with an aggregate value not in excess of £15,000,000); or
  - (ii) the whole or any part of the cash assets of an Obligor (disregarding for this purpose any execution, distress or diligence relating to such cash assets with an aggregate value not in excess of £10,000,000),

and, in each case, where such execution, distress or diligence is not being contested in good faith;

- (k) any event occurs or proceedings are taken with respect to an Obligor in any jurisdiction to which it is subject or in which it has assets which has an effect similar to or equivalent to any one of the events mentioned in paragraphs (h), (i) and (j) above;
- (l) an Obligor ceases or suspends or threatens to cease or suspend all or a material part of its operations or business for a period of more than 30 days, other than pursuant to a solvent reorganisation or a Permitted Disposal;
- (m) any representation, warranty or statement made or repeated by an Obligor in any of the Borrower Transaction Documents to which it is a party is or proves to have been incorrect (in the case of a representation or warranty) or misleading (in the case of a statement) in any respect when made or repeated, provided that in any case where such breach is capable of remedy, such breach is not remedied within a period of 30 days of receipt of a notification by such Obligor of a breach from the Borrower Security Trustee or (if earlier) the date on which the relevant Obligor becomes aware of that breach;
- (n) it is or becomes unlawful for an Obligor to comply with any or all of its obligations under any of the Borrower Transaction Documents or to own its assets or carry on its business where, in each case, the effect of such unlawfulness would or would reasonably be expected to have a Material Adverse Effect, unless the circumstances giving rise to such illegality are capable of remedy and are remedied within a period of 30 days following notice of such illegality to such Obligor or any of the obligations of such Obligor under any Borrower Transaction Document to which it is a party are not or cease to be legal, valid and binding;
- (o) an Obligor or any Excluded Group Entity which is party to the Tax Deed of Covenant fails duly to perform or comply with any of its covenants or breaches any of its representations or warranties in the Tax Deed of Covenant where such failure or breach would or would reasonably be expected to have a Material Adverse Effect provided that, in any case where such breach is capable of remedy, such breach is not remedied within a period of 30 days following receipt of a notification of failure or breach by such Obligor or Excluded Group Entity from the Borrower Security Trustee or (if earlier) the date on which the relevant Obligor or Excluded Group Entity becomes aware of that failure or breach;
- (p)
  - (i) an Obligor fails to pay when due (or within any applicable grace period) its Financial Indebtedness other than Financial Indebtedness arising under a Borrower Transaction Document or any Financial Indebtedness fully subordinated in accordance with the terms set out in the Borrower Security Documents; or
  - (ii) any Financial Indebtedness of an Obligor is declared in accordance with its terms (by reason of an event of default howsoever described) to be, or otherwise becomes in accordance with its terms, due and payable prior to its specified maturity and is not paid by such Obligor,

where, in both or either of paragraphs (i) or (ii), such Financial Indebtedness amounts in aggregate at any one time to more than £10,000,000 (or its equivalent in other currencies);

- (q) an Obligor or any of the Services Companies repudiates or disaffirms the validity of any Borrower Transaction Document;



- (r) the audit report from the auditors who prepared the audited financial statements of the Obligors delivered by them to the Borrower Security Trustee evidences the occurrence of a Material Adverse Effect (disregarding paragraphs (a)(iii) and (b) of the definition of Material Adverse Effect);
- (s) the commencement of any litigation, arbitration, administrative proceedings or governmental or regulatory investigations, proceedings or disputes against an Obligor or its respective assets, revenues or undertakings which, in any such case, would be likely to be adversely determined against it and which would or would, if so adversely determined, be reasonably expected to have a Material Adverse Effect;
- (t) the beneficial interest in any of the issued share capital of any Obligor (other than the Securitisation Group Parent) ceases to be held directly or indirectly by the Securitisation Group Parent, except if such issued share capital has been disposed of by way of a disposal permitted by the terms of the Issuer/Borrower Facility Agreement and the Tax Deed of Covenant;
- (u) the beneficial interest in any of the issued share capital of the Securitisation Group Parent ceases to be held directly or indirectly by Greene King, except if such issued share capital has been disposed of by way of a disposal permitted by the terms of the Tax Deed of Covenant; or
- (v) a Note Event of Default occurs.

*Breach of Debt Service Covenant or Net Worth Covenant*

If a breach of the Debt Service Covenant or the Net Worth Covenant occurs, the Borrowers shall have 45 days from the date on which they become aware of such breach in which to remedy it:

- (a) through the subscription by any Excluded Group Entity or a third party for a sufficient amount of new fully paid up equity share capital in one or more Borrowers which, if the relevant amount subscribed for had been deposited in an interest bearing account would have been sufficient (i) in the case of the Debt Service Covenant, to generate quarterly interest which if available as earnings to the Borrowers throughout the Relevant Period or, as the case may be, Relevant Year, would have meant that no such breach would have occurred and (ii) in the case of the Net Worth Covenant, such that no breach would have occurred; and/or
- (b) through the deposit of funds in an interest bearing account on a fully subordinated basis which would have been sufficient (i) in the case of the Debt Service Covenant, to generate quarterly interest which if available as earnings to the Borrowers throughout the Relevant Period or, as the case may be, Relevant Year, would have meant that no such breach would have occurred and (ii) in the case of the Net Worth Covenant, such that no breach would have occurred; and/or
- (c) by way of prepayment of the Term Advances in accordance with the section entitled "*Prepayment of Initial Term Advances*" or, as the case may be, "*Prepayment of Additional Term Advances and Purchase of Additional Notes*" above such that (excluding Debt Service in respect of the debt having been repaid) no breach would have occurred, save that the Borrowers shall make such prepayments of the relevant Initial Term Advances (i) *first, pro rata and pari passu* in or towards satisfaction of the Initial Term A Advances and (ii) *second, pro rata and pari passu* in or towards satisfaction of the Initial Term B Advances; and/or
- (d) by way of purchase of Notes in accordance with the section entitled "*Prepayment of Initial Term Advances – Deemed Prepayment Upon Purchase of Notes by the Borrower*" above, such that (excluding Debt Service in respect of the debt having been repaid) no breach would have occurred, save that a Borrower will only be entitled to purchase Class B Notes so long as there are no Class A Notes outstanding.

If there is an issue of equity or a borrowing of subordinated debt, such equity may be redeemed and/or such subordinated debt may be repaid or prepaid (and the terms of such subordinated debt may be amended to enable its prepayment or repayment) in advance of the stated term upon the Borrowers satisfying the Borrower Security Trustee that the Debt Service Covenant or, as the case may be, the Net Worth Covenant would be met without the additional equity or subordinated debt in place for a period of two consecutive Financial Quarters.

*Breach of Covenants relating to Disposals, Acquisitions and Substitutions of Mortgaged Properties*

The Initial Borrower (on behalf of itself and each other Obligor) is required to deliver a certificate on an annual basis to the Borrower Security Trustee certifying compliance by the Obligors with their covenants contained in the Issuer/Borrower Facility Agreement. If such compliance certificate shows a

breach by an Obligor of any of the covenants set out in the sections entitled “*Covenants regarding Disposal of Mortgaged Properties and Related Matters*” or “*Covenant regarding Acquisition and Substitution of Permitted Businesses*” above or there is a breach of such covenants, the Borrower Security Trustee will be entitled to require that Obligor to register mortgages over all of the Mortgaged Properties in England and Wales to the extent not already done so.

### **Acceleration, Cancellation and Enforcement of the Term Advances**

#### *Consequence of Loan Event of Default*

The occurrence of a Loan Event of Default under the Issuer/Borrower Facility Agreement will entitle the Borrower Security Trustee to declare all or any part of the outstanding Term Advances and other sums payable under the Issuer/Borrower Facility Agreement to be immediately due and repayable together with all accrued interest thereon. In particular, it will entitle the Borrower Security Trustee:

- (a) to the extent not already done so, to request the Obligors to register mortgages over the Mortgaged Properties in England and Wales; and
- (b) to enforce the Borrower Security by delivering a notice (a “**Loan Enforcement Notice**”) which will result in the floating charges contained in the Borrower Deed of Charge over the assets, property and undertaking of the Obligors crystallising so as to become fixed charges. The floating charge of each Obligor contained in the Borrower Deed of Charge will automatically crystallise so as to become a fixed charge on the occurrence of, among other things, an insolvency event in relation to such Obligor. All monies standing to the credit of all of the Obligor Accounts may, in either of these circumstances, only be withdrawn with the prior consent of the Borrower Security Trustee.

The occurrence of a Loan Event of Default under the Issuer/Borrower Facility Agreement will not, of itself, constitute a Note Event of Default under the Notes. However, the occurrence of a Note Event of Default will entitle the Borrower Security Trustee to declare all or any part of the outstanding Term Advances and other sums payable under the Issuer/Borrower Facility Agreement immediately due and repayable together with all accrued interest thereon and enforce the Borrower Security by the delivery of a Loan Enforcement Notice.

### **Governing Law**

The Issuer/Borrower Facility Agreement will be governed by English law.

### **Borrower Security Documents**

The Obligors provide security in favour of the Borrower Security Trustee in respect of obligations owed to the Borrower Secured Creditors pursuant to the Borrower Deed of Charge to be entered into on or about the Closing Date.

The Borrower Security Trustee will hold the benefit of the security created in its favour under the Borrower Deed of Charge (which together with any deed of accession relating to the Borrower Deed of Charge, any security powers of attorney granted by the Obligors and any other document granted in favour of the Borrower Security Trustee creating or evidencing security for obligations owed to the Borrower Secured Creditors are referred to as the “**Borrower Security Documents**”) on trust for the benefit of itself and the Issuer, the Cash Manager, the Account Bank, Supply Co, Management Co, any receiver of any Obligor appointed by the Borrower Security Trustee, Greene King (as lender under the Initial Borrower Subordinated Loan Agreement) and any other creditor of the Obligors who in due course accedes to the Borrower Deed of Charge in accordance with the terms thereof (the “**Borrower Secured Creditors**”).

### **Borrower Security**

Under the Borrower Deed of Charge, each Obligor will provide the Borrower Security Trustee (acting on behalf of itself and the Borrower Secured Creditors) with the benefit of, inter alia, the security over its property, assets and undertaking described below (together with any further security created by the other Borrower Security Documents, the “**Borrower Security**”), including:

- (a) a first fixed charge expressed by way of legal mortgage over the pubs in the Securitisation Estate legally owned by it including all estates or interests in such property and (in the case of the Consent Leasehold Mortgaged Properties in respect of which landlord’s consent to transfer to the relevant Obligor is required and until a supplemental legal mortgage has been entered into

following the transfer of the relevant legal interest to the Obligor) a first fixed equitable charge over the Obligor's beneficial interest in and to the Consent Leasehold Mortgaged Properties (the assets subject to such first fixed charges being the "**Mortgaged Properties**") and all buildings, trade and other fixtures, fixed plant and machinery from time to time on such freehold, heritable or leasehold property;

- (b) a first fixed charge over the Disposal Proceeds Account and the Maintenance Reserve Account (which may take effect as a floating charge and thus rank behind the claims of certain preferential creditors and other creditors);
- (c) an assignment by way of first fixed security of all of its right, title, interest and benefit in and to the Transaction Documents (including the Intra Group Supply Agreement and the Management Services Agreement) and all rights in respect of and incidental thereto;
- (d) an assignment by way of first fixed security over all of its right, title, interest and benefit, present and future, in and to each of the Insurance Policies under which it is an insured party and to all claims payable and paid thereunder (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors);
- (e) an assignment by way of first fixed security of all intellectual property rights including all of the Initial Borrower's right, title, interest and benefit in and to the IP Licences and the IP Option and of statutory licences, consents and authorisations, present and future, held by it or otherwise used by it in connection with its business and all rights in and in respect of and incidental thereto (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors);
- (f) a first fixed charge over all book debts and other debts and all other moneys and liabilities whatsoever for the time being due, owing or payable to it and all rights in and in respect of and incidental thereto (which may be subject to the obtaining of third party consents and may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors);
- (g) a first fixed equitable mortgage over the entire issued share capital held by it in each of its subsidiaries and all dividends, interest and other monies payable in respect of such share capital (including redemption, any bonus or any rights arising under any preference, option, substitution or conversion relating to such share capital);
- (h) an assignment by way of first fixed security of all its right, title and interest in and to amounts payable under or in respect of the Lease Agreements and the benefit of each tenant's covenant and obligation to pay rent thereunder including all rights to receive payment of any amount payable thereunder and all payments received thereunder including, without limitation, all rights of action in respect of any breach thereof and all rights to receive damages or obtain relief in respect thereof (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and
- (i) a first floating charge over the whole of its assets (including, *inter alia*, over all other bank accounts of the Obligors) and undertaking not effectively charged by the first ranking fixed security.

### **Non-Petition**

Each Obligor will covenant that, broadly speaking, while any amount remains due and outstanding under the Issuer/Borrower Facility Agreement, it will not take any steps or pursue any action for the purpose of recovering any debts due or owing to it by any other Obligor or the Issuer or, as applicable, to petition or procure the petitioning for the winding-up or administration (whether out of court or otherwise) of any Obligor or the Issuer or the appointment of an administrative receiver in respect of any such company or to take or omit to take any steps whatsoever that may otherwise threaten or prejudice the security created in favour of the Borrower Security Trustee under the Borrower Deed of Charge.

Each of the Borrower Secured Creditors has agreed and will agree that, unless an enforcement notice (a "**Loan Enforcement Notice**") has been served, it will not take any steps whatsoever for the purpose of recovering any debts due or owing to it by any Obligor or to petition or procure the petitioning for the winding-up or administration (whether out of court or otherwise) of any Obligor or the appointment of an administrative receiver in respect of any such company.

The Issuer (and the other Borrower Secured Creditors) will not be entitled to proceed directly against any Obligor unless the Borrower Security Trustee, having become bound so to proceed, fails to do so within three days of being so bound and such failure is continuing.

Upon the service of a Loan Enforcement Notice pursuant to the terms of the Issuer/Borrower Facility Agreement, all payments under or arising from the Issuer/Borrower Facility Agreement and/or the Borrower Security Documents (subject as provided below) will be required to be made to the Borrower Security Trustee or to its order. All rights or remedies provided for by the Borrower Security Documents or available at law or in equity will (for so long as there are any Issuer Secured Liabilities outstanding) be exercisable by the Borrower Security Trustee (unless otherwise expressly provided in the Borrower Deed of Charge) as directed by the Issuer Security Trustee (except in the case of the appointment of an administrative receiver in the circumstances described in the section entitled “*Appointment of an administrative receiver*” below, where no direction will be required).

#### ***Appointment of an administrative receiver***

If any person who is entitled to do so presents an application for the appointment of an administrator of any Obligor, a notice of intention to appoint an administrator of any Obligor is received by the Borrower Security Trustee or documents are filed with the court or registrar for the administration of any Obligor (whether out of court or otherwise), the Borrower Security Trustee shall upon receipt of such application or notice:

- (a) within four business days of receipt or presentation of the application for the appointment of an administrator or, if the applicant has abridged the time for making the application, within such abridged time;
- (b) within four business days of receipt of the notice of intention to appoint an administrator or, if the applicant has abridged the time for making the application, within such abridged time; or
- (c) within one business day of receipt of written notice of appointment of an administrator pursuant to Section 15 of Schedule B1 of the Insolvency Act 1986 or, if the applicant has abridged the time for making the application, within such abridged time,

appoint, by writing or deed, such person or persons (including an officer or officers of the Borrower Security Trustee) as the Borrower Security Trustee considers appropriate to be an administrative receiver of any such Obligor and, in the case of the appointment of more than one person, to act together or independently of the other or others.

For the above purposes “business day” shall have the meaning given to it in the Insolvency Act 1986.

If the Borrower Security Trustee is unable to appoint an administrative receiver in accordance with the above provisions prior to the hearing of an application brought pursuant to the Insolvency Act 1986, the Borrower Security Trustee shall attend the hearing of the application to oppose the application or make such submissions in regard to the application as the Borrower Security Trustee in its absolute discretion determines to be appropriate. The Borrower Security Trustee shall not be liable for any failure to appoint an administrative receiver under the Borrower Security Documents, save in the case of its own gross negligence, wilful default or fraud.

In addition, the Borrower Security Trustee will (subject to the matters described in “*Indemnity of the Borrower Security Trustee*” below), following the delivery of a Loan Enforcement Notice by the Borrower Security Trustee, enforce the Borrower Security in respect of any Obligor by the appointment of an administrative receiver (if the Borrower Security Trustee has not already done so pursuant to the foregoing).

The Borrower Security Trustee shall not be liable for any failure to appoint an administrative receiver, save in the case of its own gross negligence, wilful default or fraud.

#### ***Indemnity of the Borrower Security Trustee***

The Borrower Security Trustee will not be obliged to appoint an administrative receiver unless it is indemnified and/or secured to its satisfaction. However, the Borrower Deed of Charge will provide that in the event that the Borrower Security Trustee is required to enforce the Borrower Security by appointing an administrative receiver following receipt of actual notice of an application for the appointment of an administrator or actual notice of the giving of a notice of intention to appoint an administrator, the Borrower Security Trustee will agree that it is adequately indemnified and secured in respect of such appointment by virtue of its rights against the Obligors under the Borrower Deed of

Charge and the security which it has in respect of such rights. The Obligors will covenant in the Borrower Deed of Charge that, in the event that the Borrower Security Trustee appoints an administrative receiver by reason of having actual notice of an application for the appointment of an administrator or actual notice of the giving of a notice of intention to appoint an administrator, they waive any claim against the Borrower Security Trustee in respect of such appointment.

### **Borrower Priorities of Payments**

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

Prior to the delivery by the Borrower Security Trustee of a Loan Enforcement Notice, the Initial Borrower will be entitled to withdraw amounts standing to the credit of the Operating Account on any day other than a Loan Payment Date to be applied *inter alia* (i) in paying its ongoing operating costs, expenses and taxes (including for the avoidance of doubt in making payments to Supply Co and Management Co in respect of fees, other remuneration, indemnity payments, costs, charges and expenses then due) to the extent that such expenses are not expressly dealt with in paragraphs (a) to (l) (but excluding paragraph (c)(i) below), (ii) in making Permitted Acquisitions, (iii) in making Restricted Payments (provided that no such Restricted Payments may be made to the extent that it would result in the Borrowers not having sufficient monies standing to the credit of the Obligor Accounts to make each of the payments set out in paragraphs (a) to (l) below in full on the immediately succeeding Loan Payment Date) and (iv) in or towards Capital Enhancement Expenditure, in each case in accordance with the Issuer/Borrower Facility Agreement and the Tax Deed of Covenant.

On each Loan Payment Date prior to the delivery by the Borrower Security Trustee of a Loan Enforcement Notice, amounts standing to the credit of the Operating Account and/or the Borrower Transaction Account shall be applied to make the following payments to the extent they are payable on such Loan Payment Date (after meeting all ongoing operating costs and expenses as described above) in the following order of priority (the “**Borrower Pre-Enforcement Priority of Payments**”) including in each case any amount in respect of value added tax payable thereon:

- (a) *first*, in or towards satisfaction of the amounts due in respect of the fees, other remuneration and indemnity payments (if any) payable to the Borrower Security Trustee and any costs, charges, liabilities and expenses then incurred by the Borrower Security Trustee or on its behalf under the Borrower Security Documents and any other amounts payable to the Borrower Security Trustee or any of its appointees under the Borrower Security Documents, together with interest thereon as provided for therein;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata*, of the amounts due in respect of any amounts due and owing by the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement other than to the extent that such amounts represent the amounts described in paragraphs (d) and (j) below;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
  - (i) the Obligors to the Account Bank under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses; and
  - (ii) the Obligors to the Cash Manager under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses;
- (d) *fourth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer (to the extent not funded by the payment of interest on the Term Advances and by payments by the Initial Borrower under the Issuer/Borrower Swap Agreement) by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of all of the Issuer’s obligations in relation to the amounts due but unpaid to the Swap Counterparty under the Interest Rate Swap Agreement and any other swap counterparty under any swap agreement (other than in respect of any Swap Subordinated Amounts) or, if the transactions under the Interest Rate Swap Agreement have been terminated, in or towards satisfaction of any additional amounts necessary to enable the Issuer to meet its obligations in relation to interest and principal due and payable under the Notes;

- (e) *fifth*, if applicable, in or towards payment to the credit of the Maintenance Reserve Account of an amount equal to the Capex Reserve Amount;
- (f) *sixth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
  - (i) the Borrowers to the Issuer in respect of interest due or accrued due but unpaid under the Term A1 Advances (other than any Term A1 Step-Up Amounts) and the Term A2 Advances; and
  - (ii) the Initial Borrower to the Issuer under the Issuer/Borrower Swap Agreement;
- (g) *seventh*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all amounts of principal and other amounts payable in respect of the Term A1 Advances (other than any Term A1 Step-Up Amounts) and the Term A2 Advances;
- (h) *eighth*, in or towards satisfaction, of interest due or accrued due but unpaid under the Term B Advances (other than any Term B Step-Up Amounts);
- (i) *ninth*, in or towards satisfaction, of all amounts of principal and other amounts payable in respect of the Term B Advances (other than any Term B Step-Up Amounts);
- (j) *tenth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
  - (i) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the Issuer's obligations in relation to any Liquidity Subordinated Amounts; and
  - (ii) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the Issuer's obligations in relation to any Swap Subordinated Amounts;
- (k) *eleventh*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer in respect of any Term A1 Step-Up Amounts;
- (l) *twelfth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer in respect of any Term B Step-Up Amounts; and
- (m) *thirteenth*, to the Initial Borrower and/or any other Obligor in or towards payment of any other amounts in accordance with the Borrower Transaction Documents (including, without limitation, in or towards Capital Enhancement Expenditure).

In addition, if the Initial Borrower is required as described in the section entitled "*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement – Stamp Duty Land Tax Reserve*" above to create an SDLT Reserve, the Initial Borrower shall to the extent not funded by Greene King or GKB&R under the Tax Deed of Covenant provide for amounts in respect of the SDLT Reserve to be paid into the Disposal Proceeds Account to create such reserve immediately senior to any sum payable or to be provided for at paragraph (j) above but immediately junior to sums payable or to be provided for under paragraph (i) above.

#### *Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments*

Upon the service of a Loan Enforcement Notice, the Borrower Security Trustee may cancel the commitment of the Issuer to make Additional Term Advances, declare the Term Advances due and payable immediately or on demand, and/or otherwise exercise all rights available to it, including the enforcement of the security granted by the Obligors.

To the extent that the Borrower Security Trustee decides not to accelerate the Term Advances as described above, it may declare the security enforceable through the service of a Loan Enforcement Notice, such notice to be given to, inter alios, the Borrower Secured Creditors. The effect of such service will be, inter alia, to crystallise the floating charges over Collection Accounts, the Operating Account and the Borrower Transaction Account. At the same time, the Borrower Security Trustee may exercise its powers to appoint a receiver, manager, receiver and manager or administrative receiver (a "**Receiver**") in respect of each Obligor and thereafter the Borrower Security Trustee and/or a receiver appointed by the Borrower Security Trustee will have control over the Obligor Accounts and, to the extent of the funds available, will cause them to be applied in the following order of priority (the

“**Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments**”) including in each case any amount in respect of value added tax payable thereon:

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of:
  - (i) the fees and other remuneration and indemnity payments (if any) payable to the Borrower Security Trustee and any costs, charges, liabilities and expenses then incurred by the Borrower Security Trustee or on its behalf under the Borrower Security Documents and any other amounts payable to the Borrower Security Trustee or any of its appointees (other than the Receiver) under the Borrower Security Documents, together with interest thereon as provided for therein; and
  - (ii) the fees and other remuneration and indemnity payments (if any) payable to the Receiver and any costs, charges, liabilities and expenses incurred by the Receiver and any other amounts payable to the Receiver under the Borrower Security Documents, together with interest thereon as provided therein;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of:
  - (i) any amounts due and owing by the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the fees, other remuneration and indemnity payments (if any) payable to the Note Trustee, any Receiver and other appointees (if any) appointed by the Note Trustee under the Note Trust Deed and any costs, charges, liabilities and expenses incurred by the Note Trustee and other appointees (if any) (as the case may be) under the Note Trust Deed and any other amounts payable to the Note Trustee under the Note Trust Deed, together with interest thereon as provided for therein; and
  - (ii) any amounts due and owing by the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the fees and other remuneration and indemnity payments (if any) payable to the Issuer Security Trustee subject to and in accordance with the terms of the Issuer Deed of Charge, and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee and by any appointees (if any) under the Issuer Deed of Charge (including for the avoidance of doubt any Receiver) and any other amounts payable to the Issuer Security Trustee and any such entity or entities under the Issuer Deed of Charge or such trust deed pursuant to which such entity or entities is/are appointed (as the case may be), together with interest thereon as provided for therein;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
  - (i) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents and the Agent Bank incurred by the Issuer under the Agency Agreement;
  - (ii) the Obligors to the Account Bank under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses;
  - (iii) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses of the Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than in respect of amounts of principal and interest and any Liquidity Subordinated Amounts);
  - (iv) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of any amounts due and owing by the Issuer to the Account Bank under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses;
  - (v) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of any amounts due and owing by the Issuer to the Cash Manager

- under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses;
- (vi) the Obligors to the Cash Manager under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses; and
  - (vii) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses of the Corporate Services Provider under the Corporate Services Agreement;
- (d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by the Initial Borrower to:
- (i) Supply Co under the Intra Group Supply Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses; and
  - (ii) Management Co under the Management Services Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses under the Management Services Agreement;
- (e) *fifth*, in or towards satisfaction of any amounts due in respect of any amounts due and owing by the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the Issuer's obligations to third parties incurred in the course of the Issuer's business (other than as provided elsewhere in this priority of payments) that have become due and payable;
- (f) *sixth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer (to the extent not funded by the repayment of principal and the payment of interest on the Term Advances) by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of all of the Issuer's obligations in respect of all amounts of principal, interest and other amounts due but unpaid to the Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts);
- (g) *seventh*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer (to the extent not funded by the payment of interest on the Term Advances) by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of all of the Issuer's obligations in relation to the amounts due but unpaid to the Swap Counterparty under the Interest Rate Swap Agreement and any other swap counterparty under any swap agreement (other than in respect of any Swap Subordinated Amounts) or, if the transactions under the Interest Rate Swap Agreement have been terminated, in or towards satisfaction of any additional amounts necessary to enable the Issuer to meet its obligations in relation to interest and principal due and payable under the Notes;
- (h) *eighth*, if applicable, in or towards payment to the credit of the Maintenance Reserve Account of an amount equal to the Capex Reserve Amount;
- (i) *ninth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
- (i) the Borrowers to the Issuer in respect of interest due or accrued due but unpaid under the Term A1 Advances (other than any Term A1 Step Up Amounts) and the Term A2 Advances; and
  - (ii) the Initial Borrower to the Issuer under the Issuer/Borrower Swap Agreement;
- (j) *tenth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all amounts of principal and other amounts payable in respect of the Term A1 Advances (other than any Term A1 Step-Up Amounts) and the Term A2 Advances;
- (k) *eleventh*, in or towards satisfaction, of interest due or accrued due but unpaid under the Term B Advances (other than any Term B Step-Up Amounts);
- (l) *twelfth*, in or towards satisfaction, of all amounts of principal and other amounts payable in respect of the Term B Advances (other than any Term B Step-Up Amounts);



- (m) *thirteenth*, in or towards satisfaction of any amounts due and payable by the Obligors in respect of all United Kingdom corporation tax and other tax for which the Obligors are liable;
- (n) *fourteenth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
  - (i) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the Issuer's obligations in relation to any Liquidity Subordinated Amounts; and
  - (ii) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the Issuer's obligations in relation to any Swap Subordinated Amounts;
- (o) *fifteenth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer in respect of any Term A1 Step-Up Amounts;
- (p) *sixteenth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer in respect of any Term B Step-Up Amounts; and
- (q) *seventeenth*, the surplus (if any) shall be deposited promptly in the Operating Account.

The Borrower Security Trustee may, at any time following the enforcement of the security under the Borrower Deed of Charge, discontinue such enforcement, provided that the circumstances that, *inter alia*, gave rise to enforcement no longer apply and provided further than no other Event of Default has occurred and is continuing. Following the discontinuance of such enforcement, the Obligors shall make payments in the manner described in the section entitled "*Borrower Pre-Enforcement Priority of Payments*" above.

#### *Borrower Post Enforcement (Post-Acceleration) Priority of Payments*

All monies received or recovered by the Borrower Security Trustee or the Receiver in respect of the Borrower Security following enforcement of the Borrower Security after the delivery by the Borrower Security Trustee of a Loan Enforcement Notice, the acceleration of the Term Advances and the Borrower Security Trustee having taken any steps to enforce such security shall be applied by or on behalf of the Borrower Security Trustee or, as the case may be, the Receiver (unless otherwise required by operation of law) in accordance with the following priority of payments (the "**Borrower Post Enforcement (Post-Acceleration) Priority of Payments**", and together with the Borrower Pre-Enforcement Priority of Payments and the Borrower Post Enforcement (Pre-Acceleration) Priority of Payments, the "**Borrower Priorities of Payments**") including in each case any amount in respect of value added tax payable thereon:

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of:
  - (i) the fees, other remuneration and indemnity payments (if any) payable to the Borrower Security Trustee and any costs, charges, liabilities and expenses then incurred by the Borrower Security Trustee or on its behalf under the Borrower Security Documents and any other amounts payable to the Borrower Security Trustee or any of its appointees (other than the Receiver) under the Borrower Security Documents, together with interest thereon as provided for therein; and
  - (ii) the fees, other remuneration and indemnity payments (if any) payable to the Receiver and any costs, charges, liabilities and expenses incurred by the Receiver and any other amounts payable to the Receiver under the Borrower Security Documents, together with interest thereon as provided therein;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of:
  - (i) any amounts due and owing by the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the fees, other remuneration and indemnity payments (if any) payable to the Issuer Security Trustee, any Receiver and other appointees (if any) appointed by the Issuer Security Trustee under the Issuer Deed of Charge and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee and other appointees (if any) under the Issuer Deed of Charge (including for the

- avoidance of doubt, any Receiver) and any other amounts payable to the Issuer Security Trustee under the Issuer Deed of Charge, together with interest thereon as provided for therein; and
- (ii) any amounts due and owing by the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the fees, other remuneration and indemnity payments (if any) payable to the Note Trustee subject to and in accordance with the terms of the Note Trust Deed, and any costs, charges, liabilities and expenses incurred by the Note Trustee and by any appointees under the Note Trust Deed and any other amounts payable to the Note Trustee and any such entity or entities under the Note Trust Deed or such trust deed pursuant to which such entity or entities is/are appointed (as the case may be), together with interest thereon as provided for therein;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
- (i) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents and the Agent Bank incurred by the Issuer under the Agency Agreement;
  - (ii) the Obligors to the Account Bank under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses;
  - (iii) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses of the Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than in respect of amounts of principal and interest and any Liquidity Subordinated Amounts);
  - (iv) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of any amounts due and owing by the Issuer to the Account Bank under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses;
  - (v) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of any amounts due and owing by the Issuer to the Cash Manager under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses;
  - (vi) the Obligors to the Cash Manager under the Account Bank and Cash Management Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses; and
  - (vii) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses of the Corporate Services Provider under the Corporate Services Agreement;
- (d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by the Initial Borrower to:
- (i) Supply Co under the Intra Group Supply Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses; and
  - (ii) Management Co under the Management Services Agreement in respect of fees, other remuneration, indemnity payments, costs, charges and expenses under the Management Services Agreement;
- (e) *fifth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer (to the extent not funded by the repayment of principal and the payment of interest on the Term Advances) by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of all of the Issuer's obligations in respect of all amounts of principal, interest and other amounts due but unpaid to the Liquidity Facility Provider (and all facility agents and arrangers under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts);

- (f) *sixth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer (to the extent not funded by the payment of interest on the Term Advances) by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of all of the Issuer's obligations in relation to the amounts due but unpaid to the Swap Counterparty under the Interest Rate Swap Agreement and any other swap counterparty under any swap agreement (other than in respect of any Swap Subordinated Amounts) or, if the Interest Rate Swap Agreement has been terminated, in or towards satisfaction of any additional amounts necessary to enable the Issuer to meet its obligations in relation to interest and principal due and payable under the Notes;
- (g) *seventh*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
  - (i) the Borrowers to the Issuer in respect of their obligations to pay interest due or accrued due but unpaid under the Term A1 Advances and the Term A2 Advances (other than any Term A1 Step Up Amounts);
  - (ii) the Initial Borrower to the Issuer under the Issuer/Borrower Swap Agreement; and
- (h) *eighth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of or any amounts due and owing by the Obligors to the Issuer in respect of their obligations to repay principal and all other amounts then due under the Term A1 Advances (other than any Term A1 Step-Up Amounts) and the Term A2 Advances;
- (i) *ninth*, in or towards satisfaction of any amounts due to the Issuer in respect of the Obligors' obligations to pay interest due but unpaid under the Term B Advances (other than any Term B Step-Up Amounts);
- (j) *tenth*, in or towards satisfaction of any amounts due to the Issuer in respect of the Obligors' obligations to repay principal and all other amounts due under the Term B Advances (other than any Term B Step-Up Amounts);
- (k) *eleventh*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by:
  - (i) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of all the Issuer's obligations in relation to any Liquidity Subordinated Amounts; and
  - (ii) the Obligors to the Issuer by way of Ongoing Facility Fee under the Issuer/Borrower Facility Agreement in respect of all of the Issuer's obligations in relation to any Swap Subordinated Amounts;
- (l) *twelfth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer in respect of any Term A1 Step-Up Amounts;
- (m) *thirteenth*, in or towards satisfaction of any amounts due and owing by the Obligors to the Issuer in respect of any Term B Step-Up Amounts; and
- (n) *fourteenth*, the surplus (if any) to the Obligors.

### **Governing Law**

The Borrower Deed of Charge will be governed by English law.

### **Issuer/Borrower Swap Agreement**

The Initial Borrower will, on the Closing Date, enter into back-to-back hedging arrangements (the "**Issuer/Borrower Swap Agreement**") with the Issuer. The terms of the Issuer/Borrower Swap Agreement will, in all material respects, be equivalent to those of the Interest Rate Swap Agreement (as to which see the section entitled "*Description of Issuer Transaction Documents – Interest Rate Swap Agreement*" below) save that, *inter alia*, neither the Issuer nor the Initial Borrower will be required to maintain minimum ratings, the Issuer will not be obliged to make any additional payment under the Issuer/Borrower Swap Agreement in circumstances where it is obliged to make a withholding or deduction from a payment made by it to the Initial Borrower and provided that the Issuer will only be required to make payments to the Initial Borrower to the extent that it has received the corresponding amounts from the Swap Counterparty under the Interest Rate Swap Agreement.

The Issuer/Borrower Swap Agreement will be governed by English law.

## **Account Bank and Cash Management Agreement**

On or about the Closing Date, the Obligors, the Issuer, the Borrower Security Trustee, the Issuer Security Trustee, the Cash Manager and the Account Bank will enter into the Account Bank and Cash Management Agreement pursuant to which the Cash Manager will be appointed to act as cash manager in respect of amounts standing from time to time to the credit of the Obligor Accounts and the Issuer Accounts.

In this section of this document, the Account Bank and Cash Management Agreement will be described insofar as it relates to the Obligors and the Obligor Accounts. For details concerning the Account Bank and Cash Management Agreement insofar as it relates to the Issuer and the Issuer Accounts, see the section entitled “*Description of the Issuer Transaction Documents – Account Bank and Cash Management Agreement*” below.

The Cash Manager may, in certain circumstances, without the consent of the Borrower Security Trustee, sub-contract or delegate its obligations in respect of the Obligor Accounts under the Account Bank and Cash Management Agreement (including to the Borrower). Notwithstanding any subcontracting or delegation of the performance of any of its obligations under the Account Bank and Cash Management Agreement, the Cash Manager will not be released or discharged from any liability thereunder and will remain responsible for the performance of its obligations under the Account Bank and Cash Management Agreement by any sub-contractor or delegate. In return for the services provided, the Cash Manager will receive a quarterly fee.

The Cash Manager will give the Account Bank all directions necessary to enable the Account Bank to operate the Obligor Accounts in accordance with the terms of the Account Bank and Cash Management Agreement and normal banking practice.

The appointment of the Account Bank or the Cash Manager under the Account Bank and Cash Management Agreement will automatically terminate upon the occurrence of certain insolvency events in respect of the Account Bank and the Cash Manager, respectively. In addition, in the event that GKB&R is in breach of its obligations under the Account Bank and Cash Management Agreement, the Initial Borrower and the Issuer will (subject to the expiry of certain grace periods) be entitled to (and shall, if so directed by the Borrower Security Trustee or Issuer Security Trustee as applicable) terminate the appointment of GKB&R under the Account Bank and Cash Management Agreement (or any other company in the GK Group appointed thereunder) as the Cash Manager in relation to obligations performed on behalf of the Obligors and/or in relation to the Obligor Accounts and/or in relation to obligations to be performed on behalf of the Issuer and/or in relation to the Issuer Accounts, as the case may be. In the event that the Account Bank is in breach of its obligations under the Account Bank and Cash Management Agreement or it ceases to be an Eligible Bank or a Qualifying Bank, the Obligors and/or the Issuer will be entitled to (and shall, if so directed by the Borrower Security Trustee or Issuer Security Trustee as applicable) terminate the appointment of the Account Bank under the Account Bank and Cash Management Agreement.

The Account Bank represents and warrants that it is a credit or other institution authorised to accept deposits under the Financial Services and Markets Act 2000, the short term unsecured, unsubordinated and unguaranteed debt obligations of which are rated at least the Minimum Short-Term Ratings (an “**Eligible Bank**”).

### **Initial Borrower Accounts**

The Initial Borrower maintains a number of current accounts into which all revenues of the Securitisation Estate are (and will be required to be) received (the “**Collection Accounts**”). Pursuant to the Account Bank and Cash Management Agreement, monies received into the Collection Accounts may be swept on a daily basis (Monday to Friday), at the discretion of the Cash Manager, into a specified operating account established in the name of Initial Borrower (the “**Operating Account**”) or into the Initial Borrower’s main transaction account (the “**Borrower Transaction Account**”). Monies may not be withdrawn from a Collection Account except for the purposes of effecting a transfer to the Operating Account or the Borrower Transaction Account or to return amounts credited to such accounts in error.

Operational and day-to-day payments of the Initial Borrower and the other Obligors will be made from the Operating Account.

Pursuant to the Account Bank and Cash Management Agreement, the Initial Borrower will maintain with the Account Bank the Disposal Proceeds Account and the Maintenance Reserve Account

(together the “**Specific Accounts**” and, together with the Collection Accounts, the Borrower Transaction Account and the Operating Account, the “**Obligor Accounts**”).

The Account Bank will undertake not to exercise any rights of set-off, lien, counterclaim or consolidation of accounts in respect of the Obligor Accounts other than in respect of the Collection Accounts and the Operating Account only, certain limited rights of set-off in respect of, *inter alia*, properly incurred fees of the Account Bank.

Monies credited to any of the Obligor Accounts may be invested in Eligible Investments provided that in respect of any Eligible Investments to be made from any of the Specific Accounts, the Initial Borrower enters into such additional documents, and obtains the provision of any legal opinions requested by the Borrower Security Trustee in respect thereof, as the Borrower Security Trustee may require for the Initial Borrower to grant first fixed security over its interest in any such Eligible Investments acquired.

“**Eligible Investments**” means:

- (a) sterling gilt-edged securities; and
- (b) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) rated by no fewer than two of S&P, Fitch and Moody’s Investor Services Limited or any successor to its rating business (“**Moody’s**”) provided that in all cases such investments have a maturity date falling no later than the next following Interest Payment Date (in respect of investments made by or on behalf of the Issuer) or Loan Payment Date (in respect of investments made by or on behalf of an Obligor) and that the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised bank under the Financial Services and Markets Act 2000) are rated “A-1” (if rated by S&P), “F1” (if rated by Fitch) and “P-1” (if rated by Moody’s) or higher; and
- (c) in the case of monies standing to the credit of the Disposal Proceeds Account only, investments made in money management funds rated by no fewer than two of S&P, Fitch and Moody’s provided that in all cases such investments have a maturity date falling no later than 12 months from the date upon which the relevant monies were credited to the Disposal Proceeds Account and that the relevant money management funds are rated not less than “AAA” (if rated by S&P), “AAA” (if rated by Fitch) and “Aaa” (if rated by Moody’s).

No withdrawals will be permitted to be made from any Obligor Account to the extent that such withdrawal would result in the aggregate net balance of all Obligor Accounts being less than zero.

The Initial Borrower and the Account Bank will be prohibited from making any material amendments to the mandates in relation to the Obligor Accounts without the prior consent of the Borrower Security Trustee.

#### *Borrower Transaction Account*

On or prior to each Loan Payment Date, the Cash Manager will be required to transfer monies from the Operating Account and/or the Collection Accounts to the Borrower Transaction Account in an amount sufficient to enable the Initial Borrower to satisfy its payment obligations under the Issuer/Borrower Facility Agreement and the other Transaction Documents on the relevant Loan Payment Date.

#### *Disposal Proceeds Account*

The Initial Borrower has established the Disposal Proceeds Account, the principal purpose of which is receiving and subsequently applying Sales Proceeds as more particularly described in the section entitled “*Issuer/Borrower Facility Agreement – Covenants regarding Disposal of Mortgaged Properties and Related Matters – Application of Proceeds of Disposals of a Mortgaged Property*” above. No withdrawals will be permitted to be made from the Disposal Proceeds Account without the prior consent of the Borrower Security Trustee.

#### *Maintenance Reserve Account*

The Initial Borrower has established the Maintenance Reserve Account for the purpose of, to the extent necessary, depositing any Capex Reserve Amounts. No withdrawals will be permitted to be made from the Maintenance Reserve Account without the prior consent of the Borrower Security Trustee.

### **Requirement for Eligible Bank**

If the Account Bank ceases to be an Eligible Bank, the Initial Borrower will be required to arrange for the transfer of the relevant accounts to an Eligible Bank on terms acceptable to the Borrower Security Trustee (including the accession of such Eligible Bank to the Borrower Deed of Charge).

### **Governing Law**

The Account Bank and Cash Management Agreement will be governed by English law.

### **Services Agreements**

#### **Overview**

The Borrower will enter into certain arrangements with Supply Co and Management Co. These include arrangements for drinks, food and other products to be supplied to the Borrower, arrangements regarding central management and other administration services and the provision of unit level staff and the grant of intellectual property licences in favour of the Borrower.

#### **Intra Group Supply Agreement**

On the Closing Date the Initial Borrower will enter into an intra group supply agreement (the “**Intra Group Supply Agreement**”) with Supply Co. The Intra Group Supply Agreement sets out the terms upon which Supply Co supplies or procures (subject to certain exceptions) as the exclusive supplier of the Initial Borrower, the supply of all products (such as beer, wines, spirits and other drinks, food and other supplies) to the Initial Borrower. The terms and conditions on which Supply Co provides products and services supplied by third party suppliers to the Initial Borrower are the terms and conditions from time to time in effect under the supply agreements which Supply Co has entered (or may enter) into with third party suppliers. Supply Co will supply its own products and services to the Initial Borrower on arms’ length terms and conditions. Supply Co may supply products and services to any other person (whether within or outside the GK Group).

The obligation to supply each individual product is several so that if the terms of supply in respect of one product are breached, it will not cross-default the other supply arrangements under the Intra Group Supply Agreement. The Initial Borrower has no right to terminate or vary any third party supply agreement.

The Intra Group Supply Agreement contains provisions which:

- (a) describe the scope of the supply services and the consequences of failure to perform the services;
- (b) set out the basis of charging for the products and the mechanism by which the pricing may be reviewed;
- (c) set out a mechanism pursuant to which the obligation to pay liquidated damages, payable on the breach of minimum purchase or minimum stock commitments to which Supply Co is subject (under third party supply agreements), are passed on to the Initial Borrower, *pro rata* to the commitments of Supply Co in relation to products and services purchased on its own account or supplied to other persons under third party supply agreements (provided that any minimum purchase or minimum stock obligations allocated to the Initial Borrower does not exceed 70 per cent. of the volume of such product purchased by the Initial Borrower in the previous year; and
- (d) result in the termination of a particular supply obligation under the Intra Group Supply Agreement where the corresponding third party supply agreement is terminated. Supply Co may also terminate its provision of all supplies if the Initial Borrower fails to pay amounts due and payable to it or if the Initial Borrower fails in any material respect to observe or perform any of its other material obligations under the Intra Group Supply Agreement. In addition, Supply Co may terminate its obligations by serving written notice to the Initial Borrower (copied to the Borrower Security Trustee), provided that, amongst other conditions, the Borrower Security Trustee consents to such termination, a substitute supplier of the products and services is appointed and (unless otherwise agreed by an Extraordinary Resolution of the Noteholders) the Ratings Test is satisfied.

The Initial Borrower may, with the prior consent of the Borrower Security Trustee, terminate the appointment of Supply Co if Supply Co fails in any material respect to observe or perform any of the material terms or conditions of the Intra Group Supply Agreement (subject to a grace period to remedy

such breach, if such breach is capable of remedy) and upon certain insolvency events relating to Supply Co. The Initial Borrower may, with the consent of the Borrower Security Trustee, terminate the Intra Group Supply Agreement within six months if the Initial Borrower and Supply Co cease to be affiliated group entities.

The Intra Group Supply Agreement will be governed by English law.

### ***Management Services Agreement***

On the Closing Date, the Initial Borrower will enter into a management services agreement (the “**Management Services Agreement**”) with Management Co, the Employee Cos and the Borrower Security Trustee pursuant to which Management Co (and in certain circumstances, the Employee Cos) will agree to provide or procure the provision to the Initial Borrower of certain management and administration services in respect of the Securitisation Estate. These services will include the provision of all pub level and, to the relevant extent, non-pub level employees and certain centrally procured or provided services (including IT, executive, property, finance, operations, communications and marketing, risk and compliance management, record keeping and training services and other group wide arrangements).

The Initial Borrower will pay Management Co and/or the Employee Cos a fee in respect of the services provided by it pursuant to the Management Services Agreement. The fee in respect of the unit level employees will be the costs incurred by Management Co in respect of their services plus a margin and certain unit level expenses. The fee in respect of the services provided by the non-unit level employees will be the Securitisation Estate’s proportionate share of the costs incurred by Management Co in respect of their services plus a margin and certain non-unit level expenses.

The Management Services Agreement incorporates provisions in relation to the central management and administration services to be provided to the Initial Borrower. The central management and administration services will be provided to the Initial Borrower by Management Co on a non-exclusive basis (Management Co may provide similar services to other persons whether within or outside of the GK Group).

Management Co may delegate all or part of its duties under the Management Services Agreement at its own cost but will remain liable to the full extent of its duties and obligations undertaken notwithstanding any such delegation.

Management Co will only be entitled to terminate the Management Services Agreement without the consent of the Borrower Security Trustee and without Management Co needing to have first secured a replacement service provider following an unremedied non-payment of its fees by the Initial Borrower. Management Co may, however, also terminate its appointment provided that the Borrower Security Trustee consents in writing to such termination, a replacement service provider approved by the Borrower Security Trustee has been appointed and (unless otherwise agreed by an Extraordinary Resolution of Noteholders) the Ratings Test is satisfied.

The Initial Borrower may (with the prior written consent of the Borrower Security Trustee) terminate the appointment of Management Co if Management Co is in material breach of its obligations and this has a Material Adverse Effect (subject to a grace period to remedy such breach, if such breach is capable of remedy) and upon certain insolvency events relating to Management Co. If there has been a breach by Management Co under the Management Services Agreement, the Initial Borrower may also (with the prior written consent of the Borrower Security Trustee) revoke (whether permanently or temporarily) Management Co’s duties to provide the relevant services which are the subject of the breach (subject to, in relation to certain central administration services, such termination not having a material overall impact on the ability of Management Co to provide remaining services under the Management Services Agreement) and providing that a suitable replacement service provider has been appointed in respect of the services proposed to be terminated or suspended. Further the Initial Borrower may, with the consent of the Borrower Security Trustee, and with six months’ prior written notice, terminate the Management Services Agreement if the Initial Borrower and Management Co and/or the Employee Cos cease to be affiliated group entities.

In the event of the termination of the Management Services Agreement, depending on the grounds for such termination, the Initial Borrower will be entitled to call for a transfer to it from the Employee Cos of employees who are engaged in its business at an individual pub level in order to ensure that it can continue to operate the Securitisation Estate and to facilitate, if desired, the sale of the Securitisation Estate as a going concern. To the extent that any such employee transfer would not in any event be

effected pursuant to the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended) (“**TUPE**”), the Management Services Agreement will provide a contractual framework intended to achieve the same results in the event of a valid termination thereof. The Initial Borrower and Management Co have agreed to negotiate with each other in good faith in relation to the allocation between them of any non-pub level employees in the event of a termination of the Management Services Agreement.

The Management Services Agreement will be governed by English law.

### ***IP Licences and Related Agreements***

On the Closing Date the Initial Borrower will enter into an intellectual property licence agreement with Supply Co which will grant to the Initial Borrower, or procure the grant to the Initial Borrower of, a non-exclusive licence (the “**IP Licence Agreement**”) to use all intellectual property rights that are either used in the business of the Securitisation Estate immediately before the date of the IP Licence Agreement or that are reasonably necessary for the operation of the business of the Securitisation Estate during the continuation of the IP Licence Agreement, and that, in either case, as at the date of the IP Licence Agreement or at any time during the continuation of the IP Licence Agreement, are owned by or licensed to Supply Co (or any member of the GK Group) and are not otherwise owned by or licensed to the Initial Borrower (the “**Business IPRs**”). The IP Licence Agreement will be royalty free.

The IP Licence Agreement includes royalty-free rights to use the “Hungry Horse” logo, which are licensed by its creator to Greene King and its subsidiaries pursuant to a written, royalty-bearing exclusive licence agreement dated 6 August, 2004, which expires on 14 August, 2007 (the “**Hungry Horse Licence**”). On termination of the current Hungry Horse Licence, or in the event that the Initial Borrower ceases to be a subsidiary of Greene King, Supply Co will be obliged to use its best endeavours to procure a further licence of the logo to the Initial Borrower.

The IP Licence Agreement, together with any other licences granted to the Initial Borrower on or after the Closing Date (the “**IP Licences**”) and with the Intra Group Supply Agreement and the Management Services Agreement are referred to herein as the “**Services Agreements**”.

The IP Licence Agreement will be assignable by the Initial Borrower to the Borrower Security Trustee pursuant to the Borrower Deed of Charge without the consent of Supply Co, or to a third party in the event of the sale of all outlets operated by the Initial Borrower under any of the licensed Business IPRs. The IP Licence Agreement will not be assignable on a disposal of individual outlets within the Securitisation Estate. Supply Co will covenant to the Initial Borrower and to the Borrower Security Trustee to maintain registrations for the licensed trade marks and to pursue any pending applications (including new applications for trade marks applied to the Securitisation Estate) and will grant to the Initial Borrower a security power of attorney to remedy breaches of this obligation. Supply Co will covenant to the Initial Borrower and to the Borrower Security Trustee not to dispose of, or grant security over, the Business IPRs (with the exception of the floating charges granted by the Supply Co prior to the date of the IP Licence Agreement).

Supply Co will be entitled to grant further licences under the licensed Business IPRs to third parties which shall be on no more favourable terms than the IP Licence Agreement with the Initial Borrower. The Initial Borrower will be given protection against the activities of Supply Co and other licensees devaluing the Securitisation Estate by certain mutual quality control covenants (which are also given in favour of the Borrower Security Trustee).

After delivery of a Loan Enforcement Notice, neither party may make a material change to the theme or format of the relevant branded outlets or to the Business IPRs used in them without the prior written consent of the other and of the Borrower Security Trustee.

Supply Co and the Initial Borrower are obliged to notify each other promptly if they become aware of any attack on the validity or Supply Co’s ownership of any of the Business IPRs (a “**Validity Attack**”) or of any actual or suspected infringement of any of the Business IPRs (an “**Infringement**”). Supply Co must diligently give consideration to any Validity Attack or Infringement, consult the Initial Borrower concerning the action (if any) it proposes to take and shall pursue all action reasonable and appropriate to deal with the Validity Attack or Infringement.

If Supply Co fails to bring such proceedings, the Initial Borrower shall have the right, at its expense, to commence defence or infringement proceedings.



Supply Co will provide certain warranties to the Initial Borrower and the Borrower Security Trustee, including, for example, that Supply Co has authority to grant the licence of the Business IPRs, that the operations of the Securitisation Estate do not infringe any third party IPRs and that Supply Co (or a member of the Supply Co group) owns or has validly licensed to it all of the Business IPRs. Supply Co also indemnifies the Initial Borrower against any claim that use of the Business IPRs in accordance with the terms of the IP Licence Agreement infringes any IPRs of a third party.

The IP Licence Agreement will also contain a call option (the “**IP Option**”) in respect of the Business IPRs (other than any “GREENE KING” or “1799” trademarks or domain names) (the “**Option IPRs**”). Under the terms of the IP Option, the Initial Borrower will have a right to call for the assignment to it of the Option IPRs in certain circumstances.

The IP Option will be exercisable by the Initial Borrower if, one or more of the following occur: (i) Supply Co purports to terminate or repudiate the IP Licence Agreement other than in accordance with its terms; (ii) the Initial Borrower loses its rights under the IP Licence Agreement other than in accordance with its terms or as a result of its own actions or omissions; (iii) Supply Co breaches, or is likely to breach, its covenant not to dispose of or grant security over the Business IPRs while the IP Licence Agreement is in force; or (iv) Supply Co ceases to be an affiliate of the Initial Borrower ((i) to (iv) together, the “**Pre-insolvency Triggers**”); or (v) certain other standard insolvency triggers, including where an order is made or a resolution is passed for the winding-up of Supply Co, or where an administration order is made or a receiver is appointed in respect of Supply Co (the “**Insolvency Triggers**”).

The Initial Borrower may exercise the IP Option, where triggered by a Pre-insolvency Trigger, on payment of a nominal sum, or where triggered by an Insolvency Trigger, on payment of a sum equal to the market value of the Option IPRs as at the date of the exercise of the IP Option (as determined by an independent expert appointed by the Borrower Security Trustee for such purpose).

In the event that the Initial Borrower exercises the IP Option, and has assigned to it the Option IPRs, it is obliged to license the Option IPRs to Supply Co on terms equivalent to the IP Licence Agreement.

The IP Licence Agreement will continue in force until such time as all Borrower Secured Liabilities have been paid in full (upon which it will terminate automatically), or until the relevant licensed IP is assigned to the Initial Borrower, upon the exercise of the IP Option. Supply Co and the Initial Borrower will not otherwise have any right to terminate the IP Licence Agreement, except in respect of the ‘GREENE KING’ and ‘1799’ marks and certain domain names in the event that the Initial Borrower commits a material breach of its obligations or undertakings under the IP Licence Agreement in respect of those marks.

The IP Licence Agreement and the IP Option will be governed by English law.

### **Initial Borrower Subordinated Loan Agreement**

On the Closing Date, Greene King and, *inter alios*, the Initial Borrower will enter into a subordinated loan agreement (the “**Initial Borrower Subordinated Loan Agreement**”) pursuant to which Greene King will on the Closing Date advance to the Initial Borrower a subordinated loan in an initial aggregate principal amount of £215,239,719 (the “**Initial Borrower Subordinated Loan**”).

Interest accrued in respect of the outstanding balance of the Initial Borrower Subordinated Loan will only be paid to the extent permitted by the provisions of the Issuer/Borrower Facility Agreement and to the extent that funds are available pursuant to the relevant Borrower Priority of Payments and will otherwise defer (and itself accrue interest) until such funds are available in accordance with the Issuer/Borrower Facility Agreement and the Borrower Deed of Charge. In addition, no amounts of principal will be due or repayable by the Initial Borrower prior to the Loan Payment Date falling in June 2011 or such earlier date agreed between Greene King and the Initial Borrower and approved by the Borrower Security Trustee provided that the Borrower Security Trustee shall only approve such an earlier date if it determines that it would not be materially prejudicial to the Borrower Secured Creditors or if the Ratings Test is satisfied.

The Initial Borrower Subordinated Loan Agreement will be governed by English law.

### **Tax Deed of Covenant**

On or before the Closing Date, Greene King, GKB&R, the members of the Tax Indemnified Group, the Issuer, the Issuer Parent, the Borrower Security Trustee and the Issuer Security Trustee will enter into a deed of covenant (the “**Tax Deed of Covenant**”). Pursuant to the Tax Deed of Covenant, among other

things, all of the parties thereto which are members of the GK Group will make representations and give warranties and covenants with a view to protecting the Issuer, the Issuer Parent and the members of the Tax Indemnified Group from various tax-related risks. Among the matters covered by such representations, warranties and covenants are VAT grouping, thin capitalisation issues, tax residency, group tax matters and secondary tax liabilities and degrouping charges (as to which see below).

Under the Tax Deed of Covenant, Greene King and GKB&R will undertake to the Borrower Security Trustee, the Issuer Security Trustee, the Issuer, the Issuer Parent and the Tax Indemnified Group to indemnify (on an after tax basis), *inter alios*, each member of the Tax Indemnified Group against, *inter alia*:

- (a) any charge or liability to corporation tax on chargeable gains under section 179 of the Taxation of Chargeable Gains Act 1992 (such liabilities, together with any arising under section 190 of the Taxation of Chargeable Gains Act 1992 as described in paragraph (b) below, being “**Initial Transfers CGT Liabilities**”) or any charge or liability to stamp duty land tax as a result of the withdrawal of group relief under paragraph 3 of Schedule 7 to the Finance Act 2003 (and certain other tax liabilities which arise on degrouping) whether or not such charge or liability arises in relation to the transfer of assets to or within the Tax Indemnified Group on or before the Closing Date (those transfers occurring on or before the Closing Date being “**Initial Transfers**”) and against all associated costs or expenses incurred by the Tax Indemnified Group (as the case may be) (together the “**Degrouping Tax Liabilities**”); and
- (b) any secondary tax liabilities in respect of transfers between, on the one hand, the Tax Indemnified Group and, on the other hand, other companies in the GK Group (such transfers, whether made by a company which is a member of the Tax Indemnified Group to a company within the Greene King group which is not such a company or vice versa, being “**Intra-Group Transfers**”) including under section 190 of the Taxation of Chargeable Gains Act 1992 and paragraph 5 of Schedule 7 to the Finance Act 2003 (such liabilities relating to the Initial Transfers being “**Intra-Group Secondary Tax Liabilities**”).

If amongst other things:

- (a) certain events occur which, broadly, would or might reasonably be expected to give rise to any (or to increased) actual or contingent Degrouping Tax Liabilities in respect of the Initial Transfers (each such event being a “**Degrouping Collateral Trigger Event**”);
- (b) subsequent transfers to members of the Tax Indemnified Group from companies which are not members of the Tax Indemnified Group are made which give rise to aggregate actual or contingent Degrouping Tax Liabilities in respect of Intra-Group Transfers other than the Initial Transfers in excess of, broadly, £30 million (as reduced by any amount by which, from time to time, the aggregate of the Initial Transfers CGT Liabilities that (i) are contingently payable, or (ii) have become actually payable and in respect of which the relevant member of the Tax Indemnified Group has not been appropriately indemnified, exceeds an amount equal to the lower of (A) the Security Limited Amount (as defined below) and (B) the greater of the Net Worth of the Securitisation Group and the principal amount outstanding of the Initial Borrower Subordinated Loan) (each such transfer being a “**Collateralisable Transfer**”); or
- (c) certain events occur which would or might reasonably be expected to give rise to Intra-Group Secondary Tax Liabilities (each such event being a “**Secondary Tax Liability Collateral Trigger Event**”),

Greene King and GKB&R will be required to provide cash collateral to the Tax Indemnified Group in respect of their potential obligations under the above indemnities in an amount equal to the Estimated Liability Amount, such cash collateral to be deposited in an account designated by the relevant member of the Tax Indemnified Group and charged to the Borrower Security Trustee (the “**Contingent Tax Security Account**”). However, in circumstances where the Restricted Payment Condition is satisfied and Greene King and/or GKB&R are required to provide such cash collateral, the Initial Borrower shall pay into the Contingent Tax Security Account an amount out of Excess Cash not greater than the Estimated Liability Amount thereby reducing the amount of collateral otherwise to be provided by Greene King and GKB&R under the Tax Deed of Covenant, such payment being deemed to be a Restricted Payment made by the Initial Borrower.

