REPORT AND PROPERTY SUMMARY

ADDRESSED TO PROPLEND SECURITY LIMITED

The Company: District & Suburban Properties Limited (Company Number 02066154).

Transaction: Facility and lending to the Company.

Property: Land and buildings known as Imperial Works, Lambs Lane, Rainham, Essex RM13 9XL.

The Lender/s: As defined in the Security Documents.

1 SCOPE OF THE REVIEW AND LIMITATION OF LIABILITY

1.1 This report has been prepared for the sole benefit of you, Proplend Security Limited, in connection with the Transaction and for no other purpose.

1.2 The contents of this report are private and confidential. It must not be relied on by or made available to any other party without our written consent. We have already given our permission to you to provide this report to the Lenders and their solicitors but it should be noted that the Lenders and their solicitors are not entitled to rely on this report. It is supplied for information only. We will not answer any further questions on this report from anyone other than Proplend Security Limited.

1.3 The report is based on our review of the final draft of the certificate of title relating to the Transaction supplied by the Company's solicitors which we understand are also to be disclosed to the Lenders and their solicitors.

1.4 We have not inspected the Property and are unable to advise you on the physical condition of the Property. We would advise you to arrange for a survey of the Property to be carried out, if this has not already been arranged. A survey should identify any physical defects and may warn of potential defects.

1.5 We are unable to advise you on the value of the Property. We understand that you have instructed Kemsley LLP of Midland House, 109-113 Victoria Road, Romford RM1 2LX to provide a valuation of the Property. You should ensure that the valuer is aware of the matters mentioned in this report, as these may have an impact on their valuation. We draw your attention to clause 3 of the certificate of title. This requires the Company's solicitor to certify that the valuer has been sent the certificate of title and as such the

valuer should hopefully already be aware of any issues raised in this report and factored them into their valuation.

2 THE PROPERTY

2.1 The Property is used for a variety of commercial uses as detailed in the letting documents in the Certificate. The letting documents at the Property are all within the Landlord and Tenant Act 1954 (or in the case of the licences assumed to be within) and as such the occupiers will have security of tenure.

2.2 There are 19 tenancies in total and therefore too many tenancies to detail in this report. Instead we report on any issues or significant matters in the tenancies at paragraph 2.8 below. The details of the tenancies can be found in Schedule 5 (including the supplement at the end of Schedule 5) of the Certificate.

2.3 The Property is freehold and is known as Land and buildings known as Imperial Works, Lambs Lane, Rainham, Essex RM13 9XL.

2.4 The Property is registered at the Land Registry under title number EGL84070. The class of title is absolute freehold title. Absolute title is the best class of title available.

2.5 The registered owner of the Property is the Company.

2.6 The Property has the benefit of no significant rights.

2.7 The Property is encumbered by a right of way in favour of the Eastern Electricity Board in relation to an electricity substation site on adjoining land. The Company has confirmed in the Certificate that these rights do not impact on the use of the Property by the Company or its occupiers, in relation to the existing use. There are also restrictive covenants which prohibit:

2.7.1 a caravan being placed on the Property;

2.7.2 earth, gravel or sand pit being excavated at the Property;

2.7.3 bricks or tiles being burnt or made at the Property;

2.7.4 any lime or clay being burnt on the Property.

The Company has confirmed that neither it nor any of the occupiers of the Property have breached these covenants and that the tenants under the various tenancies are not permitted to use the Property for such uses.

2.8 The Certificate confirms that the Property is multi let. Details of the occupational tenancies are contained in schedule 5 (splits into various parts) of the Certificate. There are 19 tenancies at this Property and we highlight only the following:

2.8.1 The first five standard letting documents reported on are for leases that are for 999 year terms. These leases demise Units 1094, 1079, 1080, 1098, 1085, 1092 and 1086 and 13 car parking spaces. These leases are not income generating and all reserve a peppercorn rent with no rent review being applicable. The tenants under these tenancies do however pay and contribute to the service charge and insurance and pay a collective total of 32.4% of the total service charge and insurance costs.

