

CBRE LOAN SERVICES LIMITED

# NEMUS II (ARDEN) PLC

## SERVICER SUMMARY REPORT TO INVESTORS

**REPORT AUTHOR**

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**INTEREST PERIOD:**

15/05/2018 - 15/08/2018

**CBRE**

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## Executive Summary

Unless stated otherwise all amounts in this report are in GBP (£)

	Current	Previous	Issue
Effective Date	15/08/2018	15/05/2018	14/12/2006
Loan Balance	31,430,905	32,030,905	260,872,748
Scheduled Amortisation for Period	0	0	
Unscheduled Amortisation for Period	600,000	600,000	
Partial Repayment	0	0	
Full Repayment	0	0	
Number of Loans	1	1	6
Number of Properties	1	1	22
Number of Tenants (Commercial)	3	3	86
Number of Delinquencies	0	0	0
Number of Loans not Current (Whole Loan)	0	0	0
Weighted Average ICR on securitised loan balance	481.5%	481.5%	130.6%
Weighted Average LTV Ratio on securitised loan balance	92.4%	94.2%	69.9%
# Loans currently in Special Servicing	1	1	
Outstanding Loan Balance of Loans in Special Servicing	31,430,905	32,030,905	
% of Total Pool of Loans in Special Servicing	100.00	100.00	

### Summary Comments:

**Loan 5 (Fern)**, A further cash sweep amortisation amount of £600,000 has been paid this IPD. Securitised LTV is now 92.4%

## Loan Distribution

Loan Name	ORIGINAL BALANCES			CURRENT BALANCES			Next Period Interest Rate (incl. of Margin)%									
	Whole Loan	Securitised Portion	B Loan	Whole Loan	Securitised Portion	B Loan	Loan Maturity	Original Securitised LTV%	Current Securitised LTV%	Original Whole Loan LTV%	Current Whole Loan LTV%	Remaining Loan Term (Mths)	Escrow Balance GBP	Whole Loan	Securitised Portion	Mortgage Repayment Type
1 - Castle Properties (Jersey) Limited	11,320,000	11,320,000		0	0	0	31/01/2011	79.2		79.2						Loan Prepaid 25/10/2010
5 - Fern Trustee 1 Ltd and Fern Trustee 2 Ltd as Trustees for Buchanan House Unit Trust	49,873,073	43,873,073	6,000,000	37,062,748	31,430,905	5,631,843	31/10/2013	75.0	92.4	85.3	108.9	0	180,417	2.6103%	2.4943%	Loan Expired
6 - Oriel Property Limited	32,999,542	23,429,675	9,569,867	0	0	0	31/10/2011	60.0		84.5						Loan Repaid 5/3/2012
<b>Totals</b>	<b>302,732,615</b>	<b>260,872,748</b>	<b>41,859,867</b>	<b>37,062,748</b>	<b>31,430,905</b>	<b>5,631,843</b>		<b>Weighted Average</b>				* includes 1% default Margin				
								<b>69.9</b>	<b>92.4</b>	<b>80.8</b>	<b>108.9</b>					

**Notes:**

Interest is calculated on an Actual/365 day count basis.  
LTVs have been calculated using the most recently available property valuations.