For these purposes:

“**Estimated Liability Amount**” means (broadly):

- (a) in the case of a Degrouping Collateral Trigger Event, the maximum amount of the actual or contingent Degrouping Tax Liabilities in relation to the Initial Transfers which might reasonably be expected to arise as a result of the relevant Degrouping Collateral Trigger Event based on the facts at that time;
- (b) in the case of a Collateralisable Transfer, the maximum amount of the actual or contingent Degrouping Tax Liabilities in relation to the relevant Collateralisable Transfer based on the facts at that time; or
- (c) in the case of a Secondary Tax Liability Collateral Trigger Event, the maximum amount of the actual Secondary Tax Liabilities which might reasonably be expected to arise as a result of the relevant Secondary Tax Liability Collateral Trigger Event based on the facts at that time,

in each case less any amounts representing such tax already standing to the credit of the Contingent Tax Security Account and plus or minus (as the case may be) an amount sufficient to ensure that the relevant member of the Tax Indemnified Group would receive such amount as is mentioned above on an after tax basis were it to become beneficially entitled to such amount.

Under the terms of the GK Security Deed, Greene King will provide certain security to the GK Security Trustee in respect of its and GKB&R’s obligations to indemnify the Tax Indemnified Group for, and to provide cash collateral in respect of, the above-mentioned Degrouping Tax Liabilities in respect of the Initial Transfers (together the “**Secured Tax Deed Obligations**”), as to which see the section entitled “*Description of the Borrower Transaction Documents – GK Security Deed*” below.

The Tax Deed of Covenant will be governed by English law.

### **GK Security Deed**

On the Closing Date, Greene King will enter into the GK Security Deed with, *inter alios*, HSBC Trustee (C.I.) Limited (in such capacity, and together with such other entity or entities appointed as security trustee in accordance with the terms of the GK Security Deed, the “**GK Security Trustee**”) and the Issuer. Under the GK Security Deed, Greene King will, as continuing security for the Secured Tax Deed Obligations, provide the GK Security Trustee with the benefit of a first equitable mortgage over the entire issued share capital of the Securitisation Group Parent together with a first fixed charge over all its rights, title, interest and benefit, present and future, in, to and under the Initial Borrower Subordinated Loan Agreement (in each case which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors) provided that such security shall be limited in extent at any one time to an amount equal to the lower of (a) the Secured Tax Deed Obligations and (b) the “**Security Limited Amount**” being the greater of £120 million, and such amount which if secured by the GK Security Deed would not result in Greene King or any other Excluded Group Entity being in breach of the terms of any of its Financial Indebtedness. The GK Security Trustee will hold the benefit of the security created in its favour under the GK Security Deed on trust for itself, the Issuer and the members of the Tax Indemnified Group.

The security created under the GK Security Deed will be released on the earlier of (i) the date on which all of the Borrower Secured Liabilities and Issuer Secured Liabilities have been irrevocably and unconditionally satisfied in full and (ii) the date on which all Degrouping Tax Liabilities in respect of the Initial Transfers have each either:

- (a) ceased to be contingent liabilities without becoming actual liabilities; or
- (b) become actual liabilities and all obligations of, *inter alios*, Greene King and GKB&R under the Tax Deed of Covenant in relation to such Degrouping Tax Liabilities have been unconditionally and irrevocably discharged,

in the case of (a) and (b) above, as certified by a director of Greene King and confirmed (in a form satisfactory to the GK Security Trustee) by tax accountants employed by a nationally recognised accountancy firm or by such other tax accountants or tax lawyers as are approved by the GK Security Trustee (such approval not to be unreasonably withheld or delayed).

The GK Security Deed will be governed by English law.

## DESCRIPTION OF THE ISSUER TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal documents relating to the transactions described herein and is qualified in its entirety by reference to the detailed provisions of the Issuer Transaction Documents.*

### **Issuer Deed of Charge**

#### **Issuer Security**

The Issuer Deed of Charge will be entered into on the Closing Date by, *inter alios*, the Issuer, the Liquidity Facility Provider, the Swap Counterparty, the Note Trustee, the Initial Borrower and the Issuer Security Trustee.

Under the terms of the Issuer Deed of Charge, the Issuer will grant the following security (the “**Issuer Security**”) in favour of the Issuer Security Trustee who will hold such security on trust for the benefit of itself and the other Issuer Secured Creditors:

- (a) an assignment by way of a first fixed security of its right, title, interest and benefit, present and future, in, to and under the Transaction Documents to which it is a party, including the security trusts created under the Borrower Deed of Charge;
- (b) a charge by way of a first fixed security over the amounts from time to time standing to the credit of the Issuer Accounts;
- (c) a first fixed charge over all investments in Eligible Investments permitted to be made pursuant to the Account Bank and Cash Management Agreement, which security interests may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors; and
- (d) a first floating charge (ranking behind the claims of certain preferential and other creditors) over all of the property, assets and undertakings of the Issuer not already subject to fixed security,

all as more particularly set out in the Issuer Deed of Charge.

In addition, the Issuer Parent will grant an equitable mortgage over the shares in the Issuer in favour of the Issuer Security Trustee to be held for the benefit of the Noteholders and the other Issuer Secured Creditors.

The Issuer Security will secure the Notes and also the amounts payable by the Issuer to:

- (a) the Issuer Security Trustee and the Note Trustee under the Issuer Deed of Charge, the Note Trust Deed and the Agency Agreement;
- (b) the Liquidity Facility Provider under the Liquidity Facility Agreement and the Issuer Deed of Charge;
- (c) the Swap Counterparty under the Interest Rate Swap Agreement and the Issuer Deed of Charge;
- (d) the Agent Bank and the Paying Agents under the Agency Agreement and the Issuer Deed of Charge;
- (e) the Cash Manager under the Account Bank and Cash Management Agreement and the Issuer Deed of Charge;
- (f) the Account Bank under the Account Bank and Cash Management Agreement and the Issuer Deed of Charge;
- (g) the Initial Borrower under the Issuer/Borrower Swap Agreement and the Issuer/Borrower Facility Agreement and the Issuer Deed of Charge; and
- (h) the Corporate Services Provider under the Corporate Services Agreement and the Issuer Deed of Charge.

A security power of attorney will be granted by the Issuer in favour of the Issuer Security Trustee.

## **Priority of Payments**

### *Issuer Pre-Acceleration Priority of Payments*

Prior to the service of a Note Acceleration Notice by the Note Trustee, amounts standing to the credit of an account in the name of the Issuer (the “**Issuer Transaction Account**”) (other than any Swap Excluded Amounts (as defined below)) will be applied by the Issuer on each Interest Payment Date (provided that payments may be made out of the Issuer Transaction Account other than on an Interest Payment Date to satisfy liabilities in paragraph (b)) in making payment or provision of any amounts then due and payable in the following order of priority (the “**Issuer Pre-Acceleration Priority of Payments**”) including in each case any amount in respect of value added tax payable thereon:

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* accordingly to the respective amounts thereof, of any amounts then due or to be provided for in respect of the fees, other remuneration and indemnity payments (if any) payable to:
  - (i) the Issuer Security Trustee and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee under the provisions of the Issuer Deed of Charge and any of the other Transaction Documents, together with interest thereon as provided for therein; and
  - (ii) the Note Trustee and any costs, charges, liabilities and expenses incurred by the Note Trustee under the provisions of the Note Trust Deed and any of the other Transaction Documents, together with interest thereon as provided for therein;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by the Issuer:
  - (i) to the Corporate Services Provider under the Corporate Services Agreement;
  - (ii) to third parties that have become payable under obligations incurred in the course of the Issuer’s business other than as provided elsewhere in this priority of payments; and
  - (iii) to pay or provide for the amounts then due or to be provided in respect of the Issuer’s liability or possible liability in respect of amounts due to the Rating Agencies, the Stock Exchange (or any other listing authority by which, or stock exchange on which, the Notes or any of them are listed) and the listing agent and any amounts of corporation tax on profits of the Issuer due to the Inland Revenue;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by the Issuer in respect of:
  - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents and the Agent Bank incurred under the Agency Agreement;
  - (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than in respect of any interest, principal and any other amounts which are payable pursuant to paragraph (d) below or in respect of any Liquidity Subordinated Amounts);
  - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Account Bank under the Account Bank and Cash Management Agreement; and
  - (iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Cash Manager under the Account Bank and Cash Management Agreement;
- (d) *fourth*, in or towards satisfaction of payment of all amounts of principal, interest and other amounts due but unpaid to the Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (e) *fifth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, to the extent not funded out of Swap Excluded Amounts, of the amounts due in respect of all amounts due but unpaid to:
  - (i) the Swap Counterparty under the Interest Rate Swap Agreement; and
  - (ii) any other swap counterparty under any other swap agreement entered into by the Issuer,

such amounts to include any amounts due from the Issuer to the Swap Counterparty or any other relevant swap counterparty on termination of any transaction under the Interest Rate Swap Agreement or such other swap agreement (as the case may be) (the “**Swap Termination Payments**”) (other than any amounts due on termination of the transactions under the Interest Rate Swap Agreement or any other relevant swap agreement due to the occurrence of an event of default in respect of which the Swap Counterparty is the defaulting party or any additional termination event relating to a ratings downgrade of the Swap Counterparty (the “**Swap Subordinated Amounts**”)) or, in the event of the transactions under the Interest Rate Swap Agreement being terminated and until the entry into of a replacement Interest Rate Swap Agreement, towards a reserve for the payment of any fees, costs and expenses which may be needed to enter into such replacement Interest Rate Swap Agreement;

- (f) *sixth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of:
  - (i) interest due but unpaid under the Class A1 Notes (other than any Class A1 Step-Up Amounts); and
  - (ii) interest due but unpaid under the Class A2 Notes;
- (g) *seventh*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal and all other amounts then due under the Class A1 Notes and the Class A2 Notes (other than any Class A1 Step-Up Amounts);
- (h) *eighth*, in or towards satisfaction of all amounts of interest due but unpaid under the Class B Notes (other than any Class B Step-Up Amounts);
- (i) *ninth*, in or towards satisfaction of all amounts of principal and all other amounts then due under the Class B Notes (other than any Class B Step-Up Amounts);
- (j) *tenth*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of the amounts due in respect of:
  - (i) any Liquidity Subordinated Amounts; and
  - (ii) any Swap Subordinated Amounts;
- (k) *eleventh*, in or towards satisfaction of any amounts to be paid to the Initial Borrower by way of refund of any tax credits to the extent received in cash in connection with the Issuer/Borrower Swap Agreement or the Issuer/Borrower Facility Agreement;
- (l) *twelfth*, in or towards satisfaction of any amounts due in respect of any Class A1 Step-Up Amounts;
- (m) *thirteenth*, in or towards satisfaction of any amounts due in respect of any Class B Step-Up Amounts;
- (n) *fourteenth*, in or towards satisfaction of any other amounts (but excluding any sums referred to in paragraph (b)(iii) above) due to the Inland Revenue;
- (o) *fifteenth*, in or towards satisfaction of any amount due to the Initial Borrower under the Issuer/Borrower Facility Agreement (other than amounts due under paragraph (k) above); and
- (p) *sixteenth*, the surplus (if any) to the Issuer (which may be applied by the Issuer in paying dividends on its ordinary share capital) or to other persons entitled thereto.

In addition to the payments described above, on any Interest Payment Date after the Closing Date but prior to the service of a Note Acceleration Notice, the Issuer will be entitled to the extent permissible by law to pay a dividend to the Issuer Parent until such time as it has paid dividends in an aggregate amount of £15,000 to the Issuer Parent, which amount, together with the provision for corporation tax on the profits out of which any such amount is paid, will be provided for as if it were at paragraph (c) of the Issuer Pre-Acceleration Priority of Payments. Once the Issuer has paid dividends in an aggregate amount of £15,000 to the Issuer Parent, the Issuer will not be entitled to pay any further amount by way of dividend to the Issuer Parent other than out of the surplus described at paragraph (p) above.

Furthermore, notwithstanding the above, to the extent that the Issuer receives any termination payment from the Swap Counterparty on termination of any transaction entered into under the Interest Rate Swap Agreement and such termination payment is not required to be paid by the Issuer to a

replacement swap provider in respect of replacement swap transactions and the Issuer has an obligation to pay a corresponding amount to the Initial Borrower in respect of the termination of the relevant transactions under the Issuer/Borrower Swap Agreement, the Issuer shall be entitled to make such payment directly to the Initial Borrower on any day.

To the extent that the Issuer's funds on the relevant Interest Payment Date are insufficient to make payments under paragraphs (a) to (i) of the Issuer Pre-Acceleration Priority of Payments, the Issuer may make a drawing under the Liquidity Facility or, to the extent amounts have been credited thereto, from the Liquidity Facility Reserve Account (all as further described in the section entitled "*Liquidity Facility Agreement*" below).

#### *Issuer Post-Acceleration Priority of Payments*

All monies received or recovered by the Issuer Security Trustee or any Receiver appointed under the Issuer Deed of Charge following the service of a Note Acceleration Notice, other than (a) amounts standing to the credit of the Liquidity Facility Reserve Account (which are to be paid directly and only to the Liquidity Facility Provider) and (b) any Swap Collateral Amounts (which are to be applied in returning collateral to, or in satisfaction of amounts owing by, the Swap Counterparty in accordance with the Interest Rate Swap Agreement) will be applied in accordance with the following priority of payments (the "**Issuer Post-Acceleration Priority of Payments**" and, together with the Issuer Pre-Acceleration Priority of Payments, the "**Issuer Priorities of Payments**") including in each case any amount in respect of value added tax payable thereon provided that no such payments shall be made unless and until (if in the sole discretion of the Issuer Security Trustee and/or the Note Trustee it is expedient to do so) a reserve fund is first established in the amount of £750,000 (or such lesser or greater amount as the Issuer Security Trustee and/or the Note Trustee may reasonably determine) on account of any contingent costs, charges, liabilities, indemnities and expenses which in the opinion of the Issuer Security Trustee and/or the Note Trustee (as the case may be) may be incurred by the Issuer Security Trustee and/or the Note Trustee under the Transaction Documents:

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of the fees, other remuneration and indemnity payments (if any) payable to:
  - (i) the Issuer Security Trustee and any Receiver and other appointees (if any) appointed by the Issuer Security Trustee under the Issuer Deed of Charge and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee, any Receiver and other appointees (if any) (as the case may be) under the provisions of the Issuer Deed of Charge and any other amounts payable to the Issuer Security Trustee under the Issuer Deed of Charge and any of the other Transaction Documents, together with interest thereon as provided for therein; and
  - (ii) the Note Trustee and any costs, charges, liabilities and expenses incurred by the Note Trustee under any of the other Transaction Documents together with interest thereon as provided for therein;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of any amounts due and owing by the Issuer in respect of:
  - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents and the Agent Bank incurred under the Agency Agreement;
  - (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than in respect of any interest, principal and any other amounts which are payable pursuant to paragraph (c) below or any Liquidity Subordinated Amounts);
  - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Account Bank under the Account Bank and Cash Management Agreement;
  - (iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Cash Manager under the Account Bank and Cash Management Agreement; and
  - (v) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Corporate Services Provider under the Corporate Services Agreement;

- (c) *third*, in or towards satisfaction of payment of all amounts of principal, interest and other amounts due but unpaid to the Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) under the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata*, of the amounts due in respect of all amounts due but unpaid to:
  - (i) the Swap Counterparty under the Interest Rate Swap Agreement; and
  - (ii) any other swap counterparty under any swap agreement entered into by the Issuer,
 in the case of paragraphs (i) and (ii), such amounts to include any Swap Termination Payments (other than any Swap Subordinated Amounts);
- (e) *fifth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of interest due but unpaid under the Class A1 Notes and the Class A2 Notes (other than any Class A1 Step-Up Amounts);
- (f) *sixth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of principal and all other amounts then due under the Class A1 Notes and the Class A2 Notes (other than any Class A1 Step-Up Amounts);
- (g) *seventh*, in or towards satisfaction of all amounts of interest due but unpaid under the Class B Notes (other than any Class B Step-Up Amounts);
- (h) *eighth*, in or towards satisfaction, of all amounts of principal and all other amounts then due under the Class B Notes (other than any Class B Step-Up Amounts);
- (i) *ninth*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the amounts due in respect of:
  - (i) any Liquidity Subordinated Amounts; and
  - (ii) any Swap Subordinated Amounts;
- (j) *tenth*, in or towards satisfaction of any amounts to be paid to the Initial Borrower by way of refund of any tax credits to the extent received in cash in connection with the Issuer/Borrower Swap Agreement or the Issuer/Borrower Facility Agreement;
- (k) *eleventh*, in or towards satisfaction of any amounts due in respect of any Class A1 Step-Up Amounts;
- (l) *twelfth*, in or towards satisfaction of any amounts due in respect of any Class B Step-Up Amounts;
- (m) *thirteenth*, in or towards satisfaction of any amount due to the Initial Borrower under the Issuer/Borrower Facility Agreement (other than amounts due under paragraph (j) above); and
- (n) *fourteenth*, the surplus (if any) to the Issuer or to any other person entitled thereto.

Notwithstanding the above, to the extent that the Issuer receives any termination payment from the Swap Counterparty on termination of any transaction entered into under the Interest Rate Swap Agreement and the Issuer has an obligation to pay a corresponding amount to the Initial Borrower in respect of the termination of the relevant transactions under the Issuer/Borrower Swap Agreement, the Issuer shall be entitled to make such payment directly to the Initial Borrower on any day.

### **Definitions**

For the above purposes:

“**Liquidity Subordinated Amounts**” means, in relation to the Liquidity Facility the aggregate of any amounts payable by the Issuer to the Liquidity Facility Provider in respect of its obligation (i) to gross-up any payments made by it in respect of the Liquidity Facility as a result of the Issuer being obliged to withhold or deduct an amount for or on account of tax from such payments as a result of the Liquidity Facility Provider ceasing to be an eligible liquidity facility provider or (ii) to pay amounts payable on an accelerated basis as a result of illegality (excluding accrued interest, principal and commitment fees) on the part of the Liquidity Facility Provider or (iii) certain costs associated with the replacement of any Liquidity Facility Provider; and



**“Swap Excluded Amounts”** means:

- (a) if the transactions under the Interest Rate Swap Agreement are terminated in circumstances where the Issuer enters into a replacement interest rate swap agreement, amounts received by the Issuer (the **“Swap Replacement Amounts”**):
  - (i) from the Swap Counterparty by way of termination payments relating to the termination of the transactions under the Interest Rate Swap Agreement to the extent of the amount (if any) payable to the replacement swap counterparty in consideration for the entry by such replacement swap counterparty into the replacement interest rate swap agreement and the replacement transactions thereunder (which amounts are to be applied by the Issuer in payment of such amounts to the replacement swap counterparty); or
  - (ii) from any replacement swap provider in respect of the entry by the Issuer into the replacement interest rate swap agreement and the replacement transactions thereunder to the extent of the termination payment (if any) due to the replaced Swap Counterparty under the Interest Rate Swap Agreement (which amounts are to be applied by the Issuer in payment of such termination payment due to the Swap Counterparty); and
- (b) amounts standing to the credit of the Swap Collateral Ledgers or representing amounts attributable to assets transferred as collateral by the Swap Counterparty following the occurrence of a ratings downgrade of the Swap Counterparty (being **“Swap Collateral Amounts”**) (which are to be applied in returning collateral to, or in satisfaction of amounts owing by, the Swap Counterparty in accordance with the Interest Rate Swap Agreement).

### **Governing Law**

The Issuer Deed of Charge will be governed by English law.

### **Account Bank and Cash Management Agreement**

The Obligors, the Issuer, the Borrower Security Trustee, the Issuer Security Trustee, the Cash Manager and the Account Bank will, on or before the Closing Date, enter into the Account Bank and Cash Management Agreement pursuant to which the Cash Manager will be appointed to act as cash manager in respect of amounts standing from time to time to the credit of the Obligor Accounts and the Issuer Accounts.

In this section, the Account Bank and Cash Management Agreement will be described insofar as it relates to the Issuer and the Issuer Accounts. For details concerning the Account Bank and Cash Management Agreement insofar as it relates to the Obligors and the Obligor Accounts, see the section entitled *“Description of the Borrower Transaction Documents – Account Bank and Cash Management Agreement”* above.

The Cash Manager may, in certain circumstances, without the consent of the Issuer Security Trustee, sub-contract or delegate its obligations in respect of the Issuer Accounts under the Account Bank and Cash Management Agreement. Notwithstanding any subcontracting or delegation of the performance of any of its obligations under the Account Bank and Cash Management Agreement, the Cash Manager will not be released or discharged from any liability thereunder and will remain responsible for the performance of its obligations under the Account Bank and Cash Management Agreement by any sub-contractor or delegate. In return for the services provided, the Cash Manager will receive a quarterly fee.

The Cash Manager will give the Account Bank all directions necessary to enable the Account Bank to operate the Issuer Accounts in accordance with the terms of the Account Bank and Cash Management Agreement and normal banking practice.

The Account Bank represents and warrants that it is an Eligible Bank.

### **Issuer Accounts**

Under the Account Bank and Cash Management Agreement, the Cash Manager is appointed to, among other things, (a) manage the Issuer Transaction Account and the Liquidity Facility Reserve Account (together, the **“Issuer Accounts”**) and (b) act as agent of the Issuer in connection with the Liquidity Facility Agreement in the circumstances set out therein. In particular, the Cash Manager will (subject to the satisfaction of certain conditions) be entitled to procure that certain funds standing to the credit of the Issuer Accounts (other than the Liquidity Facility Reserve Account) are invested in

Eligible Investments to be determined by or on behalf of the Issuer provided that the Issuer enters into such additional documents, and obtains the provision of any legal opinions requested by the Issuer Security Trustee in respect thereof, as the Issuer Security Trustee may require for the Issuer to grant first fixed security over its interest in any such Eligible Investments acquired.

The Account Bank will undertake not to exercise any rights of set-off, lien, counterclaim or consolidation of accounts in respect of the Issuer Accounts.

#### *Issuer Transaction Account*

The Issuer has established the Issuer Transaction Account for the purpose of, *inter alia*, receiving payments from the Obligors and making payments in accordance with the relevant Issuer Priority of Payments.

The Cash Manager will maintain a ledger in respect of the Issuer Transaction Account (the “**Swap Collateral Ledger**”), to which it will credit all cash collateral transferred by the Swap Counterparty and all other amounts attributable to assets transferred as collateral by the Swap Counterparty. The Cash Manager will also maintain a record of all other collateral (and the income in respect thereof) transferred by the Swap Counterparty. Cash and other assets transferred as collateral will be applied first (subject to obtaining the consent of the Issuer Security Trustee) in returning collateral (and income thereon) to, or in satisfaction of amounts owing by, the Swap Counterparty who has transferred such collateral in accordance with the Interest Rate Swap Agreement and will not be applied in accordance with the applicable Issuer Priority of Payments.

#### *Liquidity Facility Reserve Account*

The Issuer has established a Liquidity Facility Reserve Account with the Account Bank for the purpose of receiving and subsequently applying the Liquidity Facility Reserve Amount as more particularly described in the section entitled “*Liquidity Facility Agreement*” below.

#### **Requirement for Eligible Bank**

If the Account Bank ceases to be an Eligible Bank, the Issuer will be required to arrange for the transfer of the relevant accounts to an Eligible Bank on terms acceptable to the Issuer Security Trustee.

#### **Governing Law**

The Account Bank and Cash Management Agreement will be governed by English law.

#### **Liquidity Facility Agreement**

On the Closing Date, the Issuer will enter into a liquidity facility agreement (the “**Liquidity Facility Agreement**”) pursuant to which the Liquidity Facility Provider will provide a 364-day committed sterling revolving liquidity facility to permit drawings to be made of up to a maximum aggregate principal amount of £69 million (this amount may reduce in accordance with the terms of the Liquidity Facility Agreement but will be required to remain equal to at least 18 months peak Debt Service) (as reduced or cancelled or renewed from time to time under the Liquidity Facility Agreement, the “**Liquidity Facility**”), in circumstances where the Issuer has insufficient funds available on any Interest Payment Date which falls within such 364-day period to pay in full any of the items specified in paragraphs (a) to (i) (inclusive) of the Issuer Pre-Acceleration Priority of Payments (such insufficiency being a “**Liquidity Shortfall**”) provided its drawdown conditions are satisfied. However, the maximum aggregate amount of the Liquidity Facility available to be drawn to pay interest and principal in respect of the Class B Notes will be limited to £15 million until such time as the Class B Notes are the most senior ranking class of Notes outstanding. The Liquidity Facility Provider may, at its discretion, if requested to do so by the Issuer, renew the commitment period of the Liquidity Facility for a further 364-day period.

Provided that the Liquidity Facility Provider meets certain requirements and complies with certain obligations, if any amounts are required to be deducted or withheld for or on account of tax from any payment made by the Issuer to the Liquidity Facility Provider under the Liquidity Facility Agreement, the amount of the payment due from the Issuer will be increased to the extent necessary to ensure that, after such deduction or withholding has been made, the amount received by the Liquidity Facility Provider is equal to the amount that it would have received had no such withholding or deduction been required to be made.

The Liquidity Facility Agreement will provide that the Liquidity Facility Provider may, upon the occurrence of certain events in respect of the Issuer (including breach of representations and insolvency related events), declare all outstanding drawings under the Liquidity Facility to be immediately due and payable regardless of whether a Note Enforcement Notice has been delivered by the Issuer Security Trustee. Upon the occurrence of any such event, undrawn portions of the Liquidity Facility may be cancelled and the amounts available under the Liquidity Facility may be reduced to zero.

In addition, the Liquidity Facility Agreement will provide that (a) if the Liquidity Facility Provider declines to renew the commitment period of the Liquidity Facility upon request by the Issuer and/or (b) the Liquidity Facility Provider's short term, unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least the Minimum Short-Term Ratings and, in either case, the Issuer is unable within a period of 10 days to find a replacement Liquidity Facility Provider with the Minimum Short-Term Ratings ((b) being a "**Liquidity Downgrade Event**" and each of (a) and (b) being a "**Liquidity Event**"), the Issuer will be entitled to require the Liquidity Facility Provider to pay into a designated bank account of the Issuer (the "**Liquidity Facility Reserve Account**"), maintained with the Liquidity Facility Provider for so long as the Liquidity Facility Provider has the Minimum Short-Term Ratings (or otherwise with the Account Bank or other bank, the short term, unsecured, unsubordinated and unguaranteed debt obligations of which are rated at least the Minimum Short-Term Ratings and which is within the charge to United Kingdom corporation tax) an amount equal to its undrawn commitment under the Liquidity Facility Agreement (the "**Standby Deposit**").

The Standby Deposit itself and the Liquidity Facility Reserve Account will not be available to the Issuer Secured Creditors generally.

Amounts standing to the credit of the Liquidity Facility Reserve Account which represent a Standby Deposit will, subject to the Issuer Deed of Charge, be available to the Issuer by way of liquidity drawing in the event of there being a Liquidity Shortfall in the circumstances provided in the Liquidity Facility Agreement. Such a liquidity drawing will accrue interest and be repayable as previously described, except that, until the Liquidity Facility Provider is replaced or the Liquidity Event which gave rise to the Standby Deposit is remedied, repayment will be made into the Liquidity Facility Reserve Account. Any costs incurred by the Issuer in obtaining a replacement liquidity facility or in utilising the Liquidity Facility will be borne by the Borrowers.

Following the delivery by the Issuer Security Trustee of a Note Enforcement Notice to the Issuer, any amounts then standing to the credit of the Liquidity Facility Reserve Account which represent the Standby Deposit will be paid to the Liquidity Facility Provider and will not be available to the Noteholders.

### **Governing Law**

The Liquidity Facility Agreement will be governed by English law.

### **Interest Rate Swap Agreement**

The Issuer will, on or before the Closing Date, enter into the Interest Rate Swap Agreement with the Swap Counterparty in order to hedge the obligations of the Issuer with respect to (a) the floating rate component of interest payments under the Class A1 Notes and (b) the floating rate component of interest payments under the Class B Notes from and including the Class B Step-Up Date. The transactions under the Interest Rate Swap Agreement will take the form of fixed/floating interest rate swaps and/or other appropriate arrangements acceptable to the Rating Agencies from time to time.

Pursuant to the terms of the Interest Rate Swap Agreement, on each Interest Payment Date commencing in June 2005 (or, in the case of the Class B Notes, commencing on the Class B Step-Up Date) and ending on the Final Maturity Date of the applicable class of Notes, the Issuer will make fixed rate payments (the fixed rate component of which in respect of the Class A1 Notes will increase after the Class A1 Step-Up Date) to the Swap Counterparty in sterling which the Issuer will fund using interest payments which it receives from the Initial Borrower under the Issuer/Borrower Facility Agreement and payments received by it under the Issuer/Borrower Swap Agreement. The Swap Counterparty will, on the corresponding Interest Payment Date, make floating rate payments in sterling (calculated by reference to LIBOR) to the Issuer. The amounts payable by the Issuer and the Swap Counterparty under the Interest Rate Swap Agreement will be netted so that only a net amount will be due from the Issuer or the Swap Counterparty (as the case may be) on an Interest Payment Date.

The swap rate for the Issuer will be 5.155 per cent.

### ***Ratings downgrade of the Swap Counterparty***

If the ratings assigned to the long-term and/or short term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are downgraded below the Minimum Long-Term Ratings and/or the Minimum Short-Term Ratings and the then current rating of the outstanding Notes are downgraded or placed under a review for a possible downgrade, the Swap Counterparty will be required within 30 days thereof to take one of certain remedial measures which may include (i) the provision of collateral for its obligations under the Interest Rate Swap Agreement; (ii) the transfer of its obligations under the Interest Rate Swap Agreement to a replacement swap counterparty who has the Minimum Short-Term Ratings and the Minimum Long-Term Ratings; (iii) procuring another person who has the Minimum Short-Term Ratings and the Minimum Long-Term Ratings to become a co-obligor or to guarantee the obligations of the Swap Counterparty; or (iv) taking such other action as it may agree with the relevant Rating Agency.

If the ratings assigned to the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are downgraded below “A-3” by S&P or “F2” by Fitch, the Swap Counterparty will be required to take one of certain further remedial measures which may include transferring its obligations under the relevant Interest Rate Swap Agreement to a replacement swap counterparty who has the Minimum Short-Term Ratings and the Minimum Long-Term Ratings, or procuring another person who has the Minimum Short-Term Ratings and the Minimum Long-Term Ratings to guarantee the obligations of the Swap Counterparty.

### ***Consequences of failure to take remedial action***

A failure by the Swap Counterparty to take the required remedial action following a ratings downgrade will, subject to certain conditions, give the Issuer a right to terminate the transactions under the Interest Rate Swap Agreement.

### ***Excess collateral***

The Cash Manager will maintain the Swap Collateral Ledger in respect of collateral transferred by the Swap Counterparty as more particularly described in the section entitled “*Account Bank and Cash Management Agreement – Issuer Accounts – Issuer Transaction Account*” above and Swap Collateral Amounts will not be applied in accordance with the applicable Issuer Priority of Payments. Accordingly, any collateral transferred by the Swap Counterparty in accordance with the Interest Rate Swap Agreement which (i) is in excess of the termination amount that it would otherwise be required to pay to the Issuer under the Interest Rate Swap Agreement; or (ii) it is entitled to have returned to it under the Interest Rate Swap Agreement will be returned to the Swap Counterparty directly (and as a consequence, prior to the distribution of any amounts due to the Noteholders or the other Issuer Secured Creditors).

### ***Termination rights and payments***

Each transaction (or in certain circumstances, part thereof) entered into under the Interest Rate Swap Agreement may be terminated by one party if (i) an applicable event of default (including a failure to pay or certain insolvency-related events) or termination event (including an illegality or certain tax events (each as specified in the Interest Rate Swap Agreement)) occurs in relation to the other party; (ii) the relevant class of Notes is redeemed, repurchased or cancelled (in each case, in full and in certain circumstances, in part) prior to their stated maturity; or (iii) a Note Acceleration Notice or a Note Enforcement Notice is served.

If any transaction under an Interest Rate Swap Agreement is terminated, whether in whole or in part, prior to its stated termination date, a termination amount may be payable by one party to the other. Any such termination amount may be substantial and if payable to the Swap Counterparty, will, other than in limited circumstances, rank in priority to amounts due to the Noteholders.

### ***Transfer***

The Swap Counterparty may at its discretion and its own cost transfer all of its rights and obligations under the Interest Rate Swap Agreement to a third party, provided that, *inter alia*, such third party has the Minimum Long-Term Ratings and the Minimum Short-Term Ratings or its performance under the Interest Rate Swap Agreement and the related transactions will be guaranteed in full by the relevant Swap Counterparty.

## **Security and Ranking**

The Issuer's obligations to the Swap Counterparty under the Interest Rate Swap Agreement will be secured pursuant to the Issuer Deed of Charge. Such obligations (other than in respect of Swap Subordinated Amounts) will rank senior to the obligations of the Issuer to the Noteholders.

## **Withholding Tax**

All payments to be made by either party under the Interest Rate Swap Agreements are to be made without deduction or withholding for or on account of tax unless such deduction or withholding is required by applicable law.

If one party is required to make such a deduction or withholding from any payment to be made to the other party under the Interest Rate Swap Agreement (the requirement to deduct or withhold being a "**Tax Termination Event**" in respect of the party obliged to make such deduction or withholding), the sum to be paid will be increased to the extent necessary to ensure that, after that deduction or withholding is made, the amount received by the other party is equal to the amount which that other party would have received had that deduction or withholding not been required to be made. The Issuer will fund this cost through a liquidity drawing which is ultimately paid by the Borrowers by way of the Ongoing Facility Fee. Alternatively, the Borrowers may, in these circumstances, exercise their right to prepay the Term A1 Advances and, on and following the Class B Step-Up Date, the Term B Advances in order to fund payments on the Notes and therefore terminate the transactions under the Interest Rate Swap Agreement.

If a Tax Termination Event occurs, the party required to pay an increased amount may terminate the Interest Rate Swap Agreement, subject to the Swap Counterparty being required to use reasonable efforts to transfer its rights and obligations in respect of the Interest Rate Swap Agreement such that payments made by and to that third party swap provider under the Interest Rate Swap Agreement can be made without any deduction or withholding for or on account of tax. In addition, as a condition precedent to the right of the Issuer to terminate the transactions under the Interest Rate Swap Agreement, the Ratings Test must be satisfied notwithstanding such termination.

## **Further Notes and New Notes**

Should the Issuer issue Further Notes or New Notes, any of which bear a floating rate of interest, then the Issuer will enter into further interest rate swap transactions with the Swap Counterparty or a suitably rated swap counterparty acceptable to the Rating Agencies in order to hedge any interest rate risk associated with the payments due on such Notes. The Swap Counterparty is not obliged to enter into any further swap transactions.

## **Governing Law**

The Interest Rate Swap Agreement will be governed by English law.

## **Corporate Services Agreement**

On or before the Closing Date, the Issuer will enter into a corporate services agreement (the "**Corporate Services Agreement**") with Law Debenture Corporate Services Limited whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX (as Corporate Administrator) and the Issuer Security Trustee under which the Corporate Services Provider will agree to provide certain corporate administration services to the Issuer. The Corporate Services Provider will be entitled to charge a fee per annum payable annually in advance on an Interest Payment Date, subject to the Issuer having sufficient funds available to pay it out of Issuer Available Funds having paid all other higher ranking amounts in the relevant Issuer Priority of Payments.

The Corporate Services Provider may resign its appointment upon not less than 30 days' written notice to the Issuer (with a copy to the Issuer Security Trustee), provided that:

- (a) if such resignation would otherwise take effect less than 30 days before or after the latest Final Maturity Date or any other date for redemption of the Notes or any Interest Payment Date in relation to the Notes, it shall not take effect until the thirtieth day following such date; and
- (b) no resignation by or termination or revocation of the appointment of the Corporate Services Provider shall take effect until a successor has been duly appointed in accordance with the Corporate Services Agreement.

The Issuer may (with the prior written approval of the Issuer Security Trustee) revoke its appointment of the Corporate Services Provider by not less than 30 days' notice to the Corporate Services Provider (with a copy to the Issuer Security Trustee).

In addition, the appointment of the Corporate Services Provider shall terminate forthwith if:

- (i) in the reasonable opinion of the Issuer, the Corporate Services Provider becomes incapable of acting; or
- (ii) certain insolvency events occur in relation to the Corporate Services Provider.

If the appointment of the Corporate Services Provider is terminated, the Issuer undertakes that it will forthwith (with the prior written consent of the Issuer Security Trustee, such consent not to be unreasonably withheld or delayed) appoint a successor.

The Corporate Services Agreement will be governed by English law.

## USE OF PROCEEDS

The net proceeds from the issue of the Class A1 Notes will be £150,000,000, the net proceeds from the issue of the Class A2 Notes will be £320,000,000 and the net proceeds from the issue of Class B Notes will be £130,000,000.

On the Closing Date, the Issuer will, subject to and in accordance with the Issuer/Borrower Facility Agreement, as described in the section entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement*” above, apply the aggregate net proceeds from the issue of the Notes to make the Initial Term Advances to the Initial Borrower in an aggregate principal amount of £600,000,000.

On the Closing Date, upon receipt by the Initial Borrower of the Initial Term Advances from the Issuer, the Initial Borrower will apply the proceeds as follows:

- (a) in or towards discharging the consideration for the acquisition (the “**Acquisition**”) by the Initial Borrower of the assets and undertaking of certain pubs from GKRNo. 2 and the acquisition of certain pub owning companies within the GK Group, namely the Sapphire Companies (see the section entitled “*Corporate Reorganisation*” below); and/or
- (b) in or towards the payment of costs and expenses relating to the Acquisition and the other transactions described by or contemplated by this document.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales under the Companies Act 1985 (as amended) on 14 January, 2005 as a public company with limited liability under the name Greene King Finance plc with company number 05333192. The registered office of the Issuer is Fifth Floor, 100 Wood Street, London EC2V 7EX. The authorised share capital of the Issuer is £50,000 divided into 50,000 ordinary shares of £1 each, 50,000 of which are issued. 49,999 of those shares are held by Greene King Finance Parent Limited (the “**Issuer Parent**”) and one is held by Law Debenture Corporate Services Limited (on trust for the Issuer Parent).

### Principal Activities

The objects of the Issuer are set out in clause 4 of its Memorandum of Association, pursuant to which the Issuer is permitted, *inter alia*, to issue the Notes and to lend the proceeds thereof to the Borrowers.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation and issue of the Notes and of the other documents and matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

There is no intention to accumulate surpluses in the Issuer except in circumstances set out in “*Description of the Issuer Transaction Documents – Issuer Deed of Charge*” above.

The Issuer will covenant to observe certain restrictions on its activities which are set out in Condition 5 (*Covenants*).

### Directors and Company Secretary

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
L.D.C. Securitisation Director No.3 Limited	Fifth Floor, 100 Wood Street London EC2V 7EX	Acting as corporate director of special purpose companies
L.D.C. Securitisation Director No. 4 Limited	Fifth Floor, 100 Wood Street London EC2V 7EX	Acting as corporate director of special purpose companies

The sole director of L.D.C. Securitisation Director No. 3 Limited and L.D.C. Securitisation Director No. 4 Limited and its principal activity is:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Law Debenture Securitisation Services Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Provision of directors for special purpose companies

The affairs of L.D.C. Securitisation Director No. 3 Limited and L.D.C. Securitisation Director No. 4 Limited and Law Debenture Securitisation Services Limited are represented by its directors Denyse Monique Anderson, Julian Robert Mason-Jebb and Richard David Rance each of whose business address is at Fifth Floor, 100 Wood Street, London EC2V 7EX and each of whose principal activities are as director of The Law Debenture Trust Corporation p.l.c.

The company secretary of the Issuer is Law Debenture Corporate Services Limited.

As at the date hereof, the Issuer has no employees, non-executive directors or premises.



## Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Issuer extracted from the unaudited records of the Issuer as the date of this document, as adjusted for the issue of the Notes, is as follows:

### Share capital

#### *Authorised:*

£50,000 divided into 50,000 ordinary shares of £1 each	£50,000
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#### *Issued:*

50,000 ordinary shares of £1 each, 49,998 issued paid up as to £0.25 and 2 issued fully paid	£12,501.50
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### Loan Capital

150,000,000 Class A1 Secured Floating Rate Notes due 2031	£150,000,000
320,000,000 Class A2 Secured 5.318 per cent. Notes due 2031	£320,000,000
130,000,000 Class B Secured Fixed/Floating Rate Notes due 2034	£130,000,000

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<b>Total capitalisation and indebtedness:</b>	<b>£600,012,501.50</b>
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Save for the foregoing, as at the date of this document, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees or other contingent liabilities.

## **Accountants' Report**

The following is the text of a report received by the directors of the Issuer from Ernst & Young LLP, registered auditors, reporting accountants to the Issuer.

Ernst & Young LLP  
Compass House  
80 Newmarket Road  
Cambridge  
CB5 8DZ

The Directors  
Greene King Finance plc  
Fifth Floor  
100 Wood Street  
London  
EC2V 7EX

3 March 2005

Dear Sirs

### **Introduction**

We report in connection with the issue by Greene King Finance plc (the "Issuer" or the "Company"), a subsidiary of Greene King Finance Parent Limited, of £150,000,000 Class A1 Secured Floating Rate Notes due 2031 (the "Class A1 Notes"), £320,000,000 Class A2 Secured 5.318 per cent. Notes due 2031 (the "Class A2 Notes) and £130,000,000 Class B Secured Fixed/Floating Rate Notes due 2034 (the "Class B Notes").

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 3 March, 2005 of the Issuer (the "Offering Circular").

The Issuer was incorporated on 14 January, 2005 with the name Greene King Finance plc as a public company limited by shares. The Issuer has not yet commenced to trade and has not paid or declared a dividend.

### **Basis of Preparation**

The financial information set out below is based on the non-statutory audited financial statements of the Issuer for the period from incorporation to 6 February, 2005 to which no adjustments were considered necessary.

### **Responsibility**

Such financial statements are the responsibility of the directors of the Issuer who approved their issue.

The directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

### **Basis of Opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the non-statutory financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Issuer as at 6 February, 2005.

### 1 Balance Sheet

	<i>Notes</i>	<i>At 6 February, 2005 £</i>
<b>Current Assets</b>		
Cash at bank and in hand		12,501.50
		<hr/> 12,501.50 <hr/>
<b>Capital and Reserves</b>		
Called up share capital	3	12,501.50
Total Equity Shareholders Funds		<hr/> 12,501.50 <hr/>

### 2 Accounting Policies

#### Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

### 3 Share Capital

At 6 February, 2005 the authorised share capital of the Company was 50,000 ordinary shares of £1 each. On incorporation, Greene King Finance Parent Limited subscribed for one ordinary share of £1 and Law Debenture Corporate Services Limited subscribed for one further ordinary share of £1, each fully called up, for consideration of £1 per share.

On 21 January, 2005, 49,998 ordinary shares were allotted to Greene King Finance Parent Limited with £0.25 called up and paid.

At 6 February, 2005 the issued share capital was 50,000 £1 ordinary shares of which 2 were fully paid and 49,998 were called up as to £0.25 per share, resulting in called up share capital amounting to £12,501.50.

### 4 Parent Undertaking and Controlling Party

The immediate parent undertaking of the Company is Greene King Finance Parent Limited. The directors consider the controlling party of Greene King Finance plc to be The Law Debenture Intermediary Corporation plc, which holds its shares in Greene King Finance Parent Limited under a charitable trust.

Yours faithfully

Ernst & Young LLP

## ISSUER PARENT

### Introduction

Issuer Parent was incorporated in England and Wales on 23 December, 2004 as a company with limited liability under the name Greene King Finance Parent Limited with company number 05320993. The registered office of Issuer Parent is Fifth Floor, 100 Wood Street, London EC2V 7EX. The authorised share capital of Issuer Parent is £2 divided into 2 ordinary shares of £1 each, all of which are issued and are credited as fully paid. The issued fully paid ordinary shares are held on behalf of charitable trusts by The Law Debenture Intermediary Corporation p.l.c..

### Principal Activities

The objects of Issuer Parent are set out in clause 3 of its Memorandum of Association, pursuant to which Issuer Parent is permitted, *inter alia*, to hold the shares in the Issuer.

Issuer Parent has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and those matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

There have been no recent developments (save for the transactions referred to or contemplated in this document) with respect to Issuer Parent since 23 December, 2004 (being the date of its incorporation).

There is no intention to accumulate surpluses in Issuer Parent.

### Directors and Company Secretary

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
L.D.C. Securitisation Director No. 3 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate director of special purpose companies
L.D.C. Securitisation Director No. 4 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate director of special purpose companies

The sole director of L.D.C. Securitisation Director No. 3 Limited and L.D.C. Securitisation Director No. 4 Limited and its principal activity is:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Law Debenture Securitisation Services Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Provision of directors for special purpose companies

The affairs of L.D.C. Securitisation Director No. 3 Limited and L.D.C. Securitisation Director No. 4 Limited and Law Debenture Securitisation Services Limited are represented by its directors Denyse Monique Anderson, Julian Robert Mason-Jebb and Richard David Rance each of whose business address is a Fifth Floor, 100 Wood Street, London EC2V 7EX and each of whose principal activities are as director of The Law Debenture Trust Corporation p.l.c.

The company secretary of Issuer Parent is Law Debenture Corporate Services Limited.

As at the date hereof, the Issuer Parent has no employees, non-executive directors or premises.

## Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Issuer Parent extracted from the unaudited records of the Issuer Parent as the date of this document is as follows:

### Share capital

*Authorised:*

£2 divided into 2 ordinary shares of £1 each	£2
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*Issued:*

2 ordinary shares of £1, issued fully paid or credited as fully paid	£2
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### Loan Capital

Loan from The Law Debenture Intermediary Corporation p.l.c.	£12,500
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<b>Total capitalisation and indebtedness</b>	<b>£12,502</b>
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Save for the foregoing, as at the date of this document, Issuer Parent has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees or other contingent liabilities.

## THE INITIAL BORROWER

### Introduction

The Initial Borrower was incorporated in England and Wales under the Companies Act 1985 (as amended) on 20 October, 2004 as a private company with limited liability with company number 5265451 under the name of Hackremco (No. 2204) Limited. The company then changed its name to Greene King Retailing Limited pursuant to a special resolution dated 17 December, 2004. The registered office of the Initial Borrower is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT. The authorised share capital of the Initial Borrower is £100 divided into 100 ordinary shares of £1 each, of which one is issued and held by the Securitisation Group Parent.

### Principal Activities of the Initial Borrower

The principal objects of the Initial Borrower are set out in clause 3 of its Memorandum of Association and include the purchase of any property (real or personal) or assets to deal with the same in such manner as may be thought fit and to borrow and raise money in such manner as may be thought fit.

The Initial Borrower has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and those matters referred to or contemplated in this document and any matters which are incidental or ancillary to the foregoing.

The Initial Borrower will covenant to observe certain restrictions on its activities which are further described in “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement*” above.

### Directors and Company Secretary of the Initial Borrower

The directors of the Initial Borrower and their respective business addresses and occupations are:

<b>Name</b>	<b>Business Address</b>	<b>Occupation</b>
Timothy John Walter Bridge	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
Michael St. John Shallow	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
Rooney Anand	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
Mark David Angela	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
David John Elliott	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director

The company secretary of the Initial Borrower is Lindsay Anne Keswick.

As at the date hereof, the Initial Borrower has no employees, non-executive directors or premises.

## Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Initial Borrower extracted from the unaudited records of the Initial Borrower as at that date of this document, as adjusted for the Term Advances, is as follows:

### Share capital

*Authorised:*

£100 divided into 100 ordinary shares of £1 each	£100
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*Issued:*

1 ordinary share of £1, issued fully paid or credited as fully paid	£1
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### Loan Capital

£150,000,000 Term A1 Facility	£150,000,000
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£320,000,000 Term A2 Facility	£320,000,000
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£130,000,000 Term B Facility	£130,000,000
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Initial Borrower Subordinated Loan from Greene King plc	£215,239,719
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<b>Total capitalisation and indebtedness:</b>	<b>£815,239,719</b>
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Save for the foregoing, at the date of this document, the Initial Borrower does not have any borrowings or indebtedness in the nature of borrowings apart from intra-group liabilities (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees or other contingent liabilities.

## Accountants' Report

The following is the text of a report received by the directors of the Issuer from Ernst & Young LLP, registered auditors, reporting accountants to the Issuer.

Ernst & Young LLP  
Compass House  
80 Newmarket Road  
Cambridge  
CB5 8DZ

The Directors  
Greene King Finance plc  
Fifth Floor  
100 Wood Street  
London  
EC2V 7EX

3 March, 2005

Dear Sirs

### Introduction

Greene King Finance plc (the "Issuer"), a subsidiary of Greene King Finance Parent Limited, is to issue £150,000,000 Class A1 Secured Floating Rate Notes due 2031 (the "Class A1 Notes"), £320,000,000 Class A2 Secured 5.318 per cent. Notes due 2031 (the "Class A2 Notes") and £130,000,000 Class B Secured Fixed/Floating Rate Notes due 2034 (the "Class B Notes").

We report on the financial information of Greene King Retailing Limited (the "Initial Borrower" or the "Company") set out below. This financial information has been prepared for inclusion in the Offering Circular dated 3 March, 2005 of the Issuer (the "Offering Circular").

### Basis of Preparation

The financial information set out below is based on the non-statutory audited financial statements of the Initial Borrower, for the period from incorporation to 6 February, 2005 to which no adjustments were considered necessary.

### Responsibility

Such financial statements are the responsibility of the directors of the Initial Borrower who approved their issue.

The directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

### Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the non-statutory financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that



the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Initial Borrower as at 6 February, 2005.

### 1 Balance Sheet

	<i>Notes</i>	<i>At 6 February, 2005 £</i>
<b>Fixed Assets</b>		
Investment in subsidiary undertaking	3	1
		<hr/> 1
<b>Capital and Reserves</b>		
Called up share capital	4	1
		<hr/> 1
<b>Total Equity Shareholders' Finds</b>		<hr/> <b>1</b> <hr/>

### 2 Accounting Policies

#### Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

### 3 Investment in Subsidiary Undertaking

On 16 December, 2004 the Company acquired the entire issued share capital of Greene King Retailing (No.2) Limited for a consideration of £1. The investment in Greene King Retailing (No.2) Limited has been included in the Company's balance sheet at cost. This company is incorporated in England and at the balance sheet date was a non-trading company.

### 4 Share Capital

At 6 February, 2005 the authorized share capital of the Company was 100 ordinary shares of £1 each. On incorporation Hackwood Secretaries Limited subscribed for one ordinary share of £1 for consideration of £1.

On 16 December, 2004, Greene King Retailing Parent Limited acquired the entire issued share capital of the Company from Hackwood Secretaries Limited.

At 6 February, 2005 the issued share capital was one £1 ordinary share, giving called up share capital of £1.

### 5 Parent Undertaking and Controlling Party

The immediate parent undertaking of the Company is Greene King Retailing Parent Limited. The directors consider the controlling party of Greene King Retailing Limited to be Greene King plc.

Yours faithfully

Ernst & Young LLP

## THE SECURITISATION GROUP PARENT

### Introduction

Greene King Retailing Parent Limited was incorporated in England and Wales under the name Hackremco (No. 2203) Limited on 20 October, 2004 as a private company with limited liability with company number 5265454. The name of the company was changed to Greene King Retailing Parent Limited pursuant to a special resolution dated 17 December, 2004. The registered office of the Securitisation Group Parent is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT. The authorised share capital of the Securitisation Group Parent is £100, divided into 100 shares of a nominal or par value of £1 each, one of which is issued and credited as fully paid. The issued fully paid ordinary share is held by Greene King.

### Principal Activities

The principal objects of the Securitisation Group Parent are set out in clause 3 of its Memorandum of Association and include carrying on the business of a holding company and an investment company.

The Securitisation Group Parent has not engaged, since its incorporation, in any activities other than those incidental to its incorporation or to other documents and matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing. No accounts have been made up as at the date of this document for the Securitisation Group Parent.

The Securitisation Group Parent will covenant to observe certain restrictions on its activities which are set out in the section entitled “*Description of the Borrower Transaction Documents – Issuer/Borrower Facility Agreement*” above.

### Directors

The directors of the Securitisation Group Parent and their respective business addresses and occupations are:

<b>Name</b>	<b>Business Address</b>	<b>Occupation</b>
Timothy John Walter Bridge	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
Michael St. John Shallow	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
Rooney Anand	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
Mark David Angela	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director
David John Elliott	Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT	Director

The company secretary for the Securitisation Group Parent is Lindsay Anne Keswick.

As at the date hereof, the Securitisation Group Parent has no employees, non-executive directors or premises.

**Capitalisation and Indebtedness Statement**

The capitalisation and indebtedness of Securitisation Group Parent extracted from the unaudited records of Securitisation Group Parent as at that date of this document is as follows:

**Share capital**

<i>Authorised:</i>	
£100 divided into 100 ordinary shares of £1 each	£100
<hr/>	
<i>Issued:</i>	
1 ordinary share of £1, issued fully paid or credited as fully paid	£1
<hr/>	
<b>Total capitalisation and indebtedness:</b>	<b>£1</b>
<hr/>	

Save for the foregoing, at the date of this document, Securitisation Group Parent has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees or other contingent liabilities.

## VALUATION REPORT ON THE SECURITISATION ESTATE

The Directors  
Greene King PLC  
Westgate Brewery  
BURY ST. EDMUNDS  
IP33 1QT

The Directors  
Greene King Retailing Limited  
Westgate Brewery  
BURY ST. EDMUNDS  
IP33 1QT

The Directors  
Greene King Finance plc  
Fifth Floor  
100 Wood Street  
LONDON  
EC2V 7EX

The Royal Bank of Scotland plc  
135 Bishopsgate  
LONDON  
EC2M 3UR

BNP Paribas London Branch  
10 Harewood Avenue  
LONDON  
NW1 6AA

HSBC Trustee (C.I.) Limited  
PO Box 88  
1 Grenville Street  
St Helier  
JERSEY  
JE4 9PF  
Channel Islands

3 March, 2005

Gentlemen

### **Valuation as at 1 February, 2005 of a Portfolio of 904 Public Houses owned by Greene King PLC**

#### **1.0 INTRODUCTION**

1.1 In accordance with your instructions, as confirmed in our Letter of Engagement dated 1 December, 2004, we have prepared our valuation of the 904 public houses described in Section 5 below and report as follows on our findings and our portfolio valuation for the purpose of a Securitisation Offer.

#### **2.0 DATE OF VALUATION**

2.1 The date of this valuation is 1 February, 2005.

#### **3.0 STATUS OF VALUER**

3.1 Gerald Eve are acting as External Valuers who are defined as:

“.....a Valuer who is not an Internal Valuer, where neither he nor any of his partners or co-directors are directors or employees of the Client company or have a significant financial interest therein, and where the Client company does not have a significant financial interest in the Valuer’s company.”

- 3.2 We confirm that we have carried out the necessary checks and are satisfied there are no conflicts of interest in this respect.
- 3.3 This report has been prepared by David Butters BSc FRICS and checked by Patrick Grant BSc MRICS.

#### **4.0 ROYAL INSTITUTION OF CHARTERED SURVEYORS (RICS) APPRAISAL AND VALUATION STANDARDS**

- 4.1 We confirm that our valuation has been prepared in accordance with the RICS Appraisal and Valuation Standards, 5th Edition (the “**Red Book**”), subject to the departure in paragraph 4.4 below. The valuation has been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.
- 4.2 The portfolio has been valued as a fully operational business and our valuation therefore reflects the income derived from the operation of the existing business units. We have undertaken no investigation as to potential alternative use value of any of the properties.
- 4.3 The portfolio has been valued on the basis of market value, but qualified by assuming only its existing use i.e., as a portfolio of public houses. The definition of Market Value as contained in Practice Statement 3.2 of the RICS Appraisal and Valuation Standards is:-

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

- 4.4 Our valuation departs (the “**Departure**”) from the procedure set out in the Red Book in that the definition of Market Value has been qualified by assuming that the properties may be used only for their existing use for the foreseeable future, in order to reflect the market practice of valuing such a portfolio as a single entity. In our experience purchasers of public house portfolios assess the cash flow generated by such assets and do not place any specific reliance on potential alternative uses. They do however expect that within a portfolio of so many assets there will be some instances where there are higher alternative use values.
- 4.5 This Departure from the Red Book has been adopted in other valuation reports in respect of large public house portfolios. Where such reports have formed part of Stock Exchange Offering Circulars they have been approved by the United Kingdom Listing Authority and the Luxembourg Stock Exchange.
- 4.6 Whilst we have only inspected a sample of public houses and extrapolated the results across the portfolio, we are satisfied that the sample is fully representative of the entire portfolio and enables us to produce an accurate and correct valuation. Consequently, this does not represent a departure from the Red Book.

#### **5.0 ASSETS COMPRISED IN THIS VALUATION**

- 5.1 The portfolio of assets that are the subject of this valuation are currently divided into two categories:-
- (a) 305 managed public houses known as the Pub Company Estate (see Appendix 1).
  - (b) 599 tenanted and leased public houses known as the Pub Partners Estate (see Appendix 2).

#### **6.0 VALUATION AS A SINGLE PORTFOLIO**

- 6.1 Since the mid 1990’s many large portfolios of public houses have changed hands in the market. Market evidence strongly demonstrates that a portfolio of public houses of this size will attract bids at levels substantially in excess of the aggregate of the individual property values. The various factors which support the higher bids for such portfolios include:-
- an enhanced purchasing strength for goods and services such as the level of beer discount achievable on a portfolio as opposed to a single public house
  - synergies which can be achieved enabling savings in central costs
  - de-risking the income profile

- opportunities which will occur from time to time for individual sales to special purchasers, enhancement in value through development and disposals for higher alternative use values
- an operator's ability to make a quantum leap in his estate which is immediately income enhancing and reduces costs of sourcing acquisitions
- financing opportunities available to prospective purchasers which are inappropriate for single assets and thereby reduce the cost of capital
- competitive bidding on portfolios from other prospective purchasers in addition to public house operators.

6.2 We have not been instructed to report individual public house values. In our opinion if these property assets were offered for sale in the market, the highest level of bids would be achieved through offering them as a single portfolio or as two portfolios reflecting their current categorisation set out in paragraph 5.1 above.

## 7.0 PUB COMPANY SECURITISED ESTATE

### 7.1 Description

7.1.1 Greene King Pub Company currently comprises approximately 880 managed public houses in total which has been substantially created through the acquisitions of Magic Pub Company (1996), Old English Inns (2001) and the neighbourhood estate of Laurel Pub Company (2004).

7.1.2 The Pub Company securitised estate will comprise 305 managed public houses made up as follows:-

- 153 properties from the former Laurel Pub Company "neighbourhood estate".
- 152 properties from the existing Greene King estate.

7.1.3 The securitised estate comprises 256 public houses which are either unbranded or lightly branded and includes 58 town centre properties and 24 properties with letting bedrooms. There are 45 public houses which have been branded as "Hungry Horse", being a family dining concept introduced by Magic Pub Company pre-acquisition.

