

PERFORMANCE REPORT 30 JUNE 2011

Geared Property Update Maidenhead Pension Fund



Irish Life

1. About the Maidenhead Property

Maidenhead is situated approximately 40kms west of Central London, in the Royal Borough of Windsor and Maidenhead. The location through its close proximity to Central London and surrounding principle towns of Reading and Slough, is underpinned by excellent transport links such as the M4, M40 and the M25. Built in various phases in the 1970's, 1980's and 1990's, the Nicholsons' Centre comprises a fully enclosed shopping centre providing approximately 190,000 ft² (17,651 m²) of retail and ancillary accommodation. In addition to the Centre, there is a period retail unit nearby in this fund, namely 69 High Street.

2. Performance of the Maidenhead Pension Fund

Property Valuation – June 2011

This property was purchased in 2007 for Stg£85.035m of which the fund's share (85%) was Stg£72.279m (plus costs). The fund's share of the value of the property stands at Stg£29.75 million which is a decrease in value of Stg£4.335 million over the first half of 2011.

This decrease in value this year mainly resulted from a number of lease expiries and the tenants not renewing e.g. Waterstones, JD Sports and a reduction in income from Miss Selfridge.

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

Negative Net Asset Value of Fund

The current guide value of your Maidenhead policy is €0.00 because the net asset value of the fund is negative. The loan for the Maidenhead property, (Stg£47.14 million) is in excess of the property value, (Stg£29.75 million) and all other contributing factors to the return of the fund such as previous valuations, loan interest expense, fund costs, rental income, exchange rate movements and fund management charge have resulted in the fund having negative equity. However, as the debt is on a non-recourse basis, the fund is valued at nil.

Please note that this negative equity will need to be recovered before the net asset value of the fund increases to a positive value and before the plan will be valued at greater than €0.00.

As you're aware, the Maidenhead Fund is a closed fund and investors cannot exit until maturity. When the fund matures, investors will receive a maturity value based on the sale price achieved at the time.

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

Consumers in the UK are under pressure. The resultant impact on consumer spending is having a dramatic impact on the retail property sector. The occupational market is very challenged with retailers going into administration and retailers downsizing. The effect of this is the availability of units is increasing, for which there is little demand. Rental levels have fallen in all but the most prime locations. Leases with rents linked to turnover, and

short term deals with high capital contributions are typical where retailers may look to take units.

Increased vacancy and lower rents have led to a fall in the value of shopping centres other than the super-prime centres. The investment market has seen a significant increase in the number of non prime centres for sale. This is having a further depressing effect on values, with limited investor demand for centres, particularly those with vacancies and rental income risks.

Centre Update

The market remains challenged in Maidenhead with an increasing number of retailers citing reluctance to move into the town as they fear cannibalisation of their stores in nearby towns. Those retailers which show any interest are still on very inhibiting terms which when analysed, do not make commercial sense.

The strategy for the centre is to continue to negotiate with tenants who have lease expiries like Thomas Cooke and Fineweave who have agreed to stay in occupation albeit on lower rents than they are currently paying. Also to engage with new retailers to see if they will take some of the vacant space in the centre. Café Nero opened for business in July in the unit facing the High Street which was previously occupied by Goldsmiths (who vacated at the end of their lease) and CEX opened at the beginning of June in the unit previously occupied by Evans. The tiling repairs on the property are at snagging stage.

With regard to the loan on this property which is with permanent tsb, the current outstanding loan balance is stg£47.1m. The loan is technically in default as the loan to value covenant has been breached (current loan to value is 144% compared to the loan covenant of 75%).

To date full interest repayments have been made however over recent quarters the net rental income has just been sufficient to cover the interest payments. Given the risks to rental income receipts it is possible that there will not be sufficient income available to meet interest repayments. The bank are aware of these risks and are monitoring the position closely.

4. Looking Ahead

- Seek to maximise rental income from the property
- Manage any void costs
- Continue to let units on short licences
- Continue to hold regular meetings with PTSB.
- Extend leases with tenants whose leases have expired.

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

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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