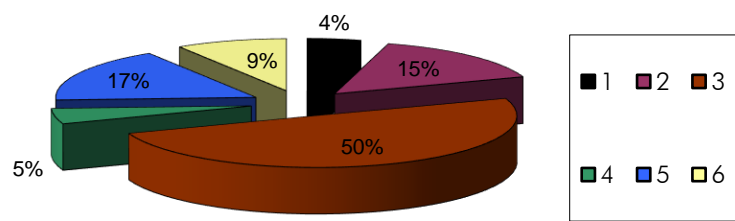
## Repayments/Prepayments

Reference Obligation	Whole Loan		Securitisation						
	Original Whole Loan	Current Amount Outstanding	Original Loan	Repayment Amount	Prepayment Amount	Cumulative Scheduled Amortisation	Cumulative Unscheduled Amortisation	Unpaid Amortisation	Current Amount Outstanding
Castle Properties (Jersey) Limited	11,320,000	0	11,320,000	9,731,330	1,588,670	0	0	0	0
Chainmill Properties Limited	46,290,000	0	40,000,000	0	40,000,000	0	0	0	0
Kirkglade Limited	149,810,000	0	129,810,000	124,355,383	0	5,454,619	0	0	0
Carlton House Investments Limited	12,440,000	0	12,440,000	10,690,000	0	1,750,000	0	0	0
Fern Trustee 1 Ltd & Fern Trustee 2 Ltd	49,873,073	37,062,748	43,873,073	0	0	2,692,168	9,750,000	0	31,430,905
Oriel Property Limited	32,999,542	0	23,429,675	5,088,804	17,734,182	143,855	462,834	0	0
<b>Total</b>	<b>302,732,615</b>	<b>37,062,748</b>	<b>260,872,748</b>	<b>149,865,517</b>	<b>59,322,852</b>	<b>10,040,642</b>	<b>10,212,834</b>	<b>0</b>	<b>31,430,905</b>

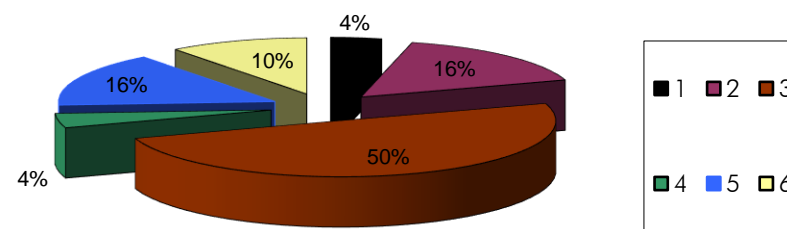
## Balance / Valuation History (Cut Off)

Reference Obligation	No of Properties	No of Tenants	Reference Obligation Amount (Cut Off)	Cut off Valuation	Valuer	Valuation Date	Property Type	Region
1	5	26	11,320,000	14,300,000	Cushman and Wakefield, Healey and Baker	28/10/2005	Mixed Use - Industrial, Retail and Office	Jersey, UK
2	1	3	40,000,000	61,000,000	GVA Grimley LLP	03/05/2006	Office	London, UK
3	1	9	129,810,000	187,000,000	Jones Lang Lasalle	03/08/2006	Office	London, UK
4	3	43	12,440,000	15,500,000	GVA Grimley LLP	27/06/2006	Mixed Use Commercial	Midlands, UK
5	1	3	43,873,073	58,500,000	Jones Lang Lasalle	02/08/2006	Office	Scotland, UK
6	11	1	23,429,675	39,050,000	Colliers CRE	29/08/2006	Retail	UK, various
<b>Total</b>	<b>22</b>	<b>85</b>	<b>260,872,748</b>	<b>375,350,000</b>				