7.1.4 The aggregate split of income sources by reference to the Moving Annual Total (MAT) up to the end of September/October 2004 is:-

	<b>Securitized Estate %</b>	<b>Typical Managed Estate<sup>(1)</sup> %</b>
Liquor	65.2	67.0
Food	25.9	27.0
Machines	4.8	} 6.0
Accommodation	3.5	
Other	0.6	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>(1)</sup> Source: Spirit and analysts' research.

7.1.5 Most of the properties have benefited from regular refurbishment and redecoration, with some re-modelling to maximise their trading potential. However, as with any estate of this size, further opportunities still exist for enhancing the trading performance of individual public houses.

### 7.2 Geographic Profile

7.2.1 The geographic spread is significantly wider than the tenanted and leased estate which, in particular, reflects the acquisitions of Magic Pub Company and the neighbourhood estate of Laurel Pub Company.

7.2.2 An analysis by Region is as follows:-

	<b>No. of Pubs</b>
London and South East	101
Midlands/Wales and South West	87
North and North West	72
East	45
<b>Total</b>	<b>305</b>

### 7.3 Trading Profile

7.3.1 Following the recent acquisition of the neighbourhood estate of Laurel Pub Company, the accounting functions have not yet been fully integrated. Laurel Pub Company's last financial year ended on 28 February, 2004 and Greene King's on 2 May, 2004.

7.3.2 Combining the trading performance for the last full financial year and the MATs to September/October 2004 the aggregate total turnover details for the 305 public houses are as follows:-

<b>Turnover</b>	<b>Financial Year 2004</b>		<b>MAT Sept/Oct 2004</b>	
	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
Liquor	127,315,152	65.5	129,825,385	65.2
Food	49,732,697	25.6	51,618,943	25.9
Machines	9,354,151	4.8	9,511,885	4.8
Accommodation	6,815,626	3.5	7,014,977	3.5
Other	1,070,906	0.6	1,156,348	0.6
<b>Totals</b>	<b>194,288,532</b>	<b>100.0</b>	<b>199,127,538</b>	<b>100.0</b>
Trading Profit pre depreciation	55,149,983		56,459,227	
Average Turnover per property	637,011		652,877	
Average Trading Profit pre depreciation per property	180,820		185,112	

### 7.4 Tenure

7.4.1 The securitised estate comprises 284 freehold (4 include minor leasehold interests) and 21 long leasehold properties which have unexpired terms between 53 and 989 years with a minimal overall rent liability.

## 8.0 PUB PARTNERS SECURITISED ESTATE

### 8.1 Description

8.1.1 The securitised estate consists of 599 tenanted and leased properties comprising mainly traditional local and community houses which represent approximately 52% of the total Pub Partners estate.

8.1.2 Tenanted and leased houses are generally characterised by smaller pubs in secondary locations with lower turnovers and fewer amenities than managed pubs. We estimate around 84% of the properties making up the securitised estate are located away from main town centre high streets and branded circuit competition.

8.1.3 Pub Partners have a preference for shorter term non-assignable tenancies as opposed to longer assignable leases. 77% of the properties making up the securitised estate are held on non-assignable tenancy agreements, generally for terms between 5 and 9 years. Tenants are mostly tied for beers, cider, flavoured alcoholic beverages, wines and spirits with the Landlord also retaining between 50% and 60% of machine income. The agreements are internal repairing and provide for regular open market rent reviews. The majority of these properties are held on Greene King agreements with a typical house averaging an estimated annual turnover of £240,000.

8.1.4 The remaining 23% of the properties making up the securitised estate are held on assignable leases which are generally full repairing for terms of 15, 20 and 21 years, with either 3 or 5 yearly upwards only open market rent reviews. 17% of the properties are held

on Morland leases where lessees are mostly tied for beers and cider only and retain all machine income. The other properties are mainly held on Greene King's more recent 15 year leases where lessees are tied for beers, cider and flavoured alcoholic beverages with a 60% share of machine income retained by the Landlord. Overall a typical leased house will average an estimated annual turnover of £270,000 with 71% of these houses having unexpired occupational lease terms of 10 or more years.

## 8.2 Geographic Profile

8.2.1 From its East Anglia heartland the Pub Partners estate has expanded its operations across the South of England. The location of the securitised estate tracks the historic expansion of Greene King, notably the acquisition of 422 pubs from Morland in 1999, but also Marston's southern estate (165 pubs, in 1999), Old English Inns (136 pubs, in 2001) and Morrells of Oxford (107 pubs, in 2002).

8.2.2 The profile of the securitised estate by region is shown below:-

Region	No. of pubs	%	No. of tenanted pubs	No. of leased pubs
East	289	48	283	6
South East	171	28	94	77
Midlands	106	18	64	42
London	29	5	17	12
South West	4	1	3	1
<b>Total</b>	<b>599</b>	<b>100</b>	<b>461</b>	<b>138</b>

## 8.3 Income Profile

8.3.1 The sources of income relating to the securitised estate are split between rent (46%), wholesale profit (49%) and machine income (5%).

8.3.2 As at 16 October 2004 total rental income amounted to £15,230,020 per annum which represents an average of £25,426 per property per annum. Tenanted properties accounted for 71% of the total averaging £23,300 per property per annum with leased properties making up 29% and averaging £32,400 per property per annum.

8.3.3 Beer volumes:-

	2001/2002	2002/2003	2003/2004	<b>MAT</b> <b>16.10.04</b>
Leased (BB's)	25,946	25,403	25,103	24,710
Tenanted (BB's)	86,887	89,920	91,974	89,859
<b>Total (BB's)</b>	<b>112,833</b>	<b>115,323</b>	<b>117,076</b>	<b>114,569</b>
Average per pub (BB's)	188	193	195	191

Generally, both tenants and lessees receive volume related discounts ranging between £20 to £50 per barrel, subject to meeting a pre-defined target level.

8.3.4 Wines and spirits volumes:-

	2001/2002	2002/2003	2003/2004	<b>MAT</b> <b>16.10.04</b>
Leased (Gals)	11,156	11,291	8,302	7,201
Tenanted (Gals)	118,348	133,746	146,026	147,481
<b>Total (Gals)</b>	<b>129,504</b>	<b>145,037</b>	<b>154,329</b>	<b>154,681</b>
Average per pub (Gals)	216	242	258	258



### 8.3.5 Machine income:-

	2001/2002	2002/2003	2003/2004	MAT 16.10.04
Leased (£)	103,340	94,893	90,377	91,801
Tenanted (£)	1,484,745	1,496,892	1,524,301	1,508,654
Total (£)	1,588,085	1,591,785	1,614,678	1,600,454
Average per pub (£)	2,651	2,657	2,696	2,672

### 8.4 Tenure

8.4.1 The securitised estate comprises 592 freehold properties (5 include minor leasehold interests) and 7 long leasehold properties. All leases have over 60 years unexpired and the total head rent payable by Pub Partners is £25,953 per annum without review.

## 9.0 INFORMATION PROVIDED

9.1 We have been supplied with, and relied upon, information which includes the following:-

### 9.1.1 Pub Company

- Actual management accounts for the existing Greene King properties for the years 2001/2002, 2002/2003 and 2003/2004 as well as MAT data to October 2004.
- Actual management accounts for the properties recently acquired from Laurel Pub Company for the years 2002/2003 and 2003/2004 as well as the MAT data up to September 2004.
- A summary of major capital expenditure for the years 2003/2004 and 2004/2005.
- Proposed capital expenditure for 2005/2006.
- Copy leases for long leasehold properties.

### 9.1.2 Pub Partners

- Income and volume details for the years 2001/2002, 2002/2003 and 2003/2004 as well as MAT data to October 2004.
- A summary of capital expenditure from 2001/2002 to period 4 in 2004/2005.
- A schedule detailing outstanding rent reviews and lease renewals.
- Examples of occupational agreements.
- A schedule of all sub-let and unlicensed income.
- A schedule of tenant's outstanding rent arrears.
- Copy leases for long leasehold properties.

## 10.0 VALUATION ASSUMPTIONS

### 10.1 Title

10.1.1 We have assumed that the public houses are held under good and marketable title free from any encumbrances, restrictions or other outgoings of an onerous nature.

### 10.2 Mortgages and Charges

10.2.1 For the purposes of our valuation, we have assumed that the properties are free and clear of all mortgages or other charges on or over them.

### 10.3 Cost of Repair

10.3.1 We have estimated both outstanding and ongoing costs of repair. We have not carried out any structural surveys of the properties, nor tested any of the services in the properties or enquired about deleterious materials, and have relied completely on the information that has been provided to us in respect of intended repairs and maintenance programmes.

#### 10.4 Alternative Uses

10.4.1 We have not addressed individual alternative use values as this is not germane to our valuation. We are, however, satisfied that the aggregate of the alternative use values of the individual properties would be less than the figure we have reported.

10.4.2 We have not investigated any mineral working or other rights that might affect the title of the properties or their future use and have assumed that no such rights exist. We have assumed that there are no unused rights of way, restrictive covenants or easements affecting the title to any of the public houses that would have a material affect on our assessment.

#### 10.5 Goodwill

10.5.1 Our valuation takes no account of any personal goodwill that may arise from the present occupation of the public houses, but fully reflects the inherent trading potential which attaches to and runs with the properties.

#### 10.6 Trade, Fixtures and Fittings

10.6.1 Our valuation of the managed houses within the Pub Company estate includes those fixtures and fittings that normally form part of the land and buildings and all inventory items (excluding those which are leased, hire purchased or charged to a third party). The valuation includes land, buildings, site works and all plant, machinery, fixtures and fittings associated with the mechanical and electrical services of the buildings. Technical services equipment such as beer raising, cooling and dispense equipment that contributes to the trading potential of the public houses is all included in the valuation. We have allowed for the renewal of these items in our estimate of the maintainable Net Income. All trading stock, glassware and badged items have been excluded. Our valuation of the tenanted and leased public houses within the Pub Partners estate excludes all inventory items, but is otherwise on the same basis.

#### 10.7 Computers

10.7.1 For the purpose of this valuation we have assumed that all systems and services that are reliant upon any form of computer or micro processor are functional and have no inherent software defect which might now or in the future cause them to cease operation. Should it, however, be established that significant costs will arise in achieving continuous operation of these services, our valuation may need to be varied.

#### 10.8 Condition Surveys

10.8.1 We have based our valuation on the inspection of a sample of the public houses. We have not carried out building surveys nor have we inspected those parts of the sample properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition (unless we have been informed otherwise). We cannot give any warranty concerning the condition of the estate as a whole and have relied on the information provided to us, and our sampling procedure, in allowing for the reasonable costs of maintaining the estate in our financial projections. We have not examined or tested any of the services installed or connected and have assumed that all such services have been installed and connected in accordance with appropriate regulations and that they are in full working order and not in need of repair or replacement. We have not made any allowance for extra repair costs and liabilities that might arise if high alumina cement concrete, asbestos nor any other deleterious or hazardous substances have been used in any part of the construction, nor have we made any specific provision regarding latent defects. We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purposes of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

## 10.9 Environmental Matters

10.9.1 We are not aware of the content of any environmental audits or other environmental investigations or soil surveys which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work we have assumed that no contaminative or potentially contaminative uses have ever been carried out on the properties. We have not carried out any investigations into past or present uses either of the properties or of any neighbouring land to establish whether there is any contamination or potential for contamination to the subject properties from these uses or sites and have therefore assumed that no specific provision needs to be made for this. Should it, however, be established subsequently that contamination, seepage or pollution exists at any of the properties or on any neighbouring land or that the properties have been or are being put to a contaminative use, this might have an effect on trade or give rise to a remediation liability which would need to be reflected in our valuation.

10.9.2 We have not carried out or commissioned site investigations, geological or geophysical surveys and therefore can give no opinion, assurance or guarantee that the grounds have sufficient load bearing strength to support the existing constructions, or any other constructions that may be erected upon them in the future. We also cannot give any opinion, assurance or guarantee that there are no underground mineral or other workings beneath the sites, or in their vicinity, nor that there is any fault or disability underground which could or might affect the properties or any construction thereon.

## 10.10 Information Provided

10.10.1 Our valuation is reliant on the information that has been provided to us as outlined in Section 9.0 of our report. We have not carried out any investigations of the title of the properties or independently verified the accounts or trading information. This report has been prepared on the basis that we are entitled to rely on this information. We can take no responsibility for any misstatement, omission, or misrepresentation made to us. In the event of a future change in trading potential or actual levels of trade that have been supplied to us, or should any of the information we have used prove to be incorrect or inadequate, our valuation may need to be varied.

## 10.11 Local Authority and Other Statutory Regulations

10.11.1 We have assumed, in the absence of information to the contrary, that there is a current Fire Certificate, Justices' Licence and Gaming Machine Licence in existence where required by law. We have not been able to inspect the licences, consents, permits and certificates relating to each of the properties and have assumed that these are held where required by law but offer no warranty to this effect. We have further assumed that the properties will continue to trade with these existing approvals, consents, permits and certificates and that the appropriate licences will be renewed. However, if these assumptions are incorrect or if any of the licences were lost or in jeopardy then this could affect our valuation. We are not aware of any indication from any of the granting authorities or the police of any intention to refuse, oppose or revise a renewal of any existing licence.

10.11.2 Unless specifically informed no allowances have been made for rights, obligations or liabilities arising from (inter alia) the Defective Premises Act 1972, the Environmental Protection Act 1990, Food Safety Act 1990, or the Environment Act 1995. We have assumed that all properties serving food of any description have been registered under the provisions of the Food Premises Registration Act 1991. We have further assumed that all electrical equipment complies with the requirements of the Low Voltage Electrical Equipment (Safety) Regulations 1989 and the Consumer Protection Acts 1987 and 1989.

10.11.3 We have not made our own enquiries and assumed in the absence of information to the contrary that all properties are occupied in accordance with planning control. We have assumed that the buildings have been constructed in accordance with all statutory requirements, British Standards and Codes of Practice and are in a condition fit for their existing use. We have also assumed that there are no outstanding notices, orders or disputes in respect of such matters.

10.11.4 In preparing our valuation we have assumed that the parties have complied with the Transfer of Undertakings (Protection of Employment) Regulations 1981 and that there are no residual liabilities in this regard.

#### 10.12 Disability Discrimination

10.12.1 We have not included any allowance in our appraisal for works that might become necessary to enable access for disabled persons under The Disability Discrimination Act 1995. As these properties are already trading we have assumed they comply with all current legislation and that any physical alterations that might become necessary under existing or future legislation will be met out of revenue expenditure within the limits we have already used in our valuation.

#### 10.13 Grants, Tax and VAT

10.13.1 No allowances have been made in our valuation for the incidence of grants and for any liabilities for tax except insofar as the availability of Government financial incentives for industry influences general levels of value. Our valuation is expressed exclusive of any Value Added Tax or other tax liabilities that may become chargeable.

#### 10.14 Costs of Acquisition and Stamp Duty

10.14.1 We have reflected full purchaser's costs of acquisition to take account of stamp duty, agents and legal fees, including VAT.

### 11.0 SAMPLE SELECTION

11.1 We recommended that a sample of approximately 25% of the proposed securitisation estate would be sufficient, if properly stratified, to produce a representative sample. However, as the income streams of the two portfolios are made up of different elements, two samples were established separately and the basis of the sample process for each estate is summarised below:-

#### Pub Company

- a) Geographic regions – 7 regions were identified for the freehold and long leasehold properties based on the grouping and spread of properties throughout the UK.
- b) Turnover and EBITDA – the turnover and EBITDA figures were analysed and stratified for the MAT period to September/October 2004.

#### Pub Partners

- a) Geographic regions – 5 regions were identified for the tenanted and leased estate. The smaller number of regions reflected the lack of representation in the North, West Midlands, Wales and low representation in the South West.
- b) Rents receivable – the sample was stratified having regard to the current occupational rents receivable for each property.
- c) Barrelage / Machine Income – when selecting the sample reference was made to the MAT barrelage achieved for each property and also the level of machine income received by Greene King.

11.2 We are satisfied that this process produced a sample that is representative of the estate as a whole and is one that would give a much better spread than other sampling techniques such as random sampling or systematic sampling. The key drivers in the sample process reflect the important factors within the portfolio valuation.

11.3 Where properties within the sample were subject to recent inspections during April, May and June 2004 as part of previous projects we did not re-inspect the property unless there had been a material change in circumstances from our previous inspection. In the Pub Company estate this would include where there had been a significant change in MAT Turnover or EBITDA of +/- 10%, more than one change of manager or where a new external influence on trade had occurred. In the Pub Partners estate the material changes included the occurrence of a new letting, rent review or significant change in barrelage/machine income of +/- 10%. We also re-inspected those

properties which have benefited from major capital expenditure. The material change test ran between the period of 1 April, 2004 and 1 October, 2004.

- 11.4 Full inspections of 194 of the sample properties were carried out in November and December 2004. The remaining 60 reviews were based upon detailed inspections carried out in April, May and June 2004. The inspection involved a detailed examination of the property which included trading areas as well as back of house facilities and residential accommodation. In particular, our visits included discussions with managers, tenants and lessees on trading matters. In a small number of instances valuers were not able to inspect back of house areas or private living accommodation.
- 11.5 The Pub Company estate of 305 properties included 24 pubs with bedroom accommodation. We decided that all of these should be inspected in addition to the sample.
- 11.6 The Pub Company sampling process resulted in the inspection of 75 properties and a desktop review of a further 27 properties. This total of 102 represents 33.4% of the total managed estate. If the properties with bedroom accommodation are excluded, the numbers change to 56 inspections and 22 desktop appraisals. This represents 25.6% of the managed estate.
- 11.7 The Pub Partners sampling process resulted in the inspection of 119 properties and the desktop review of a further 33 properties. This total of 152 properties represents 25.4% of the tenanted and leased estate.
- 11.8 The total sample of 254 inspections and desktop reviews represents 28% of the proposed securitisation estate of 904 properties.

## **12.0 VALUATION METHODOLOGY**

12.1 Based on the information provided by Greene King and our own findings we assessed the following for the managed estate:-

12.1.1 a) Pub Company

Fair Maintainable Trade (FMT):-

Turnover  
Gross Profit  
Valuation Net Profit (VNP)

Outstanding Capex liability

Our assessment of VNP took into account deductions of 4% of turnover for central costs, between 2% and 3% of turnover for a sinking fund for the refurbishment and renewal of inventory items and a deduction of between 1.75% and 3% of turnover for annual building repairs and maintenance in order to sustain our assessment of FMT.

The above findings were extrapolated across the managed estate based on a comparison with actual turnover and EBITDA for the financial year 2003/2004 using the following methods:-

- Regional Basis
- Split by EBITDA band
- With and without bedroom accommodation
- Splitting ex-Laurel Pub Co properties from existing Greene King properties
- No stratification basis

Having established the FMT of the portfolio of 305 managed houses we adopted the extrapolation figures based on a regional split of the assets.

The income from this estate, defined as VNP (shown after central costs, repairs and renewals) has been tranching into five income slices and capitalised at yields to reflect the risk associated with each level of income.

The managed estate contains a good mix of mainly freehold and some long leasehold properties with varying blends of the income streams (Liquor, Food, Accommodation, Machines and Other Income). The estate as a whole has a low representation in town and city centres and the only significant brand is Hungry Horse.

Overall, we are of the opinion that this is a well managed portfolio of quality pubs and have structured our yield profile accordingly.

We have deducted £3.65 million as our estimate of outstanding repairs extrapolated across the estate which are required to sustain our assessment of FMT.

12.2 For the tenanted and leased estate we have established the following: -

12.2.1 b) Pub Partners

Rental Income  
Wholesale Profits  
Machine Income  
Outstanding Capex liability

Our findings took into account an assessment of landlord's ongoing repair liability at an average of £3,500 per pub and central expenses at £3,000 per pub.

These findings were extrapolated across the whole tenanted and leased estate on the following methods:-

- Regional Basis
- Rent Receivable

The landlord's income stream in the tenanted and leased estate is made up of three key elements; rents, wholesale profits and machine income. These three sources of income are all different in terms of risk profile and we have carried out a valuation of each assessed with their own yield profile.

*Rental Income:*

During our investigations we have assessed estimated rental value (ERV) on the basis of the existing lease terms. The passing rent of £15.23 million is, in our opinion, below the extrapolated ERV. This obviates the need for tranching the rental income and a single "All Risks Yield" was applied to the current rent receivable at a level reflecting the relatively secure nature of this income.

*Wholesale Profits:*

This tranche forms the largest portion of the landlord's income stream (approximately 49%) and we have split the income into three slices and capitalised it at varying yields to reflect our assessment of the risk profile. The resultant blended yield is roughly 2% above that applied to the rental income.

*Machine Income:*

This forms a relatively small part of the landlord's income (approximately 5%). However because it is still subject to fluctuation, particularly in light of the findings of the House of Commons Trade & Industry Committee Report on Pub Companies in December 2004, we have split the income into two tranches and capitalised at yields reflecting a significantly higher risk than both the rental income and wholesale profits.

Overall, we are of the opinion that this is a portfolio of good quality tenanted and leased public houses and have structured our yield profile accordingly.

We have deducted £1.47 million as our estimate of outstanding repairs extrapolated across the estate which are required to sustain the adopted levels of trade.

## 13.0 VALUATION

13.1 In accordance with the facts, assumptions and qualifications set out in this Valuation Report, we are of the opinion that the Market Value for existing use of the portfolio of freehold and long leasehold interests in the 904 public houses as at 1 February, 2005 is:-

**£834,500,000**

**(Eight hundred and thirty four million five hundred thousand pounds)**

#### **14.0 CONFIDENTIALITY AND DISCLOSURE**

14.1 This Valuation Report may be relied upon only by the addressees in connection with the Securitisation Offer. No reliance may be placed upon the contents of this Valuation Report by any party who is not an addressee or by an addressee for any purpose other than in connection with the Securitisation Offer. Neither this Valuation Report, nor any part thereof, may be reproduced or referred to, in any document, circular or statement, nor may its contents, or any part thereof, be disclosed orally, or otherwise to a third party, without the valuer's written approval as to the form and context of such publication or disclosure.

14.2 We confirm that we have given our consent for this Valuation Report to be reproduced in full in the Offering Circular.

Yours faithfully

**David Butters BSc FRICS**  
Senior Partner  
For and on behalf of Gerald Eve





House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
7761	Farmers	Lytham Road	Blackpool		Lancashire	FY4 1JH	BH	Y
0604	Farmers Arms	209 Stockport Road	Stockport		Cheshire	SK3 0LX	FH	
7763	Farmhouse	Churchill Road	Exmouth		Devon	EX8 4JJ	FH	
7765	Favourite	298 Sundon Park Road	Luton		Bedfordshire	LU3 3AL	FH	
7766	Feathers	49 Cambridge Road	Wadesmill	Ware	Hertfordshire	SG12 0TN	FH	Y
7767	Festing	1A Fasting Road	Southsea		Hampshire	PO4 0NG	FH	
9160	Fieldhead Hotel	Markfield Lane	Markfield		Leicestershire	LE67 9PS	FH	Y
7768	Fishermans Rest	Mill Lane	Titchfield	Fareham	Hampshire	PO15 5RA	FH	
6637	Fitzharris Arms	Thornhill Walk	Abingdon		Oxfordshire	OX14 1JH	FH	Y
7769	Flag	Arnold Road	Egerton	Bolton	Greater Manchester	BL7 9HL	FH	
7771	Folly	Folly Lane	East Cowes		Isle of Wight	PO32 6NB	FH/LH	
7773	Fox & Hounds	Fox Lane	Wimborne		Dorset	BH21 2EQ	FH	
4049	Fox & Hounds	178 Goldington Road	Bedford		Bedfordshire	MK40 3EB	FH	
7521	Fox under the Hill	Shooters Hill Road	Shooters Hill	London	Greater London	SE18 4LT	FH	Y
7782	George	74 Bexley High Street	Bexley		Kent	DA5 1AJ	FH/LH	
2870	George	12 Post Office Lane	George Green	Slough	Buckinghamshire	SL3 6AX	FH	
7786	George & Dragon	176 High Street	Yiewsley	West Drayton	Middlesex	UB7 7BE	FH	Y
6457	George Hotel	George Street	Huntingdon		Cambridgeshire	PE29 3AB	FH	Y
7790	Goat	250 High Street	Enfield		Middlesex	EN3 4HB	FH	
7791	Gold Medal	Chowdene Bank	Gateshead		Tyne & Wear	NE9 6JP	FH	
7792	Golden Hind	384 Copnor Road	Portsmouth		Hampshire	PO3 5EN	FH	
0705	Golden Hind	Lisburne Lane	Offerton	Stockport	Cheshire	SK2 5RH	FH	
7795	Good Companion	2 Eastern Road	Portsmouth		Hampshire	PO3 6ES	FH	
1552	Green	9 The Green	Ealing	London	Greater London	W5 5DA	FH	
1617	Green Man	Lewes Road	Ringmer		Sussex	BN8 5NA	FH	
5225	Greyhound	Besselsleigh	Abingdon		Oxfordshire	OX13 5PX	FH	
7799	Griffin	Church Road	Lisvane	Cardiff	South Glamorgan	CF14 0SJ	FH	
7747	Guild	99 Fylde Road	Preston		Lancashire	PR1 2XQ	FH	
7803	Half Moon	The Square	Retford		Nottinghamshire	DN22 6DQ	FH	
4192	Hansom Cab	Wigmore Lane	Stopsley	Luton	Bedfordshire	LU2 8AB	FH	Y
7808	Hare & Hounds	162 Cheltenham Road East	Gloucester		Gloucestershire	GL3 1AL	FH	
7810	Hatherley	Hatherley Road	Cheltenham		Gloucestershire	GL51 6EB	FH	
6751	Hedgehog & Pheasant	25 Warwick Way	London		Greater London	SW1V 1QT	FH	Y
2933	Henry IV	Greenway Lane	Fakenham		Norfolk	NR21 8ES	FH	
8626	Hollies	1008 Wimborne Road	Moordown	Bournemouth	Hampshire	BH9 2DE	FH	
0185	Hope & Anchor	Wanlip Road	Syston		Leicestershire	LE7 1PD	FH	Y
7822	Horsforth	57 Featherbank Lane	Horsforth	Leeds	West Yorkshire	LS18 4NA	FH	Y
7826	Izaak Walton	Green Street	Enfield		Middlesex	EN3 7SH	FH	
7828	Jingling Gate	Stamfordam Road	Newcastle-Upon-Tyne		Tyne & Wear	NE5 1NL	FH	Y
6342	Joker	Cameron Road	Ilford		Essex	IG3 8LG	FH	
6657	Jude the Obscure	54 Walton Street	Oxford		Oxfordshire	OX2 6AE	FH	
7832	King Rufus	135 Winchester Road	Chandlers Ford	Eastleigh	Hampshire	SO53 2DU	FH	
4405	Kings Arms	42 High Street	Bagshot		Surrey	GU19 5AZ	FH	
7837	Kings Head	149 Lower Cippenham Lane	Slough		Berkshire	SL1 5DS	FH	Y
7838	Kings Head	Gloucester Road	Upton St Leonards	Gloucester	Gloucestershire	GL4 8AA	FH	
6474	Kings Head Hotel	The Square	Wimborne		Dorset	BH21 1JG	FH	Y
7839	Kings Stores	14 Widegate Street	Whitechapel		Greater London	E1 7HP	FH	
7843	Leeds Arms	29 Sheffield Road	Anston	Sheffield	South Yorkshire	S25 5DT	FH	
8630	Little Harp	Elton Road	Clevedon	Avon	Somerset	BS21 7RH	FH	
6056	Longs Arms	Yarnbrook	Trowbridge		Wiltshire	BA14 6AB	FH	
7847	Lonsdale	Sandringham Road	Doncaster		South Yorkshire	DN2 5HY	FH	
5263	Lord Nelson	78 Charlton Road	Wantage		Oxfordshire	OX12 8HL	FH	Y
6760	Lucas Arms	245A Grays Inn Road	London		Greater London	WC1X 8QZ	FH	
8619	Magic Roundabout	Charlton Road	Andover		Hampshire	SP10 3JJ	FH	
1612	Magpie	64 Thames Street	Sunbury On Thames		Middlesex	TW16 6AF	FH	
7851	Malt Shovel	21 Crab Lane	Leeds		West Yorkshire	LS12 3AG	FH	
7853	Maltsters Arms	Bridge Street	Pontypridd		Mid Glamorgan	CF37 4PF	FH	
1746	Man On the Moon	86 Palmcroft Road	Ipswich		Suffolk	IP1 6QX	FH	
7854	Manor	144 Field End Road	Pinner		Middlesex	HA5 1RJ	FH	
6480	Manor Hotel	Hendford	Yeovil		Somerset	BA20 1TG	FH	Y
7861	Master Potter	Teau Road	Cheadle	Stoke-On-Trent	Staffordshire	ST10 1LW	FH	
6809	Maynard Arms	70 Park Road	Crouch End	London	Greater London	N8 8SX	FH	
6667	Merlin	Drove Road	Swindon		Wiltshire	SN1 3AF	FH	Y
5264	Midget	Midget Close	Abingdon		Oxfordshire	OX14 5NR	FH	Y
8151	Minstrel Boy	156 Colney Hatch Lane	Muswell Hill	London	Greater London	N10 1ER	FH	
7865	Monkhams	Buckhurst Way	Buckhurst Hill		Essex	IG9 6HY	FH	Y
7866	Monks Brook	19 Hursley Road	Chandlers Ford	Eastleigh	Hampshire	SO53 2FS	FH	
7867	Mount Radford	73-75 Magdalen Road	Exeter		Devon	EX2 4TA	FH	Y
6702	Mustang	Churchill Road	Bicester		Oxfordshire	OX26 4UA	FH	Y
7869	Nags Head	Green Lane	Crosby	Liverpool	Merseyside	L23 1TJ	FH	Y
7870	National Hunt	Benhall Avenue	Cheltenham		Gloucestershire	GL51 6AF	FH	
7871	Netherton	Church Road	Litherland	Liverpool	Merseyside	L21 5HF	FH	
4244	New Inn	18 High Street	St Neots	Huntingdon	Cambridgeshire	PE19 1JA	FH	Y
6669	New Inn	Bath Road	Farmborough	Bath	Somerset	BA2 0EG	FH	Y
7873	New Inn	68 Otley Road	Leeds		West Yorkshire	LS6 4BA	FH	
5267	New Inn	Hawley Road	Blackwater	Camberley	Surrey	GU17 9ES	FH	
7874	New Moon	88 Gracechurch Street	Whitechapel		Greater London	EC3V 0DN	FH	
7878	Oaklands	93 Hoole Road	Chester		Cheshire	CH2 3NB	FH	Y
6078	Old Black Lion	295 West End Lane	West Hampstead	London	Greater London	NW6 1RD	FH	
1568	Old Brief	48 George Street	Croydon		Surrey	CR0 1PD	FH	Y
0506	Old Bull & Bush	93 Askew Road	Shepherds Bush	London	Greater London	W12 9BJ	FH	
7880	Old Farmhouse	Ringwood Road	Totton	Southampton	Hampshire	SO40 8EA	FH	Y
7881	Old Five Bells	14 Church Street	Burnham	Slough	Buckinghamshire	SL1 7HZ	FH	
1574	Old Garage	20 Replingham Road	Southfields	London	Greater London	SW18 5LS	FH	
7883	Old House At Home	73 Burton Road	Withington		Greater Manchester	M20 1HB	FH	
6106	Old Inn	Main Road	Hutton	Weston Super Mare	Somerset	BS24 9QQ	FH	
7886	Old Red Lion	York Road	Leeds		West Yorkshire	LS14 2AD	FH	
8641	Old Royal Oak	Crick Road	Rugby		Warwickshire	CV21 4PW	FH/LH	Y
0175	Old Swan	8 Shenley Road	Bletchley	Milton Keynes	Buckinghamshire	MK3 6EZ	FH	
5274	Old White Hart	London Road	Hook		Hampshire	RG27 9DJ	FH	Y
8642	Osborne Inn	54 Shirley Road	Southampton		Hampshire	SO15 3EX	FH	
5276	Oyster Catcher	Terra Nova Way	Penarth		Glamorgan	CF64 1SB	FH	
7746	Parkstone	382 Ashley Road	Poole		Dorset	BH14 9DQ	FH	
7894	Peppers	66 Regent Street	Cheltenham		Gloucestershire	GL50 1HA	FH	
7895	Pheasant	108 Gelderd Road	Birstall	Batley	West Yorkshire	WF17 9LP	FH	
7899	Pied Bull	Bulls Cross	Enfield		Middlesex	EN2 9HD	FH	
7900	Pinner Arms	Whittington Way	Pinner		Middlesex	HA5 5JS	FH	

House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
5340	Plough	London Road	Wokingham		Berkshire	RG40 1RD	FH	Y
7906	Portsbridge	Portsmouth Road	Cosham	Portsmouth	Hampshire	PO6 2SJ	FH	
1834	Prince of Wales	23 Bridge Road	East Molesey		Surrey	KT8 9EU	FH	Y
7912	Prospect	Durham Street	Sunderland		Tyne & Wear	SR3 4DF	FH	
8647	Queens Head	Portsmouth Road	Fishers Pond	Eastleigh	Hampshire	SO50 7HF	FH	Y
7915	Queens Head	Front Street	Chester-Le-Street		County Durham	DH3 3BJ	FH	
7918	Queensway	Ashby Road	Scunthorpe		Humberside	DN16 2AG	FH	
7919	Raby Arms	Front Street	Hart	Hartlepool	Cleveland	TS27 3AJ	FH	
7923	Railway	143-145 Birkenhead Road	Meols	Wirral	Merseyside	CH47 6AA	FH	
7920	Railway	Station Road	Burgess Hill		West Sussex	RH15 9DQ	FH	
7925	Raven	32 South Road	Waterloo	Liverpool	Merseyside	L22 5PQ	FH	
7929	Red Lion	37-38 Priestgate	Darlington		County Durham	DL1 1NG	FH	Y
7926	Red Lion	27 High Street	Skipton		North Yorkshire	BD23 1DT	FH	
7935	Red Lion	41 The Green	Woburn Green	High Wycombe	Buckinghamshire	HP10 0EU	FH	
7932	Red Lion	Gosport Road	Stubbington	Fareham	Hampshire	PO14 2LD	FH	
7930	Red Lion	294 Blanford Road	Poole		Dorset	BH15 4JQ	FH	
2106	Red Lion	1 St Marys Road	Slough		Buckinghamshire	SL3 7EN	FH	
7938	Richmond Arms	153 Charminster Road	Bournemouth		Dorset	BH8 8UH	FH	
7941	Rising Sun	74 Shore Road	Warsash	Southampton	Hampshire	SO31 9FT	FH	Y
9210	Rising Sun Hotel	Cleevehill	Cheltenham		Gloucestershire	GL52 3PX	FH	Y
7945	Romiley Arms	Compstall Road	Romiley	Stockport	Greater Manchester	SK6 4BN	FH	
7948	Rose & Crown	31 Mill Lane	Woodford Green		Essex	IG8 0UG	FH	Y
7947	Rose & Crown	152 Ledbury Road	Hereford		Herefordshire	HR1 1RG	FH	
7946	Rose & Crown	2-6 Cockey Moor Road	Bury		Greater Manchester	BL8 2HB	FH	
8650	Rose & Crown	73 High Street	Rushden	Northampton	Northamptonshire	NN10 0QE	FH	
7949	Rosedene	Queen Alexandra Road	Sunderland		Tyne & Wear	SR2 9BT	FH	Y
6501	Rothley Court Hotel	Westfield Lane	Rothley		Leicestershire	LE7 7LG	FH	Y
7950	Roundhay	Roundhay Road	Leeds		West Yorkshire	LS8 4AR	FH	
3470	Rowden Arms	Rowden Hill	Chippenham		Wiltshire	SN15 2AW	FH	Y
6503	Royal George Hotel	Birdlip	Gloucester		Gloucestershire	GL4 8JH	FH	Y
6504	Royal Hotel	Royal Parade	Ross-on-Wye		Herefordshire	HR9 5HZ	FH	Y
7955	Royal Oak	19 Langstone High Street	Havant		Hampshire	PO9 1RY	FH	Y
7952	Royal Oak	Charlton Road	Charlton	Andover	Hampshire	SP10 4AJ	FH	Y
7954	Royal Oak	Hucclecote Road	Gloucester		Gloucestershire	GL3 3TW	FH	
7953	Royal Oak	440 Barlow Moor Road	Chorlton-Cum-Hardy		Greater Manchester	M21 0BQ	FH	
5288	Royal Oak	27 Reading Road	Yateley		Hampshire	GU46 7UG	FH	
6068	Royal Oak	111 High Street	Marlborough		Wiltshire	SN8 1LT	FH	
6690	Royal Standard	78 London Road	Headington	Oxford	Oxfordshire	OX3 9AJ	FH	Y
5289	Royal Standard	115 Frimley Road	Camberley		Surrey	GU15 2PP	FH	
6506	Ryde Castle Hotel	Esplanade	Ryde		Isle of Wight	PO33 1JA	FH	Y
7959	Sandpiper	97 Bure Lane	Christchurch		Dorset	BH23 4DN	FH	
3273	Seven Springs	Seven Springs	Cheltenham		Gloucestershire	GL53 9NG	FH	Y
7967	Sherlock Holmes	10 Northumberland Street	St James		Greater London	WC2N 5DB	FH	Y
7968	Sherwood	67 Birley Moor Road	Sheffield		South Yorkshire	S12 4WG	FH	Y
7970	Ship Anson	10 The Hard	Portsmouth		Hampshire	PO1 3DT	FH	
5293	Silver Birch	Liscombe	Bracknell		Berkshire	RG12 7DE	FH	
7972	Silver Fern	19 Warsash Road	Warsash	Southampton	Hampshire	SO31 9HW	FH	Y
6692	Six Bells	3 Beaumont Road	Headington	Oxford	Oxfordshire	OX3 8JN	FH	
8654	Sixfields	Sixfields Leisure	Northampton		Northamptonshire	NN5 5QL	FH	
1935	Sloop Inn	Newton Road	Kingskerswell	Newton Abbot	Devon	TQ12 5ES	FH	Y
0679	Southern K	205 Kilburn High Road	Kilburn	London	Greater London	NW6 7HY	FH	
5294	Sportsman	201 Shinfield Road	Reading		Berkshire	RG2 7DS	FH	
0664	Spotted Cow	The Coate	Coate	Swindon	Wiltshire	SN3 6AA	FH/LH	
7983	Star & Garter	230 Copnor Road	Portsmouth		Hampshire	PO3 5DB	FH	Y
7985	Station	1 Station Approach	Knebworth		Hertfordshire	SG3 6AT	FH	
7986	Strawberry	228 Abbey Road	Barrow-In-Furness		Cumbria	LA14 5LD	FH	
7735	Surrey Yeoman	220-222 High Street	Dorking		Surrey	RH4 1QR	FH	Y
7992	Swan	3 Kiln Road	Sherbourne St John	Basingstoke	Hampshire	RG24 9HS	FH	
3291	Swan Inn	Tockington Green	Tockington	Bristol	Gloucestershire	BS32 4NJ	FH	Y
6522	Talbot Hotel	New Street	Oundle	Peterborough	Northamptonshire	PE8 4EA	FH	Y
5298	Tandem	193 Kennington Road	Kennington		Oxfordshire	OX1 5PG	FH	
7994	Testwood	Salisbury Road	Totton	Southampton	Hampshire	SO40 3ND	FH	
6524	Three Cranes	High Street	Turvey		Bedfordshire	MK43 8EP	FH	Y
7998	Travellers Rest	49 Hill Top Road	Leeds		West Yorkshire	LS12 3PY	FH	Y
3281	Travellers Rest	Gloucester Road	Patchway	Bristol	Gloucestershire	BS34 6NR	FH	Y
8002	Tredegar Arms	4 Caerphilly Road	Bassaleg	Newport	Gwent	NP10 8LE	FH	
6112	Turnpike	New Road	High Wycombe		Buckinghamshire	HP12 4RQ	FH	Y
5301	Two Poplars	118 Finchampstead Road	Wokingham		Berkshire	RG41 2NU	FH	
6020	Unicom	227 Camden Road	Camden Town	London	Greater London	NW1 9AA	FH	Y
8008	Unicorn	225 Clayhall Avenue	Ilford		Essex	IG5 0NY	FH	
7080	Vale Royal Abbey Arms	Chester Road	Oakmere	Northwich	Cheshire	CW8 2HB	FH	
8011	Victoria	Oxford Street	Barrow-In-Furness		Cumbria	LA14 5QL	FH	
6098	Vintners Parrot	10-12 Warwick Street	Worthing		Sussex	BN11 3DL	FH	
5260	Warren	Stamford Road	Kettering		Northamptonshire	NN16 8FD	FH	
6516	Waterfront Inn	43 Mere Street	Diss		Norfolk	IP22 4AG	FH	
8017	Waterside	Ferry Road	Shoreham-By-Sea		West Sussex	BN43 5RA	FH	
5306	Wee Waif	Old Bath Road	Charvil	Reading	Berkshire	RG10 9RJ	FH	Y
8020	Wellington	10 The Village	Bebington	Wirral	Merseyside	CH63 7PW	FH	Y
1623	Wellington	33 Steyne Road	Seaford		Sussex	BN25 1HT	FH	
6080	West End Inn	Semington Road	Melksham		Wiltshire	SN12 6DD	FH	Y
8022	Westbourne	45 Poole Road	Bournemouth		Dorset	BH4 9DN	FH	
2799	Westside	12 Tilehurst Road	Reading		Berkshire	RG1 7TN	FH	
5300	Wheatpieces	2 Clifford Avenue	Wotton Cardiff	Tewkesbury	Gloucestershire	GL20 7RW	FH	
6104	White Barn	Forest Road	Cuddington	Northwich	Cheshire	CW8 2LD	FH	
4075	White Hart	22-24 Market Square	Biggleswade		Bedfordshire	SG18 8AR	FH	Y
0011	White Hart	Whaddon Way	Bletchley	Milton Keynes	Buckinghamshire	MK3 7EB	FH	
5307	White Horse	189 Ock Street	Abingdon		Oxfordshire	OX14 5DW	FH	
5311	White Swan	10 Swan Lane	Sandhurst		Berkshire	GU47 9BU	FH	
8036	William Camden	Avenue Road	Bexleyheath		Kent	DA7 4EQ	FH	
8037	Williams Ale & Wine House	22-24 Artillery Lane	Whitechapel		Greater London	E1 7LS	FH	
8044	Ye Olde Cock	848 Wilmslow Road	Didsbury		Greater Manchester	M20 2RN	FH	Y
6044	Ye Olde Swan	Summer Road	Thames Ditton		Surrey	KT7 0QQ	FH	Y
9250	Ye Olde Talbot	Friar Street	Worcester		Worcestershire	WR1 2NA	FH	Y
5223	Aylesbury Duck	Jackson Road	Aylesbury		Buckinghamshire	HP19 9BF	LLH	
3017	Baron of Beef	19 Bridge Street	Cambridge		Cambridgeshire	CB2 1UF	LLH	
6635	Bullnose Morris	Watlington Road	Cowley	Oxford	Oxfordshire	OX4 6SS	LLH	
5113	Crab & Winkle	3 Loxley	Peterborough		Cambridgeshire	PE4 5BW	LLH	

House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
7708	Crown Wood	Opladen Way	Bracknell		Berkshire	RG12 0PE	LLH	
7715	Devonshire Arms	405 Herries Road	Sheffield		South Yorkshire	S5 7HE	LLH	
5349	Exchange Bar & Grill	Centre 27 Business Park, Bankwood Way	Birstall	Bately	Yorkshire	WF17 9TB	LLH	
7796	Gorse Hill	886 Chester Road	Stretford	Manchester	Greater Manchester	M32 0PA	LLH	
3080	Old Rep	Tower Street	Ipswich		Suffolk	IP1 3BE	LLH	
3081	Old Tea Warehouse	4,6 8 Creechurch Lane	London		Greater London	EC3A 5AJ	LLH	Y
3047	Owl & Pussycat	Grange Farm Avenue	Felixstowe		Suffolk	IP11 2FB	LLH	
5107	Pied Piper	Oaks Cross	Stevenage		Hertfordshire	SG2 8LU	LLH	
7913	Pump House	Albert Dock	Liverpool		Merseyside	L3 4AN	LLH	Y
5290	Running Horse	London Road	Bracknell		Berkshire	RG12 2UJ	LLH	Y
7971	Shuttle & Loom	Whinfield Road	Darlington		County Durham	DL1 3RW	LLH	Y
7989	Sundial	Sea Road	South Shields		Tyne & Wear	NE33 2LD	LLH	Y
8001	Trawl	Yarborough Road	Grimsby		Humberside	DN34 4ES	LLH	
8660	West End Brewery	59 High Street	West End	Southampton	Hampshire	SO30 3DQ	LLH	
3002	Willow Beauty	Hodings Road	Harlow		Essex	CM20 1NN	LLH	
8041	Woodlands Edge	Midwinter Close	Swindon		Wiltshire	SN5 5EZ	LLH	
5106	Woodman	Thorpe Wood	Peterborough		Cambridgeshire	PE3 6SQ	LLH	
				<b>Total Estate</b>				<b>305</b>
				<b>Freehold</b>				<b>284</b>
				<b>Long Leasehold</b>				<b>21</b>
				<b>Sample</b>				<b>102</b>

## APPENDIX 2 PUB PARTNERS ESTATE

House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
5350	Abingdon Arms	87 Grove Street	Wantage		Oxfordshire	OX12 7BH	FH	
6601	Admiral Benbow	44 High Street	Milton	Abingdon	Oxfordshire	OX14 4EJ	FH	Y
1365	Albion	93 Castle Street	Thetford		Norfolk	IP24 2DN	FH	
6038	Albion	45 Fairfield Road	Kingston-Upon-Thames		Surrey	KT1 2PY	FH	
5351	Albion Tavern	2 Hale Road	Farnham		Surrey	GU9 9QH	FH	
1901	Alexandra Arms	453 Seaside	Eastbourne		East Sussex	BN22 7SA	FH	
1155	Alma	Copford Green	Copford	Colchester	Essex	CO6 1BZ	FH	
5352	Alma	21 Alma Lane	Farnham		Surrey	GU9 0LJ	FH	
4624	Anchor	73 Western Road	Tring		Hertfordshire	HP23 4BH	FH	
8665	Anchor	Dunstable Road	Tilsworth	Leighton Buzzard	Bedfordshire	LU7 9PU	FH	
1056	Anchor	63 North Street	Burwell	Cambridge	Cambridgeshire	CB5 0BA	FH	Y
5355	Anchor	1 High Street	Stanford-In-The-Vale	Faringdon	Oxfordshire	SN7 8LH	FH	
5357	Anglers Retreat	Mill Road	West Drayton		Middlesex	UB7 7EH	FH	
4501	Archers	Havers Lane	Bishops Stortford		Hertfordshire	CM23 3PD	FH	
1401	Ash	Burton End	Stansted		Essex	CM24 8UQ	FH	Y
1220	Australian Arms	48-50 Hamlet Road	Haverhill		Suffolk	CB9 8QQ	FH	
4233	Axe	60 Ashdon Road	Saffron Walden		Essex	CB10 2AT	FH	Y
4512	Axe & Compasses	Arkesden	Saffron Walden		Essex	CB11 4EX	FH	
1185	Bakers Arms	4 Hinton Road	Fulbourn	Cambridge	Cambridgeshire	CB1 5DZ	FH	
8669	Barley Corn	Lower Basingwell Street	Bishops Waltham	Southampton	Hampshire	SO32 1AJ	FH	
4038	Bear	92 High Street	Bedford		Bedfordshire	MK40 1NN	FH	Y
1589	Beechwood Hall	Wykeham Road	Worthing		West Sussex	BN11 4JD	FH	Y
2470	Beehive	57 Carnerby Lane	Norwich		Norfolk	NR7 8NF	FH	
1240	Beehive	The Street	Horringer	Bury St Edmunds	Suffolk	IP29 5SN	FH	
5362	Beehive	264 High Street	Aldershot		Hampshire	GU12 4LP	FH	
1441	Bell	16 High Street	Bottisham	Cambridge	Cambridgeshire	CB5 9DA	FH	
4605	Bell	4 High Street	Standon	Ware	Hertfordshire	SG11 1LA	FH	
4136	Bell	High Street	Great Paxton	St Neots	Cambridgeshire	PE19 6RF	FH	
4062	Bell	4 Town Lane	Benington	Stevenage	Hertfordshire	SG2 7LA	FH	
4248	Bell	1 Station Road	Sandy		Bedfordshire	SG19 1AW	FH	Y
4209	Bell	Horsefair Lane	Odell	Bedford	Bedfordshire	MK43 7AU	FH	
5365	Bell	21 Standlake Road	Ducklington	Witney	Oxfordshire	OX29 7UP	FH	Y
5369	Bell	38 Market Place	Wantage		Oxfordshire	OX12 8AH	FH	
5368	Bell	Three Elm Lane	Golden Green	Tonbridge	Kent	TN11 0BD	FH	
1902	Bell	High Street	Burwash	Etchingham	East Sussex	TN19 7EH	FH	
3542	Bell	21 Bell Street	Reigate		Surrey	RH2 7AD	FH	
5366	Bell	High Street	Kemsing	Sevenoaks	Kent	TN15 6NB	FH	Y
1319	Bennet Arms	1 Kingshall Street	Rougham	Bury St Edmunds	Suffolk	IP30 9LH	FH	
4243	Berkley Arms	19 Berkley Street	Eynesbury	St Neots	Cambridgeshire	PE19 2NB	FH	Y
6607	Berkshire House	200 Abingdon Road	Oxford		Oxfordshire	OX1 4RA	FH	
1098	Bird in Hand	73 Newmarket Road	Cambridge		Cambridgeshire	CB5 8EG	FH	
5371	Bird in Hand	High Street	Little Sandhurst	Sandhurst	Berkshire	GU47 8LQ	FH	
1059	Black Boy	69 Guildhall Street	Bury St Edmunds		Suffolk	IP33 1QD	FH	
1352	Black Boy	Market Hill	Sudbury		Suffolk	CO10 2EA	FH	
6609	Black Boy	91 Old High Street	Headington	Oxford	Oxfordshire	OX3 9HT	FH	
4311	Black Bull	1 Station Road	Willingham	Cambridge	Cambridgeshire	CB4 5HF	FH	
8672	Black Dog	Winchester Road	Waltham Chase	Southampton	Hampshire	SO32 2LX	FH	Y
4198	Black Horse	1 Snow Hill	Maulden	Bedford	Bedfordshire	MK45 2BP	FH	
1222	Black Horse	Camps Road	Haverhill		Suffolk	CB9 8HF	FH	
4150	Black Horse	29-31 West Street	Hertford		Hertfordshire	SG13 8EZ	FH	Y
4604	Black Horse	65 Blackhorse Lane	South Mimms	Potters Bar	Hertfordshire	EN6 3PS	FH	
5373	Black Horse	Gozzards Ford	Abingdon		Oxfordshire	OX13 6JH	FH	
1934	Black Horse	55 Western Road	Lewes		East Sussex	BN7 1RS	FH	
2792	Black Horse	Windmill Road	Fulmer	Slough	Buckinghamshire	SL3 6HD	FH	
1191	Black Lion	Lion Road	Glemsford	Sudbury	Suffolk	CO10 7RF	FH	
6611	Blackbird	Blackbird Leys Road	Oxford		Oxfordshire	OX4 6HW	FH	Y
1454	Blue Anchor	Grange Road	Platt	Sevenoaks	Kent	TN15 8ND	FH	Y
0153	Blue Pig	Hall Road	Wolvay	Hinkley	Leicestershire	LE10 3LG	FH	
4231	Boars Head	35 Market Hill	Royston		Hertfordshire	SG8 9JU	FH	Y
6613	Boat	Thrupp	Kidlington		Oxfordshire	OX5 1JY	FH	
3511	Brewers Arms	18-20 Orford Street	Ipswich		Suffolk	IP1 3NS	FH	Y
1315	Brewers Arms	Lower Road	Rattlesden	Bury St Edmunds	Suffolk	IP30 0RJ	FH	
1904	Brewers Arms	Gardner Street	Herstmonceux	Hailsham	East Sussex	BN27 4LB	FH	
4504	Brewery Tap	Barleycroft End	Furneux Pelham	Buntingford	Hertfordshire	SG9 0LL	FH	
5379	Brewery Tap	40-42 Ock Street	Abingdon		Oxfordshire	OX14 5BZ	FH	Y
1380	Brewery Tavern	Braintree Road	Wethersfield	Braintree	Essex	CM7 4BU	FH	Y
4040	Bricklayers Arms	90 Fenlake Road	Bedford		Bedfordshire	MK42 0EU	FH	Y
3533	Bricklayers Arms	Wool Lane	Midhurst		West Sussex	GU29 9BX	FH	
1148	Britannia	42 Meyrick Crescent	Colchester		Essex	CO2 7QY	FH	
5382	Broad Face	30-32 Bridge Street	Abingdon		Oxfordshire	OX14 3HR	FH	Y
1198	Brook	241 Bures Road	Great Cornard	Sudbury	Suffolk	CO10 0JQ	FH	
1099	Brook	25 Brookfields, Mill Road	Cambridge		Cambridgeshire	CB1 3NW	FH	
4083	Brown Bear	14 The Street	Braughing	Ware	Hertfordshire	SG11 2QF	FH	
5383	Bucks Head	Bucks Head Hill	Meonstoke	Southampton	Hampshire	SO32 3NA	FH	
1055	Bull	Bradley Road	Burrough Green	Newmarket	Suffolk	CB8 9NH	FH	
6615	Bull	The Green	Great Milton	Oxford	Oxfordshire	OX44 7NS	FH	
8679	Bull		Weston-Under-Wetherley	Leamington Spa	Warwickshire	CV33 9BP	FH	
6616	Bull	Bicester Road	Launton	Bicester	Oxfordshire	OX26 5DQ	FH	
5114	Bull		Cottered	Buntingford	Hertfordshire	SG9 9QP	FH/LH	
1196	Bunbury Arms	Ixworth Road	Great Barton	Bury St Edmunds	Suffolk	IP31 2NX	FH	Y
1245	Cadogan Arms	The Street	Ingham	Bury St Edmunds	Suffolk	IP31 1NG	FH	
5387	Carpenters Arms	Main Road	Appleford	Abingdon	Oxfordshire	OX14 4PD	FH	
1163	Castle	77 High Street	Earls Colne	Colchester	Essex	CO6 2OQ	FH	
3546	Castle	87 St Johns Hill	Sevenoaks		Kent	TN13 3PE	FH	
5514	Castle Tavern	24 Paradise Street	Oxford		Oxfordshire	OX1 1LD	FH	
1188	Chequers	The Green	Gazeley	Newmarket	Suffolk	CB8 8RFFH	FH	
1363	Chequers	128 High Street	Sutton	Ely	Cambridgeshire	CB6 2NW	FH	
1388	Chequers	7 Church Road	Wimbotsam	Kings Lynn	Norfolk	PE34 3QG	FH	Y
4322	Chequers	43 High Street	Wrestlingworth	Sandy	Bedfordshire	SG19 2EP	FH	
4028	Chequers	London Road	Barley	Royston	Hertfordshire	SG8 8JQ	FH	
5390	Chequers	17 Station Road	Brize Norton	Carterton	Oxfordshire	OX18 3PR	FH	
1455	Chequers	The Street	Ightham	Sevenoaks	Kent	TN15 9HH	FH	
5391	Chequers	High Street	Prestwood	Great Missenden	Buckinghamshire	HP16 9HD	FH	