2.8.2 The sixth standard letting document is a lease to Telefonica UK Limited for a telecoms communication site. Whilst this lease is for a ten year term, you should be aware that the Telecommunications Act 1984 as amended by the Communications Act 2003 grants powers to the electricity undertaker in relation to proposed redevelopment and termination of such tenancies. This is akin to security of tenure under the 1954 Act and you should be aware that in order to determine a tenancy and remove apparatus requires specific procedures to be followed. As you would expect with a site for telecoms equipment, there are various rights granted over the Property for the installation of equipment to and from the site. This tenant does not contribute to either the service charge or the cost of insurance. Also the tenancy does not oblige the tenant to keep the telecoms demise in repair.

2.8.3 The seventh letting document is described as a licence. It is this document that the remaining documents in the Supplement at the end of Schedule 5 of the Certificate are similar to. It should be noted that whilst these documents are stated to be licences it is considered that they more than likely leases, none of which are excluded from the security of tenure provisions of Part 2 of the 1954 Landlord and Tenant Act. Any notice given by the Company to determine the licence could be subject to challenge from the occupier that the licence could be treated as being a lease under the provisions of the Landlord and Tenant Act 1954. It is likely and should be assume that the occupants under these documents have acquired security of tenure.

2.8.4 In respect of the seventh letting document and those listed in the Supplement to Schedule 5 the rents are paid monthly rather than quarterly. No service charge is payable by these occupiers however the licences do allow for the occupiers to pay on demand a fair and reasonable proportion of all periodic outgoings. The occupiers under the licences are also under no repairing obligation and are only expected to leave the relevant premises in a clean and tidy condition and empty of the licensee's goods.

2.8.5 The second standard letting document dated 10th November 1989 demises units 1079, 1080 and 1098 and parking spaces 12, 13, 14, 15, 48, 49 and 59 Imperial Trading Estate, Lams Lane, Rainham. This lease has obviously been assigned to Westfield Hotel Limited and Adam Ali Gourpinar without putting into place a deed of covenant between the current occupiers and the Company. As the lease is an "old" lease (pre 1 January 1996), the old rules on privity of estate and privity of contract apply. Under the doctrine of privity of estate, while the tenant is the tenant, it is bound by the covenants in the lease which "touch and concern" the land. Most, but not necessarily all, lease covenants will touch and concern the land. There is no privity of contract between a landlord and an assignee of the lease by virtue of the assignment of the lease. Therefore landlords almost invariably require the assignee to give a direct covenant to the landlord to establish privity of contract and also catch any lease covenants which do not "touch and concern" the land. This has not occurred here and it is therefore possible that any covenants that are pure contractual covenants may not be enforceable against the current occupiers. It is however unlikely that the occupier will be aware of this circumstance and is likely to (if not actually required to) comply with any request to comply with a covenant. It is possible that The UK Contracts (Rights of Third Parties) Act 1999 may assist. This Act sought to reform the privity of contract rule and in theory gives a person who is not a party to a contract a right to enforce a term of that contract in specified circumstances. We do not believe that this has been tested with regard to this privity of contract issue where a landlord is an original party to the lease but not to the assignment.

2.9 The Property is not subject to any registered charges.

3 SIGNIFICANT DISCLOSURES MADE AGAINST THE STANDARD CONDITIONS OF THE CERTIFICATE OF TITLE

The certificate of title does disclose that the Property is within an area which continues to have a potential chancel repair liability. An indemnity insurance

policy will be in place on completion and the policy will insure the lenders with cover of at least £500,000.

4 LAND REGISTRY SEARCHES

4.1 A Land Registry official search shows whether the register for a property has changed since the copy of the register was originally issued to the Company's solicitor. The search also gives the applicant a "priority period". Any new entries that are registered in the priority period will not bind the applicant, as long as the Land Registry receives their application for registration within the priority period. The Land Registry official search has been carried out and the Company's solicitor confirms that:

4.1.1 there are no further issues raised by that search; and

4.1.2 priority will be afforded to the registration of the security in favour of Proplend Security Limited over the Property.

5 INSURANCE

The Company's solicitor has confirmed that your interest in the Property will automatically be noted on the insurance from completion of the Transaction.

6 CERTIFICATE OF TITLE

Following completion of the final Land Registry searches, the draft agreed certificates of title will be completed by the Company's solicitors and dated on the day of completion of the Transaction.

7 CONCLUSION

Subject to the matters referred to in this report, we are of the opinion that upon completion of the Transaction and registration at the Land Registry you will have a first legal charge over the Property to protect against the lending by the Company.

Signed: **KEYSTONE LAW**