Obligation Amount



Cut off Valuation

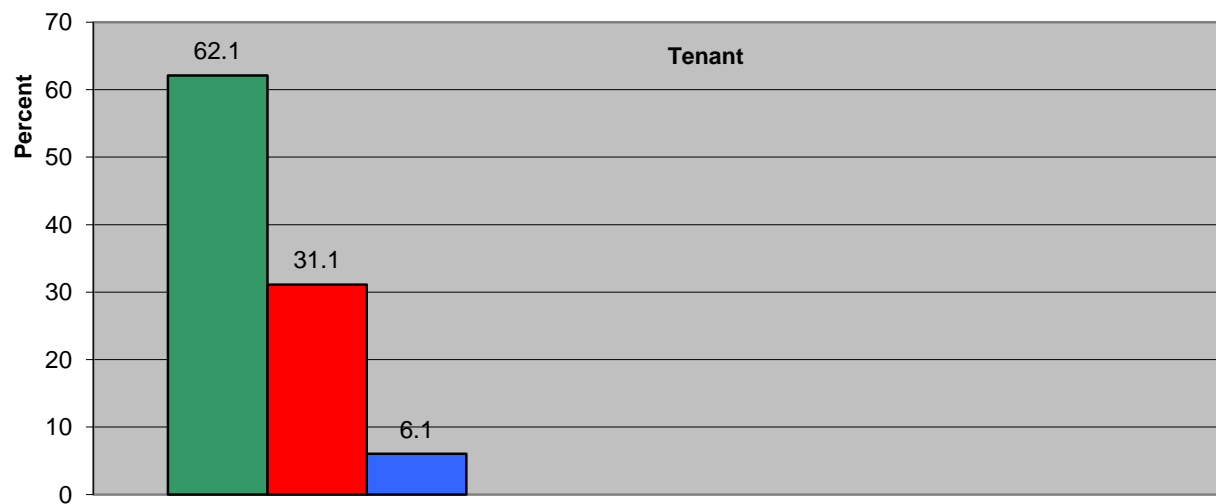


Balance / Valuation History (Current)

Reference Obligation	No of Properties	No of Tenants (Commercial)	Reference Obligation Amount (Current)	Current Valuation	Valuer	Valuation Date	Property Type	Region
1	0	0	0	0				
2	0	0	0	0				
3	0	0	0	0				
4	0	0	0	0				
5	1	3	31,430,905	34,020,000	Lambert Smith Hampton	07/10/2016	Office	Scotland, UK
6	0	0	0	0				
<b>Total</b>	<b>1</b>	<b>3</b>	<b>31,430,905</b>	<b>34,020,000</b>				

## Top 10 Tenants

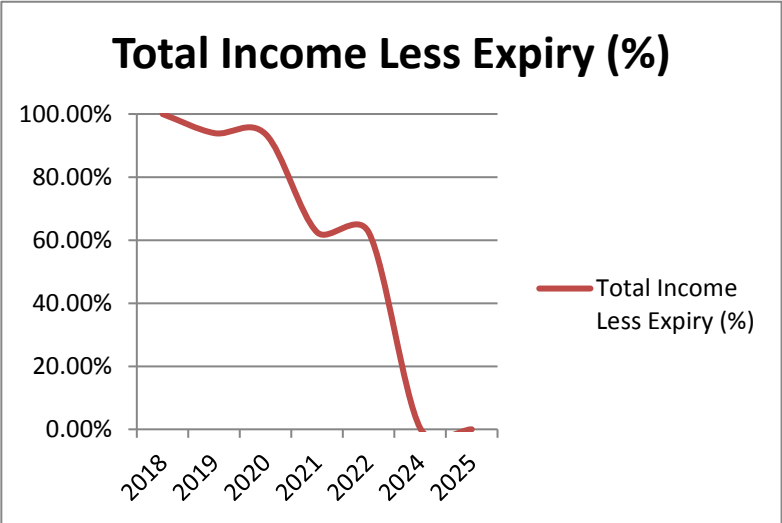
Rank	Tenant	Loan No.	Net Rental Income p.a (£)	%of Net Annual rent	Cumulative %
1	Network Rail Infrastructure	5	2,190,456	62.1	62.1
2	Transport Scotland	5	1,097,635	31.1	93.3
3	Scott Wilson Railways	5	213,248	6.1	99.3
4					
5					
6					
7					
8					
9					
10					





Lease Expiry Profile

Year	Rental Income Expiring (%)	Total Income Less Expiry (%)	Rental Income Expiring / Breaking (£)	Total Income Less Expiry (£)
2018	0.00%	100.00%	0	3,525,793
2019	6.05%	93.95%	213,248	3,312,545
2020	0.35%	93.60%	12,454	3,300,091
2021	31.13%	62.47%	1,097,635	2,202,456
2022	0.00%	62.47%	0	2,202,456
2024	62.13%	0.34%	2,190,456	12,000
2025	0.34%	0.00%	12,000	0