House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
1328	Cherry Tree	26 Fordham Road	Soham	Ely	Cambridgeshire	CB7 5AH	FH	
5392	Cherry Tree	Cherry Tree Road	Rowledge	Farnham	Surrey	GU10 4AB	FH	
1201	Chestnut Horse	The Green	Great Finborough	Stowmarket	Suffolk	IP14 3AT	FH	
1379	Chestnut Tree	1 High Street	West Wrattling	Cambridge	Cambridgeshire	CB1 5LU	FH	
3068	Cinque Ports Arms	1 High Street	New Romney		Kent	TN28 8BU	FH	
3507	Clarendon	6 Harwich Road	Colchester		Essex	CO4 3BN	FH	Y
1101	Clarendon Arms	35-37 Clarendon Street	Cambridge		Cambridgeshire	CB1 1JX	FH	
4510	Coach & Horses		Wicken Bonhunt	Saffron Walden	Essex	CB11 3UG	FH	
4065	Coach & Horses	49-51 Shortmead Street	Biggleswade		Bedfordshire	SG18 0AT	FH	
4227	Coach & Horses	22 High Street	Rickmansworth		Hertfordshire	WD3 1ER	FH	
1421	Coach & Horses	51 Bethel Street	Norwich		Norfolk	NR2 1NR	FH	
1285	Coachmakers Arms	13 Station Road	March		Cambridgeshire	PE15 8LB	FH	
1274	Cock	The Street	Thurlow	Haverhill	Suffolk	CB9 7LA	FH	Y
4017	Cock	43 High Street	Baldock		Hertfordshire	SG7 6BG	FH	
1254	Cock	Bury Road	Kentford	Newmarket	Suffolk	CB8 7PR	FH	
4519	Cock	30 Silver Street	Stansted		Essex	CM24 8HD	FH	
3530	Cock		Ide Hill	Sevenoaks	Kent	TN14 6JN	FH	
1102	Corner House	231 Newmarket Road	Cambridge		Cambridgeshire	CB5 8JE	FH	
5566	Corner House	22 Sheet Street	Windsor		Berkshire	SL4 1BG	FH	Y
5396	Cottage	26 Broad Lane	Upper Bucklebury	Reading	Berkshire	RG7 6QJ	FH	
5609	Court Jester	13 Terminus Terrace	Southampton		Hampshire	SO14 3DT	FH	
1907	Cowdray Arms	London Road	Balcombe	Haywards Heath	West Sussex	RH17 6QD	FH	
1103	Cricketers	18 Melbourne Place	Cambridge		Cambridgeshire	CB1 1EQ	FH	
1179	Cricketers	Spring Lane	Fordham Heath	Colchester	Essex	CO3 9TG	FH	
5401	Cricketers	Park Street	Maidenhead		Berkshire	SL6 1SL	FH	
5402	Cricketers	12 Oxenden Road	Tongham	Farnham	Surrey	GU10 1AF	FH	
6623	Cricketers Arms	102 Temple Road	Oxford		Oxfordshire	OX4 2EZ	FH	
6624	Crispin	Burr Street	Harwell	Didcot	Oxfordshire	OX11 0DT	FH	Y
4234	Crocus	40 Pleasant Valley	Saffron Walden		Essex	CB11 4AP	FH	
4361	Crooked Billet	140 Musley Hill	Ware		Hertfordshire	SG12 7NL	FH	Y
8685	Crooked Billet	2 West Brook End	Newton Longville	Milton Keynes	Buckinghamshire	MK17 0DF	FH	
4093	Cross Keys	77 Ermine Street	Caxton	Cambridge	Cambridgeshire	CB3 8PQ	FH	
4046	Cross Keys	69 High Street	Bedford		Bedfordshire	MK40 1RZ	FH	
6625	Cross Keys	148 Ock Street	Abingdon		Oxfordshire	OX14 5DT	FH	
1255	Crossways	South Everard Street	Kings Lynn		Norfolk	PE30 5HJ	FH	
4314	Crown	17 Station Road	Willington	Bedford	Bedfordshire	MK44 3QH	FH	
1004	Crown	24 Newmarket Road	Ashley	Newmarket	Suffolk	CB8 9DR	FH	
1394	Crown	Main Road	Wormingford	Colchester	Essex	CO6 3AB	FH	Y
1152	Crown	Crown Road	Colkirk	Fakenham	Norfolk	NR21 7AA	FH	
4183	Crown	Church Street	Litlington	Royston	Hertfordshire	SG8 0QB	FH	
4206	Crown	2 Ickwell Road	Northill	Biggleswade	Bedfordshire	SG18 9AA	FH	
1217	Crown	The Green	Hartest	Bury St Edmunds	Suffolk	IP29 4DH	FH	
6627	Crown	Thame Road	Stadhampton	Oxford	Oxfordshire	OX44 7TX	FH	Y
5411	Crown	96 High Street	Chalgrove	Oxford	Oxfordshire	OX44 7SS	FH	
5409	Crown	52 High Street	Benson	Wallingford	Oxfordshire	OX10 6RP	FH	
3537	Crown	1 High Street	Nutfield	Redhill	Surrey	RH1 4HH	FH	
1908	Crown	22 Church Road	Newick	Lewes	East Sussex	BN8 4JX	FH	Y
3552	Crown	84 High Street	Shoreham	Sevenoaks	Kent	TN14 7TJ	FH	
2900	Crown	140 Whyke Road	Chichester		West Sussex	PO19 8HT	FH	Y
5413	Crown	Reading Road	Lower Basildon	Reading	Berkshire	RG8 9ND	FH	
1386	Crown & Anchor	16 Lynn Road	St Germans	Kings Lynn	Norfolk	PE34 3EY	FH	
1318	Crown & Castle	South Street	Risby	Bury St Edmunds	Suffolk	IP28 6QU	FH	
6629	Crown & Thistle	132 Old Road	Headington	Oxford	Oxfordshire	OX3 8SX	FH	Y
5416	Deer's Hut	Griggs Green	Liphook		Hampshire	GU30 7PD	FH	
1909	Dew Drop	37-39 South Street	Eastbourne		East Sussex	BN21 4UP	FH	
1308	Dog	Ixworth Road		Bury St Edmunds	Suffolk	IP31 3LP	FH	
4508	Dog & Duck	58 Lower Street	Stansted		Essex	CM24 8LR	FH	Y
5419	Dolphin	2 St Marys Street	Wallingford		Oxfordshire	OX10 0EL	FH	
5420	Donkey	Charles Hill	Tilford	Farnham	Surrey	GU10 2AU	FH	
4616	Donnington Arms	147-151 Howard Street	Oxford		Oxfordshire	OX4 3AZ	FH	
5407	Drunken Pear	Maidens Green	Winkfield	Windsor	Berkshire	SL4 4SJ	FH	
1868	Duck	36 Queens Parade, Friern Barnet Road	Muswell Hill	London	Greater London	N11 3DA	FH	
3536	Duke of Normandy	Guildford Road	Normandy	Guildford	Surrey	GU3 2AU	FH	
1043	Duke of Wellington	35 Thetford Road	Brandon		Suffolk	IP27 0BZ	FH	Y
5421	Duke of Wellington	7 Lechlade Road	Faringdon		Oxfordshire	SN7 8AL	FH	
8689	Duke of Wellington	Church Street	Stanwick	Wellingborough	Northamptonshire	NN9 6PS	FH	
1563	Dukes Head	2 Upper Village Road	Sunninghill	Ascot	Berkshire	SL5 7AG	FH	
1009	Dun Cow	Up Street	Bardwell	Bury St Edmunds	Suffolk	IP31 1AA	FH	
5359	Endeavour	Simnel Street	Southampton		Hampshire	SO14 2BE	FH	
4018	Engine	3 Station Road	Baldock		Hertfordshire	SG7 5BS	FH	Y
4002	Engine & Tender	3 Dunstable Street	Amphill	Bedford	Bedfordshire	MK45 2NJ	FH	
1912	Farm Tavern	13 Farm Road	Hove		East Sussex	BN3 1FB	FH	
5428	Fifield	Fifield Road	Fifield	Maidenhead	Berkshire	SL6 2NX	FH	
5429	Fish	4 Appleford Road	Sutton Courtenay	Abingdon	Oxfordshire	OX14 4NQ	FH	
1233	Five Bells	The Street	Hessett	Bury St Edmunds	Suffolk	IP30 9AX	FH	
4229	Five Bells	38 High Street	Riseley	Bedford	Bedfordshire	MK44 1DX	FH	Y
4102	Five Bells	1-3 Northill Road	Cople	Bedford	Bedfordshire	MK44 3TU	FH	
1044	Five Bells	Market Hill	Brandon		Suffolk	IP27 0AA	FH	Y
1457	Five Pointed Star	100 High Street	West Malling		Kent	ME19 6NE	FH	Y
1146	Fleece	27 West Street	Coggeshall	Colchester	Essex	CO6 1NS	FH	
5431	Fleece	11 Church Green	Witney		Oxfordshire	OX28 4AZ	FH	
1456	Fleur De Lis	High Street	Leigh	Tonbridge	Kent	TN11 8RL	FH	
5432	Fleur De Lis	30 Main Road	East Hagbourne	Didcot	Oxfordshire	OX11 9LN	FH	
6638	Flowing Well	76-78 Broughton Road	Banbury		Oxfordshire	OX16 9QF	FH	
5434	Flowing Well	Sunningwell	Abingdon		Oxfordshire	OX13 6RB	FH	
8695	Forester Arms	71 North Walls	Winchester		Hampshire	SO23 8DA	FH	
8694	Foresters Arms	2 London Street	Andover		Hampshire	SP10 2PA	FH	Y
1106	Fort St George	Midsummer Common	Cambridge		Cambridgeshire	CB4 1HA	FH	
4110	Fox	Darley Hall	Luton		Bedfordshire	LU2 8PP	FH	
1168	Fox	Station Road	Elmswell	Bury St Edmunds	Suffolk	IP30 9HD	FH	
8697	Fox	Church Street	Wilbarston	Market Harborough	Leicestershire	LE16 8QG	FH	
6642	Fox	25 Henley Road	Sandford-On- Thames	Oxford	Oxfordshire	OX4 4YN	FH	Y
6644	Fox	Main Road	Stanton Harcourt	Witney	Oxfordshire	OX29 5RR	FH	
6641	Fox	The Green	Leafield	Witney	Oxfordshire	OX29 9NP	FH	
5439	Fox	21 Frensham Road	Lower Bourne	Farnham	Surrey	GU10 3PH	FH	
8698	Fox	Fox Lane	Bramdean		Hampshire	SO24 0LP	FH	
4320	Fox & Duck	13 Bedford Road	Wootton	Bedford	Bedfordshire	MK43 9JT	FH	

House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
4166	Fox & Hounds	18 High Street	Kempston	Bedford	Bedfordshire	MK42 7AR	FH	
5436	Fox & Hounds	Church Road	Farley Hill	Reading	Berkshire	RG7 1UB	FH	
3554	Fox & Hounds	Tilburstow Hill Road	South Godstone	Godstone	Surrey	RH9 8LY	FH	
3557	Fox & Hounds	Toys Hill	Westerham		Kent	TN16 1QG	FH	
1491	Fox & Hounds	1 London Road	Croydon		Surrey	CR0 2RE	FH	
1512	Fox & Pheasant	1 Billing Road	Chelsea	London	Greater London	SW10 9UJ	FH	
1123	Free Press	7 Prospect Row	Cambridge		Cambridgeshire	CB1 1DU	FH	
8699	Freemantle Arms	31 Albany Road	Southampton		Hampshire	SO15 3EF	FH	
3512	Freemasons	79 Victoria Street	Ipswich		Suffolk	IP1 2LS	FH	
3517	Garden Gate	Church Lane East	Aldershot		Hampshire	GU11 3BT	FH	Y
1370	Gardeners Arms	Church Road	Tostock	Bury St Edmunds	Suffolk	IP30 9PA	FH	
6646	Gardeners Arms	8 North Parade Avenue	Oxford		Oxfordshire	OX2 6LX	FH	
0087	Gardeners Arms	184 Wellingborough Road	Northampton		Northamptonshire	NN1 4EB	FH	Y
4190	Gardeners Call	151 High Town Road	Luton		Bedfordshire	LU2 0BX	FH	
4235	Gate	74 Thaxted Road	Saffron Walden		Essex	CB11 3AG	FH	Y
1209	George	52 High Street	Hadleigh	Ipswich	Suffolk	IP7 5AL	FH	Y
5448	George	244 Staines Road East	Sunbury-On-Thames		Middlesex	TW16 5AX	FH	
6649	George	1 West Way	Oxford		Oxfordshire	OX2 0JB	FH	Y
8621	George	George Yard, High Street	Andover		Hampshire	SP10 1PD	FH	
4337	George & Dragon	2 King Street	Potton	Sandy	Bedfordshire	SG19 2QT	FH	Y
4303	George & Dragon	82 High Street	Watton-At-Stone	Hertford	Hertfordshire	SG14 3TA	FH	Y
5445	George & Dragon	Reading Road	Upton	Didcot	Oxfordshire	OX11 9JJ	FH	
1458	George & Dragon	Five Oak Green Road	Tudeley	Tonbridge	Kent	TN11 0PW	FH	Y
1295	Globe	21 Field Road	Mildenhall	Bury St Edmunds	Suffolk	IP28 7AF	FH	
8702	Goat	Vicarage Causeway	Hertford Heath	Hertford	Hertfordshire	SG13 3RT	FH	
3508	Goat & Boot	70 East Hill	Colchester		Essex	CO1 2QW	FH	
5447	Gold Cup	102 Fernbank Road	Ascot		Berkshire	SL5 8JN	FH	
6650	Golden Ball	2 College Lane	Littlemore	Oxford	Oxfordshire	OX4 4LQ	FH	Y
5449	Golden Pot	Reading Road	Eversley Centre	Hook	Hampshire	RG27 0NB	FH	
1418	Golden Star	57 Colegate	Norwich		Norfolk	NR3 1DD	FH	
6651	Goldfinger Tavern	Newburgh Place	Highworth	Swindon	Wiltshire	SN6 7DN	FH	Y
5451	Gordon Arms	Gordon Road	High Wycombe		Buckinghamshire	HP13 6EP	FH	Y
1010	Grafton Arms	Theftord Road	Barnham	Thetford	Norfolk	IP24 2PA	FH	Y
1108	Grapes	19 Histon Road	Cambridge		Cambridgeshire	CB4 3JB	FH	Y
5253	Grapes	28 High Street	Abingdon		Oxfordshire	OX14 5AX	FH	
8703	Grapes	36 Market Square	Aylesbury		Buckinghamshire	HP20 1TW	FH	Y
4257	Green Man	Dunsbridge Turnpike	Shepreth	Royston	Hertfordshire	SG8 6RA	FH	
4099	Green Man	The Green	Clophill	Bedford	Bedfordshire	MK45 4AD	FH	
4326	Green Man	Arch Road	Great Wymondley	Hitchin	Hertfordshire	SG4 7EU	FH	
8625	Green Man	53 Southgate Street	Winchester		Hampshire	SO23 9EH	FH	Y
5452	Grenfell Arms	22 Oldfield Road	Maidenhead		Berkshire	SL6 1TW	FH	
1385	Greyhound	Meeting Green	Wickhambrook	Newmarket	Suffolk	CB8 8XS	FH	
1263	Greyhound	97 High Street	Lavenham	Sudbury	Suffolk	CO10 9PZ	FH	Y
1074	Greyhound	28 Eastgate Street	Bury St Edmunds		Suffolk	IP33 1YQ	FH	
4147	Greyhound	68 Northwood End Road	Haynes	Bedford	Bedfordshire	MK45 3QD	FH	
5454	Greyhound	Main Street	Letcombe Regis	Wantage	Oxfordshire	OX12 9JL	FH	Y
4146	Greyhound	2 High Street	Haversham	Milton Keynes	Buckinghamshire	MK19 7ZD	FH	Y
4167	Griffin	174 Bedford Road	Kempston	Bedford	Bedfordshire	MK42 8BL	FH	
4289	Griffin	2 Station Road	Toddington	Dunstable	Bedfordshire	LU5 6BN	FH	
1260	Half Moon	4 High Street	Lakenheath	Bury St Edmunds	Suffolk	IP27 9JX	FH	
4618	Half Moon	17 St Clements Street	Oxford		Oxfordshire	OX4 1AB	FH	
8687	Half Moon & Spread Eagle	Winchester Road	Micheldever	Winchester	Hampshire	SO21 3DG	FH	
5459	Hare	Reading Road	West Hendred	Wantage	Oxfordshire	OX12 8RH	FH	
1265	Hare & Hounds	Harrow Street	Leavenheath	Colchester	Essex	CO6 4PW	FH	
5458	Hare & Hounds	The Square	Rowledge	Farnham	Surrey	GU10 4AA	FH	Y
1338	Hare Arms	Lynn Road	Stow Bardolph	Kings Lynn	Norfolk	PE34 3HT	FH	
5460	Harrow	142 Charlton Road	Shepperton		Middlesex	TW17 0RJ	FH	
5461	Harrow	West Islsey	Newbury		Berkshire	RG20 7AR	FH	
1611	Hawley Arms	2 Castlehaven Road	Camden Lock	London	Greater London	NW11 8QU	FH	Y
5374	Heathfield Arms	116 Blackbrook Road	Fareham		Hampshire	PO15 5BZ	FH	Y
4022	Hen & Chickens	51 South Road	Baldock		Hertfordshire	SG7 6BZ	FH	Y
4327	Hermit of Redcoats	Redcoats Green	Little Wymondley	Hitchin	Hertfordshire	SG4 7JR	FH	Y
1916	High Brooms	102 High Brooms Road	Tunbridge Wells		Kent	TN4 9BQ	FH	
5464	Hoddington Arms	Bidden Road	Upton Grey	Basingstoke	Hampshire	RG25 2RL	FH	
5618	Holly Bush	106 Bridge Street	Oxford		Oxfordshire	OX2 0BD	FH	
5466	Holly Bush	35 Corn Street	Witney		Oxfordshire	OX28 6BT	FH	Y
5465	Holly Bush	Shortfield Common	Frensham	Farnham	Surrey	GU10 3BJ	FH	
4033	Hoops	74 High Street	Bassingbourn	Royston	Hertfordshire	SG8 5LF	FH	Y
4104	Hop Bind	212 High Street	Cottenham	Cambridge	Cambridgeshire	CB4 8RZ	FH	
1917	Hop Poles	13 Middle Street	Brighton		East Sussex	BN1 1AL	FH	
4069	Hopbine	21 Drove Road	Biggleswade		Bedfordshire	SG18 8HD	FH	Y
5467	Hope	53 Hithermoor Road	Staines		Middlesex	TW19 6AR	FH	Y
5468	Horns	Bowling Alley	Crandall	Farnham	Surrey	GU10 5RJ	FH	Y
1355	Horse & Groom	35 East Street	Sudbury		Suffolk	CO10 2TU	FH	
4095	Horse & Groom	15 High Street	Clapham	Bedford	Bedfordshire	MK41 6EQ	FH	
3502	Horse & Groom	20 Rayne Road	Braintree		Essex	CM7 2QA	FH	
8707	Huntsman	Goose Green	Hoddesdon		Hertfordshire	EN11 8SN	FH	Y
5475	Ibex	Main Street	Chaddleworth	Newbury	Berkshire	RG20 7ER	FH	Y
4522	Ickleton Lion	9 Abbey Street	Ickleton	Saffron Walden	Essex	CB10 1SS	FH	
1075	Ipswich Arms	1 Tayfen Road	Bury St Edmunds		Suffolk	IP32 6BH	FH	
5544	Jack Beards	70 High Street	Wylesley	West Drayton	Middlesex	UB7 7DS	FH	Y
5258	James Street Tavern	47-48 James Street	Oxford		Oxfordshire	OX4 1EU	FH	
1445	John Bull	482 Woodbridge Road	Ipswich		Suffolk	IP4 4PS	FH	
6655	Jolly Boatman	216 Banbury Road	Thrupp	Kidlington	Oxfordshire	OX5 1JU	FH	
4105	Jolly Millers	73 High Street	Cottenham	Cambridge	Cambridgeshire	CB4 8SD	FH	
5479	Jolly Sailor	64 West Street	Farnham		Surrey	GU9 7EH	FH	
1940	Jubilee Inn	91 Whiteway Road	Bath		Somerset	BA2 2RF	FH	
8629	Junction	24 Priory Road	Southampton		Hampshire	SO17 2JZ	FH	
1918	Junction Tavern	99 Station Road	Polegate		East Sussex	BN26 6EB	FH	
5482	Killingworth Castle	Grympton Road	Wootton	Woodstock	Oxfordshire	OX20 1EJ	FH	
6658	King & Queen	57 High Street	Wheatley	Oxford	Oxfordshire	OX33 1XT	FH	Y
8709	King Alfred	11 Saxon Road	Winchester		Hampshire	SO23 7DJ	FH	
3538	King William IV	87 Hastings Road	Pembury	Tunbridge Wells	Kent	TN2 4JS	FH	Y
1218	Kings Arms	3 Old Street	Haughley	Stowmarket	Suffolk	IP14 3NT	FH	
4052	Kings Arms	24 St Marys Street	Bedford		Bedfordshire	MK42 0AS	FH	
4253	Kings Arms	27 London Road	Sandy		Bedfordshire	SG19 1HA	FH	
1077	Kings Arms	23 Brentgovel Street	Bury St Edmunds		Suffolk	IP33 1EB	FH	

House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
4830	Kings Arms	24 Coppice Hill	Bradford-On-Avon		Wiltshire	BA15 1JT	FH	
1018	Kings Head	The Street	Beck Row	Bury St Edmunds	Suffolk	IP28 8AE	FH	
1301	Kings Head	Bridge Street	Moulton	Newmarket	Suffolk	CB8 8SP	FH	
1200	Kings Head	115 Bures Road	Great Cornard	Sudbury	Suffolk	CO10 0JE	FH	Y
4254	Kings Head	19 High Street	Sawston	Cambridge	Cambridgeshire	CB2 4BG	FH	
1919	Kings Head	East Grinstead Road	North Chailey	Lewes	East Sussex	BN8 4DH	FH	
2626	Kingsfield Arms	111 Bessborough Road	Harrow		Middlesex	HA1 3DF	FH	
6661	Kite	68-69 Mill Street	Oxford		Oxfordshire	OX2 0AL	FH	
1920	Lamb	10 Fisher Street	Lewes		East Sussex	BN7 2DG	FH	
5487	Lamb & Flag	Middletown	Hailey	Witney	Oxfordshire	OX29 9UB	FH	
6663	Lamb & Flag	Faringdon Road	Longworth	Abingdon	Oxfordshire	OX13 5HN	FH	Y
8712	Langton Arms	Main Street	Church Langton	Market	Leicestershire	LE16 7SY	FH	
				Harborough				
1576	Larrik	2 Crouch Hill	Crouch End	London	Greater London	N4 4AU	FH	
1921	Laughing Fish	Station Road	Isfield	Uckfield	East Sussex	TN22 5XB	FH	
1339	Little Wellington	12 Stowupland Road	Stowmarket		Suffolk	IP14 5AG	FH	
5490	Live & Let Live	57 Haydon Place	Guildford		Surrey	GU1 4NE	FH	
8714	Longmead Arms	Longmead Avenue	Eastleigh		Hampshire	SO50 6ES	FH	Y
6006	Lord Palmerston	112 Staines Road	Hounslow		Middlesex	TW3 3LH	FH	
5496	Lord Raglan	30 Denmark Street	Wokingham		Berkshire	RG40 2BB	FH	
5497	Lower Bell	201 Chatham Road	Blue Bell Hill	Aylesford	Kent	ME20 7EF	FH	
1297	Maids Head	9 Kingsway	Mildenhall	Bury St Edmunds	Suffolk	IP28 7HN	FH	Y
8716	Mailmans Arms	71 High Street	Lyndhurst		Hampshire	SO43 7BE	FH	
4338	Maltsters Arms	2 London Road	Abridge	Romford	Essex	RM4 1UX	FH	
1028	Manger	Sudbury Road	Bradfield Combust	Bury St Edmunds	Suffolk	IP30 0LW	FH	
1133	Marquis of Cornwallis	The Street	Chedburgh	Bury St Edmunds	Suffolk	IP29 4UH	FH	
1079	Masons Arms	14 Whiting Street	Bury St Edmunds		Suffolk	IP33 1NX	FH	
5500	Masters Arms	18 North Town Road	Maidenhead		Berkshire	SL6 7JF	FH	
5501	Maybush	Newbridge	Witney		Oxfordshire	OX29 7QD	FH	
3532	Mayford Arms	Guildford Road	Mayford	Woking	Surrey	GU22 9QT	FH	
8717	Merrie Monk	34 New Street	Andover		Hampshire	SP10 1EL	FH	Y
8633	Merry Miller	Cothill Road	Dry Sandford	Abingdon	Oxfordshire	OX13 6JW	FH	
5503	Metropolitan	56 Rose Street	Wokingham		Berkshire	RG40 1XU	FH	
4613	Militia Canteen	21 Eithorne Road	Uxbridge		Middlesex	UB8 2PS	FH	
4115	Millers Arms	38 Ackerman Street	Eaton Socon	St Neots	Cambridgeshire	PE19 8HR	FH	
5505	Milton's Head	20 Deanway	Chalfont St Giles		Buckinghamshire	HP8 4JL	FH	
1487	Mitre	145 Woolwich High Street	Woolwich	London	Greater London	SE18 6DU	FH	
4156	Molly Malones	117 Nightingale Road	Hitchin		Hertfordshire	SG5 1RG	FH	Y
5507	Morning Star	98 Papist Way	Cholsey	Wallingford	Oxfordshire	OX10 9QL	FH	
5508	Mother Shipton	223 Twyford Avenue	Portsmouth		Hampshire	PO2 8NY	FH	
4506	Nags Head	The Ford	Little Hadham	Ware	Hertfordshire	SG11 2AX	FH	
6668	Nags Head	43 Upper High Street	Thame		Oxfordshire	OX9 2DW	FH	
4237	Nelsons Head	7 Merryland	St Ives		Cambridgeshire	PE27 5ED	FH	
4070	New Inn	16A Market Square	Biggleswade		Bedfordshire	SG18 8AS	FH	
4349	New Inn	2 Allitsen Road	St Johns Wood	London	Greater London	NW8 6LA	FH	Y
8719	New Inn	Westerleigh	Bristol		Gloucestershire	BS37 8QH	FH	
4324	New Inn	1 Rushden Road	Wymington	Rushden	Northamptonshire	NN10 9LN	FH	Y
4609	New Inn	18 Bridge Street	Buckingham		Buckinghamshire	MK18 1AF	FH	
5510	Nine Stiles	52 Newtown Road	Denham	Uxbridge	Middlesex	UB9 4BD	FH	Y
1078	No. 3	3 Risbygate Street	Bury St Edmunds		Suffolk	IP33 3AA	FH	Y
3531	Noahs Ark	Lurgashall	Petworth		West Sussex	GU28 9ET	FH	
6670	North Arms	Mills Lane	Wroxtton	Banbury	Oxfordshire	OX15 6PY	FH	
6672	Old Bookbinders	17-18 Victor Street	Oxford		Oxfordshire	OX2 6BT	FH	
4126	Old Crown	89 High Street	Girton	Cambridge	Cambridgeshire	CB3 0QD	FH	Y
1509	Old Eagle	251 Royal College Street	Camden	London	Greater London	NW1 9LU	FH	
4261	Old George	High Street	Silsoe	Bedford	Bedfordshire	MK45 4EP	FH	
4163	Old George	Arlesley Road	Ickleford	Hitchin	Hertfordshire	SG5 3UX	FH	
8639	Old Lion	Pailton Road	Harborough Magna	Rugby	Warwickshire	CV23 0HQ	FH	
4607	Old Maypole	41 Warrengate Road	North Mymms	Hatfield	Hertfordshire	AL9 7TT	FH	
1528	Old Red Lion	72 High Holborn	Holborn	London	Greater London	WC1V 6LS	FH	
1564	Old Rockingham Arms	25 Rockingham Road	Uxbridge		Middlesex	UB8 2TZ	FH	
4023	Orange Tree	Norton Road	Baldock		Hertfordshire	SG7 5AW	FH	Y
4003	Ossory Arms	9 Arthur Street	Amptill	Bedford	Bedfordshire	MK45 2QQ	FH	
1128	Ostrich	Stocks Green	Castle Acre	Kings Lynn	Norfolk	PE32 2AE	FH	
6675	Oxfordshire Yeoman	172 Wroslyn Road	Freeland	Witney	Oxfordshire	OX29 8AQ	FH/LH	
5515	Packhorse	Milton Hill	Steventon	Abingdon	Oxfordshire	OX13 6AG	FH	Y
1463	Panther	50 Croydon Road	Reigate		Surrey	RH2 0NH	FH	
1615	Papermakers Arms	509 Loose Road	Maidstone		Kent	ME15 9UQ	FH	Y
3553	Parrot	Old Farm Road	Slyfield Green	Guildford	Surrey	GU1 1QR	FH	
8723	Pemberton Arms	2 High Street	Harston	Cambridge	Cambridgeshire	CB2 5PX	FH	Y
8645	Pensioners Arms	29 Carlton Place	Southampton		Hampshire	SO15 2DX	FH	
8724	Phoenix	High Street	Twyford	Winchester	Hampshire	SO21 1RF	FH	
4111	Plough	5 Datchworth Green	Datchworth	Knebworth	Hertfordshire	SG3 6TL	FH	
1261	Plough	Mill Road	Lakenheath	Bury St Edmunds	Suffolk	IP27 9DT	FH	
1316	Plough	The Green	Rede	Bury St Edmunds	Suffolk	IP29 4BE	FH	
4608	Plough	2 High Street	Great Shelford	Cambridge	Cambridgeshire	CB2 5EH	FH	
4133	Plough	High Street	Great Chesterford	Saffron Walden	Essex	CB10 1PL	FH	
4174	Plough	77 Church Street	Langford	Biggleswade	Bedfordshire	SG18 9QA	FH	
6679	Plough	132 London Road	Wheatley	Oxford	Oxfordshire	OX33 1JH	FH	
6676	Plough	61 Stert Street	Abingdon		Oxfordshire	OX14 3JF	FH	
5522	Plough	51 High Street	Sutton Courtenay	Abingdon	Oxfordshire	OX14 4AT	FH	
5520	Plough	Orchard Lane	East Hendred	Wantage	Oxfordshire	OX12 8JW	FH	Y
1239	Plough & Fleece	High Street	Horningssea	Cambridge	Cambridgeshire	CB5 9JG	FH	Y
5518	Plough & Harrow	Forest Road	Warfield	Bracknell	Berkshire	RG42 6AE	FH	
4328	Plume of Feathers	Stevenage Road	Little Wymondley	Hitchin	Hertfordshire	SG4 7HY	FH	
4225	Polhill Arms	25 Wilden Road	Renhold	Bedford	Bedfordshire	MK41 0JP	FH	Y
5526	Portobello	London Road	West Kingsdown	Sevenoaks	Kent	TN15 6JB	FH	
1420	Pottergate Tavern	23 Pottergate	Norwich		Norfolk	NR2 1DS	FH	
1170	Prince Albert	62 Silver Street	Ely		Cambridgeshire	CB7 4JF	FH	
4080	Prince of Wales	Rectory Road	Bluntisham	Huntingdon	Cambridgeshire	PE28 3LN	FH	
1488	Prince of Wales	111 Plumstead Common Road	Plumstead	London	Greater London	SE18 3AU	FH	Y
1926	Prince of Wales	Lidsey Road	Woodgate	Chichester	West Sussex	PO20 3ST	FH	Y
3535	Prince of Waterloo	428 Minster Road	Minster-On-Sea	Sheerness	Kent	ME12 3NZ	FH	
5569	Priory	58 Milson Road	Kensington	London	Greater London	W 14 0LB	FH	
5529	Punch Bowl	Market Place	Abingdon		Oxfordshire	OX14 3HG	FH	
5530	Quart Pot	3 High Street	Milton-Under-Wychwood	Chipping Norton	Oxfordshire	OX7 6LA	FH	
1298	Queens Arms	42 Queensway	Mildenhall	Bury St Edmunds	Suffolk	IP28 7JY	FH	
5533	Queens Arms	2 Manor Road	Didcot		Oxfordshire	OX11 7JY	FH	
1035	Queens Head	140 Rayne Road	Braintree		Essex	CM7 2QR	FH	

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4143	Queens Head	48 Royston Road	Harston	Cambridge	Cambridgeshire	CB2 5NH	FH	
8731	Queens Head	High Street	Littlebury	Saffron Walden	Essex	CB11 4TD	FH	Y
5536	Queens Head	17 Queens Street	Eynsham	Witney	Oxfordshire	OX29 4HH	FH	
6685	Queens Head	286 Fishponds Road	Eastville	Bristol	Gloucestershire	BS5 6PY	FH	
5538	Queens Head	40 High Street	Old Woking	Woking	Surrey	GU22 9ER	FH	
5537	Queens Head	352 Amersham Road	Hazlemere	High Wycombe	Buckinghamshire	HP15 7HN	FH	Y
5535	Queens Head	London Road	Holybourne	Alton	Hampshire	GU34 4EG	FH	Y
4055	Queens Tavern	120 Queens Drive	Bedford		Bedfordshire	MK41 9JF	FH	
5541	Railway	127 Station Road	Hampton		Middlesex	TW12 2AL	FH	
1477	Railway Arms	1 Aldenham Road	Watford		Hertfordshire	WD19 4AB	FH	Y
4255	Railway Steamer	142 Clifton Road	Shefford		Bedfordshire	SG17 5AH	FH	Y
1169	Railway Tavern	School Road	Elmswell	Bury St Edmunds	Suffolk	IP30 9EE	FH	
1210	Ram	5 Market Place	Hadleigh	Ipswich	Suffolk	IP7 5DL	FH	
8734	Red Cow	59-60 High Street	Market Harborough		Leicestershire	LE16 7AF	FH	
6686	Red Cow	The Green	Chesterton	Bicester	Oxfordshire	OX26 1UU	FH	Y
1136	Red Lion	218 High Street	Cheveley	Newmarket	Suffolk	CB8 9RH	FH	Y
4173	Red Lion	16 Chapel Road	Breachwood Green	Hitchin	Hertfordshire	SG4 8NU	FH	Y
1050	Red Lion	High Street	Brinkley	Newmarket	Suffolk	CB8 0RA	FH	
1350	Red Lion	The Street	Sturmer	Haverhill	Suffolk	CB9 7XF	FH	
5548	Red Lion	40-42 Oxford Road	Old Marston	Oxford	Oxfordshire	OX3 0PH	FH	
5546	Red Lion	Northmoor	Witney		Oxfordshire	OX29 5SX	FH	
5545	Red Lion	Abingdon Road	Drayton	Abingdon	Oxfordshire	OX14 4JB	FH	
5550	Red Lion	127 Cassington Road	Yarnton	Kidlington	Oxfordshire	OX5 1QD	FH	Y
3519	Red Lion	Castle Street	Bletchingley	Redhill	Surrey	RH1 4NU	FH	Y
1619	Red Lion	10 North Road	Bromley		Kent	BR1 3LG	FH	
5549	Red Lion	Goring Road	Woodcote	Reading	Berkshire	RG8 0SD	FH	
4610	Red Lion	27 Church Street	Brill	Aylesbury	Buckinghamshire	HP18 9RT	FH	
1024	Reindeer	111 The Street	Black Notley	Braintree	Essex	CM77 8LL	FH	Y
1345	Retreat	The Green	Stowupland	Stowmarket	Suffolk	IP14 4AG	FH	
8736	Richmond	108 Portwood Road	Southampton		Hampshire	SO17 2FW	FH	
1036	Rifleman	Rifle Hill	Braintree		Essex	CM7 1DG	FH	
3527	Rifleman	5 East Street	Epsom		Surrey	KT17 1BB	FH	
3549	Rifleman	30 Camden Road	Sevenoaks		Kent	TN13 3LZ	FH	Y
3529	Rising Sun	29 High Street	Hampton Hill	Hampton	Middlesex	TW12 1NB	FH	
8555	Robin Hood	81 Hailey Road	Witney		Oxfordshire	OX26 1HJ	FH	Y
8739	Robin Hood	Bufflers Holt	Buckingham		Buckinghamshire	MK18 5DN	FH	
8740	Roebuck	57 Stockbridge Road	Winchester		Hampshire	SO22 6RP	FH	
1087	Rose & Crown	48 Whiting Street	Bury St Edmunds		Suffolk	IP33 1NP	FH	
1037	Rose & Crown	94 Church Street	Braintree		Essex	CM7 5JY	FH	
4502	Rose & Crown	16 Station Road	Bishops Stortford		Hertfordshire	CM23 3BL	FH	
4010	Rose & Crown	69 High Street	Ashwell	Baldock	Hertfordshire	SG7 5NP	FH	
5558	Rose & Crown	Main Street	Charlton	Banbury	Oxfordshire	OX17 3DP	FH	Y
5559	Rose & Crown	Main Street	Chilton	Didcot	Oxfordshire	OX11 0RZ	FH	
5561	Rose & Crown	Hollybush Hill	Stoke Poges	Slough	Buckinghamshire	SL2 4PW	FH	Y
5562	Rose & Crown	Woodside Road	Winkfield	Windsor	Berkshire	SL4 2DP	FH	
5563	Rose & Olive Branch	Callow Hill	Virginia Water		Surrey	GU25 4LH	FH	Y
1224	Rose Tavern	44 Burton End	Haverhill		Suffolk	CB9 9LR	FH	
8169	Rosie's	80 Church Street	London		Greater London	N9 9PB	FH	
1225	Royal Exchange	69-71 High Street	Haverhill		Suffolk	CB9 8AH	FH	
5568	Royal Hunt	177 New Road	Ascot		Berkshire	SL5 8PU	FH	Y
4317	Royal Oak	40 George Street	Woburn	Milton Keynes	Bedfordshire	MK17 9PY	FH	
4168	Royal Oak	89-91 Woburn Road	Kempston	Bedford	Bedfordshire	MK42 7QR	FH	
4029	Royal Oak	Bedford Road	Barton-Le-Clay	Bedford	Bedfordshire	MK45 4JX	FH	Y
2925	Royal Oak	370 Hitchin Road	Luton		Bedfordshire	LU2 7SR	FH	Y
4318	Royal Oak	18 Church Road	Woburn Sands	Milton Keynes	Buckinghamshire	MK17 8TA	FH	
5573	Royal Oak	59 The Street	Wrecclesham	Farnham	Surrey	GU10 4QS	FH	
5571	Royal Oak	Hungerford Lane	Shurlock Row	Reading	Berkshire	RG10 0NY	FH	
1171	Royal Standard	24 Forehill	Ely		Cambridgeshire	CB7 4AF	FH	
5574	Royal Standard	Forest Road	Binfield	Bracknell	Berkshire	RG42 4HP	FH	
5364	Salt House	63 Abbey Road	St Johns Wood	London	Greater London	NW8 0AE	FH	
5579	Saxton Arms	212A Saxton Road	Abingdon		Oxfordshire	OX14 5HF	FH	
1928	Schooner	146 Albion Street	Southwick	Brighton	West Sussex	BN42 4AU	FH	
5580	Seven Stars	Marsh Baldon	Oxford		Oxfordshire	OX44 9LP	FH	Y
1309	Shepherd & Dog	Lower Road	Onehouse	Stowmarket	Suffolk	IP14 3BX	FH	Y
1329	Ship	2-4 High Street	Soham	Ely	Cambridgeshire	CB7 5HD	FH	
8746	Ship	Whites Hill	Owslebury	Winchester	Hampshire	SO21 1LT	FH	
8653	Silver Fox	16 London Road	Hertford Heath	Hertford	Hertfordshire	SG13 7RH	FH	
5104	Silver Jubilee	Heltwate	Bretton	Peterborough	Cambridgeshire	PE3 8RN	FH	Y
1174	Six Bells	Church Road	Felsham	Bury St Edmunds	Suffolk	IP30 0PJ	FH	
1122	Six Bells	11 Covent Garden	Cambridge		Cambridgeshire	CB1 2HS	FH	
1241	Six Bells	The Street	Horringer	Bury St Edmunds	Suffolk	IP29 5SJ	FH	
5585	Six Bells	55 Hale Road	Farnham		Surrey	GU9 9QZ	FH	Y
4170	Slaters Arms	97 Box End Road	Kempston	Bedford	Bedfordshire	MK43 8RS	FH	
4290	Sow & Pigs	19 Church Square	Toddington	Dunstable	Bedfordshire	LU5 6AA	FH	
5586	Spencers	The Pound	Cookham	Maidenhead	Berkshire	SL6 9QE	FH	Y
4137	Square & Compasses	46 High Street	Great Shelford	Cambridge	Cambridgeshire	CB2 5EH	FH	
5589	Squirrel	Squirrel Lane	High Wycombe		Buckinghamshire	HP12 4RZ	FH	Y
4200	St Johns Arms	Knotting Road	Melchbourne	Bedford	Bedfordshire	MK44 1BG	FH	Y
1478	Stag	63 High Street	Ascot		Berkshire	SL5 7HP	FH	
5590	Stag & Hounds	Wellington Avenue	Virginia Water		Surrey	GU25 4HU	FH	
4265	Star	62 High Street	Standon	Ware	Hertfordshire	SG11 1LB	FH	
1266	Star	The Street	Lidgate	Newmarket	Suffolk	CB8 9PP	FH	Y
5502	Star	Bucknell Road	Bicester		Oxfordshire	OX26 2DG	FH	Y
3525	Star	36 West Street	Dorking		Surrey	RH4 1BU	FH	
5593	Star	17 Church Street	Godalming		Surrey	GU7 1EL	FH	Y
5594	Star	27 Reading Road	Pangbourne	Reading	Berkshire	RG8 7HY	FH	
5591	Star & Garter	113 Wellington Street	Thame		Oxfordshire	OX9 3BW	FH	
1291	Stars	75 The Avenue	March		Cambridgeshire	PE15 9PS	FH	
4201	Sugar Loaf	25 High Street	Meppershall	Shefford	Bedfordshire	SG17 5LX	FH	
5596	Sun	36 Charnham Street	Hungerford		Berkshire	RG17 0EJ	FH	
5595	Sun & Stars	Forest Green Road	Holyport	Maidenhead	Berkshire	SL6 2NN	FH	Y
1931	Sussex Yeoman	7 Guildford Road	Brighton		East Sussex	BN1 3LU	FH	
1264	Swan	The Street	Lawshall	Bury St Edmunds	Suffolk	IP29 4QA	FH	
4107	Swan	2 Court Road	Cranfield	Bedford	Bedfordshire	MK43 0DR	FH	
1282	Swan	Hall Street	Long Melford	Sudbury	Suffolk	CO10 9JQ	FH	
1012	Swan	Thetford Road	Coney Weston	Bury St Edmunds	Suffolk	IP31 1DN	FH	
6694	Swan	1 Lower Street	Islip	Kidlington	Oxfordshire	OX5 2SB	FH	
559	Swan	Radcot	Bampton		Oxfordshire	OX18 2SX	FH	Y
5597	Swan	High Street	East Ilsley	Newbury	Berkshire	RG20 7LF	FH	Y
5600	Swinley Arms	29 Broxhurst Road	Ascot		Berkshire	SL5 9DJ	FH	



House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
1622	Tally Ho	Baxter Road	Lewes		East Sussex	BN7 2SP	FH	
1520	Tankard	178 Walworth Road	Southwark	London	Greater London	SE17 1JL	FH	Y
4295	Tap Bar	83 High Street	Ware		Hertfordshire	SG12 9AD	FH	Y
6100	Tapestry	1 Lower Richmond Road	Mortlake	London	Greater London	SW14 7EZ	FH	
6022	Tavern	75 Cricklewood Lane	Cricklewood	London	Greater London	NW2 1HR	FH	
5601	Ten Bells	Upper Street	Leeds	Maidstone	Kent	ME17 1SE	FH	
5372	Terriers	133 Amersham Road	High Wycombe		Buckinghamshire	HP13 5AD	FH	
5602	Thatched Cottage	Emmbrook Road	Wokingham		Berkshire	RG41 1HG	FH	
1579	Thomas Farley	61 High Street	Thornton Heath		Surrey	CR7 8RY	FH	Y
1207	Three Bottles	Leather Lane	Great Yeldham	Halstead	Essex	CO9 4HY	FH	Y
4060	Three Cups	45 Newnham Street	Bedford		Bedfordshire	MK40 3JR	FH	
5605	Three Elms	Clarence Road	Windsor		Berkshire	SL4 3QL	FH	
4226	Three Horseshoes	42 Top End	Renhold	Bedford	Bedfordshire	MK41 0LR	FH	
1013	Three Horseshoes	17 The Street	Barrow	Bury St Edmunds	Suffolk	IP29 5AP	FH	
4152	Three Horseshoes	74 High Street	Hinxworth	Baldock	Hertfordshire	SG7 5HQ	FH	
4144	Three Horseshoes	21 High Street	Harston	Cambridge	Cambridgeshire	CB2 5PX	FH	Y
4310	Three Horseshoes	Willian	Letchworth Garden City		Hertfordshire	SG6 2AE	FH	Y
5606	Three Horseshoes	78 Corn Street	Witney		Oxfordshire	OX28 6BS	FH	
6696	Three Horseshoes	16 The Green	Garsington	Oxford	Oxfordshire	OX44 9DF	FH	
2476	Three Kings	6 Station Road	Haddenham	Ely	Cambridgeshire	CB6 3XD	FH	
1180	Three Kings	Hengrave Road	Fornham All Saints	Bury St Edmunds	Suffolk	IP28 6LA	FH	Y
4313	Three Tuns	43 Church Street	Willingham	Cambridge	Cambridgeshire	CB4 5HS	FH	
4135	Three Tuns	High Street	Great Hormead	Buntingford	Hertfordshire	SG9 0NT	FH	
4513	Three Tuns	36 London Road	Bishops Stortford		Hertfordshire	CM23 5NF	FH	
4120	Three Tuns	High Street	Fen Drayton	Cambridge	Cambridgeshire	CB4 5SJ	FH	
4059	Tiger Moth	20 Avon Drive	Bedford		Bedfordshire	MK41 7AF	FH/LH	Y
8753	Trout	Main Road	Itchen Abbas	Winchester	Hampshire	SO21 1BQ	FH	
4285	Two Brewers	Hitchin Road	Stotford	Hitchin	Hertfordshire	SG5 4HT	FH	
4623	Two Brewers	50 North Street	Thame		Oxfordshire	OX9 3BH	FH	
1343	Unicorn	Lime Tree Place	Stowmarket		Suffolk	IP14 1BT	FH	
1366	Victoria	Norton Road	Thurston	Bury St Edmunds	Suffolk	IP31 3QH	FH	
5611	Victoria	Victoria Road	Farnham Common	Slough	Buckinghamshire	SL2 3NL	FH	
4309	Victoria Arms	High Street	Wilden	Bedford	Bedfordshire	MK44 2PB	FH	
4236	Victory	1 Little Walden Road	Saffron Walden		Essex	CB10 2DZ	FH	
1270	Waggon & Horses	110 High Street	Linton	Cambridge	Cambridgeshire	CB1 6JT	FH	
4269	Waggon & Horses	19 Church Street	Steeple Morden	Royston	Hertfordshire	SG8 0NJ	FH	
5615	Waggon & Horses	Faringdon Road	Southmoor	Abingdon	Oxfordshire	OX13 5BG	FH	
1041	Wagon & Horses	53 South Street	Braintree		Essex	CM7 3QD	FH	Y
1344	Walnut Tree	Violet Hill Road	Stowmarket		Suffolk	IP14 1NE	FH	
6700	Waterside	London Road	Charlton Kings	Cheltenham	Gloucestershire	GL54 4HG	FH	
4319	Weathercock	Station Road	Woburn Sands	Milton Keynes	Buckinghamshire	MK17 8SH	FH	
1014	Weeping Willow	39 Bury Road	Barrow	Bury St Edmunds	Suffolk	IP29 5AB	FH	
5622	Wells	London Road	Ascot		Berkshire	SL5 7DL	FH	
1325	Western Arms	Western Road	Silver End	Witham	Essex	CM8 3SD	FH	
1173	Wheatsheaf	45 Chapel Street	Exning	Newmarket	Suffolk	CB8 7HA	FH	
4125	Wheatsheaf	Church Street	Garmingay	Sandy	Bedfordshire	SG19 3JJ	FH	
4217	Wheatsheaf	West Perry	Perry	Huntingdon	Cambridgeshire	PE28 0BX	FH	
1314	Wheatsheaf	Stow Road	Stow-Cum-Quy	Cambridge	Cambridgeshire	CB5 9AD	FH	Y
4611	Wheatsheaf	Oakley Road	Chinnor		Oxfordshire	OX39 4HX	FH	
5625	Wheatsheaf	5 London Street	Faringdon		Oxfordshire	SN7 7AE	FH	
5626	Wheatsheaf	Church Lane	Grazeley	Reading	Berkshire	RG7 1LD	FH	
5629	Wheelwright Arms	4 The Broadway	Lambourn	Hungerford	Berkshire	RG17 8XY	FH	Y
4026	White Hart	21 Hitchin Street	Baldock		Hertfordshire	SG7 6AL	FH	
4256	White Hart	2 North Bridge Street	Shefford		Bedfordshire	SG17 5DH	FH	
1187	White Hart	1 Balsham Road	Fulbourn	Cambridge	Cambridgeshire	CB1 5BZ	FH	
5633	White Hart	High Street	Harwell	Didcot	Oxfordshire	OX11 0EH	FH	
5631	White Hart	31 Newland Street	Eynsham	Witney	Oxfordshire	OX29 4LB	FH	
1466	White Hart	High Street	Wadhurst		East Sussex	TN5 6AP	FH	Y
1586	White Hart	1 East Street	Havant		Hampshire	PO9 1AA	FH	
5634	White Hart	139 London Road	Holybourne	Alton	Hampshire	GU34 4EY	FH	Y
5635	White Hart	Money Row Green	Holyport	Maidenhead	Berkshire	SL6 2ND	FH	
5630	White Hart	Three Households	Chalfont St Giles		Buckinghamshire	HP8 4LP	FH	Y
8759	White Hart	Broad oak	Newnham		Gloucestershire	GL14 1JB	FH/LH	Y
4505	White Horse	The Heath	Hatfield Heath	Bishops Stortford	Hertfordshire	CM22 7EB	FH	
4509	White Horse	Wareside			Hertfordshire	SG12 7QX	FH	
4507	White Horse	Belmont Hill	Newport	Saffron Walden	Essex	CB11 3RF	FH	
1253	White Horse	Sturmer Road	Kedington	Haverhill	Suffolk	CB9 7NS	FH	
1323	White Horse	41 Church Street	Sible Hedingham	Halstead	Essex	CO9 3NT	FH	
4009	White Horse	High Street	Arlesey		Bedfordshire	SG15 6TA	FH	
4086	White Horse	30 Southill Road	Broom	Biggleswade	Bedfordshire	SG18 9NN	FH	
4076	White Horse	1 High Street	Biggleswade		Bedfordshire	SG18 0JE	FH	
1021	White Horse	Bury Road	Beyton	Bury St Edmunds	Suffolk	IP30 9AB	FH	
1392	White Horse	2 Church Street	Witham		Essex	CM8 2JL	FH	
1376	White Horse	12 Greenside	Waterbeach	Cambridge	Cambridgeshire	CB5 9HP	FH	
4094	White Horse	Rickmansworth Road	Chorleywood	Rickmansworth	Hertfordshire	WD3 5SD	FH	
4208	White Horse	28 Longstanton Road	Oakington	Cambridge	Cambridgeshire	CB4 2AB	FH	
4032	White Horse	118 High Street	Barton	Cambridge	Cambridgeshire	CB3 7BG	FH	Y
4325	White Horse	17 High Street	Wymington	Rushden	Northamptonshire	NN10 9LS	FH	
3526	White Horse	Easebourne Street	Easebourne	Midhurst	West Sussex	GU29 0AL	FH	
4293	White Lion	31 High Street	Walkern	Stevenage	Hertfordshire	SG2 7PA	FH	
1307	White Lion	1307 High Street	Newmarket		Suffolk	CB8 9AP	FH	Y
5638	White Lion	Goring Road	Goring Heath	Reading	Oxfordshire	RG8 7SH	FH	
3541	White Lion	40 Linkfield Street	Redhill		Surrey	RH1 6BY	FH	
4101	White Swan	Elsworth Road	Conington	Cambridge	Cambridgeshire	CB3 8LN	FH	
1125	White Swan	107-109 Mill Road	Cambridge		Cambridgeshire	CB1 2AZ	FH	Y
5639	Whiteleaf Cross	Market Square	Princes Risborough		Buckinghamshire	HP27 0AN	FH	
1546	Whitmore Arms	Rectory Road	Orsett	Grays	Essex	RM16 3LB	FH	Y
1535	William IV	19 Frimley Road	Camberley		Surrey	GU15 3EN	FH	
8761	Willow Tree	14 Durgate Terrace	Winchester		Hampshire	SO23 8QX	FH	
4023	Wiltshire Yeoman	Chilmark Road	Trowbridge		Wiltshire	BA14 9DD	FH	
3011	Windmill	Knox Road	Norwich		Norfolk	NR1 4LQ	FH	Y
4263	Windmill	St Ives Road	Somersham	Huntingdon	Cambridgeshire	PE28 3ET	FH/LH	
5640	Windmill	45 Bell Road	Hounslow		Middlesex	TW3 3NX	FH	Y
1468	Windmill	1 Windmill Road	Weald	Sevenoaks	Kent	TN14 6PN	FH	
6705	Wine Vaults	5-6 Parsons Street	Banbury		Oxfordshire	OX16 5LW	FH	
1933	Woodcock	Woodcock Lane	Iden Green	Cranbrook	Kent	TN17 4HT	FH	
4298	Woodman	Chapmore End	Ware		Hertfordshire	SG12 0HF	FH	Y
8762	Woodman	Winchester Road	Upham	Southampton	Hampshire	SO32 1HA	FH	
6706	Woodstock Arms	270-272 Woodstock Road	Oxford		Oxfordshire	OX2 7NW	FH	

House No	House Name	Address	Postal Town	City/Town	County	Post Code	Tenure	Sample Property
4315	Woolpack	Bedford Road	Wilstead	Bedford	Bedfordshire	MK45 3HW	FH	
1181	Woolpack	The Street	Fornham St Martin	Bury St Edmunds	Suffolk	IP31 1SW	FH	
8764	World Upside Down	Marshalls Road	Raunds	Wellingborough	Northamptonshire	NN9 6ET	FH	
1049	Yachtsmans Arms	35 Waterside	Brightlingsea	Colchester	Essex	CO7 0AZ	FH	Y
1305	Yard	Grosvenor Yard	Newmarket		Suffolk	CB8 9AW	FH	
1419	Ye Olde Bell & Steelyard	103 New Street	Woodbridge		Suffolk	IP12 1DZ	FH	
5582	Ye Olde Ship	Portsmouth Road	Guildford		Surrey	GU2 4EB	FH	
1127	Zebra	80 Maids Causeway	Cambridge		Cambridgeshire	CB5 8DD	FH	Y
3030	Champion of the Thames	68 King Street	Cambridge		Cambridgeshire	CB1 1LN	LLH	
6689	Green	Pennyfarthing Place	Oxford		Oxfordshire	OX1 1QF	LLH	
5481	Kestrel	Buckingham Parade	Basingstoke		Hampshire	RG22 5NZ	LLH	
3058	Pimlico Tram	6 Charlwood Street	Pimlico	London	Greater London	SW1V 2EE	LLH	
8742	Running Horse	22 Pound Hill	Alresford		Hampshire	SO24 9BW	LLH	
1476	Sussex Arms	Sussex Mews, The Pantiles	Tunbridge Wells		Kent	TN2 5TE	LLH	
5604	Three Crowns	Southampton Road	Whaddon	Salisbury	Wiltshire	SP5 3HB	LLH	Y
								<b>599</b>
								<b>592</b>
								<b>7</b>
								<b>152</b>

## THE UNITED KINGDOM PUB INDUSTRY

### Industry Background

The Securitisation Group operates in the United Kingdom pub sector, which is itself part of the wider drinking out and eating out market (which also includes restaurants, social clubs, nightclubs and fast food outlets). With over 60,000 licensed public houses (“pubs”), going to pubs, clubs and bars continues to be one of the most popular leisure activities in the United Kingdom. In 2003, the annual sales of the United Kingdom pub sector were of the order of £22 billion. It is estimated that nearly 16 million people visit a pub every week in the United Kingdom.

The United Kingdom pub sector has broadly speaking three distinct business models: managed pubs, leased and tenanted pubs and individual, independently owned pubs. There are currently approximately 12,000 managed pubs, 30,000 leased and tenanted pubs and 19,000 independently owned pubs operating in the United Kingdom.

Managed pubs are generally owned by a pub company or brewer and operated by a salaried manager and staff employed by the owning company which prescribes the entire product range and detail of service style. They tend to be larger than leased/tenanted pubs and individual, independently owned pubs and have a higher average weekly turnover (“AWT”).

Leased/tenanted pubs tend to be smaller and are owned by a pub company or brewer but leased to and therefore operated by a third party tenant or lessee, who pays rent to the owner, is generally responsible for the maintenance of the pub, and is normally contracted to purchase the majority of drink products (in particular, beer) for resale from the owner. These pubs have a lower AWT and are typically more dependent than managed pubs on the sale of draught beer.

Individual pubs (sometimes known as freehouses) are independently owned and operated by a private individual, who is responsible for the maintenance of the pub and retains any profits after the expenses of running the pub. The owner is free to decide which products to sell.

### Market Trends

By volume, sales of all beer in the United Kingdom rose by 0.9 per cent. from 1998 to 2002. However, on-trade saw its share of sales fall as aggressive pricing from retailers has encouraged more people to buy their beer more cheaply in supermarkets. Whilst off-trade beer prices have fallen by 12.2 per cent. in real terms since 2000, on-trade prices have increased by 2.0 per cent. in real terms. In 2003, the on-trade accounted for just over 60 per cent. of the total beer market.

According to the liquor licensing statistics issued by the Department for Culture, Media and Sport in 2004, the number of pubs, bars, clubs and restaurants has risen by 3 per cent since the last publication in 2001, but has fallen by around 1.5 per cent since 2003; 350 licences were revoked in the 12 months to June 2004, 270 of which were on-licences. At present, each pub in the Securitisation Group has the benefit of a full on-licence and there are no pubs which are trading in respect of which a licence has been revoked.

The United Kingdom pub sector is influenced by trends for both eating out and drinking out. Eating out in pubs has become increasingly popular. Nearly 15 per cent. of adults now eat a meal in a pub in an average week. The pub food market is now worth at least £5 billion per year. With a combination of changing lifestyles and pubs offering better quality food and better surroundings in which to consume it, it is expected that the growth trend will continue.

### Market Factors

In summary, the key market drivers shaping the future of the United Kingdom drinking out and eating out market are:

- *economic climate* – overall economic growth or decline and in particular, overall changes in the level of consumer expenditure;
- *changes in demographics* – for example, over the next five years, the number of 18-24 year olds (who are a key consumer group for the drinking out market) is forecast to grow by eight per cent. and the number of persons aged 45 and above (who are a key consumer group for the pub-restaurant market) is forecast to grow by six per cent.;

- *broadened consumer appeal* – an increase in the number of people visiting pubs from a wider selection of social and demographic groups (including women, families and older people) mitigating against a decrease in the frequency of visits by traditional blue collar male pub users;
- *growth in food sales in pubs* – the popularity of eating out in restaurants has increased dramatically, partly due to consumers’ increasing propensity to eat out, a preference for informal dining and an improvement in the breadth and quality of the pub food offering;
- *product trends* – sales of alcohol in pubs are rising (broadly in line with inflation) and there are continued shifts in demand in the beverages sector, with declining sales of draught beer in pubs being offset by sales growth in wine, premium packaged spirits, bottled lagers and soft drinks;
- *branding* – the growth in branded and formatted sites aiming to provide consistency of standards and customer service, with a view to attracting new customers, driving customer loyalty, and increasing frequency of visits;
- *competition* – the increased number of sites and higher levels of investment over the last six to seven years has led to supply outgrowing demand. This, together with the increased price sensitivity of consumers, as well as the rising levels of home consumption (partly due to the widening gap between the on-trade and off-trade price of alcohol), has resulted in an overall increase in competition;
- *reduction in industry capital expenditure* – there has been a significant shift in pub ownership from vertically integrated national brewers to independent pub companies, contributing to a reduction in the overall levels of capital expenditure in the industry; and
- *regulation* – the licensing reform in England and Wales (which may result in longer opening hours for existing pubs and restrict the granting of new licences, particularly in residential areas), changes in employment legislation (including the level of the national minimum wage), other regulation relevant to the business of the Securitisation Group and property taxation. See the section entitled “*Regulatory Environment*” below.

## **Regulatory Environment**

### **General**

During the second half of 2004, the House of Commons Trade and Industry Select Committee (the “**TISC**”) conducted an inquiry into the relationship between pub companies and their tenants. Their report, which was published on 21 December, 2004 focussed on issues, such as the exclusive purchasing obligations (beer tie) enforced by tenanted pub companies on their tenants and the link between the wholesale beer prices charged by tenanted pub companies and the rents they charge their tenants. In this case, the TISC has chosen not to recommend legislation but has instead highlighted the areas of weakness it has found in the industry and has encouraged the pub companies to address them voluntarily through a code of conduct. In particular, the TISC found that there was no reason to ask the Office of Fair Trading to investigate the beer tie, the TISC having satisfied itself that ending the beer tie would not benefit licensees. The TISC has, however, recommended that its successor body in the next session of Parliament conducts a further review of the industry and this body may subsequently recommend further legislation to regulate the pub industry if the recommended voluntary code is implemented.

### **Competition Law**

All vertical agreements, including tenancy agreements which contain supply arrangements, are excluded from the application of the Chapter I prohibition contained in the Competition Act 1998 (“**Chapter I prohibition**”), provided the agreement does not contain any resale price maintenance provision.

The exclusion of vertical agreements from the application of the Chapter I prohibition will be repealed with effect from 1 May 2005. However, vertical agreements may continue to be exempt from the Chapter I prohibition through the parallel application of European Commission Regulation No 2790/99/EC (“**Vertical Restraints Block Exemption**”).

The Vertical Restraints Block Exemption exempts agreements from the application of Article 81(1) of the EC Treaty and, through parallel exemption, the Chapter I prohibition provided, *inter alia*, the supplier’s share of the relevant market remains below 30 per cent.

The European Commission has the power to withdraw the benefit of the Vertical Restraints Block Exemption where there are parallel networks of agreements containing similar restrictions which cover more than 50 per cent. of a relevant market. The European Commission has not indicated any intention of withdrawing the benefit of the block exemption to beer supply arrangements in Great Britain.

The Vertical Restraints Block Exemption, as currently in force, will exempt The Securitisation Group's lease arrangements for so long as Greene King's share of relevant market sales remains below 30 per cent., and the lease arrangements do not contain any of the hard core restrictions of competition identified in the Vertical Restraints Block Exemption.

The Vertical Restraints Block Exemption expires on 31 May 2010. The European Commission has not indicated any intention of narrowing the scope of any successor block exemption, in relation to beer supply arrangements in Great Britain.

### ***Licensing Reform***

The sale of alcohol in England and Wales is a highly regulated industry governed by the licensing system. Licensing covers most premises where alcohol is sold, such as pubs, off-licences, restaurants and supermarkets. The retail sale of alcohol in the England and Wales is currently governed by a licensing system set out in the Licensing Act 1964. Pubs – known as “on-trade” business – generally require a full on-licence in order to sell alcohol on the premises. The licence is generally held by the manager or landlord. That person has to satisfy the licensing authorities that he/she is a fit and proper individual to hold such a licence and is not disqualified from holding such a licence. The licence will not be approved if the prospective licensee would be prevented by other commitments from properly discharging his/her functions as a licensee.

Other types of licence which may be required in the “on-trade” include AWP machines, “special hours” certificates which extend the permitted hours for the sale of alcohol where the sales are ancillary to music and dancing and the availability of food, “supper hours” certificates to extend the permitted hours for selling alcohol by one hour (where the sale of alcohol is ancillary to a substantial meal) and entertainment licences for dancing and certain live performances.

On-licences must currently be renewed every three years and may be revoked at any time for serious cause, including violation by the manager or landlord or his/her employees of any law or regulation, such as those regulating the minimum age of patrons or employees, advertising and inventory control.

