



Geared Property Update

Austin Friars Approved Retirement Fund



Irish Life

1. About the Austin Friars Property

Austin Friars is situated within the main London City office core (EC2) and acts as a pedestrian thoroughfare linking Old Broad Street, Throgmorton Avenue and Austin Friars Square. Its central location also provides easy access to Liverpool Street, Bank and Moorgate underground tube stations. Built in the late 1800's, the property was redeveloped and refurbished a number of times to provide modern office accommodation. The building extends to 55,122ft² (5,121m²) over basement, lower ground, ground and five upper floors behind retained period facades.

The property is let to Avanta Managed Offices Limited on a 15 year lease from April 2007 on a full repairing and insuring lease with 11 years remaining. The first rent review is due on the property in 2012.

2. Performance of the Austin Friars ARF

Property Valuation – June 2011

This property was purchased in 2007 for Stg£38.1m (plus costs). The value of the property remains unchanged since December 2010 at Stg£31.3m.

See section 3 for further details on the valuation of the property.

Fund Return (unit price movements)

From 1st January 2011 to 30th June 2011

This valuation and all other factors contributing to the return on the fund such as the outstanding loan balance (Stg£24.47 million), loan interest expense, fund costs, rental income, exchange rate movements and fund management charge has resulted in the value of the units in the fund falling from 0.373 to 0.366 since the last valuation date i.e. 1st January to 30th June 2011.

From December 2007 (launch date) to 30th June 2011

The value of units in the fund have fallen 63.4% from launch in December 2007 to 30th June 2011.

The value of your plan is in your annual benefit statement and is the current guide value. This guide value also reflects any movements in the fund since the 30th June 2011.

3. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

Office Markets in the UK continue to be split between Central London and the rest of the Country. Central London with its safe haven status continues to attract overseas and institutional investors. With limited opportunities available, investors are competing aggressively, keeping pressure on yields. In terms of the office occupational market, a lack of development in London and rising demand has put upward pressure on rental levels. Outside London and excluding major Cities investment market conditions remain less buoyant overall. Regional occupier demand, while recovering, remains generally weak, due to elevated supply and concerns over the Governments austerity measures

Key risks to the sector come from debt and an pickup in credit availability continues to look unlikely. Major UK Banks continue to reduce their exposure to the sector; recent reports suggest that Lloyds bank is due to bring a large portfolio of distressed assets to the market.

Investor demand remains narrowly focused and the prime/non-prime yield spread remains almost three times higher than at the peak of the boom in 2007.

Property Update

The property continues to be fully let to Avanta Managed Offices Limited, a serviced office provider. As previously noted there have been ongoing communications with the tenant as they are experiencing significant difficulties with their banking situation. Irish Life has entered into an agreement with the tenant to defer part of their rent until Feb/March of 2012 to support its business and enable Avanta to extend their banking facilities with Lloyds. The bank guarantee that Irish Life holds with Lloyds expires in April 2012, if the tenant does not repay the deferred rent in Feb/March 2012 these monies can be claimed under the Bank Guarantee. After April 2012 the fund will be fully exposed to Avanta and its ability to pay rent as the protection given by the bank guarantee will be gone when the guarantee terminates.

Avanta has been successful in attracting serviced occupiers to the building over the last 6 months, albeit at low rents. In December 2010 the building was 50% occupied, currently there is over 85% of the building occupied due to the re-bounce in the city market. As part of the agreement with Avanta it has to provide accounting and occupational figures on a monthly basis in order that we can monitor the situation.

The valuers indicated that the value of the property would have increased in line with the city market which has shown good improvement over the 6 months to June 2011 but due to the uncertainty around the tenant the value of the property remained the same as December.

With regard to the loan on the property, the current interest cover ratio is 1.3. Prior to agreeing the deferment of rent with the tenant, PTSB gave their

agreement that capital repayments would not be made on the property until Feb/March 2012 when the deferred rent is received from the tenant.

Accordingly there has been no further reduction on the loan but the interest payments continue to be made in a timely manner. The amount outstanding on the loan in June 2011 is Stg£24.47m. The loan to value of the property stands at 78%.

4. Looking Ahead

- Monitor the tenants financial position and property occupancy rates closely over the coming months.
- Continue to track City office occupier requirements.
- The loan interest is being repaid quarterly. When the deferred rent is paid we will use these funds to reduce the value of the loan.

5. Keeping you up-to-date on your fund

Property valuations are completed in June and December each year. This property update reflects the last property valuation as at 30th June 2011. The accompanying benefit statement reflects an up-to-date value of your investment.

You can call your adviser or contact our Geared Property Services Team on 01 704 1831 to get an up-to-date value at any stage on your investment.

In the interest of customer service, we will record or monitor calls.

Warning: The value of investments may go down as well as up.

Past performance is not a reliable guide to future performance.

This product will be affected by changes in currency exchange rates.

The information provided is a guide only and may be subject to change.

The valuation details regarding the asset(s) in question are confidential and should be considered price sensitive information.

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