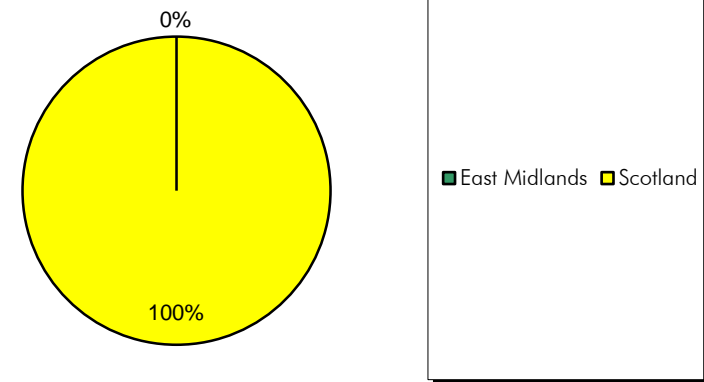
## Vacancies / Voids

Loan	Lettable area (Sq ft)	Vacant area (Sq ft)	Vacancy % (cut off)	Vacancy (previous quarter)	Vacancy (current)
1	0	0	0.0%	0.0%	0.0%
2	0	0	0.0%	0.0%	0.0%
3	0	0	0.0%	0.0%	0.0%
4	0	0	0.8%	0.0%	0.0%
5	196,871	3,448	1.7%	1.75%	1.75%
6	0	0	0.0%	0.0%	0.0%
<b>Total</b>	<b>196,871</b>	<b>3,448</b>	<b>0.81%</b>	<b>1.75%</b>	<b>1.75%</b>

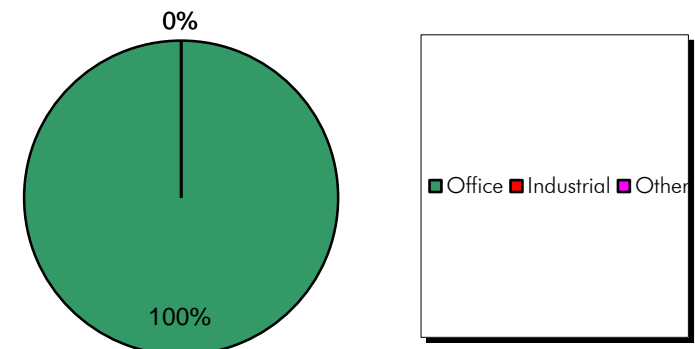
Region	Lettable area (Sq ft)	Vacant area (Sq ft)	Vacancy % (cut off)	Vacancy (previous quarter)	Vacancy (current)
London	0	0	0.0%	0.0%	0.0%
East Midlands	0	0	0.0%	0.0%	0.0%
Scotland	196,871	3,448	1.6%	1.75%	1.75%
S W England	0	0	0.0%	0.0%	0.0%
Wales	0	0	0.0%	0.0%	0.0%
N W England	0	0	0.0%	0.0%	0.0%
Other	0	0	0.0%	0.0%	0.0%
<b>Total</b>	<b>196,871</b>	<b>3,448</b>	<b>0.81%</b>	<b>1.75%</b>	<b>1.75%</b>

Sector	Lettable area (Sq ft)	Vacant area (Sq ft)	Vacancy % (cut off)	Vacancy (previous quarter)	Vacancy (current)
Office	196,871	3,448	0.8%	1.75%	1.75%
Industrial	0	0	11.8%	0.0%	0.0%
Other	0	0	0.0%	0.0%	0.0%
Mixed Use	0	0	0.0%	0.0%	0.0%
Retail	0	0	0.0%	0.0%	0.0%
<b>Total</b>	<b>196,871</b>	<b>3,448</b>	<b>0.81%</b>	<b>1.75%</b>	<b>1.75%</b>

Lettable Area by Region (Sq Ft)



Lettable Area by Sector (Sq Ft)