On 10 July, 2003, a new licensing bill received Royal Assent. However, the Licensing Act 2003 is not expected to come into operation fully until November 2005. The key changes to be implemented are:

- the transfer of the management and the licensing system from local magistrates courts to local authorities, i.e. from the legal system to the local government system. However, licence holders will retain the right of appeal to the magistrates court. Whilst the new regime should not fundamentally change the regulatory structure of the licensed sector, in practice there will be visible change because all pubs will have to submit details of their operating plan and will now face greater scrutiny from police and local residents;
- greater flexibility with respect to pub opening hours and it is considered likely that the current stringent limits on late-night trading will be relaxed. While longer opening hours will undoubtedly have cost implications, this change may benefit pubs where there is a demand for later hours drinking; and
- a dual system of longer-term premises licences and personal licences.

National guidance from the Secretary of State will determine much of the practical implications of the new legislation.

### ***Drink Driving***

The European Commission recommended in the “White Paper on European transport policy for 2010: time to decide” of October 2002 that all countries in the EU adopt the same drink and drive limit of 0.5mg/ml blood alcohol concentration. It recommends that a lower level of 0.2mg/ml be adopted for younger and inexperienced drivers. The Government has also carried out a consultation exercise concerning the legal blood alcohol limit for drivers. On the basis of such exercise, the Government is examining whether it should lower the legal blood alcohol limit from its current level. There are currently no formal proposals for any such changes to be incorporated into legislation, although they may be the subject of future European and/or national legislation. The current legal limit in the United Kingdom is

0.8mg/ml (see sections 11(1) and (21) of the Road Traffic Act 1988) and as car drivers and passengers account for 40 per cent. of pub visits, such a measure may discourage customers who drive to pubs from visiting pubs and who are not willing to designate a driver who will refrain from drinking alcohol. Any future legislation in this area could affect trading in the Securitisation Group's rural and suburban pub sites.

### **Employment Legislation**

The Working Time Regulations (the "**WT Regulations**") came into effect on 1 October, 1998 and control the hours employees are legally allowed to work. Under the legislation, workers may only be required to work a 48 hour week (although they can choose to opt out and work longer if they wish). The WT Regulations also lay down rights and protections in areas such as minimum rest time, days off and paid leave. Many employees of the GK Group are covered by the WT Regulations and most of its licensed house managers have signed voluntary "opt outs" which allow them to work longer than the 48 hour week. The retention of the opt out and the guidance as to who is covered by the WT Regulations is expected to be under review later this year with possible changes in the future.

In addition, under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, part-time workers can claim the same rights as full-time workers. Similar provisions apply to employees employed under fixed-term contracts under the Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002. Employees engaged under fixed-term contracts can claim the same rights as employees engaged under permanent contracts.

Staff costs have increased in pubs following the introduction of the national minimum wage of £3.60 per hour in 1999 which increased to £3.70 in 2000, to £4.10 in 2001, to £4.20 in 2002, to £4.50 in 2003 and to £4.85 in 2004 and which it has been announced will increase to £5.05 in October 2005. Historically, the Securitisation Group has managed to partly offset increases in national minimum wage costs against increased labour productivity (i.e. through training, larger sites and efficient staff rostering). See the section entitled "*Investment Considerations – Considerations relating to the Business Operations of the Securitisation Group – Certain Changes to Regulation Affecting the Cost Base*" above.

### **Food Regulation Standards**

Regulations covering food hygiene have raised standards in the food retailing industry. The regulations have had their greatest effect on smaller, independent restaurant outlets that had to incur additional costs to comply with the new standards. Management believes that all of the managed properties in the Securitisation Estate comply with current Food Regulation Standards as a result of rigorous training, policy implementation, audit and review.

### **EC Noise Directive**

The Physical Agents Directive 2001 (the "**Directive**") is currently under discussion in the retail industry relating to the regulation of noise in the workplace. The current United Kingdom noise limit for workplaces is 90 decibels averaged over an eight hour day but if the Directive were to come into effect that limit would be reduced to 85 decibels. The European Parliament has recently agreed that the industry in the United Kingdom should agree a code of conduct as to how the Directive is to be implemented in the United Kingdom. It is expected that the Government will need to put regulations in place in relation to this Directive within the next five years. A small number of the Securitisation Group's pubs that play loud music and have other live entertainment could be affected by the proposed change in the law, but noise levels in the vast majority of the pubs would fall below the revised limit.

### **Legislation relating to smoking**

On 16 November, 2004, the United Kingdom Government published its White Paper which set out the Department of Health's proposals in relation to smoking in public places, including pubs, in England and Wales. It is proposed that restrictions on smoking are to be phased in over a period of four years including an outright ban on smoking in restaurants and pubs serving food (other than snacks such as crisps).

There is currently a charter on smoking in public places such as restaurants and pubs, which has been agreed between the Department of Health and leading hospitality industry groups (the "**Charter**"). This Charter, though not law, is supported by the Government who asked the licensed leisure industry to ensure that 50 per cent. of licensed premises were compliant with it by December 2002, and that 35 per cent. of those have either 'no smoking' areas or adequate mechanical ventilation.

The Securitisation Group's pub estate is in compliance with the Government's request in respect of the Charter. As part of its support for the Charter, management is taking steps on behalf of the Securitisation Group to ensure that:

- investment schemes include requirements regarding Charter compliance;
- all new sites will be signed up to the Charter; and
- management and tenancy training courses will cover the principles of the Charter.

Greene King has signed up to the new British Beer and Pub Association no smoking policy, which involves a ban on smoking at the bar from December 2005 and a progressive policy of expanding no smoking areas, culminating in 80 per cent. of trading space becoming no smoking by December 2009. In addition, Greene King is currently undertaking an audit of all their managed retail space devoted to non-smoking. This audit is taking policies into consideration such as the option of moving all food pubs to 100 per cent. smoke free trading space. The decision is being considered by the operations teams, who are reviewing each business individually to weigh up the opportunities and threats of increasing non-smoking areas in the business in preparation for the outright ban on smoking in pubs serving food in 2008.

Over 80 per cent. of the GK Group's managed pub estate has outside trading space or gardens. 17 of Wayside Inns portfolio have already been converted to smoke free, to add to the 6 smoke free pubs already in the GK Group's managed pub estate.

In respect of Greene King's tenanted pub estate, tenants are being encouraged to become fully compliant with the British Beer and Pub Association's policy to prepare themselves for the outright ban on smoking in pubs serving food.

### **Conclusion**

There will be continued activity in the United Kingdom pub sector due to changing consumer and industry trends and the changes in the regulatory environment.

## DESCRIPTION OF THE BUSINESS

*In this section, when describing the business and operations conducted by Greene King and its subsidiaries (including GKB&R and the Initial Borrower), reference is made to the GK Group. The term GK Group is also used when describing historical activities and strategy. The term Initial Borrower has been used when describing business and operations carried on as of the date of this document.*

### Overview

The GK Group is a UK operator of managed and tenanted pubs. Its pub estate (the “**Estate**”) as at 7 February, 2005 comprised 2,108 sites spread throughout the UK. As at 17 October, 2004 the book value of the assets of the GK Group (excluding intangible and current assets) was £1.886 billion. The GK Group generated EBITDA of £81.8m and operating profits of £44.4m on revenues of £314.4m in the 24 weeks ending 17 October, 2004.

### Brief History

The GK Group has been brewing beer and operating pubs for over 200 years. Founded in 1799 by Benjamin Greene, it has grown steadily from its base in Bury St. Edmunds, Suffolk to become a leading pub retailer and ale brewer in the south and east of England.

There have been recent acquisitions which have included The Magic Pub Company Limited (273 pubs, in 1996), Beards of Sussex Group Limited (43 pubs, in 1998), the Marston’s southern estate (165 pubs, in 1999), Morland plc (422 pubs in 1999), Old English Inns plc (136 pubs, in September 2001), Dalgety Taverns (8 pubs in Scotland, in April 2002), Morrells of Oxford (107 pubs, in June 2002) and the Laurel Neighbourhood Estate (432 pubs, in August 2004).

These acquisitions have resulted in a high quality estate comprising properties which tend to be freeholds and long leaseholds (with only approximately 3 per cent. being short leaseholds) and are well presented, are sited in economically healthy areas and are capable of long term growth, have a strong individual local identity, supported where necessary by quality branding, have a flexible trading profile which appeals to a broad range of consumers at different times of the week, have a high quality offer which is relevant to local market dynamics and do not trade on price but on value.

### Group Structure

Greene King is the ultimate parent company within the GK Group. The GK Group has recently restructured in order to facilitate the transactions to be entered into in connection with the Securitisation. The current structure of the GK Group is shown in the section entitled “*Corporate Structure of the Greene King Group as at the Closing Date*” above.

Greene King holds the entire issued share capital of, amongst other companies, each of the Securitisation Group Parent and GKB&R. The Securitisation Group Parent is the intermediate holding company of the Initial Borrower. The Initial Borrower will be the immediate shareholder of each of GKRNo.2 and the Sapphire Companies. Outside the Securitisation Group, the GK Group operates a brewing and retailing business through GKB&R which owns all properties comprised in the Estate excluding the Securitisation Estate (the “**Non-Securitisation Estate**”).

The Initial Borrower will enter into the IP Licences with GKB&R in respect of intellectual property rights and will also enter into the other Services Agreements with GKB&R for the provision of goods and services including employment and management services required for the operation of the Securitisation Estate (see the section entitled “*Services Agreements*” below).

### Strategy

The GK Group is committed to the development of a high quality enterprise. In order to achieve this development, the GK Group continually refines its operations to meet its customers’ changing demands and adapts to developments in market structures. The GK Group concentrates on those segments of the hospitality and drinks markets in which it can achieve a combination of long-term profit growth, good investment returns and defensible competitive positions.

The GK Group operates an integrated business, which enables it to deploy expertise and investment capital effectively within the group, and is an important component of the historic consistent growth it has achieved.



The GK Group's focus on operating high quality pubs and the maintenance of its brewing business enables the provision of stable cash flows with scope for further investment-driven returns and organic profit growth.

The fact that the GK Group operates both managed and tenanted estates enables it to optimise profitability by transferring assets from one to another to best meet local market conditions rather than having to dispose of fundamentally sound properties.

## **Business**

GKB&R is currently structured into three integrated trading divisions:

“Pub Company” (which operates its managed pubs), “Pub Partners” (which operates its tenanted and leased pubs) and “Brewing Company” (which operates the GK Group brewing business).

### ***Pub Company***

As the managed house division of GKB&R, this division operates the pubs being run under direct management. Interim results for 24 weeks to 17 October, 2004 showed turnover which operates under direct management rising by 0.6% per cent to £156.3m. The trading profit also increased by 8 per cent to £28.7m. There was also an improvement in trading margin of 1.3 percentage points to 18.4 per cent.

The Securitisation Estate contains 305 managed pubs, 153 of which have come from the neighbourhood pub estate sold by the Laurel Pub Company to the GK Group in August 2004 (the “**Laurel Neighbourhood Estate**”).

Pub Company has four operating formats:

#### *Hungry Horse brand*

The exception to the unbranded pub rule that the GK Group operates, this retail brand became part of the GK Group with the acquisition of Magic Pub Company in 1996. These pubs (numbering 134 as at 7 February, 2005) are located in urban community sites where the barrier to entry for potential competitors is high. There are 45 Hungry Horse pubs in the Securitisation Estate.

#### *Real Pubs*

There were 377 community pubs in the GK Group's pub estate as at 7 February, 2005 with a regular local customer base and an emphasis on sporting events rather than food. There are 159 such pubs in the Securitisation Estate. Real Pubs are managed in two separate divisions – North and South.

#### *Town Local*

There were 163 town centre and traditional town local pubs in the GK Group's pub estate as at 7 February, 2005. There are few pubs in the over-invested city centre circuits, but in relation to such properties Greene King almost exclusively owns the freehold and avoids getting drawn into discounted price wars. There are 43 such pubs in the Securitisation Estate.

#### *Inns*

There were 159 properties within this division, some with letting accommodation, as at 7 February, 2005. The division includes the Old English Inns business in which there has been continued investment since their acquisition in 2001, and Wayside Inns, acquired from Laurel in 2004, being houses characterised by attractive locations, large gardens, traditional English furnishings and individual pub names. There are 58 such pubs in the Securitisation Estate.

### ***Pub Partners***

This is the trading division that runs the tenanted and leased estate. Its business has been strengthened historically by the Morland, Marstons and Morrells acquisitions. Interim results for 24 weeks to 17 October, 2004 showed turnover increase by 4 per cent to £55.6 m and trading profit by 8 per cent to £23.8 m. The trading margin improved by 1.4 percentage points to 42.8 per cent. The strategy for letting the Pub Partners estate is to focus on shorter-term non-assignable tenancies rather than longer-term assignable leases. As at 2 May, 2004 only 22 per cent. of the estate was let on long-term assignable leases, with 78 per cent. being let on a shorter-term tenancy agreements.

This division has a strong, effective policy of working to attract the most suitable licensees. There are 599 tenanted and leased pubs in the Securitisation Estate.

### **Brewing Company**

Interim results for 24 weeks to 17 October, 2004 showed an increase in turnover of this division of 3 per cent. to £50.9m. There was also an increase in trading profit by 8 per cent. to £8.4m. There was an improvement in the trading margin of 0.7 percentage points to 16.5 per cent.

The popular appeal of the GK Group's brands is demonstrated by the fact that 78 per cent. of the beer brewed is sold through external channels, which are the independent free trade, on-trade national accounts, take home trade and export markets. Conversely, the GK Group's pubs only account for 22 per cent of GKB&R's own-beer volumes. This amounts to less than 31 per cent. of the total beer volume sold by the GK Group's tenanted pubs and less than 10 per cent. of the total beer volume sold by the GK Group's managed pubs.

### **Organisational Structure**

The Securitisation Estate will consist of two trading divisions; the tenanted estate and the managed estate. Management services for each of these divisions will be provided by GKB&R (see the section entitled "*Services Agreements*" below).

### **Geographical Analysis**

The table below illustrates the percentage regional spread of the Estate as at the date of this document:

<b>Region</b>	<b>Distribution by EBITDA %</b>	<b>Distribution by number of pubs %</b>
East Anglia	11.12	18.03
East Midlands	2.57	1.77
London	5.51	4.09
North	2.74	1.33
North West	7.18	3.76
Scotland	0.00	0.00
South East	48.85	58.63
South West	11.89	7.41
Wales	1.35	0.55
West Midlands	2.47	1.44
Yorkshire and Humber	6.33	2.99

### **The Securitisation Estate**

The following table sets out the number of sites of the entire GK Group's pub estate and those being transferred into the Securitisation Estate by trading division and by operating format (for the managed pubs)/location (for the tenanted/leased pubs) as at 7 February, 2005.

<b>Trading Division</b>	<b>Operating Format/ Location</b>	<b>GK Group Estate</b>	<b>Securitisation Estate</b>	<b>Securitisation Estate %</b>
<b>Pub Company (Managed)</b>	Hungry Horse	134	45	5%
	Real Pubs	377	159	18%
	Town Local	163	43	5%
	Inns	159	58	6%
<b>Pub Partners (Tenanted/Leased)</b>	Community	1019	509	56%
	Other	206	90	10%
<b>Pubs being transferred from Pub Company to Pub Partners</b>		50	–	–
<b>Total</b>		2,108	904	100

## **Services Agreements**

GKB&R owns the intellectual property used for the operation of the GK Group's activities (save for the intellectual property rights in the Hungry Horse logo which it licences from a third party) and is party to its trade contracts with third parties.

All employees are employed by two wholly-owned subsidiaries of Greene King: Greene King Retail Services Limited ("GKRSL") and Greene King Services Limited ("GKSL"), each of which second employees to GKB&R. The secondment agreements state that GKRSL and GKSL will continue to employ their respective employees and will be responsible for all employment costs (including payment of salary and contractual benefits, tax and national insurance) for their respective employees. GKB&R will reimburse GKRSL and GKSL in full for the appropriate employment costs. The GK Group's employees are split into three categories: head office staff and field-based employees including business development managers, pub managers and retail staff. The Initial Borrower and GKB&R shall enter into agreements for the licensing of intellectual property and the provision of goods and services (including employees and management services) required for the operation of the Initial Borrower's business.

## **Insurance**

Management believes that the properties owned or used by the Securitisation Group are adequately covered by insurance placed with reputable insurers and with commercially reasonable deductibles and limits. Insurance policies held or maintained for the benefit of the Securitisation Group cover such risks as material damage, business interruption, fire, loss of rent (tenanted/leased properties only) and third party liability.

## **Pensions**

The GK Group contributes to three defined benefit pension schemes in respect of certain existing employees. Each such scheme is closed to new employees. As at November 2004, these schemes were in deficit on an ongoing funding basis in the estimated aggregate amount of £10.1 million. The GK Group currently contributes into the three schemes at rates of 10.8%, 16.6% and 24.9% of pensionable salary respectively in respect of current service and a total of £2.8 million per annum in respect of past service.

With the completion of the acquisition of the Laurel Neighbourhood Estate, a decision was made that those employees who were members of the Laurel pension scheme would be allowed to join a GK Group pension scheme. The final details of the terms of their membership have not yet been completed. However, it is likely that this will result in additional liabilities in the estimated amount of £6 million being taken on by the GK Group pension schemes which are not fully funded for in the GK Group pension schemes.

New employees who join the GK Group are offered membership of the GK Group Personal Pension Plan, which is a money-purchase, defined contribution arrangement. The employer provides matching contributions into this plan up to 5% of members' salaries. The GK Group has a number of funded unapproved retirement benefit schemes ("FURBS") in place for senior management. These are all defined contribution schemes other than one particular FURBS, which is a defined benefit scheme.

## **Legal Proceedings**

No member of the Securitisation Group is a party to any material litigation or is aware of any pending or threatened litigation, which would or might have a Material Adverse Effect on the Securitisation Group.

## **CORPORATE REORGANISATION**

In order to facilitate the entry into the transaction, Greene King has incorporated and subscribed for shares in the Securitisation Group Parent, which has in turn incorporated and acquired shares in the Initial Borrower. The Initial Borrower has incorporated and acquired shares in GKRNo.2. On the Closing Date, the Initial Borrower will purchase the entire issued share capital of the Sapphire Companies from Greene King A Limited, Greene King B Limited, Greene King C Limited, Greene King D Limited and Greene King E Limited as appropriate.

Prior to the date of this document, (i) Greene King Neighbourhood Estate Pubs Limited transferred its entire business and assets to GKB&R (excluding its employees who were transferred to one or both of the Employee Cos separately); and (ii) GKB&R then transferred certain of its business and assets to GKRNo.2 (i.e. the assets comprising the Securitisation Estate excluding the long leasehold interests held by the Sapphire Companies). On the Closing Date, GKRNo.2 will transfer its entire business and assets to the Initial Borrower and a number of companies within the GK Group which hold legal titles to properties will transfer to the Initial Borrower their respective legal title to certain of the properties comprising the Securitisation Estate.

## MANAGEMENT

The management of the GK Group includes well-known and experienced names in the managed pub industry. Brief backgrounds of management are set out below.

### **Tim Bridge, DL – Chief Executive**

Tim Bridge, age 56, is Chief Executive of Greene King. He joined Greene King in 1970 and was appointed to the board in 1977. He has held a variety of positions within the GK Group and became managing director in 1990 and chief executive in 1994.

### **David McCall, CBE, DL – Chairman**

David McCall, age 70, is the Chairman of Greene King. He was appointed to the board and to his position in 1995.

David had previously worked as Chief Executive for Anglia Television Group from 1976 to 1994 and sat as Chairman there until his move to Greene King.

David is also the Chairman of the Council of the University of East Anglia and Chairman of the Forum Trust Limited.

### **Michael Shallow, FCA – Finance Director**

Michael Shallow, age 50, has served as Finance Director of Greene King since his appointment to its board of directors in 1991.

Prior to joining Greene King he worked with Kingfisher Plc as group financial accountant from 1980 to 1984 and Accenture as associate partner from 1984 to 1991.

### **Rooney Anand – Managing Director, Brewing Company**

Rooney Anand, age 40, was appointed to the board of Greene King in 2001 as Managing Director, Brewing Company, having joined the company from Sara Lee, the international consumer goods business, where he was President and Managing Director of its UK bakery division. He was previously with United Biscuits.

### **Mark Angela – Managing Director, Pub Company**

Mark Angela, age 41, joined Greene King in 2004 as Managing Director of the Pub Company.

He was previously with Colgate-Palmolive from 1993 to 2004 as General Manager.

### **David Elliott – Managing Director, Pub Partners**

David Elliot, age 51, was appointed to the board of Greene King in 1998 when he joined the group as Managing Director of Pub Partners. He has a wealth of experience in the pub industry, having worked at what is now Scottish & Newcastle Retail for 14 years in a variety of operational roles.

In December 2004 it was announced that, with effect from 2 May, 2005, Tim Bridge will become Chairman of Greene King on the retirement of the current incumbent, David McCall, and that Rooney Anand will become Chief Executive.

## SUMMARY DETAILS OF KEY MEMBER COMPANIES OF THE GREENE KING GROUP

### Companies within the Securitisation Group

#### ***The Securitisation Group***

As at the Closing Date, the Securitisation Group will comprise the Securitisation Group Parent, the Initial Borrower and the Sapphire Companies. For details in respect of the Securitisation Group Parent and the Initial Borrower see the section entitled “*Key Parties to the Transaction*” above.

#### ***The Sapphire Companies***

Sapphire Food North East No.1 Limited is a private limited company incorporated in England and Wales with company number 04524259. Sapphire Food North East No.1 Limited is a member of the Securitisation Group. The issued share capital of Sapphire Food North East No.1 Limited is 1,800 Deferred shares of £1 each and 200 Ordinary shares of £1 each and is held by the Initial Borrower.

Sapphire Food South West No.2 Limited is a private limited company incorporated in England and Wales with company number 04524261. Sapphire Food South West No.2 Limited is a member of the Securitisation Group. The issued share capital of Sapphire Food South West No.2 Limited is 1,800 Deferred shares of £1 each and 200 Ordinary shares of £1 each and is held by the Initial Borrower.

Sapphire Food North West No.3 Limited is a private limited company incorporated in England and Wales with company number 04524286. Sapphire Food North West No.3 Limited is a member of the Securitisation Group. The issued share capital of Sapphire Food North West No.3 Limited is 1,800 Deferred shares of £1 each and 200 Ordinary shares of £1 each and is held by the Initial Borrower.

Sapphire Food South East No.4 Limited is a private limited company incorporated in England and Wales with company number 04524297. Sapphire Food South East No.4 Limited is a member of the Securitisation Group. The issued share capital of Sapphire Food South East No.4 Limited is 1,800 Deferred shares of £1 each and 200 Ordinary shares of £1 each and is held by the Initial Borrower.

Sapphire Rural Destination No.5 Limited is a private limited company incorporated in England and Wales with company number 04524306. Sapphire Rural Destination No.5 Limited is a member of the Securitisation Group. The issued share capital of Sapphire Rural Destination No.5 Limited is 1,800 Deferred shares of £1 each and 200 Ordinary shares of £1 each and is held by the Initial Borrower.

The above companies together being referred to as the “**Sapphire Companies**”, each of which own long leasehold interests in respect of certain of the properties comprising the Securitisation Estate, the freehold and operating leasehold interests of which are owned by the Initial Borrower.

### Companies outside the Securitisation Group

#### ***GKB&R***

Greene King Brewing & Retailing Limited is a private limited company incorporated in England and Wales with company number 3298903. GKB&R owns the properties comprising the Estate (excluding the Securitisation Estate) and operates the GK Group’s brewing business and managed and tenanted estate outside the Securitisation Group. GKB&R is not a member of the Securitisation Group. It will be party to certain of the Transaction Documents in its capacities as Cash Manager, Supply Co and Management Co. The issued share capital of GKB&R is £350,000,100 and is held by Greene King.

#### ***Greene King***

Greene King plc is a public limited company incorporated in England and Wales with company number 00024511. It is the holding company of all other companies which form the GK Group and is listed on the London Stock Exchange. Greene King is not a member of the Securitisation Group nor is it a party to any of the Transaction Documents (other than the Subscription Agreement, the Tax Deed of Covenant, the Borrower Deed of Charge, the Initial Borrower Subordinated Loan Agreement and the GK Security Deed). As at 31 January, 2005 the issued share capital of Greene King was £17,959,742.50 (excluding shares held in treasury). Greene King is owned by a number of investment and pension funds, insurance companies, certain other investors, private individuals and trusts for the benefit of certain individuals.

**GKRNo.2**

Greene King Retailing (No.2) Limited is a private limited company incorporated in England and Wales with company number 05265449. GKRNo.2 is not a member of the Securitisation Group nor is it a party to any of the Transaction Documents (other than the Subscription Agreement, the Tax Deed of Covenant and the GK Security Deed). The issued share capital of GKRNo.2 is £1 and is held by the Initial Borrower.

**Greene King Retail Services Limited**

Greene King Retail Services Limited is a private limited company incorporated in England and Wales with company number 03324496. Greene King Retail Services Limited is not a member of the Securitisation Group nor is it a party to any of the Transaction Documents (other than the Borrower Deed of Charge and the Management Services Agreement). The issued share capital of Greene King Retail Services Limited is £1 and is held by Greene King.

**Greene King Services Limited**

Greene King Services Limited is a private limited company incorporated in England and Wales with company number 03324493. Greene King Services Limited is not a member of the Securitisation Group nor is it a party to any of the Transaction Documents (other than the Borrower Deed of Charge and the Management Services Agreement). The issued share capital of Greene King Services Limited is £1 and is held by Greene King.

## EXPECTED AVERAGE LIFE OF THE NOTES

The average lives of the Notes cannot be predicted, as the actual rate at which the Term Advances will be repaid and a number of other relevant factors are unknown.

Calculations of the possible average life of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) no optional prepayment is made on the Notes; and
- (b) the Issuer exercises its right to redeem each class of Notes in full on the Step-Up Date applicable to such class of Notes (if any),

the following would be the case:

<b>Class</b>	<b>Notional Amount</b>	<b>Expected Average Life<sup>(1)</sup></b>	<b>Expected Maturity<sup>(1)</sup></b>	<b>Legal Maturity Date</b>
A1	150,000,000	7 years	2012	2031
A2	320,000,000	16.8 years	2031	2031
B	130,000,000	15 years	2020	2034

**No assurance can be given that the estimates above will prove in any way to be realistic and they must, therefore, be viewed with considerable caution.**

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<sup>(1)</sup> Based on the assumption referred to in paragraph (b) above.



## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each class of Notes will initially be represented by a Temporary Global Note which will be deposited on or about the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. Interests in each Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note on a date 40 days after the Closing Date (the “**Exchange Date**”) upon certification as to non-U.S. beneficial ownership. No payments of principal, interest or any other amounts payable in respect of the Notes will be made under the Temporary Global Notes unless exchange for interests in the relevant Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Each Permanent Global Note will become exchangeable in whole, but not in part, for Definitive Notes in denominations of £50,000 or above £50,000 in increments of £1,000 each at the request of the bearer of the relevant Permanent Global Note against presentation and surrender of such Permanent Global Note to the Principal Paying Agent if either of the following events (each, an “**Exchange Event**”) occurs:

- (a) Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence; or
- (b) as a result of any amendment to, or a change in laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of such Notes which would not be required were such Notes in definitive form.

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons (as defined in the Conditions) attached, in an aggregate principal amount equal to the principal amount of the relevant Permanent Global Note to the bearer of such Permanent Global Note against the surrender of such Permanent Global Note at the Specified Office (as defined in the Conditions) of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Conditions as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

All payments in respect of each Temporary Global Note and each Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Note or (as the case may be) the relevant Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Notwithstanding Condition 17 (*Notices to Noteholders*), while (i) all the Notes are represented by Global Notes and the Global Notes are deposited with a common depository for Euroclear and/or Clearstream, Luxembourg, and (ii) so long as the Notes are listed on the Stock Exchange and the rules of the Stock Exchange so permit, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg rather than by publication in accordance with Condition 17 (*Notices to Noteholders*). Such notices shall be deemed to have been given to the Noteholders in accordance with Condition 17 (*Notices to Noteholders*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

The holder of a Global Note will be deemed to be two persons for the purpose of forming a quorum at a meeting of Noteholders.

For so long as any Notes are represented by a Global Note, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form (subject to completion and amendment) in which they will be set out in the Note Trust Deed. The Conditions set out below will apply to the Notes whether they are in definitive form or in global form.*

The £150,000,000 Class A1 Secured Floating Rate Notes due 2031, the £320,000,000 Class A2 Secured 5.318 per cent. Notes due 2031 and the £130,000,000 Class B Secured Fixed/Floating Rate Notes due 2034 in each case of Greene King Finance plc (the “**Issuer**”) are constituted by a note trust deed (the “**Note Trust Deed**”, which expression includes such note trust deed as from time to time modified or supplemented in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated on or about 7 March, 2005 (or such later date as may be agreed between the Issuer and The Royal Bank of Scotland plc (in such capacity the “**Arranger**”)) (the “**Closing Date**”) and made between the Issuer and HSBC Trustee (C.I.) Limited (in such capacity, the “**Note Trustee**”, which expression includes its successors or any additional or other trustee appointed pursuant to the Note Trust Deed) as trustee for the Noteholders and the Couponholders (each as defined below).

Any reference to “**Notes**” in these terms and conditions (the “**Conditions**”) shall include the Global Notes and the Definitive Notes (each as defined below). Further, the expressions “**Class A1 Notes**”, “**Class A2 Notes**”, “**Class B Notes**” and “**Notes**” shall in these Conditions, unless the context otherwise requires, include any Further Notes or New Notes (each as defined below) issued pursuant to Condition 19 (*Further and New Note Issues*). In addition, any reference in these Conditions to a class of Notes or of Noteholders shall be a reference to the Class A Notes and the Class B Notes (or any of them) and, to the extent any New Notes (as defined below) are issued, the relevant class of New Notes issued or, as the case may be, the respective holders thereof. Any reference in these Conditions to a sub-class of Notes or of Noteholders shall be a reference to the Class A1 Notes, the Class A2 Notes, the Class B Notes (or any of them) and, to the extent any New Notes are issued, the relevant sub-class of New Notes issued or, as the case may be, the respective holders thereof, unless the context requires otherwise.

The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (the “**Issuer Deed of Charge**”, which expression includes such deed of charge as from time to time modified or supplemented in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated the Closing Date and made between, *inter alios*, the Issuer and the Issuer Secured Creditors (as defined below).

Pursuant to an agency agreement (the “**Agency Agreement**”, which expression includes such agency agreement as from time to time modified or supplemented in accordance with the provisions therein contained and any agreement or other document expressed to be supplemental thereto, as from time to time so modified) dated the Closing Date and made between the Issuer, the Issuer Security Trustee, HSBC Institutional Trust Services (Ireland) Limited as Irish paying agent (in such capacity the “**Irish Paying Agent**”, which expression includes its successors), HSBC Bank plc as principal paying agent (in such capacity the “**Principal Paying Agent**”, which expression includes its successors and, together with the Irish Paying Agent and any additional or other paying agents, if any, appointed from time to time in respect of the Notes pursuant to the Agency Agreement, the “**Paying Agents**”) and HSBC Bank plc as agent bank (in such capacity the “**Agent Bank**”, which expression includes its successors and, together with the Paying Agents, the “**Agents**”), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes of each class.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Issuer Deed of Charge, the Agency Agreement and the other Transaction Documents (as defined below).

Copies of the Issuer Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule, the Subscription Agreement, the Issuer/Borrower Facility Agreement, the Issuer/Borrower Swap Agreement, the Account Bank and Cash Management Agreement, the Corporate Services Agreement, the Note Trust Deed, the Liquidity Facility Agreement, the Interest Rate Swap Agreement and the Tax Deed of Covenant (each as defined below) (together with the other Issuer Security Documents and the Notes, the “**Issuer Transaction Documents**”) are obtainable during normal business hours at the Specified Office for the time being of the Principal Paying Agent, being at the date hereof at 8 Canada Square, London E14 5HQ, and at the Specified Office of the Irish Paying

Agent, being at the date hereof at HSBC House, Harcourt Centre, Harcourt Street, Dublin 2. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Issuer Deed of Charge, the Agency Agreement and the other Transaction Documents.

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 3 March, 2005.

## 1. Definitions

In these Conditions, the following defined terms have the meanings set out below:

“**£**”, “**sterling**” and “**pounds sterling**” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

“**Account Bank**” means Lloyds TSB Bank plc acting through its branch at 3rd Floor, 25 Gresham Street, London EC2V 7HA, as account bank to the Issuer and the Obligors or such other entity or entities appointed as Account Bank from time to time, subject to and in accordance with the terms of the Account Bank and Cash Management Agreement.

“**Account Bank and Cash Management Agreement**” means the account bank and cash management agreement dated on or about the Closing Date and made between the Obligors, the Account Bank, the Cash Manager, the Issuer, the Issuer Security Trustee and the Borrower Security Trustee.

“**Additional Borrower**” means an Eligible Borrower who has acceded to the Issuer/Borrower Facility Agreement in accordance with the terms thereof.

“**Additional Notes**” means any Further Notes and/or any New Notes.

“**Additional Term Facility**” means a Further Term Facility and/or a New Term Facility, as the context may require.

“**Affiliates**”, in relation to any person, means the ultimate holding company of that person or an entity of which that person or its ultimate holding company (a) has direct or indirect control or (b) owns directly or indirectly more than 50 per cent. of the share capital or similar rights of ownership.

“**Agency Agreement**” has the meaning given in the recitals to these Conditions.

“**Agent Bank**” has the meaning given in the recitals to these Conditions.

“**Agents**” has the meaning given in the recitals to these Conditions.

“**Amortisation Amount**” has the meaning given to it in Condition 7(b)(i) (*Redemption, Purchase and Cancellation – Scheduled Mandatory Redemption in Part*).

“**Arranger**” has the meaning given in the recitals to these Conditions.

“**Available Issuer Revenue**” means all sums standing to the credit of the Issuer Transaction Account (excluding any Swap Excluded Amounts) on any Interest Payment Date.

“**Basic Terms Modification**” means:

- (a) any modification which would have the effect of: (i) postponing or altering any day for payments of interest and principal of any particular class of Notes; (ii) reducing, cancelling or rescheduling the amount of principal or the rate of interest payable in respect of any particular class of Notes; (iii) altering the relative priority of payment of interest or principal of any one existing class of Notes relative to another existing class of Notes; (iv) altering the currency of payment of any particular class of Notes (other than pursuant to Condition 21 (European Economic and Monetary Union)); or (v) altering the Final Maturity Date of any particular class of Notes; or
- (b) an alteration of: (i) the definition of Basic Terms Modification or its application in the Transaction Documents or these Conditions; (ii) the majority required to effect a Basic Terms Modification; or (iii) the majority required to pass an Extraordinary Resolution.

“**Borrower Deed of Charge**” means the deed of charge dated on or about the Closing Date and made between, *inter alios*, the Obligors and the Borrower Security Trustee and includes, where the context so admits, any further or supplemental charge or security granted pursuant thereto.

**“Borrower Secured Creditors”** means:

- (a) the Borrower Security Trustee (for itself and for and on behalf of the other Borrower Secured Creditors);
- (b) the Issuer;
- (c) the Cash Manager;
- (d) the Account Bank;
- (e) Supply Co;
- (f) Management Co;
- (g) the Employee Cos;
- (h) Greene King;
- (i) any Receiver appointed under the Borrower Deed of Charge; and
- (j) any such other creditor who may accede to the Borrower Deed of Charge from time to time in accordance with the terms thereof and is designated as a Borrower Secured Creditor.

**“Borrower Secured Liabilities”** means the aggregate of all obligations, monies and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), any liability in respect of any Term Advances, whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligor(s) and whether as principal or as surety or in some other capacity) and under or in respect of any guarantees), which from time to time are or may become due, owing or payable by the Obligors to the Borrower Security Trustee (whether for its own account or as trustee for the Borrower Secured Creditors) or any of the other Borrower Secured Creditors under any of the Borrower Transaction Documents.

**“Borrower Security Documents”** means:

- (a) the Borrower Deed of Charge;
- (b) any power of attorney executed and delivered by the Obligors pursuant to the terms of any Borrower Security Document; and
- (c) any other document or instrument granted in favour of the Borrower Security Trustee (on behalf of the Borrower Secured Creditors) creating or evidencing the security for all or any part of the Borrower Secured Liabilities whether by way of personal covenant, charge, security interest, mortgage, standard security, pledge or otherwise, and **“Borrower Security Document”** shall be construed accordingly.

**“Borrower Security Trustee”** means HSBC Trustee (C.I.) Limited in its capacity as security trustee for the Borrower Secured Creditors, whose registered office is at 1 Grenville Street, St Helier, Jersey JE4 9PF, Channel Islands, or such other entity or entities appointed as security trustee for the Borrower Secured Creditors from time to time, subject to and in accordance with the terms of the Borrower Deed of Charge.

**“Borrower Transaction Documents”** means each or any of:

- (a) the Issuer/Borrower Facility Agreement;
- (b) the Borrower Deed of Charge;
- (c) the Issuer/Borrower Swap Agreement;
- (d) the Account Bank and Cash Management Agreement;
- (e) the Intra Group Supply Agreement;
- (f) the Management Services Agreement;
- (g) the IP Licences;
- (h) the Tax Deed of Covenant;
- (i) the GK Security Deed;
- (j) the Master Definitions and Construction Schedule;

- (k) the Initial Borrower Subordinated Loan Agreement;
- (l) the Sapphire Loan Agreement;
- (m) the Funds Flow Agreement; and
- (n) any other agreement, instrument or deed designated as such by the Obligors and the Borrower Security Trustee.

“**Borrowers**” means the Initial Borrower and any Additional Borrower and “**Borrower**” means any of them.

“**B Principal Residual Amount**” has the meaning given to it in Condition 18(b) (*Subordination and Deferral – Principal*).

“**Business Day**” means:

- (a) unless the context otherwise requires, a day on which commercial banks and foreign exchange markets settle payments and are open for general business in London; and
- (b) only in the case of Condition 8(d) (*Payments – Presentation on non-business days*), a day on which commercial banks and foreign exchange markets settle payments and are open for general business in the place where any Coupon or Note is presented for payment.

“**Cash Manager**” means Greene King Brewing and Retailing Limited, a private limited company incorporated in England and Wales with company number 03298903 whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT, as cash manager for the Obligors and the Issuer, or such other entity or entities appointed as cash manager for the Obligors and the Issuer from time to time, subject to and in accordance with the terms of the Account Bank and Cash Management Agreement.

“**Class A Noteholders**” means the Noteholders of any Class A Notes.

“**Class A Notes**” means the Class A1 Notes and the Class A2 Notes, or where the context so requires, any of them.

“**Class A1 Definitive Notes**” means the bearer Notes in definitive form which may be issued in respect of the Class A1 Notes pursuant to, and in the circumstances specified in, clause 3 of the Note Trust Deed and includes any replacement for Class A1 Definitive Notes issued pursuant to Condition 16 (*Replacement of Notes, Coupons and Talons*) and are issued substantially in the form described in the Note Trust Deed and as set out in Part C of Schedule 1 (*Form of Definitive Note*) to the Note Trust Deed.

“**Class A1 Final Maturity Date**” has the meaning given to it in Condition 7(a)(i) (*Redemption, Purchase and Cancellation – Final Redemption*).

“**Class A1 Noteholders**” means the Noteholders of any Class A1 Notes.

“**Class A1 Notes**” means the £150,000,000 Class A1 Secured Floating Rate Notes due 2031 constituted by the Note Trust Deed or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Class A1 Temporary Global Note (or any part thereof) and the Class A1 Permanent Global Note (or any part thereof) representing the same, and (if issued) the Class A1 Definitive Notes (or any of them) representing the same and references to the Class A1 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto.

“**Class A1 Permanent Global Note**” means the permanent global note issued by the Issuer pursuant to clause 3 of the Note Trust Deed representing the Class A1 Notes in, or substantially in, the form set out in Part B of Schedule 1 (*Form of Permanent Global Note*) to the Note Trust Deed.

“**Class A1 Rate of Interest**” has the meaning given to it in Condition 6(c)(ii) (*Interest – Rates of Interest on the Notes – Class A1 Notes*).

“**Class A1 Step-Up Amounts**” has the meaning given to it in Condition 6(c)(ii) (*Interest – Rates of Interest on the Notes – Class A1 Notes*).

“**Class A1 Step-Up Date**” means the Interest Payment Date falling in March 2012.

“**Class A1 Temporary Global Note**” means the temporary global note issued by the Issuer pursuant to clause 3 of the Note Trust Deed representing the Class A1 Notes in, or substantially in, the form set out in Part A of Schedule 1 (*Form of Temporary Global Note*) to the Note Trust Deed.

“**Class A2 Definitive Notes**” means the bearer Notes in definitive form which may be issued in respect of the Class A2 Notes pursuant to, and in the circumstances specified in, clause 3 of the Note Trust Deed and includes any replacement for Class A2 Definitive Notes issued pursuant to Condition 16 (*Replacement of Notes, Coupons and Talons*) and are issued substantially in the form described in the Note Trust Deed and as set out in Part C of Schedule 1 (*Form of Definitive Note*) to the Note Trust Deed.

“**Class A2 Final Maturity Date**” has the meaning given to it in Condition 7(a)(ii) (*Redemption, Purchase and Cancellation – Final Redemption*).

“**Class A2 Noteholders**” means the Noteholders of any Class A2 Notes.

“**Class A2 Notes**” means the £320,000,000 Class A2 Secured 5.318 per cent. Notes due 2031 constituted by the Note Trust Deed or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Class A2 Temporary Global Note (or any part thereof) and the Class A2 Permanent Global Note (or any part thereof) representing the same, and (if issued) the Class A2 Definitive Notes (or any of them) representing the same and references to the Class A2 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto.

“**Class A2 Permanent Global Note**” means the permanent global note issued by the Issuer pursuant to clause 3 of the Note Trust Deed representing the Class A2 Notes in, or substantially in, the form set out in Part B of Schedule 1 (*Form of Permanent Global Note*) to the Note Trust Deed.

“**Class A2 Rate of Interest**” has the meaning given to it in Condition 6(c)(iii) (*Interest – Rates of Interest on the Notes – Class A2 Notes*).

“**Class A2 Relevant Treasury Stock**” has the meaning given to it in Condition 7(c)(i) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*).

“**Class A2 Temporary Global Note**” means the temporary global note issued by the Issuer pursuant to clause 3 of the Note Trust Deed representing any Class A2 Notes in, or substantially in, the form set out in Part A of Schedule 1 (*Form of Temporary Global Note*) to the Note Trust Deed.

“**Class B Definitive Notes**” means the bearer Notes in definitive form which may be issued in respect of the Class B Notes pursuant to, and in the circumstances specified in, clause 3 of the Note Trust Deed and includes any replacement for Class B Definitive Notes issued pursuant to Condition 16 (*Replacement of Notes, Coupons and Talons*) and are issued substantially in the form described in the Note Trust Deed and as set out in Part C of Schedule 1 (*Form of Definitive Note*) to the Note Trust Deed.

“**Class B Final Maturity Date**” has the meaning given to it in Condition 7(a)(iii) (*Redemption, Purchase and Cancellation – Final Redemption*).

“**Class B Fixed Rate**” has the meaning given to it in Condition 6(c)(iv) (*Interest – Rates of Interest on the Notes – Class B Notes*).

“**Class B Floating Rate**” has the meaning given to it in Condition 6(c)(iv) (*Interest – Rates of Interest on the Notes – Class B Notes*).

“**Class B Noteholders**” means the Noteholders of any Class B Notes.

“**Class B Notes**” means the £130,000,000 Class B Secured Fixed/Floating Rate Notes due 2034 constituted by the Note Trust Deed or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Class B Temporary Global Note (or any part thereof) and the Class B Permanent Global Note (or any part thereof) representing the same, and (if issued) the Class B Definitive Notes (or any of them) representing the same and references to the Class B Notes shall, except where the context otherwise requires, include the Conditions applicable thereto.

“**Class B Permanent Global Note**” means the permanent global note issued by the Issuer pursuant to clause 3 of the Note Trust Deed representing the Class B Notes in, or substantially in, the form set out in Part B of Schedule 1 (*Form of Permanent Global Note*) to the Note Trust Deed.

“**Class B Rate of Interest**” has the meaning given to it in Condition 6(c)(iv) (*Interest – Rates of Interest on the Notes – Class B Notes*).

“**Class B Relevant Treasury Stock**” has the meaning given to it in Condition 7(c)(i) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer – Borrower Facility Agreement*).

“**Class B Step-Up Amounts**” has the meaning given to it in Condition 6(c)(iv) (*Interest – Rates of Interest on the Notes – Class B Notes*).

“**Class B Step-Up Date**” means the Interest Payment Date falling in March 2020.

“**Class B Temporary Global Note**” means the temporary global note issued by the Issuer pursuant to clause 3 of the Note Trust Deed representing the Class B Notes in, or substantially in, the form set out in Part A of Schedule 1 (*Form of Temporary Global Note*) to the Note Trust Deed.

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*.

“**Closing Date**” has the meaning given in the recitals to these Conditions.

“**Common Depository**” has the meaning given to it in Condition 2(a) (*Form, Denomination and Title*).

“**Conditions**” has the meaning given in the recitals to these Conditions.

“**Corporate Services Agreement**” means the corporate services agreement dated on or about the Closing Date and entered into between Law Debenture Corporate Services Limited, the Issuer and the Issuer Security Trustee.

“**Couponholders**” means the persons who for the time being are holders of the Coupons.

“**Coupons**” means the bearer interest coupons, in or substantially in, the form set out in Part D of Schedule 1 (*Form of Coupon*) to the Note Trust Deed and for the time being outstanding or, where the context so requires, a specific number of them and includes (where applicable) the Talons in respect of such Coupons.

“**Definitive Notes**” means the Class A1 Definitive Notes, the Class A2 Definitive Notes, the Class B Definitive Notes and any New Notes issued in definitive form or, where the context so requires, any of them.

“**Disposal Proceeds Account**” means an account known as the “GKR Ltd Disposals Account” held in the name of the Initial Borrower and maintained by the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement and having account number 1032912, sort code 30-00-02 or such other account as may be opened, with the consent of the Borrower Security Trustee, at any branch of the Account Bank or at a bank which is an Eligible Bank and a Qualifying Bank in replacement of such account.

“**Eligible Bank**” means a credit or other institution authorised to accept deposits under the Financial Services and Markets Act 2000 the short term unsecured, unsubordinated and unguaranteed debt obligations of which are rated at least the Minimum Short-Term Ratings.

“**Eligible Borrower**” means, at any time, a company incorporated and tax resident in the United Kingdom that is a direct or indirect subsidiary of the Securitisation Group Parent.

“**Eligible Investments**” means:

- (a) sterling gilt-edged securities; and
- (b) sterling demand or time deposits, certificates of deposit and shortterm debt obligations (including commercial paper) rated by no fewer than two of S&P, Fitch and Moody’s provided that in all cases such investments have a maturity date falling no later than the next following Interest Payment Date (in respect of investments made by or on behalf of the Issuer) or Loan Payment Date (in respect of investments made by or on behalf of any Obligor) and that the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised bank under the Financial Services and Markets Act 2000) are rated “A-1” (if rated by S&P), “F1” (if rated by Fitch) and “P-1” (if rated by Moody’s) or higher; and
- (c) in the case of monies standing to the credit of the Disposal Proceeds Account only, investments made in money management funds rated by no fewer than two of S&P, Fitch and Moody’s provided that in all cases such investments have a maturity date falling no later than 12 months from the date upon which the relevant monies were credited to the Disposal Proceeds Account

and that the relevant money management funds are rated not less than “AAA” (if rated by S&P), “AAA” (if rated by Fitch) and “Aaa” (if rated by Moody’s).

“**Employee Cos**” means together Greene King Retail Services Limited (company number 03324496) and Greene King Services Limited (company number 03324493).

“**Euro**” means the single currency adopted by Participating Member States.

“**Euro Exchange Date**” means the date on which the Issuer gives notice (the “**Euro Exchanging Notice**”) to the Noteholders and the Note Trustee that replacement Notes denominated in Euro are available for exchange.

“**Euroclear**” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“**Exchange Date**” has the meaning given to it in Condition 2(a) (*Form, Denomination and Title*).

“**Excluded Group Entity**” means any entity together with any Affiliates thereof which is a member of the GK Group but not a member of the Securitisation Group.

“**Extraordinary Resolution**” has the meaning given to it in the Provisions for Meetings of Noteholders as set out in Schedule 4 to the Note Trust Deed.

“**Final Discharge Date**” means the date on which the Issuer Security Trustee is satisfied that all the Issuer Secured Liabilities have been paid or discharged in full.

“**Final Maturity Date**” has the meaning given to it in Condition 7(a) (*Redemption, Purchase and Cancellation – Final Redemption*).

“**Final Period**” means the third and fourth Financial Quarters of each Financial Year.

“**Financial Quarter**” means each period from (and including) the day after a Financial Quarter Date to (and excluding) the next Financial Quarter Date and, in respect of the first Financial Quarter, the period from (and including) the Closing Date to (and including) 1 May, 2005.

“**Financial Quarter Date**” means 1 May, 2005 and, thereafter, the date on which the quarterly accounting period of each Borrower ends, being:

- (a) for the first Financial Quarter, the date which is 12 weeks from 1 May, 2005 and in each year thereafter from the fourth Financial Quarter Date in the immediately preceding Financial Year;
- (b) for the second Financial Quarter, the date which is 12 weeks from the previous Financial Quarter Date;
- (c) for the third Financial Quarter, the date which is 12 weeks from the previous Financial Quarter Date; and
- (d) for the fourth Financial Quarter, the date which is the last day of the Financial Year of which such fourth Financial Quarter forms part.

“**Financial Statements**” means:

- (a) the audited consolidated annual financial statements of the Securitisation Group Parent and its direct or indirect subsidiaries and the related auditors report for each Financial Year; and
- (b) the unaudited consolidated semi-annual financial statements of the Securitisation Group Parent and its direct or indirect subsidiaries for each Semi-Annual Period,

in each case, to be delivered by the Obligor pursuant to the Issuer/Borrower Facility Agreement.

“**Financial Year**” means the period of four Financial Quarters comprised, in the discretion of the Initial Borrower, of 52 or 53 weeks ending within 7 days of 30 April, the first Financial Year ending on 1 May, 2005.

“**Fitch**” means Fitch Ratings Limited or any successor to its ratings business.

“**Fixed Interest Rates**” means the Class A2 Rate of Interest and, up to (but excluding) the Interest Payment Date falling in March 2020, the Class B Fixed Rate.

“**Fixed Rate Note Interest Amounts**” has the meaning given to it in Condition 6(d) (*Interest – Determination of Rates of Interest and Calculation of Interest Amounts*).



“**Floating Interest Rates**” means Class A1 Rate of Interest and, on and following the Class B Step-Up Date, the Class B Floating Rate.

“**Floating Rate Note Interest Amounts**” has the meaning given to it in Condition 6(d) (*Interest – Determination of Rates of Interest and Calculation of Interest Amounts*).

“**Floating Rate Notes**” means the Class A1 Notes and, on and following the Class B Step-Up Date, the Class B Notes.

“**Funds Flow Agreement**” means the agreement relating to the flow of funds on the Closing Date dated on or about the Closing Date between, *inter alios*, Greene King, the Initial Borrower, GKB&R, the Sapphire Companies and certain other members of the GK Group.

“**Further Class A Notes**” means any Further Class A1 Notes and any Further Class A2 Notes issued pursuant to Condition 19(a) (*Further and New Note Issues – Further Notes and New Notes*) or, where the context so requires, any of them.

“**Further Class A1 Notes**” means further Class A1 Notes issued in bearer form carrying the same terms and conditions in all respects (except in relation to the first Interest Period and the other matters set out in Condition 19(a) (*Further and New Note Issuer – Further Notes and New Notes*)) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class A1 Notes.

“**Further Class A2 Notes**” means further Class A2 Notes issued in bearer form carrying the same terms and conditions in all respects (except in relation to the first Interest Period and the other matters set out in Condition 19(a) (*Further and New Note Issuer – Further Notes and New Notes*)) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class A2 Notes.

“**Further Class B Notes**” means further Class B Notes issued in bearer form carrying the same terms and conditions in all respects (except in relation to the first Interest Period and the other matters set out in Condition 19(a) (*Further and New Note Issuer – Further Notes and New Notes*)) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class B Notes.

“**Further Notes**” has the meaning given to it in Condition 19(a) (*Further and New Note Issues – Further Notes and New Notes*).

“**Further Term Advance**” means any advance made under a Further Term Facility.

“**Further Term Facility**” means a further term facility which may be requested by the Borrower and any Additional Borrower at any time by written notice to the Issuer (with a copy to the Borrower Security Trustee and the Rating Agencies) ranking *pari passu* with the relevant Initial Term Facility pursuant to clause 2.4 of the Issuer/Borrower Facility Agreement and is made available to such Borrower by the Issuer in accordance with and subject to clause 2.5 of the Issuer/Borrower Facility Agreement.

“**GK Group**” means Greene King and each of its direct and indirect subsidiaries (including the Obligors, Supply Co and Management Co).

“**GK Security Deed**” means the security deed entered into on or about the Closing Date between, *inter alios*, Greene King, the Obligors and the GK Security Trustee pursuant to which Greene King will grant certain security in respect of certain of its obligations under the Tax Deed of Covenant.

“**GKB&R**” means Greene King Brewing and Retailing Limited, a private limited company incorporated in England and Wales with company number 03298903 whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

“**Global Notes**” has the meaning given to it in Condition 2(a) (*Form, Denomination and Title*).

“**Greene King**” means Greene King plc, a listed public company with limited liability incorporated under the laws of England and Wales with company number 00024511 and whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

“**Gross Redemption Yield**” has the meaning given to it in Condition 7(c)(i) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*).

“**Initial Borrower**” means Greene King Retailing Limited, a private limited company incorporated under the laws of England and Wales with company number 5265451 and whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

**“Initial Borrower Subordinated Loan Agreement”** means a subordinated loan agreement dated on or about the Closing Date between, *inter alios*, Greene King and the Initial Borrower, pursuant to which Greene King will lend £215,239,719 of subordinated debt to the Initial Borrower.

**“Initial Term Advance”** means any advance made under the Initial Term Facilities.

**“Initial Term A1 Advance”** means the Initial Term Advance under the Initial Term A1 Facility.

**“Initial Term A2 Advance”** means the Initial Term Advance under the Initial Term A2 Facility.

**“Initial Term A1 Facility”** has the meaning given to it in clause 2.1(a) of the Issuer/Borrower Facility Agreement.

**“Initial Term A2 Facility”** has the meaning given to it in clause 2.1(b) of the Issuer/Borrower Facility Agreement.

**“Initial Term B Advance”** means the Initial Term Advance under the Initial Term B Facility.

**“Initial Term B Facility”** has the meaning given to it in clause 2.1(c) of the Issuer/Borrower Facility Agreement.

**“Initial Term Facilities”** means the Initial Term A1 Facility, the Initial A2 Facility and the Initial Term B Facility and excluding, for the avoidance of doubt, any Further Term Facility or any New Term Facility.

**“Insolvency Event”** means:

- (a) the Issuer is unable or admits inability to pay its debts as they fall due, or suspends making payments on any of its debts;
- (b) the value of the assets of the Issuer is less than the amount of its liabilities, taking into account its contingent and prospective liabilities;
- (c) a moratorium is declared in respect of any indebtedness of the Issuer;
- (d) the commencement of negotiations with one or more creditors of the Issuer with a view to rescheduling any indebtedness of the Issuer;
- (e) any corporate action, legal proceedings or other procedure or step is taken (whether out of court or otherwise) in relation to:
  - (i) the appointment of an Insolvency Official (excluding the Issuer Security Trustee or a Receiver appointed by the Issuer Security Trustee pursuant to the Issuer Deed of Charge) in relation to the Issuer or in relation to the whole or any part of the undertaking of the Issuer;
  - (ii) an encumbrancer (excluding the Issuer Security Trustee or any Receiver appointed by the Issuer Security Trustee pursuant to the Issuer Deed of Charge) taking possession of the whole or any part of the undertaking or assets of the Issuer;
  - (iii) the making of an arrangement, composition or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditors (or any class of creditors) of the Issuer, a reorganisation of the Issuer, a conveyance to or assignment for the benefit of creditors of the Issuer (or any class of creditors) or the making of an application to a court of competent jurisdiction for protection from the creditors of the Issuer (or any class of creditors); or
  - (iv) any analogous procedure or step is taken in any jurisdiction; or
- (f) any distress, execution, diligence, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of the Issuer (excluding by the Issuer Security Trustee or any Receiver appointed by the Issuer Security Trustee pursuant to the Issuer Deed of Charge) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days.

**“Insolvency Official”** means, in respect of any company, a liquidator (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Note Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding), provisional liquidator, administrator (whether appointed by the court or otherwise), administrative receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of all (or substantially all) of the company’s assets or in

respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction.

**“Insolvency Proceedings”** means the winding-up, dissolution, company voluntary arrangement or administration of a company or corporation and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief from creditors or the appointment of an Insolvency Official.

**“Interest Amounts”** has the meaning given to it in Condition 6(d) (*Interest – Determination of Rates of Interest and Calculation of Interest Amounts*).

**“Interest Determination Date”** means each Interest Payment Date or, in the case of the first Interest Period, the Closing Date and in relation to an Interest Period, the **“related Interest Determination Date”** means the Interest Determination Date which falls on the first day of such Interest Period.

**“Interest Payment Date”** means 15 June, 15 September, 15 December and 15 March in each calendar year unless that date is not a Business Day in which case it shall be the next succeeding Business Day unless such day falls in the next month, in which case it shall be the preceding Business Day.

**“Interest Period”** has the meaning given to it in Condition 6(b) (*Interest – Interest Payment Dates and Note Interest Periods*).

**“Interest Rate Swap Agreement”** means the interest rate swap agreement entered into between the Issuer and the Swap Counterparty on or about the Closing Date together with the amendment and novation agreement dated 2 March, 2005 between the Swap Counterparty, the Issuer and Greene King and the amendment deed dated the Closing Date between the Swap Counterparty, the Issuer and the Issuer Security Trustee (and any replacement interest rate swap agreement(s)).

**“Interest Residual Amount”** has the meaning given to it in Condition 18(a) (*Subordination and Deferral – Interest*).

**“Intra Group Supply Agreement”** means the supply agreement dated on or about the Closing Date and made between, *inter alios*, GKB&R, the Initial Borrower and the Borrower Security Trustee.

**“IP Licence Agreement”** means the intellectual property licence agreement dated on or about the Closing Date and made between, *inter alios*, GKB&R, the Initial Borrower and the Borrower Security Trustee.

**“IP Licences”** means together the IP Licence Agreement and any licences in respect of intellectual property rights or business know how used in respect of the Securitisation Estate granted to the Initial Borrower on or after the Closing Date.

**“Irish Paying Agent”** has the meaning given in the recitals to these Conditions.

**“Issuer”** has the meaning given in the recitals to these Conditions.

**“Issuer Accounts”** means the Issuer Transaction Account and the Liquidity Facility Reserve Account, together with any other account of the Issuer which may be opened from time to time pursuant to or in accordance with the Issuer Transaction Documents.

**“Issuer/Borrower Facility Agreement”** means the secured facility agreement dated on or about the Closing Date and made between, *inter alios*, the Issuer, the Obligors, the Cash Manager and the Borrower Security Trustee.

**“Issuer/Borrower Swap Agreement”** means the back-to-back interest rate swap agreement dated on or about the Closing Date and made between the Issuer and the Initial Borrower.

**“Issuer Deed of Charge”** has the meaning given in the recitals to these Conditions.

**“Issuer Post-Acceleration Priority of Payments”** means the provisions relating to the order of priority of payments set out in clause 7.2 of the Issuer Deed of Charge.

