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COMPANIES FORM No. 395

Particulars of a mortgage or charge

395

Pursuant to section 395 of the Companies Act 1985

CHA 116

Please complete
legibly, preferably
in black type, or
bold block lettering

* insert full name
of company

To the Registrar of Companies

For official use

Company number

[12]

2689539

Name of company

* Southern House Limited (the "Chargor")

Date of creation of the charge

28th January, 1999

Description of the instrument (if any) creating or evidencing the charge (note 2)

Debenture

Amount secured by the mortgage or charge

All present and future obligations and liabilities whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever of each Obligor to the Bank under each Finance Document except for any obligation which, if it were so included, would result in the Debenture contravening Section 151 of the Companies Act 1985.

N.B. A reference to a person includes its successors and assigns.

A reference to a document is a reference to that document as amended, novated or supplemented.

Names and addresses of the mortgagees or persons entitled to the charge

Smurfit Paribas International (the "Bank") of I.F.S.C. House, Custom House Quay, Dublin 1, Ireland

Presentor's name address and
reference (if any):

Allen & Overy
One New Change
London

EC4M 9QQ

BK:230814.01 CHB/RHK

Time critical reference

For official use
Mortgage Section

Post room



Short particulars of all the property mortgaged or charged

See continuation sheet 1

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Please complete
legibly, preferably
in black type, or
bold block
lettering

Particulars as to commission allowance or discount (note 3)

Signed

Allen & Overy

Date

12 February, 1999

On behalf of [company] [mortgagee/chargee] †

† delete as
appropriate

NOTES

- 1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the Registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.
- 2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage" or "Legal charge", etc, as the case may be, should be given.
- 3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;
 - (a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or
 - (b) procuring or agreeing to procure subscriptions, whether absolute or conditional,for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.
- 4 If any of the spaces in this form provide insufficient space the particulars must be entered on the prescribed continuation sheet.

SHORT PARTICULARS OF ALL THE PROPERTY MORTGAGED OR CHARGED

1. Fixed Security

The Chargor, as security for the payment of all the Secured Liabilities, charges in favour of the Bank:

- (a) by way of a first legal mortgage:
 - (i) the Chargor Property; and
 - (ii) all estates or interests in any freehold or leasehold property (except the Chargor Property) now or hereafter belonging to it; and
- (b) by way of first fixed charge the assets relating to the Chargor Property and referred to in clause 2.1 (b) (Creation of fixed security) of the Debenture.

2. Assignment

The Chargor, as security for the payment of all the Secured Liabilities, assigns to the Bank by way of security:

- (a) all Rental Income; and
- (b) any guarantee of Rental Income contained in or relating to any Occupational Lease.

3. Floating Charge

The Chargor, as security for the payment of all of the Secured Liabilities, charges in favour of the Bank by way of a first floating charge all its assets not otherwise effectively mortgaged or charged by way of fixed mortgage or charge by paragraphs 1 (Fixed Security) and 2 (Assignment) above.

NEGATIVE PLEDGE

The Chargor shall not:

- (a) create or permit to subsist any Security Interest on any Security Asset other than any Security Interest created by the Debenture; or
- (b) sell, transfer, grant, or, subject to clause 16.15 (Occupational Leases) of the Credit Agreement, lease or otherwise dispose of any Security Asset or permit the same to occur, except for the disposal in the ordinary course of trade of any Security Asset subject to the floating charge created under Clause 3.1 (Creation of floating charge) of the Debenture.

PLEASE NOTE

- (a) The charges, mortgages and assignments granted by the Chargor under the Debenture are given with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994.

- (b) The terms of the other Finance Documents and of any side letters between any parties in relation to any Finance Document are incorporated in the Debenture to the extent required to ensure that any purported disposition of the Chargor Property contained in the Debenture is a valid disposition in accordance with Section 2(1) of the Law of Property (Miscellaneous Provisions) Act 1989.
- (c) A reference in the Debenture to any assets includes, unless the context otherwise requires, present and future assets.
- (d) A reference in the Debenture to a charge or mortgage of any freehold or leasehold property includes:
 - (i) all buildings and Fixtures on that property;
 - (ii) the proceeds of sale of any part of that property; and
 - (iii) the benefit of any covenants for title given or entered into by any predecessor in title of a Chargor in respect of that property or any moneys paid or payable in respect of those covenants.