Notes to Table

**Loan 5 Fern Trustee 1 Ltd and Fern Trustee 2 Ltd**

Loan Information	
Original Loan Balance	£43,873,073
Current Loan Balance	£31,430,905
Amortisation per quarter	per amortisation schedule
Prepayment	0
Status	Special Servicing
Dividend Trap exceeded	No

Property Information	
Number of Properties	1
Location/s	Scotland
Sector	Office
Total sq ft	196,871
Vacancy sq ft	3,448
Vacancy rate	1.8%
Passing Rent p.a.	£3,525,793
Net Rent p.a.	£3,525,793
No of Tenants	3

Top 5 Tenants			
Tenant	Rent p.a.	Expiry Date	% of total rent
Network Rail Infrastructure	£2,190,456	28/11/2024	62.1%
Transport Scotland	£1,097,635	28/04/2021	31.1%
Scott Wilson Railways	£213,248	28/11/2019	6.0%

Financial Information			
%	Whole	Securitised	
Calculation per CREFC			
Loan to Value	112.5	92.4	
ICR	394.7	481.5	
DSCR	110.4	116.5	
Calculation per Facility Agreement			
Loan to Value	112.5	92.4	
ICR*	N/A	N/A	
DSCR	N/A	N/A	

\* 12 month forward looking covenant - no longer calculated

**Commentary**

All surplus rental income is being cash swept and retained on Deposit. Nemus II Investors continue to receive interest, interest payments to the B Lender have been suspended.

**Status Update from Special Servicer**

**August 2017** - Works on site have mainly paused due to the aftermath of the fire at Grenfell Tower in London. At the request of the Tenants, the contractor has undertaken to provide further information on the cladding specification and installation. It has been confirmed that the solid panels (as opposed to the majority which are glass) are of aluminium but, unlike Grenfell Tower do not involve the use of aluminium composite material which has a plastic core. The Contractor, with its advisers, have had meetings with those advising the Borrower and Tenants to discuss concerns and provide information, the latest meeting being held on 3 August. Unfortunately, given the threat of criminal charges arising out of the current police investigations as to the causes of the spread of the fire at Grenfell Tower, material manufacturers are reluctant to provide relevant information due to concerns arising in respect of other buildings. Additionally, the authorities are focusing investigations and remedial action on residential buildings. The original and replacement cladding is also firestopped at each floor and the original cladding was removed in 2003 as part of the original refurbishment.

**November 2017** - Following retesting, one type of insulation being used in the recladding of the building has been reclassified as Medium Risk rather than the Low Risk classification it had at the time it was specified. An alternative solution has been designed and is currently under discussion with representatives of the Borrower and its tenants. The latest indications are that as a result of work on site having to stop following the Grenfell Tower fire and the need to redesign some elements, the works are now expected to complete during autumn 2018.

**February 2018** - The contractors and their designers and specialist manufacturers continue to work up a solution to the cladding issues arising from the Grenfell Tower incident. This will involve replacing some of the replacement cladding already installed, due to the reclassification referred to last quarter. At the same time the contractor is in discussion with the tenants concerning the ability to resequence the work in order to complete the remainder of the work in shorter time frame than otherwise allowed once the works restart. The contractor is still stating that the works will be completed during 2018. The Special Servicer and the Borrower are actively considering an appropriate realisation timescale but this will depend on greater clarity as to the start date for the remainder of the works and the rectification of the replacement cladding referred to above.

**May 2018** - Following the activity over the last 9 months, the contractor has continued to replace the panels which failed on 'post Grenfell' retesting and completing the works to reclad the front (west) block. At a meeting on 3 May between the contractor, the landlord and the tenants and their respective advisers, which the Special Servicer also attended, the contractor confirmed (i) works to the front block should be completed by early June; (ii) the cladding on the rear (north) block will only use inert insulation; (iii) preparation works for the rear block are ongoing; (iv) cladding panels for the rear block are in course of manufacture and some are already available; and (v) the contractor restated its intention to complete the works autumn 2018. Appropriate access arrangements for the revised programme are broadly agreed with the tenants, who are planning for full occupation to resume later this year.