**“Issuer Pre-Acceleration Priority of Payments”** means the provisions relating to the order of priority of payments from the Issuer Accounts set out in clause 5.2 of the Issuer Deed of Charge.

**“Issuer Priorities of Payments”** means the Issuer Pre-Acceleration Priority of Payments, and/or after the delivery of a Note Enforcement Notice to the Issuer by the Issuer Security Trustee, the Issuer Post-Acceleration Priority of Payments.

**“Issuer Secured Creditors”** means each of:

- (a) the Issuer Security Trustee;
- (b) the Note Trustee;
- (c) the Class A1 Noteholders;
- (d) the Class A2 Noteholders;
- (e) the Class B Noteholders;
- (f) any holders of any New Notes;
- (g) the Liquidity Facility Provider and any facility agent and arranger under the Liquidity Facility Agreement;
- (h) the Agent Bank;
- (i) the Account Bank;
- (j) the Cash Manager;
- (k) the Initial Borrower;
- (l) the Corporate Services Provider;
- (m) the Principal Paying Agent;
- (n) the Irish Paying Agent; and
- (o) the Swap Counterparty,

together with any other creditor of the Issuer who may be a party to, or accede to, the terms of the Issuer Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Creditor.

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

**“Issuer Security”** means the Security Interests created by or pursuant to the Issuer Deed of Charge and the other Issuer Security Documents.

**“Issuer Security Documents”** means:

- (a) the Issuer Deed of Charge;
- (b) any power of attorney executed and delivered by the Issuer pursuant to the terms of any Issuer Security Document; and
- (c) any other document or instrument granted in favour of the Issuer Security Trustee (on behalf of the Issuer Secured Creditors) creating or evidencing the security for all or any part of the Issuer Secured Liabilities.

**“Issuer Security Trustee”** means HSBC Trustee (C.I.) Limited in its capacity as security trustee for the Issuer Secured Creditors, whose registered office is at 1 Grenville Street, St. Helier, Jersey JE4 9PF, Channel Islands, or such other entity or entities appointed as security trustee for the Issuer Secured Creditors from time to time, subject to and in accordance with the terms of the Issuer Deed of Charge.

**“Issuer Transaction Account”** means the account designed the “Issuer Transaction Account” held in the name of the Issuer and maintained with the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement and having account number 01161593 and sort code 30-00-02 or such other account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Account Bank or at a bank which is an Eligible Bank and a Qualifying Bank in replacement of such account.

**“Issuer Transaction Documents”** has the meaning given to it in the recitals to these Conditions.

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

“**LIBOR**” means:

- (a) the arithmetic mean of the offered quotations to leading banks (rounded to four decimal places with the mid-point rounded up) for three month Sterling deposits (or three month deposits for such other currency or currency unit as may replace Sterling as the lawful currency of the United Kingdom) in the London interbank market which appear on Telerate Screen Page No. 3750 (or (i) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Note Trustee) as may replace the Telerate Monitor) (the “**Screen Rate**”) (rounded to five decimal places with the mid-point rounded upwards) calculated on the basis of the number of days in such Interest Period and the Screen Rate at or about 11.00a.m. (London time) on such date and, in the case of the first Interest Period following the Closing Date only, the rate obtained by the linear interpolation of the rate of three month and four month Sterling deposits in the market calculated on the basis of the actual number of days in such Interest Period; or
- (b) if the Screen Rate is not then available for three months (or, where required, four or five months Sterling deposits) then the rate for the relevant Interest Period shall be, the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks as the rate at which three month Sterling deposits (or, in the case of the first Interest Period following the Closing Date only, three and four month Sterling deposits) in an amount of £10,000,000 are offered for the same period as that Interest Period by that Reference Bank to leading banks in the London Interbank market at or about 11.00a.m. (London time) on that date. If on any such Interest Determination Date, two only of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the opinion of the Note Trustee suitable for such purpose) and the rate for the Interest period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as are so agreed. If no such bank or banks is or are so agreed or such bank or banks as are so agreed does or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the rate in effect for the last preceding Interest Period to which sub-paragraph (a) above shall have applied and, in respect of the first Interest Period following the Closing Date only, shall be the arithmetic mean of the rates quoted by such other leading banks in the London Interbank Market selected by the Agent Bank and approved by the Note Trustee on the relevant Interest Determination Date;

“**Liquidity Facility**” means the committed, sterling, revolving liquidity facility made available to the Issuer by the Liquidity Facility Provider in accordance with the terms of the Liquidity Facility Agreement.

“**Liquidity Facility Agreement**” means the facility agreement dated on or about the Closing Date and made between, *inter alios*, the Issuer, the Liquidity Facility Provider and the Issuer Security Trustee and any facility agent and arranger under the Liquidity Facility Agreement.

“**Liquidity Facility Provider**” means The Royal Bank of Scotland plc in its capacity as liquidity facility provider, acting through its office at 135 Bishopsgate, London EC2M 3UR, or such other entity or entities appointed as liquidity facility provider from time to time, subject to and in accordance with the terms of the Liquidity Facility Agreement.

“**Liquidity Facility Reserve Account**” means each of (i) the account designated as the “Liquidity Facility Reserve Account”, held in the name of the Issuer and maintained by the Account Bank pursuant to the terms of the Account Bank and Cash Management Agreement and having account number 01162603 and sort code 30-00-02 or such other account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Account Bank or at a bank which is an Eligible Bank and a Qualifying Bank in replacement of such account and (ii) provided that the Liquidity Facility

Provider has the Minimum Short-Term Ratings an account of the Issuer opened and maintained with the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement.

“**Management Co**” means Greene King Brewing and Retailing Limited, a private limited company incorporated under the laws of England and Wales with Company number 03298903 and whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

“**Management Services Agreement**” means the management services agreement dated on or about the Closing Date and made between, *inter alios*, Management Co, the Employee Cos, the Initial Borrower and the Borrower Security Trustee.

“**Managers**” means The Royal Bank of Scotland plc and BNP Paribas.

“**Master Definitions and Construction Schedule**” means the master definitions and construction schedule signed by Freshfields Bruckhaus Deringer and Linklaters on or about the Closing Date.

“**Minimum Long-Term Ratings**” means, in respect of any person, such person’s long-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least “A” by Fitch and at least “A” by S&P.

“**Minimum Short-Term Ratings**” means, in respect of any person, such person’s short-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least “F1” by Fitch and at least “A-1” by S&P.

“**Moody’s**” means Moody’s Investor Services Limited or any successor to its rating business.

“**Mortgaged Property**” means a freehold or leasehold property interest over which an Obligor has granted a mortgage, fixed charge or floating charge (as applicable) pursuant to the terms of the Borrower Security Documents.

“**Most Senior Class of Notes**” means the Class A Notes for so long as there are any Class A Notes outstanding and thereafter the Class B Notes for so long as there are any Class B Notes outstanding save that, if and to the extent that any class of New Notes is issued and remains outstanding, the expression shall mean the class or classes of Notes then outstanding which rank senior to each and every other class of Notes then outstanding in the relevant Issuer Priority of Payments.

“**New Notes**” has the meaning given to it in Condition 19(a) (*Further and New Note Issues – Further Notes and New Notes*).

“**New Term Advance**” means any advance made under a New Term Facility.

“**New Term Facility**” means a new term facility which may be requested by a Borrower at any time by written notice to the Issuer (with a copy to the Borrower Security Trustee and the Rating Agencies) and which can rank higher than the Term A Facilities or which can rank *pari passu* with the existing Term A Facilities or below the Term A Facilities but ahead of the Term B Facility or *pari passu* with the existing Term B Facility or below the Term B Facility pursuant to clause 2.4 of the Issuer/Borrower Facility Agreement and made available to such Borrower by the Issuer in accordance with and subject to clause 2.5 of the Issuer/Borrower Facility Agreement.

“**Note Acceleration Notice**” has the meaning given to it in Condition 11(a) (*Note Events of Default – Default Events*).

“**Note Enforcement Notice**” has the meaning given to it in Condition 12 (*Enforcement*).

“**Note Event of Default**” has the meaning given to it in Condition 11(a) (*Note Events of Default – Default Events*).

“**Note Principal Payments**” has the meaning given to it in Condition 7(e) (*Redemption, Purchase and Cancellation – Mandatory Redemption following acceleration of Term Advances*).

“**Note Trust Deed**” means the note trust deed dated on or about the Closing Date between the Issuer and the Note Trustee together with any Supplemental Deed and the Schedules thereto and includes any deed or other document executed in accordance with the provisions thereof as expressed to be supplemental thereto.

“**Noteholders**” means:

- (a) in relation to any Note represented by a Global Note, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or

Clearstream, Luxembourg as the holder of a particular Principal Amount Outstanding of those Notes, for which purpose any certificate or letter of confirmation (or any other form of record made by any of them) as to the Principal Amount Outstanding of Notes standing to the account of any person shall be conclusive and binding on the basis that such person shall be treated by the Issuer, the Note Trustee, the Issuer Security Trustee, the Paying Agents and all other persons as the holder of that Principal Amount Outstanding of those Notes for all purposes other than the right to payments in respect of those Notes which shall be vested, as against the Issuer, solely in the bearer of the relevant Global Note, who shall be regarded as the “**Noteholder**” for that purpose; and

- (b) in relation to any Definitive Note issued under Condition 2(b) (*Form, Denomination and Title*), the bearer of such Definitive Notes,

and related expressions shall be construed accordingly.

“**Obligors**” means the Initial Borrower, the Securitisation Group Parent and the Sapphire Companies and, where the context requires, includes any Additional Borrower.

“**outstanding**” means, in relation to the Notes, all of the Notes issued other than:

- (a) those Notes which have been redeemed in full or purchased, and cancelled, in accordance with Condition 7 (*Redemption, Purchase and Cancellation*) or otherwise under the Note Trust Deed;
- (b) those Notes in respect of which the date for redemption in full in accordance with the Conditions has occurred and the redemption monies for which (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been provided or published in accordance with Condition 17 (*Notices to Noteholders*)) and remain available for payment against presentation of the relevant Notes and Coupons;
- (c) those Notes which have become void under Condition 10 (*Prescription*);
- (d) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 16 (*Replacement of Notes, Coupons and Talons*);
- (e) for the purpose only of ascertaining the Principal Amount Outstanding of the Notes and without prejudice to the status, for any other purpose, of the relevant Notes, those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 16 (*Replacement of Notes, Coupons and Talons*);
- (f) the Temporary Global Notes to the extent that they have been exchanged for Permanent Global Notes pursuant to the provisions contained therein and in clause 3 of the Note Trust Deed;
- (g) the Permanent Global Notes that remain in escrow pending exchange of the Temporary Global Notes therefore, pursuant to the provisions contained therein and in the Note Trust Deed; and
- (h) the Permanent Global Notes to the extent that they have been exchanged for Definitive Notes, pursuant to the provisions contained therein and in the Note Trust Deed,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of clause 6.3, clause 9 and clause 10 of the Note Trust Deed, Conditions 11 (*Note Events of Default*) and 12 (*Enforcement*) and Schedule 4 to the Note Trust Deed;
- (iii) any discretion, power or authority contained in the Note Trust Deed which the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of any of the Noteholders; and
- (iv) the determination by the Note Trustee whether any of the events specified in Condition 11 (*Note Events of Default*) is materially prejudicial to the interest of the Noteholders,

those Notes which, for the time being, are held by the Issuer or any member of the GK Group, or by any person for the benefit of the Issuer or any member of the GK Group shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

“**Participating Member State**” means a Member State of the European Communities which has adopted the Euro as its lawful currency in accordance with the Treaty.

“**Paying Agents**” has the meaning given in the recitals to these Conditions.

“**Permanent Global Notes**” means each Class A1 Permanent Global Note, each Class A2 Permanent Global Note, each Class B Permanent Global Note and each permanent global note in respect of an issue of New Notes.

“**Principal Amount Outstanding**” means on any date in relation to a Note, its original principal amount less the aggregate amount of all Amortisation Amounts and Note Principal Payments in respect of such Note that have been paid by the Issuer in respect of that Note on or prior to that date.

“**Principal Paying Agent**” has the meaning given in the recitals to these Conditions.

“**Provisions for Meetings of Noteholders**” means the provisions contained in Schedule 4 (*Provisions for Meetings of Noteholders*) to the Note Trust Deed.

“**Qualifying Bank**” means an institution which is a bank for the purposes of section 349 of the Income and Corporation Taxes Act 1988 as amended or replaced from time to time.

“**Rating Agencies**” means Fitch and S&P and “**Rating Agency**” means any of them.

“**Ratings Test**” means, in connection with any modification of, waiver or authorisation of, any breach or proposed breach of, or consent under, any Transaction Document, confirmation by the Rating Agencies in writing to the Issuer (a copy of which is provided to the Note Trustee) that, any such action under or in relation to the Transaction Documents or the Notes will not result in the withdrawal, reduction or any other adverse action with respect to the then current ratings of the Notes.

“**Receiver**” means any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act 1986 and who is appointed by the Issuer Security Trustee under clause 11.10 of the Issuer Deed of Charge in respect of the whole or any part of the property secured by the Issuer under the Issuer Deed of Charge or, as applicable, who is appointed by the Borrower Security Trustee under clause 13 of the Borrower Deed of Charge in respect of the whole or part of the property secured under the Borrower Deed of Charge.

“**Redemption Amount**” has the meaning given to it in Condition 7(c)(i) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*).

“**Reference Banks**” means the principal London offices of The Royal Bank of Scotland plc, Lloyds TSB Bank plc, HSBC Bank plc and Barclays Bank plc or any duly appointed substitute reference bank(s) as may be approved in writing by the Note Trustee.

“**Reference Date**” has the meaning given to it in Condition 7(c)(i) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*).

“**Reference Market Makers**” has the meaning given to it in Condition 7(c)(i) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*).

“**Relevant Coupons**” has the meaning given to it in Condition 8(c)(i) (*Payments – Deductions for Unmatured Coupons for Fixed Rate Notes and Unmatured Coupons for Floating Rate Notes Void – Deductions for Unmatured Coupons for Fixed Rate Notes*).

“**Relevant Year**” means a period of four consecutive Financial Quarters, provided that any calculation of a ratio or an amount shall be made:

- (a) in respect of the Financial Quarter ending on 1 May, 2005, for the period from (and including) the Closing Date to (and including) 1 May, 2005;
- (b) in respect of the Financial Quarter ending on 24 July, 2005, for the period from (and including) the Closing Date to (and including) 24 July, 2005;
- (c) in respect of the Financial Quarter ending on 16 October, 2005, for the period from (and including) the Closing Date to (and including) 16 October, 2005; and



(d) in respect of the Financial Quarter ending on 8 January, 2005, for the period from (and including) the Closing Date to (and including) 8 January, 2005.

“**Sapphire Companies**” means together Sapphire Food North East No.1 Limited (company number 04524259), Sapphire Food South West No.2 Limited (company number 04524261), Sapphire Food North West No.3 Limited (company number 04524286), Sapphire Food South East No.4 Limited (company number 04524297) and Sapphire Rural Destination No.5 Limited (company number 04524306).

“**Sapphire Loan Agreement**” means the loan agreement dated on or about the Closing Date and entered into between the Initial Borrower (as lender), the Sapphire Companies (as borrowers) and the Borrower Security Trustee.

“**S&P**” means Standard and Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. or any successor to its rating business.

“**Screen Rate**” has the meaning given to it in the definition of “LIBOR” above.

“**Securitisation Estate**” means the portfolio of Mortgaged Properties and other assets, undertakings and rights of the members of the Securitisation Group from time to time.

“**Securitisation Group**” means the Initial Borrower and any Additional Borrowers and their direct and indirect subsidiaries (other than Greene King Retailing No.2 Limited) and the Securitisation Group Parent.

“**Securitisation Group Parent**” means Greene King Retailing Parent Limited, a private limited company incorporated under the laws of England and Wales with company number 5265454 and whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

“**Security Interest**” means:

- (a) a mortgage, charge, security, pledge, lien, assignment, standard security, assignation, right of set-off, assignment, assignation, hypothecation, security interest or other encumbrance securing any obligation of any person or any agreement or arrangement having a similar effect (including any title transfer and retention arrangement); or
- (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person.

“**Semi-Annual Period**” means the first and second Financial Quarters of each Financial Year.

“**Specified Office**” means, in relation to any Agent:

- (a) the office specified in respect of such Agent in the Agency Agreement; or
- (b) such other office as such Agent may specify in accordance with clause 21.8 of the Agency Agreement;

“**Step-Up Amounts**” has the meaning given to it in Condition 6(c)(iv) (*Interest – Rates of Interest on the Notes – Class B Notes*).

“**Stock Exchange**” means the Irish Stock Exchange Limited.

“**Subscription Agreement**” means the subscription agreement in relation to the Notes dated 3 March, 2005 and made between, *inter alios*, the Issuer, the Obligors, Greene King and the Managers.

“**Supply Co**” means Greene King Brewing and Retailing Limited, a private limited company incorporated under the laws of England and Wales with Company number 03298903 and whose registered office is at Westgate Brewery, Bury St. Edmunds, Suffolk IP33 1QT.

“**Swap Collateral Ledger**” means a ledger of the Issuer Transaction Account entitled the “Swap Collateral Ledger” maintained by the Cash Manager in accordance with the Account Bank and Cash Management Agreement.

“**Swap Counterparty**” means The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR, which expression shall include any other swap counterparty with which the Issuer enters into any Interest Rate Swap Agreement.

**“Swap Counterparty Downgrade”** means the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty being rated below the Minimum Short-Term Ratings at any time, or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty being rated below the Minimum Long-Term Ratings at any time.

**“Swap Excluded Amounts”** means:

- (a) if the transactions under the Interest Rate Swap Agreement are terminated in circumstances where the Issuer enters into a replacement interest rate swap agreement, amounts received by the Issuer:
  - (i) from the Swap Counterparty by way of termination payments relating to the termination of the transactions under the Interest Rate Swap Agreement to the extent of the amount (if any) payable to the replacement swap counterparty in consideration for the entry by such replacement swap counterparty into the replacement interest rate swap agreement and the replacement transactions thereunder; or
  - (ii) from any replacement swap provider in respect of the entry by the Issuer into the replacement interest rate swap agreement and the replacement transactions thereunder to the extent of the termination payment (if any) due to the replaced Swap Counterparty under the Interest Rate Swap Agreement; and
- (b) amounts standing to the credit of the Swap Collateral Ledger or representing amounts attributable to assets transferred as collateral by the Swap Counterparty following the occurrence of a ratings downgrade of the Swap Counterparty.

**“Talon”** has the meaning given to it in Condition 2(c) (*Form, Denomination and Title*).

**“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.

**“Tax”** shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of a Tax Authority and **“Taxes”**, **“taxation”**, **“tax”**, **“taxable”** and comparable expressions shall be construed accordingly.

**“Tax Authority”** means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including the Inland Revenue and H.M. Customs & Excise.

**“Tax Deed of Covenant”** means the tax deed of covenant entered into on or about the Closing Date between, *inter alios*, the Initial Borrower, Greene King, GKB&R, the Securitisation Group Parent, the Issuer, the Issuer Parent, the Issuer Security Trustee and the Borrower Security Trustee.

**“Temporary Global Notes”** means each Class A1 Temporary Global Note, each Class A2 Temporary Global Note, each Class B Temporary Global Note and each Temporary Global Note in respect of an issue of New Notes.

**“Term A Facilities”** means the Term A1 Facility and the Term A2 Facility.

**“Term A1 Advance”** means a Term Advance under the Term A1 Facility.

**“Term A1 Facility”** means an Initial Term A1 Facility and/or a Further Term A1 Facility, as the context may require.

**“Term A2 Advance”** means a Term Advance under the Term A2 Facility.

**“Term A2 Facility”** means an Initial Term A2 Facility and/or a Further Term A2 Facility, as the context may require.

**“Term Advance”** mean an Initial Term Advance, a Further Term Advance and/or a New Term Advance, as the context may require.

**“Term B Advance”** means a Term Advance under the Term B Facility.

**“Term B Facility”** means an Initial Term B Facility and/or a Further Term B Facility, as the context may require.

“**Term Facility**” means an Initial Term Facility, a Further Term Facility and/or a New Term Facility, as the context may require.

“**Transaction Documents**” means the Issuer Transaction Documents and the Borrower Transaction Documents.

“**Treaty**” means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

“**Trust Documents**” means the Note Trust Deed and the Issuer Deed of Charge (each as from time to time modified in accordance therewith).

“**Written Resolution**” means, in relation to all or, as the case may be, any class of Notes, a resolution in writing signed by or on behalf of the holders of not less than three-quarters of the aggregate Principal Amount Outstanding of the Notes or, as the case may be, of such class of Notes whether contained in one document or several documents in like form, each signed by or on behalf of one or more such Noteholders.

## 2. **Form, Denomination and Title**

(a) Each class of the Notes is initially represented by a Temporary Global Note in bearer form, without Coupons or Talons, in the initial principal amount of £150,000,000 for the Class A1 Notes, £320,000,000 for the Class A2 Notes and £130,000,000 for the Class B Notes. Each Temporary Global Note will be deposited on behalf of the subscribers of each class of the Notes with a common depository (the “**Common Depository**”) for Clearstream, Luxembourg and Euroclear on or about the Closing Date. Upon deposit of the Temporary Global Notes, Clearstream, Luxembourg or Euroclear (as the case may be) will credit each subscriber of the Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in each Temporary Global Note are exchangeable 40 days after the Closing Date (the “**Exchange Date**”), provided certification of non-U.S. beneficial ownership by the relevant Noteholders has been received, for interests in a Permanent Global Note in bearer form (which will also be deposited with the Common Depository) representing the same class of Notes, without Coupons or Talons. The expressions “**Global Notes**” and “**Global Note**” mean, respectively (i) all the Temporary Global Notes and the Permanent Global Notes or the Temporary Global Note and the Permanent Global Note of a particular class or (ii) any Temporary Global Notes or Permanent Global Notes, as the context may require. On the exchange of the Temporary Global Note for the Permanent Global Note of the relevant class, the Permanent Global Notes will remain deposited with the Common Depository. Title to the Global Notes will pass by delivery. The Permanent Global Notes will only be exchangeable for Definitive Notes in certain limited circumstances described below.

For so long as any Notes are represented by a Global Note, interests in such Notes will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as appropriate.

- (b) If, while any of the Notes are represented by a Permanent Global Note: (i) either Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence, or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form, then the Issuer will issue Definitive Notes in respect of the Notes in exchange for the whole outstanding interest in the Permanent Global Note of each class on the later of the Exchange Date and the day falling 30 days after the occurrence of the relevant event.
- (c) Definitive Notes of each class (which, if issued, the Definitive Notes for the Class A1 Notes, the Class A2 Notes and the Class B Notes will be issued in bearer form in denominations of £50,000 and in increments above £50,000 of £1,000) will be serially numbered and will be issued in bearer form with (at the date of issue) Coupons and talons for further Coupons (“**Talons**”) attached at the time of issue. Title to the Definitive Notes and Coupons shall pass by delivery.

- (d) The holder of any Note or any Coupon shall (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note or Coupon, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon and no person shall be liable for so treating such holder.
- (e) References to “**Notes**” include the Global Notes and the Definitive Notes.

### **3. Status and Ranking of the Notes**

#### **(a) Status and Ranking of the Class A Notes**

The Class A Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security over the assets of the Issuer which secures the Class B Notes as more fully described in Condition 4 (*Security*). Subject to Condition 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*) the Class A Notes rank *pari passu* without preference or priority amongst themselves and, payments of principal, premium (if any) and interest (excluding any Step-Up Amounts) on the Class A Notes rank ahead of, *inter alia*, payments of principal, premium (if any) and interest on the Class B Notes.

#### **(b) Status and Ranking of the Class B Notes**

The Class B Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the Issuer Security. Subject to Condition 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*), the Class B Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes (except in relation to any Step-Up Amounts) will rank in priority to the Class B Notes. Subject to Condition 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*), prior to enforcement of the Issuer Security, payments of principal, premium (if any) and interest on the Class B Notes are subordinated to, *inter alia*, payments of principal, premium (if any) and interest (excluding any Step-Up Amounts) on the Class A Notes as provided herein and in the Issuer Deed of Charge.

#### **(c) Notes as Sole Obligations of the Issuer**

The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, the Note Trustee, the Issuer Security Trustee, the Paying Agents, the Issuer Parent, any member of the GK Group or any other person.

#### **(d) Priorities of Payment**

Prior to the delivery of a Note Acceleration Notice, the Issuer is required to apply amounts standing to the credit of the Issuer Transaction Account in accordance with the Issuer Pre-Acceleration Priority of Payments and, following the delivery of a Note Acceleration Notice, in accordance with the Issuer Post-Acceleration Priority of Payments.

#### **(e) Status and Relationship between the Classes of Notes and the Issuer Secured Creditors**

The Trust Documents contain provisions requiring the Issuer Security Trustee (in relation to the Issuer Deed of Charge) and the Note Trustee (in relation to the Note Trust Deed) to have regard to the interests of the Noteholders equally as a single class as regards all rights, powers, trusts, authorities, duties and discretions of the Issuer Security Trustee or the Note Trustee (as the case may be) (except where expressly provided otherwise in the Trust Documents and/or these Conditions, including Condition 13 (*Meetings of Noteholders*)), but requiring the Issuer Security Trustee or the Note Trustee (as the case may be) in any such case (save in respect of a Basic Terms Modification) to have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding if, in the Issuer Security Trustee’s or the Note Trustee’s (as the case may be) opinion, there is a conflict between the interests of the holders of such class and any other class of Notes outstanding.

So long as any of the Notes remain outstanding, in the exercise of its rights, authorities and discretions under the Issuer Deed of Charge, the Issuer Security Trustee is only required to have regard to the interests of the Noteholders and not to the interests of the other Issuer Secured Creditors.

The Note Trust Deed and these Conditions contain provisions limiting the powers of the holders of the Class B Noteholders and/or the holders of any New Notes which are not at such time the Most Senior Class of Notes then outstanding, *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution which may affect the interests of the holders of each of the other classes of Notes ranking equally with or senior to such class. Except in certain circumstances set out in the Note Trust Deed and these Conditions (including Condition 13 (*Meetings of Noteholders*)), the Note Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes then outstanding, the exercise of which will be binding on all such holders, irrespective of the effect thereof on their interests.

The Issuer Security Trustee and/or the Note Trustee (as the case may be) shall be entitled to take into account, for the purpose of exercising any right, power, trust, authority, duty or discretion under or in relation to these Conditions and/or any of the Issuer Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders (or any class or sub-class thereof) any confirmation given by the relevant Rating Agencies that the then current ratings of the applicable sub-class, class or classes of Notes, would not be adversely affected by such exercise.

In exercising its rights, powers, trusts, authorities, duties and discretions in accordance with this Condition, the Issuer Security Trustee and/or the Note Trustee (as the case may be) shall disregard any Step-Up Amounts for the purposes of determining whether there are any Notes of a particular class outstanding.

**(f) Status, Ranking and Relationship between the Notes and the New Notes**

In the event of an issue of New Notes, the provisions of the Trust Documents, these Conditions and the Agency Agreement, including those concerning the order of priority of payments both prior to, and upon, enforcement of the Issuer Security, will be modified to reflect the issue of such New Notes and the ranking thereof in relation to the Notes.

If any New Notes are issued, the Issuer will immediately advise the Stock Exchange accordingly, lodge a supplemental offering circular with the Stock Exchange and make the supplemental offering circular and any related supplemental agreements available at the Specified Office of the Irish Paying Agent and the Principal Paying Agent.

**4. Security**

As continuing security for the payment or discharge of the Issuer Secured Liabilities (including all monies payable in respect of the Notes and Coupons and otherwise under the Issuer Deed of Charge (including the remuneration, expenses and other claims of the Note Trustee, the Issuer Security Trustee and any Receiver appointed thereunder)), the Issuer will, pursuant to the Issuer Deed of Charge between, *inter alios*, the Issuer, the Swap Counterparty, the Liquidity Facility Provider, the Initial Borrower, the Note Trustee and the Issuer Security Trustee, grant to the Issuer Security Trustee first ranking fixed and floating charges over all of the Issuer's assets and undertaking, including:

- (a) an assignment by way of security of its right, title, interest and benefit, present and future, in, to and under the Transaction Documents including the security trusts created under the Borrower Deed of Charge;
- (b) charges over the amount from time to time standing to the credit of the Issuer Accounts and any bank or other accounts in which the Issuer may at any time have or acquire any benefit (which Security Interests may take effect as a floating charge and therefore rank behind the claims of certain preferential and other creditors);
- (c) a charge over all investments in Eligible Investments permitted to be made pursuant to the Account Bank and Cash Management Agreement (which Security Interests may take effect as a floating charge and therefore rank behind the claims of certain preferential and other creditors); and
- (d) a floating charge over all of the assets, undertaking, property and rights whatsoever and wheresoever situated, present and future, of the Issuer not effectively charged by the first ranking security referred to above.

The Issuer Security Trustee will hold the benefit of such Issuer Security on trust for itself and Issuer Secured Creditors.

A security power of attorney will be granted by the Issuer in favour of the Issuer Security Trustee.

Each class of Noteholders will share the benefit of the Issuer Security, upon and subject to the terms of the Issuer Deed of Charge.

## **5. Covenants**

The Issuer will covenant that save with the prior written consent of the Issuer Security Trustee or as provided in, or envisaged by any of the Issuer Transaction Documents or the Conditions, the Issuer shall not:

### **(a) Negative Pledge:**

create or permit to subsist any Security Interest (unless arising by operation of law) over any of its assets or its undertaking, present or future including any uncalled capital;

### **(b) Restrictions on activities:**

- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Issuer Transaction Documents or the Conditions provide or envisage that the Issuer will engage;
- (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises;
- (iii) itself, amend, supplement or otherwise modify its constitutive documents; or
- (iv) acquire any leasehold, freehold or heritable property;

### **(c) Restrictions on disposals of assets:**

use, invest, convey, assign, transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate right, title or benefit therein, present or future;

### **(d) Restrictions on dividends or distributions**

pay any dividend or make any other distributions to its shareholders or issue any further shares;

### **(e) Restrictions on financial indebtedness**

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of indebtedness or of any other obligation of any person;

### **(f) Restrictions on merger**

consolidate or merge with any other person or convey or transfer or assign its properties or assets substantially as an entirety to any other person;

### **(g) No variation or waiver**

permit or do any act or thing, with the effect that the validity or effectiveness of any of the Issuer Transaction Documents or the priority of the Security Interests created or evidenced thereby, would be amended, terminated, postponed or discharged, or consent to any variation of, or exercise, any powers of consent or waiver pursuant to the terms of, the Conditions, the Issuer Deed of Charge or any of the other Issuer Transaction Documents, or permit any party to any of the Issuer Transaction Documents or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations, or dispose of any asset forming part of the Issuer Security;

### **(h) Bank accounts**

have an interest in any bank account other than the Issuer Accounts and any other account where it has an interest pursuant to the Issuer Deed of Charge unless such account or interest therein is charged to the Issuer Security Trustee on terms acceptable to it;

**(i) VAT**

apply to form or become part of any group of companies for VAT purposes (including any group of companies for the purposes of sections 43 to 43D (inclusive) of the Value Added Tax Act 1994) with any other company or group of companies unless required to do so by applicable law or regulations;

**(j) Tax residence**

do any act or thing, the effect of which would be to make the Issuer resident for tax purposes in any jurisdiction other than the United Kingdom or which would lead to it having a permanent establishment in a jurisdiction outside the United Kingdom;

**(k) UK Withholding Tax**

do any act or thing, or fail to do any act or thing, the effect of which would be that any Obligor would be required to withhold or deduct from any payments by the relevant Obligor to the Issuer under the Issuer/Borrower Facility Agreement or the Issuer/Borrower Swap Agreement any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by any United Kingdom Tax Authority;

**(l) Group payment arrangements**

enter into arrangements with respect to the payment of corporation tax pursuant to section 36 of the Finance Act 1998;

**(m) Surrender of group relief**

offer to surrender to any other company any losses or other amounts which are available:

- (i) for surrender by way of group relief under Chapter IV of Part X of the Income and Corporation Taxes Act 1988 except on arm's length terms (including terms for payment of an amount equal to the current applicable rate of corporation tax multiplied by the surrendered amount); or
- (ii) to be treated pursuant to section 102 Finance Act 1989 as amounts of corporation tax or interest paid by another company;

**(n) Capital gains**

hold any capital asset save to the extent provided for or envisaged by the Transaction Documents or enter into an election or other arrangements with any company and/or the Inland Revenue for the deemed transfer to it and/or deemed disposal by it of any asset or part of any asset for the purposes of corporation tax on chargeable gains; and

**(o) Separate books, accounts, etc.**

permit or consent to any of the following occurring:

- (i) its books and records being maintained with or co-mingled with those of any other person or entity;
- (ii) its bank accounts and the debts represented thereby being co-mingled with those of any other person or entity;
- (iii) its assets or revenues being co-mingled with those of any other person or entity; or
- (iv) its business being conducted other than in its own name;

and, in addition and without limitation to the above, the Issuer shall or shall procure that, with respect to itself:

- (A) separate financial statements in relation to its financial affairs are maintained;
- (B) all corporate formalities with respect to its affairs are observed;
- (C) separate stationery, invoices and cheques are used; and
- (D) any known misunderstandings regarding its separate identity are corrected as soon as possible.

## 6. Interest

### (a) Period of Accrual

Subject to the final paragraph of Condition 6(d) (*Interest – Determination of Rates of Interest and Calculation of Interest Amounts*), each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption, unless, upon due presentation, payment of the relevant amount of principal or any part thereof is withheld or refused. In such event, interest will continue to accrue thereon (before and after any decree or judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Condition 17 (*Notices to Noteholders*)) that upon presentation thereof, such payment will be made, provided that upon such presentation, such payment is in fact made.

### (b) Interest Payment Dates and Interest Periods

Interest on the Notes will be payable in arrear in pounds sterling in respect of the aggregate Principal Amount Outstanding of the Class A1 Notes, the Class A2 Notes and the Class B Notes on the Interest Payment Date in respect of the Interest Period ending on (but excluding) that Interest Payment Date.

An “**Interest Period**” means the period from (and including) the Closing Date to (but excluding) the Interest Payment Date falling on 15 June, 2005 and thereafter, each subsequent period:

- (i) in relation to the Floating Rate Notes, from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date; and
- (ii) in relation to the Fixed Rate Notes, from (and including) 15 June, 15 September, 15 December and 15 March in each year to (but excluding) the following 15 September, 15 December, 15 March and 15 June respectively.

### (c) Rates of Interest on the Notes

#### (i) General

The rates of interest (each a “**Rate of Interest**” and references to the “**relevant Rate of Interest**” being construed accordingly) payable from time in respect of:

- (A) the Class A1 Notes (both prior to and following the Class A1 Step-Up Date);
  - (B) the Class B Notes (following the Class B Step-Up Date),
- will be determined by the Agent Bank on each Interest Determination Date.

#### (ii) Class A1 Notes

The Rate of Interest in respect of the Class A1 Notes for each Interest Period (the “**Class A1 Rate of Interest**”) shall be the aggregate of:

- (A) LIBOR; and
- (B) (i) a margin of 0.38 per cent, per annum (the “**Class A1 Margin**”) up to (but excluding) the Class A1 Step-Up Date; and
- (ii) thereafter until the date on which the Class A1 Notes have been redeemed in full, the Class A1 Margin plus an additional margin of 0.57 per cent. per annum (the “**Class A1 Step-Up Margin**” and that part of any interest on the Class A1 Notes referable to the Class A1 Step-Up Margin and any interest accrued thereon being the “**Class A1 Step-Up Amounts**”),

#### (iii) Class A2 Notes

The Rate of Interest in respect of the Class A2 Notes for each Interest Period (the “**Class A2 Rate of Interest**”) shall be 5.318 per cent. per annum.

#### (iv) Class B Notes

The Rate of Interest in respect of the Class B Notes for each interest period (the “**Class B Rate of Interest**”) shall be 5.702 per cent. per annum up to (but excluding) the Class B Step-Up Date (the



“**Class B Fixed Rate**”) and thereafter, until the date on which the Class B Notes have been redeemed in full, the aggregate of:

- (A) LIBOR; and
- (B) a margin of 0.72 per cent. per annum (the “**Class B Margin**”); and
- (C) a further margin of 1.08 per cent. per annum (the “**Class B Step-Up Margin**” and that part of any interest referable to the Class B Step-Up Margin and any interest accrued thereon being the “**Class B Step-Up Amounts**” and together with the Class A1 Step-Up Amounts, the “**Step-Up Amounts**”) (the “**Class B Floating Rate**”).

**(d) Determination of Rates of Interest and Calculation of Interest Amounts**

The Agent Bank shall, at or as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine and notify the Issuer, the Note Trustee and the Paying Agents and will cause notice thereof to be given to the relevant Noteholders in accordance with Condition 17 (*Notices to Noteholders*), of: (i) the Floating Interest Rates applicable to the Note Interest Period commencing on or immediately after that Interest Determination Date in respect of each class of the Floating Rate Notes; (ii) the amounts payable in respect of such Note Interest Period in respect of each class of the Floating Rate Notes (the “**Floating Rate Note Interest Amounts**”); (iii) that part of the Floating Rate Note Interest Amount (if any) that relates to the Step-Up Amounts in relation to each class of Floating Rate Notes then outstanding; and (iv) the sterling amounts payable in respect of the relevant Note Interest Period in respect of each class of the Fixed Rate Notes (the “**Fixed Rate Note Interest Amounts**” and, together with the Floating Rate Note Interest Amounts, the “**Interest Amounts**”).

The Interest Amounts shall be calculated by applying the relevant interest rate to the then Principal Amount Outstanding of the relevant Note and (i) (in the case of the Floating Rate Notes) multiplying the resultant figure by the actual number of days in the Interest Period divided by 365; or (ii) (in the case of the Fixed Rate Notes except in relation to the first Fixed Rate Note Interest Amount) multiplying the resultant figure by the actual number of days elapsed in the relevant Note Interest Period divided by 365 or, if such year is a leap year, by 366, and in each case rounding the resultant figure down to the nearest penny. The Fixed Rate Note Interest Amount in respect of the first Note Interest Period for the Class A2 Notes will be £14.57 per £1,000 of the Class A2 Notes outstanding. The Fixed Rate Note Interest Amount in respect of the first Note Interest Period for the Class B Notes will be £15.62 per £1,000 of the Class B Notes outstanding.

**(e) Publication of Floating Interest Rates, Interest Amounts and other Notices**

As soon as practicable after receiving notification thereof, the Issuer will cause each Rate of Interest, the Interest Amount and the Step-Up Amounts (if any), applicable to each class of Notes for the relevant Note Interest Period and the immediately succeeding Interest Payment Date to be notified to the Stock Exchange (for so long as the Notes are admitted to listing on the Stock Exchange) and will cause notice thereof to be given to the relevant class of Noteholders in accordance with Condition 17 (*Notices to Noteholders*). The Interest Amounts, the Step-Up Amounts (if any) and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Note Interest Period.

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

If the Agent Bank does not at any time for any reason calculate the Rates of Interest and/or the Step-Up Amounts and/or an Interest Amount for any class of Notes in accordance with these Conditions, the Note Trustee shall determine such Rates of Interest and/or calculate the Interest Amount and each Step-Up Amount for each relevant class of Notes, in each case in the manner specified in Condition 6(d) (*Interest – Determination of Rates of Interest and Calculation of Interest Amounts*) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Note Trustee shall apply all of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. And any such determination and/or calculation made by the Note Trustee shall, save in the case of manifest error, be final and binding on the Issuer, the Noteholders and the Couponholders.

**(g) Notification to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6, whether by the Reference Banks (or any of them), the Paying Agents, the Agent Bank, the Issuer or the Note Trustee shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer and all Noteholders and Couponholders and Receiptholders, the Reference Banks, the Agent Bank and the Note Trustee and (in the absence of wilful default, gross negligence or fraud) no liability to the Note Trustee, the Noteholders or the Couponholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 6 (provided that in no circumstances shall the Note Trustee be liable for any calculation carried out pursuant to Condition 6(f) (*Determination or Calculation by the Note Trustee*)).

**(h) Agent Bank and Reference Banks**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be four Reference Banks and an Agent Bank approved in writing by the Note Trustee. The Agent Bank may not resign until a successor so approved by the Note Trustee has been appointed. The initial Reference Banks shall be the principal London office of each of The Royal Bank of Scotland plc, Lloyds TSB Bank plc, HSBC Bank plc and Barclays Bank plc. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved by the Note Trustee to act as such in its place.

**7. Redemption, Purchase and Cancellation**

**(a) Final Redemption**

Unless previously redeemed in full and cancelled, the Issuer shall redeem:

- (i) the Class A1 Notes at their Principal Amount Outstanding on the Interest Payment Date falling in June 2031 (the “**Class A1 Final Maturity Date**”);
- (ii) the Class A2 Notes at their Principal Amount Outstanding on the Interest Payment Date falling in September 2031 (the “**Class A2 Final Maturity Date**”);
- (iii) the Class B Notes at their Principal Amount Outstanding on the Interest Payment Date falling in December 2034 (the “**Class B Final Maturity Date**” and together with the Class A1 Final Maturity Date and the Class A2 Final Maturity Date, the “**Final Maturity Dates**” and each a “**Final Maturity Date**”),

together with accrued but unpaid interest on the Principal Amount Outstanding of such Notes up to but excluding the date on which such redemption occurs.

**(b) Scheduled Mandatory Redemption in Part**

- (i) Prior to the service of a Note Acceleration Notice, each class of Notes will be subject to mandatory *pro rata* redemption in part on each Interest Payment Date in the aggregate principal amounts (respectively a “**Class A1 Amortisation Amount**”, a “**Class A2 Amortisation Amount**” and a “**Class B Amortisation Amount**”, and each an “**Amortisation Amount**”) set out opposite the month of each Interest Payment Date below on the Interest Payment Date falling in such month set out in the principal repayment schedule.

If any partial redemption of any class of Notes is made at any time, otherwise than in accordance with this Condition 7(b)(i), then each Amortisation Amount pertaining to such class of Notes which falls to be paid after the date of the partial redemption so made shall be reduced by a proportion of such Amortisation Amount which is the same proportion as the partial redemption so made bore to the Principal Amount Outstanding of such class of Notes immediately prior to such partial redemption being made but after deducting any redemption made in accordance with this Condition 7(b)(i) on the date such partial redemption is made.

For so long as any Class A1 Notes, Class A2 Notes or any other Notes ranking senior to the Class B Notes are outstanding, there will be a deferral of the payment of any scheduled principal on the Class B Notes on any Interest Payment Date to the extent that, on such

Interest Payment Date, the Issuer has insufficient funds to pay scheduled principal on such Class B Notes. Accordingly, non payment of such principal will not of itself constitute a Note Event of Default.

<b>Interest Payment Date falling in</b>	<b>Class A1 Amortisation Amount (£) (per £1,000)</b>	<b>Class A2 Amortisation Amount (£) (per £1,000)</b>	<b>Class B Amortisation Amount (£) (per £1,000)</b>
June 2005	0.00	10.72	0.00
September 2005	0.00	9.70	0.00
December 2005	0.00	9.83	0.00
March 2006	0.00	9.96	0.00
June 2006	0.00	10.09	0.00
September 2006	0.00	10.23	0.00
December 2006	0.00	10.36	0.00
March 2007	0.00	10.50	0.00
June 2007	0.00	10.64	0.00
September 2007	0.00	10.78	0.00
December 2007	0.00	10.93	0.00
March 2008	0.00	11.07	0.00
June 2008	0.00	3.05	0.00
September 2008	0.00	3.09	0.00
December 2008	0.00	3.13	0.00
March 2009	0.00	3.17	0.00
June 2009	0.00	3.22	0.00
September 2009	0.00	3.26	0.00
December 2009	0.00	3.30	0.00
March 2010	0.00	3.35	0.00
June 2010	0.00	5.02	0.00
September 2010	0.00	5.09	0.00
December 2010	0.00	6.79	0.00
March 2011	0.00	6.88	0.00
June 2011	0.00	7.79	0.00
September 2011	0.00	7.90	0.00
December 2011	0.00	8.82	0.00
March 2012	0.00	8.94	0.00
June 2012	14.36	2.32	0.00
September 2012	14.46	2.41	0.00
December 2012	14.57	2.49	0.00
March 2013	14.67	2.58	0.00
June 2013	14.77	2.67	0.00
September 2013	14.87	2.77	0.00
December 2013	14.96	2.87	0.00
March 2014	15.06	2.97	0.00
June 2014	15.15	3.07	0.00
September 2014	15.23	3.18	0.00
December 2014	15.32	3.29	0.00
March 2015	15.40	3.40	0.00
June 2015	15.48	3.52	0.00
September 2015	15.55	3.64	0.00
December 2015	15.63	3.77	0.00
March 2016	15.70	3.89	0.00
June 2016	15.76	4.03	0.00
September 2016	15.82	4.16	0.00
December 2016	15.88	4.31	0.00
March 2017	15.93	4.45	0.00
June 2017	15.98	4.60	0.00
September 2017	16.02	4.76	0.00
December 2017	16.06	4.92	0.00

<b>Interest Payment Date falling in</b>	<b>Class A1 Amortisation Amount (£) (per £1,000)</b>	<b>Class A2 Amortisation Amount (£) (per £1,000)</b>	<b>Class B Amortisation Amount (£) (per £1,000)</b>
March 2018	16.09	5.08	0.00
June 2018	16.11	5.25	0.00
September 2018	16.13	5.42	0.00
December 2018	16.15	5.60	0.00
March 2019	16.16	5.79	0.00
June 2019	16.16	5.98	0.00
September 2019	16.15	6.18	0.00
December 2019	16.14	6.38	0.00
March 2020	16.12	6.59	0.00
June 2020	16.09	6.80	0.00
September 2020	16.06	7.03	0.00
December 2020	16.01	7.25	0.00
March 2021	15.96	7.49	0.00
June 2021	15.90	7.73	0.00
September 2021	15.82	7.98	0.00
December 2021	15.74	8.24	0.00
March 2022	15.65	8.50	0.00
June 2022	15.55	8.78	0.00
September 2022	15.43	9.06	0.00
December 2022	15.31	9.34	0.00
March 2023	15.17	9.64	0.00
June 2023	15.02	9.95	0.00
September 2023	14.86	10.26	0.00
December 2023	14.68	10.59	0.00
March 2024	14.49	10.92	0.00
June 2024	14.29	11.27	0.00
September 2024	14.07	11.62	0.00
December 2024	13.84	11.98	0.00
March 2025	13.59	12.36	0.00
June 2025	13.32	12.74	0.00
September 2025	13.04	13.14	0.00
December 2025	12.74	13.55	0.00
March 2026	12.42	13.97	0.00
June 2026	12.08	14.40	0.00
September 2026	11.72	14.85	0.00
December 2026	11.35	15.31	0.00
March 2027	10.95	15.78	0.00
June 2027	10.53	16.26	0.00
September 2027	10.09	16.76	0.00
December 2027	9.62	17.27	0.00
March 2028	9.13	17.80	0.00
June 2028	8.62	18.34	0.00
September 2028	8.08	18.90	0.00
December 2028	7.52	19.47	0.00
March 2029	6.92	20.06	0.00
June 2029	6.30	20.67	0.00
September 2029	5.65	21.30	0.00
December 2029	4.97	21.94	0.00
March 2030	4.26	22.60	0.00
June 2030	3.52	23.28	0.00
September 2030	2.74	23.98	0.00
December 2030	1.92	24.70	0.00
March 2031	1.07	25.44	0.00
June 2031	0.07	26.25	0.00
September 2031	–	4.50	54.53

Interest Payment Date falling in	Class A1 Amortisation Amount (£) (per £1,000)	Class A2 Amortisation Amount (£) (per £1,000)	Class B Amortisation Amount (£) (per £1,000)
December 2031	–	–	66.53
March 2032	–	–	67.51
June 2032	–	–	68.50
September 2032	–	–	69.51
December 2032	–	–	70.53
March 2033	–	–	71.57
June 2033	–	–	72.62
September 2033	–	–	73.69
December 2033	–	–	74.77
March 2034	–	–	75.87
June 2034	–	–	76.99
September 2034	–	–	78.12
December 2034	–	–	79.26

- (ii) On each Interest Payment Date prior to the service of a Note Acceleration Notice, the Issuer shall pay the Amortisation Amounts in respect of the Notes pursuant to Condition 7(b)(i) (*Redemption, Purchase and Cancellation – Scheduled Mandatory Redemption in Part*) in the order of priority set out in the Issuer Pre-Acceleration Priority of Payments.

**(c) Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement**

On receipt by the Issuer of a notice of prepayment from a Borrower under the Issuer/Borrower Facility Agreement of its intention to make prepayment in whole or in part of any of the Term Advances in accordance with the Issuer/Borrower Facility Agreement the Issuer shall give not less than 5 Business Days' notice (such notice to expire on a Interest Payment Date), to the Noteholders, the Note Trustee, the Paying Agents and the Agent Bank that it will apply the same to redeem Notes in accordance with Conditions 7(c)(i) to (v) inclusive below.

- (i) The Issuer shall (other than in the case of any redemption to be made in accordance with Conditions 7(c)(iii) or (iv), 7(d) or 7(e)) redeem the relevant Notes at the relevant Redemption Amount or shall (in the case of Conditions 7(c)(iii) and (iv)) redeem the relevant Notes at their Principal Amount Outstanding together with accrued but unpaid interest on their Principal Amount Outstanding up to but excluding the Interest Payment Date on which such redemption occurs. For the purposes of the Conditions:

“**Redemption Amount**” means in the case of the redemption of:

- (A) any Class A1 Notes, par;
- (B) any Class B Notes on or at any time after the Interest Payment Date falling in March 2020, par; and
- (C) any Class A2 Notes or, prior to the Interest Payment Date falling in March 2020 any Class B Notes, whichever is the higher of (i) the amount to be applied in redemption of the principal of the Class A2 Notes or the Class B Notes (as the case may be); and (ii) the amount to be applied in redemption of the principal of the Class A2 Notes or the Class B Notes (less any amount of outstanding principal which has fallen due for payment prior to such date but which remains unpaid) multiplied by the price (as reported in writing to the Issuer and the Note Trustee by a financial adviser approved in writing by the Note Trustee) expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the relevant class of the Notes to be redeemed on the Reference Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on that Relevant Date of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary as aforesaid) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the

Reference Date together with in each case any accrued but unpaid interest on the Principal Amount Outstanding of the Notes to be redeemed up to but excluding the Interest Payment Date on which such redemption occurs.

“**Class A2 Relevant Treasury Stock**” means such United Kingdom government stock as the Agent Bank shall determine to be a benchmark gilt the modified duration of which most closely matches the duration of the Class A2 Notes as calculated by the Agent Bank;

“**Class B Relevant Treasury Stock**” means such United Kingdom government stock as the Agent Bank shall determine to be a benchmark gilt the modified duration of which most closely matches the duration of the Class B Notes as calculated by the Agent Bank;

“**Gross Redemption Yield**” means a yield calculated on the basis set out in 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 supplemented, amended or replaced from time to time);

“**Reference Date**” means the date which is the second dealing day in the London gilt-edged market prior to the date of despatch of the notice of redemption referred to in this Condition 7(c)(i); and

“**Reference Market Makers**” means three brokers and/or London gilt-edged market makers selected by the Agent Bank and approved in writing by the Note Trustee or such other three persons operating in the gilt-edged market as are selected by the Agent Bank and so approved by the Note Trustee;

“**Relevant Treasury Stock**” means, in the case of the Class A2 Notes, the Class A2 Relevant Treasury Stock and, in the case of the Class B Notes, the Class B Relevant Treasury Stock.

- (ii) In the case of any redemption pursuant to this Condition 7(c), the Issuer shall redeem the Notes in the same order and in the same principal amount as the Initial Borrower prepays the corresponding Initial Term Advances under the Issuer/Borrower Facility Agreement.
- (iii) In the event that the Issuer receives a notice of prepayment from the Initial Borrower under the Issuer/Borrower Facility Agreement of its intention to make prepayment of Term Advances in accordance with clause 9.8 of the Issuer/Borrower Facility Agreement, the Issuer shall give not less than 5 Business Days’ prior written notice to the Noteholders, the Trustee and the Paying Agents that it will apply the same in redemption of:
  - (A) in any case where the prepayment of the Term Advances arises as a consequence of the Issuer being obliged to withhold or deduct any amount for or on account of Tax from any payment under the Interest Rate Swap Agreement or the Issuer/Borrower Swap Agreement or as a consequence of the Initial Borrower being obliged to pay an increased amount to the Issuer under the Issuer/Borrower Swap Agreement, all (but not some only) of the Floating Rate Notes relating to the Interest Rate Swap Agreement and the Issuer/Borrower Swap Agreement; or
  - (B) in any other case, all (but not some only) of the Notes,in each case at their Principal Amount Outstanding together with accrued but unpaid interest on the Principal Amount Outstanding of the relevant Notes up to (but excluding) the date on which such redemption occurs.
- (iv) Following due notification in accordance with the Issuer/Borrower Facility Agreement by the Issuer to the Noteholders, the Note Trustee and the Paying Agents of the occurrence of the event set out in clause 9.10 of the Issuer/Borrower Facility Agreement and receipt by the Issuer of the prepayment proceeds from the Initial Borrower thereafter to redeem all (but not some only) of the Notes, the Issuer shall apply such proceeds in redemption of the Notes at their Principal Amount Outstanding together with all accrued and unpaid interest in relation to such amount up to (but excluding) the date on which such redemption occurs.
- (v) Any principal amounts received under this Condition 7(c) (but not in respect of any premia payable in accordance therewith (if any)) to be applied in redemption of a class or classes of Notes, in whole or in part, shall upon such application, redeem a *pro rata* share of the

aggregate Principal Amount Outstanding of each such Note (rounded down to the nearest penny) and will, to the extent of such application, result in a *pro rata* reduction in the remaining Amortisation Amounts in respect of such Note in accordance with the second paragraph of Condition 7(b)(i) (*Redemption, Purchase and Cancellation – Scheduled Mandatory Redemption in Part*).

**(d) Substitution/Redemption in Whole for Taxation and Other Reasons**

If the Issuer at any time satisfies the Note Trustee that on the next Interest Payment Date:

- (i) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer would be required to deduct or withhold from any payment of principal or interest on the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of such withholding or deduction) any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by any United Kingdom Tax Authority (other than by reason of the relevant holder having some connection with the United Kingdom other than the holding of the Notes or related Coupons);
- (ii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer or the swap counterparty (or any other swap counterparty with which the Issuer may enter into a swap agreement) would be required to deduct or withhold from any payments in respect of the Interest Rate Swap Agreement or such other swap agreement (whether or not the Issuer or the relevant swap counterparty has an obligation to pay additional amounts in respect of such withholding or deduction) any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by any Tax Authority;
- (iii) by reason of a change of law, which change becomes effective on or after the Closing Date, it is or will become illegal for all or any Term Advances under the Issuer/Borrower Facility Agreement and/or the Notes to remain outstanding,

then the Issuer will be obliged to use its reasonable endeavours to mitigate the effects of the occurrence of such event described in (i), (ii) or (iii) above, including, without limitation, by way of arranging for the substitution of a company (approved in writing by the Note Trustee) as principal debtor under the Notes and as lender under the Issuer/Borrower Facility Agreement provided that confirmation is obtained from the Rating Agencies that the Ratings Test will be satisfied following any such substitution. The Note Trustee may agree to the substitution of another company incorporated in an alternative jurisdiction in place of the Issuer in accordance with and subject to the terms of the Note Trust Deed. No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer or the Note Trustee any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

If the Issuer is unable effectively to arrange a substitution, or if substitution would not avoid the relevant circumstances, it may, or, in the event that the Issuer has received a notice of prepayment from the Initial Borrower of Term Advances in accordance with clause 9.9 of the Issuer/Borrower Facility Agreement, shall, on any Interest Payment Date redeem (without premium or penalty):

- (x) where the relevant circumstances are of the type described in (i) or (iii) above, all (but not some only) of the Notes at their Principal Amount Outstanding;
- (y) where the relevant circumstances are of the type described in (ii) above, all (but not some only) of the Floating Rate Notes at their Principal Amount Outstanding,

together in each case with accrued but unpaid interest on the Principal Amount Outstanding of the relevant Notes up to (but excluding) the Interest Payment Date on which such redemption occurs, provided that each of the following conditions has been complied with to the satisfaction of the Note Trustee:

- (A) that the Issuer has given not less than 5 Business Days' notice to the Note Trustee, and the Noteholders in accordance with Condition 17 (*Notices to Noteholders*); and
- (B) that the Issuer has provided to the Note Trustee:

- (1) a legal opinion in form and substance satisfactory to the Note Trustee from a firm of lawyers in the Issuer's jurisdiction (the choice of which has been approved in writing by the Note Trustee), opining on the relevant change in law including the ability of the Issuer to avoid such withholding or deduction;
- (2) a certificate from two directors of the Issuer to the effect that the obligation to make the relevant withholding or deduction cannot be avoided by the Issuer taking reasonable measures; and
- (3) a certificate from two directors of the Issuer to the effect that the Issuer will have the funds on the relevant redemption date, not subject to the interest of any other person, required to redeem the relevant Notes pursuant to this Condition 7(d) and meet its payment obligations of a higher priority under the Issuer Pre-Acceleration Priority of Payments.

Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders.

**(e) Mandatory Redemption following acceleration of Term Advances**

If the Term Advances have become immediately due and repayable following a Loan Event of Default, but the Notes have not become immediately due and repayable pursuant to Condition 11 (*Note Events of Default*) and any amount of principal in respect of any Term Advance in excess of the amount of principal which would, but for any such Term Advance having become immediately due and repayable, otherwise have been scheduled to be paid in respect of such Term Advance is paid to the Issuer (such amount being an "**Excess Amount**"), the Issuer shall be obliged to apply such Excess Amount in the partial redemption of the Notes at par on the Interest Payment Date next following receipt of such Excess Amount in the following order:

- (1) first, *pro rata* and *pari passu* in or towards satisfaction of the Class A Notes; and
- (2) second, *pro rata* and *pari passu* in or towards satisfaction of the Class B Notes,

(the Principal Amount Outstanding to be so redeemed in respect of each Note and any Principal Amount Outstanding to be redeemed pursuant to Condition 7(c)(v) being "**Note Principal Payments**") subject to the Issuer giving to the relevant Noteholders not fewer than 5 Business Days' notice of such redemption (such notice to expire on such Interest Payment Date).

**(f) Calculation of Note Principal Payments and Principal Amount Outstanding**

Five Business Days before each Interest Payment Date, the Issuer shall determine or shall cause to be determined:

- (i) if there is to be a partial redemption of the Notes or any class thereof pursuant to Condition 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement* or Condition 7(e) (*Redemption, Purchase and Cancellation – Mandatory Redemption following acceleration of Term Advances*), the amount of any Note Principal Payment due on such Interest Payment Date; and
- (ii) the Principal Amount Outstanding of each Note on such Interest Payment Date (after deducting any Note Principal Payment and/or Amortisation Amount due to be paid on that Interest Payment Date).

Each determination by or on behalf of the Issuer of any Note Principal Payment and the Principal Amount Outstanding of a Note shall in each case (in the absence of wilful default, bad faith or demonstrable or manifest error) be final and binding on all persons.

As soon as practicable following a determination of a Note Principal Payment and/or the Principal Amount Outstanding of a Note, the Issuer will cause such determination of a Note Principal Payment and/or the Principal Amount Outstanding to be notified to the Note Trustee and the Paying Agents and will cause notice of each such determination to be given to Noteholders in accordance with Condition 17 (*Notices to Noteholders*).

If the Issuer (or the Agent Bank on its behalf) does not at any time for any reason determine a Note Principal Payment and/or the Principal Amount Outstanding in accordance with the preceding provisions of this paragraph, such Note Principal Payment and/or the Principal Amount



Outstanding may be determined by the Note Trustee in accordance with this Condition 7 and each such determination shall be deemed to have been made by the Issuer.