TERMS DEFINED

In this Form 395:

"Borrower"

means the Chargor or Rex House Limited (Registered in England and Wales No. 1965907)

"Chargor Property"

means the freehold land known as land on the north side of Fox's Lane, Wolverhampton as the same is registered with title absolute at the Coventry District Land Registry under title number WM337122.

"Credit Agreement"

means the £1,433,750 credit agreement dated 28th January, 1998 between the Chargor, Rex House Limited, the Shareholder and the Bank.

"Debenture"

means the debenture dated 28th January, 1999 executed by the Chargor in favour of the Bank accompanying this Form 395.

"Finance Document"

means the Debenture, the Credit Agreement, the Shareholder Subordination Deed, the Guarantee or any other document designated as such by the Bank and the Borrowers.

"Fixtures"

means all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery on the Chargor Property belonging to the Chargor.

"Guarantee"

means the guarantee dated 28th January, 1999 executed by the Shareholder in favour of the Bank.

"Obligor"

means any Borrower or the Shareholder .

"Occupational Lease"

means any occupational lease or licence to which the Chargor Property may be subject from time to time.

"Rental Income"

means the aggregate of all amounts payable to or for the benefit or account of the Borrower in connection with the letting of the Chargor Property or any part thereof, including (without duplication or limiting the generality of the foregoing) each of the following amounts so payable:

- (a) rent (and any amount equivalent thereto) payable whether it is variable or not and however or whenever it is described, reserved or made payable or any guarantee thereof;
- (b) any amount payable by any surety or guarantor of any rent;
- (c) any increase of rent payable by virtue of an offer falling within the proviso of Section 3(1) of the Landlord and Tenant Act 1927;
- (d) any rent payable by virtue of a determination made by the Court under Section 24(A) of the Landlord and Tenant Act 1954;
- (e) sums received from any deposit held as security for performance of any tenant's obligations;
- (f) any other moneys payable in respect of occupation and/or usage of the Property and every fixture and fitting therein and any and every fixture thereon for display or advertisement, on licence or otherwise;
- (g) any profits awarded or agreed to be payable as a result of any proceedings taken or claim made for the same;
- (h) any damages, compensation, settlement or expenses for or representing loss of rent or interest thereon awarded or agreed to be payable as a result of any proceedings taken or claim made for the same net of any costs, fees and expenses paid (and which have not been reimbursed to, and which are not recoverable by, the Borrower from any party) in furtherance of such proceedings so taken or claim so made;
- (i) any moneys payable under any policy of insurance in respect of loss of rent or interest thereon;

- (j) any sum payable or the value of any consideration to be given by or on behalf of a tenant for the surrender or variation of any Occupational Lease or occupancy agreement; and
- (k) any interest payable on any sum referred to above and any damages, compensation or settlement payable in respect of the same,

but after deducting the following amounts to the extent included in the above:

- (i) those amounts (if any) (together with any value added or similar taxes charged thereon) due to the Borrower from any tenants under an Occupational Lease or other occupiers by way of contribution to insurance premiums and the cost of insurance valuations or by way of service charges in respect of costs incurred or to be incurred by the Borrower under any repairing or similar obligations or in providing services to such tenant or tenants of such building;
- (ii) any contribution to a sinking fund paid by any tenant or other occupier; and
- (iii) any value added tax or similar taxes payable on any of the items listed in paragraphs lettered (a)-(k) above.

"Secured Liabilities"

means all present and future obligations and liabilities whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever of each Obligor to the Bank under each Finance Document except for any obligation which, if it were so included, would result in the Debenture contravening Section 151 of the Companies Act 1985. The term "Finance Document" includes all amendments and supplements.

"Security Assets"

means all assets of the Chargor the subject of any security created by the Debenture.

"Security Interest"

means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

"Shareholder"

means CLS Holdings plc (Registered in England and Wales No. 2714781)

"Shareholder Subordination Deed"

means a subordination deed between the Borrowers, the Shareholder and the Bank substantially in the form of Schedule 4 of the Credit Agreement.

FILE COPY



CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 02689539

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A DEBENTURE DATED THE 28th JANUARY 1999 AND CREATED BY SOUTHERN HOUSE LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY TO SMURFIT PARIBAS INTERNATIONAL ON ANY ACCOUNT WHATSOEVER UNDER EACH FINANCE DOCUMENT (AS DEFINED) WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 13th FEBRUARY 1999.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 17th FEBRUARY 1999.

M. Cornelius

M. CORNELIUS

for the Registrar of Companies



C O M P A N I E S H O U S E