**August 2018** - Recladding and rectification works to the front (western block) have been completed subject to certain finalisation matters. All cladding has now been removed from the rear block and recladding has commenced. The contractors are still expecting to complete the works Q4 2018.

## Loan Obligations Repaid

Loan No	Loan Name	Original Loan Balance	Date Loan Repaid	Comments
1	Castle Properties (Jersey) Limited	£11,320,000	25 October 2010	Loan Prepaid
2	Chainmill Properties Limited	£40,000,000	04 September 2012	Loan Prepaid
6	Oriel Property Limited	£23,429,675	05 March 2012	The loan matured on 31/10/2011. Through a combination of property sales and a refinancing exercise full repayment of the loan was finally completed on the 5th March 2012.
3	Kirkglade Limited	£129,810,000	31 October 2016	Loan repaid at scheduled maturity
4	Carlton House Investments Limited	£12,440,000	12 April 2017	Loan repaid through a combination of a property sale and refinancing

## Delinquency Information

### 1 Arrears, Losses and Recoveries

#### 1.1 Loan arrears at the end of the Collection Period .

Days in Arrears	No. of Accounts	Arrears Balance	Total Balance
1-90	1		
91-180	1		
> 180	1		

#### Commentary:

#### 1.2 No loan enforcement proceedings had begun at the end of the Collection Period

Months in Arrears	No. of Accounts	Arrears Balance	Total Balance	Status	Provision	Comments
1-3	Nil	Nil	Nil	N/A	N/A	N/A
4-6	Nil	Nil	Nil	N/A	N/A	N/A
7-9	Nil	Nil	Nil	N/A	N/A	N/A
10-12	Nil	Nil	Nil	N/A	N/A	N/A
>12	Nil	Nil	Nil	N/A	N/A	N/A

#### Commentary:

#### 1.3 There are no ongoing loan enforcement proceedings

Borrower	Amount Written Off	Provision	Enforcement	Comments
N/A	Nil	N/A	N/A	N/A

#### Commentary:

There are no breaches of any terms of the Loans known to the Servicer likely to prejudice the value of the Loan

#### 1.4

Borrower	Nature of Breach	Commenced	Comments

#### Commentary

Orders for possession have been granted in respect of:  
N/A

Orders for possession are pending in respect of:  
N/A

SPECIAL NOTICES ISSUED

NEMUS II (Arden) plc

No new notices posted in current period

<p><b><u>Issuer</u></b></p> <p>NEMUS II (Arden) plc 35 Great St. Helen's London EC3A 6AP</p>	<p><b><u>Swap Counterparty</u></b></p> <p>HSBC Bank plc 8 Canada Square London E14 5HQ</p>	<p><b><u>Calculation and Reporting Agent</u></b></p> <p>Wells Fargo Securitisation Services Limited, 25 Canada Square, London E14 5LQ</p>	<p><b><u>Loan Servicer and Special Servicer</u></b></p> <p>CBRE Loan Services Limited, Henrietta House, Henrietta Place, London W1G 0NB</p>
<p><b><u>Loan Security Agent</u></b></p> <p>HSBC Trustee (CI) Limited, 1 Grenville Street St Helier, Jersey JE4 9PF</p>	<p><b><u>Principal Paying Agent, Operating Bank</u></b></p> <p>HSBC Bank plc 8 Canada Square London E14 5HQ</p>	<p><b><u>Cash Manager and Agent Bank</u></b></p> <p>HSBC Bank plc 8 Canada Square London E14 5HQ</p>	<p><b><u>Note Trustee and Issuer Security Trustee</u></b></p> <p>The Law Debenture Trust Corporation plc Fifth Floor, 100 Wood Street, London, EC2V 7EX</p>

This report has been prepared by CBRE Loan Services Limited.  
For further information please contact:

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