No later than five Business Days after each Interest Payment Date, the Issuer will notify the Stock Exchange of the aggregate Principal Amount Outstanding of each class of Notes.

**(g) Notice of Redemption**

Any such notice as is referred to in Conditions 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*) and 7(d) (*Redemption, Purchase and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified in these Conditions.

**(h) Purchase by Issuer**

The Issuer may not at any time purchase any of the Notes.

**(i) Purchase by the Borrowers and Cancellation**

A Borrower may at any time purchase any of the Notes in accordance with applicable law and the provisions of the Issuer/Borrower Facility Agreement. If a Borrower purchases any Notes, it shall forthwith, following such purchase, notify the Issuer and the Note Trustee and surrender those Notes to the Issuer. Upon surrender of any Notes, those Notes will be cancelled and, upon such cancellation an amount of the relevant Term Advance equal to the Principal Amount Outstanding of such Notes plus an amount of interest on the relevant Term Advance referable to the aggregate of any accrued but unpaid interest on the Principal Amount Outstanding of such Note will be treated as having been prepaid.

**(j) Cancellation**

All Notes redeemed in full together with payment of all accrued but unpaid interest and Step-Up Amount(s) or surrendered pursuant to Condition 16 (*Replacement of Notes, Coupons and Talons*) will be cancelled upon redemption or surrender, together with any unmatured Coupons and Talons (if any) appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

**8. Payments**

**(a) Payments of Interest and Principal**

Payments of interest in respect of the Definitive Notes will (subject as provided in Conditions 8(c) (*Payments – Deductions for Unmatured Coupons for Fixed Rate Notes and Unmatured Coupons for Floating Rate Notes Void*) and 8(e) (*Payments – Payments of Interest on Improperly Withheld or Refused Notes*) below) be made only against presentation and surrender of the relevant Coupons at the Specified Office of any Paying Agent. Payments of principal and premium (if any) in respect of the Definitive Note will be made against presentation and (in the case of any payment which will result in the Definitive Note being redeemed in full) surrender of the relevant Definitive Notes at the Specified Office of any Paying Agent. Each such payment will be made in sterling at the Specified Office of any Paying Agent by sterling cheque drawn on, or, at the option of the holder, by transfer to a sterling account maintained by the payee with, a bank in London.

**(b) Payments subject to Fiscal Laws**

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and to the provisions of the Agency Agreement and the Issuer Deed of Charge.

**(c) Deductions for Unmatured Coupons for Fixed Rate Notes and Unmatured Coupons for Floating Rate Notes Void**

**(i) Deductions for Unmatured Coupons for Fixed Rate Notes**

If a Fixed Rate Note is presented without all unmatured Coupons and Talons (if any) relating thereto:

- (A) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing

Coupons will be deducted from the amount of principal due for payment, provided however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; and

- (B) if the aggregate amount of the missing Coupons is greater than the amount of the principal due for payment:
- (1) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment, provided however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (2) a sum equal to the aggregate amount of the Relevant Coupons (or, if greater, the amount of principal due for payment) will be deducted from the amount of principal due for payment, provided however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum so deducted shall be paid in the manner provided in Condition 8(a) (*Payments – Payments of Interest and Principal*) above against presentation and surrender of the relevant missing Coupons.

(ii) *Unmatured Coupons and Talons for Notes Void*

On the date upon which any Note becomes due and payable in full pursuant to Condition 7(a) (*Redemption, Purchase and Cancellation – Final Redemption*) or any early mandatory redemption in full of any Note pursuant to Condition 7(c) (*Redemption, Purchase and Cancellation – Early Mandatory Floating Rate Redemption in Whole or Part upon Prepayment under the Issuer/Borrower Facility Agreement*) or early optional redemption of any Floating Rate Note pursuant to Condition 7(d) (*Redemption, Purchase and Cancellation – Substitution/Redemption in Whole for Taxation and Other Reasons*), unmatred Coupons and Talons (if any) appertaining thereto (whether or not attached to such Floating Rate Note) shall become void and no payment shall be made in respect thereof. If the due date for redemption of any Floating Rate Note is not a Interest Payment Date, accrued interest will be paid only against presentation and surrender of the relevant Floating Rate Note.

**(d) Presentation on non-business days**

If any Coupon or Note is presented for payment on a day which is not a Business Day in the place where it is so presented and (in the case of payment by transfer to a sterling account in London as referred to in paragraph (a) above) in London, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Coupon or Note.

**(e) Payments of Interest on Improperly Withheld or Refused Notes**

If any amount of principal or premium (if any) is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6 (*Interest*) will be paid against presentation of such Note at the Specified Office of any Paying Agent.

**(f) Other Interest**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agents outside the United States.

**(g) Partial Payments**

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse on such Note or Coupon a statement indicating the amount and date of such payment.

**(h) Exchange of Talons**

On or after the relevant Interest Payment Date on which the final Coupon forming part of a Coupon sheet is surrendered, each Talon forming part of such Coupon sheet may be surrendered at the Specified Office of any Paying Agent for a further Coupon sheet (including a further Talon) but excluding any Coupons in respect of which claims have already become void pursuant to Condition 10 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

**(i) Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8, whether by the Reference Banks (or any of them), the Paying Agents or the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer and all Noteholders and Couponholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Noteholders or the Couponholders shall attach to the Reference Banks, the Paying Agents or the Agent Bank in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 8.

**9. Taxation**

**(a) Withholding**

All payments in respect of the Notes or Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes or Coupons subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant Tax Authority for the amount so required to be withheld or deducted.

**(b) No Payment of Additional Amounts**

None of the Issuer, the Note Trustee or any Paying Agent will be obliged to make any additional payments to holders of Notes or Coupons in respect of such withholding or deduction as is referred to in Condition 9(a) (*Taxation – Withholding*) above.

**(c) Tax Deduction not Note Event of Default**

Notwithstanding that the Issuer or any Paying Agent is required to make a withholding or deduction as is referred to in Condition 9(a) (*Taxation – Withholding*) above, this shall not constitute a Note Event of Default.

**10. Prescription**

**(a) Principal**

Notes shall become void unless presented for payment within a period of 10 years from the relevant date in respect thereof.

**(b) Interest**

Coupons shall become void unless presented for payment within a period of five years from the relevant date in respect thereof.

**(c) Note or Coupon**

After the date on which a Note or Coupon becomes void in its entirety, no claim may be made in respect thereof.

**(d) Relevant Date**

For the purpose of this Condition, the “**relevant date**” in respect of a Note or Coupon is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes, Coupons or Receipts due on or before the date has not been duly received by the Paying Agents or the Issuer Security Trustee on a prior to such date) the date on which notice that the full amount of such monies has not been received is duly given to the Noteholders in accordance with Condition 17 (*Notices to Noteholders*).

**11. Note Events of Default**

**(a) Default Events**

The Note Trustee may in its absolute discretion, and shall if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or so requested in writing by the holders of at least one-quarter of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, (subject, in each case, to being indemnified and/or secured to its satisfaction against all liabilities to which it may thereby become liable or which it may incur by so doing) give an acceleration notice (a “**Note Acceleration Notice**”) to the Issuer declaring the Notes to be immediately due and repayable at any time after the occurrence of any of the following events (each, a “**Note Event of Default**”):

- (i) default is made for a period of 5 Business Days in payment on the due date of any principal or interest due on any of the Most Senior Class of Notes (other than in respect of any Step-Up Amounts) as and when the same ought to be paid in accordance with these Conditions;
- (ii) default is made by the Issuer in the performance or observance of any obligation, condition, provision, representation or warranty binding on it under the Notes or, save for the Subscription Agreement, the Issuer Transaction Documents (other than any obligation for the payment of any principal or interest on any class of Notes) and, except where in the opinion of the Note Trustee (or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee) such default is not capable of remedy, (when no notice will be required) such default continues for 14 Business Days after written notice by the Note Trustee (or the Issuer Security Trustee, where applicable) to the Issuer requiring the same to be remedied and provided that (whether or not capable of remedy) the Note Trustee shall have certified to the Issuer in writing that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding;
- (iii) an Insolvency Event; or
- (iv) the Issuer Security (or any part thereof) is terminated or is or becomes void, illegal, invalid or unenforceable and alternative arrangements approved by an Extraordinary Resolution of the holders of Notes are not made within 60 days of the earlier of the date of the Note Trustee requiring alternative arrangements to be made or of such an event.

**(b) Consequences of Notes becoming Due and Payable and Delivery of Note Acceleration Notice**

If a Note Event of Default occurs then, following service of a Note Acceleration Notice by the Note Trustee on the Issuer, all classes of the Notes then outstanding shall immediately become due and payable at their Principal Amount Outstanding together with accrued interest as provided in the Note Trust Deed and the Issuer Security will become enforceable by the Issuer Security Trustee in accordance with the Issuer Deed of Charge.

**12. Enforcement**

At any time after the Notes have become due and repayable following the service of a Note Acceleration Notice and without prejudice to the rights of enforcement of the Issuer Security Trustee in relation to the Issuer Security, the Note Trustee may, at its discretion and without further notice, direct the Issuer Security Trustee to give a notice (a “**Note Enforcement Notice**”) to the Issuer declaring the whole of the Issuer Security to be enforceable and to take such steps against the Issuer to enforce the Issuer Security as it thinks fit provided that the Note Trustee shall not be bound to direct the Issuer Security Trustee to take such action unless:

- (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or if so requested in writing by the holders of at least

one-quarter in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and

- (b) it shall have been indemnified to its satisfaction,

and the Issuer Security Trustee shall enforce the Issuer Security in accordance with the provisions of the Issuer Deed of Charge.

In exercising its duty or discretion under this Condition 12, the Note Trustee shall disregard any Step-up Amount for the purposes of determining whether there is any particular class of Notes outstanding.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any of its assets unless the Note Trustee or the Issuer Security Trustee having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

Enforcement of the obligations of the Issuer under the Notes are subject to the terms of any mandatory United Kingdom provisions that would apply in case of an Insolvency Event.

All monies received or recovered by the Issuer Security Trustee or any Receiver appointed under the Issuer Deed of Charge following the enforcement of the Issuer Security, other than: (i) amounts standing to the credit of the Liquidity Facility Reserve Account (which are to be paid directly and only to the Liquidity Facility Provider); and (ii) amounts standing to the credit of the Swap Collateral Ledger or representing amounts attributable to assets transferred as collateral by the Swap Counterparty following the occurrence of a Swap Counterparty Downgrade (which are to be applied in returning collateral to, or in satisfaction of amounts owing by, the Swap Counterparty in accordance with the Interest Rate Swap Agreement), will be applied in accordance with the Issuer Post-Acceleration Priority of Payments.

### **13. Meetings of Noteholders**

#### **(a) Convening**

The Note Trust Deed contains provisions for convening separate or combined meetings of the Noteholders of any class or sub-class to consider any matters relating to the Notes, including the sanctioning by Extraordinary Resolution of each relevant class or sub-class of Noteholders of a modification of the provisions of the Note Trust Deed, the Notes or these Conditions or the provisions of any of the other Issuer Transaction Documents.

#### **(b) Separate and Combined Meetings**

The Note Trust Deed provides that (subject to Conditions 13(d) (*Meetings of Noteholders – Quorum*) and 13(e) (*Meetings of Noteholders – Relationship between Classes and Sub-classes*)):

- (i) an Extraordinary Resolution which in the opinion of the Note Trustee affects the interests of the Noteholders of only one class shall be deemed to have been duly passed if passed at a separate meeting of the Noteholders of that class;
- (ii) an Extraordinary Resolution which in the opinion of the Note Trustee affects the interests of the Noteholders of more than one class but does not give rise to an actual or potential conflict of interest between the Noteholders of each such class shall be deemed to have been duly passed if passed either at separate meetings of the Noteholders of each such class or at a single meeting of the Noteholders of all such classes of Notes as the Note Trustee shall determine in its absolute discretion;
- (iii) an Extraordinary Resolution which in the opinion of the Note Trustee affects the interests of the Noteholders of more than one class and gives rise to any actual or potential conflict of interest between the Noteholders of one such class of Notes and the Noteholders of any other class of Notes shall be deemed to have been passed only if it is passed at a separate meetings of the Noteholders of each such class; and
- (iv) an Extraordinary Resolution which in the opinion of the Note Trustee affects the interests of the Noteholders of more than one sub-class within a class and gives rise to an actual or potential conflict of interest between the Noteholders of one such sub-class within that class and the Noteholders of any other sub-class within that class shall be deemed to have been duly passed only if passed at a separate meeting of the Noteholders of the sub-class which has the greatest aggregate Principal Amount Outstanding at the relevant time. Any such

Extraordinary Resolution passed at such a meeting shall be binding on each of the other sub-classes within that class.

**(c) Request from Noteholders**

A meeting of Noteholders (or any class or sub-class thereof) may be convened by the Note Trustee or the Issuer at any time and must be convened by the Note Trustee (subject to its being indemnified and/or secured to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that class.

**(d) Quorum**

The Note Trust Deed provides that:

- (i) subject to paragraphs (ii) and (iii) below, at any Noteholder meeting, two or more persons present holding voting certificates or being proxies and holding or representing, in the aggregate, not less than one-twentieth of the aggregate Principal Amount Outstanding of the Notes (or any class or sub-class thereof) for the time being outstanding or, at any adjourned meeting two or more persons present or representing Noteholders (or any class or sub-class thereof) whatever the aggregate Principal Amount Outstanding of the Notes (or any class or sub-class thereof) then outstanding so held or represented shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the meeting;
- (ii) subject to paragraph (iii) below at any meeting the business of which is an Extraordinary Resolution, the quorum at any such meeting, other than regarding a Basic Terms Modification, will be two or more persons present holding voting certificates or being proxies and holding or representing not less than one-half of the aggregate Principal Amount Outstanding of the Notes (or any class or sub-class thereof) then outstanding or, at any adjourned meeting, two or more persons being or representing Noteholders (or any class or sub-class thereof), whatever the aggregate Principal Amount Outstanding of the Notes (or any class or sub-class thereof) then outstanding so held or represented; and
- (iii) at any meeting, the business of which is an Extraordinary Resolution relating to a Basic Terms Modification the quorum of such meeting will be two or more persons present holding voting certificates, or being proxies, and holding or representing, in the aggregate, not less than three-quarters of the aggregate Principal Amount Outstanding of the Notes of the relevant class or sub-class then outstanding or, at any adjourned meeting, two or more persons holding or representing in the aggregate not less than one-quarter of the Principal Amount Outstanding of the Notes of such class or sub-class then outstanding.

**(e) Relationship between Classes and Sub-classes**

- (i) no Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one class (or sub-class) of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes (or sub-classes) of Notes at separate class (or sub-class) meetings convened for that purpose (to the extent that there are Notes outstanding in each such other classes (or sub-classes)); and
- (ii) no Extraordinary Resolution involving any matter other than a Basic Terms Modification that is passed by the holders of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking equally with or senior to such class (to the extent that there are Notes outstanding ranking equally with or senior to such class) unless the Note Trustee considers that the interests of the holders of each of the other classes of Notes ranking equally with or senior to such class would not be materially prejudiced by the implementation of such Extraordinary Resolution.

**(f) Binding Nature**

- (i) any resolution passed at a meeting of the Noteholders (or any class or sub-class thereof) duly convened and held in accordance with the Note Trust Deed shall be binding upon all Noteholders (or, as the case may be, all Noteholders of such class or sub-class), whether or

not present at such meeting and whether or not voting and upon all Couponholders (or, as the case may be, all Couponholders of such class or sub-class); and

- (ii) subject to Condition 13(e) (*Relationship between Classes and Sub-classes*) above, any resolution passed at a meeting of the holders of the Most Senior Class of Notes then outstanding only which is duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes and the Couponholders relating thereto.

**(g) Resolutions in Writing**

A Written Resolution signed by the holders of not less than three-quarters of the aggregate Principal Amount Outstanding of the relevant class of Notes shall take effect as if it were an Extraordinary Resolution passed by such class of Noteholders.

**14. Modification, Waiver and Substitution**

**(a) Modification**

The Note Trustee may agree, or give a direction to the Issuer Security Trustee to agree, without the consent or sanction of the Noteholders or the Couponholders to any modification to these Conditions, the Trust Documents (other than in respect of a Basic Terms Modification), the Notes or the other Transaction Documents to which it or the Issuer Security Trustee is a party or over which it or the Issuer Security Trustee has security, or may give its consent to any event, matter or thing, if, in the Note Trustee's opinion:

- (i) it is not materially prejudicial to the interests of the Noteholders of any class (subject to Condition 3(e));
- (ii) it is required to correct a manifest error or is of a formal, minor, administrative or technical nature; or
- (iii) it is required or permitted, subject to the satisfaction of specified conditions, under the terms of these Conditions or the Transaction Documents provided such conditions are satisfied.

**(b) Waiver**

In addition, the Note Trustee may, but only if and insofar as in its opinion the interests of Noteholders shall not be materially prejudiced, without the consent or sanction of the Noteholders or the Couponholders, authorise or waive on such terms and subject to such conditions (if any) as shall seem fit and proper to it, any proposed breach or breach of the covenants or provisions (other than where such breach or proposed breach would have the same effect as a Basic Terms Modification) contained in the Trust Documents, the Notes or any of the other Transaction Documents (including a Note Event of Default) or determine that any such default shall not be treated as such if the conditions in Condition 14(a)(i) (*Modification, Waiver and Substitution – Modification*) are satisfied.

In connection with any substitution of principal debtor as is referred to in Condition 14(f) (*Modification, Waiver and Substitution – Substitution of Principal Debtor*), the Note Trustee may also agree, without the consent of the Noteholders or the Couponholders or any other Issuer Secured Creditor, to a change of the laws governing the Notes and/or the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of Notes (or the relevant sub-class thereof) then outstanding.

**(c) Restriction on Power to Waive**

The Note Trustee shall not exercise any powers conferred upon it by Condition 14(b) (*Modification, Waiver and Substitution – Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or, where applicable, each sub-class thereof then outstanding; or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or, where applicable, each sub-class thereof then outstanding, but so that no such direction or request shall:

- (i) affect any authorisation, waiver or determination previously given or made; or
- (ii) authorise or waive any such proposed breach or breach relating to a Basic Terms Modification unless the holders of each other class of Notes have authorised or waived any

such proposed breach or breach pursuant to an Extraordinary Resolution of the holders of such other class (or sub-class) of Notes then outstanding.

**(d) Notification**

Unless the Note Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Issuer Secured Creditors in accordance with Condition 17 (*Notices to Noteholders*) and the Issuer Transaction Documents, as soon as practicable after it has been made.

**(e) Binding Nature**

Any authorisation, waiver, determination or modification referred to in Condition 14(a) (*Modification, Waiver and Substitution – Modification*) or Condition 14(b) (*Modification, Waiver and Substitution – Waiver*) shall be binding on the Noteholders, the Couponholders and the other Issuer Secured Creditors.

**(f) Substitution of Principal Debtor**

The Note Trust Deed contains provisions permitting the Note Trustee to agree (including if any of the events listed in Condition 7(d) (*Redemption, Purchase and Cancellation – Substitution/Redemption in Whole for Taxation and Other Reasons*) are subsisting) to such amendment of these Conditions and of any of the Issuer Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Note Trust Deed, but without the consent of the Noteholders or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Note Trust Deed and the Notes and in respect of the other Issuer Secured Liabilities, subject to certain conditions including that the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in Condition 5 (*Covenants*) and the covenants applying to the Issuer under the Note Trust Deed.

**15. Trustees and Agents**

**(a) Trustees' Right to Indemnity**

Under the Issuer Transaction Documents each of the Note Trustee and the Issuer Security Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed any liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Note Trustee, Issuer Security Trustee and their respective related companies are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

**(b) Trustees not Responsible for Loss or for Monitoring**

Neither the Issuer Security Trustee nor the Note Trustee will be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Cash Manager or by any person on behalf of the Issuer Security Trustee or the Note Trustee and neither the Issuer Security Trustee nor the Note Trustee shall be responsible for monitoring the compliance of any of the other parties with their obligations under the Issuer Transaction Documents.

**(c) Appointment and Removal of Trustees**

The power of appointing new trustees of the Trust Documents shall be vested in the Issuer, but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding in accordance with the Trust Documents. One or more persons may hold office as trustee or trustees of the Trust Documents, provided that such trustee or trustees shall be (if there is only one) or include (if there is more than one) a trust corporation. Any appointment of a new trustee of the Trust Documents shall as soon as practicable thereafter be notified by the Issuer to the Note Trustee and the Issuer Security Trustee, the Paying Agents, the Rating Agencies and the Noteholders. Any of the Issuer or the holders of the Most Senior Class of Notes then outstanding, by Extraordinary Resolution, shall have the power to remove any trustee or trustees for the time being of the Trust Documents, subject to any consents required



under the terms of the Note Trust Deed. The removal of any trustee shall not become effective unless there remains a trustee of the Trust Documents (being a trust corporation) in office after such removal.

**(d) *Paying Agents and Agent Bank solely agents of Issuer***

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents and Agent Bank act solely as agents of the Issuer and (to the extent provided therein) the Note Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or the Couponholders.

**(e) *Initial Paying Agents and Agent Bank***

The initial Paying Agents and the Agent Bank and their initial Specified Offices are listed above. The Issuer reserves the right (subject to the prior written approval of the Note Trustee) to vary or terminate the appointment of any Paying Agent or Agent Bank and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Paying Agent or the Agent Bank (as the case may be).

**(f) *Maintenance of Agents***

The Issuer will at all times maintain a Paying Agent with a Specified Office in Ireland (so long as the Notes are listed in the Stock Exchange) and a Paying Agent in London or a Paying Agent with Specified Offices in Ireland and London respectively, a principal paying agent and an agent bank. For so long as any Note is outstanding, the Issuer undertakes that there will at all times be a Paying Agent located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 on the taxation of savings income or any law (whether of a Member State of the European Union or a non-Member State) implementing or complying with, or introduced in order to conform to any such Directive.

The Issuer reserves the right, subject to prior approval of the Note Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 17 (*Notices to Noteholders*).

**16. *Replacement of Notes, Coupons and Talons***

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

**17. *Notices to Noteholders***

**(a) *Valid Notices and Date of Publication***

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be *The Financial Times*) and, if the Notes are listed on the Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Dublin (which is expected to be *The Irish Times*) or, in either case, if such publication is not practicable, in another appropriate newspaper having general circulation in London or, as the case may be, Dublin previously approved in writing by the Note Trustee. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

Whilst the Notes are represented by Global Notes, notices to Noteholders will be valid if published as described above, for so long as the rules of the Stock Exchange so require and, at the option of the Issuer, if delivered to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the date of delivery.

**(b) Other Methods**

The Note Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and provided that notice of that other method is given to the Noteholders in the manner required by the Note Trustee.

**(c) Couponholders deemed to have Notice**

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made on the manner referred to above.

**(d) Notices to Stock Exchange and Rating Agencies**

A copy of each notice given in accordance with this Condition 17 shall be provided to the relevant Rating Agencies and the Stock Exchange for so long as the Notes are listed on the Stock Exchange and the rules of the Stock Exchange so require.

**18. Subordination and Deferral**

**(a) Interest**

- (i) Subject to Condition 18(a)(ii), in the event that, on any Interest Payment Date, Available Issuer Revenue, after deducting all amounts payable in priority to:
- (i) (in the case of the Class B Notes) interest on the Class B Notes; or
  - (ii) (in the case of the Class A1 Notes) the Class A1 Step-Up Amount, (each such deduction being an “**Interest Residual Amount**”),

is not sufficient to satisfy in full the aggregate amount due and, subject to this Condition 18 (*Subordination and Deferral*) payable in respect of (i) or (ii) (as the case may be) on such Interest Payment Date, then there shall instead be payable in respect of (i) or (ii) (as the case may be) on such Interest Payment Date a *pro rata* share of the relevant Interest Residual Amount calculated by dividing such Interest Residual Amount by the Principal Amount Outstanding of the relevant class of Notes.

In any such event, the Issuer shall create a provision in its accounts for the shortfall (if any) equal to the amount by which the aggregate amount paid in respect of (i) or (ii) (as the case may be) is less than the aggregate amount due and (but for the provisions of this Condition 18(a)) payable in respect of paragraphs (i) or (ii) (as the case may be) (the “**Shortfall**”). Such Shortfall shall itself accrue interest at the same rate as that payable in respect of the relevant class of Notes and shall be payable together with such accrued interest on any succeeding Interest Payment Date only if and to the extent that on such Interest Payment Date, the relevant Interest Residual Amount is sufficient to make such payment.

- (ii) For the avoidance of doubt, non-payment on any Interest Payment Date of any amount which would otherwise be payable under these Conditions but for this Condition 18(a) (*Subordination and Deferral – Interest*) shall not constitute a Note Event of Default pursuant to Condition 11 (*Note Events of Default*) other than failure to pay an amount (excluding any Step-Up Amount) in respect of the Most Senior Class of Notes then outstanding. The failure to pay interest on the Class B Notes within the applicable grace period will constitute a Note Event of Default where there is no class of Notes remaining outstanding which rank in priority to the Class B Notes

**(b) Principal**

- (i) Subject to Condition 18(b)(ii), in the event that, on any Interest Payment Date, Available Issuer Revenue, after deducting all amounts payable in priority to principal on the Class B Notes, (the “**B Principal Residual Amount**”) and, is not sufficient to satisfy in full the aggregate amount of principal (if any) due and, subject to this Condition 18(b), payable in respect of the Class B Notes on such Interest Payment Date, there shall instead be payable in respect of the Class B Notes, on such Interest Payment Date, only a *pro rata* share of the relevant Principal Residual Amount calculated by dividing the relevant Principal Residual Amount by the Principal Amount Outstanding of the Class B Notes.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of principal paid on the Class B Notes on any Interest Payment Date in accordance with this Condition 18(b) falls short of the aggregate amount of principal due and (but for the provisions of this Condition 18(b)) payable in respect of the Class B Notes, as the case may be, on that date pursuant to Condition 7 (*Redemption, Purchase and Cancellation*). Such shortfall shall accrue interest at the same rate as that payable in respect of the Class B Notes, and shall be payable together with such accrued interest on any succeeding Interest Payment Date only if and to the extent that on such Interest Payment Date, Available Issuer Revenue, after deducting all amounts payable in priority to principal on the Class B Notes, is sufficient to make such payment.

- (ii) For the avoidance of doubt, while any class of Notes ranking in priority to the Class B Notes remains outstanding, the non-payment on a Interest Payment Date of any amount which would otherwise be payable under these Conditions but for this Condition 18(b) shall not constitute a Note Event of Default pursuant to Condition 11 (*Note Events of Default*). The failure to pay principal on the Class B Notes, within the applicable grace period will constitute a Note Event of Default where there are no class of Notes remaining outstanding which rank in priority to the Class B Notes.

**(c) General**

Any amounts of principal or interest in respect of the Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 18 together with accrued interest thereon shall in any event become payable (in the case of amounts relating to the Class A1 Notes other than Class A1 Step-Up Amounts) on the Class A1 Final Maturity Date, (in the case of amounts relating to the Class A2 Notes) on the Class A2 Final Maturity Date, (in the case of amounts relating to the Class B Notes and to Class A1 Step-Up Amounts) on the Class B Final Maturity Date or on such earlier date as the Most Senior Class of Notes then outstanding become immediately due and repayable under Condition 11 (*Note Events of Default*).

**(d) Notification**

As soon as practicable after becoming aware that any part of a payment of interest or principal on the Class B Notes, or (in relation to the Class A1 Step-Up Amounts payable after the Class A1 Step-Up Date only) the Class A1 Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the relevant Noteholders in accordance with Condition 17 (*Notices to Noteholders*) and to the Stock Exchange, so long as the Notes are listed on the Stock Exchange.

**19. Further and New Note Issues**

**(a) Further Notes and New Notes**

The Issuer will be entitled (but not obliged) at its option at any time and from time to time, without the consent of the Noteholders, to raise further funds by the creation and issue of:

- (a) further notes in respect of any class of Notes, each of which will be in bearer form and which will carry the same terms and conditions in all respects including having substantially the same hedging arrangements in place as those for the Notes (save as to the Issue Date, the first Interest Payment Date, first Interest Period, first Coupon and initial principal amount outstanding) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the relevant class of Notes (“**Further Notes**”); and/or
- (b) additional notes of a new class which will be in bearer form and which may rank *pari passu* with, ahead of or after any class of Notes then in issue (save that no such notes which rank ahead of the Class A1 Notes and the Class A2 Notes may be issued) (“**New Notes**”) and may carry terms that differ from any of the Class A1 Notes, the Class A2 Notes and the Class B Notes and do not form a single series with any of them.

It shall be a condition precedent to the issue of any Further Notes and/or New Notes (together or either, the “**Additional Notes**”) that:

- (i) the aggregate principal amount of all such Additional Notes to be issued on such date is not less than £5,000,000;

- (ii) the Rating Agencies confirm in writing to the Issuer that any Further Notes are assigned the same ratings as the then current ratings of the corresponding classes of Notes;
- (iii) the Rating Agencies confirm in writing to the Note Trustee that the then current rating of the Notes then outstanding will not adversely be affected by the proposed issue of the Further Notes or, as the case may be, the New Notes;
- (iv) an amount equal to the gross proceeds of such Further Notes or, as the case may be, the New Notes (with an amount in respect of any issue expenses or commissions agreed to be paid by way of fee by a Borrower pursuant to the Issuer/Borrower Facility) is applied by the Issuer to make a loan to a Borrower pursuant to the Issuer/Borrower Facility Agreement and the conditions precedent therein for an advance under any Additional Term Facility are satisfied;
- (v) the Note Trustee has received a legal opinion satisfactory to it in relation to, *inter alia*, the issue of such Further Notes or, as the case may be, the New Notes from a reputable London law firm; and
- (vi) no Note Event of Default has occurred and is continuing (which has not been waived) or would occur as a result of such issue.

**(b) Supplemental Trust Deeds and Security**

Any such Additional Notes shall be secured by the Issuer Security. Any such Additional Notes will be constituted by a further deed or deeds supplemental to the Note Trust Deed and have the benefit of the Issuer Security pursuant to the Issuer Deed of Charge as described above in Condition 2 (*Form, Denomination and Title*).

**20. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

**21. European Economic and Monetary Union**

**(a) Notice of redenomination**

The Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders, the Trustee and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which the United Kingdom becomes a Participating Member State.

**(b) Redenomination**

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in pounds Sterling, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations) provided, however, that, if the Issuer determines, with the agreement of the Note Trustee, that the then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;
- (ii) if Notes have been issued in definitive form:
  - (A) the payment obligations contained in all Notes denominated in pounds Sterling will become void on the Euro Exchange Date but all other obligations of the Issuer

thereunder (including the obligation to exchange such Notes in accordance with this Condition 21) shall remain in full force and effect;

- (B) new Notes denominated in Euro will be issued in exchange for Notes denominated in pounds Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the pound Sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State; and
- (iv) a Note may only be presented for payment on a day which is Business Day in the place of presentation. In this Condition 21 “**Business Day**” means, in respect of any place of presentation, any day which is a day on which commercial banks are open for general business in such place of presentation and which is also a day on which the TARGET system is operating.

### **(c) Interest**

Following redenomination of the Notes pursuant to this Condition 21:

- (i) where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01; and
- (ii) the amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the relevant Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest Euro 0.01.

### **22. Non-Petition**

Except as expressly permitted to do so by Condition 12 (*Enforcement*), the Noteholders shall not be entitled to take any steps:

- (a) to direct the Note Trustee to instruct the Issuer Security Trustee to enforce the Issuer Security; or
- (b) to take or join any person in taking steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings that would result in the Issuer Priorities of Payments not being observed.

### **23. Third Party Rights**

These Conditions confer no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of a third party which exists or is available aside from the Contracts (Rights of Third Parties) Act 1999.

### **24. Governing Law**

The Notes, the Coupons and the Talons are governed by English law.

## UNITED KINGDOM TAXATION

*The following, which applies only to persons who are the absolute beneficial owners of the Notes and who hold the Notes as investments, is a summary of the Issuer's understanding of current law and practice in the United Kingdom as at the date of this document relating to certain aspects of the United Kingdom taxation of the Notes. Special rules may apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.*

### **Interest on the Notes**

The Notes will constitute “**quoted Eurobonds**” within the meaning of section 349 of the Income and Corporation Taxes Act 1988 (“**ICTA**”) as long as they are and continue to be listed on a “recognised stock exchange” within the meaning of section 841 of ICTA. The Stock Exchange is such a recognised stock exchange. Accordingly, payments of interest on the Notes may be made without withholding on account of UK income tax provided the Notes remain so listed at the time of payment.

In all other cases an amount must be withheld on account of income tax at the lower rate (currently 20%), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty, and except that the withholding obligation is disapplied in respect of payments to Noteholders who the Issuer reasonably believes are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a permanent establishment which is within the charge to corporation tax, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless the Inland Revenue directs otherwise). If interest has been paid subject to the withholding of United Kingdom income tax, the Issuer will not be obliged to pay any additional amount in respect of such withholding (and the attention of Noteholders is drawn to Condition 9 (Taxation)).

Interest on the Notes constitutes UK source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Noteholder who is not resident for tax purposes in the UK unless that Noteholder: (i) carries on a trade, profession or vocation in the UK through a UK branch or agency or, for holders who are companies, through a UK permanent establishment, in connection with which the interest is received or to which the Notes are attributable; or (ii) is a trustee of a trust with a UK beneficiary. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of any applicable double taxation treaty may also be relevant for such Noteholders.

Any Paying Agent or other person by or through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to the UK Inland Revenue. The Inland Revenue may communicate such information to the tax authorities of other jurisdictions.

The EU has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 July, 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system, for a transitional period unless during such period they elect otherwise. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will be required where the Noteholder authorises the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom (whichever method or methods is or are applicable under national law implementing the Directive). The attention of Noteholders is once again drawn to Condition 9 (Taxation).

### **Transfer of the Notes**

#### ***UK corporation taxpayers***

In general Noteholders which are within the charge to UK corporation tax (other than investment trusts, venture capital trusts, authorised unit trusts and open-ended investment companies) will be treated for

tax purposes as realising profits, gains or losses (including exchange gains and losses) in respect of the Notes on a basis which is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with, for accounting periods beginning on or before 31 December, 2004, a mark-to-market basis or an accruals basis which is authorised for tax purposes or, for accounting periods beginning on or after 1 January, 2005, generally accepted accounting practice as that term is defined for tax purposes. Such profits, gains and losses (or, where the Noteholder's functional currency is not sterling, then the sterling equivalent of such profits, gains and losses as computed in the Noteholder's functional currency) will be taken into account in computing taxable income for UK corporation tax purposes.

Noteholders that are investment trusts, venture capital trusts, authorised unit trusts or open-ended investment companies will be subject to the same taxation treatment in respect of the Notes as other Noteholders that are within the charge to UK corporation tax, other than with respect to profits, gains or losses carried to or sustained by a capital reserve in the case of investment trusts and venture capital trusts, and other than with respect to profits, gains or losses which fall to be dealt with under certain headings for gains/losses in the statement of total return for the accounting period in respect of the Notes in the case of authorised unit trusts and open-ended investment companies (or for those investment trusts, venture capital trusts, authorised unit trusts or open-ended investment companies preparing accounts in accordance with international accounting standards, profits, gains or losses specified by order made by the Treasury). Such capital profits, gains or losses will not be brought into charge to UK corporation tax.

### **Other UK taxpayers**

#### *Taxation of Chargeable Gains*

The Notes may not be treated by the UK Inland Revenue as constituting "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992 because there is a provision for the Notes to be redeemed in or redenominated in euros. Therefore a disposal (including a redemption) of a Note by a Noteholder who is resident or ordinarily resident in the UK or who carries on a trade in the UK through a branch or agency to which the Note is attributable and who is not subject to UK corporation tax in respect of the Note may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. If by contrast the Notes are treated as "qualifying corporate bonds", a disposal by a Noteholder will not give rise to any such chargeable gain or allowable loss.

#### *Accrued Income Scheme*

The provisions of the accrued income scheme as set out in Part XVII of ICTA (the "**Scheme**") may apply, in relation to a transfer of the Notes, to Noteholders who are resident or ordinarily resident for tax purposes in the United Kingdom or who carry on a trade in the United Kingdom through a branch or agency to which the Note is attributable (other than Noteholders within the charge to corporation tax with respect to the Notes).

On a transfer of a Class A2 Note with accrued interest the Scheme may apply to deem the transferor to receive an amount of income equal to the accrued interest and to treat the deemed or actual interest subsequently received by the transferee as reduced by a corresponding amount.

As a result of the Step-Up Amounts, the Class A1 Notes and the Class B Notes will be treated as "variable rate securities" for the purposes of the Scheme. Accordingly, the Scheme may apply to deem the transferor of a Class A1 or Class B Note to receive interest on the relevant Note which has accrued since the preceding interest payment date in such amount as is just and reasonable. A transferee of a Class A1 Note or a Class B Note with accrued interest will not be entitled to any allowance under the Scheme.

### **Stamp Duty and Stamp Duty Reserve Tax**

No stamp duty or stamp duty reserve tax is payable on issue of the Notes or on a transfer of the Notes by delivery.

## SUBSCRIPTION AND SALE

The Royal Bank of Scotland plc acting through its office at 135 Bishopsgate, London EC2M 3UR and BNP PARIBAS, a bank incorporated under the laws of France and acting through its office at 10 Harewood Avenue, London NW1 6AA (together, the “**Managers**”) have, pursuant to a subscription agreement (the “**Subscription Agreement**”) between the Managers, the Issuer, the Obligors, Greene King and GKRRo.2 dated 3 March, 2005, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe, or to procure subscriptions for, the Class A1 Notes at the issue price of 100 per cent. of their initial principal amount, the Class A2 Notes at the issue price of 100 per cent. of their initial principal amount and the Class B Notes at the issue price of 100 per cent. of their initial principal amount.

In the Subscription Agreement, each of the Issuer, the Obligors, GKRRo.2 and Greene King has agreed to reimburse the Managers for certain of their fees, costs and expenses in connection with the issue of the Notes and related matters and each of the Issuer, the Obligors, GKRRo.2 and Greene King has agreed to indemnify the Managers against certain liabilities incurred by them in connection therewith.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the Notes to the Issuer.

### United Kingdom

Each of the Managers has represented in the Subscription Agreement, among other things, that:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to the expiry of a period of six months from the Closing Date, except to persons whose ordinary activities involve acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the POS Regulations or the Financial Services and Markets Act 2000 (the “**FSMA**”);
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it will only communicate or cause to be communicated any 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 the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

### United States

Each of the Managers has also represented and agreed in the Subscription Agreement that it has not offered or sold, and will not offer or sell, the Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date, except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that:

- (a) neither it nor any of its affiliates (including any person acting on its behalf or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes; and
- (b) it and its affiliates have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

Each Manager has also undertaken in the Subscription Agreement that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchases Notes from it during the restricted period a confirmation or notice in substantially the following form:

“The Securities covered hereby have not been registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”



In addition:

- (a) each of the Managers has represented and agreed that except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the “**D Rules**”) (i) it has not offered or sold, and during the restricted period that it will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes that are sold during the restricted period;
- (b) each of the Managers has further represented and agreed that it has, and throughout the restricted period it will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if any of the Managers is a United States person, such Manager has represented that it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(6); and
- (d) with respect to each affiliate of any Manager which acquires Notes from it for the purpose of offering or selling such Notes during the restricted period, the relevant Manager has either (i) repeated and confirmed the representations and agreements contained in paragraphs (a), (b) and (c) on its behalf or (ii) agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (a), (b) and (c).

Terms used in this paragraph have the meanings given to them by Regulation S and by the United States Internal Revenue Code 1986, as amended, and regulations thereunder, including the D Rules.

#### **Ireland**

Further, each Manager has represented and agreed in the Subscription Agreement that:

- (a) other than in circumstances which do not constitute an offer or sale to the public in Ireland or elsewhere by means of a prospectus within the meaning of the Companies Act, 1963 to 2001 of Ireland: (i) prior to application for listing of the Notes being made and the Irish Stock Exchange having approved this document in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, by means of any document or other means of visual reproduction, including electronic means, any of the Notes; (ii) subsequent to application for listing of the Notes being made and the Stock Exchange approving this document in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or Elsewhere, any of the Notes by means of any document or other means of visual reproduction, including electronic means, other than this document (or any document including electronic means of visual reproduction approved as aforesaid, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations) and only where this document (or such other listings particulars as aforesaid) is accompanied by an application form or an application form is issued which indicates where this document (or such other listing particulars as aforesaid) can be obtained or inspected; and (iii) it has not issued and will not issue at any time, in Ireland or elsewhere any application form for any of the Notes unless the application form is accompanied by this document (or a document including electronic means of visual reproduction, which sets out listings particulars in relation to the Notes prepared in accordance with the Regulations and approved by the Stock Exchange) or the application form indicates where this document can be obtained or inspected;
- (b) it has not made and will not make at any time any offer of any of the Notes in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply;
- (c) it will not sell any Notes pursuant to this document and it will not take any proceedings on applications made pursuant to this document until the fourth business day in Ireland after the date of this document;
- (d) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts, 1995 to 2000 of Ireland (as amended) with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of any Manager acting under

and within the terms of an authorisation to do so for the purposes of EU Council Directive 93/22/EEC of 10 May, 1993 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Acts 1995 to 2000, of Ireland (as amended) and, in the case of a Manager acting within the terms of an authorisation granted to it for the purposes of EU Council Directive 2000/12/EC of 20 March, 2000 (as amended or extended), it has complied with any codes of conduct or practice made under Section 117(1) of the Central Bank Act, 1989 of Ireland (as amended); and

- (e) in respect of any offer to the Notes to the public in Ireland or elsewhere within the meaning of the Companies Acts, 1963 to 2001 of Ireland, it will comply with the requirements of Section 56 and 57 of the Companies Act, 1963 of Ireland.

### **Germany**

Each Manager has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act of December 13, 1990 of the Federal Republic of Germany, as amended (*Wertpapier-Verkaufsprospektgesetz*) has been or will be published with respect to the Notes. Each Manager has represented and agreed that it has not offered or sold and will not offer or sell any Notes in the Federal Republic of Germany other than in accordance with the Securities Sales Prospectus Act of December 13, 1990 of the Federal Republic of Germany, as amended (*Wertpapier-Verkaufsprospektgesetz*) and any other legal or regulatory requirements applicable in the Federal Republic of Germany governing the issue, offer and sale of securities.

### **France**

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly, or indirectly, the Notes to the public in France and that offers and sales of the Notes in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their own account as defined and in accordance with Article L. 4112 of the French Code *monétaire et financier* and decree no. 98-880 dated 1st October, 1998. The Notes will not be subject to any approval by or registration (*visa*) with the French *Autorité des Marchés Financiers*.

In addition, each Manager has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this document or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in France may be made as described above.

### **Spain**

Neither the Notes nor this document have been verified or registered in the administrative registries of the Spanish Securities Markets Commission (Comisión Nacional del Mercado de Valores). Accordingly, each Manager has acknowledged that the Notes may not be offered, sold or distributed in the Kingdom of Spain or targeted to Spanish resident investors save in compliance and in accordance with the requirements of the Spanish Securities Market Law of 28th July, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated, and Royal Decree 291/1992 on issues and Public Offerings for the Sale of Securities (*Real Decreto 291/1992, de 27 de marzo, sobre Emisiones y Ofertas Públicas de Venta de Valores*) as amended and restated and the decrees and regulations issued thereunder.

### **The Netherlands**

The Notes may not be offered, sold, transferred or delivered in or from The Netherlands, as part of their initial distribution, or at any time thereafter, directly or indirectly, other than to individuals or legal entities who or which trade or invest in securities in the conduct of a profession or trade within the meaning of section 2 of the exemption regulation to The Netherlands Securities Market Supervision Act 1995, as amended from time to time, (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*), which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner.

## **Belgium**

The offering of the Notes is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this document or any other offering material relating to the Notes has not been and will not be approved by the Belgian Banking, Finance and Insurance Commission (“*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*”). Any representation to the contrary is unlawful.

Each Manager has undertaken not to offer sell, resell, transfer or deliver, directly or indirectly, any Notes, or to distribute or publish this document or any other material relating to the Notes, to any individual or legal entity in Belgium other than: (i) investors required to invest a minimum of €250,000 (per investor and per transaction); and (ii) institutional investors as defined in Article 3, 2°, of the Belgian Royal Decree of 7 July, 1999 on the public character of financial transactions, acting for their own account.

This document has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the offering of the Notes. Accordingly, the information contained herein may not be reproduced or used for any other purpose nor disclosed to any other person in Belgium. Any action contrary to these restrictions will cause the recipient and the Issuer to be in violation of the Belgian securities laws.

## **Luxembourg**

Each Manager has acknowledged and agreed that the Notes may not be offered or sold to the public in or from Luxembourg unless the requirements of Luxembourg laws and regulations in respect of the public offering of securities have been fulfilled. Accordingly, no marketing material shall be distributed to the public in Luxembourg, unless permitted under Luxembourg law.

## **General**

Reference should be made to the Subscription Agreement for a complete description of the restrictions on offers and sales of the Notes and on distribution of documents. Attention is also drawn to the inside cover of this document.

## GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer passed on 3 March, 2005.
2. It is expected that the listing of the Notes on the Official List of the Stock Exchange will be granted on the Closing Date, subject only to the issue of the Temporary Global Notes. The listing of the Notes will be cancelled if any of the Temporary Global Notes are not issued.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the ISIN for each class of Notes is as follows:

	<b>Common Code</b>	<b>ISIN</b>
Class A1 Notes:	021335797	XS0213357972
Class A2 Notes:	021335835	XS0213358350
Class B Notes:	021335860	XS0213358608

4. The Issuer is not involved in any legal or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position, nor is the Issuer aware that any such proceedings are pending or threatened.
5. None of the Obligors is involved in any legal or arbitration proceedings which may have, or have had, during the 12 months preceding the date of this document a significant effect on the Securitisation Group's or the Issuer's financial position, nor are the Obligors aware that any such proceedings are pending or threatened.
6. Since the date of its incorporation, the Issuer has not, save as disclosed in this document, not:
  - (a) commenced operations;
  - (b) made up accounts as at the date of this document; or
  - (c) entered into any contracts or arrangements not being in its ordinary course of business.
7. Each of Ernst & Young LLP and Gerald Eve has given and has not withdrawn its written consent to the inclusion herein of its reports or review or references to them, as applicable, in the form and context in which they appear.
8. Save as disclosed in this document, since 14 January, 2005 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer. Save as disclosed herein, since 17 October, 2004 there has been no material adverse change in the financial or trading position of the Securitisation Group.
9. Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgage, charge or security or given any guarantees.
10. The Issuer will not publish interim accounts. The financial year end in respect of each of the Obligors and the end of the accounting period in respect of the Issuer is on or about 30 April in each year. The first financial year after the Closing Date for each of the Obligors will end on 1 May, 2005. The first financial year in respect of the Issuer will be to 30 April, 2006.
11. Any website (or the contents thereof) referred to in this document does not form part of this document as approved by the Stock Exchange.
12. Copies of the following documents may be inspected during usual business hours at the Specified Offices of the Irish Paying Agent and at the registered office of the Issuer during the period of fourteen days from the date of this document:
  - (a) the Memorandum and Articles of Association of the Issuer and each Obligor;
  - (b) the Valuation Report;
  - (c) the Subscription Agreement;
  - (d) the consents referred to in paragraph 7 above; and

- (e) prior to the Closing Date, drafts (subject to modification) and after the Closing Date, copies of the following documents:
  - (i) the Note Trust Deed;
  - (ii) the Agency Agreement;
  - (iii) the Issuer Deed of Charge;
  - (iv) the Interest Rate Swap Agreement;
  - (v) the Liquidity Facility Agreement;
  - (vi) the Issuer/Borrower Facility Agreement;
  - (vii) the Borrower Deed of Charge;
  - (viii) the Account Bank and Cash Management Agreement;
  - (ix) the Issuer/Borrower Swap Agreement;
  - (x) the Tax Deed of Covenant;
  - (xi) the Corporate Services Agreement;
  - (xii) the Initial Borrower Subordinated Loan Agreement;
  - (xiii) the GK Security Deed; and
  - (iv) the Master Definitions and Construction Schedule.

## APPENDIX 1

### FINANCIAL STATEMENTS OF GREENE KING PLC FOR THE YEAR ENDED 2 MAY, 2004

#### Nature of the financial information

The accounts for the year ended 2 May, 2004 contained an auditors' report by Ernst & Young LLP, under Section 235 of the Companies Act 1985, as amended (the "Act"). This report was not qualified within the meaning of Section 262 of the Act and this report did not contain a statement in the form referred to in Section 237(2) or (3) of the Act.

#### GROUP PROFIT AND LOSS ACCOUNT

for the fifty-two weeks ended 2 May 2004

	Note	Change %	2004 Before goodwill and exceptionals £m	Goodwill and exceptionals £m	Total £m	2003 Total (as restated) £m
<b>Turnover</b>		+3	<b>552.7</b>	<b>-</b>	<b>552.7</b>	535.6
<b>Trading profit</b>						
Before goodwill and exceptionals	2, 3		<b>111.8</b>	<b>-</b>	<b>111.8</b>	103.3
Amortisation of goodwill	4		<b>-</b>	<b>(7.0)</b>	<b>(7.0)</b>	(6.9)
Exceptional costs	4		<b>-</b>	<b>(2.9)</b>	<b>(2.9)</b>	(4.6)
Total	2		<b>111.8</b>	<b>(9.9)</b>	<b>101.9</b>	91.8
Disposal of fixed assets			<b>-</b>	<b>1.0</b>	<b>1.0</b>	3.3
Profit before interest			<b>111.8</b>	<b>(8.9)</b>	<b>102.9</b>	95.1
Interest	8		<b>(29.2)</b>	<b>-</b>	<b>(29.2)</b>	(28.3)
Profit before taxation			<b>82.6</b>	<b>(8.9)</b>	<b>73.7</b>	66.8
Taxation	9		<b>(25.1)</b>	<b>3.4</b>	<b>(21.7)</b>	(22.4)
Profit after taxation			<b>57.5</b>	<b>(5.5)</b>	<b>52.0</b>	44.4
Dividends	11		<b>(23.8)</b>	<b>-</b>	<b>(23.8)</b>	(21.4)
Retained profit			<b>33.7</b>	<b>(5.5)</b>	<b>28.2</b>	23.0
<b>Trading profit before goodwill and exceptionals</b>	2	+8	<b>111.8</b>			103.3
<b>Profit before taxation, goodwill and exceptionals</b>		+10	<b>82.6</b>			75.0
Earnings per share						
- adjusted	12	+13	<b>80.2p</b>			71.1 p
- basic	12	+20			<b>72.5p</b>	60.6 p
- diluted	12	+19			<b>71.7p</b>	60.1 p
Dividend per share	+10		<b>33.0 p</b>			29.9 p
Adjusted trading profit/ turnover			<b>20.2%</b>			19.3%
Adjusted taxation/profit			<b>30.4%</b>			30.5%
Adjusted interest cover (times)			<b>3.8</b>			3.7
Adjusted dividend cover (times)			<b>2.4</b>			2.4

Adjusted earnings per share, trading profit, taxation, interest cover and dividend cover exclude the effect of exceptional items and the amortisation of goodwill.

## BALANCE SHEETS

as at 2 May 2004

	Note	Group		Parent	
		2004	2003 (as restated)	2004	2003
		£m	£m	£m	£m
<b>Fixed assets</b>					
Intangible assets	13	113.1	120.1	-	-
Tangible assets	14	1,073.5	985.6	-	-
Investments	15	18.1	19.9	990.5	989.5
		<b>1,204.7</b>	1,125.6	<b>990.5</b>	989.5
<b>Current assets</b>					
Stocks	16	11.6	11.0	-	-
Debtors	17	31.0	30.2	-	-
Cash at bank		7.5	8.0	-	-
<b>Creditors: due within one year</b>					
Short term debt	18	(6.6)	(6.9)	(0.6)	(13.4)
Other creditors	18	(108.8)	(106.8)	(214.6)	(212.4)
Net current liabilities		<b>(65.3)</b>	(64.5)	<b>(215.2)</b>	(225.8)
Total assets less current liabilities		<b>1,139.4</b>	1,061.1	<b>775.3</b>	763.7
<b>Creditors: due after more than one year</b>					
Medium and long term debt	19	<b>(447.5)</b>	(442.2)	<b>(377.3)</b>	(367.9)
<b>Provisions for liabilities and charges</b>					
Deferred tax	20	<b>(37.8)</b>	(32.9)	-	-
<b>Net assets</b>		<b>654.1</b>	586.0	<b>398.0</b>	395.8
<b>Capital and reserves</b>					
Called-up share capital	22	18.0	17.9	18.0	17.9
Share premium account	23	189.2	183.8	189.2	183.8
Revaluation reserve	23	282.8	236.3	2.5	1.5
Other Reserve	23	1.0	0.8	94.8	95.7
Investment in own shares	23	(8.5)	-	(8.5)	-
Profit and loss account	23	171.6	147.2	102.0	96.9
<b>Equity shareholders' funds</b>	23	<b>654.1</b>	586.0	<b>398.0</b>	395.8
<b>Net debt</b>		<b>446.6</b>	441.1		
<b>Gearing</b>		<b>68%</b>	75%		
<b>Net assets per share</b> (excluding own shares)		<b>919p</b>	818p		

Signed on behalf of the board on 30 June, 2004

DS McCall  
TJW Bridge  
Directors

**GROUP CASH FLOW STATEMENT**  
for the fifty-two weeks ended 2 May 2004

	Note	Change %	2004 £m	2003 £m
<b>EBITDA</b>	24	+7	<b>136.9</b>	127.6
Working capital and non cash movements	25		<b>(1.3)</b>	(6.4)
Exceptional items			-	(2.4)
<b>Cash inflow from operations</b>			<b>135.6</b>	118.8
<b>Cash inflow from operations</b>			<b>135.6</b>	118.8
<b>Returns on investments and servicing of finance</b>				
Interest paid			<b>(30.2)</b>	(23.7)
<b>Taxation</b>			<b>(15.1)</b>	(18.8)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets			<b>(75.1)</b>	(61.0)
Sales of tangible fixed assets			<b>7.9</b>	32.5
Advances and repayments of trade loans	15		<b>1.5</b>	1.4
			<b>(65.7)</b>	(27.1)
<b>Acquisition</b>			-	(44.1)
<b>Equity dividends paid</b>			<b>(22.0)</b>	(20.7)
<b>Cash inflow/(outflow) before financing</b>			<b>2.6</b>	(15.6)
<b>Financing</b>				
Issue of shares			<b>6.2</b>	1.6
Purchase of own shares			<b>(14.3)</b>	(19.9)
Advance of bank loans			<b>7.4</b>	38.4
			<b>(0.7)</b>	20.1
<b>Increase in cash</b>			<b>1.9</b>	4.5
<b>Reconciliation to movement in net debt</b>				
Increase in cash			<b>1.9</b>	4.5
Cash inflow from increase in debt			<b>(7.4)</b>	(38.4)
Increase in net debt resulting from cashflows			<b>(5.5)</b>	(33.9)
Debt acquired – acquisition			-	(19.3)
Increase in debt			<b>(5.5)</b>	(53.2)
Opening net debt			<b>(441.1)</b>	(387.9)
<b>Closing net debt</b>		26	<b>(446.6)</b>	(441.1)



## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the fifty-two weeks ended 2 May 2004

	Note	2004 £m	2003 (as restated) £m
Profit after taxation		52.0	44.4
Unrealised surplus on property revaluations	1	61.3	61.8
Unrealised deficit on property revaluations	1	(13.6)	(12.6)
Total recognised gains and losses relating to the year		99.7	93.6
Prior year adjustment	1	125.3	
Total gains and losses recognised since last annual report		225.0	

## RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

for the fifty-two weeks ended 2 May 2004

	Note	2004 £m	2003 (as restated) £m
Opening shareholders' funds (as previously reported)		460.7	453.2
Prior year adjustment	1	125.3	78.9
Opening balance (as restated)		586.0	532.1
Total recognised gains and losses		99.7	93.6
Ordinary dividends		(23.8)	(21.4)
Shares issued			
– share capital		5.7	1.6
– employee benefit trust		0.5	-
Purchase of own shares			
– share capital cancelled		(5.3)	(19.9)
– treasury shares		(4.7)	-
– employee benefit trust		(4.3)	-
Accrued share based payments		0.3	-
Closing shareholders' funds		654.1	586.0

## NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES

for the fifty-two weeks ended 2 May 2004

	2004 £m	2003 (as restated) £m
Profit on ordinary activities before taxation	73.7	66.8
Depreciation	0.4	0.4
Realisation of property revaluation gains	0.7	1.7
Historical cost profit on ordinary activities before taxation	74.8	68.9
Historical cost profit for the period retained after taxation and dividends	29.3	25.1

## **ACCOUNTING POLICIES**

for the fifty-two weeks ended 2 May 2004

### **Basis of accounting and consolidation**

The accounts are prepared in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards. They are prepared under the historical cost convention modified by the revaluation of property. The group accounts incorporate the accounts of the company, and its subsidiaries under the acquisition method.

### **Turnover**

Turnover represents the value of goods and services supplied to third parties, predominantly in the UK, net of discounts and excluding value added tax.

### **Revaluation of properties**

Fixed asset licensed properties are revalued regularly on an existing use basis and the surplus or deficit reflected in the balance sheet. This is a change in policy from earlier years and details are provided in note 1. Valuations of other fixed asset properties were undertaken in 1999 and earlier years and in accordance with FRS 15 are retained but not updated.

Surpluses and deficits are taken directly to the revaluation reserve, except to the extent that the valuation falls below both historic cost and supportable value in use, when they are taken to the profit and loss account.

### **Depreciation**

Freehold land is not depreciated, freehold buildings are depreciated to their estimated residual values over periods up to fifty years, long leasehold properties are depreciated to their estimated residual values over periods up to fifty years, short leasehold properties are depreciated to their estimated residual values over the remaining term of the lease and furniture, fixtures and equipment assets are depreciated over their estimated lives which range from three to twenty years.

Where the carrying value of properties may not be recoverable an impairment in the value of fixed assets is charged to the profit and loss account.

### **Stocks**

Stocks are valued at the lower of cost and net realisable value and where applicable include an element of production overheads.

### **Loan capital**

Loan capital and equivalent financial instruments include the premium realised on issue, or recognised on acquisition, which is amortised over the term of the loan to keep the effective interest rate constant.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred tax is not recognised when an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Provisions for deferred tax are not discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

### **Financial instruments**

Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to the interest expense over the period of the swap contracts.

### **Pensions**

The cost of providing defined benefit pensions is charged against profits on a systematic basis taking account of actuarial surpluses and deficits arising which are allocated over the remaining average

service life of current qualifying employees. The cost of providing defined contribution pensions amounts to the value of contributions made.

**Goodwill**

Goodwill arising from the premium paid on businesses acquired after 3 May 1998 is amortised over its estimated useful life of 20 years. Previously goodwill was written off to reserves and has not been reinstated. The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

**Operating leases**

Rental payments in respect of operating leases are charged against trading profit on a straight line basis over the period of the lease.

**Own shares**

The financial statements reflect the adoption in the period of UITF 37, Purchases and sales of own shares, and the early adoption of UITF 38, Accounting for ESOP trusts. Investments are held at cost and shown as a deduction from shareholders' funds.

## NOTES TO THE ACCOUNTS

for the fifty-two weeks ended 2 May 2004

### 1. Change in Revaluation Accounting Policy

The group has changed its accounting policy on revaluing its licensed properties to reflect recent market practice and to ensure the balance sheet presented to investors includes an up-to-date value of assets held, which has increased significantly in recent years. Licensed properties will now be revalued on a regular basis.

A valuation was undertaken as at 20 December 2003 which has been reflected in the balance sheet at 2 May 2004. This shows a net surplus of £170.6m in reserves and fixed asset values over the value which would have been reported under the previous policy. In accordance with FRS 18 accounting policies, the accounts for the year ended 4 May 2003 have been restated to reflect the new accounting policy and a prior year adjustment has been made to increase the value of opening fixed assets and equity shareholders' funds. In this exercise note has been taken of an internal valuation undertaken on a consistent basis at 20 December 2001 and subsequent movements in the property market. In a minority of individual licensed properties, values have reduced. To the extent that the value of an individual property falls below its supportable value in use the amount has been taken as an exceptional item in the profit and loss account.

The effect of these changes on the value of tangible fixed assets and equity shareholders' funds is summarised in the table below:

	Tangible fixed assets		Equity shareholders' funds		Change £m
	New policy £m	Old policy £m	New policy £m	Old policy £m	
Prior year adjustment as at 4 May 2002	889.7	810.8	532.1	453.2	78.9
Net increase in year to 4 May 2003					46.4
Prior year adjustment as at 4 May 2003	985.6	860.3	586.0	460.7	125.3
Net increase in year to 2 May 2004					45.3
As at 2 May 2004	1,073.5	902.9	654.1	483.5	170.6

The composition of the net increase in the years to 4 May 2003 and 2 May 2004 is summarised in the table below:

	Year ended 2 May 2004			Year ended 4 May 2003		
	New policy £m	Old policy £m	Change £m	New policy £m	Old policy £m	Change £m
Exceptional costs						
– revaluation losses	(2.9)	–	(2.9)	(3.0)	–	(3.0)
– disposal of fixed assets	1.0	0.5	0.5	3.3	3.1	0.2
Revaluation reserve						
– unrealised surplus	61.3	–	61.3	61.8	–	61.8
– unrealised deficit	(13.6)	–	(13.6)	(12.6)	–	(12.6)
Increase in shareholders' funds/fixed assets	45.3					46.4

## 2. Business Segment Analysis

2004	Assets employed £m	Turnover £m	EBITDA (note 24) £m	Trading profit £m	Trading profit change %
Pub Company	535.3	331.6	73.8	56.9	+4
Pub Partners	457.7	115.0	51.8	47.8	+9
Brewing Company	55.0	106.1	19.2	16.1	+21
Corporate	52.7	-	(7.9)	(9.0)	
	<b>1,100.7</b>	<b>552.7</b>	<b>136.9</b>	<b>111.8</b>	<b>+8</b>
Amortisation of goodwill and exceptionals (note 4)	-	-	-	(9.9)	
Net debt	(446.6)	-	-	-	
	<b>654.1</b>	<b>552.7</b>	<b>136.9</b>	<b>101.9</b>	

2003	Assets employed (as restated) £m	Turnover £m	EBITDA £m	Trading profit (as restated) £m
Pub Company	510.9	328.3	71.2	54.7
Pub Partners	397.4	111.7	47.8	43.8
Brewing Company	53.9	95.6	16.3	13.3
Corporate	64.9	-	(7.7)	(8.5)
	<b>1,027.1</b>	<b>535.6</b>	<b>127.6</b>	<b>103.3</b>
Amortisation of goodwill and exceptionals (note 4)	-	-	-	(11.5)
Net debt	(441.1)	-	-	-
	<b>586.0</b>	<b>535.6</b>	<b>127.6</b>	<b>91.8</b>

Pub Company covers the results of managed houses, Pub Partners covers the results of tenanted houses and Brewing Company covers brewing, marketing and selling beer.

Goodwill and exceptionals are detailed in note 4 and are analysed as follows:

	Goodwill and exceptionals		Trading profit after goodwill and exceptionals	
	2004 £m	2003 (as restated) £m	2004 £m	2003 (as restated) £m
Pub Company	5.0	5.0	51.9	49.7
Pub Partners	3.2	4.8	44.6	39.0
Brewing Company	1.7	1.7	14.4	11.6
Corporate	-	-	(9.0)	(8.5)
	<b>9.9</b>	<b>1.5</b>	<b>101.9</b>	<b>91.8</b>

<b>3. Trading Expenses</b>	<b>2004</b>	2003 (as restated)
	<b>£m</b>	£m
Changes in stocks of finished goods and work in progress	<b>(0.3)</b>	(0.6)
Raw materials, consumables and excise duty	<b>191.7</b>	188.0
Employment costs (note 5)	<b>117.9</b>	117.7
Depreciation	<b>25.1</b>	24.3
Revaluation losses on tangible fixed assets	<b>2.9</b>	3.0
Amortisation of goodwill	<b>7.0</b>	6.9
Other operating charges	<b>106.5</b>	104.5
	<b>450.8</b>	443.8

<b>Trading profit is stated after charging:</b>	<b>2004</b>	2003
	<b>£m</b>	£m
Depreciation	<b>25.1</b>	24.3
Amortisation of goodwill	<b>7.0</b>	6.9
Operating lease rentals		
– Plant and machinery	<b>3.3</b>	3.6
– Property	<b>5.6</b>	6.0
Auditors' fees		
– audit services	<b>0.2</b>	0.1
– taxation services	<b>0.4</b>	0.5

<b>4. Goodwill and Exceptionals</b>	<b>2004</b>	2003
	<b>£m</b>	£m
Amortisation of goodwill	<b>7.0</b>	6.9
<b>Exceptionals</b>		
Revaluation losses on tangible fixed assets	<b>2.9</b>	3.0
Integration of Morrells of Oxford	<b>–</b>	1.6
	<b>9.9</b>	11.5

<b>5. Employment Costs</b>	<b>2004</b>	2003
	<b>£m</b>	£m
Pay costs	<b>102.2</b>	102.5
Social security costs	<b>9.0</b>	7.8
Other pension costs (see note 7)		
Defined benefit	<b>4.8</b>	4.6
Defined contribution	<b>0.6</b>	0.6
Employee profit sharing scheme	<b>1.3</b>	0.9
Exceptional integration costs (see note 4)	<b>–</b>	1.3
	<b>117.9</b>	117.7

The average number of employees during the period was as follows:

	<b>2004</b>	2003
Pub Company	<b>8,778</b>	9,171
Pub Partners	<b>83</b>	84
Brewing Company	<b>678</b>	659
Corporate	<b>93</b>	99
	<b>9,632</b>	10,013

The figures above include 4,520 (2003 – 4,990) part-time employees.

## 6. Directors' Emoluments

	Notes	Annual pay 2004 £'000	Annual fees 2004 £'000	Annual bonus 2004 £'000	Non-cash benefits 2004 £'000	Other cash benefits 2004 £'000	Total 2004 £'000	Total 2003 £'000
David McCall*	1	-	125	-	-	-	125	110
Tim Bridge		375	-	281	28	-	684	591
Rooney Anand		205	-	154	18	8	385	319
Mark Angela	2	52	-	-	4	-	56	-
Alan Bowkett*		-	30	-	-	-	30	25
David Elliott		205	-	154	5	17	381	317
Graham Greene*		-	30	-	-	-	30	25
Norman Murray*	3	-	10	-	-	-	10	-
Howard Phillips*		-	30	-	-	-	30	25
Michael Shallow		235	-	176	6	64	481	416
Neil Gillis	4	67	-	-	2	4	73	321
		<b>1,139</b>	<b>225</b>	<b>765</b>	<b>63</b>	<b>93</b>	<b>2,285</b>	<b>2,149</b>

\*non-executive

1 David McCall has a consultancy agreement with the company that commenced on 1 May 2000 on a rolling annual basis. His fees include £96,000 per annum paid under this agreement. It contains no terms relating to its termination

2 Appointed 19 January 2004

3 Appointed 1 January 2004

4 Resigned 29 August 2003

No payments were made to any third parties in respect of any director's services. Non-cash benefits principally include the provision of company cars, fuels for company cars, life assurance, private medical insurance and the value of shares appropriated under the profit sharing scheme. Other cash benefits include a cash allowance paid in lieu of a company car and contributions towards the tax liabilities incurred from payments to funded unapproved pension arrangements.

### Directors' pensions

#### Accrued entitlements

	At 2 May 2004 £'000 pa Pension	At 2 May 2004 £'000 Lump sum	At 4 May 2003** £'000 pa Pension	At 4 May 2003** £'000 Lump sum	Additional benefit earned during the period ended 2 May 2004 £'000 pa Pension	Additional benefit earned during the period ended 2 May 2004 £'000 Lump sum	Increase in accrued benefit net of inflation £'000 pa Pension	Increase in accrued benefit net of inflation £'000 Lump sum
Tim Bridge	294	22	249	21	45	1	39	1
Michael Shallow	29	14	26	12	3	2	3	1

	At 2 May 2004 £'000	At 2 May 2003** £'000	Transfer value of year's accrual before inflation and net of director's contributions £'000	Change in transfer value net of director's contributions £'000
Tim Bridge	4,176	3,079	529	1,077
Michael Shallow	323	222	20	87

\* Transfer values are the liability of the pension fund, not an amount that is to be paid or due to the individual.

\*\* The prior year figures for Tim Bridge have been adjusted because his pension entitlement had been incorrectly reported in last year's accounts.

The Inland Revenue earnings cap restricts the pension that the scheme can provide for Michael Shallow. The scheme pension will, therefore, be supplemented through a funded unapproved pension arrangement, operating on a targeted defined contribution basis. Following an actuarial review, some deficit funding is now being undertaken. As a result, the company's contribution to the fund for the period in respect of Michael Shallow is £85,500 (2003 – £80,600).

Similar restrictions apply to the pensions for Rooney Anand and David Elliott who participate in funded unapproved arrangements operating on a defined contribution basis. The options open to Mark Angela in respect of his pension arrangements for his future earnings in excess of the Inland Revenue earning cap are currently under consideration. The company makes a contribution towards the tax liabilities incurred from payments to funded unapproved arrangements and these contributions are disclosed as 'other cash benefits' in the emoluments data shown on page 223.

Neil Gillis also participated in a defined contributed funded unapproved arrangement whilst he was a director.

Payments from the company made in the financial year in respect of defined contribution pension arrangements are shown in the table below.

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Rooney Anand	22,288	18,989
Mark Angela	6,393	-
David Elliott	30,423	26,734
Neil Gillis	7,363	19,687

Two former directors receive additional pension income from the company. John Bridge, who retired as a director on 31 December 1989, receives a pension of £12,185 pa in excess of his scheme entitlements and Bernard Tickner, who retired as a director on 27 August 1992, receives a pension of £9,674 pa in excess of his scheme entitlements. As required by law, both of these figures are stated net of their company-funded pension in payment at 31 March 1997.

#### *Share price during the period*

The closing mid-market price of the company's shares on 30 April 2004 (being the last business day before the financial period end) was 973p (2003 – 734½). The closing mid-market price of the company's shares during the period ranged between 975½p and 718½p.

#### *Executive share option*

A summary of the directors' interests in options granted under the executive share option scheme is shown below. Full details of each director's share options are contained in the company's register of director's interests.

	<b>Outstanding as at 4 May 2003</b>	<b>Granted during the period</b>	<b>Exercised during the period</b>	<b>Outstanding as at 2 May 2004*</b>	<b>Weighted average option price</b>	<b>Range of exercise dates</b>
Tim Bridge	279,096	45,000	197,096	127,000	758.5p	1/05-7/13
Rooney Anand	71,000	24,000	-	95,000	741.8p	1/05-7/13
Mark Angela	-	-	-	-	-	-
David Elliott	168,000	24,000	95,000	97,000	667.5p	7/03-7/13
Michael Shallow	215,663	28,000	79,663	164,000	622.9p	12/02-7/13

Note: All options were granted at exercise prices below the mid-market price as at close of business of 30 April 2004.

\* Neil Gillis had 143,000 options outstanding as at 4 May 2003 and exercised 60,000 during the year. 83,000 options were outstanding as at 29 August 2003, but following his resignation on that date, these options lapsed.

The exercise price for the options granted during the year is 828½p. The options may be exercised at any time between August 2006 and July 2013.

There have been no changes to the date of this report. No changes were made during the period to the terms and conditions of any options then outstanding.



Options issued under this scheme can only be exercised if a performance condition has been met. This condition relates to the growth in audited adjusted earnings per share and is as follows:

- for options granted prior to 4 January 2002, the growth must exceed RPI inflation by 2% per annum, measured over any period of three years between the date of grant and the date of exercise of the option
- for options granted on or after 4 January 2002 on an annual grant basis, the growth must exceed RPI inflation by 3% per annum, measured over any of the periods of 3, 4 or 5 financial years of the company, starting with the year in which the award is granted.

Details of the options exercised during the year, the notional gain before tax achieved by each director and the number of shares retained on exercise are shown below. Total gains made by directors exercising executive options in the period ended 2 May 2004 amounted to £1,617,154 (2003 - £104,394).

	Date of exercise	No. of options exercised	Option exercise price (p)	Market value at date of exercise (p)	Notional gain before tax (£)	No. of shares purchased
Tim Bridge	18-Feb-04	55,000	487½	940	248,875	17,000
Tim Bridge	18-Feb-04	5,000	463½	940	23,825	–
Tim Bridge	25-Mar-04	22,096	576	955	83,744	–
Tim Bridge	25-Mar-04	15,000	678	955	41,550	–
Tim Bridge	25-Mar-04	60,000	527	955	256,800	27,136
Tim Bridge	29-Mar-04	40,000	537½	956	167,400	40,000
David Elliott	23-Jul-03	45,000	487½	829½	153,900	2,500
David Elliott	10-Feb-04	50,000	527	923	198,000	8,000
Michael Shallow	03-Sep-03	18,084	586	851	47,923	–
Michael Shallow	03-Sep-03	16,572	576	851	45,573	–
Michael Shallow	03-Sep-03	10,007	649	851	20,214	–
Michael Shallow	03-Sep-03	15,000	678	851	25,950	13,793
Michael Shallow	25-Mar-04	20,000	537½	955	83,500	–
Neil Gillis	1-Jul-03	60,000	463½	830	219,900	–
Total					1,617,154	

#### Long-term incentive plan

A summary of the directors' interests in options granted under the long-term incentive plan (LTIP) is shown below. The plan was introduced during the period and accordingly no options were outstanding as at the end of the previous period. Full details of each director's LTIP options are contained in the company's register of directors' interests.

	Granted during the period	Exercised during the period	Outstanding as at 2 May 2004*	Performance period
Tim Bridge	43,000	–	43,000	5/03-5/06
Rooney Anand	23,000	–	23,000	5/03-5/06
Mark Angela	–	–	–	–
David Elliott	23,000	–	23,000	5/03-5/06
Michael Shallow	27,000	–	27,000	5/03-5/06

No options were granted to Neil Gillis, who resigned before the options were granted.

The market price of the shares on 9 October 2003, the date of the awards, was 863½p.

No options were exercised or lapsed during the period, and there have been no changes to the date of this report. No changes were made during the period to the terms and conditions of any options then outstanding.

#### Sharesave scheme

The Inland Revenue approved sharesave scheme is open to all employees, including directors and part-time employees. Under this scheme options are granted over the company's ordinary shares, at an option price which, at board discretion, can be at a discount of up to 20 per cent of the mid-market price at the time of granting. The company has historically granted all such options at a 20 per cent. discount.

A grant of options was made under the sharesave scheme at an exercise price of 702p per share on 12 February 2004. Options granted under this scheme can be exercised at any time during a six month

period commencing on either 1 April 2007 or 1 April 2009, as selected by the participant at the commencement of the savings contract.

The directors' interests in options granted under the sharesave scheme are:

	Outstanding as at 4 May 2003	Granted during the period	Exercised during the period	Outstanding as at 2 May 2004	Option price
Tim Bridge	1,666	-	-	1,666	570p
Rooney Anand	-	-	-	-	-
Mark Angela	-	1,314	-	1,314	702p
David Elliott	2,201	2,257	2,201	2,257	702p
Michael Shallow	1,678	-	-	1,678	563p

Neil Gillis had an option to acquire 1,666 shares under the scheme at the beginning of the year which lapsed on his resignation from the company on 29 August 2003.

David Elliott exercised an option at a price of 440p per share on 15 April 2004, when the closing mid-market price of the company's shares was 966p, so achieving a notional gain of £11,577. He has retained the shares issued to him on exercise of the options.

Tim Bridge's option can be exercised between 1 April and 30 September 2005. Michael Shallow's option can be exercised between 1 April and 30 September 2006. Mark Angela's option can be exercised between 1 April and 30 September 2007. David Elliott's option can be exercised between 1 April and 30 September 2009. All options outstanding at 2 May 2004 were granted at an option price below the year-end mid-market price.

#### *Profit-sharing scheme*

The Inland Revenue approved profit-sharing scheme is open to all those employees who at the date of appropriation were employed throughout the whole of the previous financial year. Shares are appropriated once annually according to a pre-set formula relating to the year-on-year increase in the company's profits. The directors' beneficial interests in Greene King shares resulting from participation in this scheme are reflected in their shareholding data given above, and the value of their entitlements for the latest period is included in non-cash benefits in the remuneration table, as the shares have not yet been awarded.

## **7. Pensions**

The group maintains a defined contribution scheme, which is open to all new employees, a Greene King defined benefit scheme which closed to new entrants on 2 May 1997 and a Morland defined benefit scheme for former Morland employees which was closed to new entrants on 12 December 2000.

Member funds for the defined contribution scheme are held and administered by the Prudential Assurance Company.

Member funds for the defined benefit schemes are held in separate funds independently of the group's finances and are administered by pension trustees.

Actuarial valuations of the defined benefit schemes were carried out by SBJ Benefit Consultants as at 5 April 2003 using the projected unit method. As the scheme is now closed to new members the current service cost, under the projected unit credit valuation basis, will increase as a percentage of salary as members of the scheme approach retirement although the overall cost will decrease as the number of members decreases.

The principal assumptions were that retail price inflation would be 2.50% per annum, pension increases would be in line with price inflation, real salary growth would be 1.75% per annum and the real investment return would be 5.5% pre-retirement and 3.0% post-retirement per annum.

The total market value of the schemes' assets was £80.4 million, which represented 72% of the accrued members benefits.

This shortfall is being funded by contributions of £2.8 million per annum. Contributions of 15.6% of pensionable salaries are being made in respect of current service.

For FRS 17 purposes, the most recent valuations have been updated to 2 May 2004, using the principal assumptions that price inflation would be 2.90% per annum (2003 – 2.50%), pension increases would

be 2.70% per annum (2003 - 2.50%), real salary growth would be 2.00% per annum (2003 - 1.75%) and the discount rate would be 5.70% per annum (2003 - 5.40%).

The assets in the defined benefit schemes and their expected rates of return were:

	<b>Long-term rate of return expected at 2 May 2004</b>	Long-term rate of return expected at 4 May 2003	Long-term rate of return expected at 4 May 2002	<b>Value at 2 May 2004 £m</b>	Value at 4 May 2003 £m	Value at 4 May 2002 £m
Equities	<b>8.2%</b>	7.9%	7.9%	<b>81.8</b>	67.7	77.7
Bonds	<b>5.0%</b>	4.6%	5.5%	<b>10.7</b>	13.2	17.0
Property	<b>8.2%</b>	6.7%	6.8%	<b>0.4</b>	0.3	1.8
Cash	<b>4.0%</b>	3.8%	4.6%	<b>7.3</b>	3.0	3.4
Total market value of assets	<b>7.6%</b>	7.2%	7.4%	<b>100.2</b>	84.2	99.9
Present value of scheme liabilities				<b>(130.2)</b>	(136.9)	(125.7)
Deficit in the schemes				<b>(30.0)</b>	(52.7)	(25.8)
Related deferred tax asset				<b>9.0</b>	15.8	7.7
Net pension <sup>1</sup> liability				<b>(21.0)</b>	(36.9)	(18.1)

If FRS 17 had been adopted in the financial statements, year end net assets and profit and loss reserves would be:

	<b>Value at 2 May 2004 £m</b>	Value at 4 May 2003 (as restated) £m
Net assets excluding SSAP 24 pension asset	<b>654.1</b>	585.7
FRS 17 pension liability	<b>(21.0)</b>	(36.9)
	<b>633.1</b>	548.8
Profit and loss reserve excluding SSAP 24 pension asset	<b>171.6</b>	146.9
FRS 17 pension reserve	<b>(21.0)</b>	(36.9)
	<b>150.6</b>	110.0

Analysis of the amount that would have been charged to the profit and loss account:

	<b>2004 £m</b>	2003 £m
Current service cost	<b>2.0</b>	2.2
Past service cost	<b>-</b>	-
Total that would have been charged to operating profit	<b>2.0</b>	2.2
Expected return on pension scheme assets	<b>6.1</b>	7.4
Interest on pension scheme liabilities	<b>(7.3)</b>	(7.1)
	<b>(1.2)</b>	0.3
Total that would have been charged to the profit and loss account	<b>3.2</b>	1.9

Analysis of the amount that would have been recognised in the statement of total recognised gains and losses (STRGL):

	<b>2004</b>	2003
	<b>£m</b>	£m
Actual return less expected return on pension scheme assets	<b>10.7</b>	(23.9)
Experience gains and losses arising on the scheme liabilities	<b>9.0</b>	1.1
Changes in assumptions underlying the present value of scheme liabilities	<b>1.9</b>	(7.6)
<b>Actuarial gain/(loss) that would have been recognised in the STRGL</b>	<b>21.6</b>	<b>(30.4)</b>

Analysis of the movement in scheme deficit during the year:

	<b>2004</b>	2003
	<b>£m</b>	£m
Deficit at beginning of year	<b>(52.7)</b>	(25.8)
Current service cost	<b>(2.0)</b>	(2.2)
Contributions paid	<b>4.3</b>	5.4
Past service costs	-	-
Other finance (charge)/income	<b>(1.2)</b>	0.3
Actuarial gain/(loss)	<b>21.6</b>	(30.4)
<b>Deficit at end of year</b>	<b>(30.0)</b>	<b>(52.7)</b>

	<b>2004</b>	2003
	<b>£m</b>	£m
History of experience gains and losses:		
	<b>2004</b>	2003
Difference between the expected and actual return on scheme assets		
Value (£m)	<b>10.7</b>	(23.9)
Percentage of scheme assets	<b>11%</b>	28%
Experience gains and losses on scheme liabilities		
Value (£m)	<b>9.0</b>	1.1
Percentage of the present value of the scheme liabilities	<b>7%</b>	1%
Total amount that would have been recognised in the STRGL		
Value (£m)	<b>21.6</b>	(30.4)
Percentage of the present value of the scheme liabilities	<b>17%</b>	22%

## **8. Interest**

	<b>2004</b>	2003
	<b>£m</b>	£m
Interest payable on bank loans and overdrafts	<b>18.1</b>	18.1
Interest payable on other loans	<b>11.1</b>	10.2
	<b>29.2</b>	28.3

## 9. Taxation

	2004			2003
	On profits before exceptional items £m	Exceptional items £m	Total £m	Total £m
<b>Current taxation</b>				
Corporation tax before exceptional items	21.7	-	21.7	19.3
Exceptional credit	-	(3.4)	(3.4)	(0.5)
Corporation tax	21.7	(3.4)	18.3	18.8
Adjustment in respect of prior years	(1.5)	-	(1.5)	(4.0)
	20.2	(3.4)	16.8	14.8
<b>Deferred taxation</b>				
Origination and reversal of timing differences	4.9	-	4.9	7.6
Total	25.1	(3.4)	21.7	22.4

The tax effect of non-operating exceptionals was nil (2003 - nil)

	2004	2003 (as restated)
<b>Factors affecting current taxation charge for year</b>		
The effective rate of taxation is lower than the full rate of corporation tax.		
The differences are explained below:	£m	£m
Profit on ordinary activities before tax	73.7	66.8
Profit on ordinary activities multiplied by standard rate corporation tax 30% (2003 - 30%)	22.1	20.0
Effects of:		
Expenses not deductible for tax purposes		
- Goodwill	2.1	2.0
- Other	0.2	0.1
Capital allowances in year in excess of depreciation	(3.2)	(3.3)
Rollover relief on profit on disposal of property	(0.4)	(0.9)
Revaluation losses	0.9	0.9
Exceptional credit	(3.4)	-
Adjustments to tax charge in respect of previous years	(1.5)	(4.0)
	16.8	14.8

The exceptional credit is in respect of tax relief on intra-group transactions eliminated on consolidation

### Factors that may affect future tax charges

Based on current capital investment plans, it is anticipated that capital allowance claims will be in excess of depreciation in future years. No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £93.8 million (2003 - £80.4 million). At present it is not envisaged that any tax will become payable in the foreseeable future.

## 10. Profit/(Loss) After Taxation

	2004 £m	2003 £m
Attributable to parent company	<b>33.1</b>	(4.7)

As permitted by the Companies Act 1985 the profit and loss account of the parent company has not been separately presented.

## 11. Dividends

	2004 £m	2003 £m
Interim 9.5p paid per share (2003 – 8.6p)	<b>6.9</b>	6.3
Final 23.5p proposed per share (2003 – 21.3p)	<b>16.9</b>	15.1
Total 33.0p per share (2003 – 29.9p)	<b>23.8</b>	21.4

Dividends on own shares have been waived.

## 12. Earnings per Share

Basic earnings per share has been calculated by dividing the profit after taxation of £52.0 million (2003 – £44.4million as restated) by the weighted average number of shares in issue (excluding own shares held) of 71.7 million (2003 – 73.3million). Adjusted earnings per share excludes the effect of exceptional items and the amortisation of goodwill and is presented to show the underlying performance of the group.

	Earnings		Earnings per share	
	2004 £m	2003 (as restated) £m	2004 p	2003 (as restated) p
Basic	<b>52.0</b>	44.4	<b>72.5</b>	60.6
Goodwill and exceptionals	<b>5.5</b>	7.7	<b>7.7</b>	10.5
Adjusted	<b>57.5</b>	52.1	<b>80.2</b>	71.1

Diluted earnings per share has been calculated on a similar basis taking account of 0.8 million (2003 – 0.6 million) contingent shares under option.

13. Intangible Assets	Goodwill £m
Cost at 4 May 2003 and 2 May 2004	140.2
<b>Amortisation</b>	
At 4 May 2003	20.1
Charged during the year	7.0
At 2 May 2004	27.1
<b>Net book value</b>	
<b>At 2 May 2004</b>	<b>113.1</b>
At 4 May 2003	120.1

Goodwill is being amortised evenly over the estimated useful economic life of 20 years.

## 14. Tangible Assets

Group	Licensed estate		Other		Total £m
	Land and buildings £m	Fixtures, fittings and equipment £m	Land and buildings £m	Fixtures, fittings and equipment £m	
<b>Assets</b>					
Cost or valuation at 4 May 2003	697.3	183.6	39.3	59.9	980.1
Prior year adjustment (note 1)	111.4	–	–	–	111.4
Opening balance (as restated)	808.7	183.6	39.3	59.9	1,091.5
Additions during period	45.4	23.6	1.7	4.4	75.1
Disposals during period	(4.6)	(4.6)	–	(3.2)	(12.4)
Revaluation of properties	43.9	–	–	–	43.9
<b>Balances at 2 May 2004</b>	<b>893.4</b>	<b>202.6</b>	<b>41.0</b>	<b>61.1</b>	<b>1,198.1</b>
<b>Depreciation</b>					
Accumulated depreciation at 4 May 2003	13.9	70.4	0.8	34.7	119.8
Prior year adjustment (note 1)	(13.9)	–	–	–	(13.9)
Opening balance (as restated)	–	70.4	0.8	34.7	105.9
Written back on disposals	(1.2)	(0.7)	–	(3.1)	(5.0)
Revaluation of properties	(1.4)	–	–	–	(1.4)
Provided in these accounts	2.6	17.3	0.4	4.8	25.1
<b>Balances at 2 May 2004</b>	<b>–</b>	<b>87.0</b>	<b>1.2</b>	<b>36.4</b>	<b>124.6</b>
<b>Net book value</b>					
<b>At 2 May 2004</b>	<b>893.4</b>	<b>115.6</b>	<b>39.8</b>	<b>24.7</b>	<b>1,073.5</b>
At 4 May 2003 (as restated)	808.7	113.2	38.5	25.2	985.6
At 4 May 2003	683.4	113.2	38.5	25.2	860.3

The net book value of land and buildings comprises:

	Group 2004	2003 (as restated)
	£m	£m
Freehold properties	891.7	811.8
Long leasehold properties	35.5	28.7
Short leasehold properties	6.0	6.7
	<b>933.2</b>	<b>847.2</b>

### Valuation

The licensed estate properties were valued by the group's own professionally qualified chartered surveyors, as at 20 December 2003, on the basis of existing use value, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards. A representative sample of properties was also valued by external valuers, Gerald Eve Chartered Surveyors and Property Consultants, who confirmed that the values are consistent with their own figures.

Up to 1999 the brewery and depots were valued at depreciated replacement cost and other properties at open market value. These valuations have been retained but they have not been updated. Subsequent additions have been included at cost or, in the case of acquisitions, at fair value.

## Historical cost

The historical cost amounts for land and buildings are:

	2004 £m	2003 £m
Historical cost	678.1	635.0
Accumulated depreciation	(12.8)	(11.3)
Net book value	665.3	623.7

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Future capital expenditure	Group	
	2004 £m	2003 £m
Contracted for	4.8	1.7

## 15. Investments

	Group		Parent	
	2004 £m	2003 £m	2004 £m	2003 £m
Trade loans less provisions	15.1	16.9	-	-
Share of net assets of associates	3.0	3.0	-	-
Shares in associates	-	-	0.7	0.7
Shares in subsidiaries	-	-	474.8	473.8
Loans to subsidiaries	-	-	515.0	515.0
	18.1	19.9	990.5	989.5

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	Group		Parent	
	2004 £m	2003 £m	2004 £m	2003 £m
Balances at 4 May 2003	16.9	18.3	-	-
Advances	6.1	3.5	-	-
Repayments and provisions	(7.9)	(4.9)	-	-
<b>Balances at 2 May 2004</b>	<b>15.1</b>	<b>16.9</b>	<b>-</b>	<b>-</b>

Trade loans are net of provisions of £2.3 million (2003 – £2.0 million).

Associates	Country of Incorporation and Operation	Issued capital	Holding
Butterfly Hotels Limited	England	£325,000 ordinary shares	45%
Pubco PLC	England	£100,000 ordinary shares	33%

The results of Butterfly Hotels Limited and Pubco PLC have not been included as the amounts are not material.

Principal subsidiaries	Country of operation	Principal activity	Holding
Greene King Acquisitions Limited	United Kingdom	Pub Retailing	100%
Greene King Brewing and Retailing Limited	United Kingdom	Brewing and retailing	100%
Greene King Leasing No. 1 Limited	United Kingdom	Property	100%
Greene King Leasing No. 2 Limited	United Kingdom	Property	100%
Greene King Services Limited	United Kingdom	Employment	100%
Greene King Retail Services Limited	United Kingdom	Employment	100%



<b>Shares in subsidiaries</b>	<b>Parent</b>	
	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>£m</b>
Cost and NBV at 4 May 2003	<b>473.8</b>	610.5
Revaluation of investment in subsidiary	<b>1.0</b>	–
Investment in Morrells of Oxford	–	44.1
Intra group transfers	–	(180.8)
<b>Cost and NBV at 2 May 2004</b>	<b>474.8</b>	<b>473.8</b>

<b>Loans to subsidiaries</b>	<b>Parent</b>	
	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>£m</b>
Cost and NBV at 4 May 2003	<b>515.0</b>	530.0
Advances	–	60.0
Repayments	–	(75.0)
<b>Cost and NBV at 2 May 2004</b>	<b>515.0</b>	<b>515.0</b>

#### **16. Stocks**

	<b>Group</b>		<b>Parent</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Raw materials and work in progress	<b>0.8</b>	0.8	–	–
Finished goods and goods for resale	<b>9.5</b>	8.8	–	–
Consumable stores	<b>1.3</b>	1.4	–	–
	<b>11.6</b>	11.0	–	–

#### **17. Debtors**

	<b>Group</b>		<b>Parent</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Trade debtors	<b>23.6</b>	22.4	–	–
Other debtors	<b>2.8</b>	3.6	–	–
Prepayments and accrued income	<b>4.6</b>	4.2	–	–
	<b>31.0</b>	30.2	–	–

Included above are the following amounts falling due after more than one year:

Other debtors	<b>0.3</b>	0.4	–	–
Prepayments and accrued income (pension fund prepayment)	–	0.3	–	–

#### **18. Creditors: Amounts falling due within one year**

	<b>Group</b>		<b>Parent</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank overdrafts	<b>4.5</b>	6.9	<b>0.6</b>	13.4
Bank loan	<b>2.1</b>	–	–	–
	<b>6.6</b>	6.9	<b>0.6</b>	13.4

## Other creditors

	Group		Parent	
	2004	2003	2004	2003
	£m	£m	£m	£m
Trade creditors	31.4	32.7	-	-
Current corporation tax	14.1	12.4	-	-
Other taxation and social security costs	17.5	19.1	-	-
Proposed dividend	16.8	15.0	16.7	15.0
Accruals and deferred income	29.0	27.6	1.9	1.8
Amounts owed to subsidiaries	-	-	196.0	195.6
	<b>108.8</b>	106.8	<b>214.6</b>	212.4

## 19. Creditors: Amounts Falling due after more than one year Medium and long-term debt

	Group		Parent	
	2004	2003	2004	2003
	£m	£m	£m	£m
Bank loans - variable	295.9	281.4	295.9	281.4
Bank loan - fixed	70.2	74.3	-	-
Loan from associate	50.1	51.0	50.1	51.0
Debenture	31.0	31.1	31.0	31.1
Loan notes	0.3	4.4	0.3	4.4
	<b>447.5</b>	442.2	<b>377.3</b>	367.9

## 20. Provisions for Liabilities and Charges Deferred taxation

	Group	
	2004	2003
	£m	£m
Accelerated capital allowances	39.4	34.5
Accruals and deferred income	(1.6)	(1.6)
	<b>37.8</b>	32.9
Opening provision	32.9	25.0
Deferred tax charge	4.9	7.6
Morrells of Oxford	-	0.3
Closing provision	<b>37.8</b>	32.9

## 21. Financial Instruments and Loan Capital

The group's objectives and policies on the use of financial instruments can be found in the Financial Review. All financial assets and liabilities are denominated in sterling.

	Repay- ment date	Nominal interest rate	Facility amount £m	Nominal value 2004 £m	Nominal value 2003 £m	Carrying value 2004 £m	Carrying value 2003 £m
Parent – secured	2006	11.25%		47.5	47.5	50.1	51.0
Loan from associate	2027	7.75%		25.0	25.0	31.0	31.1
Parent – unsecured							
Bank loans	2004 to 2010	Variable	360.0	295.0	280.0	295.9	281.4
Bank loans	2004 to 2018	6.78%		72.3	74.3	72.3	74.3
Loan notes	2005	Variable		0.3	4.4	0.3	4.4
Overdraft	On demand	Variable	25.0	4.5	6.9	4.5	6.9
						<b>454.1</b>	449.1

The loan from associate and debenture stock are secured by a first floating charge over the group's principal trading companies. Loans not wholly repayable within 5 years comprise debenture stock of £31.0 million (2003 - £31.1 million) which is repayable on 31 May 2027 with a 7.75% fixed rate coupon and unsecured 6.78% fixed rate bank loan of £72.3 million (2003 - £74.3 million) repayable in annual instalments to 10 July 2018.

### Maturity of financial liabilities and expiry of facilities

	Expiry of undrawn facilities		Maturity of financial liabilities	
	2004 £m	2003 £m	2004 £m	2003 £m
Within one year or on demand	20.5	18.1	6.6	13.0
Between one and two years	-	30.0	72.7	172.1
Between two and five years	30.0	-	285.1	135.8
After five years	35.0	10.0	89.7	128.2
	<b>85.5</b>	58.1	<b>454.1</b>	449.1

### Analysis of interest rate exposure and fair values

	Effective interest rate	Period rate fixed	Fair value	Fair value	Carrying value	Carrying value
			2004 £m	2003 £m	2004 £m	2003 £m
Loan from associate – fixed rate	8.4%	2 years	53.8	57.3	50.1	51.0
Debenture – fixed rate	5.8%	23 years	28.2	28.2	31.0	31.1
Bank loans – fixed rate	7.2%	14 years	79.3	85.1	72.3	74.3
Bank loans – swapped into fixed interest	6.7%	5 years	235.7	250.6	230.9	236.4
			<b>397.0</b>	421.2	<b>384.3</b>	392.8
Bank loans – variable			65.0	45.0	65.0	45.0
Loan notes – variable			0.3	4.4	0.3	4.4
			<b>462.3</b>	470.6	<b>449.6</b>	442.2
Overdraft – variable					4.5	6.9
Cash – nil interest					(7.5)	(8.0)
Net debt					<b>446.6</b>	441.1

Fair values and effective interest rates have been calculated by discounting future cash flows by reference to the market yield curve at the balance sheet date. The fair value of cash and trade loans is not materially different from book value.

The fair value liability of the interest rate swaps was £4.2 million (2003 – £15.6 million). The expected loss to be recognised in the profit and loss account in the following year was £0.8 million (2003 – £3.1 million). The actual loss recognised in the profit and loss account during the year was £3.7 million (2003 – £3.1 million). The carrying value of interest rate swaps of £0.9 million (2003 – £1.4 million) is included within bank loans - variable.

The weighted average effective fixed interest rate is 7.0% (2003 – 7.0%), with weighted average maturity in 7.6 years (2003 – 8.0 years).

Interest on variable rate loans are all linked to LIBOR.

Short term debtors and creditors are excluded from the above.

Trade loans are advanced to customers on terms linked to supply terms such that returns are significantly greater than interest income.

The fixed rate trade loans amounted to £11.5 million (2003 – £13.6 million) and variable rate trade loans amounted to £3.6 million (2003 – £3.3 million).

The fixed rate trade loans had weighted average interest rate of 0.4% (2003 – 0.7%) and a weighted average period of 1.2 years (2003 – 1.8 years). Interest rates on variable rate trade loans are linked to base rate.

## 22. Called-Up Share Capital

	2004 £m	2003 £m
Ordinary shares of 25p each		
Authorised – 100 million shares (2003 – 100 million)	25.0	25.0
Issued – 72.1 million shares (2003 – 71.6 million)	18.0	17.9

At 2 May 2004 there were outstanding options under the executive share option scheme for directors and employees to purchase up to 1.4 million (2003 – 2.2 million) shares up to 2013 at prices ranging between 463.5p and 828.5p per share. In addition under the long term incentive plan the directors have options over 0.1 million shares (2003 – nil) at no cost. Further information on the executive share options and the long term incentive plan are shown in the remuneration report.

There were also outstanding options under the sharesave scheme to purchase up to 0.8 million (2003 – 0.9 million) shares on a range of dates between 2004 and 2009 at prices ranging between 382p and 702p per share.

During the year 1.1 million (2003 – 0.4 million) shares were issued for £ 5.7 million (2003 – £1.6 million) cash in connection with sharesave and executive share option schemes. 0.6 million (2003 – 2.9 million) shares were repurchased for £ 5.3 million (2003 – £ 19.9 million) cash and subsequently cancelled.

During the year 0.9 million (2003 – nil) shares were repurchased for £9.0 million (2003 – nil) cash and held in treasury or by the Employee Benefit Trust. 0.1 million of these shares were transferred for £0.5 million to satisfy options exercised under the executive share option scheme.

## 23. Movements in Shareholders' Funds

Group	Share capital £m	Share premium £m	Revalua- tion reserve £m	Other reserve £m	Investment in own shares £m	Profit and loss account £m	Total £m
At 4 May 2003 (as previously reported)	17.9	183.8	98.3	0.8	-	159.9	460.7
Prior year adjustment (note 1)	-	-	138.0	-	-	(12.7)	125.3
Opening balance (as restated)	17.9	183.8	236.3	0.8	-	147.2	586.0
Retained profit	-	-	-	-	-	28.2	28.2
Unrealised surplus on property revaluations (note 1)	-	-	61.3	-	-	-	61.3
Unrealised deficit on property revaluations (note 1)	-	-	(13.6)	-	-	-	(13.6)
Issue of share capital	0.3	5.4	-	-	0.5	-	6.2
Purchase of own share capital	(0.2)	-	-	0.2	(9.0)	(5.3)	(14.3)
Accrued share based payments	-	-	-	-	-	0.3	0.3
Transfer	-	-	(1.2)	-	-	1.2	-
<b>At 2 May 2004</b>	<b>18.0</b>	<b>189.2</b>	<b>282.8</b>	<b>1.0</b>	<b>(8.5)</b>	<b>171.6</b>	<b>654.1</b>

The Other reserve is a capital redemption reserve arising from the purchase of own share capital.

The Investment in own shares relates to shares held in treasury and by the employee benefit trust. At 2 May 2004 0.5 million shares (2003 – Nil) were held in treasury and 0.4 million shares (2003 – Nil) by the employee benefit trust. The market values at that date were £ 4.7 million and £ 3.5 million (2003 – Nil and Nil) respectively.

The employee benefit trust is independently managed and has purchased shares in order to satisfy outstanding employee share options and potential awards under the long term incentive plan. None of the shares held at the year end have been allocated to specific option arrangements.

The cumulative amount of goodwill written off to reserves in respect of acquisitions made prior to May 1999 amounts to £89.7 million (2003 – £89.7 million).

Parent company	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserve £m	Investment in own shares	Profit and loss account	Total
At 4 May 2003	17.9	183.8	1.5	95.7	–	96.9	395.8
Retained profit	–	–	–	–	–	9.3	9.3
Issue of share capital	0.3	5.4	–	–	0.5	–	6.2
Purchase of own share capital	(0.2)	–	–	0.2	(9.0)	(5.3)	(14.3)
Revaluation of investment in subsidiary	–	–	1.0	–	–	–	1.0
Transfer	–	–	–	(1.1)	–	1.1	–
<b>At 2 May 2004</b>	<b>18.0</b>	<b>189.2</b>	<b>2.5</b>	<b>94.8</b>	<b>(8.5)</b>	<b>102.0</b>	<b>398.0</b>

The Other reserve consists of £1.0 million (2003 – £0.8 million) capital redemption reserve arising from the purchase of own share capital, and £93.8 million (2003 – £94.9 million) arising from transfer of revalued assets to other group companies.

## 24. EBITDA

	2004 £m	2003 (as restated) £m
Trading profit	101.9	91.8
Amortisation of goodwill and exceptionals	9.9	11.5
Trading profit before goodwill and exceptionals	111.8	103.3
Depreciation	25.1	24.3
	<b>136.9</b>	<b>127.6</b>

EBITDA represents earnings before interest, tax, depreciation, amortisation of goodwill and exceptionals.

## 25. Working Capital and Non Cash Movements

	2004 £m	2003 £m
Increase in provision against investments	0.3	–
(Increase) / decrease in stocks	(0.6)	0.7
Increase in debtors	(0.8)	(5.1)
Decrease in creditors	(0.5)	(2.0)
Accrued share based payments	0.3	–
	<b>(1.3)</b>	<b>(6.4)</b>

## 26. Analysis of Changes in Net Debt

	At 4 May 2002 £m	Cash flows £m	Debt acquired £m	At 4 May 2003 £m	Cash flows £m	At 2 May 2004 £m
Cash in hand, at bank	2.2	5.8	–	8.0	(0.5)	7.5
Overdrafts	(5.6)	(1.3)	–	(6.9)	2.4	(4.5)
Debt due within one year	–	–	–	–	(2.1)	(2.1)
Debt due after one year	(384.5)	(38.4)	(19.3)	(442.2)	(5.3)	(447.5)
	<b>(387.9)</b>	<b>(33.9)</b>	<b>(19.3)</b>	<b>(441.1)</b>	<b>(5.5)</b>	<b>(446.6)</b>

## 27. Financial Commitments

Group	Property		Plant and machinery	
	2004 £m	2003 £m	2004 £m	2003 £m
Annual payments under operating leases which expire:				
Within one year	<b>0.1</b>	0.1	<b>1.6</b>	2.1
Between two and five years	<b>0.3</b>	0.3	<b>1.8</b>	1.9
After five years	<b>4.6</b>	5.2	–	–
	<b>5.0</b>	5.6	<b>3.4</b>	4.0

## APPENDIX 2

### UNAUDITED PUBLISHED INTERIM FINANCIAL STATEMENTS OF GREENE KING PLC FOR THE 24 WEEKS ENDED 17 OCTOBER, 2004

#### PROFIT AND LOSS ACCOUNT

for the twenty-four weeks ended 17 October 2004

	Note	Change %	24 weeks to 17.10.04 Before goodwill and except- ionals £m	Goodwill and except- ionals £m	Total £m	24 weeks to 19.10.03 Total £m	52 weeks to 02.05.04 Total £m
<b>Turnover</b>							
Continuing operations			262.8	–	262.8	258.2	552.7
Acquisition			51.6	–	51.6	–	–
		+22	314.4	–	314.4	258.2	552.7
<b>Trading profit</b>							
Continuing operations			56.4	(3.3)	53.1	48.8	101.9
Acquisition			11.2	(2.4)	8.8	–	–
Total	2-3		67.6	(5.7)	61.9	48.8	101.9
Disposal of fixed assets			–	4.0	4.0	0.2	1.0
Profit before interest			67.6	(1.7)	65.9	49.0	102.9
Interest			(23.2)	–	(23.2)	(13.4)	(29.2)
Profit before taxation			44.4	(1.7)	42.7	35.6	73.7
Taxation	4		(13.5)	0.2	(13.3)	(10.0)	(21.7)
Profit after taxation			30.9	(1.5)	29.4	25.6	52.0
Dividends			(7.4)	–	(7.4)	(6.9)	(23.8)
Retained profit			23.5	(1.5)	22.0	18.7	28.2
<b>Trading profit before goodwill and exceptionals</b>							
		+30	67.6			52.0	111.8
<b>Profit before taxation, goodwill and exceptionals</b>							
		+15	44.4			38.6	82.6
<b>Earnings per share</b>							
– adjusted	5	+15	43.3p			37.5p	80.2p
– basic	5	+15			41.2p	35.7p	72.5p
– diluted	5	+16			40.7p	35.2p	71.7p
Dividend per share		+10	10.45p			9.50p	33.00p
<b>Adjusted trading profit/turnover</b>							
			21.5%			20.1%	20.2%
<b>Adjusted taxation/profit</b>							
			30.4%			30.3%	30.4%
<b>Adjusted interest cover (times)</b>							
			2.9			3.9	3.8

Adjusted earnings per share, trading profit, taxation and interest cover exclude the effect of exceptional items and the amortisation of goodwill.

**BALANCE SHEET**

as at 17 October 2004

	Note	As at 17.10.04 £m	As at 19.10.03 (as restated) £m	As at 02.05.04 £m
<b>Fixed assets</b>				
Intangible assets		269.3	116.9	113.1
Tangible assets		1,601.9	1,017.8	1,073.5
Investments		15.4	18.8	18.1
		<b>1,886.6</b>	1,153.5	1,204.7
<b>Current assets</b>				
Stocks		14.5	11.7	11.6
Debtors		33.3	33.9	31.0
Cash at bank		13.8	7.0	7.5
<b>Creditors: due within one year</b>				
Short term debt		(5.0)	(14.2)	(6.6)
Other creditors		(145.0)	(99.8)	(108.8)
Net current liabilities		<b>(88.4)</b>	(61.4)	(65.3)
Total assets less current liabilities		<b>1,798.2</b>	1,092.1	1,139.4
<b>Creditors: due after more than one year</b>				
Medium and long term debt		<b>(1,083.0)</b>	(449.4)	(447.5)
<b>Provisions for liabilities and charges</b>				
Deferred tax		<b>(37.0)</b>	(35.4)	(37.8)
<b>Net assets</b>		<b>678.2</b>	607.3	654.1
<b>Capital and reserves</b>				
Called-up share capital	7	18.1	18.0	18.0
Share premium account	7	191.0	186.6	189.2
Revaluation reserve		282.7	235.8	282.8
Other Reserve	7	1.0	0.8	1.0
Investment in own shares	7	(8.5)	–	(8.5)
Profit and loss account	7	193.9	166.1	171.6
<b>Equity shareholders' funds</b>		<b>678.2</b>	607.3	654.1
<b>Net debt</b>		<b>1,074.2</b>	456.6	446.6
<b>Gearing</b>		<b>158%</b>	75%	68%
<b>Net assets per share</b>		<b>950p</b>	842p	919p



## CASH FLOW STATEMENT

for the twenty-four weeks ended 17 October 2004

	Note	Change %	24 weeks to 17.10.04 £m	24 weeks to 19.10.03 £m	52 weeks to 02.05.04 £m
<b>EBITDA</b>	8	+29	<b>81.8</b>	63.2	136.9
Working capital and non cash movements	9		<b>27.3</b>	(1.4)	(1.3)
Exceptional items			<b>(0.7)</b>	-	-
<b>Cash inflow from operations</b>			<b>108.4</b>	61.8	135.6
<b>Cash inflow from operations</b>			<b>108.4</b>	61.8	135.6
<b>Returns on investments and servicing of finance</b>					
Interest paid			<b>(25.2)</b>	(17.4)	(30.2)
<b>Taxation</b>			<b>(6.5)</b>	(8.0)	(15.1)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets			<b>(25.4)</b>	(45.0)	(75.1)
Sales of fixed assets			<b>10.7</b>	4.8	7.9
Movements in trade loans			<b>(0.4)</b>	1.0	1.5
			<b>(15.1)</b>	(39.2)	(65.7)
<b>Acquisition</b>					
Laurel Neighbourhood business	6		<b>(206.5)</b>	-	-
<b>Equity dividends paid</b>			<b>(16.7)</b>	(15.3)	(22.0)
<b>Cash (outflow)/inflow before financing</b>			<b>(161.6)</b>	(18.1)	2.6
<b>Financing</b>					
Issue of shares			<b>1.9</b>	2.9	6.2
Purchase of own shares			-	(0.3)	(14.3)
Advance of bank loans			<b>159.6</b>	7.2	7.4
			<b>161.5</b>	9.8	(0.7)
<b>(Decrease)/increase in cash</b>			<b>(0.1)</b>	(8.3)	1.9
<b>Reconciliation to movement in net debt</b>					
(Decrease)/increase in cash			<b>(0.1)</b>	(8.3)	1.9
Cash inflow from increase in debt			<b>(159.6)</b>	(7.2)	(7.4)
Increase in net debt resulting from cashflows			<b>(159.7)</b>	(15.5)	(5.5)
Cash acquired – Laurel Neighbourhood business	6		<b>5.8</b>	-	-
Debt acquired – Laurel Neighbourhood business	6		<b>(473.7)</b>	-	-
Increase in net debt			<b>(627.6)</b>	(15.5)	(5.5)
Opening net debt			<b>(446.6)</b>	(441.1)	(441.1)
<b>Closing net debt</b>			<b>(1,074.2)</b>	(456.6)	(446.6)

## NOTES TO THE ACCOUNTS

for the twenty-four weeks ended 17 October 2004

### 1. BASIS OF PREPARATION

The interim accounts cover the 24 weeks to 17 October 2004. They have been prepared under the accounting

policies set out in the company's statutory accounts for the year to 2 May 2004 and are unaudited. The taxation charge is calculated by applying the forecast annual tax rate to the profit for the period adjusting for the tax effect of exceptional items.

A valuation was undertaken as at 20 December 2003 which was reflected in the accounts to 2 May 2004. In accordance with FRS 18, Accounting policies, the interim accounts for the 24 weeks ended 19 October 2003 have been restated to reflect the change in accounting policy and a prior year adjustment of £125.3 million has been made to increase the value of opening fixed assets and equity shareholders funds. There is no effect on the reported profit.

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 2 May 2004 have been derived from the statutory accounts which have been filed with the registrar of companies and on which the auditors gave an unqualified report.

### 2. BUSINESS SEGMENT ANALYSIS

	Assets employed £m	Turnover £m	EBITDA £m	Trading Profit £m	Trading change %
2004/05 (24 weeks)					
Pub Company	531.8	156.3	36.5	28.7	+8
Pub Partners	464.0	55.6	25.9	23.8	+8
Brewing Company	56.4	50.9	9.9	8.4	+8
Corporate	198.6	-	(4.0)	(4.5)	
	<b>1,250.8</b>	<b>262.8</b>	<b>68.3</b>	<b>56.4</b>	<b>+8</b>
Laurel Neighbourhood	501.6	51.6	13.5	11.2	
	<b>1,752.4</b>	<b>314.4</b>	<b>81.8</b>	<b>67.6</b>	
Amortisation of goodwill and exceptionals (note 3)	-	-	-	(5.7)	
Net debt	(1,074.2)	-	-	-	
	<b>678.2</b>	<b>314.4</b>	<b>81.8</b>	<b>61.9</b>	
	(As restated)				
2003/04 (24 weeks)					
Pub Company	521.1	155.4	34.2	26.6	
Pub Partners	408.0	53.4	23.9	22.1	
Brewing Company	57.2	49.4	9.2	7.8	
Corporate	77.6	-	(4.1)	(4.5)	
	1,063.9	258.2	63.2	52.0	
Amortisation of goodwill and exceptionals (note 3)	-	-	-	(3.2)	
Net debt	(456.6)	-	-	-	
	607.3	258.2	63.2	48.8	

	Assets employed (as restated) £m	Turnover £m	EBITDA £m	Trading Profit £m
2003/04 (52 weeks)				
Pub Company	535.3	331.6	73.8	56.9
Pub Partners	457.7	115.0	51.8	47.8
Brewing Company	55.0	106.1	19.2	16.1
Corporate	52.7	–	(7.9)	(9.0)
	1,100.7	552.7	136.9	111.8
Amortisation of goodwill and exceptionals (note 3)	–	–	–	(9.9)
Net debt	(446.6)	–	–	–
	654.1	552.7	136.9	101.9

Pub Company covers the results of managed houses, Pub Partners covers the results of tenanted houses and Brewing Company covers the results of brewing, marketing and selling beer. Laurel Neighbourhood covers eleven weeks trading of the acquired managed house business.

### 3. GOODWILL AND EXCEPTIONALS

	<b>24 weeks to 17.10.04 £m</b>	24 weeks to 19.10.03 £m	52 weeks to 02.05.04 £m
Amortisation of goodwill	<b>5.0</b>	3.2	7.0
<b>Exceptionals</b>			
Integration of Laurel Neighbourhood business	<b>0.7</b>	–	–
Revaluation losses on tangible fixed assets	–	–	2.9
	<b>5.7</b>	3.2	9.9

### 4. TAXATION

	<b>24 weeks to 17.10.04</b>		24 weeks to 19.10.03	52 weeks to 02.05.04
	<b>On profits before exceptional items £m</b>	<b>Exceptional items £m</b>	<b>Total £m</b>	<b>Total £m</b>
<b>Current taxation</b>				
Corporation tax before exceptional items	<b>11.5</b>	–	<b>11.5</b>	9.2
Exceptional credit	–	–	–	(1.7)
Recoverable on exceptional items	–	<b>(0.2)</b>	<b>(0.2)</b>	–
Corporation tax	<b>11.5</b>	<b>(0.2)</b>	<b>11.3</b>	7.5
Adjustment in respect of prior periods	–	–	–	–
	<b>11.5</b>	<b>(0.2)</b>	<b>11.3</b>	7.5
<b>Deferred taxation</b>				
Origination and reversal of timing differences	<b>2.0</b>	–	<b>2.0</b>	2.5
Total	<b>13.5</b>	<b>(0.2)</b>	<b>13.3</b>	10.0

The tax credit on non-operating exceptionals was nil (2003 – nil).

## 5. EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the profit after taxation of £29.4 million (2003 – £25.6 million) by the weighted average number of shares in issue of 71.3 million (2003 – 71.8 million).

Adjusted earnings per share excludes the effect of exceptional items and the amortisation of goodwill and is presented to show the underlying performance of the group.

Adjusted earnings per share	Earnings		Earnings per share	
	24 weeks to 17.10.04 £m	24 weeks to 19.10.03 £m	24 weeks to 17.10.04 p	24 weeks to 19.10.03 p
Basic	29.4	25.6	41.2	35.7
Goodwill and exceptionals	1.5	1.3	2.1	1.8
Adjusted	30.9	26.9	43.3	37.5

Diluted earnings per share has taken account of 0.9 million (2003 – 1.0 million) contingent shares under option.

## 6. LAUREL NEIGHBOURHOOD BUSINESS

The acquisition of Laurel Neighbourhood business was completed with effect from 1 August 2004.

### Estimated fair value of assets acquired

	£m
Tangible fixed assets	520.0
Cash	5.8
Net current liabilities	(9.6)
Provisions for liabilities and charges: deferred tax	2.8
	519.0
Estimated goodwill	161.2
	680.2
Satisfied by:	
Cash	188.9
Loan notes	11.4
Debt acquired	473.7
	674.0*
Fees	6.2
	680.2

\* Includes £20.0 million for working capital liabilities retained by vendor

## 7. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserve £m	Investment in own shares £m	Profit and loss account £m	Total £m
At 3 May 2004	18.0	189.2	282.8	1.0	(8.5)	171.6	654.1
Retained profit	-	-	-	-	-	22.0	22.0
Issue of share capital	0.1	1.8	-	-	-	-	1.9
Accrued share based payments	-	-	-	-	-	0.2	0.2
Transfers	-	-	(0.1)	-	-	0.1	-
<b>At 17 October 2004</b>	<b>18.1</b>	<b>191.0</b>	<b>282.7</b>	<b>1.0</b>	<b>(8.5)</b>	<b>193.9</b>	<b>678.2</b>

## 8. EBITDA

	24 weeks to 17.10.04 £m	24 weeks to 17.10.03 £m	52 weeks to 02.05.04 £m
Trading profit	61.9	48.8	101.9
Amortisation of goodwill and exceptionals	5.7	3.2	9.9
Trading profit before goodwill and exceptionals	67.6	52.0	111.8
Depreciation	14.2	11.2	25.1
	<b>81.8</b>	<b>63.2</b>	<b>136.9</b>

EBITDA represents earnings before interest, tax, depreciation, amortisation of goodwill and exceptionals.

## 9. WORKING CAPITAL AND NON CASH MOVEMENTS

	24 weeks to 17.10.04 £m	24 weeks to 19.10.03 £m	52 weeks to 02.05.04 £m
Increase in provision against investments	0.1	-	0.3
Increase in stocks	(0.1)	(0.7)	(0.6)
Decrease / (increase) in debtors	2.7	(3.7)	(0.8)
Increase / (decrease) in creditors	24.4	3.0	(0.5)
Accrued share based payments	0.2	-	0.3
	<b>27.3</b>	<b>(1.4)</b>	<b>(1.3)</b>

## INDEX OF DEFINED TERMS

*There follows an index of the defined terms used in this document, together with details of the page(s) on which such term is or are defined.*

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**REGISTERED AND HEAD OFFICE OF THE ISSUER**

**Greene King Finance plc**  
Fifth Floor  
100 Wood Street  
London EC2V 7EX

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

**HSBC Trustee (C.I.) Limited**  
1 Grenville Street  
St. Helier  
Jersey JE4 9PF  
Channel Islands

**LEGAL ADVISERS**

*To the Issuer and the Securitisation Group as to  
English law*

**Linklaters**  
One Silk Street  
London EC2Y 8HQ

*To the Managers, the Borrower Security Trustee  
and the Issuer Security Trustee as to English law*

**Freshfields Bruckhaus Deringer**  
65 Fleet Street  
London EC4Y 1HS

*To the Securitisation Group as to English law*

**Birketts Solicitors**  
24-26 Museum Street  
Ipswich  
Suffolk  
IP1 1HZ

**AGENT BANK AND PRINCIPAL PAYING  
AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**IRISH PAYING AGENT  
HSBC Institutional Trust Services (Ireland)**

**Limited**  
HSBC House  
Harcourt Centre  
Harcourt Street  
Dublin 2

**LISTING AGENT**

**Arthur Cox Listing Services Limited**  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2

**AUDITORS TO THE ISSUER AND THE SECURITISATION GROUP**

**Ernst & Young LLP**  
Compass House  
80 Newmarket Road  
Cambridge CB5 8DZ

